

Announcement: Moody's affirms Fairbairn A3/Prime-2 deposit ratings

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Financial strength rating lowered from C to C-

London, 24 September 2010 -- Moody's Investors Service affirmed today the A3/ P-2 deposit ratings of Fairbairn Private Bank (FPB). At the same time FPB's bank financial strength rating (BFSR) was downgraded from C to C- (mapping to a baseline credit assessment of Baa1). The outlook on all ratings is stable.

RATING RATIONALE

RATIONALE FOR AFFIRMING A3 DEPOSIT RATING

FPB is a niche private bank domiciled in Jersey, and is 100% owned by Nedbank Group, which is one of the largest South African banks. FPB operates as a small, but integral part of the wealth division of Nedbank Group, which is the listed parent of Nedbank Limited (rated A3/P-2 for foreign currency deposits, A2/P-1 for domestic currency deposits, and C- for standalone financial strength). Moody's now incorporates in FPB's A3 deposit rating 1 notch uplift from FPB's Baa1 standalone rating to reflect the high probability of support from its parent.

FPB has been 100% owned by Nedbank Group Limited since June 2009 (prior to which it was owned jointly by Old Mutual and Nedbank Group). FPB has an expanding role in servicing Nedbank clients that have assets in the UK/ Channel Islands. The rating agency also noted that the risk management, treasury and operations of FPB remain, as before the change in ownership structure, well integrated within Nedbank Group, which we see as a credit positive.

RATIONALE FOR DOWNGRADE OF BFSR FROM C TO C-

FPB's profitability has come under pressure due to the combination of a squeeze on net interest margins and fee income, and we consider the standalone financial strength rating more appropriately positioned at C- to capture the challenges facing the bank in a low interest rate environment, as well as the small franchise of the bank. The C- BFSR maps to Baa1 on Moody's long-term rating scale.

The rating agency noted, however, that the bank's strengths include a strong funding profile (GBP892m customer deposits at the end of 2009 and no wholesale funding), a conservatively positioned loan book (GBP265m at the end of 2009, largely comprising low LTV mortgages provided to its private banking client base) and good capitalisation (15.1% Tier 1 ratio at the end of 2009).

The last rating action on Fairbairn Private Bank was in April 2007 when the A3/ C ratings were affirmed.

The principal methodologies used in rating this issuer were "Bank Financial Strength Ratings: Global Methodology" (February 2007) and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" (March 2007), which can be found at www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Fairbairn Private Bank is located in Jersey and had total assets of GBP967m at the end of 2009.

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