Pareto Bank ASA

Rating report

Issuer rating

BBB

Outlook

Stable

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Scope affirms Pareto Bank's issuer rating of BBB with Stable Outlook, September 2024

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Summary and Outlook

Pareto Bank's issuer rating of BBB reflects the following assessments:

- **Business model assessment: Focused (Low)**. Pareto Bank is a commercial bank specialising primarily in real estate, corporate and ship financing for medium-sized Norwegian companies. The bank has a strong track record of operating performance, underpinned by success in its target market and a strategic focus on profitability. However, its business model has a higher risk profile than the average bank due to the focus on commercial customers and more cyclical sectors.
- **Operating environment assessment**: **Very supportive (Low).** Given the Norwegian economy's resilience to shocks, high wealth levels, low unemployment and strong public finances, the operating environment is very conducive for the development of banking activities. Further, banks are closely regulated and supervised. Meanwhile, elevated interest rates continue to weigh on economic activity, with the building construction industry being particularly impacted.
- **Long-term sustainability assessment (ESG factor): Developing**. Pareto Bank is committed to managing ESG-related risks and opportunities, with the progress made being in line with peers. The bank invests in technology to improve efficiency and processes, contributing to a low cost base that supports overall financial performance. ESG risks associated with the bank's financing activities are actively assessed and monitored.
- **Earnings capacity and risk exposures assessment: Supportive**. The bank generates robust returns, which provide a strong capacity to absorb credit costs and build capital for growth. Management's long-term ambition is a return on equity of 15%. Given the more challenging operation conditions for its customers, the bank's credit costs are above historical low levels.
- **Financial viability assessment: Adequate**. Pareto Bank's capital position is sound, and management proactively maintains sufficient buffers to relatively high requirements. The implementation of CRR 3 is expected to have a positive impact on the bank's capital ratios.

  The bank's funding profile is potentially less stable, given the high proportion of corporate deposits and a business which is more sensitive to the economic and investment cycle. However, we view positively the ongoing efforts to grow retail deposits and the bank's reassuring liquidity metrics.

The Stable Outlook reflects Scope's view that the risks to the current rating are balanced.

The upside scenario for the rating and Outlook:

- Continued profitable growth, with increased business and geographic diversification.

The downside scenarios for the rating and Outlook:

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

<table>
<tr><th colspan="2">Rating drivers</th><th colspan="30">Assessment</th></tr>
<tr><td rowspan="7">STEP 1</td><td>Operating environment</td><td colspan="6">Very constraining</td><td colspan="6">Constraining</td><td colspan="6">Moderately supportive</td><td colspan="6">Supportive</td><td colspan="6">Very supportive</td></tr>
<tr><td>Low/High</td><td colspan="15">Low</td><td colspan="15">High</td></tr>
<tr><td>Business model</td><td colspan="6">Narrow</td><td colspan="6">Focused</td><td colspan="6">Consistent</td><td colspan="6">Resilient</td><td colspan="6">Very resilient</td></tr>
<tr><td>Low/High</td><td colspan="15">Low</td><td colspan="15">High</td></tr>
<tr><td>Initial mapping</td><td colspan="30">bbb-</td></tr>
<tr><td>Long-term sustainability</td><td colspan="6">Lagging</td><td colspan="6">Constrained</td><td colspan="6">Developing</td><td colspan="6">Advanced</td><td colspan="6">Best in class</td></tr>
<tr><td>Adjusted anchor</td><td colspan="30">bbb-</td></tr>
<tr><td rowspan="4">STEP 2</td><td>Earnings capacity & risk exposures</td><td colspan="6">Very constraining</td><td colspan="6">Constraining</td><td colspan="6">Neutral</td><td colspan="6">Supportive</td><td colspan="6">Very supportive</td></tr>
<tr><td>Financial viability management</td><td colspan="5">At risk</td><td colspan="5">Stretched</td><td colspan="5">Limited</td><td colspan="5">Adequate</td><td colspan="5">Comfortable</td><td colspan="5">Ample</td></tr>
<tr><td>Additional factors</td><td colspan="6">Significant downside factor</td><td colspan="6">Material downside factor</td><td colspan="6">Neutral</td><td colspan="6">Material upside factor</td><td colspan="6">Significant upside factor</td></tr>
<tr><td>Standalone rating</td><td colspan="30">bbb</td></tr>
<tr><td>STEP 3</td><td>External support</td><td colspan="30">Not applicable</td></tr>
<tr><td colspan="2">Issuer rating</td><td colspan="30">BBB</td></tr>
</table>

		Credit rating	Outlook
Issuer	**Pareto Bank ASA**		
	Issuer rating	BBB	Stable
	Preferred senior unsecured debt rating	BBB	Stable
	Non-preferred senior unsecured debt rating	BBB-	Stable

Business model

Pareto Bank is a commercial bank focused on real estate, corporate and ship financing. Although its overall market position is limited, the bank successfully targets medium-sized companies that are underserved by savings banks and other commercial banks. The bank competes on the quality of service rather than price, adding value through its expertise, responsiveness and efficiency.

'Focused - low' business model assessment

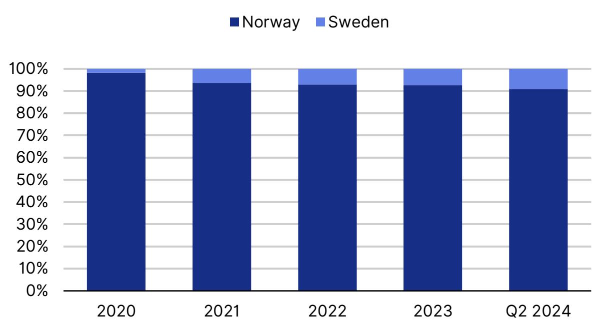
Since its founding in 2007, the bank has consistently grown volumes and revenues organically. However, given the focus on project financing and the relatively short-term nature of credit exposures (typically 1-3 years), business volumes are more sensitive to the economic and investment cycle.

Measured expansion in Sweden

Activities are concentrated in the Oslo region and other large Norwegian cities, but the bank is also developing its presence in Sweden, where it has recently received approval to establish a branch. Following the same strategy as in its home market, the objective is to develop a sustainable and profitable business which adds to returns. The bank does not have a growth target for the business and applies stricter underwriting criteria than for Norwegian exposures.

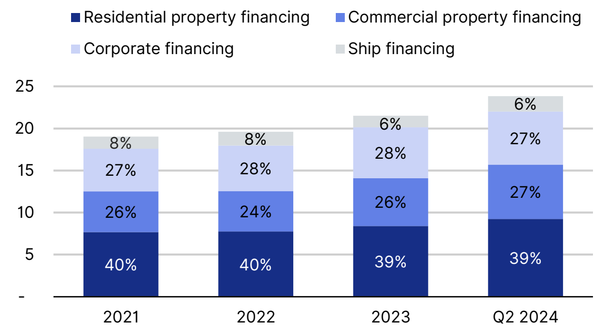
Pareto Bank has been gradually expanding into Sweden since 2014, first by serving Norwegian clients with financing needs in the country and also Swedish clients since 2019. Sweden now accounts for 9% of credit exposure, with much of it being related to real estate financing, although the aim is to build a diversified portfolio.

Figure 1: Credit exposure by geography (%)



Note: Credit exposure includes unused credit facilities and guarantees.
Source: Company data, Scope Ratings

Figure 2: Credit exposure by business segment (NOK bn)



Note: Commercial property financing includes commercial residential property.
Source: Company data, Scope Ratings

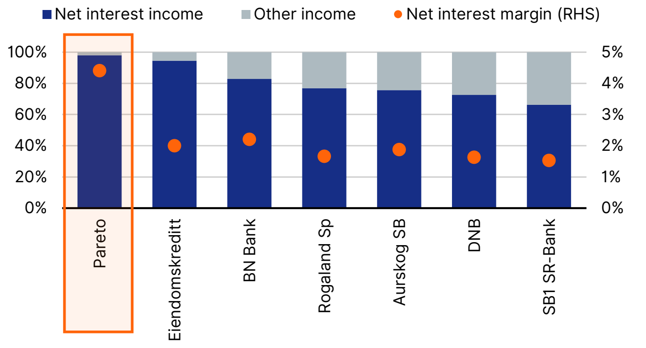
Pareto Bank targets a return on equity of 15% over the long term. Due to its specialised business and strategic focus on profitability, the bank achieves much higher margins. At the same time, its revenues derive almost entirely from net interest income, while most of its peers have a higher proportion of fee and commission income (Figure 3).

The bank's profitability is supported by high efficiency, with a cost-income ratio well below that of most Norwegian banks. The cost-income ratio has consistently remained below 20%.

Strong performance track record

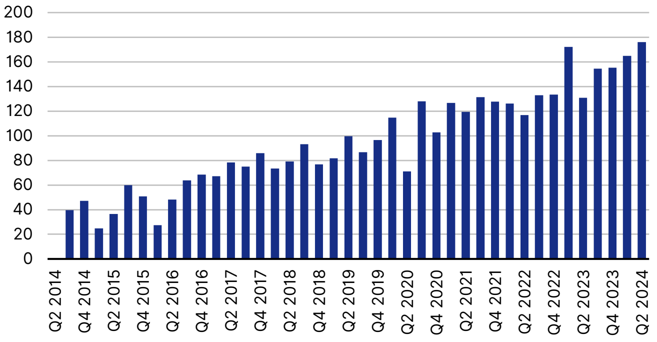
Management has demonstrated its ability to adapt the business to achieve targeted returns while remaining within its risk appetite. In challenging periods for the real estate and shipping sectors, the bank has tightened underwriting criteria and reduced exposures. The bank's track record of operating performance points to the soundness of its business model.

Figure 3: Revenue profile – peer comparison



Note: Three-year averages based on 2021-2023
Source: SNL, Scope Ratings

Figure 4: Quarterly net income development (NOK m)



Source: SNL, Scope Ratings

Overview of Pareto Bank's main business lines	
Real estate	Financing of residential property development and commercial property primarily in eastern Norway and larger Norwegian cities. The bank has financed more than a thousand housing development projects. Financing is provided for land acquisition, construction, conversion and renovation. As well, the bank provides long-term cash-flow based financing and development financing for commercial property.
Corporate	The bank provides a wide range of tailored financing solutions to medium-sized Norwegian companies. These include investment loans, M&A financing, bridge loans, working capital facilities, accounts receivables loans and securities financing.
Shipping and offshore	First lien financing is offered primarily to Norwegian ship owners, family offices and the investment project market. The focus is on larger and more liquid segments such as dry bulk carriers, oil and product tankers and container ships, although exposure will vary depending on the business cycle for the various segments.

Operating environment

Focus on Pareto Bank's country of domicile: Norway (AAA/Stable)

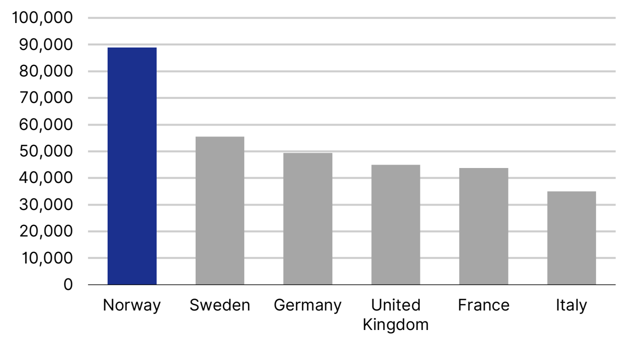
Economic assessment:

- With a population of 5.4m and a nominal GDP of USD 490bn, Norway is a relatively small open economy with one of the world's highest levels of per capita income.
- Norway demonstrated significant economic resilience during the Covid-19 pandemic and the energy crisis following the escalation of the Russia-Ukraine war. Economic growth slowed in 2023 due to high inflation and as interest rates increased borrowing costs for firms and households, dampening consumer spending and investment. Scope expects GDP growth to rise to 1.2% in 2024 and 2.0% in 2025 before converging towards Norway's growth potential of around 1.8%.
- A very strong government fiscal position provides ample capacity to support the economy as needed. Fiscal flexibility is supported by the world's largest sovereign wealth fund.
- The high home ownership rate of around 80% is a driver for high levels of household debt, both in historical terms and in comparison, to other countries. Macroprudential measures concerning mortgages and consumer debt are in place to manage these risks. Mortgage debt is primarily on floating rate terms.
- The country faces long-term transition risks to a non-commodity-dependent economy.

Key economic indicators	2021	2022	2023	2024 F	2025 F
Real GDP growth, %	4.0	3.0	0.7	1.2	2.0
Inflation, % change	3.5	5.8	5.5	3.4	2.6
Unemployment rate, %	4.4	3.2	3.6	4.1	4.2
Policy rate, %	0.5	2.75	4.5	4.25	3.5
Public debt, % of GDP	41	37	42	39	36
General government balance, % of GDP	10.3	25.6	16.3	14.4	13.3

Source: Scope Ratings

GDP per capita (USD) – peer comparison



Note: Data for 2023
Source: Macrobond, Scope Ratings

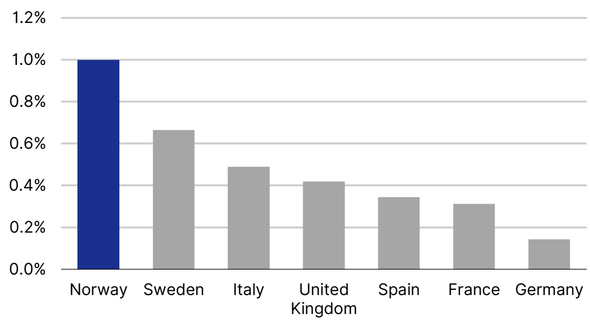
Soundness of the banking sector:

- The Norwegian banking system is dominated by DNB Bank, with a market share of around 30%. Nordea and other foreign banks account for about 20% of the retail market and 30% of the corporate market. There are also about 90 savings banks, with their size ranging from less than NOK 5bn to NOK 365bn in assets. Savings banks tend to operate locally or regionally and are part of alliances (SpareBank 1, Eika).
- Savings banks are consolidating due to increasing competitive and regulatory pressures.
- Residential mortgages account for more than half of total lending while the commercial real estate sector accounts for 15% of total lending (or nearly half of corporate lending).
- Exposure to commercial real estate firms is a longstanding vulnerability of the financial system.
- Digitalisation is high and the use of cash is amongst the lowest in the world.
- A rigorous regulatory framework is in place, 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.
- While customer deposits are the primary source of funding, the use of market funding is material, especially covered bonds.

Banking system indicators	2019	2020	2021	2022	2023
ROAA, %	1.1	0.8	1.0	1.0	1.1
ROAE, %	11.2	8.5	10.1	10.9	12.2
Net interest margin, %	1.8	1.7	1.6	1.7	2.0
CET1 ratio, %	17.8	18.3	18.4	18.1	18.0
Problem loans/gross customer loans, %	1.3	1.6	1.4	1.2	1.1
Loan-to-deposit ratio, %	163.3	152.2	143.7	144.7	145.0

Source: SNL, Scope Ratings

Banking sector return on average assets – peer comparison



Note: Five-year averages based on 2019-2023
Source: SNL, Scope Ratings

Long-term sustainability (ESG-D)

'Developing' long-term sustainability assessment

Pareto Bank is actively addressing sustainability related risks and opportunities and meeting the expectations of its stakeholders. ESG factors, however, are not currently a differentiating factor for the bank's credit profile.

Key elements of the bank's sustainability policy include: i) sustainability is part of the annual strategy process, with both opportunities and risks being identified and assessed; ii) sustainability is an integral part of risk management; and iii) regular reporting. The bank is preparing for CSRD requirements, which will be applicable from 2026.

The bank aims to identify, assess, monitor and manage ESG-related risks associated with its financing activities, with the consideration of ESG factors being part of the underwriting process. In 2023, the bank assigned ESG scores to 88% of customers with loans above NOK 50m (representing 90% of total loans), meeting its target of assigning scores to more than 80% of customers. The average score was 6.3 on a scale of 1 to 10, with 10 representing the lowest risk.

Environment

Pareto Bank is exposed to environmental risks through its financing of real estate development projects and ships. In 2023, the bank did not identify significant physical or transition risks. Given its focus on SMEs, the bank is also aware of the need to assess customers against social and governance factors, e.g. operating in an industry with poor working conditions and weak corporate governance.

Governance

The composition of the bank's board is compliant with the Norwegian Code of Practice for Corporate Governance, with all regular board members being independent. One deputy member is not considered independent due to her position with Pareto AS, the bank's largest shareholder with a 20% stake.

The bank remains financially and operationally independent of the Pareto AS group and under its banking license is restricted from granting credit to or issuing guarantees in favour of companies in the group. There is, however, the sharing of expertise and a common business-oriented corporate culture.

Social

Pareto Bank aims to foster a culture characterised by teamwork, inclusiveness and high performance. To incentivise long-term performance, the bank has had a profit-sharing plan for all employees since 2014. A share purchase programme has also been in place since 2016.

Digital

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

Figure 5: Long-term sustainability overview table[1]

	Industry level			Issuer level						
	Materiality			Exposure			Management			
	Low	Medium	High	Low	Neutral	High	Weak	Needs attention	Adequate	Strong
E Factor		◇			◇				◇	
S Factor	◇				◇				◇	
G Factor			◇		◇				◇	
D Factor			◇		◇				◇	

Source: Scope Ratings

[1] The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

Earnings capacity and risk exposures

'Supportive' earnings capacity and risks exposures assessment

Pareto Bank's strong and consistent profitability underpins a high capacity to absorb credit costs and support growth. Over time, the bank has successfully grown business volumes, increased margins and improved efficiency. The bank has reported a return on equity of at least 13% every year over the last decade. For H1 2024, the return on equity was 14.3%. Management's long-term ambition is a return on equity of 15%, which it considers achievable under normal market conditions.

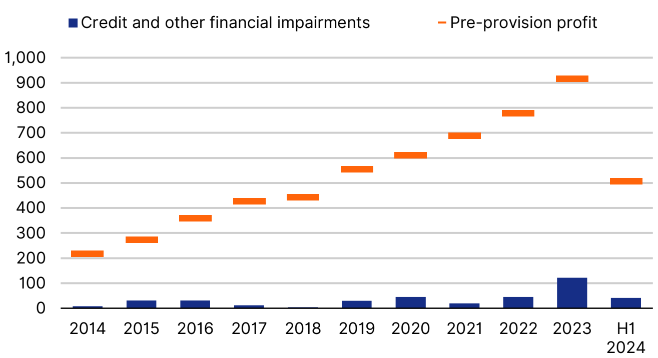
While credit exposures are less granular than for an average retail and commercial bank, Pareto Bank demonstrates sound risk management and has a history of low credit losses. Most credit exposures are secured by various forms of collateral, including real estate, ships, securities, guarantees and cash deposits.

The bank's cost of risk exhibits greater variability than peers, with levels often fluctuating with the performance of individual financing projects (Figure 8). With interest rates being elevated for a prolonged period, the bank has incurred higher loan loss provisions, primarily for residential property financing exposures.

Cost of risk currently above historical levels

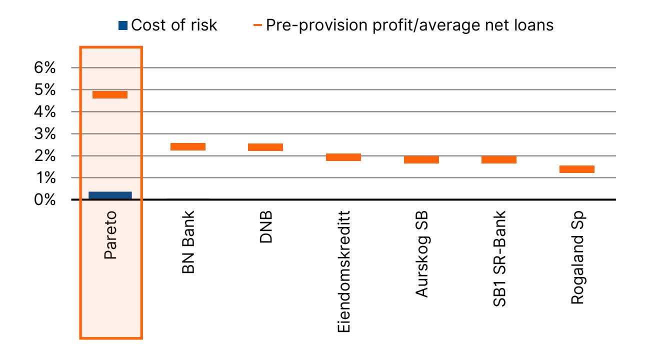
Management has prepared for the possibility that the cost of risk may be higher than the average historical level of around 30 bps. There are signs, however, of an improving economic outlook and increasing housing activity from a low level. In H1 2024, impairments amounted to NOK 41.3m, down from NOK 72.4m in H2 2023.

Figure 6: Pre-provision profit and provisions (NOK m)



Source: Company data, Scope Ratings

Figure 7: Peer comparison



Note: Three-year averages based on 2021-2023.
Source: SNL, Scope Ratings

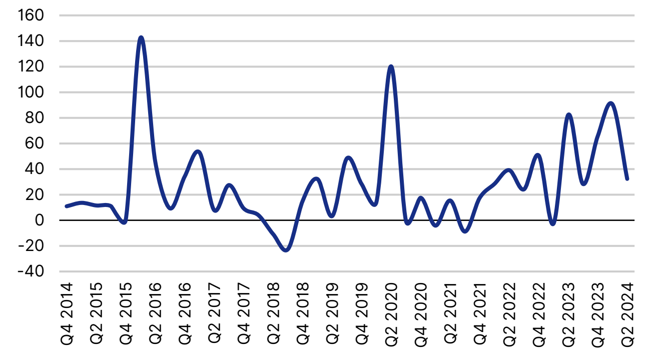
Guidelines to reduce concentration risks

Pareto Bank's credit policy includes guidelines to ensure that exposures are diversified by industry, property type and commitment size. Shipping and offshore is limited to 15% of total credit exposure, with individual segments not exceeding 25% of total shipping and offshore exposure. There are also self-imposed maximum exposure limits for individual customers and for groups on a consolidated basis.

In addition, the bank aims to have most of its credit exposures in the 'very low' and 'low' risk categories according to its internal risk classification model. As of Q2 2024, 'very low' and 'low' risk exposures accounted for 87% of the total, with another 12% being classified as 'moderate' risk. The proportion of exposures in higher risk categories has been consistently kept to a minimum over the last ten years (Figure 10).

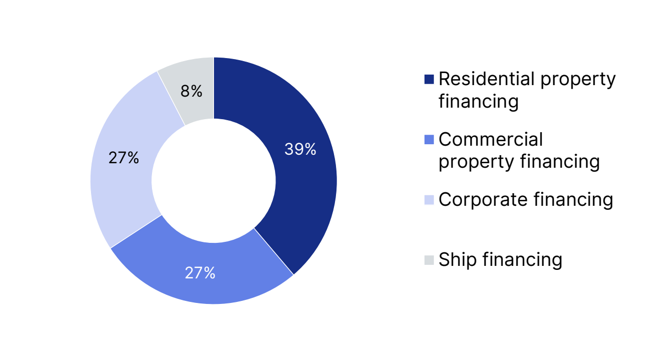
As of Q2 2024, the Stage 3 exposure ratio stood at 4.1%, up from 3.5% at YE 2023. This is a higher level than the bank has experienced in the past, but it remains moderate given the impact of high interest rates, inflation and a slowdown in the housing market on its customers. The bank continues to work closely with its clients to facilitate the completion of projects and the repayment of loans. At the same time, the Stage 2 exposure ratio declined to 3.3%, from 4.3% as of YE 2023.

Figure 8: Cost of risk (bps)



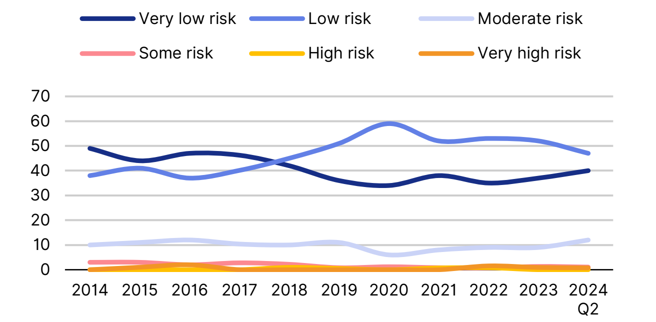
Note: Cost of risk defined as loan loss provisions as % of loans.
Source: Company data, Scope Ratings

Figure 9: Credit exposure by segment



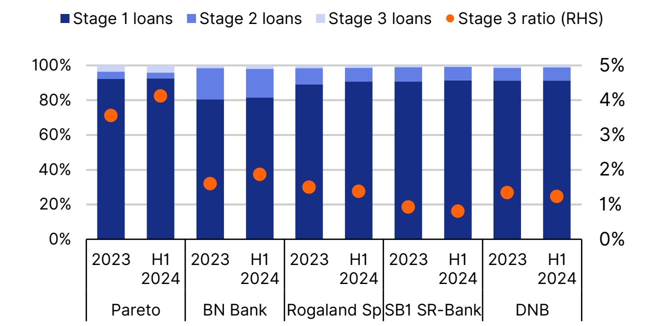
Note: NOK 23.8bn as of Q2 2024.
Source: Company data, Scope Ratings

Figure 10: Credit exposure by risk class (%)



Note: Based on the bank's risk classification model.
Source: Company data, Scope Ratings

Figure 11: Asset quality - peer comparison



Source: SNL, Scope Ratings

Financial viability management

Pareto Bank takes a proactive approach to ensuring sufficient buffers to regulatory solvency requirements are maintained. This includes controlled business growth, retained earnings (50% dividend payout ratio ambition), and capital raises as needed.

'Adequate' financial viability management assessment

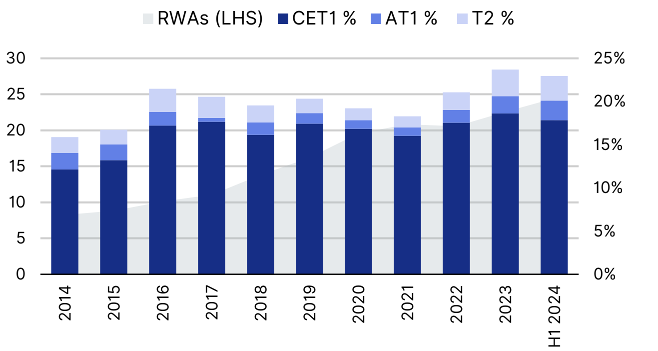
Since August 2023, the bank has been subject to a Pillar 2 requirement of 3.1% and a Pillar 2 guidance of 1%. With the addition of Pillar 1 requirements and other buffers, the Norwegian FSA expects the bank to have a CET1 capital ratio of at least 16.7%. Management is committed to maintaining a buffer above this level.

The quality of the bank's solvency metrics is high, given the use of standardised models and an asset risk intensity above 90%. As of Q2 2024, the leverage ratio was above 17%.

Management estimates that the pending implementation of CRR 3 in Norway from 1 January 2025 will have a net positive impact on the bank's CET1 capital ratio. This will stem from the new operational risk model for smaller banks and the net effect of various changes to risk weights on credit exposures.

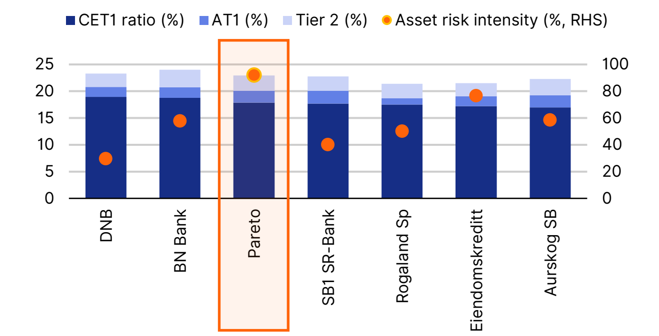
Solid capital position to benefit from CRR 3

Figure 12: Capital profile



Source: Company data, Scope Ratings

Figure 13: Capital profile – peer comparison (Q2 2024)



Source: SNL, Scope Ratings

Compared to peers who rely primarily on retail deposits and covered bonds, the bank's funding profile is potentially less stable. Further, given the focus on commercial banking and more cyclical sectors, we consider Pareto Bank to be more sensitive to investor sentiment and market developments.

Potentially less stable funding profile

Customer deposits represent the largest source of funding, with the bank targeting a 60-70% deposit-to-loan ratio over time. This ratio has been steadily increasing and reached 66% as of Q2 2024. While only 25% of deposits are protected by the national deposit guarantee scheme, 65% of deposits have withdrawal restrictions.

In recent years, the bank has been focused on growing retail deposits to diversify its funding profile. Marketing campaigns to attract retail deposits have been very successful, with the volume of retail deposits increasing by 85% between YE 2022 and Q2 2024. Nevertheless, corporate deposits comprise nearly 60% of deposits by value.

Growing retail deposits to diversify funding

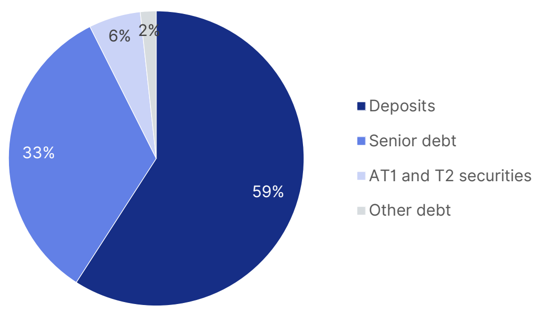
As with other Norwegian banks, the use of market funding is material (Figure 14). Over time, issuance has become more structured rather than being driven by reverse enquiries. The bank also maintains a debt profile with semi-annual maturities for flexibility and has an established Nordic Bond Pricing curve with several market makers.

Pareto Bank aims for a high level of excess liquidity and maintains liquidity metrics at reassuring levels. Compared to a requirement of 100%, the bank aims to maintain a net stable funding ratio (NSFR) of at least 110% and a liquidity coverage ratio (LCR) of at least 120%. As of Q2 2024, the bank's NSFR and LCR stood at 143% and 399%, respectively.

Reassuring liquidity position

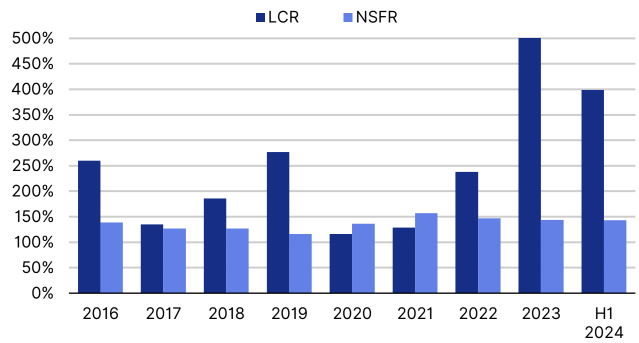
The bank's liquidity buffer consists of cash (one-third) and high-quality liquid bonds. As of Q2 2024, approximately 30% of the bond portfolio was invested in government and public sector entity bonds, with the remainder mainly in covered bonds with short to medium maturities. The assets qualify for the LCR portfolio and are marked to market.

Figure 14: Funding profile



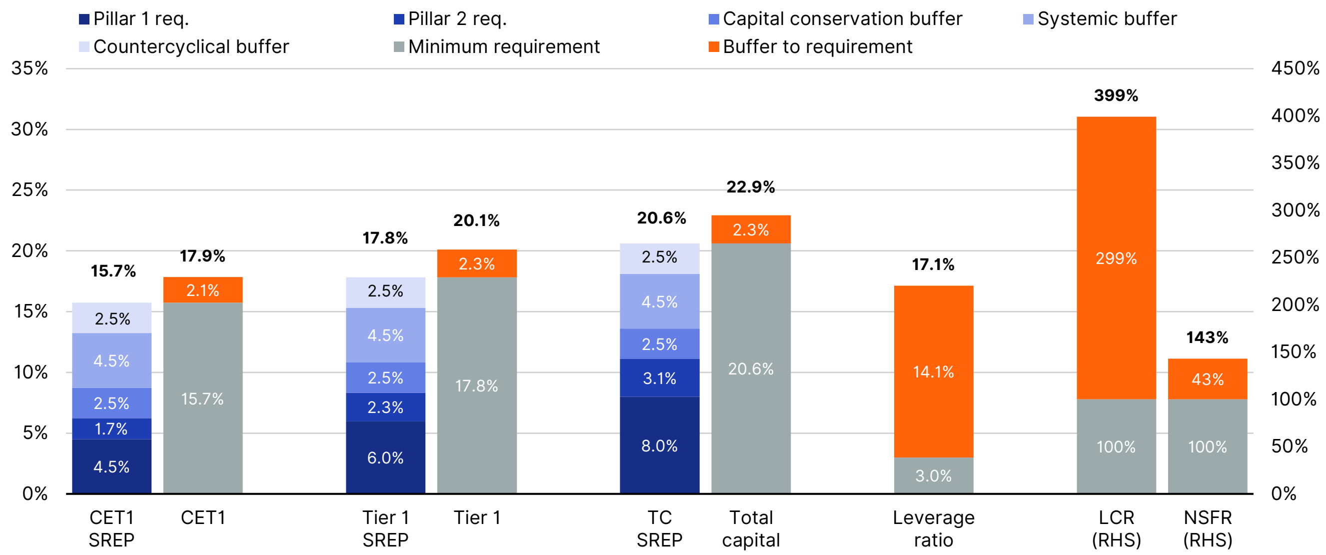
Note: Data as of Q2 2024.
Source: Company data, Scope Ratings

Figure 15: LCR and NSFR development



Note: For 2023, the LCR was 688%.
Source: Company data, Scope Ratings

Figure 16: Overview of distance to requirements as of Q2 2024



Note: The systemic and countercyclical buffer requirements are slightly lower than the 4.5% and 2.5% shown above given the bank's exposures in Sweden; impact of 0.2%.
Source: Company data, Pillar 3, Scope Ratings

Financial appendix

I. Appendix: Selected financial information – Pareto Bank

	2020	2021	2022	2023	H1 2024
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	1,081	907	747	1,651	1,432
Total securities	3,673	3,145	4,088	5,557	5,442
of which, derivatives	61	40	80	134	111
Net loans to customers	14,661	15,805	17,346	18,518	19,585
Other assets	63	127	115	121	125
Total assets	**19,478**	**19,985**	**22,296**	**25,847**	**26,583**
Liabilities					
Interbank liabilities	1,026	14	10	77	42
Senior debt	4,935	6,038	7,183	7,756	7,366
Derivatives	40	38	38	29	21
Deposits from customers	9,473	9,501	10,121	11,946	13,004
Subordinated debt	270	270	421	699	700
Other liabilities	197	302	303	334	318
Total liabilities	**15,942**	**16,163**	**18,075**	**20,842**	**21,451**
Ordinary equity	3,336	3,622	3,920	4,555	4,582
Equity hybrids	200	200	300	450	550
Minority interests	0	0	0	0	0
Total liabilities and equity	**19,478**	**19,985**	**22,296**	**25,847**	**26,583**
Common equity tier 1 capital	*3,296*	*3,339*	*3,611*	*4,203*	*4,365*
Income statement summary (NOK m)					
Net interest income	747	838	929	1,113	603
Net fee & commission income	5	5	6	13	6
Net trading income	-7	2	26	-9	8
Other income	10	5	4	2	1
Operating income	**755**	**851**	**965**	**1,119**	**618**
Operating expenses	145	162	187	203	112
Pre-provision income	**610**	**688**	**779**	**916**	**506**
Credit and other financial impairments	45	20	45	122	41
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	**565**	**668**	**734**	**794**	**465**
Income from discontinued operations	0	0	0	0	0
Income tax expense	137	164	178	189	110
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	**428**	**505**	**555**	**605**	**354**

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

II. Appendix: Selected financial information – Pareto Bank

	2020	2021	2022	2023	H1 2024
Funding and liquidity					
Net loans/ deposits (%)	155%	166%	171%	155%	151%
Liquidity coverage ratio (%)	116%	129%	238%	688%	399%
Net stable funding ratio (%)	136%	157%	147%	144%	143%
Asset mix, quality and growth					
Net loans/ assets (%)	75.3%	79.1%	77.8%	71.6%	73.7%
Problem loans/ gross customer loans (%)	0.7%	1.9%	0.9%	3.5%	4.1%
Loan loss reserves/ problem loans (%)	69.8%	31.5%	80.0%	29.4%	28.6%
Net loan growth (%)	11.4%	7.8%	9.7%	6.8%	11.5%
Problem loans/ tangible equity & reserves (%)	2.9%	7.6%	3.8%	12.8%	15.3%
Asset growth (%)	11.2%	2.6%	11.6%	15.9%	5.7%
Earnings and profitability					
Net interest margin (%)	3.9%	4.3%	4.3%	4.6%	4.6%
Net interest income/ average RWAs (%)	4.3%	4.1%	4.6%	5.1%	5.1%
Net interest income/ operating income (%)	99.0%	98.6%	96.2%	99.4%	97.6%
Net fees & commissions/ operating income (%)	0.6%	0.6%	0.6%	1.2%	0.9%
Cost/ income ratio (%)	19.2%	19.1%	19.3%	18.2%	18.1%
Operating expenses/ average RWAs (%)	0.8%	0.8%	0.9%	0.9%	1.0%
Pre-impairment operating profit/ average RWAs (%)	3.5%	3.4%	3.9%	4.2%	4.3%
Impairment on financial assets / pre-impairment income (%)	7.4%	2.9%	5.8%	13.3%	8.2%
Loan loss provision/ average gross loans (%)	0.3%	0.1%	0.3%	0.7%	0.4%
Pre-tax profit/ average RWAs (%)	3.2%	3.3%	3.7%	3.7%	3.9%
Return on average assets (%)	2.2%	2.6%	2.6%	2.5%	2.7%
Return on average RWAs (%)	2.5%	2.5%	2.8%	2.8%	3.0%
Return on average equity (%)	12.5%	13.4%	14.1%	13.3%	13.8%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	16.8%	16.0%	17.6%	18.6%	17.9%
Common equity tier 1 ratio (%, transitional)	16.8%	16.0%	17.6%	18.6%	17.9%
Tier 1 capital ratio (%, transitional)	17.8%	17.0%	19.0%	20.6%	20.1%
Total capital ratio (%, transitional)	19.2%	18.3%	21.1%	23.7%	22.9%
Leverage ratio (%)	16.3%	16.0%	16.5%	17.1%	17.1%
Asset risk intensity (RWAs/ total assets, %)	100.6%	104.3%	92.2%	87.3%	92.0%
Market indicators					
Price/ book (x)	0.8x	1.1x	0.9x	0.9x	1.0x
Price/ tangible book (x)	0.8x	1.2x	0.9x	0.9x	1.0x
Dividend payout ratio (%)	50.1%	49.4%	50.1%	52.8%	NA

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

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