



Moody's Investors Service

## Credit Opinion: Fairbairn Private Bank Limited

Global Credit Research - 25 Jun 2009

St. Helier, Jersey

### Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	A3/P-2
Bank Financial Strength	C
<b>Ult Parent: Old Mutual Plc</b>	
Outlook	Negative
Issuer Rating	Baa1
Senior Unsecured	Baa1
Subordinate	Baa3
Jr Subordinate	Baa3
Preferred Stock -Dom Curr	Baa3
Commercial Paper -Dom Curr	P-2
Other Short Term	P-2

### Contacts

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### Key Indicators

#### Fairbairn Private Bank Limited

	[1]2008	2007	2006	2005	2004	Avg.
Total assets (GBP billion)	1.01	0.92	0.88	0.81	0.74	[2]8.39
Total assets (EUR billion)	1.05	1.26	1.31	1.18	1.05	--
Total capital (GBP billion)	0.06	0.05	0.05	0.04	0.04	[2]10.30
Return on average assets	0.91	0.70	0.81	0.63	0.66	0.74
Recurring earnings power	1.00	0.78	0.90	0.73	0.77	0.84
Net interest margin	1.64	1.49	1.33	1.24	1.24	1.39
Cost/income ratio (%)	59.53	64.58	55.02	57.39	54.98	58.30
Problem loans % gross loans	3.30	3.44	1.78	0.32	0.17	1.80
Tier 1 ratio (%)	--	--	--	--	--	--

[1] As of December 31. [2] Compound annual growth rate.

### Opinion

#### SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating ("BFSR") of C to Fairbairn Private Bank (FPB), which translates into a Baseline Credit Assessment ("BCA") of A3. This reflects its niche position as an offshore private bank, as well as its solid financial fundamentals and its very low risk profile. FPB is a very liquid and low-risk institution which is amply capitalised. The current ratings do not factor in support from Old Mutual and reflect the bank's own business and financial fundamentals.

FPB's A3 long-term global local currency (GLC) deposit rating is derived from its A3 Baseline Risk Assessment. We do recognise a high probability of parental support from Old Mutual Group, which currently holds 29.7% of the bank's share capital directly and the remaining 70.3% of the bank's share capital indirectly through Nedbank, one of the largest banks in South Africa; however, as Old Mutual is also currently rated A3, this does not lead to any rating uplift at present for FPB which is also rated A3 on its own. FPB is based in the UK Crown Dependencies of Jersey (and the Isle of Man). In Moody's opinion, Jersey is a no support country as the authorities do not have the ability to create local currency and therefore the bank would not benefit from any support from the authorities in Jersey.

### **Credit Strengths**

- Strategic component of the Old Mutual Group
- Solid financial fundamentals
- Very low risk profile
- Ample core economic capitalisation
- Improved cross-sales of fee-based products

### **Credit Challenges**

- Small player in a highly competitive market
- Maintaining good operating efficiency
- Possibility of attacks by UK Inland revenue on status of offshore centres
- Erosion of deposit margins

### **Rating Outlook**

The outlook on Fairbairn Private Bank's ratings is stable.

### **What Could Change the Rating - Up**

- Significant strengthening of the bank's franchise could move the ratings upwards.
- An upgrade of the bank's GLC deposit rating may occur if: (1) Fairbairn Private Bank's BFSR is upgraded, or (2) if the senior rating of Old Mutual rises.

### **What Could Change the Rating - Down**

- Deterioration in financial performance, significant margin compression or slippage with respect to cost management, which suggests it is failing to build on its business franchise could move the ratings downwards.
- A downgrade of the bank's GLC deposit rating may occur if (1) Fairbairn Private Bank's BFSR is downgraded.

### **Recent Results**

FPB recorded pre-tax operating profit of approximately GBP9.7 million for the year ending December 2008 (2007: GBP7.0 million).

### **DETAILED RATING CONSIDERATIONS**

Detailed considerations for Fairbairn Private Bank's currently assigned ratings are as follows:

#### **Bank Financial Strength Rating**

Moody's assigns a BFSR of C to FPB, reflecting the bank's niche franchise as well as its solid financial fundamentals and its very low risk profile.

As a point of reference, the assigned BFSR is two notches below the B- outcome of Moody's bank financial strength scorecard. Moody's believes the assigned rating is an appropriate reflection of the bank's financial strength as the scorecard does not fully capture the operational, reputation and performance risks inherent in private banking.