MOODY'S
INVESTORS SERVICE

Credit Opinion: Kiwibank Limited

Global Credit Research - 18 Jan 2012

Wellington, New Zealand

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Aa3/P-1
Bank Financial Strength	D+
Baseline Credit Assessment	(Baa3)
Adjusted Baseline Credit Assessment	(Aa3)
Issuer Rating	Aa3
Bkd Senior Unsecured	Aaa
ST Issuer Rating	P-1

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Key Indicators

Kiwibank Limited (Consolidated Financials)[1]

	[2]**9-11**	[2]**6-11**	[2]**6-10**	[2]**6-09**	[2]**6-08**	**Avg.**
Total Assets (NZD million)	**14,731.8**	**13,875.3**	**12,238.4**	**10,371.0**	**7,219.2**	[3]**19.5**
Total Assets (USD million)	**11,261.0**	**11,459.6**	**8,415.7**	**6,718.3**	**5,494.5**	[3]**19.6**
Tangible Common Equity (NZD million)	**539.5**	**524.2**	**549.2**	**380.2**	**292.6**	[3]**16.5**
Tangible Common Equity (USD million)	**412.4**	**432.9**	**377.7**	**246.3**	**222.7**	[3]**16.7**
Net Interest Margin (%)	**1.7**	**1.5**	**1.2**	**1.9**	**1.9**	[4]**1.6**
PPI / Avg RWA (%)	**1.9**	**1.8**	**1.5**	**2.1**	**1.7**	[5]**1.8**
Net Income / Avg RWA (%)	**1.0**	**0.3**	**0.8**	**1.5**	**1.1**	[5]**1.0**
(Market Funds - Liquid Assets) / Total Assets (%)	**-0.1**	**3.2**	**-3.0**	**-0.5**	**-6.2**	[4]**-1.3**
Core Deposits / Average Gross Loans (%)	**95.5**	**96.2**	**108.7**	**117.3**	**125.7**	[4]**108.7**
Tier 1 Ratio (%)	**8.8**	**9.0**	**9.8**	**7.7**	**8.6**	[5]**8.8**
Tangible Common Equity / RWA (%)	**7.9**	**7.8**	**9.2**	**7.7**	**8.7**	[5]**8.2**
Cost / Income Ratio (%)	**66.9**	**68.5**	**72.6**	**71.2**	**75.4**	[4]**70.9**
Problem Loans / Gross Loans (%)	**1.1**	**1.2**	**0.6**	**0.5**	**0.2**	[4]**0.7**
Problem Loans / (Equity + Loan Loss Reserves) (%)	**20.3**	**22.4**	**11.8**	**11.6**	**3.9**	[4]**14.0**

Source: Moody's

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; IFRS [3] Compound Annual Growth Rate based on IFRS reporting periods [4] IFRS reporting periods have been used for average calculation [5] Basel II & IFRS reporting periods have been used for average calculation

Opinion

RECENT CREDIT DEVELOPMENTS

On 18th January 2012, Kiwibank announced the acquisition of Gareth Morgan Investments (GMI, a New Zealand fund manager) by the New Zealand Post Group.

GMI currently manages over NZ$1.5bn, of which NZ$650m is KiwiSaver related, on behalf of more than 57,000 clients. GMI will operate as a sister subsidiary to Kiwibank, as part of the bank's Wealth and Insurance line of business.

New Zealand Post will fund the acquisition through an intercompany loan provided by Kiwibank. We view this transaction to be credit neutral for Kiwibank, given that the bank currently maintains surplus liquidity to fund the acquisition, and that we expect the acquisition to have an insignificant impact on the bank's capital resources. We note that that GMI will help improve the diversity of revenue streams for New Zealand Post's Financial Services division.

SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating (BFSR) of D+ to Kiwibank Limited, which translates into a baseline credit assessment of Baa3. The BFSR addresses the stand-alone credit profile of the bank, and does not incorporate the potential for parental support, which is included in the bank's Aa3 deposit and debt ratings.

The payment obligations of Kiwibank benefit from a deed poll guarantee provided by its parent, New Zealand Post Limited, a State-Owned Enterprise. The benefits of this guarantee are incorporated in Kiwibank's Aa3 long-term deposit and issuer ratings, which are lifted six notches above its baseline credit assessment of Baa3. The short-term rating is Prime-1

The benefits of the guarantee reflects the strength of New Zealand Post which incorporates the high potential for support from the New Zealand government - given the government's ownership of New Zealand Post and its importance to the New Zealand economy. As evidence, the Government has provided an NZ$300m "uncalled capital facility" to New Zealand Post for the express purpose of supporting Kiwibank in case of need.

Given the high level of support incorporated in Kiwibank's ratings, they are sensitive to any perceived changes by the government in its attitude towards support of either Kiwibank or New Zealand Post.

Specific obligations covered by the New Zealand government guarantee scheme for wholesale debt, which operated between November 2008 and April 2010, are rated in line with the government at Aaa.

Kiwibank's BFSR reflects the bank's low risk loan book, which are a reflection of its focus on residential mortgages, and the bank's strong franchise, which is characterized by its extensive distribution network (leveraged off New Zealand Post's network of PostShops), strong customer service and a competitive pricing proposition for New Zealanders.

The ratings are constrained by the bank's profitability challenges as a result of margin pressure. Kiwibank is largely funded by customer deposits and whilst this creates a reliable source of funding, competition for deposits remains intense which has led to falls in interest margins for the sector. Furthermore, whilst Kiwibank's pricing strategy has been successful in attracting customers, it has been at the expense of lower margins.

More recently, Kiwibank's profitability has been pressured by increasing bad debt expense which has been driven by a number of large commercial exposures, which have been impacted by lower property prices, as well as the impact from the Christchurch earthquake.

As a result of constrained profitability and its strong growth, Kiwibank has been unable to generate sufficient capital internally to sustain capital levels. Consequently, the bank has relied on New Zealand Post to provide capital injections every year.

Kiwibank's foreign currency obligations are rated the same as its local currency obligations. New Zealand's sovereign ceilings for deposits and debt are at Aaa, and therefore do not constrain Kiwibank's foreign currency ratings.

Credit Strengths

[1] Capital support and an unconditional and irrevocable guarantee from New Zealand Post

[2] Conservative strategy and low risk loan book centered on residential mortgages.

[3] Strong national franchise and brand recognition

Credit Challenges

[1] Generating sufficient internal capital to maintain capital ratios whilst high funding costs continue to pressure profitability

[2] Improving profitability whilst competition continues to pressure margins

[3] Sustaining deposit growth in a highly competitive market

[4] Managing asset quality as business lending increases and as the relatively unseasoned loan book matures

Rating Outlook

The rating outlook for Kiwibank's BFSR is stable and incorporates the bank's low risk loan book and strong franchise - which should ensure it maintains its credit profile in line with the assigned rating, even through a tougher operating environment which has seen credit growth slow while deposit competition remains high.

The stable outlook for the deposit and issuer ratings is in line with the outlook on the sovereign rating of the New Zealand government. Furthermore, it reflects our expectation that government support for New Zealand Post is likely to remain high, which underpins the guarantee it provides to Kiwibank.

What Could Change the Rating - Up

BFSR

A combination of the following will put upward pressure on the BFSR

[1] Sufficient internal capital generation to maintain capital ratios without support from New Zealand Post

[2] Asset quality is maintained even as the loan book matures

[3] The bank maintains growth without significantly increasing its reliance on wholesale funding

Deposit & Debt ratings

Changes in government policy that provide further explicit support to New Zealand Post or Kiwibank may place upward pressure on the deposit and debt ratings

What Could Change the Rating - Down

BFSR

A combination of the following will put downward pressure on the BFSR

[1] The ratio of non-performing loans to gross loans exceeds 2% and the ratio of non-performing loans to capital and loan loss reserves increasing to more than 20%

[2] Tier 1 ratio falls below 8% for multiple reporting periods

[3] Short-term wholesale funding minus liquid assets to total assets ratio rises above 10%

Deposit & Debt ratings

Significant deterioration in the financial profile of New Zealand Post or changes to government policy that reduce the probability of support.

Recent Results and Developments

For FY2011, Kiwibank reported net income of NZ$21.2m, a 54% fall from the NZ$45.8m reported in FY2010. The result was driven by asset quality pressures, which saw provision for bad debts rise from NZ$17.9m to NZ$79m. The decline in asset quality was driven by an increasing amount of impaired corporate and institutional loans, which rose by over 5 times from NZ$11.3m in FY2010 to NZ$64.9 in FY2011.

Excluding provisions for bad debts, pre-provision profits rose strongly by 35% to NZ$111.3m. The result was driven by a 43% increase in net interest income to NZ$191m, which benefitted from an improvement in the net interest margin. The improvement in margin was largely a result of customers switching from fixed to floating rate mortgages.

Other non-interest income rose 10% to NZ$145.3m, on the back of increasing fee income. Operating expense increased 10% to NZ$241.7m.

Total loans grew 10% to NZ$11.5bn while retail deposits increased 14% to $7.9bn.

Tier 1 capital stood at 9.0% at FY2011, compared to 9.8% at FY2010.

DETAILED RATING CONSIDERATIONS

Detailed rating considerations for Kiwibank's currently assigned ratings are as follows:

Bank Financial Strength Rating

Moody's assigns a BFSR of D+ to Kiwibank. As a point of reference, the BFSR scorecard provides an outcome of C.

Moody's rating analysis revealed a number of factors that were hard to capture in the scorecard by nature of its inputs and definitions. In particular, Kiwibank's dependence on New Zealand Post for capital support and the potential for asset quality pressures as the loan book matures are more consistent with a D+ rating.

Qualitative Rating Factors (50%)

Factor 1: Franchise Value

Trend: Neutral

Formed in November 2001, Kiwibank was established by the New Zealand government to promote competition in the banking sector by providing an alternative banking option to New Zealanders. The bank is a wholly owned subsidiary of New Zealand Post who itself is wholly owned by the New Zealand government.

Kiwibank maintains good representation throughout New Zealand by leveraging off its parent's network of over 300 PostShops, which also act as bank branches. Customers can also access banking services through the bank's network of ATMs, Mobile Mortgage Managers and Business Banking Centres. Kiwibank also distributes mortgages through the AMP brand and New Zealand Home Loans, dedicated mortgage providers.

With access to a nationwide branch network, Kiwibank has grown rapidly to establish a strong franchise that has been built upon a focused customer service and competitive pricing proposition. This has been supplemented by marketing strategies that have been successful in promoting the brand throughout New Zealand. This has assisted the bank in achieving growth rates well in excess of the system and to become New Zealand's fifth largest bank by assets. Currently, the bank has market shares approximately 6.0% for household deposits and 6.9% for residential mortgages.

Primarily a retail bank, Kiwibank has historically focused on residential mortgages and deposit gathering, which make up the largest part of the bank's income. However, the bank is focused on improving its revenue generation by targeting higher margin SME and rural lending, as well as improving its position of being the main banking relationship for its customers. To achieve these targets, the bank has made continued investment to ensure it has the appropriate staff, culture, systems and physical network.

Referencing the scorecard, Kiwibank's franchise value of C reflects the bank's sound domestic franchise, solid market positioning and conservative product set.

Factor 2: Risk Positioning

Trend: Improving

Kiwibank's risk management framework is commensurate with its low risk business model. However, the bank continues to invest in its systems and has commenced plans to modernize core banking systems during 2010 to 2013. Given the bank's intention to diversify into different areas, such as increasing SME lending, we would view this as an important step in supporting future growth aspirations.

At a board level, the bank's Finance, Audit and Risk Committee which is responsible for reviewing and maintaining the risk management framework (covering business, credit, market and operational risks) and monitoring the bank's performance against this. Implementation of the risk management framework is the responsibility of the executive management team. An independent internal audit function exists and provides feedback at board level.

Similar to its peers, Kiwibank runs very low levels of market risk. Any residual interest rate mismatch and foreign currency exposures are hedged within predefined limits using derivatives. Furthermore, the bank does not undertake equity trading and there are no significant exposures to equity instruments.

Factor 3: Regulatory Environment

Trend: Neutral

All New Zealand banks are subject to the same score on regulatory environment. This factor does not address bank-specific issues; instead, it evaluates whether regulatory bodies are independent and credible, demonstrate enforcement powers and adhere to global standards of best practices for risk control. Moody's views the New Zealand regulatory requirements, combined with the strong coordination with the Australian regulator, as a positive factor that underpins the ratings of Australian banks' New Zealand subsidiaries. Please refer to Moody's Banking System Outlook for New Zealand to obtain a detailed discussion on the Regulatory Environment.

Factor 4: Operating Environment

Trend: Neutral

This factor is also common to all New Zealand banks. Moody's assigns a A- for overall operating environment. The volatility of economic conditions is scored a B, and but still reflects the fact New Zealand is a small, open economy that remains geared to commodity prices (especially agricultural products). This tends to have implications for bank asset quality and earnings, constraining the ratings of New Zealand banks relative to their Australian parents, which operate in a more diversified and stable economy. However, a strong legal system that allows creditors to pursue their claims efficiently is a plus. Please refer to Moody's Banking System Outlook for New Zealand to obtain a detailed discussion on Operating Environment.

Quantitative Rating Factors (50%)

Factor 5: Profitability

Trend: Weakening

In FY2011, Kiwibank's profitability declined for the second consecutive year after report strong growth over a number of years. Net income for FY2011 declined 54% to NZ$21.2m, as was a result of increased bad debt expense, which grew 342% to NZ$79m.

Excluding bad debt provisions, pre-provision income grew 35% to NZ$111.3m on the back of improved net interest margin and continued strong loan growth. The bank's net interest margin improved from 1.18% in 2010 to 1.47% in 2011 as customers switched from fixed to floating rate mortgages.

The improvement in margins was the first in seven years. The steady decline prior to this has been a result of increasing competition, and more recently, the impact of the global financial crisis which has increased funding costs for all banks. Furthermore, as a result of being predominantly a residential mortgage lender, Kiwibank has not had the same opportunities to support its margin as those banks with a more diverse product set. In the current environment Kiwibank's competitors have been relatively successful in improving corporate and business lending margins.

Furthermore, the bank's success in growing its balance sheet has, in part, been due to the price led strategy that it adopts. Whilst this has enabled the bank to attract customers, it has been at the expense of lower margins, which are below those reported by its rated peers.

We expect profitability pressures to continue as deposit competition is likely to keep funding costs high. Other banks will likely continue to target deposits while wholesale funding market conditions remain volatile.

As noted above, the bank has identified a number of strategies to address ongoing profitability pressures by targeting SME and rural lending. Kiwibank is also reviewing its operating model with the aim of improving efficiency and reducing its cost base.

Factor 6: Liquidity

Trend: Neutral

Kiwibank's funding is centered on retail deposits which make up approximately 60% of total funding. In addition, the bank has a sizable corporate deposit book which comprises 20% of total funding. Through its extensive distribution network, new products (such as the Kiwibank Notice Saver product) and competitive pricing, the bank has been successful in consistently achieving strong retail deposit growth, which has been in excess of system growth. We note that continuing this growth will be challenging as deposit competition remains intense.

Whilst competitively priced products will always attract a portion of price sensitive funding, we expect Kiwibank's customers to be more "sticky" than other smaller institutions that also adopt similar pricing strategies. This is due to Kiwibank's government ownership (via New Zealand Post), which is likely to provide some reassurance to customers during times of economic stress.

In addition to deposits, the bank supplements its funding through the issuance of term and short term debt securities in both the domestic and offshore wholesale markets. Kiwibank's use of such wholesale funding has progressively increased over the years, from 12% of total funding in 2007 to 19% in 2011. The most notable increase was during 2011, which saw the bank issue NZ$700m of offshore short term debt through its established ECP programme.

Whilst Kiwibank's exposure to more confidence sensitive wholesale funding has increased, the total amount issued so far, as a proportion of total funding, is within our expectations for the bank's current rating. Furthermore, it provides some diversification to the bank's funding profile and allows it to access funding that is cheaper than some deposit products, which continue to face pricing pressure from intense competition. However, we note that negative rating pressure could emerge should the bank continue to significantly increase its reliance on short-term debt.

Kiwibank's liquidity position is sound and covers all of its short term wholesale debt. The bank has a conservative liquidity policy and ensures that its liquid asset portfolio is comprised predominantly of highly rated securities. In order to alleviate any short-term funding requirements, the bank has established NZ$600m of internal RMBS, which it is able to repo with the Reserve Bank of New Zealand and provides an important contingent source of liquidity.

With regards to the scorecard, the liquidity ratio subfactor of (Market Funds - Liquid Assets) / Total Assets comes out at a B.

Factor 7: Capital Adequacy

Trend: Neutral

Capital coverage is sound for the bank with its Tier 1 ratio standing at 9.0% at FY2011, although this represents a decline from 9.8% in FY2010. With the exception of FY2010, Kiwibank's capital ratios have steadily declined each year due to insufficient profitability, which provided inadequate internal capital generation (through retained profits) to support Kiwbank's strong growth.

As a result, Kiwibank has relied extensively on New Zealand Post for capital support, which has provided capital assistance each year. We note that the bank has slowed down growth considerably over the past year to a more normalized pace. However, we would expect further capital assistance will be required, given the costs associated with the bank's plans to diversify its business, as noted above.

The bank does not pay any dividends to its parent and we would not expect it to do until the bank is able to sustain its capital ratios without external assistance.

Kiwibank has adopted the standardised approach under Basel II.

Factor 8: Efficiency

Trend: Neutral

The bank's cost to income ratio improved in FY2011 and is currently at a historical low of 68.5%. Operating expenses grew 10% in 2011 which is considerably more than the 2% growth in the prior year but below the historical average.

Kiwibank is currently reviewing its operating model with the aim of reducing the cost base of the bank. Whilst this has the potential to improve efficiency within the bank, as noted above, Kiwibank is currently investing in its IT and physical infrastructure as part of its growth strategy which may offset any costs reductions identified by the review.

Factor 9: Asset Quality

Trend: Weakening

Predominantly a mortgage lender, Kiwibank's asset quality is supported by its low risk loan portfolio - residential mortgages have demonstrated low loss rates over time and continue to perform relatively well in the current economic environment.

Asset quality deteriorated sharply over the past year with non-performing loans (defined as impaired loans plus 90 day past due loans) as a percentage of gross loans rising to 1.2% in FY2011, from 0.65% in FY2010. The key driver behind this increase was a significant rise in impaired corporate and institutional loans, which rose from NZ$11.3m to NZ$64.92m, as well as an increase in impaired retail loans, which grew from NZ$26.5m to NZ$41.1m.

Subdued credit conditions, which have seen property values decline, and the effects of the Christchurch earthquake have been the main drivers of current asset quality pressures and are likely to continue to challenge asset quality in the short term. Further pressure may also emerge as the bank's relatively unseasoned portfolio continues to mature and as exposure to the SME sector increases - an area into which the bank has stated it intends to grow. However, the bank's strict underwriting standards and use of mortgage insurance on higher loan to value lending are likely to minimise any potential losses on the portfolio.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's assigns a global-scale local currency (GLC) deposit rating of Aa3 to Kiwibank, which is six notches above its baseline credit assessment of Baa3 and reflects the strong credit profile of New Zealand Post, which provides a guarantee to Kiwibank. New Zealand Post is owned by the New Zealand government and is supported by the government's Aaa rating.

Our assessment of systemic support for Kiwibank is through its parent New Zealand Post. This is because systemic support for Kiwibank is likely to flow through New Zealand Post, as evidenced by an uncalled capital facility provided by the Government to New Zealand Post, for the express purpose of supporting Kiwibank's financial position.

The facility cannot be used to fund the growth of the bank and New Zealand Post can only call upon it in certain circumstances - such as a stressed event which exceeded the resources of both Kiwibank and New Zealand Post. Nevertheless, we view this as an important driver of the rating, given that the expected size of the facility (NZ$300m) is significant relative to Kiwibank's capital base.

Foreign Currency Deposit Rating

The Foreign Currency Deposit ratings of Kiwibank are unconstrained given that New Zealand has a country ceiling of Aaa.

Foreign Currency Debt Rating

The Foreign Currency Debt ratings of Kiwibank are unconstrained given that New Zealand has a country ceiling of Aaa.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the Bank Financial Strength Rating as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, and includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Credit Assessment. In calculating the GLC rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of government support for the bank in case a stress situation occurs and the degree of dependence between the issuer rating and the LCDC.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. An Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to a high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be reminded that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt obligations may also be constrained by the country ceiling for foreign currency bonds and notes, however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

Kiwibank Limited

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (50%)						**C**	
Factor: Franchise Value						**C**	**Neutral**
Market Share and Sustainability			**x**				
Geographical Diversification				**x**			
Earnings Stability		**x**					
Earnings Diversification [2]							
Factor: Risk Positioning						**D**	**Improving**
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- Key Man Risk							
- Insider and Related-Party Risks							
Controls and Risk Management				**x**			
- Risk Management				x			
- Controls			x				
Financial Reporting Transparency		**x**					
- Global Comparability	x						
- Frequency and Timeliness	x						
- Quality of Financial Information			x				
Credit Risk Concentration				**x**			
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management			**x**				
Market Risk Appetite	**x**						
Factor: Operating Environment						**A-**	**Neutral**
Economic Stability		**x**					
Integrity and Corruption	**x**						
Legal System	**x**						
Financial Factors (50%)						**C+**	
Factor: Profitability						**D+**	**Weakening**

PPI / Average RWA - Basel II			1.78%				
Net Income / Average RWA - Basel II				0.90%			
Factor: Liquidity						**C+**	**Neutral**
(Mkt funds-Liquid Assets) / Total Assets		-0.09%					
Liquidity Management			x				
Factor: Capital Adequacy						**B+**	**Neutral**
Tier 1 Ratio - Basel II		8.83%					
Tangible Common Equity / RWA - Basel II	8.20%						
Factor: Efficiency						**D**	**Neutral**
Cost / Income Ratio				70.77%			
Factor: Asset Quality						**B+**	**Weakening**
Problem Loans / Gross Loans	0.78%						
Problem Loans / (Equity + LLR)		15.26%					
Lowest Combined Score (15%)						**D+**	
Economic Insolvency Override						**Neutral**	
Aggregate Score						**C**	
Assigned BFSR						**D+**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral