Realkredit Danmark A/S
Issuer Rating Report

SCOPE A+ NEGATIVE

Overview

Scope assigns an issuer rating of A+ and a short-term rating of S-1+ to Realkredit Danmark A/S. All ratings have a Negative Outlook.

Highlights

- The ratings of Realkredit Danmark (Realkredit) are aligned with those of its parent company Danske Bank A/S (Danske Bank). The Negative Outlook reflects concerns triggered by allegations of money laundering by clients of Danske Bank's Estonian operations. Although Realkredit has no direct exposure to these events, it is indirectly affected by the reputational fall-out, which has contributed to a drop in market share in Denmark.

- Realkredit's standalone financial profile is supported by strong asset quality, high capitalisation and its position as a major covered bond issuer in Denmark. We consider the well-tested pass-through funding model a key strength of Realkredit's credit profile. Nevertheless, falling margins and market share have put pressure on financial performance at a time when prudential requirements are rising.

- Nordic countries have weathered the Covid-19 related growth disruption well compared to other regions in Europe. This is reflected in Realkredit's asset quality, which remains supported by low and stable loan/value ratios (LTVs) across its portfolio. The credit quality of its commercial real estate assets, such as retail, rental and tourism properties, could weaken in future but at this stage the risks appear well contained.

Rating drivers (summary)

The rating drivers, in decreasing order of importance in the rating assignment, are:

- Realkredit is a core subsidiary of the Danske Bank group, and closely integrated into it, with a consistent strategy and risk management principles. The parent company provides a first loss guarantee for a substantial number of mortgages originated through its own network.
- A solid market position as Denmark's second largest mortgage lender provides Realkredit with a strong starting point to withstand the economic recession, though asset quality could weaken in commercial real estate.
- Realkredit is wholesale funded; however, Denmark's covered bond market is well-established and liquid, with a broad range of domestic and international investors.
- Profitability has been under pressure due to falling margins. Realkredit is struggling to offset this pressure because it has limited ability to grow volume in a mature market or to reduce an already very low cost base. Return on equity will remain under pressure from rising regulatory requirements, elevated impairments and falling market share

Ratings & Outlook

Issuer rating	A+
Outlook	Negative
Short-term debt rating	S-1+
Short-term debt rating Outlook	Negative
Covered bonds ratings	AAA
Covered bonds Outlook	Stable

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Bloomberg: SCOP

Rating-change drivers

⇕	Realkredit's issuer rating is aligned to that of its parent; therefore, any change in the parent's rating is likely to lead to a concurrent change in the rating on Realkredit.
⇩	Weakening of Realkredit's positioning as a core subsidiary within the Danske Bank Group.
⇩	Material weakening in Realkredit's standalone financial position and market share in Denmark. This would be of concern if coupled with any sign of reduced parent commitment.

Rating drivers (details)

Structure and ownership: Realkredit is a core operating subsidiary of the Danske Bank Group

Realkredit is a fully owned mortgage subsidiary of Danske Bank A/S, Denmark's largest banking group. With total assets of DKK 862bn as of June 2020, Realkredit accounts for 21% of the group's assets and 38% of the loan book. Viewed as a standalone entity, Realkredit has a 25% market share of Danish mortgage lending and is Denmark's second largest mortgage lender after Nykredit (DKK 1.6trn in assets as of end-2019). Together, the two issuers account for two-thirds of the Danish covered bond market.

As part of its mission, Realkredit funds most mortgage loans originated by Danske Bank in its home market, though the latter also originates mortgage loans that are financed through its own mortgage pools and mortgage subsidiaries in Sweden and Finland (Figure 1).

Figure 1: Danske Bank group mortgage pools

Legal entity	**Realkredit Danmark A/S**		**Danske Bank A/S**			**Danske Hypotek AB**	**Danske Mortgage Bank Plc**
Mortgage pool	S-Pool	T-Pool	C-pool	D-Pool	I-Pool		
Customer type							
Personal	DK (fixed)		DK	SE	NO, SE	SE	FI
Business	DK, SE, NO (floating)			SE, NO			

Geography

Source: Company data, Scope Ratings

In line with Danish mortgage banking regulations, Realkredit's assets and liabilities are assigned to two main active asset pools (Capital Centres S and T), which make up close to 90% of its balance sheet. In addition, the bank started issuing out of a small pool (Capital Centre A) for state-guaranteed social housing loans in 2018. The assets and liabilities of each pool would be separated in insolvency proceedings.

Realkredit's mortgage loans are originated through the branch network of Danske Bank, online channels, and its own chain of real estate agents. The large real estate division serves business customers in Norway and Sweden.

Key back office and control functions such as IT, mortgage processing, accounting, and compliance are all provided by Danske Bank. Nevertheless, Realkredit has its own governance structure, including a Board of Directors, an Executive Board and its own risk management and compliance function. The latter was created in 2019 with an initial focus on money laundering risks. Realkredit also performs certain tasks on behalf of the group, such as property valuation and energy certificates.

Funding: strict matching of assets and liabilities limits market risk

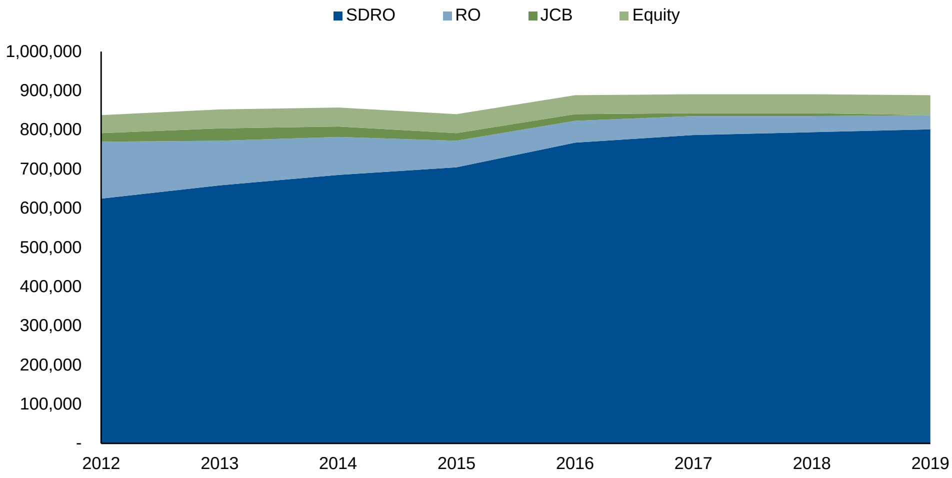
Realkredit's activities are funded with Danish covered bonds. Realkredit's bond issuance makes it largely self-financing, and it manages its own funding and liquidity risks separately from those of the rest of the Danske Bank group.

The Danish mortgage bond market is one of the oldest in the world, dating back to the late 18th century, and has always been based on the matching of terms and conditions for loans and corresponding bonds. Mortgage loans can be against residential and commercial property in Denmark provided they are originated subject to the criteria set out in Denmark's covered bond legislation.

Mortgage loans and securities serving as covered bond collateral come from all segments of the loan book, and must meet restrictive eligibility criteria, including LTV limits and property valuation requirements. Under the 2007 mortgage act, the EU's CRD compliant bonds need to apply the LTV test continuously and post additional collateral if LTVs rise above statutory limits.

Realkredit adheres to the strict balance principle for its asset pools and issues mainly CRD compliant SDROs (særlik dækkede realkreditobligationer) under the 2007 provisions of the Danish mortgage act (Figure 2). There remains a small amount of grandfathered CRD compliant ROs (Realkreditobligationer) outstanding and an RO issued in 2015 that is not CRD compliant. Unlike Realkredit's other bonds, the latter does not receive preferential treatment in terms of risk weightings under CRD IV.

Figure 2: Realkredit Danmark A/S funding structure, 2012-2019 (DKK m)



SDO – særligt dækkede obligationer. These can be issued by universal banks or specialised mortgage banks. While a stringent balance principle applies, it is slightly more flexible than the simple pass-through structure.

SDRO – særligt dækkede realkreditobligationer. These may only be issued by specialised mortgage banks and must adhere to the strict, traditional pass-through balance principle. Realkredit focuses on issuing SDROs.

Realkreditobligationer (RO) – covered bonds issued by mortgage banks. Those issued before 31 December 2007 are CRD IV compliant, but those issued after 31 December 2007 are not.

Source: Scope Ratings, company data

Realkredit's SDROs mirror the interest and repayment characteristics of the cover pool loans and all funding costs are absorbed by borrowers. The borrowers also pay an administration fee to the mortgage bank. The effect of the specific balance principle is that interest rate, exchange rate and liquidity risks are largely eliminated for Realkredit and passed on to borrowers or borne by covered bond investors.

The balance principle allows for the issuance of a large variety of mortgage products. These can be grouped in two principle types: callable fixed-rate loans and adjustable-rate loans. The fixed-rate loans have terms of either 20 or 30 years with a pre-payment option and amortise to zero over their life. The adjustable-rate loans allow the fixing of interest rates from six months to 10 years. Adjustable-rate loans carry refinancing risk as the loans will have to be refinanced during their 30-year life.

Refinancing risk is mitigated by the issuance of bonds with longer maturities than the fixing periods (typically three to five years) as well as by regulatory caps on the volume of adjustable-rate loans both in the portfolio (see regulatory 'diamond' system below) and by the amount that may be put to auction at any point during the year. As a last resort, the maturity of maturing covered bonds can be extended in the event of a failure to refinance.

Issuance can be on a take-out, pass-through, tap or auction basis. Bonds are typically issued on a tap basis as and when they are underwritten. In addition, the adjustable-rate mortgages are refinanced periodically over the year. A typical refinancing auction takes place ahead of the settlement date, which increases the amount of bonds outstanding. Typically, this inflates numbers at year-end when the largest refinancing auctions take place.

Realkredit can issue additional junior covered bonds out of its pools to fund collateral that no longer meets LTV requirements. Post MREL regulation, issuers of covered bonds can also issue non-preferred senior debt to achieve the same result.

Given the strong performance of house prices, this has not been necessary in recent years. Where necessary funding can also be raised internally through a loan facility from Danske Bank.

Green bond programme: focus on energy efficiency in real estate

Realkredit started issuing green covered bonds in 2019 (RD Cibor6) at a small premium to its standard covered bonds. The green bonds are backed by a portfolio of eco-friendly commercial property loans and renewable energy projects. As of end-June 2020, Realkredit has originated DKK 4.6bn in loans that qualify as green collateral. The bank also provides incentives to private borrowers to take out energy improvement loans, though the documentation standards do not qualify them as green collateral. Realkredit is currently obtaining Energy Performance Certificates on its properties with a view to identifying further green bond collateral and providing information about the carbon footprint of its portfolio.

Profitability: under pressure from falling margins and stagnant volume

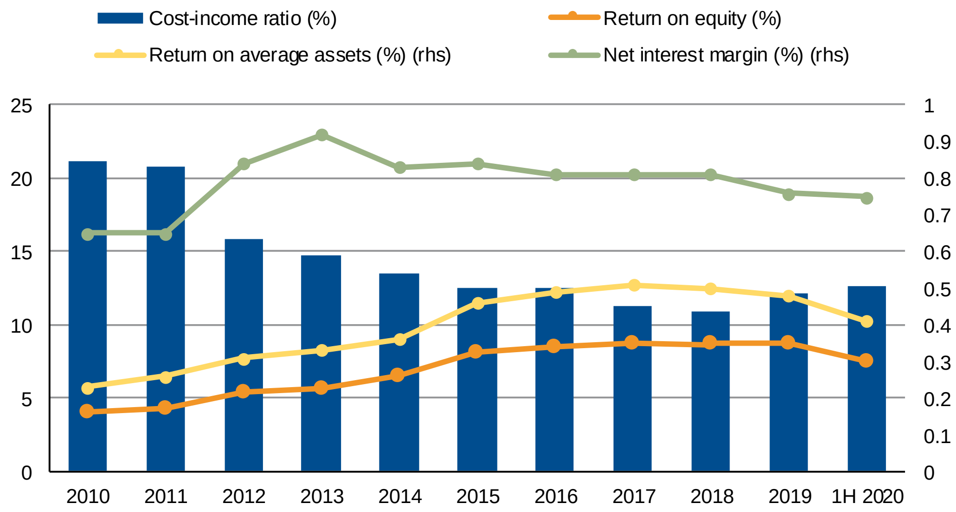
Denmark is a mature market, with high entry barriers, and market shares have remained stable in recent years. Nevertheless, Realkredit has experienced a drop in new business since 2019 due to the reputational fallout from the alleged money laundering activity by clients of Danske Bank's Estonian subsidiary.

Customers are also increasingly switching to long-dated, fixed-rate loans (10-30 years) to take advantage of the low interest-rate environment. This accounted for 68% of new retail lending in Denmark in Q2 2020. While the fixed-rate switches reduce the credit risk from future rate rises, they also reduce Realkredit's margin compared to adjustable-rate mortgages given the current pricing policy.

Furthermore, the low interest-rate environment has restrained growth in profitability by reducing the capital benefit from the reinvestment of the bank's own funds.

As a result, Realkredit's administration margin has been falling since 2019 and its cost-income ratio has increased from a low 10.9% in 2018 to 12.6% during the first half of 2020 (Figure 3). Return on equity has been averaging a steady 8.5% in recent years and will remain under pressure in the coming years, even before accounting for the effect of the Covid-19 related recession on credit cost.

Figure 3: Realkredit Danmark A/S operating margins 2008-2020

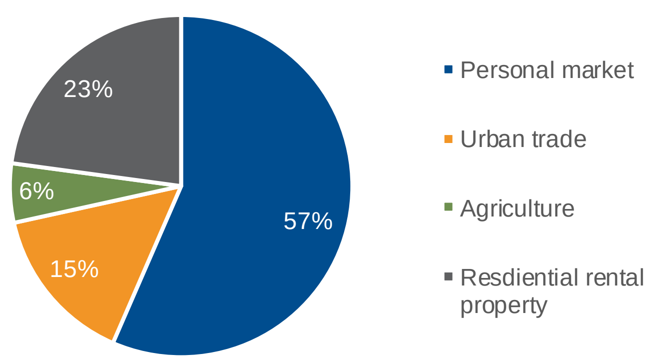


Source: Scope Ratings, company data

Asset quality: supported by high-quality mortgage portfolio

Realkredit's asset portfolio is focused on the retail mortgage market, including owner-occupied housing, buy-to-let properties and holiday homes (Figure 4). Realkredit also provides mortgages to the corporate sector, including for retail and office properties as well as agriculture and housing associations. It also selectively provides a small amount of commercial and housing company loans to business customers in Norway and Sweden.

Figure 4: Realkredit Danmark A/S loan portfolio split by segment, YE 2019 (%)



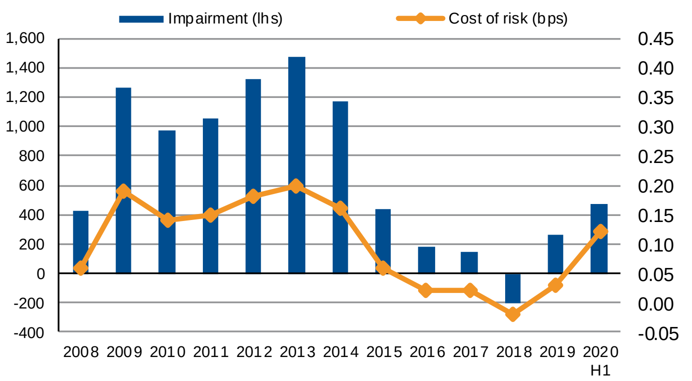
Source: Company data

Asset performance benefits from the strong legislative framework under Denmark's Mortgage Act. Investor protection is enhanced by the well-defined nature of property rights, tracked through a comprehensive general register and a relatively straightforward and timely system allowing the lender to seize and sell a property in the event of a default.

Under the covered bond law, LTV caps are set at 80% at origination for residential mortgages and 60% for commercial real estate, agriculture and second homes. Lower limits apply for certain types of property. Higher LTV limits may apply for public housing but such LTVs are also covered by a loss guarantee from the relevant municipality.

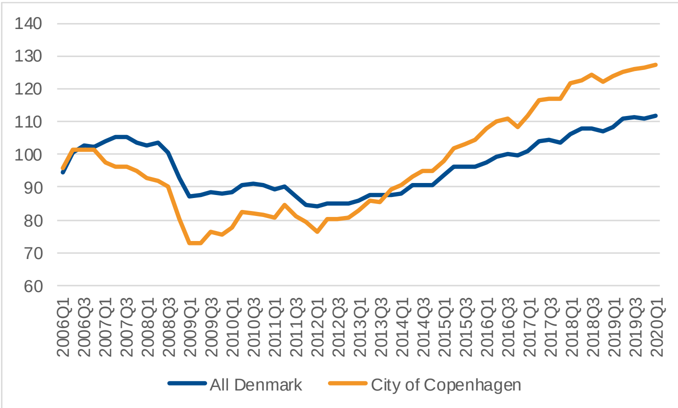
To cover the risk of rising LTVs, Danske Bank provides Realkredit with a first loss guarantee on the unsecured part of certain mortgages originated by Danske's network. At end-2019, this guarantee amounted to DKK 53bn, covering loans that represent about 30% of Realkredit's balance sheet.

Figure 5: Realkredit Danmark A/S impaired loans (DKK m) vs cost of risk, 2007-2020H1



Source: Company data, SNL

Figure 6: Index of house prices in Denmark and for Copenhagen, 2006-2020 Q1



Source: StatBank Denmark (index at 100 in 2006)

Historically, Realkredit's asset quality metrics have been very strong. Its impairment ratio has not exceeded 20bps, even during times of considerable economic stress such as the global financial crisis in 2008 after which property prices fell by 15% (Figures 5 and 6). By comparison, the maximum loss for the market in the 2008 to 2013 crisis was 23bps in 2009 and again in 2013. The five-year cumulative loss was 0.93% in 2009 to 2013.

The impairment history of the Danish covered bond market dates back to 1915. The highest annual reading to date was 78bps in 1990. Around that time, the five-year cumulative loss for the sector peaked at 3.34% in the 1989 to 1993 period. The poor performance in the 1980s and 1990s was attributable to weaker organisational procedures and higher foreclosures. Households' disposable income was negatively impacted by higher taxes and borrowing costs as well as mandatory amortisation requirements introduced in 1986. All of these factors put significant additional stress on households' financial flexibility.

Covid-19 impact: limited so far

Covid-19 had only a limited impact on the Danish mortgage market during the first six months of 2020. At end-2019, Realkredit's mortgage NPLs (classified as stage 3 according to IFRS9) accounted for 1.3% of assets. That number increased only moderately to 1.7% by June 2020, while stage 2 loans were up 60bps to 6.3% of the loan portfolio (Figure 7).

Figure 7: Realkredit Danmark A/S loanbook staging split

	Jan 2018	Dec 2018	Dec 2019	June 2020		Jan 2018	Dec 2018	Dec 2019	June 2020
Gross mortgage loan exposure					**Loans % of total**				
Stage 1	744,358	755,428	749,704	739,484	Stage 1	94.0%	94.6%	93.1%	92.1%
Stage 2	24,711	31,530	44,879	50,317	Stage 2	3.1%	3.9%	5.6%	6.3%
Stage 3	22,761	11,879	10,732	13,315	Stage 3	2.9%	1.5%	1.3%	1.7%
Total	791,830	798,837	805,315	803,116		100%	100%	100%	100%
Allowances for impairments					**Allowances % mortgage loans**				
Stage 1	535	646	290	371	Stage 1	0.1%	0.1%	0.0%	0.1%
Stage 2	400	523	925	1,240	Stage 2	1.6%	1.7%	2.1%	2.5%
Stage 3	2,585	1,623	1,521	1,447	Stage 3	11.4%	13.7%	14.2%	10.9%
Total	3,520	2,792	2,736	3,058		0.44%	0.35%	0.34%	0.38%

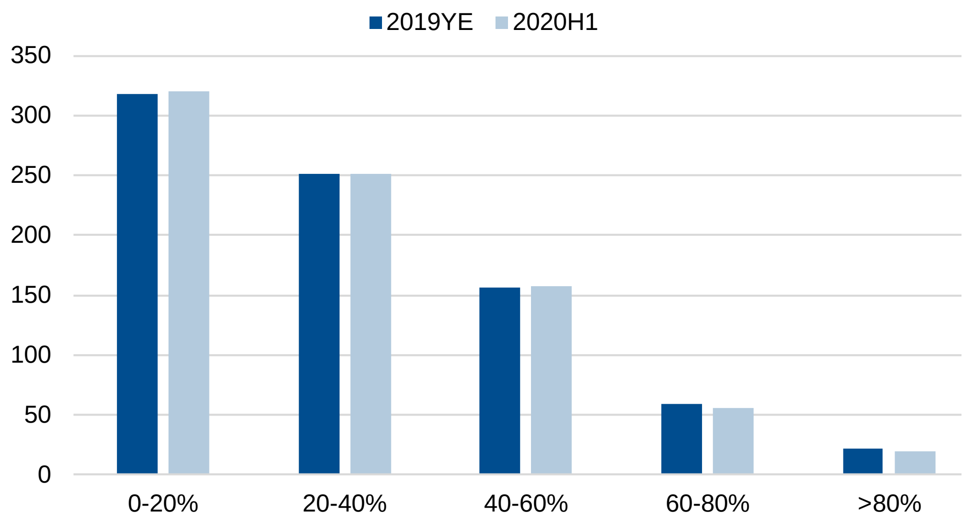
Source: Company data, SNL

Based on revised economic scenarios, fair-value adjustments (provisions) increased to 12bps (annualised) in the first half of 2020, reflecting higher expected credit losses, including a small post-model adjustment of 2bps (Figure 5). Following reserve strengthening in the first half of 2020, the bank guides for lower provisions in the second half of 2020. This suggests that credit costs are likely to remain below those in the previous downturns from 1987 to 1994 and 2008 to 2013, despite the impact of IFRS 9. Unlike other jurisdictions, Denmark treats payment moratoria as a sign of distress, which means that in practice few households have applied.

However, the outlook is subject to a continued recovery in Denmark in 2020 and 2021. Danske Bank's base case (group average across all markets) is that GDP will grow by 3.4% in 2021, after contracting by 4.2% in the 2020 base case, and that unemployment will drop to 6.3% next year, from 6.8% in its 2020 base case.

Based on stable housing prices (Figure 6), LTVs remained unchanged in the first half of 2020 and the overall quality of the portfolio remains very high (Figure 8). At end-June, the average LTV of the mortgage portfolio was 59% and only a small portion of loans, mainly related to public housing with municipal and government guarantees, had LTVs above 100%. While commercial real estate remains supported by the low rate environment, there are areas, such as retail and tourism properties, that are likely to suffer as properties are reappraised.

Figure 8: Realkredit Danmark A/S portfolio LTV breakdown YE 2019 vs H1 2020



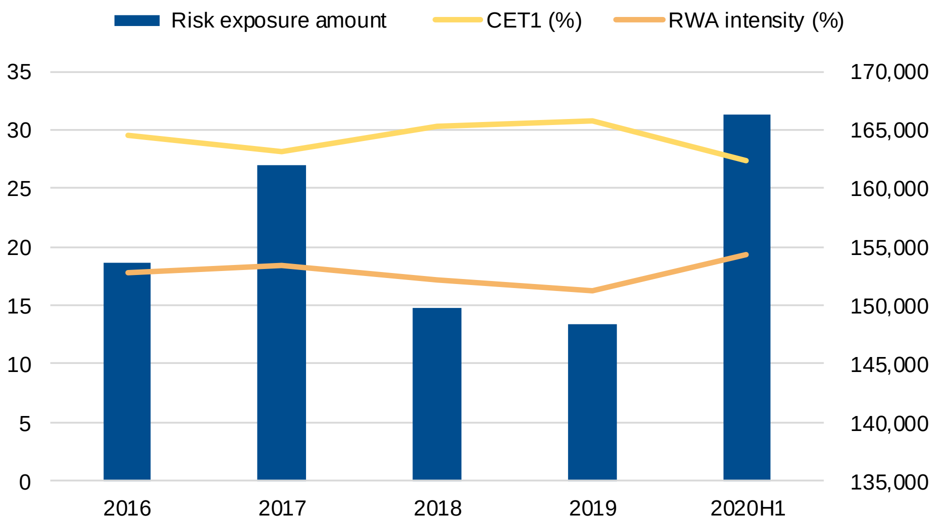
Source: Company data, SNL

Capitalisation: under pressure from rising regulatory requirements

Realkredit's prudential capital metrics are comfortably above minimum requirements. We expect capital ratios to decline materially over the coming years due to regulatory changes such as risk-weighting floors. Even so, we expect the buffer, which is exceptionally high at present, to continue to compare well to European peers.

At end-June 2020, the CET1 ratio stood at 27.4%, more than 3% lower than at the start of the year but still well above Realkredit's minimum capital requirement of 15.6% (Figure 9). The latter includes a systemic risk buffer of 3% and a Pillar 2 requirement of 2.4%. The countercyclical capital buffer was lowered to zero by Danish authorities in March in response to the Covid-19 crisis. Previously, the countercyclical buffer had been scheduled to rise from 1% to 2% by September 2020. Given the current economic outlook, it is unlikely that the countercyclical buffer will be re-introduced before 2022.

Figure 9: Realkredit Danmark A/S solvency ratios (% lhs) (DKK m rhs)



Source: SNL

The main factor behind the decline of the CET1 ratio was a 12% rise in risk-weighted assets in 2020, a trend that is expected to continue as the Danish regulator phases in higher floors on risk weights and other measures.

Danske Bank could choose to absorb higher capital requirements by lowering the substantial annual dividends that are upstreamed to the parent company each year. This would, however, come at the expense of a declining return on equity in the current yield environment. Dividend payments amounted to DKK 4.3bn for 2019, or 2.5% of risk-weighted assets.

MREL: potential funding needs ahead

In the absence of an MREL requirement, Danish mortgage banks are required to establish a debt buffer equal to 2% of total (unweighted) mortgage lending, on top of capital requirements and capital buffers. In the case of Realkredit, the buffer translates into an additional buffer of 9.6% of the weighted risk exposure amount, which is comfortably covered by excess regulatory capital. However, given the anticipated increase in risk-weighted assets and the expected decline in excess regulatory capital, Realkredit may need additional loans with loss absorbing features from the parent.

Liquidity risk: new regulatory regime expected

Danish mortgage banks are partly exempt from the LCR (Liquidity coverage ratio) due to their match-funding approach. The Danish regulator has, nevertheless, set an LCR floor of 2.5% of loans. The HQLA (High quality liquid assets) must be held centrally and cannot include supplementary assets from the cover pools. The regulatory regime is set to change, however. A new risk-based regime is currently in the observation period and will take effect once the EU's covered bond directive has been adopted.

Danish mortgage bank regulatory diamond: well within parameters

Realkredit and other Danish mortgage lenders are subject to a dedicated regulatory 'diamond' that sets five thresholds: on annual lending growth (max 15%) and certain product types such as interest only loans, short-term resets, re-mortgaging (max 25% p.a.) as well as large exposures in commercial real estate (top 20 exposures under 100% CET1). Realkredit has been operating well within these limits in recent years.

Figure 10: Exposure limits set by Danish mortgage diamond (%)

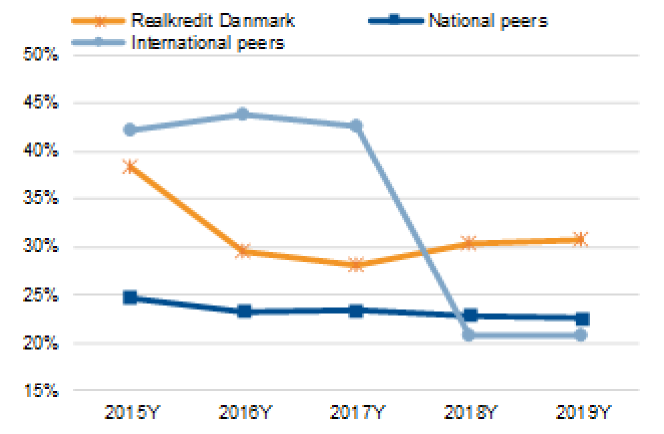
	Growth in lending Limit *1				Borrower interest rate risk Limit *2	Interest only option Limit *3	Loans with short-term funding Limit *4		Large exposures Limit *5
	Owner occupied dwellings and holiday homes	Residential rental property	Agriculture	Other			Loans with short-term funding - refinancing anually	Loans with short-term funding - refinancing quarterly	
Jun-17	0.7	1.2	-0.9	-0.6	10.4	8.7	18.4	0.2	42.0
Sep-17	1.7	1.5	-0.2	1.7	9.9	8.3	18.5	0.7	44.0
Dec-17	2.5	2.8	-0.9	0.5	9.2	8.0	14.1	5.4	43.0
Mar-18	0.6	0.7	-0.8	0.1	9.2	8.0	14.0	7.4	43.0
Jun-18	1.0	1.6	-1.4	0.7	9.0	8.2	13.9	0.3	43.0
Sep-18	1.2	2.6	-1.3	-1.0	8.5	7.9	13.8	0.7	44.0
Dec-18	1.2	4.5	-1.9	-1.7	8.3	7.7	12.8	4.6	45.0
Mar-19	-0.7	1.6	-0.2	-1.4	8.2	7.8	13.3	7.8	44.0
Jun-19	-0.7	5.6	-1.4	-4.8	8.2	7.6	15.8	2.7	43.0
Sep-19	-0.5	7.3	-1.8	-3.7	8.1	7.3	15.4	0.4	42.0
Dec-19	-0.6	7.4	-2.0	-3.4	6.9	7.4	13.7	2.9	41.0
Mar-20	-0.3	6.6	-2.9	-3.0	7.0	6.4	12.5	6.5	41.0
Jun-20	-0.4	6.5	-2.4	-2.3	7.1	6.3	13.7	3.9	45.0

1 Annual growth must be lower than 15% unless the size of the segment is smaller than the institution's total capital.*
2 The proportion of loans for which the loan-to-value ratio is at least 75% of the statutory maximum loan limit and for which the interest rate has been locked for up to two years must not represent more than 25% of the total loan portfolio*
3 The proportion of interest-only loans for which the loan-to-value ratio is more than 75% of the statutory maximum loan limit must represent less than 10% of the total loan portfolio*
4 The proportion of lending to be refinanced must be less than 12.5% per quarter and less than 25% of the total loan portfolio.*
5 The sum of the 20 largest exposures must be less than core equity tier 1 capital.*

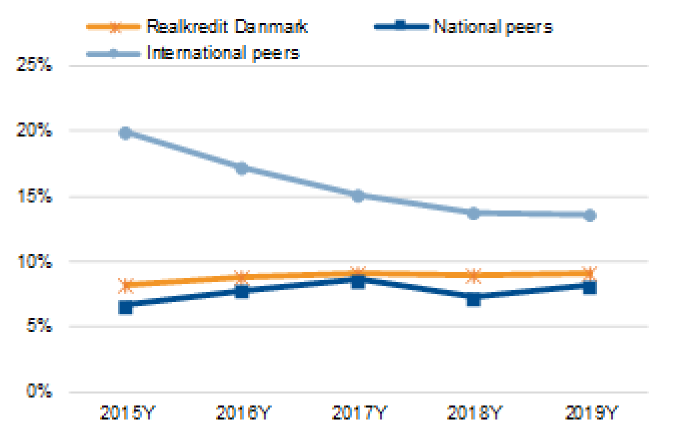
Source: Company data, SNL

I. Appendix: Peer comparison

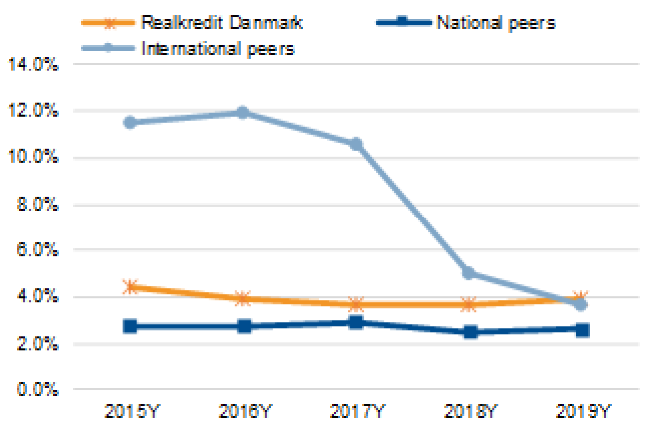
CET1 ratio (%, transitional)



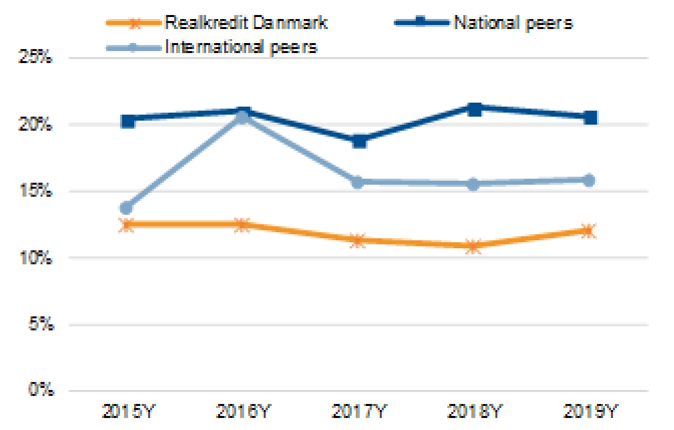
Return on average equity (%)



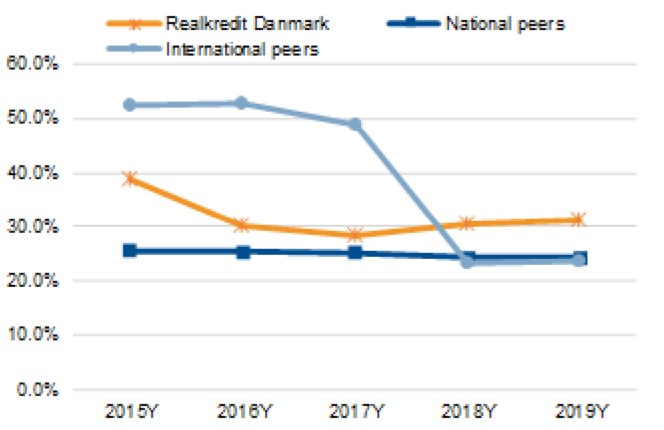
Pre-impairment op. profit/average RWA (%)



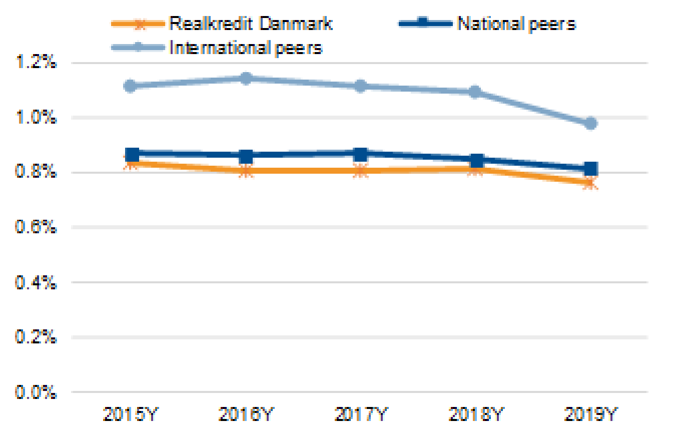
Cost-to-income ratio (%)



Total capital ratio (%)



Net interest margin (%)



Source: SNL

*National peers: Realkredit Danmark, DLRkredit, Nordea Kredit Realkredit, Nykredit,

*International peers: Realkredit Danmark, Stadtshypotek, Swedbank Hypotek, Nordea Hypotek, DNB Boligkreditt, Nordea Mortgage Bank

II. Appendix: Selected financial information – Realkredit Danmark A/S

	2016Y	2017Y	2018Y	2019Y	2020H1
Balance sheet summary (DKK m)					
Assets					
Cash and interbank assets	31,491	30,072	21,446	53,826	6,539
Total securities	59,795	54,915	51,224	52,491	52,564
of which, derivatives	231	64	66	128	3
Net loans to customers	768,397	789,392	796,594	803,122	800,545
Other assets	2,994	2,511	1,953	3,109	2,845
Total assets	**862,677**	**876,890**	**871,217**	**912,548**	**862,493**
Liabilities					
Interbank liabilities	6,355	4,294	778	4,003	4,000
Senior debt	799,844	816,666	815,043	853,579	807,682
Derivatives	85	10	68	5	64
Deposits from customers	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	7,046	6,029	5,413	4,968	3,268
Total liabilities	**813,330**	**826,999**	**821,302**	**862,555**	**815,014**
Ordinary equity	49,347	49,891	49,915	49,993	47,479
Equity hybrids	-	-	-	-	-
Minority interests	-	-	-	-	-
Total liabilities and equity	**862,677**	**876,890**	**871,217**	**912,548**	**862,493**
Core tier 1/ common equity tier 1 capital	*45,437*	*45,446*	*45,448*	*45,538*	*45,539*
Income statement summary (EUR m)					
Net interest income	6,860	6,940	7,008	6,905	3,301
Net fee & commission income	(611)	(601)	(617)	(528)	(289)
Net trading income	(61)	(32)	(67)	219	89
Other income	141	179	125	117	54
Operating income	**6,329**	**6,486**	**6,449**	**6,713**	**3,155**
Operating expenses	790	736	703	812	399
Pre-provision income	**5,539**	**5,750**	**5,746**	**5,901**	**2,756**
Credit and other financial impairments	182	147	196	265	470
Other impairments	NA	NA	NA	NA	NA
Non-recurring income	-	-	-	-	-
Non-recurring expense	-	-	-	-	-
Pre-tax profit	**5,357**	**5,603**	**5,550**	**5,636**	**2,286**
Income from discontinued operations	-	-	-	-	-
Income tax expense	1,176	1,235	1,213	1,240	503
Other after-tax Items	-	-	-	-	-
Net profit attributable to minority interests	-	-	-	-	-
Net profit attributable to parent	4,181	4,368	4,337	4,396	1,783

Source: SNL, Scope Ratings

III. Appendix: Selected Financial Information – Realkredit Danmark A/S

	2016Y	2017Y	2018Y	2019Y	2020H1
Funding and liquidity					
Net loans/ deposits (%)	NA	NA	NA	NA	NA
Liquidity coverage ratio (%)	NA	NA	NA	NA	NA
Net stable funding ratio (%)	NA	NA	NA	NA	NA
Asset mix, quality and growth					
Net loans/ assets (%)	89.1%	90.0%	91.4%	88.0%	92.8%
Problem loans/ gross customer loans (%)	2.8%	2.2%	1.5%	1.3%	1.7%
Loan loss reserves/ problem loans (%)	16.4%	18.1%	24.1%	26.1%	23.5%
Net loan growth (%)	3.1%	2.7%	0.9%	0.8%	-0.6%
Problem loans/ tangible equity & reserves (%)	40.5%	33.5%	22.5%	20.3%	26.3%
Asset growth (%)	3.1%	1.6%	-0.6%	4.7%	-11.0%
Earnings and profitability					
Net interest margin (%)	0.8%	0.8%	0.8%	0.8%	0.8%
Net interest income/ average RWAs (%)	4.8%	4.4%	4.5%	4.5%	4.1%
Net interest income/ operating income (%)	108.4%	107.0%	108.7%	102.9%	104.6%
Net fees & commissions/ operating income (%)	-9.7%	-9.3%	-9.6%	-7.9%	-9.2%
Cost/ income ratio (%)	12.5%	11.3%	10.9%	12.1%	12.6%
Operating expenses/ average RWAs (%)	0.6%	0.5%	0.4%	0.5%	0.5%
Pre-impairment operating profit/ average RWAs (%)	3.9%	3.6%	3.7%	3.9%	3.4%
Impairment on financial assets / pre-impairment income (%)	3.3%	2.6%	3.4%	4.5%	17.1%
Loan loss provision/ average gross loans (%)	0.0%	0.0%	0.0%	0.0%	0.1%
Pre-tax profit/ average RWAs (%)	3.8%	3.5%	3.5%	3.7%	2.8%
Return on average assets (%)	0.5%	0.5%	0.5%	0.5%	0.4%
Return on average RWAs (%)	2.9%	2.8%	2.8%	2.9%	2.2%
Return on average equity (%)	8.8%	9.1%	9.0%	9.1%	7.5%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (%, transitional)	29.6%	28.1%	30.3%	30.7%	27.4%
Tier 1 capital ratio (%, transitional)	29.6%	28.1%	30.3%	30.7%	27.4%
Total capital ratio (%, transitional)	30.1%	28.3%	30.6%	31.1%	27.9%
Leverage ratio (%)	5.2%	5.1%	5.1%	4.9%	NA
Asset risk intensity (RWAs/ total assets, %)	17.8%	18.5%	17.2%	16.3%	19.3%
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, Scope Ratings

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