Pareto Bank ASA
Issuer Rating Report

SCOPE BBB STABLE

Scope's credit view (summary)

Pareto Bank's **BBB issuer rating** reflects a commercial banking business specialised primarily in real estate and corporate financing for Norwegian customers, with a strong track record of operating performance.

The bank generates robust returns, underpinned by a commitment to achieving a level of profitability which provides strong capacity to absorb credit costs and to build capital for growth. The bank maintains sound asset quality metrics, reflecting its prudent underwriting criteria. While the cost of risk is subject to higher variability than peers due to the less granular and cyclical nature of its credit exposures, the bank has a history of low credit losses.

Through earnings retention and controlled lending growth, the bank maintains a solvency position in line with relatively high requirements. Management takes a proactive approach to ensuring appropriate buffers and considers future regulatory developments in its planning. Given its business activities and funding profile, we consider the bank to be more sensitive to investor sentiment.

Outlook and rating-change drivers

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

What could move the rating up:

- Continued profitable growth, with increased business and geographic diversification

What could move the rating down:

- A weakening in asset quality which materially impacts profitability
- A deterioration in the stability of the funding profile

Ratings & Outlook

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

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Bloomberg: RESP SCOP

Issuer profile

Established in 2007, Pareto Bank is a commercial lender specialising in real estate, corporate and ship financing. The bank aims to be Norway's leading project bank, targeting medium-sized companies which are underserved by other market players. Activities are concentrated in the Oslo region and other larger cities in the country.

The bank also offers ordinary banking services such as deposits and payments to retail and corporate customers. As well, the bank holds a 35% stake in NyeBoliger AS (Sem & Johnsen Prosjektmegling), a real estate broker specialising in the sale of homes under construction.

Pareto Bank has been listed on the Oslo Stock Exchange since 2016. Pareto AS is the largest shareholder, with a 20% stake. The bank is financially and operationally independent of the Pareto group and under its banking license is restricted from granting credit to or issuing guarantees in favor of companies in the group. There is, however, the sharing of expertise and a common business-oriented corporate culture.

As of 30 June 2022, the bank had around 60 employees and NOK 22bn in assets.

Recent events:

- For Q3 2022, the bank reported a net profit of NOK 134m and a return on equity of 14.0%, up from 13.8% in Q3 2022. Net interest income grew strongly supported by volume growth and higher interest rates. Credit impairments were NOK 21m, up from NOK 7m year-over-year, primarily due to model-based impairments to reflect increased economic uncertainty. The CET1 capital ratio remained stable during the quarter and stood at 18%.

Specialised commercial bank serving medium-sized Norwegian companies

Project financing specialist

The ‘focused’ business model assessment reflects a commercial banking business specialising in real estate, corporate and ship financing. Pareto Bank successfully targets medium-sized Norwegian companies which are underserved by other market players, although its overall market position is limited. Activities are concentrated in eastern Norway, including the Oslo region and other large cities in the country. The bank’s operating performance track record points to the soundness of the business model.

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 there is a relatively large number of banks, the banking sector performs well and exhibits conservative risk metrics.

Pareto Bank focuses on the financing needs of medium-sized Norwegian companies which are not well catered to by large commercial banks as well as local and regional savings banks. The bank competes on the quality of service rather than price, adding value through its expertise, responsiveness, and efficiency.

Market position based on expertise and responsiveness

Profitability and risk management are key tenets of the bank’s strategy. Loans must be profitable from the first day, with management targeting a 14% return on equity over the long-term. The bank’s operating performance has proven to be resilient in more challenging periods, such as when oil prices materially declined in 2014-2015 and during the Covid-19 pandemic (Figures 3 and 4).

Management has also demonstrated agility by adapting the business to maintain growth in line with its return target. For example, following a difficult period for the shipping and offshore sector in 2014-2015, the bank revised its credit policy and reduced its exposure. With the current softening in real estate development activity, the bank sees opportunities in the corporate and shipping segments.

Strong track record of volume and revenue growth

Pareto Bank has a strong track record of consistent organic volume and revenue growth. Nevertheless, with a focus on project financing and relatively short-dated credit exposures, the bank must continually seek new business opportunities.

Box A: Overview of Pareto Bank’s main business segments

Real estate	Financing of residential property development and commercial property in eastern Norway and larger Norwegian cities. Since its inception in 2008, the bank has financed more than a thousand housing development projects. Financing is provided for land acquisition, construction, conversion and rehabilitation. As well, the bank provides both long-term cash-flow based financing and development financing for commercial property. A cooperation agreement is in place with the specialist mortgage provider Eiendomskreditt AS.
Corporate	The bank provides a wide range of tailored financing solutions to medium-sized Norwegian companies. The target market is companies with NOK 10-500m in turnover. These include investment loans, M&A financing, bridge loans, working capital facilities, accounts receivables loans and securities financing.
Shipping	First lien financing is offered primarily to Norwegian ship owners, family offices and the investment project market. The focus is on the largest and most liquid segments such as dry bulk carriers, oil and product tankers and container ships.

Box B: 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 around 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.

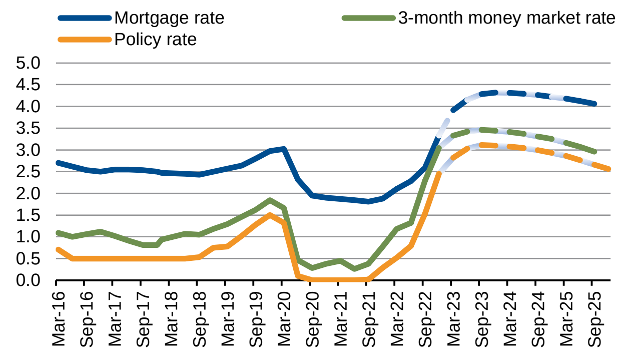
Key economic indicators	2019	2020	2021	2022F	2023F
GDP per capita (USD'000s)	75.8	67.0	88.8	na	na
Real GDP, % change	0.7	-1.3	4.0	3.4	1.3
Unemployment rate, %	3.7	4.6	4.4	3.3	3.4
CPI, % change	2.2	1.3	3.5	4.6	3.3
Policy rate, %	1.5	0.1	1.2	2.3	3.0
General government debt, % of GDP	40	46	43	47	46

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

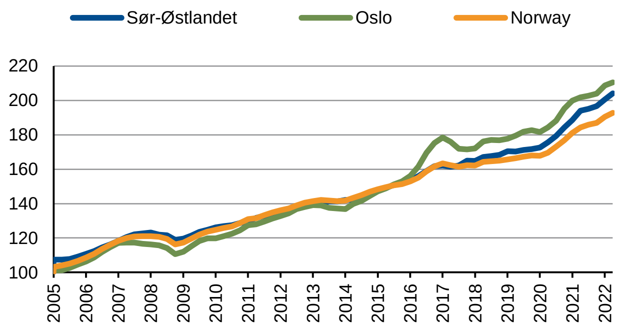
Source: SNL.

Figure A: Interest rates (%)



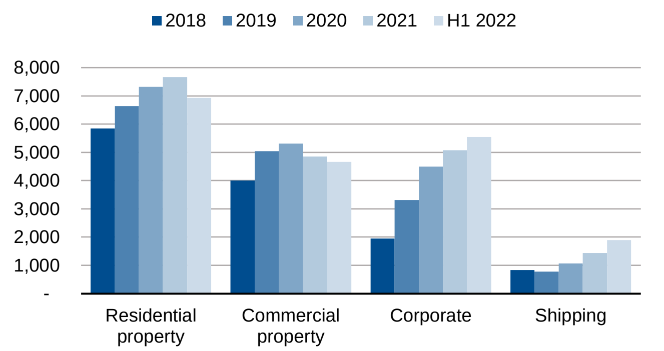
Source: Norges Bank, Sep 2022 MPR.

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



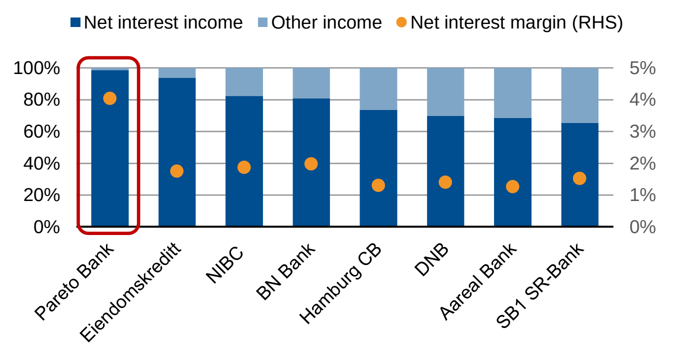
Source: Statistics Norway, Macrobond, Scope Ratings.

Figure 1: Development of credit exposure by business (NOK m)



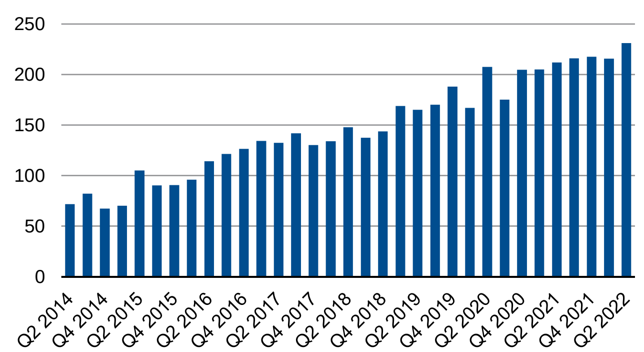
Source: Bank, Scope Ratings.

Figure 2: Revenue composition and margin (%) – peer comparison



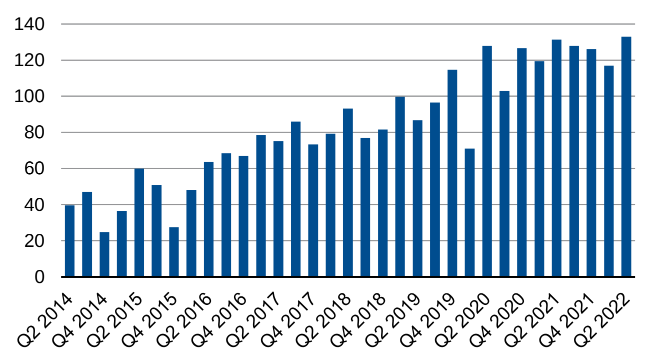
Note: 3-year average based on 2019-2021.
Source: SNL, Scope Ratings.

Figure 3: Revenue development (NOK m)



Source: SNL, Scope Ratings.

Figure 4: Net income development (NOK m)



Source: SNL, Scope Ratings.

Actively addressing sustainability-related risks and opportunities

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

The foundation for the bank’s sustainability strategy was established several years ago when employees defined the bank’s purpose beyond the generation of good returns. In 2020, an internal sustainability task force with representatives from the management team was established and a materiality analysis was performed. This involved identifying key stakeholders and their concerns. In the future, management intends to perform a full materiality analysis in line with GRI standards.

In November 2021, the bank’s board adopted a sustainability policy. Key elements include: (1) sustainability must be a part of the annual strategic process, with both opportunities and risks being identified and assessed, (2) sustainability should be an integral part of risk management, and (3) there should be reporting on sustainability, including at individual loan level and in the annual report.

ESG considerations are part of underwriting process

The consideration of ESG-related risks is part of the credit process. The bank’s main objective is to minimise ESG risks while at the same time contribute to positive change with customers. Procedures have been established and put in place this year. Climate risk, including physical and transition risks, is separately assessed on the customer as well as on any collateral. This also includes potential reputational risks associated with lending to customers who do not screen well on social factors. Further, the bank has established exclusion policies.

Less exposed to digital transition risks

As a corporate bank, Pareto Bank does not have a branch network, nor the same need for advanced digital customer solutions as a typical retail bank. Nevertheless, technology is used to optimise processes and increase efficiency.

Like with most Norwegian banks, Pareto Bank outsources the operation and maintenance of IT systems / banking applications to external contractors. TietoEvry is the main provider. In January 2022, the bank renewed its contract with TietoEvery for another five years, covering back-office solutions, online banking, AML, and payment processing. Continuity plans are included in the bank's outsourcing policy.

The bank monitors IT security closely and in recent years has taken initiatives to strengthen capabilities to prevent fraud attempts and hacking attacks. This includes migrating to the Microsoft cloud environment and raising awareness with employees.

Commitment to profitability provides a buffer against cyclical credit exposures

The "supportive" earnings capacity and risk exposures assessment reflects Pareto Bank's commitment to achieving a level of profitability which provides strong capacity to absorb credit costs and to build capital for growth. While credit exposures are less granular than for an average retail and commercial bank, management actively aims to diversify its exposures. Further, the bank has a track record of low credit losses.

Business consistently generates high returns

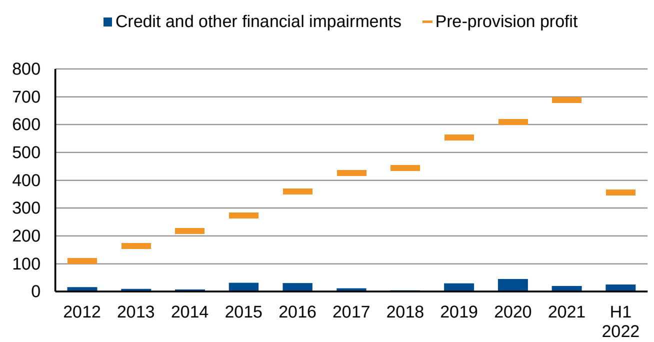
Over the time, the bank has successfully grown business volumes, increased margins and improved efficiency. Management's long-term ambition is a return on equity of 14%. The bank has achieved this target each year since 2014, with the exception of 2020 when the reported return was 13%.

With a specialised business and profitability as a strategic cornerstone, the bank achieves higher margins compared to peers. Lending margins have ranged between 5-6% over time. As well, cost efficiency is high as evidenced by a cost income ratio of around 20%.

Asset quality supported by prudent underwriting

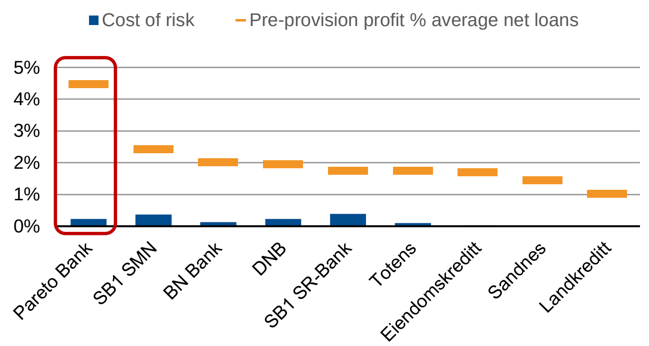
Through prudent underwriting and a collateralised loan book, the bank maintains sound asset quality metrics. Most credit exposures are normally secured by various forms of collateral. These include real estate, ships, securities, guarantees and cash deposits.

Figure 5: Pre-provision profit vs impairments (NOK m)



Source: Bank, Scope Ratings.

Figure 6: Pre-provision profit vs impairments – peer comparison



Source: SNL, Scope Ratings.

Less granular and more cyclical exposures

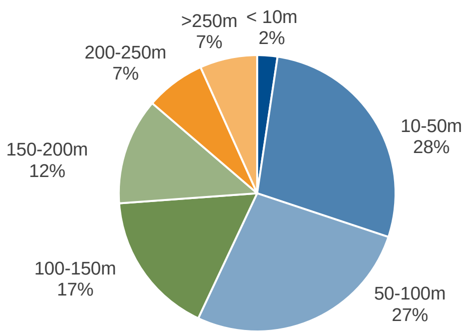
While not at the level of local savings banks, the bank's cost of risk compares well to other Norwegian banks who have more corporate exposure (Figures 6 and 12). However, given the less granular and cyclical nature of the exposure, the bank's cost of risk is subject to greater variability (Figures 7 and 8).

The bank's credit policies establish guidelines for diversifying credit exposures by sectors, collateral and commitment size. Exposure to shipping is capped at 15% of total credit exposure, with individual segments normally not exceeding 25% of total shipping exposure. The bank has also set a maximum exposure limit for single customers of NOK 300m and for groups on a consolidated basis of NOK 400m.

History of low credit losses

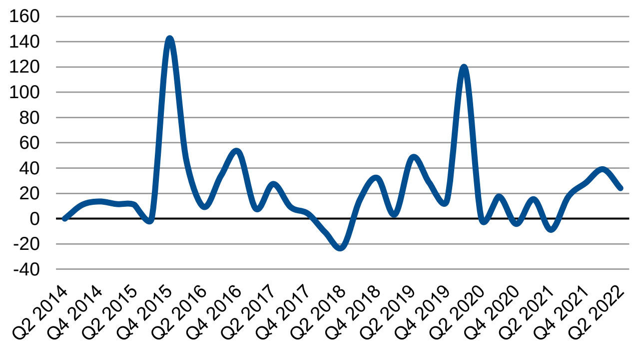
As well, the bank aims to have the majority of its credit exposures in the very low and low risk categories in its internal risk classification model (Figure 10).

Figure 7: Distribution of commitments by size



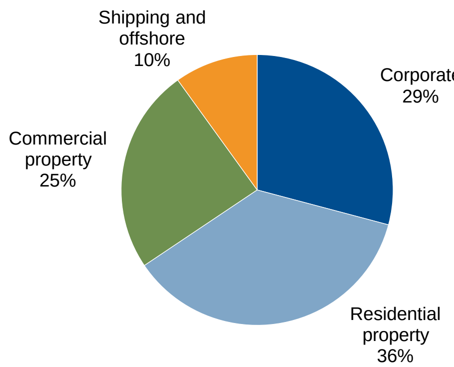
Note: Data as of Q2 2022.
Source: Bank, Scope Ratings.

Figure 8: Cost of risk (bps)



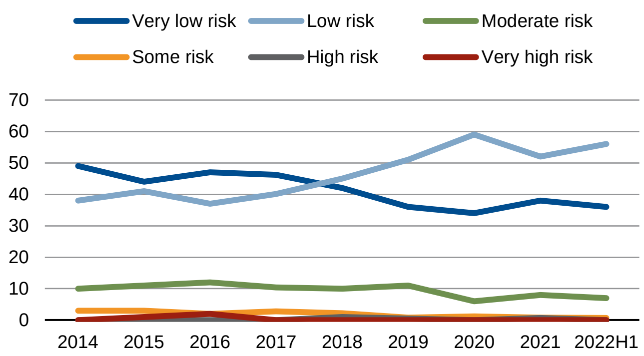
Note: Defined as provisions for loan losses % average loans.
Source: SNL, Scope Ratings.

Figure 9: Credit exposure profile (NOK 19bn)



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

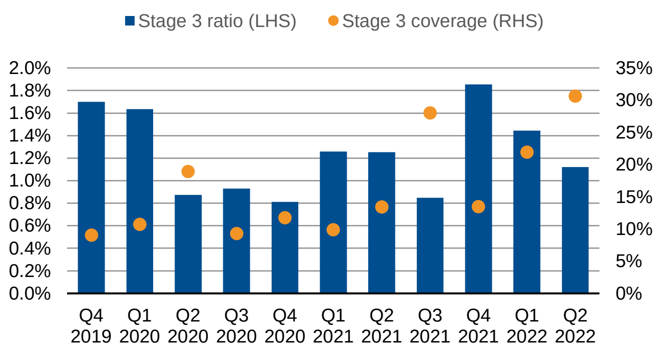
Figure 10: Credit exposure by risk classification (%)



Note: Based on bank's internal risk classification model.
Source: Bank, Scope Ratings.

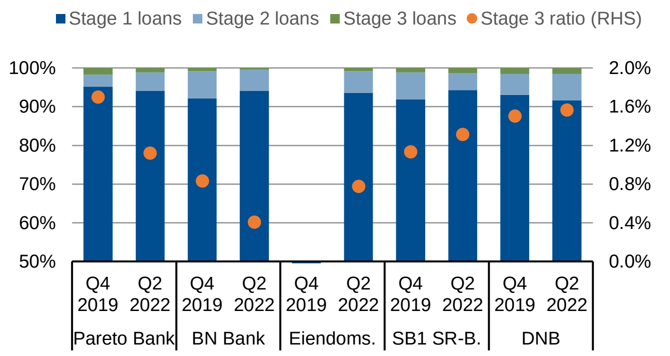
Due to a more uncertain economic outlook, the bank increased IFRS 9 model-based provisions by adjusting the probability of negative growth scenarios in Q1 2022. Credit reserves are now at the level seen in 2020. At the same time, Stage 3 loans continue to account for a low proportion of exposures (Figure 11).

Figure 11: Stage 3 ratio and coverage (%)



Source: Bank, Scope Ratings.

Figure 12: Asset quality metrics – selected peer comparison



Note: Q4 2019 data unavailable for Eiendomskreditt.
Source: SNL, Scope Ratings.

Solid buffers to regulatory requirements

The "adequate" financial viability management assessment reflects Pareto Bank's solid buffers to regulatory requirements but also a less stable funding profile compared to peers. Management takes a proactive approach to ensuring appropriate buffers are maintained and considers future regulatory developments in its planning.

Strong internal capital generation

Through earnings retention and controlled lending growth, Pareto Bank has maintained capital ratios in line with increasing requirements. As needed, the bank has also reduced dividends. The Board of Directors' long-term ambition is a 50% or more dividend payout ratio.

As of 30 June 2022, the bank was subject to a CET1 requirement of 14.7%, including a Pillar 2 requirement of 3.2%. From year-end, the bank's requirement will increase to 16.7% as the systemic risk buffer rises to 4.5% from 3% and the countercyclical capital buffer rises to 2% from 1.5%. In Q1 2023, the countercyclical capital buffer will fully revert to 2.5%.

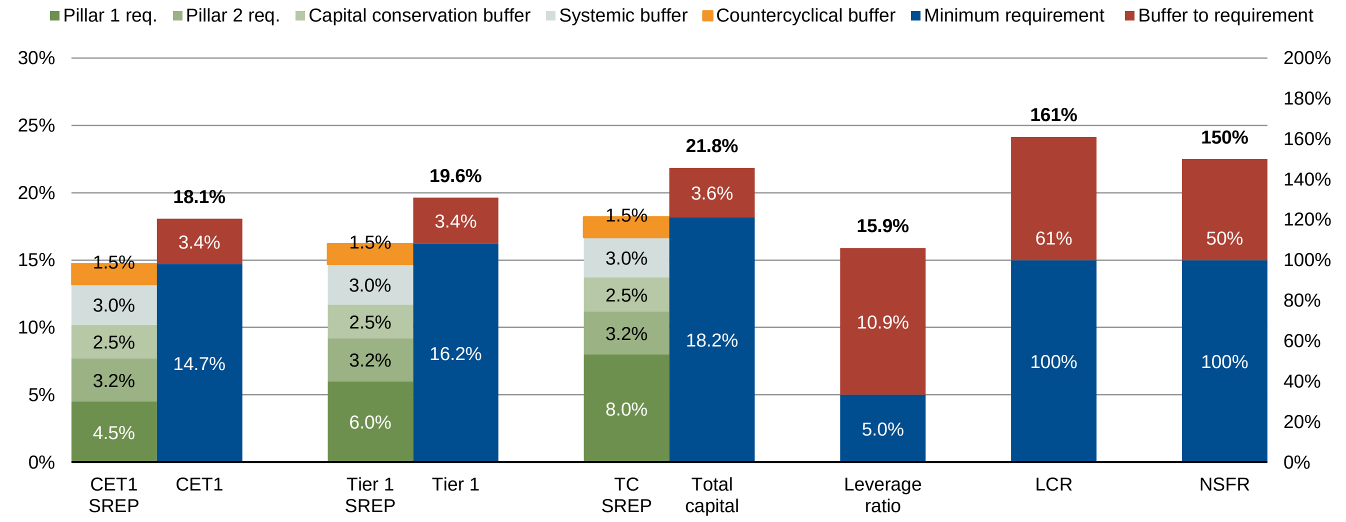
Anticipating potential future supervisory expectations

In H2 2022 or early 2023, the bank expects an updated Pillar 2 requirement and guidance from the Norwegian FSA. In the meantime, management has set its own Pillar 2 buffer of 50ps. This is based on the bank's performance during stress tests as contained in its ICAAP. Each business segment is stress tested based on loan portfolio data, valuations on available collateral and risk migration. As well, the bank maintains a management buffer of at least 50 bps.

Pareto Bank uses standardized models for calculating capital requirements, with most exposures having a risk weight of 100%. Given the high asset risk intensity, the quality of the bank's solvency metrics is high. As of Q2 2022, the leverage ratio stood at 15.9%.

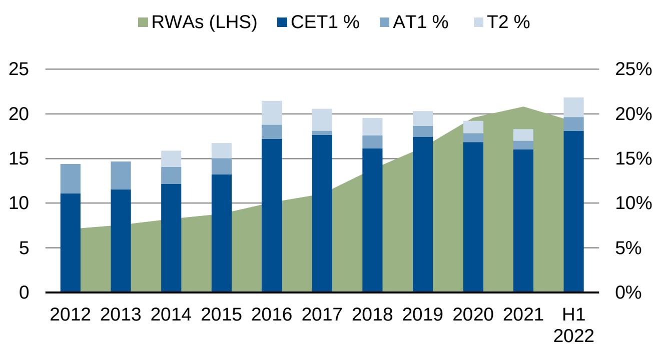
RWAs have consistently grown reflecting the bank's development. The decline in H1 2022 stems from the adoption of the second SME discount contained in CRR2, which was implemented in Norway in June (Figure 14).

Figure 13: Pareto Bank's positioning against requirements as of Q2 2022



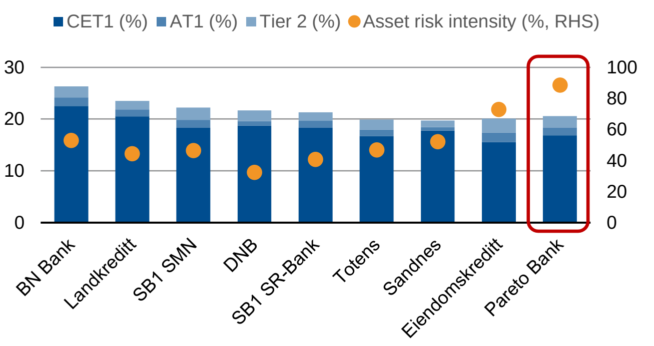
Source: Bank, Scope Ratings.

Figure 14: Capital (%) and RWA (NOK bn) development



Source: Bank, Scope Ratings.

Figure 15: Capital and RWA intensity (%) – peer comparison



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

Although customer deposits are the largest of source of funding, the use of market funding is material (Figure 17). The bank's risk limit for the deposit-to-loan ratio is 50% while the target is 60-70% over time (Q2 2022: 64%).

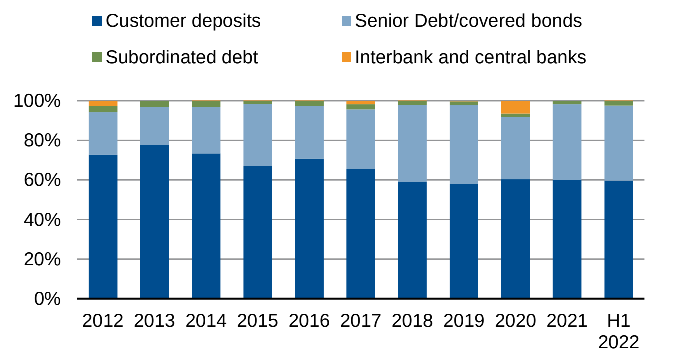
Pareto Bank issues senior unsecured debt as well as capital instruments. The bank maintains a debt profile with semi-annual maturities to maintain flexibility. Over time, issuance has moved from being driven by reverse enquiries to structured issuance. The cost of market funding has also improved as the bank has an established Nordic Bond Pricing curve, with several market makers.

More exposed to investor sentiment than peers

Given its business activities and funding profile, we consider the bank to be more sensitive to investor sentiment. In particular, corporate deposits make up a material proportion of total deposits (Q2 2022: 75% by value). This funding source is potentially less stable, compared to peers who rely primarily on retail deposits and covered bonds. Accordingly, the bank aims to maintain a high level of excess liquidity.

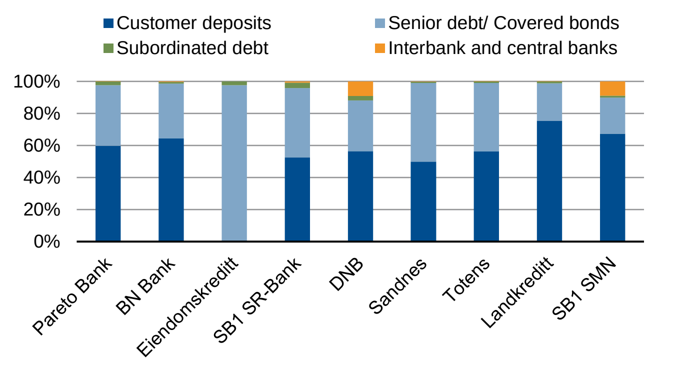
Compared to a requirement of 100%, the bank targets a NSFR of at least 110% while the risk limit for the LCR is set at 120%. The bank's liquidity buffer is invested in short-term deposits and high-quality bonds. As of Q2 2022, over 70% of the bond portfolio was invested in government and public sector entity debt, with the remainder primarily being in covered bonds.

Figure 16: Funding profile (%)



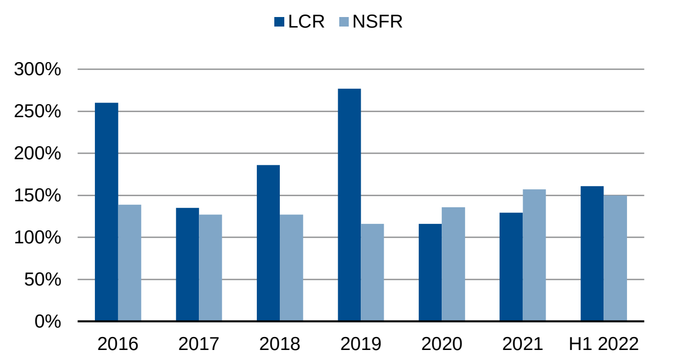
Source: Bank, Scope Ratings.

Figure 17: Funding profile (%) – peer comparison



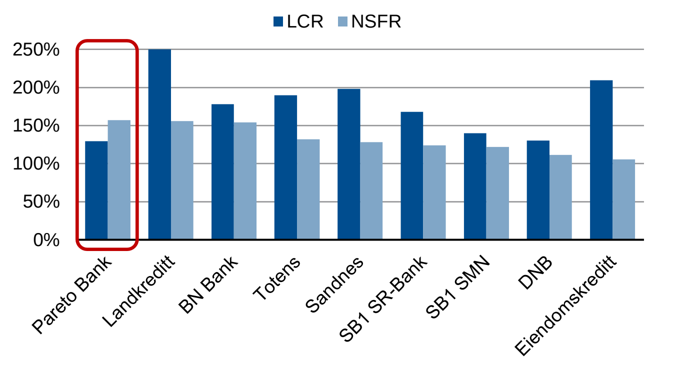
Note: Data as of H1 2022.
Source: SNL, Scope Ratings.

Figure 18: LCR and NSFR development (%)



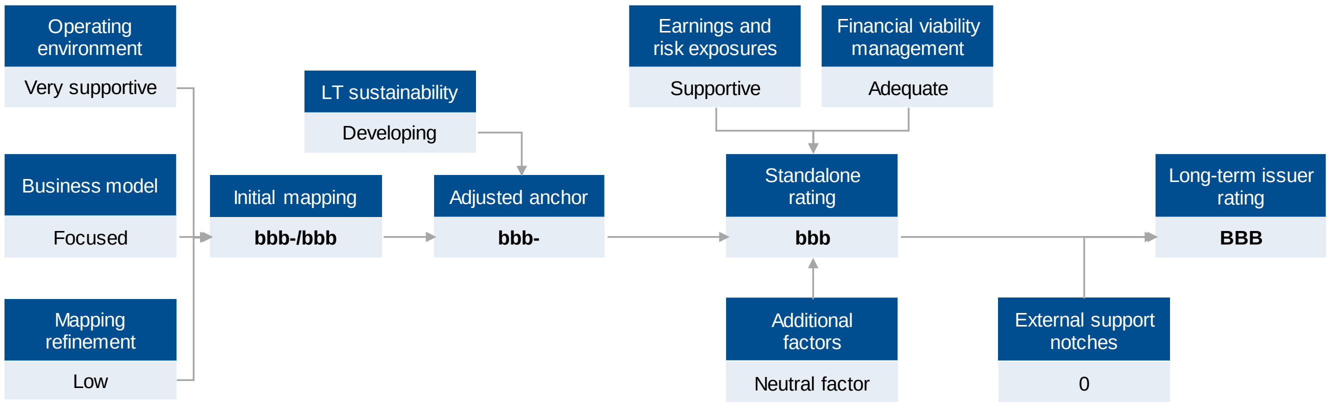
Source: Bank, Scope Ratings.

Figure 19: LCR and NSFR (%) – peer comparison (YE 2021)



Note: Landkreditt's LCR is 293%.
Source: SNL, Scope Ratings.

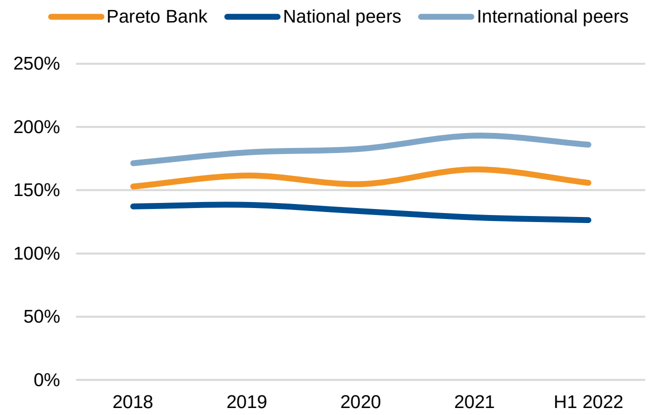
I. Appendix: Overview of the rating process



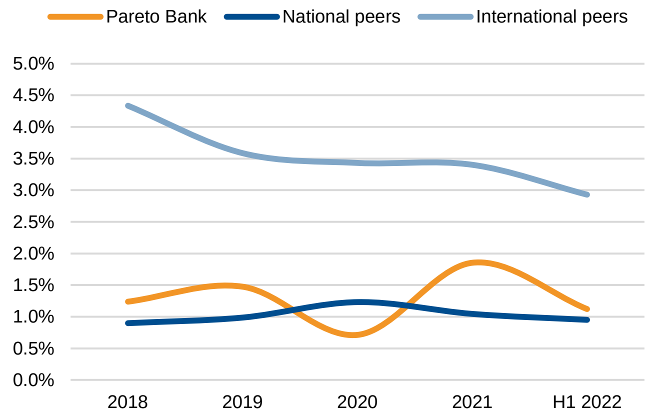
Step		Assessment	Summary rationale
STEP 1	Operating environment	**Very supportive**	• Wealthy economy with well-developed capital markets and a track record of economic resilience • Supportive banking environment • Relatively stringent and active financial regulator
		Supportive	
		Moderately supportive	
		Constraining	
		Very constraining	
	Business model	Very resilient	• Commercial bank focused on real estate, corporate and ship financing as well as deposit and banking services for retail and corporate customers • Active mainly in eastern Norway, including Oslo and surrounding areas • Solid track record of operating performance
		Resilient	
		Consistent	
		Focused	
		Narrow	
	Mapping refinement	High	• Business is subject to greater variability compared to an average retail and commercial bank
		Low	
	Initial mapping	**bbb-/bbb**	
	Long-term sustainability	Best in class	• IT systems adapted to business, with digital customer solutions being less of a differentiating factor • Working to incorporate ESG risks into credit process
		Advanced	
		Developing	
		Lagging	
	Adjusted anchor	**bbb-**	
STEP 2	Earnings capacity & risk exposures	Very supportive	• Robust earnings underpinned by high margins, strong cost efficiency and low credit losses • Exposed to higher risk and cyclical industries, with concentration risks being actively managed
		Supportive	
		Neutral	
		Constraining	
		Very constraining	
	Financial viability management	Ample	• Solvency levels in line with relatively high requirements. High asset risk intensity • Potentially less stable corporate deposits comprise largest proportion of funding base. More sensitive to investor sentiment
		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	**bbb**	
STEP 3	External support	Not applicable	
Issuer rating		**BBB**	

II. Appendix: Peer comparison

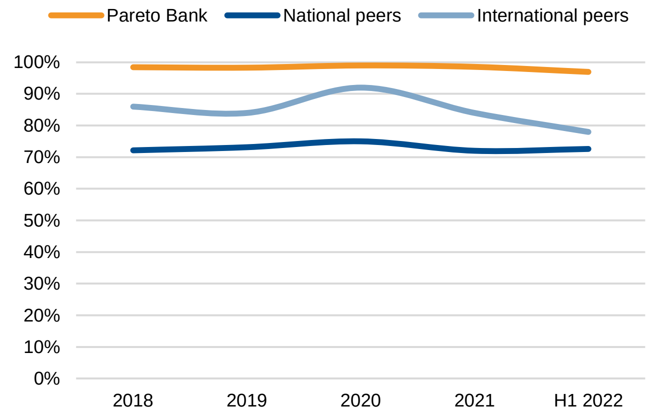
Net customer loans % Deposits



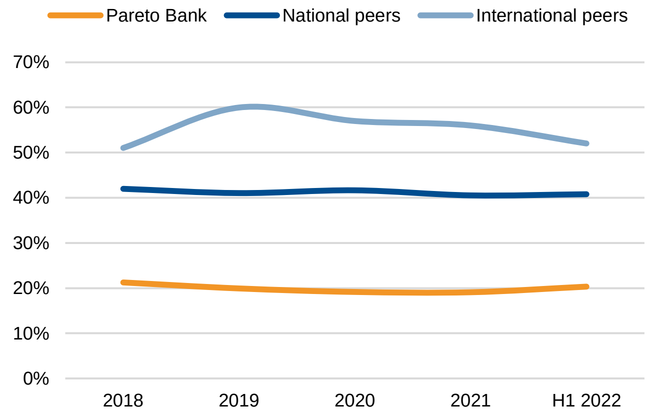
Problem loans % Gross customer loans



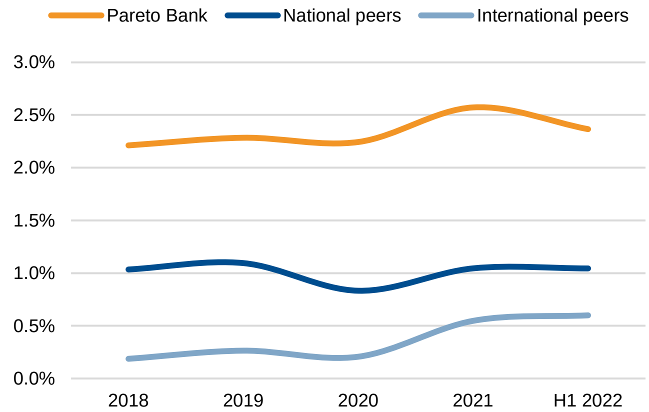
Net interest income % Operating income



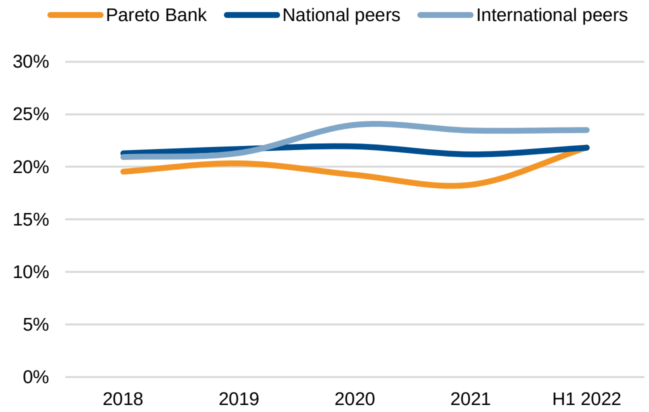
Costs % Income



Return on average assets (%)



Total capital ratio (%)



National peers: BN Bank, DNB Bank, Eiendomskreditt, Landkreditt, Sandnes Sparebank, Totens Sparebank, Sparebank 1 SR-Bank, Sparebank 1 SMN.
International peers: Aareal Bank AG, NIBC Holding NV, Hamburg Commercial Bank AG, Danmarks Skibskredit AS, Landesbank Saar, IKB Deutsche Industriebank AG.
Note: H1 2022 data unavailable for Landesbank Saar.
Source: SNL.

III. Appendix: Selected financial information – Pareto Bank ASA

	2018	2019	2020	2021	H1 2022
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	320	924	1,081	907	1,676
Total securities	3,551	3,364	3,673	3,145	3,736
of which, derivatives	14	44	61	40	25
Net loans to customers	11,653	13,161	14,661	15,805	16,109
Other assets	84	62	63	127	118
Total assets	**15,607**	**17,511**	**19,478**	**19,985**	**21,639**
Liabilities					
Interbank liabilities	0	39	1,026	14	1
Senior debt	5,011	5,624	4,935	6,038	6,561
Derivatives	47	8	40	38	149
Deposits from customers	7,623	8,150	9,473	9,501	10,341
Subordinated debt [1]	270	270	270	270	420
Other liabilities	148	163	197	302	247
Total liabilities	**13,099**	**14,253**	**15,942**	**16,163**	**17,718**
Ordinary equity	2,308	3,057	3,336	3,622	3,620
Equity hybrids [2]	200	200	200	200	300
Minority interests	0	0	0	0	0
Total liabilities and equity	**15,607**	**17,511**	**19,478**	**19,985**	**21,639**
Common equity tier 1 capital	*2,228*	*2,825*	*3,296*	*3,339*	*3,459*
Income statement summary (NOK m)					
Net interest income	554	680	747	838	433
Net fee & commission income	10	5	5	5	3
Net trading income [3]	-6	1	-7	2	6
Other income	4	6	10	5	4
Operating income	**563**	**692**	**755**	**851**	**447**
Operating expenses	120	138	145	162	91
Pre-provision income	**443**	**554**	**610**	**688**	**356**
Credit and other financial impairments	5	30	45	20	25
Other impairments	0	0	0	0	0
Non-recurring income	NA	NA	NA	NA	NA
Non-recurring expense	NA	NA	NA	NA	NA
Pre-tax profit	**439**	**525**	**565**	**668**	**331**
Income from discontinued operations	0	0	0	0	0
Income tax expense	108	127	137	164	81
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit	**331**	**398**	**428**	**505**	**250**

Notes: (1) Tier 2 securities; (2) AT1 securities; (3) Net gain/(loss) on financial instruments at fair value.
Source: SNL.

IV. Appendix: Selected financial information – Pareto Bank ASA

	2018	2019	2020	2021	H1 2022
Funding and liquidity					
Net loans/ deposits (%)	153%	161%	155%	166%	156%
Liquidity coverage ratio (%)	186%	277%	116%	129%	161%
Net stable funding ratio (%)	127%	116%	136%	157%	150%
Asset mix, quality and growth					
Net loans/ assets (%)	74.7%	75.2%	75.3%	79.1%	74.4%
Problem loans/ gross customer loans (%)	1.2%	1.5%	0.7%	1.9%	1.1%
Loan loss reserves/ problem loans (%)	38.2%	27.4%	69.8%	31.5%	62.9%
Net loan growth (%)	23.3%	12.9%	11.4%	7.8%	3.8%
Problem loans/ tangible equity & reserves (%)	5.7%	5.9%	2.9%	7.6%	4.5%
Asset growth (%)	19.1%	12.2%	11.2%	2.6%	16.5%
Earnings and profitability					
Net interest margin (%)	3.7%	3.9%	3.9%	4.3%	4.1%
Net interest income/ average RWAs (%)	4.4%	4.5%	4.3%	4.1%	4.3%
Net interest income/ operating income (%)	98.4%	98.3%	99.0%	98.6%	97.0%
Net fees & commissions/ operating income (%)	1.8%	0.8%	0.6%	0.6%	0.7%
Cost/ income ratio (%)	21.3%	19.9%	19.2%	19.1%	20.3%
Operating expenses/ average RWAs (%)	1.0%	0.9%	0.8%	0.8%	0.9%
Pre-impairment operating profit/ average RWAs (%)	3.5%	3.6%	3.5%	3.4%	3.5%
Impairment on financial assets / pre-impairment income (%)	1.0%	5.4%	7.4%	2.9%	7.1%
Loan loss provision/ average gross loans (%)	0.0%	0.2%	0.3%	0.1%	0.3%
Pre-tax profit/ average RWAs (%)	3.5%	3.5%	3.2%	3.3%	3.3%
Return on average assets (%)	2.2%	2.3%	2.2%	2.6%	2.4%
Return on average RWAs (%)	2.6%	2.6%	2.5%	2.5%	2.5%
Return on average equity (%)	14.4%	13.6%	12.5%	13.4%	13.0%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	16.1%	17.4%	16.8%	16.0%	18.1%
Common equity tier 1 ratio (%, transitional)	16.1%	17.4%	16.8%	16.0%	18.1%
Tier 1 capital ratio (%, transitional)	17.6%	18.7%	17.8%	17.0%	19.6%
Total capital ratio (%, transitional)	19.5%	20.3%	19.2%	18.3%	21.8%
Leverage ratio (%)	14.6%	15.7%	16.3%	16.0%	15.9%
Asset risk intensity (RWAs/ total assets, %)	88.5%	92.6%	100.6%	104.3%	88.4%
Market indicators					
Price/ book (x)	0.9x	0.9x	0.8x	1.1x	0.9x
Price/ tangible book (x)	0.9x	0.9x	0.8x	1.2x	0.9x
Dividend payout ratio (%)	NA	36.0%	50.2%	49.5%	NA

Source: SNL.

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