BN Bank ASA Issuer Rating Report

A- STABLE

Scope's credit view (summary)

The **A- issuer rating** reflects BN Bank's solid credit fundamentals and ownership by SpareBank 1 Alliance member banks.

Over the last few years, management has been successfully executing on its strategy to grow mortgage lending volume, increase margins by targeting customers willing to pay for better service, and improve efficiency. Consequently, financial performance is increasingly robust, with management targeting a return on equity of 12% and a cost income ratio below 30%.

Strategic decisions such as ceasing unsecured consumer lending activities and restricting the geographic focus of the commercial real estate business support the bank's sound asset quality profile. Nevertheless, high household debt levels (a country specific feature) and material exposure to the commercial real estate sector are structural risks. Given the current economic uncertainty, management is maintaining elevated levels of provisions in comparison to its past credit loss experience.

Supported by internal capital generation, the bank maintains comfortable buffers to regulatory solvency requirements. While the bank continues to actively grow customer deposits, the use of market funding remains material. BN Bank enjoys regular access to the domestic unsecured debt market as well as to secured funding through the covered bond issuing entities of the SpareBank 1 Alliance.

Outlook and rating-change drivers

The **Stable Outlook** reflects our expectation for the bank's operating performance to remain resilient even in a less benign business cycle.

What could move the rating up:

- Further strengthening of market position accompanied by sustained profitable growth, without an increase in the bank's risk profile

What could move the rating down:

- Loss of advantages from being affiliated with the SB1 Alliance
- A deterioration in operating conditions which materially impacts earnings and capitalisation

Ratings & Outlook

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

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Issuer profile

With roots dating back to 1961, BN Bank is primarily a digital bank serving both retail and corporate customers in Norway. Headquartered in Trondheim, the bank has 108,000 retail and 6,950 corporate customers. Over the long-term, management aims for a 70% retail / 30% corporate lending mix.

In the retail market, the bank focuses on mortgage lending in eastern Norway. In the corporate market, the bank is a specialised commercial real estate lender operating mainly in the Oslo region. This business operates from a branch office in Oslo with a dedicated and experienced team. In addition, the bank offers banking services to households and small and medium-sized businesses.

Since December 2008, BN Bank has been wholly owned by member banks of the SpareBank 1 Alliance. Established in 1996, the alliance is comprised of regional and local savings banks cooperating to achieve economies of scale and to provide a full range of competitive financial services and products. Collectively, the alliance is the second largest lender in the country with circa 20% of the retail market and circa 15% of the corporate market.

As of 30 June 2022, BN Bank had total assets of NOK 45bn and 124 full-time equivalent employees. While on-balance sheet loans stood at NOK 35bn, total lending activity amounted to NOK 55bn as a significant portion of loans are transferred to the covered bond issuing vehicles of the SpareBank 1 Alliance.

Recent events:

- For H1 2022, the bank reported a return on equity of 11.4%, up from 10.6% in the prior year. Performance was supported by loan growth and increased net interest income as well as strong cost efficiency, with the reported cost income ratio at 28%. Credit losses remain low, with provisions in the period being primarily model based for Stage 1 and 2 loans. Given the current economic uncertainty, the bank is maintaining elevated levels of provisions.
- In Q3 2021, BN Bank bought a stake in SpareBank 1 Naeringskreditt (SB1 NK), the covered bond issuing vehicle of the SB1 Alliance for commercial real estate loans. In Norway, it is the norm for banks to own a stake in jointly used covered bond issuing vehicles in proportion to their use of such vehicles. BN Bank currently holds a 36% stake in SB1 NK. This development drove the decline in the bank's CET1 capital ratio to 18.9% in Q3 2021, from 23.3% in Q2 2021.

A focused business generating sustainable returns

The "focused" business model assessment reflects BN Bank's geographic concentration in south-eastern Norway and the emphasis on real estate related lending. We believe the business benefits from the close relationship with the bank's core shareholders.

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.

Successfully executing on business strategy

BN Bank's strategy has been driven by its owners' expectations for the bank to generate sustainable returns in line with their own (generally around 12%). Over time, this has led management to significantly refocus the commercial real estate financing business, sell the unprofitable real estate brokerage business, and cease unsecured consumer lending activities. Efforts in recent years to grow business volume and improve cost efficiency have resulted in steadily increasing returns.

Growing residential mortgage business

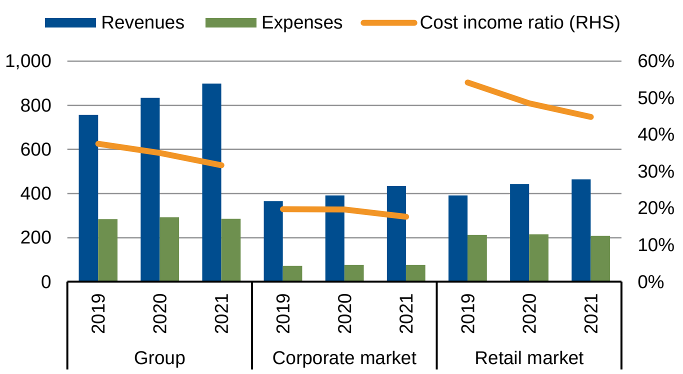
In the retail market, the bank targets less price sensitive customers willing to pay for more service and aims to develop more enduring client relationships. Distribution channels have also been expanded beyond the internet to include mortgage brokers, a partnership with the real estate group, Krogsveen, and open banking initiatives.

Focused commercial real estate business

In the corporate market, BN Bank is a recognised niche player in financing traditional commercial property. By pursuing smaller parts of larger commercial property portfolios, the focus is on higher margin business. In addition, the bank has a small construction loan portfolio primarily related to residential housing and which is limited in size to 15% of total corporate lending.

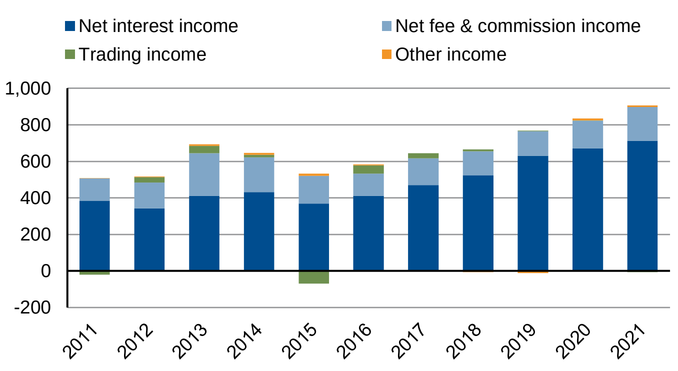
Over the long-term, management aims for a 70% retail / 30% corporate lending mix. The proportion of retail lending which is comprised almost entirely of residential mortgages has gradually increased and stood at 64% as of 30 June 2022.

Figure 1: Revenue and expenses by segment (NOK m)



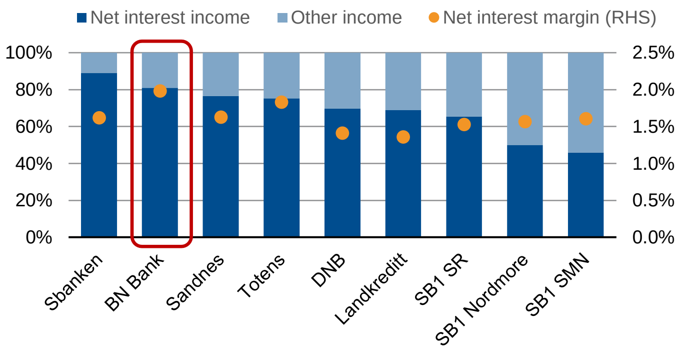
Source: Bank, Scope Ratings.

Figure 2: Revenue development (NOK m)



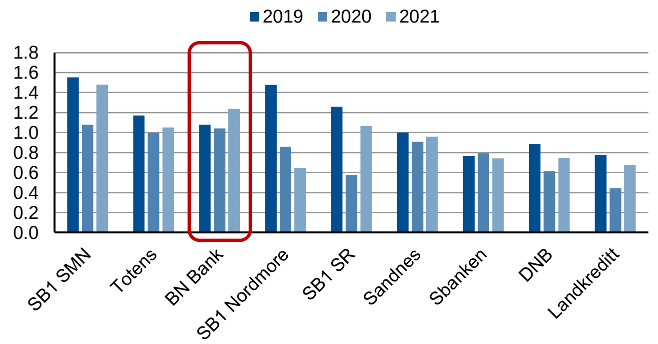
Source: SNL, Scope Ratings.

Figure 3: Revenue composition (%) – peer comparison



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

Figure 4: Return on average assets (%) – peer comparison



Source: SNL, Scope Ratings.

Ownership by SpareBank 1 Alliance banks brings material benefits

The bank's ownership is dominated by the two largest regional banks in Norway, with each holding a stake of about 35% (Figure 5). Over time, the ownership structure has become more concentrated as smaller banks in the SB1 Alliance have terminated their ownership or have merged.

Owners drive the bank's strategy

With five senior executives from the owner banks sitting on the bank's board, the owners have significant influence on its strategic direction. Having acquired the bank at a relatively attractive price in 2008, the owners now benefit from the bank's increasingly solid operating performance. BN Bank has also served as a platform for trying new business ideas and provides access to the Oslo region. The two owners with the largest stakes, SpareBank 1 SMN and SpareBank 1 SR-Bank, are based in Trondheim and Stavanger, respectively.

Alliance resources support the bank in multiple ways

BN Bank enjoys material advantages from its relationship with the SB1 Alliance. These include the use of common IT systems, access to credit models based on customer data from the banks in the alliance, and the exchange of expertise on topics such as market and liquidity risks and regulatory developments.

Further, BN Bank uses the covered bond issuing entities of the SB1 Alliance for its funding needs. The access to covered bond funding is highly beneficial as this market has proven to be relatively stable and liquid. BN Bank aims to transfer around 50% of mortgages and 40% of commercial real estate loans to the alliance's covered bond issuing companies.

Figure 5: Selected data on BN Bank's owners

	Stake in BN Bank (%)	Assets (NOK bn)	Return on Avg Assets (%)	Return on Avg Equity (%)	Costs % Income	NPLs % Gross loans	CET1 capital ratio (%)
SpareBank 1 SR-Bank	35.02%	318	1.0	10.9	42.6	1.2	17.6
SpareBank 1 SMN	35.02%	217	1.3	12.4	47.7	1.5	18.8
SpareBank 1 Østlandet	9.99%	169	0.9	7.5	55.3	0.2	18.0
SpareBank 1 Nord-Norge	9.99%	126	1.1	8.7	46.9	0.7	19.3
SpareBank 1 Sørøst-Norge	7.46%	90	1.3	9.9	44.6	0.5	21.4
SpareBank 1 Østfold Akershus	2.52%	27	1.4	9.5	44.9	0.6	18.5

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

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 30% 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.

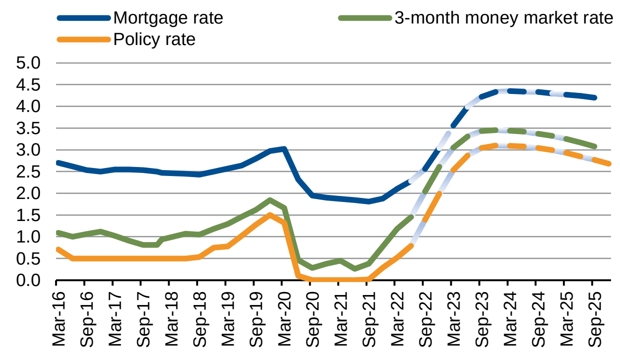
Key economic indicators	2019	2020	2021	2022F	2023F
GDP per capita (USD'000s)	75.8	67.0	88.8	na	na
Real GDP, % change	0.7	-1.3	4.0	3.4	1.3
Unemployment rate, %	3.7	4.6	4.4	3.3	3.4
CPI, % change	2.2	1.3	3.5	4.6	3.3
Policy rate, %	1.5	0.1	1.2	2.3	3.0
General government debt, % of GDP	40	46	43	47	46

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

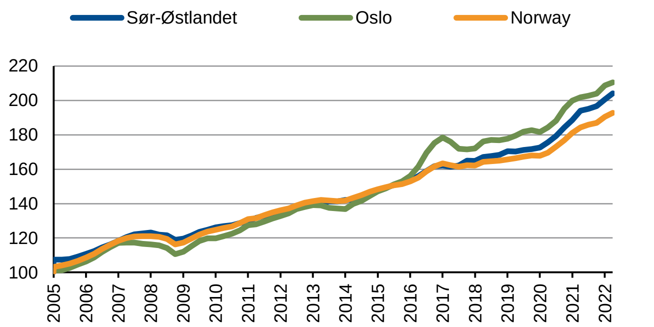
Source: SNL.

Figure A: Interest rates (%)



Source: Norges Bank, June 2022 MPR.

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



Source: Statistics Norway, Macrobond, Scope Ratings.

Actively pursuing initiatives to ensure long-term sustainability of business

The “developing” long-term sustainability assessment reflects our view that BN Bank is actively managing sustainability issues and opportunities, with the progress made so far being in line with peers.

Engaging with stakeholders on topic

The bank demonstrates good awareness of how sustainability issues may impact its business and has incorporated this into strategic priorities. Management has carried out impact and materiality analysis, examining issues which are important to various stakeholders as well as to its performance. The bank is in the process of instilling responsibility for sustainability throughout the organisation, rather than maintaining it solely at management level.

Executing on sustainability strategy

The bank’s 2020-2022 sustainability strategy focuses on business management and operations, credit processes including client onboarding, sustainability requirements for suppliers and partners, and responsible investments. Since January 2020, BN Bank has been a signatory to the UN’s Principles for Responsible Banking. Management has delivered two milestone reports to the UNEPFI (2021 and 2022) and has received encouraging feedback that it is on track to satisfying the UNEP FI principles.

The bank published its first standalone sustainability report in 2021 and reports along TCFD and GRI standards. KPMG has also reviewed the bank’s sustainability reporting.

The bank’s internal guidelines and policies have been changed to reflect ESG goals and targets to ensure that ESG considerations are a part of credit assessments and customer dialogs. In conjunction with other SB1 Alliance banks, the bank is working on an ESG classification methodology for corporate customers. The focus is on developing standards for collecting information, systems to store the information and guides for credit officers in their interactions with clients.

Developing capabilities to assess ESG risks

For new corporate commitments, specific criteria for assessing ESG risks have been established and ESG-related data is collected. As a starting point for assessing transition risk in the corporate portfolio, the bank has used information from CRE leases to map the industries tenants are in. The largest share of buildings is leased to light industry or workshops (46%), with offices also being material (22%).

In addition to documenting the energy classification of homes financed by mortgages, the bank has also started assessing physical risks. An analysis of the retail mortgage portfolio indicates that the largest exposure is to landslides, but some properties are also exposed to flood risks.

Further, the bank is engaging with customers and developing products to support climate transition. The introduction of a green deposit product as well as energy improvement loans is planned.

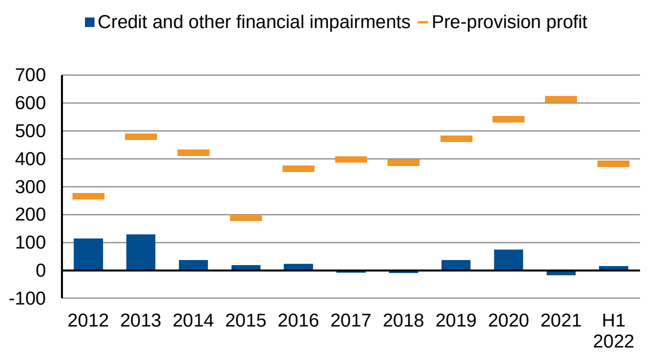
In May 2022, the bank established its own green bond framework which has been certified by Sustainalytics. A green bond may be issued later this year.

Increasingly solid earnings provide a buffer against potential credit impairments

The “supportive” earnings capacity and risk exposures assessment reflects the bank’s strong efficiency and sound asset quality, allowing the bank to comfortably absorb credit provisions out of ordinary pre-provision profit. This ability has increased in recent years, as a result of volume growth and tight cost control.

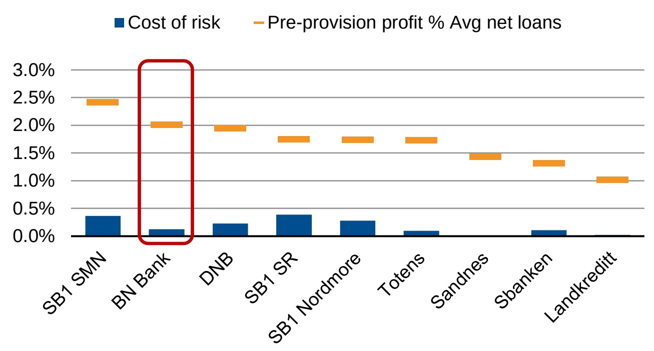
Management’s consistent strategy execution has resulted in steadily increasing earnings which provide a buffer against potential credit impairments (Figure 6). In recent years, the bank has grown income by focusing on higher mortgage volumes and controlling expenses while keeping credit costs low. Further growth in mortgage lending is key to the bank’s strategy, with management targeting a 12% return on equity and a cost-income ratio below 30%.

Figure 6: Pre-provision profit vs impairments (NOK m)



Source: Bank, Scope Ratings.

Figure 7: Pre-provision profit vs impairments – peer comparison



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

Like with most Norwegian banks, BN Bank’s business is focused on retail customers and residential mortgages. While having a nationwide presence, more than 80% of the bank’s exposure is in south-eastern Norway. With its headquarters in Trondheim, the bank prudently restricts lending to well-functioning markets with good market data. As of 30 June 2022, over 80% of mortgage exposure had LTVs below 70% while less than 5% had LTVs above 85%.

More exposed to commercial real estate than peers

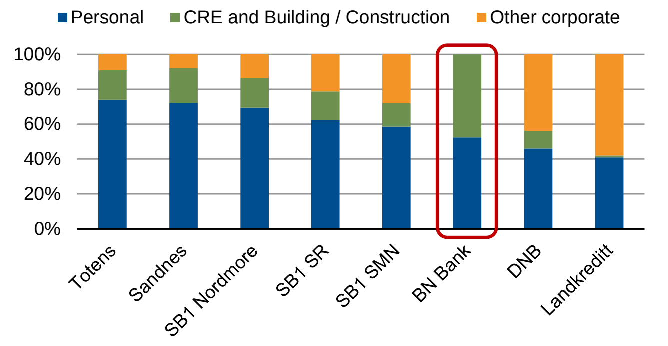
Compared to peers, BN Bank has greater exposure to the commercial real estate sector but has demonstrated the ability to manage the risks well (Figure 8). A few years ago, management made the decision to restrict the business to Oslo and the surrounding area based on their expertise and low loss experience in this region.

Asset quality profile compares well

The bank primarily finances commercial properties with multi-year leases and high occupancy rates. The portfolio is diversified across various types of commercial property, with lower exposure to more cyclical industries such hotels. The risk profile of the commercial real estate exposure remains sound, with moderate LTVs and the vast majority being classified as “low risk” based on the bank’s risk classification system (Figure 11).

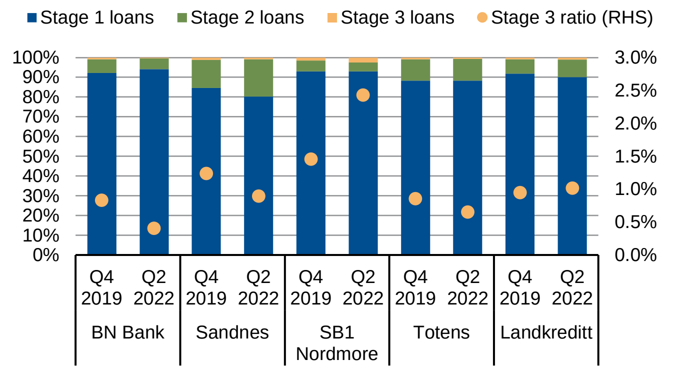
The relatively small construction loan portfolio (Q2 2022: NOK 2.7bn) is primarily related to residential housing. As with the CRE exposure, the vast majority is classified as “low risk”. The bank has not had any Stage 3 loans in the construction portfolio.

Figure 8: Loan book composition– peer comparison



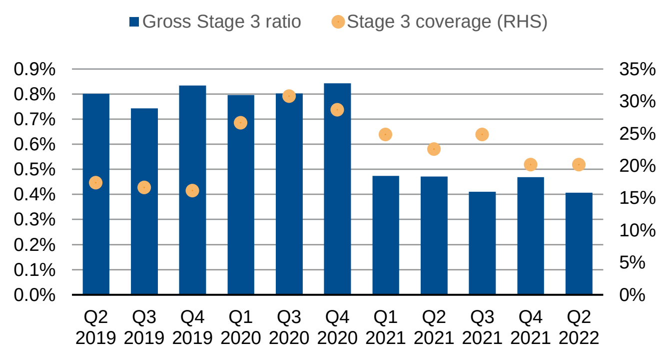
Note: On-balance sheet exposures as of year-end 2021. For BN Bank, personal exposures account for 52% of the total.
Source: Banks, Scope Ratings.

Figure 9: Asset quality – selected peer comparison



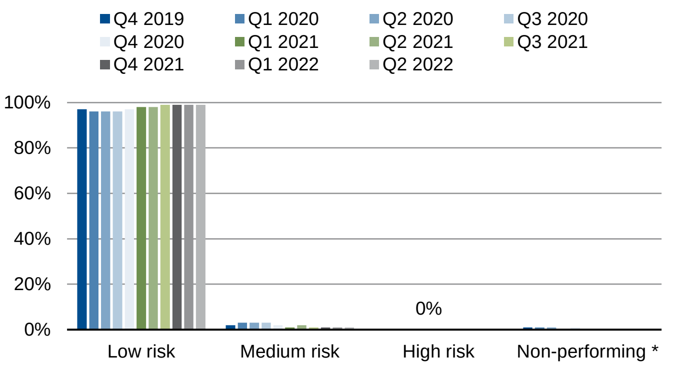
Source: Banks, Scope Ratings.

Figure 10: Gross Stage 3 ratio and coverage (%)



Source: Bank, Scope Ratings.

Figure 11: Risk profile of CRE lending



Notes: Based on bank's risk classification system. Entire lending activity, including loans transferred to SB1 NK. Non-performing accounted for 1% in Q4 2019, Q1 2020, Q2 2020 and Q4 2020. There were no NPLs in other quarters.
Source: Bank, 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.

Supported by internal capital generation, BN Bank maintains comfortable buffers to regulatory requirements (Figure 12). As of 30 June 2022, BN Bank's CET1 capital ratio stood at a relatively high 19.4%. The current CET1 requirement of 15.6% includes a Pillar 2 requirement of 2.6%, a systemic risk buffer of 4.5% and a countercyclical buffer of 1.5%. In its capital planning, management has anticipated the eventual return of the countercyclical buffer to 2.5% and targets a management buffer of at least 1%.

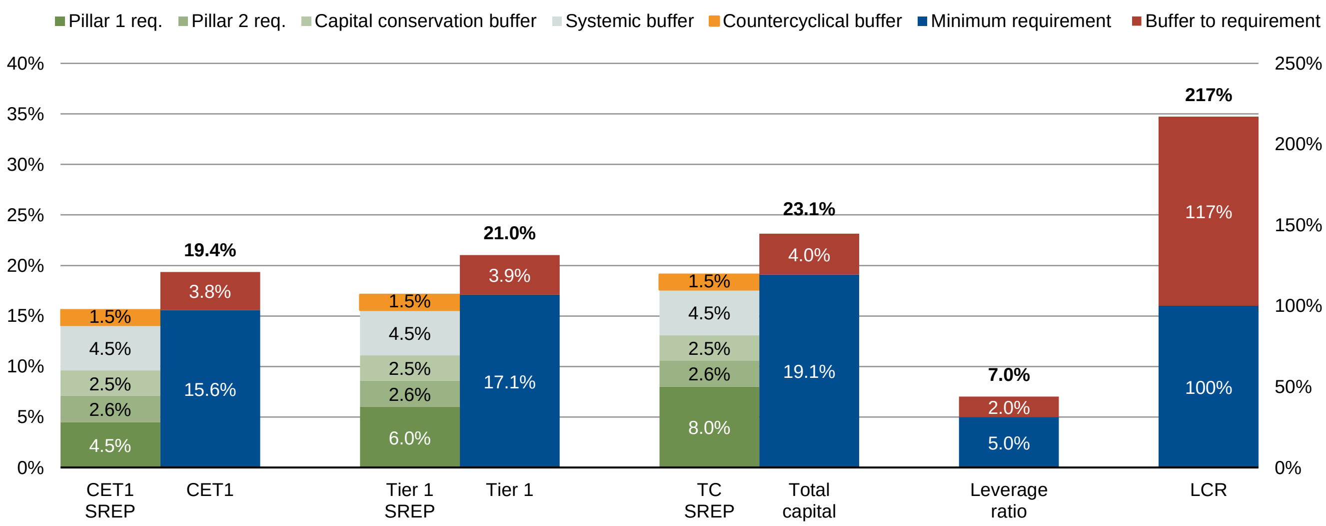
Well positioned for pending increase in countercyclical buffer

In response to the Covid-19 pandemic, the countercyclical buffer in Norway was lowered to 1% from 2.5% in March 2020. On 30 June 2022, the countercyclical buffer rate was increased to 1.5%, and from 31 December 2022, will increase further to 2%. The countercyclical buffer will return to 2.5% from 31 March 2023.

In July 2022, the Norwegian FSA published a review of the bank's internal models for calculating capital requirements. A preliminary report was provided to the bank in March and the board responded to the findings in May. While the bank is awaiting further discussions with the supervisory authority regarding the appropriateness of its models for corporate exposures with short contractual maturities, management does not expect material changes at this time.

BN Bank has been using advanced internal rating-based (A-IRB) models since 2014 for its corporate portfolio and since 2015 for its retail portfolio.

Figure 12: BN Bank's positioning against requirements as of Q2 2022



Source: Bank, Scope Ratings.

During the 2008 financial crisis, when it was under Icelandic ownership, the bank suffered material deposit outflows, particularly with larger deposits not covered by the guarantee scheme. From this experience, management is keenly aware of the need to maintain a sound liquidity profile and to have contingency measures in place.

Growing share of deposit funding

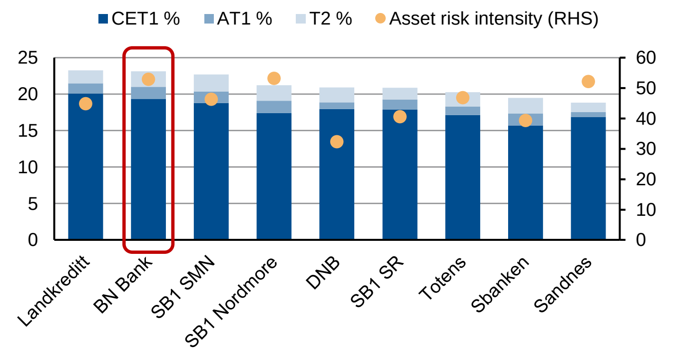
In recent years, management has pursued a more balanced growth strategy focusing on both loans and deposits. The bank has successfully attracted more deposits to fund loan growth and intends to continue growing the proportion of deposit funding.

Covered bonds remain an important funding source

Market funding, however, remains important. In addition to covered bond funding via the SB1 Alliance, the bank relies on the domestic unsecured debt market (Figure 14). The bank, however, aims to maintain enough liquidity and reserves so that it does not need access to wholesale markets for at least one year. The liquidity portfolio is comprised primarily of high-quality government and municipal securities as well as covered bonds.

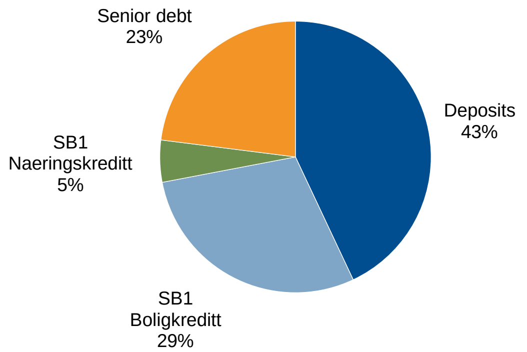
Further, the bank has various targets and limits in place such as a minimum duration for outstanding market funding and a maximum amount of debt maturing each year.

Figure 13: Capital ratios and asset risk intensity (%) – peer comparison



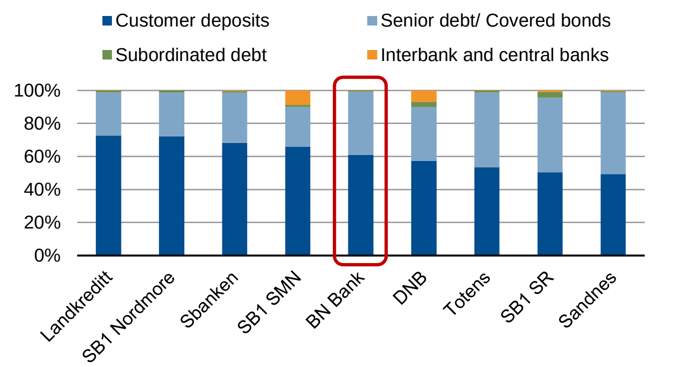
Note: Data as of Q2 2022.
Source: Bank, Scope Ratings.

Figure 14: Funding profile



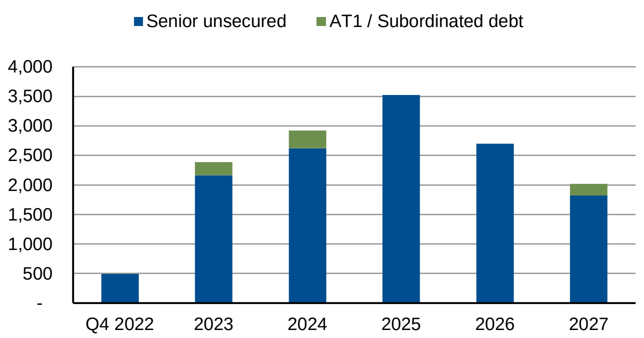
Notes: Data as of Q2 2022. SB1 Naeringskreditt and SB1 Boligkreditt are covered bond issuing vehicles. Source: Bank, Scope Ratings.

Figure 15: Funding profile – peer comparison



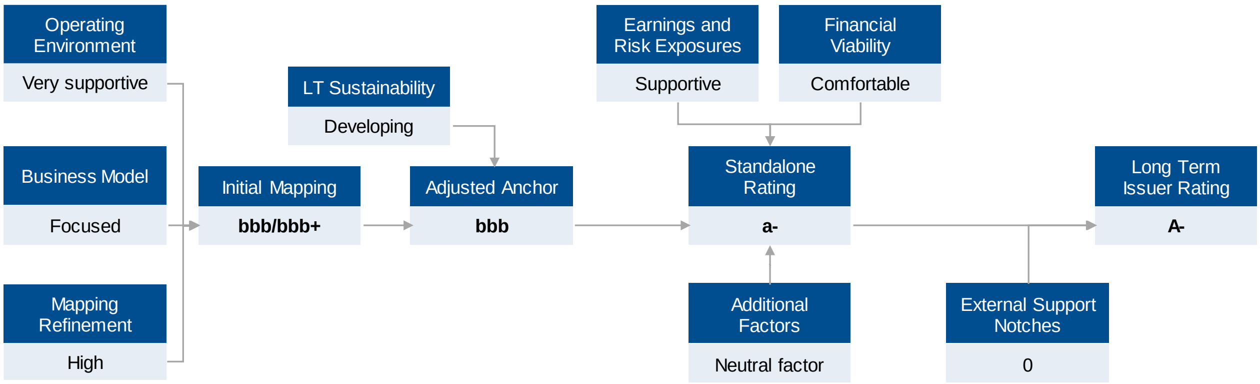
Note: Data as of year-end 2021.
Source: SNL, Scope Ratings.

Figure 16: Debt maturity profile (NOK m)



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

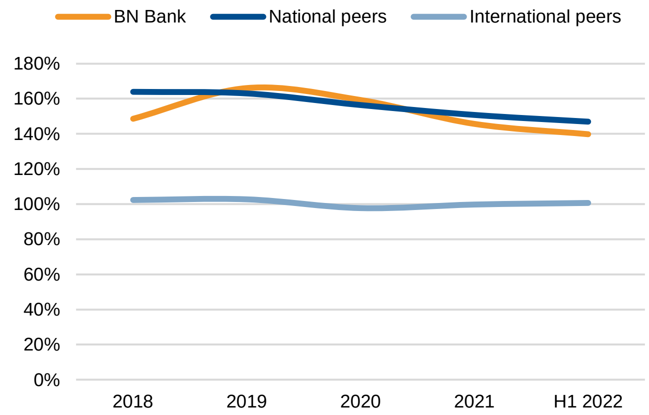
I. Appendix: Overview of the rating process



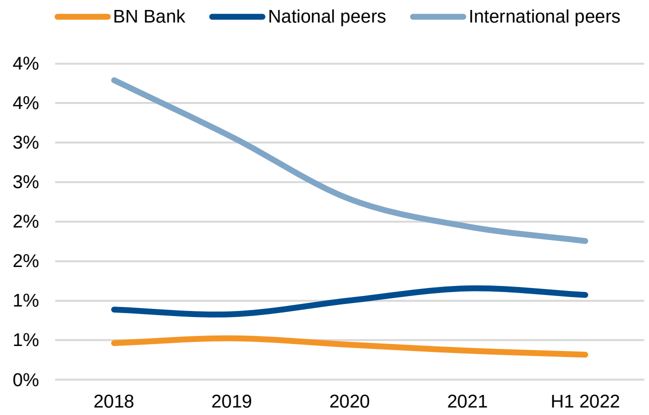
Step		Assessment	Summary rationale
STEP 1	Operating environment	Very supportive Supportive Moderately supportive Constraining Very constraining	• Wealthy economy with well-developed capital markets and a solid track record of economic resilience • Supportive banking environment • Relatively stringent and active financial regulator
	Business model	Very resilient Resilient Consistent Focused Narrow	• Activities concentrated in eastern Norway • Material commercial real estate exposure balanced by growing residential mortgage business • Affiliation with an alliance brings significant advantages
	Mapping refinement	High Low	• Benefits from ownership by solid member banks of SpareBank 1 Alliance
	Initial mapping	**bbb/bbb+**	
	Long-term sustainability	Best in class Advanced Developing Lagging	• Actively embracing ESG developments, including developing capabilities to assess and manage ESG risks and reporting to global standards • Invests in technology capabilities to remain competitive in a highly digital market
	Adjusted anchor	**bbb**	
STEP 2	Earnings capacity & risk exposures	Very supportive Supportive Neutral Constraining Very constraining	• Executing on strategy to further increase returns to level desired by owners • Strong cost efficiency underpinned by digital business model • Sound asset quality and low credit losses
	Financial viability management	Ample Comfortable Adequate Limited Stretched At risk	• Comfortably meets regulatory requirements • Reliance on market funding, including more stable covered bonds through issuing vehicles of SpareBank 1 Alliance • Maintains high quality liquidity portfolio
	Additional factors	Significant support factor Material support factor Neutral Material downside factor Significant downside factor	• No further considerations
	Standalone	**a-**	
STEP 3	External support	Not applicable	
Issuer rating		**A-**	

II. Appendix: Peer comparison

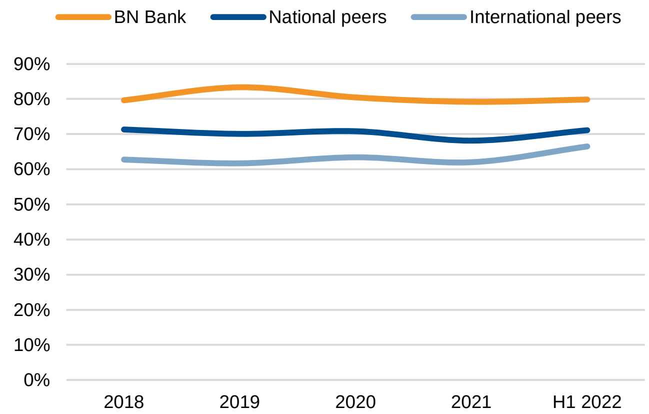
Net customer loans % Deposits



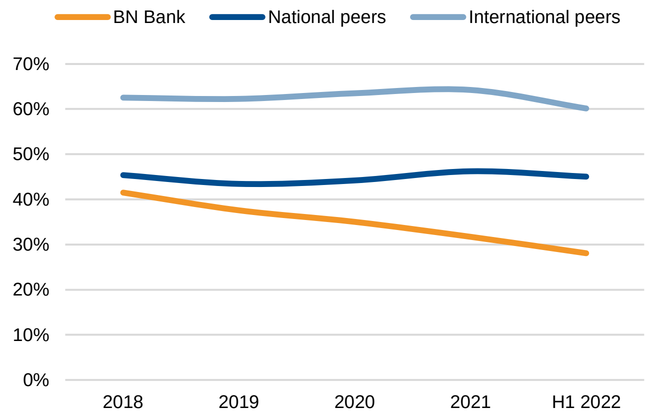
Problem loans % Gross customer loans



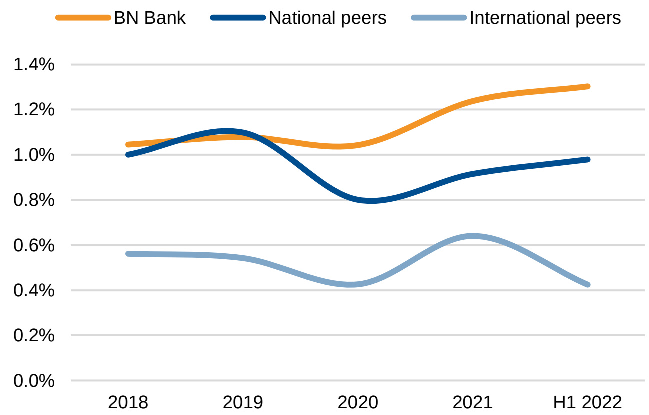
Net interest income % Operating income



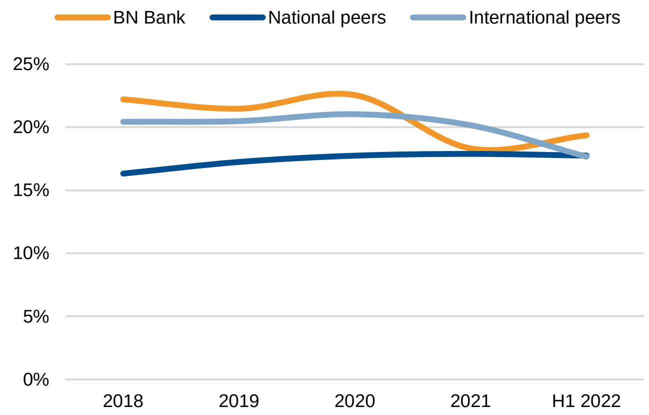
Costs % Income



Return on average assets (%)



CET1 capital ratio (%)



National peers: Landkreditt, Sandnes Sparebank, Totens Sparebank, SpareBank 1 Nordmore, SpareBank 1 SR-Bank, SpareBank 1 SMN, DNB, Sbanken.
International peers: Hypo-Bank Burgenland AG, Banca Popolare di Sondrio SCpa, Credito Emiliano SpA, Kutxabank SA, Unicaja Banco SA, Coventry Building Society, Sparbanken Sjuharad AB, de Volksbank NV.
Note: H1 2022 data unavailable for Hypo-Bank Burgenland.
Source: SNL.

III. Appendix: Selected financial information – BN Bank ASA

	2018	2019	2020	2021	H1 2022
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	964	1,010	437	236	1,042
Total securities	5,789	5,261	7,155	8,234	7,888
of which, derivatives	113	77	238	72	52
Net loans to customers	22,157	25,503	28,069	32,472	34,833
Other assets	111	143	106	934	847
Total assets	**29,021**	**31,917**	**35,767**	**41,876**	**44,610**
Liabilities					
Interbank liabilities	19	7	414	9	164
Senior debt	9,027	11,469	12,455	13,916	NA
Derivatives	96	89	80	85	350
Deposits from customers	14,909	15,360	17,627	22,287	24,912
Subordinated debt	501	439	300	300	400
Other liabilities	187	256	342	262	NA
Total liabilities	**24,739**	**27,620**	**31,218**	**36,859**	**39,422**
Ordinary equity	3,758	4,070	4,323	4,792	4,863
Equity hybrids	524	227	226	225	325
Minority interests	0	0	0	0	0
Total liabilities and equity	**29,021**	**31,917**	**35,767**	**41,876**	**44,610**
Core tier 1/ common equity tier 1 capital	*3,572*	*3,756*	*4,170*	*4,368*	*4,571*
Income statement summary (NOK m)					
Net interest income	524	630	671	712	424
Net fee & commission income	131	135	152	186	95
Net trading income	10	3	1	-7	-7
Other income	-7	-12	10	8	19
Operating income	**658**	**756**	**834**	**899**	**531**
Operating expenses	273	284	292	285	149
Pre-provision income	**385**	**472**	**542**	**614**	**382**
Credit and other financial impairments	-10	37	75	-18	15
Other impairments	0	0	0	0	0
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	0	0	0
Pre-tax profit	**395**	**435**	**467**	**632**	**367**
Income from discontinued operations	0	0	0	0	0
Income tax expense	101	108	113	154	86
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	**294**	**327**	**354**	**478**	**281**

Source: SNL

IV. Appendix: Selected financial information – BN Bank ASA

	2018	2019	2020	2021	H1 2022
Funding and liquidity					
Net loans/ deposits (%)	149%	166%	159%	146%	140%
Liquidity coverage ratio (%)	169%	163%	150%	178%	217%
Net stable funding ratio (%)	160%	148%	165%	154%	NA
Asset mix, quality and growth					
Net loans/ assets (%)	76.3%	79.9%	78.5%	77.5%	78.1%
Problem loans/ gross customer loans (%)	0.5%	0.5%	0.4%	0.4%	0.3%
Loan loss reserves/ problem loans (%)	108.7%	92.5%	156.0%	133.3%	158.6%
Net loan growth (%)	7.1%	15.1%	10.1%	15.7%	14.5%
Problem loans/ tangible equity & reserves (%)	2.4%	3.0%	2.6%	2.3%	2.1%
Asset growth (%)	10.9%	10.0%	12.1%	17.1%	13.1%
Earnings and profitability					
Net interest margin (%)	1.9%	2.1%	2.0%	1.9%	2.0%
Net interest income/ average RWAs (%)	3.5%	3.7%	3.7%	3.6%	3.5%
Net interest income/ operating income (%)	79.6%	83.3%	80.5%	79.2%	79.8%
Net fees & commissions/ operating income (%)	19.9%	17.9%	18.2%	20.7%	17.9%
Cost/ income ratio (%)	41.5%	37.6%	35.0%	31.7%	28.1%
Operating expenses/ average RWAs (%)	1.8%	1.7%	1.6%	1.4%	1.2%
Pre-impairment operating profit/ average RWAs (%)	2.6%	2.8%	3.0%	3.1%	3.2%
Impairment on financial assets / pre-impairment income (%)	-2.6%	7.8%	13.8%	-2.9%	3.9%
Loan loss provision/ average gross loans (%)	0.0%	0.2%	0.3%	-0.1%	0.1%
Pre-tax profit/ average RWAs (%)	2.6%	2.6%	2.6%	3.2%	3.1%
Return on average assets (%)	1.0%	1.1%	1.0%	1.2%	1.3%
Return on average RWAs (%)	2.0%	1.9%	2.0%	2.4%	2.3%
Return on average equity (%)	7.3%	7.8%	8.1%	10.0%	10.9%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (%, transitional)	22.2%	21.5%	22.5%	18.3%	19.4%
Tier 1 capital ratio (%, transitional)	24.1%	23.2%	24.1%	19.5%	21.0%
Total capital ratio (%, transitional)	27.8%	25.5%	26.3%	21.2%	23.1%
Leverage ratio (%)	8.5%	8.4%	8.2%	7.1%	7.0%
Asset risk intensity (RWAs/ total assets, %)	55.4%	54.8%	51.7%	56.9%	52.9%
Market indicators					
Price/ book (x)	NA	NA	NA	NA	NA
Price/ tangible book (x)	NA	NA	NA	NA	NA
Dividend payout ratio (%)	NA	NA	NA	NA	NA

Source: SNL

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