ASO Savings & Loans Plc

Nigeria Primary Mortgage Institution Analysis **November 2008**

Security class	Rating scale	Currency	Rating	Rating watch	Expiry date
Long term	National	Naira	BBB	No	10/2009
Short term	National	Naira	A3		

Financial data:

(US$'m Comparative)

	31/03/07	31/03/08
NGN/US$ (avg.)	132.9	125.1
NGN/US$ (close)	133.5	119.2
Total assets	328.3	564.4
Tier I capital	(1.9)	42.3
Tier II capital	-	-
Net advances	194.0	250.8
Liquid assets	128.6	296.9
Operating income	9.7	33.1
NPAT	2.1	8.5
Market cap*	US$175.9m	
Market share**	13%	

** As at 10 November 2008 (NGN/US$ 119.9)*
***Calculated as a % of total industry loans and advances as at 31 December 2007.*

Fundamentals:

ASO Savings and Loans Plc ("ASO") is a primary mortgage institution ("PMI"), incorporated in Nigeria as a limited liability company in 1995. ASO commenced business in 1997 and subsequently converted to a public liability company in 2005. In 2007, the company transitioned to being majority privately owned, with government retaining a 10% stake. ASO listed on the Nigerian stock exchange in April 2008.

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Rating rationale

The rating is based on the following key factors:

- After a difficult period spanning 2004 to 2007, when deteriorating asset quality led to significant losses that wiped out the company's capital base, a new management team has repositioned ASO as one of the leading PMIs in Nigeria.
- ASO was recapitalised in F08 and a plan is in place to raise an additional N30bn in capital. Recapitalisation, with funding support from Government (the company was originally established to support the financing of housing initiatives within the Federal Capital Territory ("FCT"), one of the fastest growing areas in Nigeria that includes Abuja, the nation's capital), has seen the company grow to the largest PMI in Nigeria by advances.
- Although asset quality declined somewhat, with non-performing loans ("NPLs") accounting for 5% of gross loans as at F08, gross NPLs remained fully covered by provisions. In this respect, credit risk remains a concern due to the general lag in arrears following rapid loan growth, particularly considering the aggressive growth targets going forward.
- Given a largely short dated deposit book funding longer dated advances, liquidity remains a key risk, while accessing longer term funding remains a challenge. This is exacerbated by the highly concentrated deposit book.
- Given the difficulties experienced, earnings were inconsistent over the five year period under review. NPAT increased 284% to a review period high of N1bn in F08, following net losses after tax of N574m and N247m in F05 and F06 respectively.

Financial flexibility

Funding is primarily derived through deposits and borrowings from government and other banks. To meet funding constraints, the company is exploring various offshore long term financing options. Plans are in progress to raise funds through a convertible debt instrument before end F09, while the company is also considering the establishment of real estate investment trusts ("REITs"). Total capital and reserves increased to N5bn in F08, with ASO previously displaying three years of negative capital, cumulatively totalling N1bn. The company intends to solidify its capital base by raising an additional N30bn in equity capital through a public offer in 2009.

Corporate profile

History

ASO is a primary mortgage institution, incorporated in Nigeria as a limited liability company in 1995. ASO was incorporated to serve the housing financing and banking needs of the residents of the Federal Capital Territory ("FCT"). The FCT, with Abuja at its centre, has a land area of 8,000km2 and an estimated population of 1.4m inhabitants. ASO commenced business in 1997 and subsequently converted to a public liability company in 2005. In 2007, the company transitioned to being majority privately owned, with government holding a lower 10% of ASO's equity. ASO listed on the Nigerian stock exchange in April 2008. Efforts by the current management team, coupled with a strong relationship with government, have seen the company consolidate into a frontline player in the mortgage-banking sector within the FCT.

Strategy and operations

ASO's operations are comprised of two strategic areas, namely: savings & deposit accounts and mortgage loans & administration. The company focuses on both commercial & personal businesses, and leverages off its strong relationship with the FCT to secure loans & advances on mass housing schemes backed by federal and state governments. Services have recently been expanded to include small business banking and financial & infrastructure advisory. As at F07, ASO had ten branches dispersed around Abuja. The company plans to increase its branch network to 100 countrywide within the next five years.

Ownership

The following table provides a breakdown of ASO's shareholding structure, post the private placement, as at December 2007.

Table 1: Shareholding structure (%)	F07
APT Securities & Funds Ltd	14.1
ESL Securities Ltd.	10.4
Abuja Investment Co Ltd.	10.0
Other Investors.	65.6
Total	**100.0**

Source: Management Accounts

Operating environment

Economic overview

Nigeria's economy continues to benefit from a relatively stable political environment, following the democratic election in 2007. This consequently boosted foreign investor confidence in the second-largest sub-Saharan economy. The fiscal policy in 2007 was aimed at accelerating the full attainment of the goals of the National Economic Empowerment and Development Strategy ("NEEDS"), launched in 2004. The 2008 proposed budget continues to replicate the strategy, albeit with increased emphasis on infrastructure improvements. GDP growth improved slightly to 6.1% in 2007 compared with 5.6% in the previous year, despite lagging behind the 10% projection. The value of the Naira was relatively stable during the year due to further liberalisation of the foreign exchange market. Inflationary pressures also moderated as the headline year-on-year inflation rate fell to 6.6% from 8.5%, reflecting largely the stabilisation in the supply of petroleum products and effective macroeconomic management. However, inflation has increased to 13% in 3Q 2008, driven primarily by higher food inflation. Other challenges include the continued unrest in the Niger Delta region and the unabated energy crisis.

Primary mortgage industry

Central Bank of Nigeria ("CBN"), under the Mortgage Institution Decree No. 53 of 1989, ultimately regulates ASO's operations. Although licensing is done by CBN, Federal Mortgage Bank of Nigeria ("FMBN") functions as the apex bank for all PMI's, and administers the National Housing Trust Fund ("NHTF"), created by the federal government to meet the challenge of raising the substantial funds needed to grow the mortgage sector. Aspects of the fund include:

- Maximum facility of N5m.
- 6% interest rate.
- Maximum facility tenor of up to 30 years.
- Customer deposit totals 10% of the loan amount.

Factors prevalent within the PMI industry include:

- Minimum paid up capital requirement of N5bn.
- PMIs pay a certain percentage of its profits to a designated reserve fund.
- PMIs are disallowed from paying dividends until all capital expenditure and preliminary operating expenditure have been fully amortised.
- PMIs deposits shall be insured with the National Deposit Insurance Corporation ("NDIC").

Increased private sector involvement and a rise in the middle class (characterised by increased disposable income) has improved growth in the real estate market and the evolution of a mortgage culture, particularly targeted at the middle and upper class. This is expected to improve housing finance from the mortgage sector. Previously, many developers were limited to finance from commercial banks at excessively high interest rates and on stringent conditions (due to house construction being characterised as a high cost, high risk venture). This discouraged the production of housing units for the mass market. As such, many individual homebuilders sought finance from non-banking sources. These sources were largely unsecured, relying on third party guarantees and peer pressure. This type of funding lacked the magnitude to meet the demand.

Competitive position

Out of the 256 PMIs that existed in 1996, 90 registered PMIs have remained, with the majority being limited liability companies. Of the remaining active players, only 60 have been granted licenses to access the NHTF. The Federal/State governments and their agencies own twelve PMIs, with the remainder owned by a mixture of financial institutions and private investor groups. A large portion of PMIs are owned by commercial banks following the consolidation within this sector and the drive to increase the diversity of products. In this regard, as each market participant endeavours to defend its market share, the ability to mobilise wholesale funds at competitive rates and tenure, while maintaining an attractive ROE, has become crucial in surviving the intense competition. Over 70% of PMI's are located in Lagos.

Total assets of the PMI industry rose sharply from N114bn in F06 to N302bn in F07, representing growth of 164%. Balances placed with banks remained the largest component of assets with 59% in F07 (F06: 57%), while financing of mortgages remained low. Loans and advances accounted for only 26% of total assets at year end F06, reducing to 14% in F07. Regulations require PMIs to maintain minimum loans and advances to total assets ratio of 30%. In F07, only 35 of the registered PMIs complied with this requirement. ASO achieved a ratio well above this mandatory requirement in each of the last 2 years.

The major difficulties experienced by the PMIs in meeting the requirements are:

- The difficulty in processing title documents and other relevant documents required for mortgage loan applications;
- Lack of long term funding. Few Nigerians patronise PMIs or save with them with the aim of raising capital to build or buy homes;
- Limited geographic presence. PMIs are concentrated in Lagos.
- Lack of affordable houses within the application range of N1m to N5m; and
- Growing competition from the banking sector.

The table below is a comparison between ASO and the largest PMI in Nigeria, Union Homes Plc.

Table 2: Peer analysis (N'bn)	ASO Mar - 08	Union Mar - 08	Ratios (%)	ASO Mar - 08	Union Mar - 08
Capital and reserves	5.0	10.8	Capital/Assets	7.5	13.7
Net income	3.1	2.0	Net int. margin	5.8	5.1
Total assets	67.3	78.4	Cost ratio	41.8	66.8
Net loans	29.9	14.1	ROaA	2.7	2.7
Deposits	53.0	62.2	ROaE	62.7	20.2

Source: AFS F08

Risk management

CBN has increasingly adopted international best practices in setting the requirements for financial institutions in Nigeria, relating particularly to risk management and corporate governance. The focus that was initially on the banking sector has now begun to flow over to other financial institutions including the PMIs.

Management and corporate governance

The executive management team, led by the Managing Director ("MD") and Chief Executive Officer ("CEO"), currently comprises five key managerial staff, collectively with over 50 years banking experience. The executive management team forms the asset-liability management committee that meets bi-monthly. Further committees include, the Management and Credit Management committees, meeting weekly (both overseen by the MD).

The current Board is made up of seven directors inclusive of a non-executive director, Dr. Abdu Mukhtar, who presides as Chairman of the Board. Animu Ibrahim & Co. have audited the company's financials since 2006. Company audits were previously performed by Messer. Ibrahim Dauda & Co.

Credit risk

Credit risk arises principally from the group's loans and advances to customers and other banks.

As at F08, 97% of the company's balance sheet is considered exposed to the underlying credit quality of third party obligors (F07: 98%). This was predominantly due to balances with other banks, the bulk of which comprised certificates of deposit ("CDs") of N26bn (F07: N14bn).

Table 3: Asset mix	F07 N'm	F07 %	F08 N'm	F08 %
Cash & liquid assets	**17,165.7**	**39.2**	**35,392.2**	**52.6**
Cash	121.2	0.3	113.9	0.2
Liquidity reserve deposits	1.4	0.0	1.4	0.0
Balances with other banks	17,043.1	38.9	35,276.9	52.4
Customer advances	25,902.2	59.1	29,893.7	44.4
Investments	2.8	0.0	157.9	0.2
Fixed assets	260.4	0.6	793.8	1.2
Other assets	502.0	1.1	1,040.6	1.5
Total	**43,833.0**	**100.0**	**67,278.1**	**100.0**

Source: AFS

Lending operations: ASO's advances increased by 15.4% in F08 to N29.9bn (F07: 28x to N25.9bn). Mortgage loans (residential, office & commercial properties) contributed a lower 69% (F07: 87%) to the total book, whilst term loans increased 3.4x, contributing 17% in F08 (F07: 6%). Concomitantly, overdrafts showed similar growth, contributing 14% (F07: 7%) to total advances.

Concentration risk is evident in ASO's commercial book, with the top five commercial exposures accounting for 31% of total lending. The single largest commercial exposure amounted to N3.6bn (72% of shareholders equity), matched by on lending funding from Finbank. In accordance with PMIs prudential requirements, a single obligor is limited to 50% of shareholders funds. The largest residential mortgage amounted to N65m, with the 20 largest accounting for N777m.

Table 4: Gross loans and advances

By type:	%	Largest exposures:	%
Term loans	16.8	Single largest	11.1
Overdrafts	14.0	Five largest	31.3
Mortgages	69.2	Ten largest	41.3

Source: GCR Questionnaire

Asset quality: Following dramatic advances growth, asset quality has improved substantially from F06, when 51% of the book was non-performing. Gross non-performing loans ("NPLs") increased 52% in F08 (F07: 13%), compared to gross advances growth of 17% (F07: 1,330%). This is due to the lag in arrears brought to book, following a rapid increase in advances, and exacerbated by increased market penetration in a relatively new mortgage lending environment.

Table 5: Asset quality	F06 N'm	F07 N'm	F08 N'm
Gross advances*	1,906	27,257	31,850
Loan classification			
Normal	937	26,164	30,188
Substandard (90-180 days)	17	2	61
Doubtful (180-360 days)	61	16	163
Loss (>360 days)	890	1,076	1,438
Gross NPL's	**969**	**1,093**	**1,662**
Less: Provisions	(976)	(1,355)	(1,956)
Net NPL's	**(7)**	**(261)**	**(295)**
Gross NPL ratio (%)	50.8	4.0	5.2
Net NPL ratio (%)	(118.0)	(6.3)	(7.7)

* Includes interest in suspense Source: AFS

Gross NPLs were fully covered over the review period, with the provision cover decreasing in F08 to 118% (F07: 124%). As such, provisioning remains above the Basel I recommendations by risk category.

Liquidity risk

Despite N35bn in liquid investments held at other banks, ASO reflected a N9.5bn liquidity gap in maturity buckets less than three months as at March 31, 2008. The gap is partially due to short term deposits used to fund longer tenured assets. ASO's cash & liquid assets comprised 53% (F07: 39%) of the total asset base and covered 67% (F07: 41%) of total deposits. PMIs prudential requirements require a 20% liquidity ratio. In this regard, ASO has met key liquidity requirements over the review period.

Table 6: Liquidity gap (N'm)	0-3 months	3-6 months	6-12 months	>12 months
Cash balances	115.3	-	-	-
Loans & Advances	246.2	2,609.7	5,256.3	21,781.5
Other banks	35,276.9	-	-	157.9
Other assets	-	1,040.6	-	-
Fixed assets	-	-	-	793.8
Total assets	**35,638.4**	**3,650.3**	**5,256.3**	**22,733.2**
Due to other banks	7,722.3	-	-	4,305.0
Customer deposits	37,440.8	3,000.0	2,000.0	2,858.0
Other liabilities	-	4,914.1	-	-
Shareholder funds	-	-	-	5,038.0
Total liabilities	**45,163.1**	**7,914.1**	**2,000.0**	**12,200.9**
Liquidity buffer/(gap)	(9,524.7)	(4,263.8)	3,256.3	10,532.2
Cum liquidity gap	**(9,524.7)**	**(13,788.6)**	**(10,532.2)**	**0.0**

Source: AFS

Financial flexibility

Funding is primarily derived through deposits and borrowings from government and other banks. Borrowings have increased 9x to N4.3bn in F08. Consequently, ASO's long term borrowings accounted for a higher 9% (F07: 1.3%) of the funding mix. The funds obtained are divided between FMBN at 16% (F07: 100%) and First Inland Bank Plc, with tenors of between 6 and 21 years.

Table 7: Funding mix	F07		F08	
	N'm	%	N'm	%
Deposits	**37,102.9**	**98.7**	**45,298.7**	**91.4**
Bank	1,000.0	2.7	2,022.9	4.1
Finance companies	2,000.0	5.3	5,700.0	11.5
Other companies	25,235.3	67.1	27,428.7	55.3
Individuals	8,867.6	23.6	10,147.1	20.5
Borrowings	**485.0**	**1.3**	**4,305.0**	**8.7**
Long-term borrowings	485.0	1.3	4,305.0	8.7
Total	**37,587.9**	**100.0**	**49,603.7**	**100.0**

Deposit book concentration			
Maturity:	**%**	**Concentration:**	**%**
< 1 month	45.8	Single largest	23.7
1-6 months	43.5	Five largest	78.5
> 6 months	10.7	Ten largest	92.3

Source: Management Accounts

The deposit base in F07 witnessed a substantial N34bn increase following an increased client base and deposits received from the FCT authority. Deposits grew 22% in F08, and stem primarily from the commercial sector (55%), with individuals accounting for 21% in F08 (F07: 24%). Significant concentration risk is evident with the largest deposit accounting for 23% from the Federal Government of Nigeria in F08. The top four deposits each hold over 13% of the deposit base. This risk is further exacerbated by the short term nature of these deposits.

Long term funding remains a key challenge and has constrained ASO's ability to achieve targets. As such, the company is taking various offshore long term financing options. Plans are in progress to raise funds through a convertible debt instrument in 2009. ASO is also considering the establishment of real estate investment trusts ("REITs").

Share capital: ASO had initiated a private placement, which opened in November 2006 (closed March 2007), to raise equity of N2bn. The offer was oversubscribed with ASO raising N3.7bn. The funds were used to finance estate construction projects, expand its branch network, upgrade its information technology system, upgrade its operational software, develop a robust risk management framework and increase working capital. Following this, total capital and reserves increased to N5bn, with ASO previously displaying three years of negative capital, cumulatively totalling N1bn. ASO intends to raise a further N30bn in additional equity capital in 2009 through a public offer.

Financial performance

A 5-year financial synopsis is reflected at the back of this report and brief comment follows hereafter.

NPAT increased 284% to a review period high of N1bn in F08 (F07: N277m). In F05 and F06, ASO displayed net losses after tax of N574m and N247m respectively. The substantial increase in NPAT in F08 was primarily due to strong growth in net interest income following a widening in the net interest margin from 3.2% to 5.8%. Non-interest income, derived mainly from commission and administrative fees, almost doubled to N1bn, albeit accounting for a lower 25% of total income. As such, total operating income amounted to N4.1bn, roughly in line with budget.

Table 8: Income statement (N'm)	Actual F08	Budget F08	Budget (%)
Interest income	6,047	7,170	84.3
Interest expense	(2,923)	(3,799)	76.9
Net interest income	**3,123**	**3,371**	**92.6**
Other income	1,017	816	124.6
Total operating income	**4,140**	**4,186**	**98.9**
Operating expenditure	(2,808)	(2,720)	103.2
NPBT	**1,332**	**1,467**	**90.8**
Tax	(270)	(394)	68.5
NPAT	**1,062**	**1,073**	**99.0**

Source: AFS

A decline in the cost ratio to 42% from F06's high of 118% further boosted profitability. The 189% increase in operating expenditure follows the expanding branch network and this is expected to increase going forward. The exceptional expense of N434m related to the private placement. The aforementioned results led to the net profit margin increasing to 43% from 22% previously.

Future prospects

ASO's actual results for the seven months ending 31 October 2008, together with the full year budget, are shown in table 9.

Although both net interest and other income were well below budget at October 2008 on an annualised basis, this was offset by a lower than expected bad debt charge and by containing operating expenses. As a result, NPBT ended ahead of expectations. Loans & advances and shareholders funds remain significantly behind budget at an annualised 46% and 20% respectively.

Table 9: Budget vs. actual results (N'm)	Actual Oct-08	Budget F09	Budget (%)*	Forecast F10
Net interest income	3,058	7,650	68.5	17,199
Other income	645	1,772	62.4	2,477
Total operating income	**3,703**	**9,422**	**67.4**	**19,676**
Bad debt provision	(471)	(3,451)	23.4	(5,372)
Operating expenditure	(1,656)	(3,497)	81.2	(7,378)
NPBT	**1,575**	**2,474**	**109.2**	**6,926**
Balance sheet items				
Loans and advances	31,913	118,508	46.2	226,124
Liquid assets	15,161	22,288	116.6	25,743
Deposits	38,992	67,643	98.8	169,262
Capital and reserves	5,707	37,382	19.9	42,070

* Annualised. Source: Management Accounts

ASO's strategy focuses on expanding its market reach and market share through an improved distribution network, strategic partnerships and investments in businesses that offer complementary products and services. In this regard, the company is planning to establish an asset property portfolio, focussing on housing stock, insurance and micro-finance subsidiaries. To effectively execute its strategy, ASO has implemented the Temenos T24 banking application (a leading banking application, providing real time banking and support services for various e-payment platforms). Furthermore, ASO has joined the Interswitch Network, providing accessible e-banking services (ATM's, Debit cards, Point-of-sale devices) to its customers. These initiatives should enhance profitability and growth going forward.

ASO Savings & Loans Plc

(Naira in millions except as noted)

Year end: 31 March					
Income Statement	**2004**	**2005**	**2006**	**2007**	**2008**
Interest income	273.8	280.6	309.8	1,431.7	6,046.6
Interest expense	(90.6)	(105.7)	(173.4)	(690.1)	(2,923.1)
Net interest income	**183.3**	**174.9**	**136.4**	**741.6**	**3,123.5**
Other income	93.1	108.0	119.4	548.0	1,016.5
Total operating income	**276.3**	**282.9**	**255.8**	**1,289.6**	**4,140.0**
Bad debt charge	(16.8)	(577.8)	(121.2)	(405.1)	(642.0)
Operating expenditure	(219.5)	(278.6)	(301.8)	(598.3)	(1,729.3)
Exceptional items	-	-	(79.1)	-	(436.7)
NPBT	**40.0**	**(573.6)**	**(246.3)**	**286.2**	**1,332.0**
Tax	(5.0)	-	(0.9)	(9.6)	(270.2)
NPAT	**35.0**	**(573.6)**	**(247.2)**	**276.6**	**1,061.8**
Other after-tax income / (expenses)	-	-	-	-	-
Net income	**35.0**	**(573.6)**	**(247.2)**	**276.6**	**1,061.8**

Balance Sheet					
Common shareholders equity	288.1	(285.5)	(532.7)	(256.1)	5,038.0
Preference shares	-	-	-	-	-
Tier II capital	-	-	-	-	-
Minority interest	-	-	-	-	-
Total capital and reserves	**288.1**	**(285.5)**	**(532.7)**	**(256.1)**	**5,038.0**
Borrowings	37.8	295.1	464.9	485.0	4,305.0
Customer deposits	1,689.3	2,185.9	3,163.3	37,102.9	45,298.8
Deposits from banks	-	-	-	4,634.4	7,722.3
Other liabilities	109.3	92.7	246.0	1,866.8	4,914.1
Contingencies	-	-	-	-	-
Total capital and liabilities	**2,124.5**	**2,288.3**	**3,341.5**	**43,833.0**	**67,278.1**
Cash in hand	13.4	34.9	36.8	121.2	113.9
Balances with central bank	1.4	1.4	1.4	1.4	1.4
Marketable/Trading securities	-	-	-	-	-
Interbank placements	687.5	972.3	2,083.0	17,043.1	35,276.9
Other liquid assets	-	-	-	-	-
Total cash & liquid assets	**702.3**	**1,008.6**	**2,121.2**	**17,165.7**	**35,392.2**
Advances	1,144.6	993.0	930.0	25,902.2	29,893.7
Total interest earning assets	**1,846.8**	**2,001.6**	**3,051.2**	**43,067.9**	**65,285.9**
Interest free loans	-	-	-	-	-
Investments	52.8	52.8	52.8	2.8	157.9
Fixed assets	133.6	156.6	150.5	260.4	793.8
Other assets	91.3	77.3	86.9	502.0	1,040.6
Contingencies	-	-	-	-	-
Total assets	**2,124.5**	**2,288.3**	**3,341.5**	**43,833.0**	**67,278.1**

Key ratios (%)					
Capitalisation					
Total capital / Advances	25.2	25.2	(57.3)	(1.0)	16.9
Total capital / Assets	13.6	13.6	(15.9)	(0.6)	7.5
Liquidity					
Advances / Total deposits	67.8	67.8	29.4	62.1	56.4
Cash and liquid assets / Total assets	33.1	33.1	63.5	39.2	52.6
Cash and liquid assets / Total deposits	41.6	41.6	67.1	41.1	66.8
Asset quality					
Loan loss reserves / Advances	21.2	21.2	105.0	5.2	6.5
Total reserves / Total assets	13.6	13.6	(15.9)	(0.6)	7.5
Bad debt charge / Average advances	2.9	2.9	12.6	3.0	2.3
Bad debt charge / Total operating income	6.1	6.1	47.4	31.4	15.5
Recovery ratio	n.a.	n.a.	13.3	122.3	15.7
Growth in loan loss reserves	n.a.	n.a.	23.1	38.8	44.4
Profitability					
Net interest margin	20.0	20.0	5.5	3.2	5.8
Non interest income / Total operating income	33.7	33.7	46.7	42.5	24.6
Cost ratio	79.4	79.4	118.0	46.4	41.8
Net profit margin	14.5	14.5	(65.4)	22.2	42.7
Effective tax rate	12.5	12.5	(0.4)	3.3	20.3
ROaE	24.3	n.a	n.a	n.a	62.7
ROaA	3.3	n.a	n.a	1.2	2.7
Nominal growth indicators					
Assets	n.a.	7.7	46.0	1,211.8	53.5
Advances	n.a.	(13.2)	(6.3)	2,685.0	15.4
Total capital	n.a.	(199.1)	86.6	(51.9)	(2,067.3)
Customer deposits	n.a.	29.4	44.7	1,072.9	22.1
Net income	n.a.	n.a.	n.a.	n.a.	283.8

Long term debt

Investment grade

AAA Highest credit quality. The risk factors are negligible, being only slightly more than for risk free government bonds.

AA+
AA
AA- Very high credit quality. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk, although not significantly.

A+
A
A- High credit quality. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.

BBB+
BBB
BBB- Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.

Non-investment grade

BB+
BB
BB- Below investment grade but capacity for timely repayment exists. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.

B+
B
B- Below investment grade and possessing risk that obligations will not be met when due. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes.

CCC Well below investment grade securities. Considerable uncertainty exists as to timely payment of principal or interest. Protection factors are narrow and risk can be substantial with unfavourable economic/industry conditions, and/or with unfavourable company developments.

DD Defaulted debt obligations. Issuer failed to meet scheduled principal and/or
Interest payments.

Short term debt

High Grade

A1+ Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below that of risk-free treasury bills.

A1 Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A1- High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

Good Grade

A2 Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

Satisfactory Grade

A3 Satisfactory liquidity and other protection factors qualify issues as to investment grade However, risk factors are larger and subject to greater variation.

Non-investment Grade

B Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation

Default

C Issuer failed to meet scheduled principal or interest payments.

Claims paying ability

Secure

AAA Highest claims paying ability. The risk factors are negligible.

AA+
AA
AA- Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to economic and/or underwriting conditions.

A+
A
A- High claims paying ability. Protection factors are above average although there is an expectation of variability in risk over time due to economic and/or underwriting conditions.

BBB+
BBB
BBB- Adequate claims paying ability. Protection factors are adequate although there is considerable variability in risk over time due to economic and/or underwriting conditions.

BB+
BB
BB- Uncertain claims paying ability and less than investment grade quality. The ability of these organisations to discharge obligations is considered moderate and thereby not well safeguarded in the future. Protection factors will vary widely with changes in economic and/or underwriting conditions.

B+
B
B- Possessing substantial risk that policyholder and contract-holder obligations will not be paid when due. Judged to be speculative to a high degree.

CCC Company has been, or is likely to be, placed under an order of the court.

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