Moody's Investors Service

# Credit Opinion: Aktia Bank p.l.c.

Global Credit Research - 25 Sep 2009

*Helsinki, Finland*

## Ratings

| **Category** | **Moody's Rating** |
|---|---|
| Outlook | Stable |
| Bank Deposits | A1/P-1 |
| Bank Financial Strength | C |

## Contacts



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## Key Indicators

### Aktia Bank p.l.c.

| | [1]**2009** | [2]**2008** | **2007** | **2006** | **2005** | [3]**Avg.** |
|---|---|---|---|---|---|---|
| Total assets (EUR billion) | **9.13** | **9.52** | **--** | **--** | **--** | **--** |
| Total capital (EUR billion) | **0.57** | **0.55** | **--** | **--** | **--** | **--** |
| Return on average assets | **0.40** | **--** | **--** | **--** | **--** | **--** |
| Recurring earnings power [4] | **0.96** | **--** | **--** | **--** | **--** | **--** |
| Net interest margin | **1.70** | **--** | **--** | **--** | **--** | **--** |
| Cost/income ratio (%) | **54.70** | **190.35** | **--** | **--** | **--** | **190.35** |
| Problem loans % gross loans | **1.05** | **0.50** | **--** | **--** | **--** | **0.50** |
| Tier 1 ratio (%) | **9.20** | **9.30** | **--** | **--** | **--** | **9.30** |

[1] As of June 30. [2] Statement period in which the bank switched to Basel II accounting framework. [3] The average calculations are based on Basel I and Basel II data where applicable. [4] Preprovision income % average assets.

## Opinion

**SUMMARY RATING RATIONALE**

Moody's assigns a C bank financial strength rating (BFSR) to Aktia Bank plc, which translates into a baseline credit assessment (BCA) of A3. The rating is supported by Aktia Bank's established - albeit small - franchise, prudent risk and liquidity management and good financial fundamentals, particularly asset quality and capital adequacy. Key elements constraining the BFSR include the bank's limited market position in the competitive banking market, which is likely to lead to continued pressure on its profitability and high borrower risk concentration.

Aktia Bank is the fifth-largest bank in Finland, with a focus on the retail market. In addition, it acts as the central financial institution for independent savings banks and local co-operative banks.

Aktia Bank's long-term global local currency (GLC) deposit rating of A1/P-1 is supported not only by the bank's A3 BCA, but also by the Aaa local currency deposit ceiling of Finland, which we consider the underlying support provider. As a result of Aktia Bank's importance to the Finnish economy and its role as the central financial institution, Moody's assesses a high probability of systemic support for the bank in the event of a stress situation. Consequently, Aktia Bank's GLC deposit rating benefits from a two-notch uplift from the BCA.

**Credit Strengths**

- Stable regional franchise and good customer penetration of the bilingual coastal areas of Finland

- Key role as the central financial institution of independent savings banks and local co-operative banks, which has translated into new business opportunities

- Satisfactory capitalisation

- Good asset quality

**Credit Challenges**

- Maintaining good asset quality across the economic cycle

- High borrower risk concentration and unseasoned loan book given strong loan growth in the past few years

- A small player with a modest national market share

- Pressure on margins and income generation in a competitive operating environment

- Risks related to the insurance business (at the parent entity level)

- Improving cost efficiency

- Increased reliance on market funding

**Rating Outlook**

The outlook on all of Aktia Bank's ratings is stable.

**What Could Change the Rating - Up**

Given Aktia's relatively small franchise, an upgrade of the BFSR is unlikely unless there was a significant improvement in the bank's financial fundamentals and/or a change in the size of the franchise. However, the former is unlikely given the weakening economic outlook in Finland.

**What Could Change the Rating - Down**

Downward pressure on the BFSR could result from deterioration in the bank's asset quality or liquidity position and/or higher risk appetite in conjunction with increased risks related to the insurance business and/or an erosion of the bank's profitability and market share.

The bank's GLC deposit rating could be downgraded in the event of one of the following scenarios taking place: (i) Aktia Bank's BFSR being downgraded; or (ii) Moody's assessing the probability of systemic support as lower. The current support assessment is supported by the agreement that Aktia Bank acts as the central financial institution for the independent savings banks and local co-operative banks.

**Recent Results and Company Events**

Aktia Group's organisational structure was changed in late 2008 and early 2009. At the end of September 2008, Aktia Savings Bank plc transferred banking operations to Aktia Bank plc. Aktia Savings Bank plc, which owned all shares in Aktia Bank plc, ceased to conduct banking operations and continued its operations as a parent company in the Aktia Group under the name Aktia plc. Aktia Bank, which is Aktia Group's banking arm, accounts for the major part of the Group assets. At end-June 2009, Aktia Bank accounted for 90% of Aktia's total assets.

Aktia Bank reported pre-tax profit of EUR 24.5 million in H1 2009. Net interest income stood at EUR 72 million and accounted for 74% of total operating income in H1 2009. The bank's net fee and commission income was EUR 18 million and accounted for 18% of total operating income. The net interest margin was 1.7% for the period. At the parent entity level, Aktia plc reported pre-tax profit of EUR 16.5 million for H1 2009, down from EUR 22.8 million in the respective period last year.

It should be noted that due to the fact that Aktia Bank Plc was founded and started its operations on 30 September 2008 no comparative income statement figures have been published for the bank. Disclosed quarterly financials of Aktia Bank cover Q1-Q2 2009 only.

Aktia Bank reports satisfactory capitalisation: the Tier 1 and total capital adequacy ratios stood at 9.2% and 14.7%, respectively, at end-June 2009.

Despite the contracting Finnish economy the bank continues to report good asset quality. Aktia Bank's problem loans (i.e. individually impaired and over 90 days past due, but not impaired loans) accounted for 1.1% of gross loans at end-June 2008.

**DETAILED RATING CONSIDERATIONS**

Detailed considerations for Aktia Bank's currently assigned ratings are as follows:

**Bank Financial Strength Rating**

Moody's assigns a C BFSR to Aktia Bank. The main elements underpinning the BFSR are the bank's good liquidity and risk management, good asset quality and satisfactory capitalisation. Key elements constraining the BFSR include its limited market position in the competitive banking market, which is likely to lead to sustained pressure on its profitability, high borrower risk concentration and potential risks related to the insurance businesses.

As a point of reference, the assigned BFSR is at the same level as the C outcome of Moody's bank financial strength scorecard. In

Moody's opinion, the C BFSR is an appropriate measure of Aktia Bank's financial strength given the current challenges facing the bank in the highly competitive environment, both in banking and in insurance, as well as slowing economic growth.

Qualitative Factors (50%)

Factor 1: Franchise Value

Trend: Neutral

Aktia Bank's franchise value is underpinned by a good product range, tailored services and focus on proximity banking. Historically, the bank has had a good position among the Swedish-speaking population, but it has recently concentrated on growing among the Finnish-speaking population.

In 2008, Aktia Group's legal structure was changed. The banking business of Aktia Savings Bank plc was transferred to Aktia Bank, which was simultaneously converted into a public limited liability company. As a result, Aktia Savings Bank plc, which owns 100% of the shares in Aktia Bank plc, ceased to conduct banking operations and has continued as a holding company of the Aktia Group under the name Aktia plc (Aktia). Also, in January 2009, the merger of Aktia and Veritas Non-Life Insurance was implemented and, at the same time, Veritas Non-Life Insurance changed its name to Aktia Non-Life Insurance. It operates as a separate daughter company within Aktia Group. In December 2008, Aktia Bank acquired Iceland's Kaupthing Bank's asset management operations in Finland. The bank's total fund market share stood at 3.7% in 2008.

Aktia Plc's operations are divided into four subsidiaries: Aktia Bank Plc, Aktia Non-Life Insurance Company Ltd., Aktia Life Insurance Company Ltd., Aktia Real Estate Agencies. Aktia Bank Plc's banking business includes: Aktia Real Estate Mortgage Bank plc, Aktia Card & Finance, Aktia Corporate Finance and Aktia Fund Management. In terms of total assets, traditional banking business (as represented by Aktia Bank Plc) accounted for 90% of Aktia Plc's total assets at end-June 2009.

We note positively Aktia's widening product range, which should support Aktia Bank's franchise going forward. With regards the insurance operations at the group level, the bank's challenges are related to the integration as well as intense competition in the Finnish insurance market, which is dominated by a few large players.

Aktia Bank has around 90 branches, located mainly in the coastal areas of Finland and also in the capital area and largest inland towns. It is a relatively small player and the fifth-largest bank in the market, which is dominated by three large banks. The bank has gradually improved its market shares - 4.2% in retail mortgages, 1.7% in corporate loans and 3.7% in mutual funds at end-2008. In addition, Aktia Group has a market share of above 4.3% in life insurance products. The market share within non-life insurance is around 1%. The merger with Aktia Non-Life gave the group more than 70,000 new shareholders, which provides the group with new cross-selling opportunities.

The bank remains focused on retail banking, particularly mortgage lending and savings products, as well as SMEs. About 80% of the loan portfolio is to retail customers, 15% to corporates and 4% to housing associations.

Over the past couple of years, the group has expanded into the potentially more volatile business areas of life and non-life insurance. Indeed, these risks materialised last year, as the life insurance operations' poor investment performance burdened the bank's profits.

Going forward, the earnings volatility will be somewhat reduced as Aktia Bank's insurance operations were transferred to its parent company Aktia plc. Moody's estimates that over 60% of the bank's earnings stem from more stable sources such as the retail banking and asset management operations.

In light of these factors, the overall score for Aktia Bank's franchise value is C.

Factor 2: Risk Positioning

Trend: Neutral

The bank's risk profile is sound and its risk management practices are in line with its limited risk appetite. The group has an independent risk function reporting to the managing director. In addition, no major control issues have arisen in recent years.

Aktia Bank's largest shareholder is Helsinki Savings Bank Foundation with a 19% stake and 24 savings bank foundations collectively hold 48% of its shares. The bank has, however, announced its intention to list the company on the Helsinki Stock Exchange, although this is dependent on market conditions. We do not see any corporate governance issues for Aktia Bank and the practices it follows are in line with Finnish regulations. The bank's related party exposure is insignificant.

The borrower concentration risk is high although somewhat lower than in many other Nordic banks of similar size. This is largely a reflection of its significant focus on retail banking, which dominates the loan portfolio (80% of total loans at end-2008).

The top 20 corporate exposures represent over 130% of the bank's Tier 1 capital. Industry concentration risk is well contained due to the bank's dominating focus on the retail sector. The largest industry sector is commercial real estate, which represents around 7% of total lending and around 150% of Tier 1 capital. In addition, 4% of the loans are to housing associations, which we generally regard as relatively low risk.

The bank's liquidity is good and has improved in recent years. Due to strong historic loan growth, Aktia Bank's reliance on market funding has increased somewhat, but deposits still represent the most important source of funding - around 40% of total funding compared with over 60% in 2004 and earlier. As regards market funding, we note that the covered bonds (rated Aaa by Moody's) issued via the subsidiary Aktia Real Estate Mortgage Bank are included in Aktia Bank's market funding as a whole, although a part of the loans were granted and are managed by independent savings banks and local co-operative banks. Aktia has 70% of votes and 53.7% of shares in Aktia Real Estate Mortagage Bank. Overall, Aktia Bank is targeting a mixed funding profile comprising deposits, covered bonds and short-term interbank and wholesale funds.

The bank's liquid assets account for 35% of total assets (end-June 2009) and consist mainly of highly rated covered bonds and senior bonds of financial institutions, but also include a small amount (around 2%) of European RMBS instruments. Thanks to its prudent liquidity management, the bank could refrain from raising funds in the capital markets for a 12-month period if market conditions were to prevent access to the capital markets.

The bank's market risk appetite is limited. Market risk mainly consists of interest risk that the bank actively hedges against potential changes. Conservative limits on interest rate and foreign exchange risks are calculated on the basis of budgeted net interest income and the capital base, respectively. At end-2008, a 100-basis-point increase in interest rates would have reduced the net interest income of the banking business for the next 12 months by 5.4% (target maximum -6%).

The bank's equity and currency risks are limited. Moreover, we note that proprietary trading has not resulted in significant volatility in the past.

The overall score for Aktia Bank's risk positioning is C and is constrained by the high credit risk concentration.

Factor 3: Regulatory Environment

For a discussion of the regulatory environment, please see Moody's latest Banking System Outlook on Finland.

Factor 4: Operating Environment

Trend: Neutral

Our assessment of a bank's operating environment is based on a measurement of economic stability, the power and efficiency of the legal system and the level of integrity in the country's business culture.

The score for the Finnish operating environment is B+.

Refer to Moody's latest Banking System Outlook on Finland for a discussion of the bank's operating environment.

Factor 5: Profitability

Trend: Weakening

For H1 2009, Aktia Bank reported pre-tax profit of EUR 24.5 million. Net interest income stood at EUR 72 million and accounted for 74% of total operating income in H1 2009. The bank's net fee and commission income was EUR 18 million and accounted for 18% of total operating income. Net interest margin was 1.7% for H1 2009. Loan loss provisions accounted for 40% of pre-provision income in H1 2009.

As noted earlier, the bank does not provide comparable figures for H1 2008. At the Group level, Aktia Plc reported pre-tax profits of EUR 22 million, down from EUR 30 million in H1 2008. This was mainly due to increased impairments. However, on a positive note, net interest income grew by 46% and was a reflection of improved margins and a loan growth (7.5% in H1 2009). Aktia's net interest margin was 1.6% in H1 2009, which compares to 1.3% in H1 2009.

The profitability ratios on the scorecard, which are expressed in relation to average risk-weighted assets, have been computed using Basel II risk-weighted assets. Therefore, the scorecard reflects only 2008 profitability. The score for Aktia's profitability is E. We add a weakening trend given the challenging economic outlook in Finland.

Factor 6: Liquidity

Trend: Neutral

Deposits remain the most important source of funding, but over the past few years the growth in deposits has been slower than that of lending. This has caused market funding to increase.. However, covered bonds represent a growing proportion of market funds and help to diversify the funding sources.

Aktia's liquidity reserve has been increasing. As of end-June 2009, liquid assets represented 35% of total assets and mainly comprised highly rated covered bonds and senior bonds of financial institutions. Customer deposits decreased by 6.5% in the first six months of 2009 while loan growth stood at 8.3%. In addition to its retail deposits, Aktia Bank also benefits from the deposits of the independent savings banks and local co-operative banks, for which it acts as a central bank.

In June 2009, Aktia Real Estate Mortgage Bank issued a covered bond of EUR 600 million. Due to the access to the covered bond market, Moody's views the bank's liquidity position favourably.

The bank scores C for liquidity management and D for its liquidity ratio, resulting in an overall score of C- for liquidity.

Factor 7: Capital Adequacy

Trend: Weakening

In H1 2009, the bank reported satisfactory capitalisation: the Tier 1 and total capital adequacy ratios stood at 9.2% and 14.7%, respectively, at end-June 2009 (Basel II). The bank has not issued any hybrid instruments. The bank is applying the standard approach when assessing the capital requirement for credit risk. The bank has not disclosed its target capital ratios.

On Aktia Bank Moody's has carried out a scenario analysis of how expected losses would affect asset quality, earnings and capitalisation, showed that BFSRs would be weakened by further deterioration in the banks' financial performance as a result of the economic downturn (please refer to Moody's Special Comments: "Moody's Approach to Estimating Nordic Banks' Credit Losses", published in July 2009; "Calibrating Bank Ratings in the Context of the Global Financial Crisis", published in February 2009; and "Moody's Approach to Estimating Bank Credit Losses and their Impact on Bank Financial Strength Ratings", published in May 2009).

The results of Moody's scenario analysis showed that Aktia's key credit drivers, in particular its capital adequacy, showed a strong resilience to its base scenario, which is the key ratings determinant. This is primarily a reflection of the bank's retail oriented loan (mainly mortgages) which accounts for nearly 80% of the total loan portfolio.

The score for capital adequacy is B+, but due to weakening operating environment we see a weakening trend.

Factor 8: Efficiency

Trend: Neutral

The bank's cost efficiency has improved, largely due to organisational changes within the group. For H1 2009, Aktia Bank reported a cost-to-income ratio of 54.7%.

Based on the three last year's performance the score for efficiency is D. However, given the recent performance we have adjusted the score to B. We view the trend as neutral.

Factor 9: Asset Quality

Trend: Weakening

Despite some single-name concentration, Aktia Bank enjoys good asset quality, reflecting its focus on the retail sector - loans to households account for around 80% of the bank's total portfolio and around 65% of the total portfolio consists of residential mortgages.Geographically, over half of all mortgage loans are in Southern Finland.

Aktia Bank's problem loans (i.e. individually impaired and over 90 days past due, but not impaired loans) accounted for 1.1% of gross loans at end-June 2008. However, loan loss reserves provided problem loans with a relatively low 12% coverage at end-June 2009.

Origination criteria are conservative and the management's approach is prudent. In 2008, lending growth remained brisk in both the household and corporate sectors. Aktia's loan book grew by 18% in 2008 - this figure, however, includes mortgage bonds, of which a part is related to the loan portfolios of independent savings banks and local co-operative banks. Loan growth has been reduced in 2009 with growth mainly only visible on the mortgage lending side. Overall, Aktia reported a 7.5% growth in lending in the first six months of 2009.

We note that the majority of the bank's lending is well-collateralised by residential mortgages. At end-February 2009, the weighted average loan-to-value of Aktia Mortgage Bank's loan book was 57%. At the same time, problem loans remain adequately covered by loan loss reserves (95%). The decrease in the loan loss reserve coverage ratio partly reflects changes in the accounting standards (IAS 39). As of end-2008, Aktia Mortgage Bank's loan book stood at EUR 2.1 billion, which accounted for 40% of Aktia Bank's total loan book.

The score for asset quality is A and remains a positive rating factor. However, we do not expect the record low level of problem loans to be sustainable throughout the economic cycle and, given recent strong loan growth and the weakening economic outlook in Finland, we see a weakening trend.

**Global Local Currency Deposit Rating (Joint Default Analysis)**

Moody's assigns a long-term GLC deposit rating of A1 to Aktia Bank.

This rating is supported by (i) the bank's A3 BCA and (ii) the Aaa local currency deposit ceiling of Finland, the underlying support provider. In view of Aktia Bank's moderate market shares in both deposits and loans and its role as the central financial institution to independent savings banks and local co-operative banks, Moody's assesses a high probability of systemic support for the bank in the event of a stress situation, resulting in a two-notch uplift from the A3 BCA.

**Foreign Currency Deposit Rating**

The A1 foreign currency deposit rating of Aktia Bank is unconstrained given that Finland has a country ceiling of Aaa.

**ABOUT MOODY'S BANK RATINGS**

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. BFSRs do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the BFSR as well as Moody's opinion of any external support.

Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, they are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Credit Assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating Factors

## Aktia Bank p.l.c.

| **Rating Factors** [1] | **A** | **B** | **C** | **D** | **E** | **Total Score** | **Trend** |
|---|---|---|---|---|---|---|---|
| **Qualitative Factors (50%)** | | | | | | **C+** | |
| **Factor: Franchise Value** | | | | | | **C** | **Neutral** |
| **Market Share and Sustainability** | | | **x** | | | | |
| **Geographical Diversification** | | | | **x** | | | |
| **Earnings Stability** | | **x** | | | | | |
| **Earnings Diversification** [2] | | | | | | | |
| **Factor: Risk Positioning** | | | | | | **C** | **Neutral** |
| **Corporate Governance** [2] | | | | | | | |
| - Ownership and Organizational Complexity | -- | -- | -- | -- | **--** | | |
| - Key Man Risk | -- | -- | -- | -- | -- | | |
| - Insider and Related-Party Risks | -- | -- | -- | -- | -- | | |
| **Controls and Risk Management** | | **x** | | | | | |
| - Risk Management | | | x | | | | |
| - Controls | x | | | | | | |
| **Financial Reporting Transparency** | | x | | | | | |
| - Global Comparability | x | | | | | | |
| - Frequency and Timeliness | x | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| - Quality of Financial Information | | | x | | | | |
| **Credit Risk Concentration** | **--** | **--** | **--** | **--** | **--** | | |
| - Borrower Concentration | -- | -- | -- | -- | -- | | |
| - Industry Concentration | -- | -- | -- | -- | -- | | |
| **Liquidity Management** | | | **x** | | | | |
| **Market Risk Appetite** | | **x** | | | | | |
| **Factor: Operating Environment** | | | | | | **B+** | **Neutral** |
| **Economic Stability** | | | **x** | | | | |
| **Integrity and Corruption** | **x** | | | | | | |
| **Legal System** | **x** | | | | | | |
| **Financial Factors (50%)** | | | | | | **C-** | |
| **Factor: Profitability** | | | | | | **E** | **Weakening** |
| **PPP % Avg RWA - Basel II** | | | | | 0.20% | | |
| **Net Income % Avg RWA - Basel II** | | | | | 0.17% | | |
| **Factor: Liquidity** | | | | | | **C-** | **Neutral** |
| **(Mkt funds-Liquid Assets) % Total Assets** | | | | 10.87% | | | |
| **Liquidity Management** | | | x | | | | |
| **Factor: Capital Adequacy** | | | | | | **B+** | **Neutral** |
| **Tier 1 ratio (%) - Basel II** | | 10.09% | | | | | |
| **Tangible Common Equity / RWA - Basel II** | 10.09% | | | | | | |
| **Factor: Efficiency** | | | | | | **D** | **Weakening** |
| **Cost/income ratio** | | | | 74.34% | | | |
| **Factor: Asset Quality** | | | | | | **A** | **Weakening** |
| **Problem Loans % Gross Loans** | 0.44% | | | | | | |
| **Problem Loans % (Equity + LLR)** | 6.39% | | | | | | |
| **Lowest Combined Score (15%)** | | | | | | **E+** | |
| ***Economic Insolvency Override*** | | | | | | **Neutral** | |
| **Aggregate Score** | | | | | | **C** | |
| **Assigned BFSR** | | | | | | **C** | |

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral