Totens Sparebank
Issuer Rating Report

SCOPE A- STABLE

Scope's credit view (summary)

The **A- issuer rating** reflects Totens Sparebank's (Totens) strong market position in its local area, solid earnings and sound prudential metrics. As a savings bank, Totens' business is focused on personal customers and residential mortgage lending in its local area, the Mjos region in south-eastern Norway. The bank's business model is strengthened by its membership in the Eika Alliance, the fourth largest financial group in the country.

With solid earnings and a sound asset quality profile, the bank can comfortably absorb credit provisions out of ordinary pre-provision profit. Management targets a return on equity of 10% and a cost income ratio below 40%.

Supported by internal capital generation, Totens maintains comfortable buffers to current and future regulatory solvency requirements. The systemic risk buffer will increase to 4.5% from 3% at year-end and the countercyclical capital buffer will revert to 2.5% next year from the current level of 1.5%.

While customer deposits are the primary source of funding, the use of market funding is material. In addition to senior unsecured debt, the bank has access to covered bond funding from two sources, Eika Boligkreditt, the issuing entity of the Eika Alliance, and Totens Sparebank Boligkreditt (TSBB), its own vehicle. To mitigate risks related to the use of market funding, the bank maintains a high-quality liquidity portfolio.

The A- issuer rating of TSBB, considered a fully integrated subsidiary, is aligned with that of Totens. Through the issuance of covered bonds, TSBB provides secured funding for its parent. Scope rates the covered bonds issued by TSBB at AAA.

Outlook and rating-change drivers

The **Stable Outlook** reflects our expectation that Totens' operating performance will remain resilient in a less benign business cycle.

What could move the rating up:

- Sustained profitable growth with greater geographic diversification, and without an increase in the bank's risk profile

What could move the rating down:

- A deterioration in operating conditions which materially impairs the bank's earnings capabilities
- Loss of benefits and economies of scale from being a member of an alliance

Ratings & Outlook

Issuer rating	A-
Preferred senior unsecured debt rating	A-
Non-preferred senior unsecured debt rating	BBB+
Outlook	Stable

Lead Analyst

Pauline Lambert
p.lambert@scoperatings.com

Associate Analyst

Andre Hansen
a.hansen@scoperatings.com

Team Leader

Marco Troiano, CFA
m.troiano@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

Bloomberg: RESP SCOP

Issuer profile

Established in 1854, Totens Sparebank (Totens) is a savings bank headquartered in Lena in south-east Norway. The bank operates with five branches in the broader Mjos region, where agriculture, manufacturing and the public sector are important industries. The bank also has its own wholly owned covered bond issuing vehicle, Totens Sparebank Boligkreditt.

The bank serves about 45,000 retail and corporate customers, offering payment solutions, savings and pension products, investment funds, insurance, and financing. In addition to being a founding member, Totens is one of the largest banks in the Eika Alliance. As of 30 June 2022, the bank had balance sheet assets of NOK 22bn and about 90 full-time equivalent employees.

In Ostre Toten and Vestre Toten where the bank has a long history, Totens enjoys retail market shares of 40-50% and corporate market shares of about 25%. In other municipalities where the bank has a shorter history, market shares are around 10-15%.

Totens first issued equity capital certificates (ECC) in 1995 and is listed on the Oslo Stock Exchange. As of 30 June 2022, the ECC ratio was just below 50%.

Recent events:

- For H1 2022, the group reported a return on equity of 11.2%, compared to 9.9% in the prior year. Results were supported by higher net interest income and net interest margins. The results also included NOK 38m in dividends from the bank's ownership stakes in Eika Gruppen AS and Eika Boligkreditt AS. Excluding non-recurring items incurred in the prior year, operating costs were stable, with the reported cost income ratio below 40%. Asset quality remains sound, with the Stage 3 ratio at 0.7%.
- In February 2022, the bank purchased additional shares in Eika Gruppen AS after ten banks terminated their agreements with the alliance and sold their shares. Consequently, the bank's stake was re-valued, with the gain of NOK 67m being classified as other comprehensive income.

Norwegian savings bank with strong market position in local area

The “focused” business model assessment reflects Totens’ geographic concentration in one region of Norway and the emphasis on personal customers and residential mortgage lending. At the same time, the bank benefits from being a member of a well-established national alliance of savings banks.

The operating environment in Norway is very supportive of banking activities, thanks to the resilience of the country’s economy to shocks, high wealth and low unemployment levels, and strong public finances. While not highly concentrated, the banking sector performs well and exhibits conservative risk metrics.

Operations concentrated in Mjos region

Management has defined the Mjos region as the bank’s primary market and the areas immediately adjacent as its secondary market. Per bank policy, at least 70% of lending should be within the primary market (Q2 2022: 78%).

With approximately 200,000 residents, the Mjos region in south-east Norway has limited exposure to the more cyclical oil and gas industry while the proportion of people employed in the public sector is higher than the national average. Consequently, the area tends to have lower and more stable unemployment rates compared to other parts of the country. Further, house prices in the area are at a lower absolute level and have not increased to the same degree as in the Oslo region (Figure B).

Focused on personal customers and mortgage lending

The bank has a low-risk business model underpinned by a focus on personal customers and residential mortgage lending. Loans to personal customers account for over 70% of lending activity.

Membership in the Eika Alliance is a key factor in supporting the bank’s competitive position. The alliance seeks to strengthen the position of its 50-plus member banks which together represent the fourth largest banking group in the country.

Through jointly owned product companies, member banks can offer a range of products to their customers, such as insurance, credit cards and mutual funds. In addition, banks earn fee and commission income from distributing these products. The primary source of revenues for most Norwegian banks, however, remains net interest income (Figure 4).

Figure 1: Five branches serving focused market area

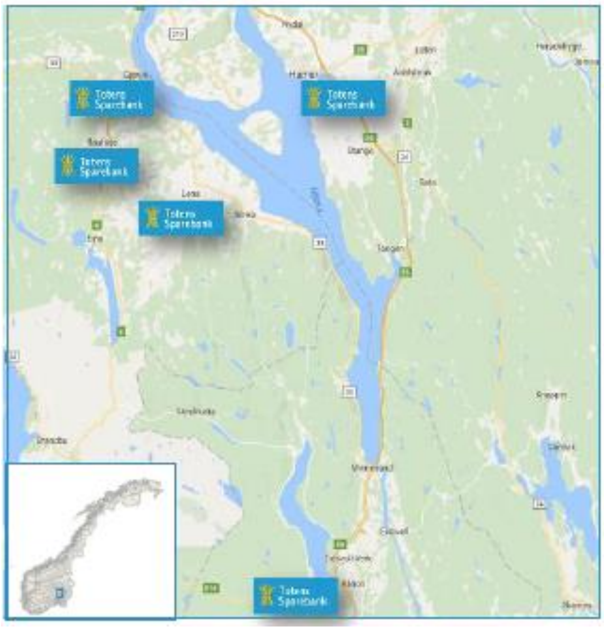
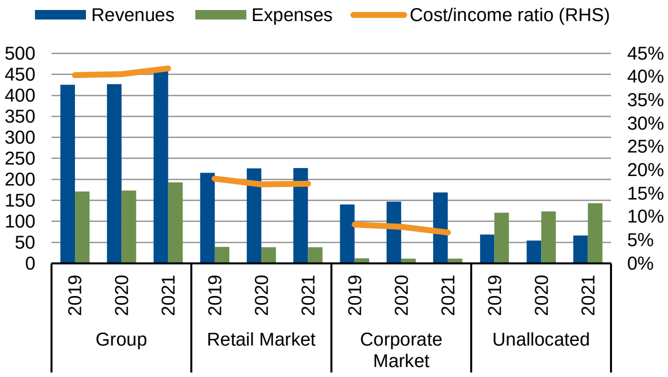
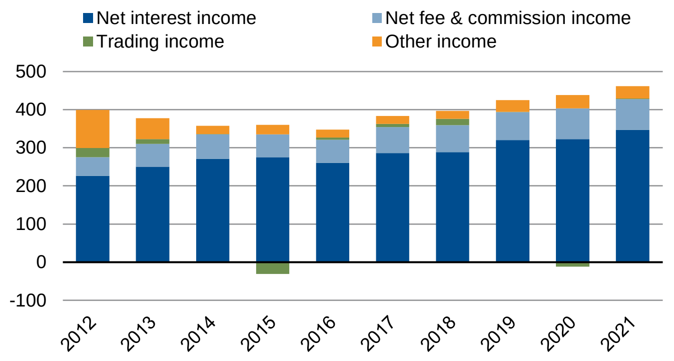


Figure 2: Revenues and expenses by segment (NOK m)



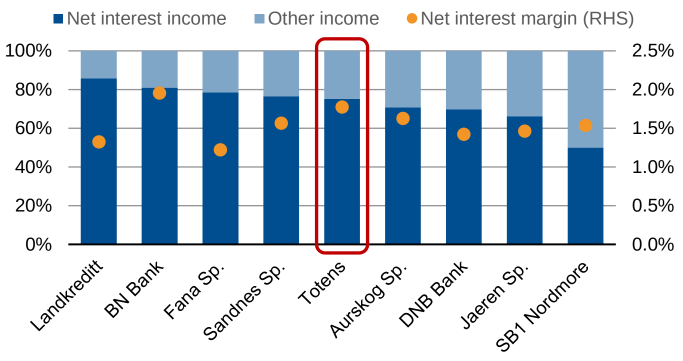
Note: Unallocated expenses are those which are not directly linked to the business segments, such as administration and IT. Income or losses related to the group’s security holdings are also unallocated.
Source: Bank, Scope Ratings.

Figure 3: Revenue development (NOK m)



Source: SNL, Scope Ratings.

Figure 4: Revenue composition (%) – peer comparison



Note: Three-year average based on 2019-2021.
Source: SNL, Scope Ratings.

Actively making efforts to ensure long-term sustainability of business

The "developing" long-term sustainability assessment reflects our view that the bank is aware of sustainability related issues and is taking steps to manage the associated risks and opportunities, with the progress made so far being in line with peers.

Investing in digital capabilities is a strategic priority

Operating in a highly digital market with demanding customer expectations, the bank understands the need for ongoing technology investments to remain competitive. The banks in the Eika Alliance are in the process of transitioning their IT systems from the current provider, SDC, to TietoEvry, which is used by most other banks in the country. In addition to cost savings, the change will ensure that the systems are well suited to the Norwegian market. While the upgrades are focused on the back-end, there will also be enhancements to the front-end.

The transition started in H2 2021 and is expected to be completed in H1 2023. Although there are operational risks associated with the move, the project is so far proceeding well, and Totens will be one of the last banks in the alliance to transition. The bank booked NOK 22m in direct costs related to the move last year, with no further direct costs expected.

Close ties to local community support business franchise

As a savings bank with strong roots in its local area, Totens aims to contribute to growth and development in the region. Customers, employees, and local municipalities are all represented in the bank's highest governing body, the general assembly. When developing the sustainability strategy last year, the bank involved its various stakeholders and incorporated select UN Sustainability Development Goals.

Each year, a portion of earnings are used to support associations, sport, and culture in the local community. The bank receives around 350 applications for donations annually and sponsors about 70 sport and cultural organisations. Supporting activities which reduce inequality and exclusion among children and young people is one of the bank's four ESG focus areas. The other three are gender equality, decent work and economic growth, and responsible consumption and production.

Notably, the Norwegian FSA did not restrict savings banks from distributing gifts to the local community while dividends to equity capital certificate holders were limited during the pandemic. Last year, the bank allocated NOK 8.5m for gifts to the local community (Figure 5).

Box A: Overview of operating environment for Norwegian banks – key credit considerations

Macroeconomic assessment

- With a population of 5.4m and a GDP of NOK 4,142bn, Norway is a relatively small open economy with one of the world's highest per capita income levels.
- The Norwegian economy proved relatively resilient to the pandemic shock, with a limited GDP contraction in 2020 and a strong rebound from 2021.
- Due to robust growth, low unemployment and higher than targeted inflation, the central bank has been increasing the policy rate since September 2021.
- Very strong government fiscal position provides ample capacity to support the economy as needed. Savings are accumulated through the world's largest sovereign wealth fund, the Government Pension Fund Global (GPFG).
- High household debt, both in historical terms and compared with other countries, with most of the debt being floating rate. Macroprudential measures concerning mortgages and consumer debt are in place to manage risks.
- High home ownership rate of over 80%.
- Elevated property prices. House prices have risen over a long period and are higher than prior to the pandemic. Commercial property prices have also risen over many years.
- Reliance on the oil and gas sector exposes the country to long-term transition challenges.

Soundness of banking sector

- The Norwegian banking system is dominated by DNB Bank with about 25% market share. Nordea and other foreign banks account for about 20% of the retail market and 30% of the corporate market. There are also around 90 savings banks with their size ranging from NOK 3bn to NOK 300bn in assets. Savings banks tend to operate locally or regionally and are part of alliances.
- Smaller savings banks are consolidating due to increasing competitive and regulatory pressures.
- Residential mortgages account for nearly 50% of total lending while the commercial real estate sector accounts for around 45% of corporate lending.
- Digitalisation is high and the use of cash is amongst the lowest in the world.
- Comparatively rigorous regulatory framework, with some of the highest solvency requirements amongst European banks.
- Norwegian banks are generally profitable, cost efficient and exhibit sound asset quality and solvency metrics.
- Use of market funding is material, with covered bonds being an important funding source.

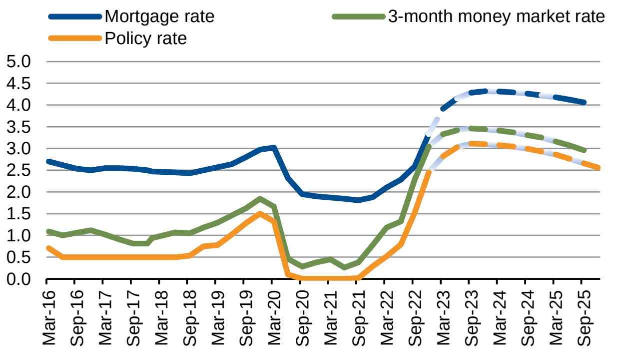
Key economic indicators	2019	2020	2021	2022F	2023F
GDP per capita (USD'000s)	75.8	67.0	88.8	na	na
Real GDP, % change	0.7	-1.3	4.0	3.4	1.3
Unemployment rate, %	3.7	4.6	4.4	3.3	3.4
CPI, % change	2.2	1.3	3.5	4.6	3.3
Policy rate, %	1.5	0.1	1.2	2.3	3.0
General government debt, % of GDP	40	46	43	47	46

Source: SNL, Scope MEB and OECD forecasts.

Banking system indicators	2017	2018	2019	2020	2021
ROAA, %	0.9	1.0	1.1	0.8	1.0
ROAE, %	10.0	10.8	11.2	8.5	10.1
Net interest margin, %	1.6	1.7	1.8	1.7	1.6
CET1 ratio, %	16.3	16.6	17.8	18.2	18.4
Problem loans % Gross customer loans	1.1	1.3	1.3	1.6	1.5
Loan-to-deposit ratio, %	158.3	158.7	161.9	149.8	140.6

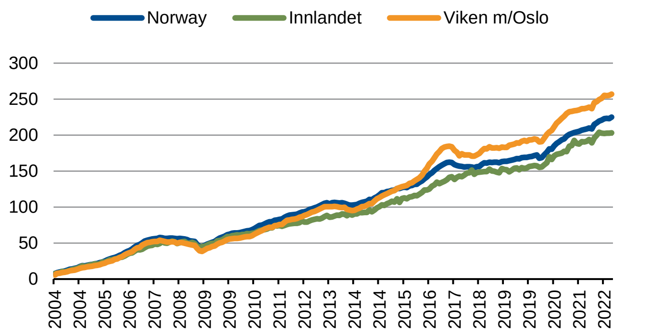
Source: SNL.

Figure A: Interest rates (%)



Source: Norges Bank, Sep 2022 MPR.

Figure B: House price index (Jan 2005 = 100)



Source: Statistics Norway, Macrobond, Scope Ratings.

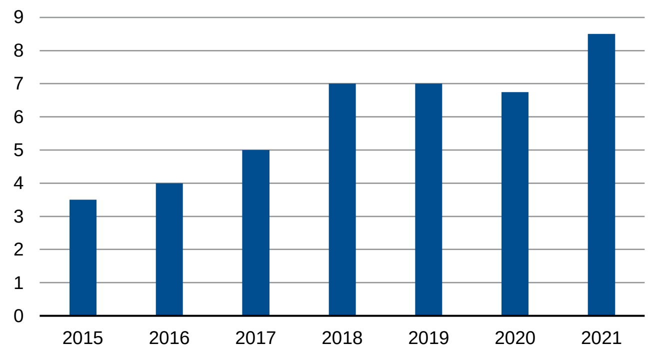
Being one of the most attractive employers in its region is another strategic priority for the bank. In addition to employee satisfaction, there is a focus on equality and diversity. Totens aims to increase the number of women in leadership positions and has recently implemented new measures to achieve this. When hiring for senior positions, at least one female applicant should be considered. For new positions, at least one applicant with a background which would contribute to greater diversity and inclusion in the bank should be considered. Further, the bank monitors and reports on wage levels amongst men and women in comparable positions to ensure wage equality.

ESG risks becoming part of underwriting process

In regard to ESG-related credit risks, the bank has started engaging with corporate customers on the subject through a client survey. This tool has been developed within the Eika Alliance, with the bank aiming to be a driving force in the alliance for establishing systems to measure and report ESG data. The bank finds that its customers are still at a relatively early stage in terms of assessing ESG issues.

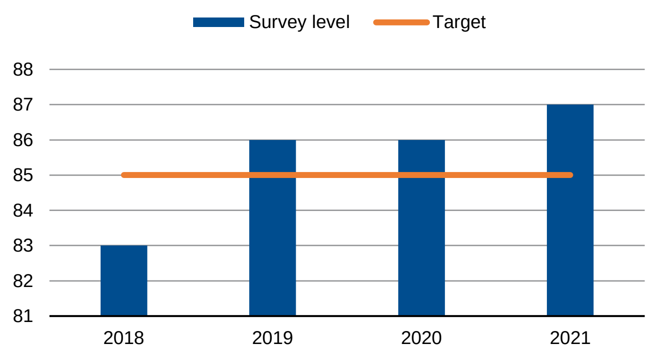
The bank offers sustainable financing options to customers such as green mortgages and transition loans and is developing further products to meet customer demand.

Figure 5: Annual allocation for gifts (NOK m)



Source: Bank, Scope Ratings.

Figure 6: Employee satisfaction



Source: Bank, Scope Ratings.

Resilient earnings provide comfortable buffer against credit impairments

The "supportive" earnings capacity and risk exposures assessment reflects the bank's solid earnings and sound asset quality, allowing the bank to comfortably absorb credit provisions out of ordinary pre-provision profit.

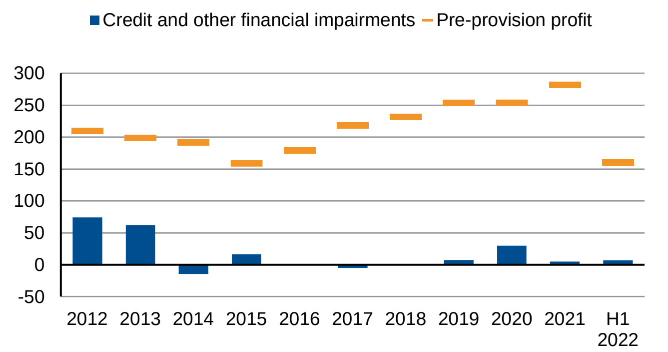
Key targets are a 10% return and a cost income ratio below 40%

To ensure its independence and role in the local area, Totens aims for a solid and resilient level of operating performance. Management targets a return on equity of 10% and a cost income ratio below 40%.

Over the years, management has taken action to improve the bank's efficiency such as disposing of non-core banking activities (real estate brokerage), cutting the number of branches to five from ten and reducing the number of employees. The transition of the bank's IT systems to TietoEvry will also support efficiency.

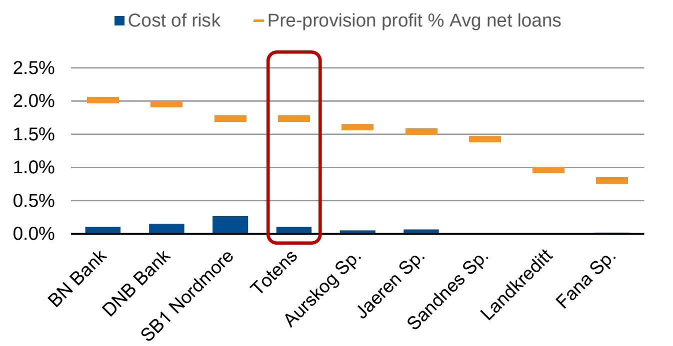
Totens' earnings and asset quality remained resilient during the economic downturn caused by the Covid-19 pandemic (Figure 7). As the Norwegian economy has recovered strongly, the central bank has been increasing the policy rate since last September and further hikes are expected. Consequently, the bank's earnings are benefiting to some extent from higher rates. Customers, however, must be given six weeks' notice before rates are raised, and funding costs have risen.

Figure 7: Pre-provision profit vs impairments (NOK m)



Source: Bank, Scope Ratings.

Figure 8: Pre-provision profit vs impairments – peer comparison



Note: Three-year average based on 2019-2021.
Source: SNL, Scope Ratings.

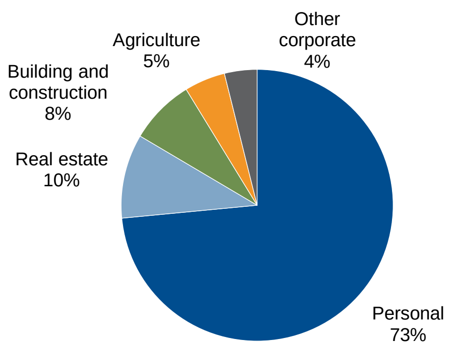
Low risk residential mortgages dominate loan book

With its solid earning capabilities and a relatively granular loan portfolio, the bank is well positioned for a less benign business cycle. Low-risk residential mortgages dominate the loan book (Figure 9). The corporate portfolio reflects the economy of the bank's local area as well as the nature of the loan market in Norway, where lending to the commercial real estate sector accounts for nearly half of all corporate loans. Building and construction exposure is primarily related to the development of residential housing.

The bank's asset quality metrics remain reassuring, with the Stage 3 ratio as of Q2 2022 being below pre-pandemic levels (Figure 11). During the height of the pandemic, the Stage 3 ratio peaked at 1.3% but has now declined to 0.7%.

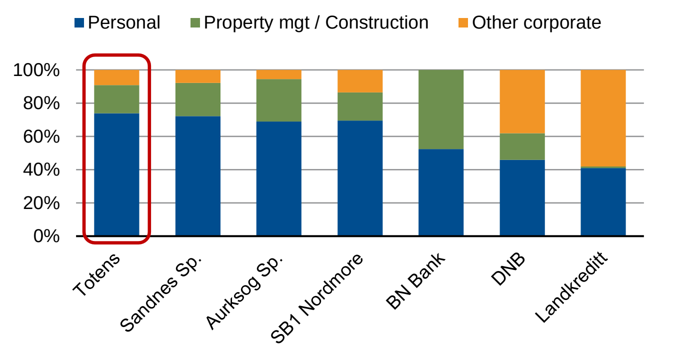
Beyond those derived from the bank's IFRS 9 models, management made additional provisions for uncertainties related to the pandemic. While some of these precautionary provisions have been released, the remainder is being held for the current economic uncertainty.

Figure 9: Loan book profile – Q2 2022



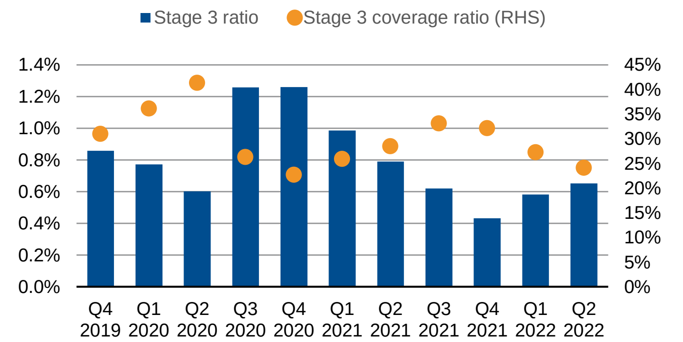
Note: Gross loans of NOK 18.6bn, excluding NOK 2.3bn in loans transferred to Eika Boligkreditt. Source: Bank, Scope Ratings.

Figure 10: Loan book profile – selected peer comparison



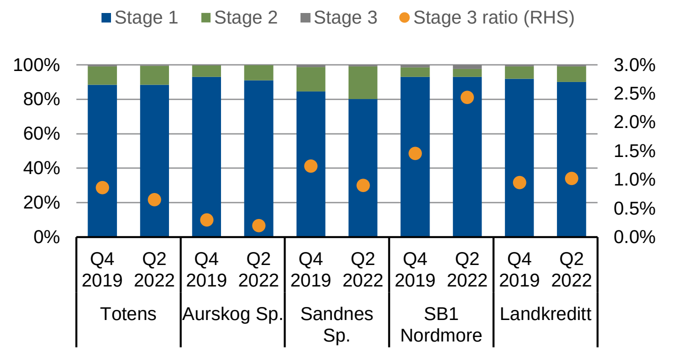
Note: On balance sheet loans as of YE 2021.
Source: Banks, Scope Ratings.

Figure 11: Stage 3 ratio and coverage (%)



Source: Bank, Scope Ratings.

Figure 12: Asset quality profile – selected peer comparison



Source: SNL, Scope Ratings.

Sound solvency and funding profile

The 'comfortable' financial viability management assessment is driven by the bank's strong buffers to prudential and liquidity requirements (Figure 15).

Comfortably positioned against increasing buffer requirements

Supported by internal capital generation and a balanced distribution policy, Totens is comfortably positioned against current and future expected solvency requirements. Over time, the bank aims to distribute at least half of the ECC holders' share of the annual profit if its solvency position remains at a sound level. The ECC share is currently just under 50%.

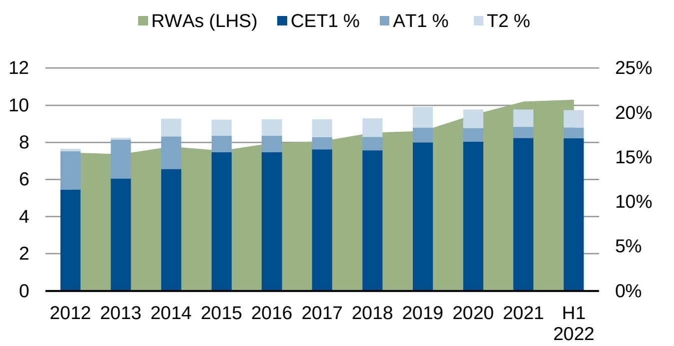
As of 30 June 2022, the bank's CET1 capital ratio was 17.1% while the leverage ratio was 8.1% (proportional consolidation basis), compared to requirements of 13.1% and 5%, respectively. These figures do not include interim profits, or the revaluation gain on the shares of Eika Gruppen AS mentioned above.

The minimum CET1 capital requirement for domestically oriented Norwegian banks is a relatively high 11.5%, which includes a 3% systemic risk buffer and a countercyclical buffer of 1.5%. In addition, Totens is subject to a comparatively low Pillar 2 requirement of 1.6%.

In response to the Covid-19 pandemic, the countercyclical buffer rate was lowered to 1% from 2.5% in March 2020. As the Norwegian economy has strongly recovered, the countercyclical buffer rate is set to increase to 2% at year-end. Further, the systemic risk buffer will increase to 4.5% from 3% at year-end for banks like Totens using the standardised approach for capital requirements.

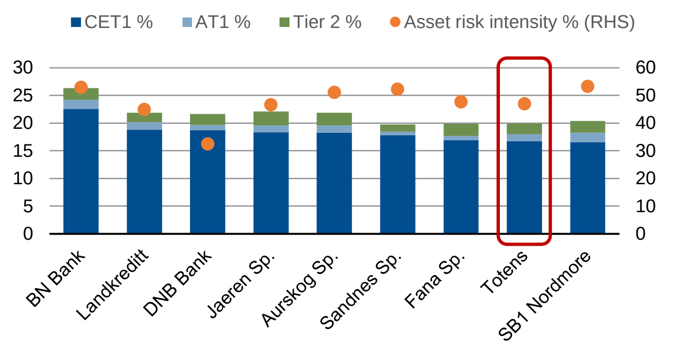
In its capital planning, management has also considered the eventual return of the countercyclical buffer rate to 2.5% from 31 March 2023. As well, the bank targets a management buffer of at least 0.8%.

Figure 13: Capital ratios (%, RHS) and RWA (NOK bn, LHS) development



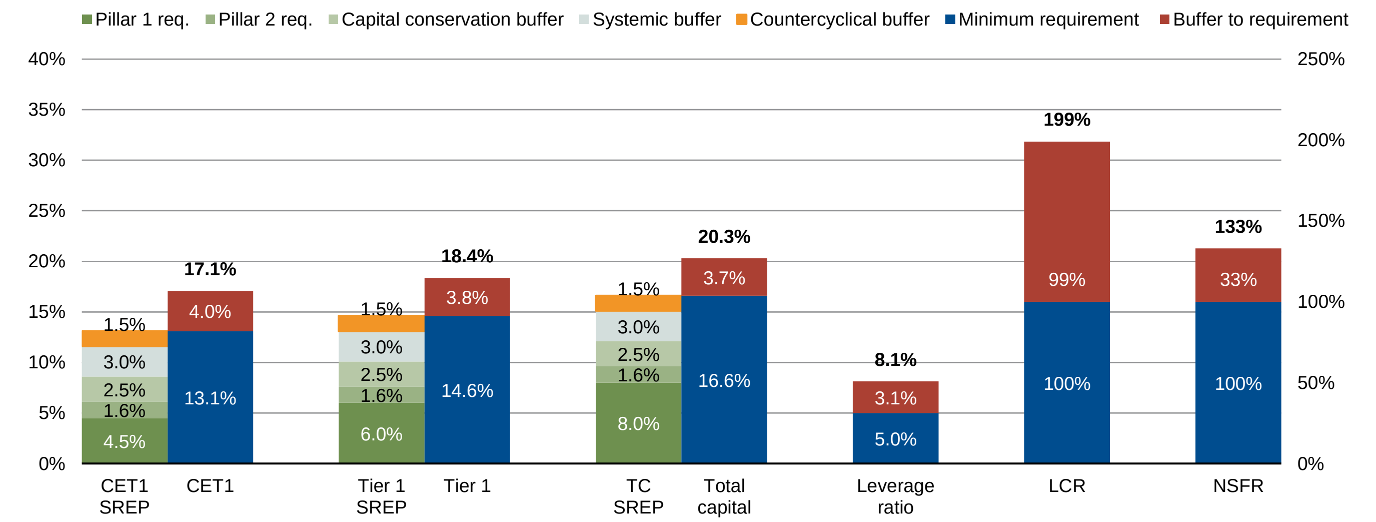
Source: Bank, Scope Ratings.

Figure 14: Capital ratios (%, LHS) and RWA intensity (%, RHS) – peer comparison



Note: Data as of Q2 2022.
Source: SNL, Scope Ratings.

Figure 15: Toten Sparebank's positioning against minimum requirements as of Q2 2022



Note: Capital figures are on a proportionally consolidated basis, i.e., including the stakes in Eika Boligkreditt AS and Eika Gruppen AS. Capital figures do not include interim profits. Source: Bank, Scope Ratings.

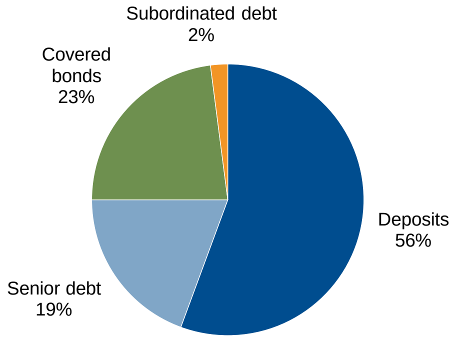
Customer deposits remain the largest source of funding (Figure 16), with the bank focusing on retail deposits rather than larger corporate deposits which may be less stable. At the same time, management does not intend to greatly increase the proportion of deposit funding as it prefers to maintain an active presence in capital markets by issuing regularly in sufficient size.

Like peers, a reliance on market funding

As with other Norwegian banks, Totens depends on market funding, including covered bonds (Figure 17). Totens has access to two covered bond vehicles – Eika Boligkreditt, the issuing entity for the Eika Alliance and Totens Sparebank Boligkreditt, its own. Over time, management has increasingly used the bank's own covered bond vehicle rather than that of the alliance. As of Q2 2022, NOK 2.3bn in loans had been transferred to Eika Boligkreditt while NOK 5bn in loans had been transferred to the bank's own covered bond issuing entity.

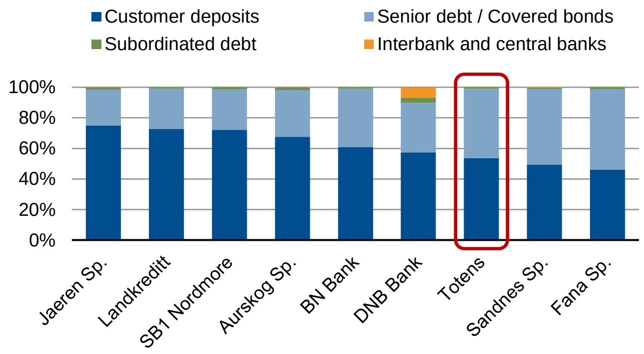
To mitigate the risks related to the use of market funding, Totens maintains a high-quality liquidity portfolio (primarily government and covered bonds). As of 30 June 2022, the portfolio amounted to NOK 2.6bn, equivalent to more than two times the amount of wholesale funding due within the next twelve months.

Figure 16: Funding profile – Q2 2022



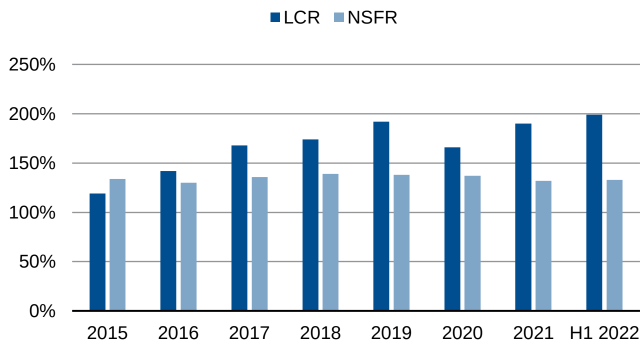
Source: Bank, Scope Ratings.

Figure 17: Funding profile – peer comparison



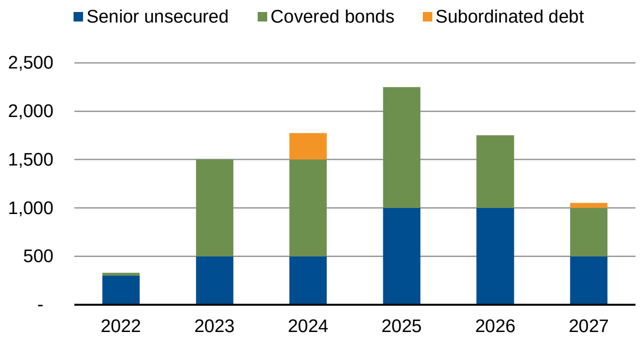
Note: Data as of YE 2021.
Source: SNL, Scope Ratings.

Figure 18: LCR and NSFR development (%)



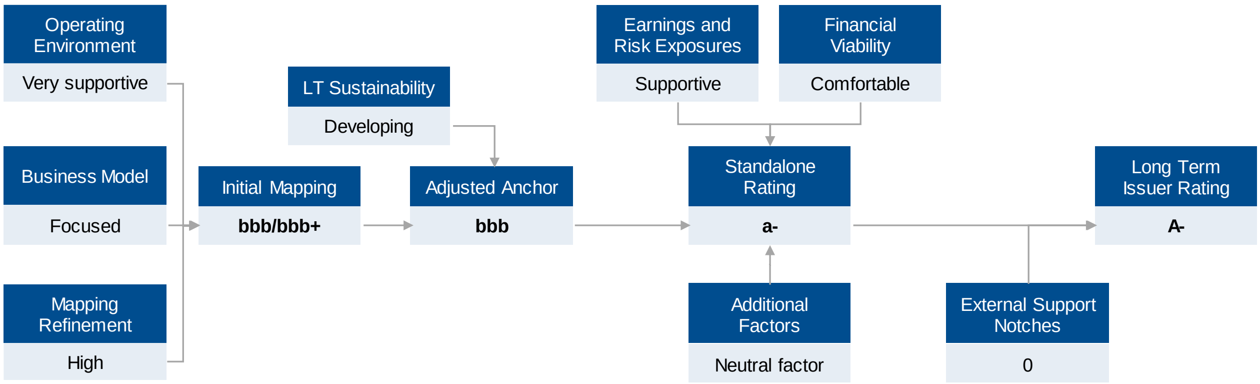
Source: Bank, Scope Ratings.

Figure 19: Debt maturity profile (NOK m) – Q2 2022



Source: Bank, Scope Ratings.

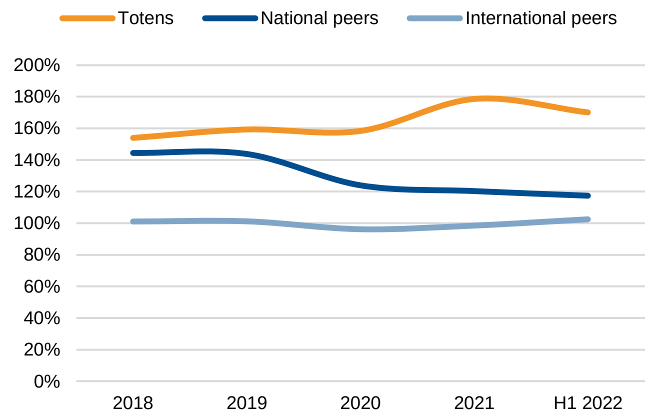
I. Appendix: Overview of the rating process



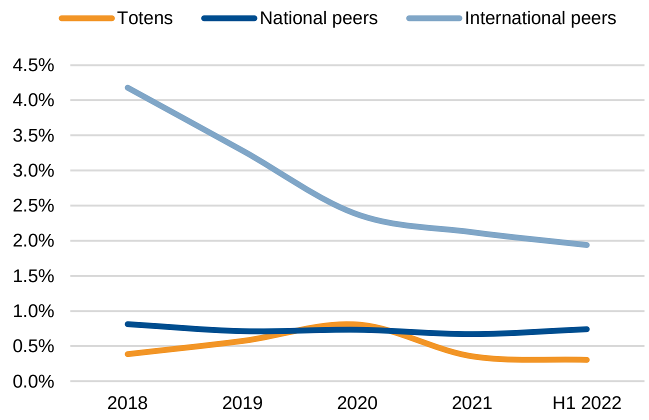
Step		Assessment	Summary rationale
STEP 1	Operating environment	Very supportive	• Wealthy economy with well-developed capital markets and a solid track record of economic resilience • Supportive banking environment • Relatively stringent and active financial regulator
		Supportive	
		Moderately supportive	
		Constraining	
		Very constraining	
	Business model	Very resilient	• Savings bank with a focus on retail customers and residential mortgage lending • Membership in alliance brings significant benefits • Operations concentrated in one region of Norway
		Resilient	
		Consistent	
		Focused	
		Narrow	
	Mapping refinement	High	• Strong market position in local area with resilient operating performance
		Low	
	Initial mapping	**bbb/bbb+**	
	Long-term sustainability	Best in class	• Has started integrating ESG risks into underwriting process • In midst of upgrading core banking system
		Advanced	
		Developing	
		Lagging	
	Adjusted anchor	**bbb**	
STEP 2	Earnings capacity & risk exposures	Very supportive	• Solid profitability with good cost efficiency and low credit impairments • Sound asset quality with relatively granular loan book
		Supportive	
		Neutral	
		Constraining	
		Very constraining	
	Financial viability management	Ample	• Comfortably meets regulatory requirements • Reliance on market funding, including more stable covered bonds • Maintains high quality liquidity portfolio
		Comfortable	
		Adequate	
		Limited	
		Stretched	
		At risk	
	Additional factors	Significant support factor	• No further considerations
		Material support factor	
		Neutral	
		Material downside factor	
		Significant downside factor	
	Standalone	**a-**	
STEP 3	External support	Not applicable	
Issuer rating		**A-**	

II. Appendix: Peer comparison

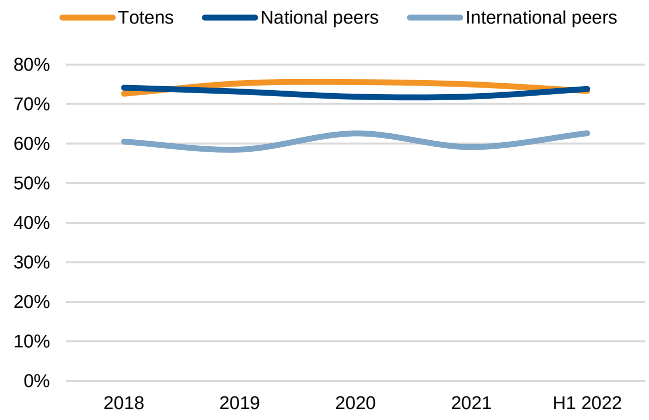
Net customer loans % Deposits



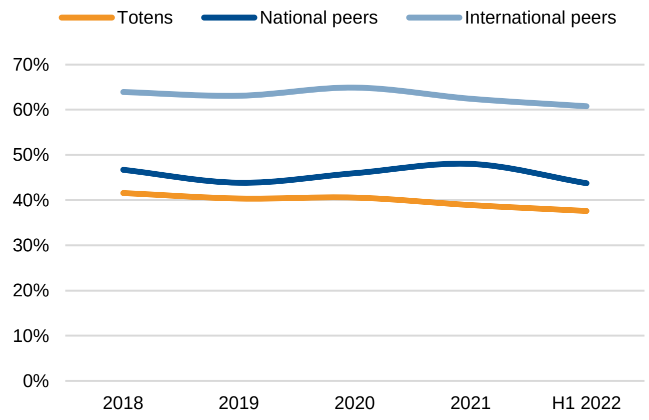
Problem loans % Gross customer loans



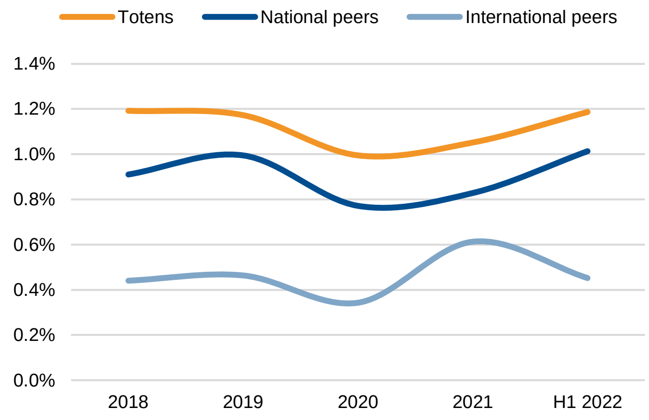
Net interest income % Operating income



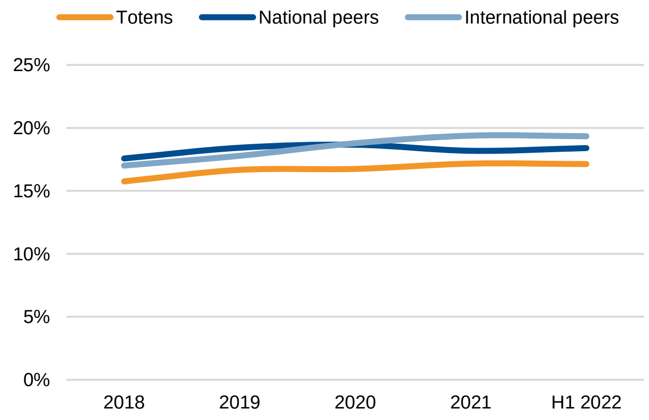
Costs % Income



Return on average assets (%)



CET1 capital ratio (%)



National peers: Aurskog Sparebank, BN Bank, Landkreditt, Sandnes Sparebank, SpareBank 1 Nordmore, Fana Sparebank, Jaeren Sparebank, DNB.
International peers: Banca Popolare di Sondrio SpA, Credito Emiliano SpA, Kutxabank SA, Unicaja Banco SA, Sparkasse Koblenz, Principality Building Society, Sparbanken Sjuharad AB.
Note: H1 2022 data unavailable for Sparkasse Koblenz.
Source: SNL.

III. Appendix: Selected financial information – Totens Sparebank

	2018	2019	2020	2021	H1 2022
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	89	101	146	129	216
Total securities	2,208	2,398	2,730	2,892	3,078
of which, derivatives	26	11	17	5	20
Net loans to customers	13,330	14,468	15,679	17,730	18,549
Other assets	81	98	102	92	106
Total assets	**15,708**	**17,065**	**18,658**	**20,843**	**21,949**
Liabilities					
Interbank liabilities	2	21	207	4	4
Senior debt	4,986	5,752	6,200	8,393	NA
Derivatives	7	8	5	12	49
Deposits from customers	8,664	9,085	9,904	9,923	10,904
Subordinated debt	181	200	200	200	200
Other liabilities	106	98	102	127	NA
Total liabilities	**13,945**	**15,165**	**16,618**	**18,659**	**19,648**
Ordinary equity	1,635	1,757	1,896	2,059	2,177
Equity hybrids	128	143	143	125	125
Minority interests	0	0	0	0	0
Total liabilities and equity	**15,708**	**17,065**	**18,658**	**20,843**	**21,949**
Core tier 1/ common equity tier 1 capital	*1,344*	*1,434*	*1,588*	*1,749*	*1,764*
Income statement summary (NOK m)					
Net interest income	288	320	323	346	188
Net fee & commission income	71	74	81	81	39
Net trading income	16	1	-12	1	-9
Other income	21	31	36	33	38
Operating income	**397**	**425**	**427**	**462**	**257**
Operating expenses	165	171	173	180	97
Pre-provision income	**232**	**254**	**254**	**282**	**160**
Credit and other financial impairments	0	7	30	5	7
Other impairments	0	0	0	0	0
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	0	13	0
Pre-tax profit	**232**	**246**	**224**	**264**	**153**
Income from discontinued operations	0	0	0	0	0
Income tax expense	50	53	44	55	28
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	**182**	**193**	**180**	**210**	**126**

Source: SNL

IV. Appendix: Selected financial information – Totens Sparebank

	2018	2019	2020	2021	H1 2022
Funding and liquidity					
Net loans/ deposits (%)	153.9%	159.2%	158.3%	178.7%	170.1%
Liquidity coverage ratio (%)	174.0%	192.0%	166.0%	190.0%	199.0%
Net stable funding ratio (%)	139.0%	138.0%	137.0%	132.0%	133.0%
Asset mix, quality and growth					
Net loans/ assets (%)	84.9%	84.8%	84.0%	85.1%	84.5%
Problem loans/ gross customer loans (%)	0.4%	0.6%	0.8%	0.4%	0.3%
Loan loss reserves/ problem loans (%)	137.0%	94.5%	76.2%	112.6%	132.2%
Net loan growth (%)	7.8%	8.5%	8.4%	13.1%	9.2%
Problem loans/ tangible equity & reserves (%)	2.8%	4.2%	6.0%	2.8%	2.4%
Asset growth (%)	7.4%	8.6%	9.3%	11.7%	10.6%
Earnings and profitability					
Net interest margin (%)	1.9%	1.9%	1.8%	1.7%	1.8%
Net interest income/ average RWAs (%)	3.5%	3.6%	3.6%	3.5%	3.6%
Net interest income/ operating income (%)	72.6%	75.3%	75.6%	75.0%	73.3%
Net fees & commissions/ operating income (%)	17.9%	17.3%	18.9%	17.6%	15.3%
Cost/ income ratio (%)	41.5%	40.3%	40.5%	38.9%	37.6%
Operating expenses/ average RWAs (%)	2.0%	1.9%	1.9%	1.8%	1.9%
Pre-impairment operating profit/ average RWAs (%)	2.8%	2.8%	2.8%	2.9%	3.1%
Impairment on financial assets / pre-impairment income (%)	0.1%	2.9%	11.9%	1.8%	4.4%
Loan loss provision/ average gross loans (%)	0.0%	0.1%	0.2%	0.0%	0.1%
Pre-tax profit/ average RWAs (%)	2.8%	2.8%	2.5%	2.7%	3.0%
Return on average assets (%)	1.2%	1.2%	1.0%	1.1%	1.2%
Return on average RWAs (%)	2.2%	2.2%	2.0%	2.1%	2.4%
Return on average equity (%)	11.0%	10.6%	9.4%	10.0%	11.2%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (%, transitional)	15.8%	16.7%	16.7%	17.2%	17.1%
Tier 1 capital ratio (%, transitional)	17.3%	18.3%	18.3%	18.4%	18.3%
Total capital ratio (%, transitional)	19.4%	20.7%	20.4%	20.4%	20.3%
Leverage ratio (%)	9.1%	9.0%	9.0%	8.7%	8.3%
Asset risk intensity (RWAs/ total assets, %)	54.3%	50.4%	50.8%	48.9%	46.9%
Market indicators					
Price/ book (x)	0.9x	0.9x	0.9x	1.3x	1.1x
Price/ tangible book (x)	0.9x	0.9x	0.9x	1.3x	1.1x
Dividend payout ratio (%)	NA	41.6%	45.5%	58.4%	NA

Source: SNL.

Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891-0

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Paris

10 avenue de Messine
FR-75008 Paris

Phone +33 6 6289 3512

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 62 31 42

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

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