Moody's INVESTORS SERVICE

Credit Opinion: Kiwibank Limited

Global Credit Research - 22 Mar 2011

Wellington, New Zealand

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Aa3/P-1
Bank Financial Strength	D+
Issuer Rating	Aa3
Bkd Senior Unsecured	Aaa
ST Issuer Rating	P-1

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Key Indicators

Kiwibank Limited (Consolidated Financials)[1]

	[2]**6-10**	[2]**6-09**	[2]**6-08**	[3]**6-07**	[3]**6-06**	**Avg.**
Total Assets (NZD million)	**12,238.4**	**10,371.0**	**7,219.2**	**4,760.3**	**3,073.0**	[4]**41.3**
Total Assets (USD million)	**8,415.7**	**6,718.3**	**5,494.5**	**3,677.6**	**1,875.0**	[4]**45.6**
Tangible Common Equity (NZD million)	**549.2**	**380.2**	**292.6**	**216.0**	**172.4**	[4]**33.6**
Tangible Common Equity (USD million)	**377.7**	**246.3**	**222.7**	**166.8**	**105.2**	[4]**37.6**
PPI / Avg RWA (%)	**1.5**	**2.1**	**1.7**	**2.3**	**1.6**	[5]**1.8**
Net Income / Avg RWA (%)	**0.8**	**1.5**	**1.1**	**1.6**	**1.0**	[5]**1.2**
(Market Funds - Liquid Assets) / Total Assets (%)	**-2.8**	**-0.3**	**-6.2**	**-11.8**	**2.6**	[6]**-3.7**
Core Deposits / Average Gross Loans (%)	**108.7**	**117.3**	**125.7**	**126.4**	**90.9**	[6]**113.8**
Tier 1 Ratio (%)	**9.8**	**7.7**	**8.6**	**9.2**	**11.0**	[5]**8.7**
Tangible Common Equity / RWA (%)	**9.2**	**7.7**	**8.7**	**9.3**	**11.0**	[5]**8.5**
Cost / Income Ratio (%)	**72.6**	**71.2**	**75.4**	**77.8**	**83.3**	[6]**76.1**
Problem Loans / Gross Loans (%)	**0.6**	**0.5**	**0.2**	**0.1**	**0.0**	[6]**0.3**
Problem Loans / (Equity + Loan Loss Reserves) (%)	**11.8**	**11.6**	**3.9**	**0.8**	**0.4**	[6]**5.7**

Source: Moody's

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; IFRS [3] Basel I; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] Basel II & IFRS reporting periods have been used for average calculation [6] IFRS reporting periods have been used for average calculation

Opinion

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 "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. We would view the probability of this to be low, especially in the short-term, given that on 2 June 2010 the New Zealand Prime Minister, John Key was quoted as saying "Our policy is not to sell any assets in this term".

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 declining margins. Kiwibank is largely funded by customer deposits and whilst this creates a reliable source of funding, competition has been intense as the global financial crisis has increased the cost of and competition for retail funding. Furthermore, whilst Kiwibank's pricing strategy has been successful in attracting customers, it has been at the expense of lower margins.

As a result of constrained profitability and its rapid rate of 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.

In the 1H2011, asset quality weakened on the back of increased impairments in corporate and institutional lending. Impaired loans within this sector rose from NZ$11.3m in FY2010 to NZ$34.3m in 1H2011. Over the same period, total non-performing loans (defined as impaired loans plus 90 day past due loans) as a percentage of gross loans rose from 0.65% to 0.90%. We note that despite the increase, asset quality metrics remain solid and within our expectations for the assigned rating.

We also expect asset quality to continue to be pressured as economic growth remains slow and faces further challenges (at least in the short term) from the effects of the earthquakes in Christchurch. However, any deterioration will be off a low base and is likely to be accommodated within the assigned rating.

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

[4] Solid asset quality metrics, with ultimate loan losses contained through use of mortgage insurance on higher loan to value loans

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 if loan impairments continue to rise.

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 1H2011, Kiwibank reported net income of NZ$13.9m, compared to NZ$23.5m reported in 1H2010. The result was largely driven by a significant increase in the provisions for bad debts, which rose from NZ$9.7m to NZ$31m. The decline in asset quality was driven by an increasing amount of impaired corporate and institutional loans, which, compared to 1H2010 rose 210% to NZ$31.3m.

Excluding provisions for bad debts, pre-provision profits rose 18% to NZ$50.9m. The result was driven by a NZ$23m increase in net interest income, which benefitted from an improvement in the net interest margin.

Other non-interest income rose 9% to NZ$72.7m while operating expense increased 7% to NZ$118.5m.

Growth in total assets was 8% while liability growth was 7% and was driven by a 14% increase in deposits.

Tier 1 capital stood at 9.5% at 1H2011, compared to 7.4% at 1H2010.

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 its profitability challenges are viewed as 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.

Over the past nine years, 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 6.7% for household deposits and 5.2% for residential mortgages.

Initiatives by the New Zealand Banker's Association to make switching banks easier are likely to benefit institutions like Kiwibank which offer competitively priced products. Growth is unlikely to match historical rates, given that the bank is starting off on a much higher base.

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. Other services provided include SME lending, insurance and wealth management products as well as payment services (such as Visa debit cards). As a portion of its entire loan book, the bank's exposure to the SME sector is small, at approximately 14%. Given the higher margins of SME lending, Kiwibank has targeted this sector as a key growth area going forward, and continues to invest in its infrastructure to support this.

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 has established a 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.

The bank has low sector concentrations other than its focus on prime residential mortgages. However, Kiwibank is exposed to a number of single large exposures predominantly relating to its property lending. The bank's 20 largest single name exposures rated below A3 are high when compared to pre-provision profits, which has a significant effect on the overall risk positioning score of D. We do note that this is largely driven by the bank's low profitability, since when compared to capital, the bank's coverage of these exposures is considered to be very strong.

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

Historically, Kiwibank has shown strong earnings growth which can be attributed to its rapid loan growth and low base. 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.

Since inception, the bank's net interest margin has steadily declined as a result of increasing competition, and more recently, the impact of the global financial crisis. 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

Performance in FY2010 was impacted significantly by continuing margin pressure - as deposit competition remains intense - as well as by higher bad debt expense, which rose 25% from an already high level in FY2009. This had a direct impact on profitability as net income declined 28% to NZ$45.8m. On a risk adjusted basis, net income to average risk weighted assets declined by 68bps to 84bps, which is the lowest result since the bank recorded a loss in FY2004.

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. Furthermore, Kiwibank's aggressive pricing strategies may perpetuate system-wide margin pressures as other institutions adjust their deposit rates to remain competitive.

The bank has identified a number of initiatives to address ongoing profitability pressures. This includes targeting growth in business banking, accessing competitively priced funding through the wholesale market, as well as introducing new deposit products to attract funds.

Factor 6: Liquidity

Trend: Neutral

Kiwibank's liquidity position is considered strong and covers all of its 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.

Kiwibank's funding is centered on retail deposits which make up approximately 59% of total funding. In addition, the bank has a sizable corporate deposit book which comprises 28% of total funding. Through its extensive distribution network and competitive pricing, the bank has been successful in consistently achieving strong deposit growth, although this has been from a start up position. We note that continuing this growth will be challenging - deposit competition is expected to remain high and system growth in deposits may slow as the crisis subsides.

Whilst competitively priced products will always attract a portion of price sensitive funding, we expect Kiwibank's customers to be relatively 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 wholesale market, historically by issuing certificates of deposit. Over the past few years Kiwibank has started to diversify its funding by expanding its wholesale capabilities - a total of NZ$135m of term subordinated debt was issued over 2007 and 2008, A$250m of five year government guaranteed debt was issued in 2009, and NZ$150m of Tier 1 securities were raised in 2010. The bank has also established an ECP programme which will provide access to the offshore short-term debt market.

Whilst these funding initiatives have increased Kiwibank's exposure to more confident sensitive wholesale funding, the total amount issued so far has not been significant relative to total funding. 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 significantly increase its reliance on short-term debt.

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 9.8% at FY2010 - an improvement from 7.73% in FY2009 and a direct result of a NZ$150m preference share issuance in May 2010. Prior to this issuance, the bank's capital ratios had been steadily declining due to insufficient profitability, which provided inadequate internal capital generation (through retained profits) to support Kiwbank's rapid rate of growth.

As a result, Kiwibank has relied extensively on New Zealand Post for capital support, which has provided capital assistance each year. Strengthened by its preference share issuance, Kiwibank is unlikely to require any immediate capital support from its parent. However, future assistance may be required if the bank does not improve its profitability to accommodate its strong growth. The bank does not pay any dividends to its parent and we would not expect it to do so whilst profitability challenges persist.

Kiwibank has adopted the standardised approach under Basel II.

Factor 8: Efficiency

Trend: Weakening

Kiwibank's cost to income ratio worsened slightly in FY2009 as a result of reduced earnings. Prior to this, the ratio has steadily improved as a result of increased income. Given the bank's small scale we would expect that future improvements in efficiency metrics are likely to continue to be driven by profitability gains.

Factor 9: Asset Quality

Trend: Weakening

Predominantly a mortgage lender, Kiwibank's sound asset quality is reflective of 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 did deteriorate sharply at the start of the crisis, although it remains strong on an absolute basis. Non-performing loans (defined as impaired loans plus 90 day past due loans) as a percentage of gross loans rose to 65bps in FY2010, from 50bps in FY2009 and 23bps in FY2008.

Going forward we expect further weakening in asset quality as subdued domestic and international growth continue to pressure households and businesses, and as the relatively unseasoned portfolio continues to mature. Further pressure may also emerge 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.

The bank's asset quality ratios score well above the expected range for its D+ BFSR and are a key ratings driver for retail driven institutions like Kiwibank.

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						**C**	**Weakening**
PPI / Average RWA - Basel II			1.77%				
Net Income / Average RWA - Basel II			1.15%				
Factor: Liquidity						**C+**	**Neutral**
(Mkt funds-Liquid Assets) / Total Assets		-3.11%					
Liquidity Management			x				
Factor: Capital Adequacy						**B+**	**Neutral**
Tier 1 Ratio - Basel II		8.69%					
Tangible Common Equity / RWA - Basel II	8.49%						
Factor: Efficiency						**D**	**Weakening**
Cost / Income Ratio				73.07%			
Factor: Asset Quality						**A**	**Weakening**
Problem Loans / Gross Loans	0.46%						
Problem Loans / (Equity + LLR)	9.10%						
Lowest Combined Score (15%)						**C-**	
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

Moody's Investors Service