Moody's Investors Service

Credit Opinion: Turkiye Vakiflar Bankasi TAO

Global Credit Research - 08 Dec 2009

Ankara, Turkey

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits -Fgn Curr	B1/NP
Bank Deposits -Dom Curr	Baa3/P-3
Bank Financial Strength	D+

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Key Indicators

Turkiye Vakiflar Bankasi TAO

	[1]2008	2007	2006	2005	2004	Avg.
Total Assets (US$ million)	**35894.36**	**38065.14**	**27490.65**	**25278.54**	**19833.41**	[2]**17.37**
Shareholders' Equity (US$ million)	**3907.76**	**4472.85**	**3217.85**	**3033.88**	**1431.26**	[2]**36.82**
Return on Average Assets	**1.95**	**2.68**	**2.74**	**2.46**	**3.59**	**2.69**
Recurring Earnings Power [3]	**2.95**	**3.33**	**3.55**	**4.52**	**5.10**	**3.89**
Net Interest Margin	**4.79**	**5.13**	**5.35**	**5.57**	**6.04**	**5.38**
Cost/Income Ratio (%) [4]	**57.88**	**54.35**	**52.49**	**37.59**	**42.55**	**48.97**
Problem Loans % Gross Loans	**4.76**	**4.70**	**5.35**	**8.03**	**9.46**	**6.46**
Shareholders' Equity % Assets	**10.89**	**11.75**	**11.71**	**12.00**	**7.22**	**10.71**

[1] As of December 31. [2] Compound annual growth rate. [3] Preprovision income % average assets. [4] Non-Interest Expense % Operating Income.

Opinion

RECENT CREDIT DEVELOPMENTS

On 9 November 2009, Moody's downgraded Turkiye Vakiflar Bankasi's local currency deposit ratings to Baa3/Prime-3 with a stable outlook from Baa1/Prime-2, within the context of Moody's global review of the systemic support available to banks in non-Aaa systems. Its other ratings were unaffected. Meanwhile, its BCA was raised to Baa3 from Ba1 within the D+ BFSR category.

The local currency deposit rating actions conclude the review for the local currency rating initiated by Moody's on 3 August 2009. The downgrades of the local currency debt and deposit ratings were driven by Moody's revision of its approach to systemic support. They do not reflect any deterioration in the intrinsic strength or operating performance of the bank. The changes implied by the revisions are being implemented globally, affecting 50 banking systems, including Turkey.

VakifBank's BCA was raised to Baa3 to reflect the resilience of its earnings and capital base to the severe economic downturn in Turkey. The bank has generated good earnings throughout 2009, which more than cover its increasing provisioning requirements as its asset quality deteriorates. Taken together with the bank's ample capital, its strong earnings provide it with adequate loss absorption capacity in light of Moody's stress tests on its earnings, risk assets and capital.

VakifBank's NPL ratio is higher than the banking system's average level mainly because approximately 1.9% of legacy NPLs on its balance sheet that have not been written off. The bank reported 5.47% NPLs at the end of H1 2009, up from 4.57% reported at the end of 2008, versus the sector averages of 4.85% and 3.64% respectively. As shown by the narrowing gap between VakifBank's and the sector's NPLs, the rate of deterioration of the bank's asset quality is lower than that of the sector.

Furthermore, the bank has a strong franchise with extensive nationwide reach and a strong presence in key growth segments. It has maintained its market share in line with the growth of the Turkish banking system in recent years, showing the strength of its franchise and business model. The strong presence of the bank in the salary accounts market should continue to support the performance of the loan portfolio during the projected slow economic recovery in Turkey.

Moody's new systemic support indicator for Turkey is Ba1, which is two notches above the government's Ba3 local currency bond rating. Moody's assesses the probability of systemic support for VakifBank as very high however this does not result in any uplift for the local currency deposit rating from the bank's Baa3 BCA.

For further details on the reassessment of systemic support for Turkey and its effect on the rating of the banks in Turkey, please refer to the press release entitled "Moody's concludes review of Turkish banks", dated 9 November 2009.

On 24 September 2009, Moody's changed the outlook on the B1 long-term foreign currency deposit to positive from stable. The rating action is a direct result of Moody's decision on 18 September 2009 to change the outlook on Turkey's B1 country ceiling for foreign currency deposits to positive from stable.

SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating (BFSR) of D+ to VakifBank which translates into a Baseline Credit Assessment (BCA) of Baa3. The rating derives from VakifBank's large size in the Turkish home market and from its relatively strong financial standing. The bank has a solid franchise overall with a dominant position in salary accounts, in general-purpose consumer loans and in debit cards, as well as in attracting business from state-related entities. The ratings also take into account the bank's strong presence in all key growth segments and its extensive nationwide reach, with particular strengths in Ankara and the other eastern regions in Turkey.

The bank's BFSR also reflects the relatively volatile operating environment in Turkey, the currently difficult economic conditions as well as the fierce competition in the banking system. The rating is also constrained by VakifBank's overall asset quality, which is not as strong as some of its higher rated peers, while there is room for further improvements in its earnings quality with lower than average proportion of fee-income relative to the sector average.

VakifBank's long-term global local currency (GLC) deposit rating is at Baa3. Moody's assesses the probability of systemic support for VakifBank as very high due to its quasi-governmental ownership and its importance to the local financial system; however this does not result in any uplift for the local currency deposit rating from the bank's Baa3 BCA.

VakifBank's B1 foreign currency deposit rating is constrained by the ceiling for such deposits in Turkey.

Rating Drivers

- A good deposit funding base and captive public/private sector salary clients

- Hybrid ownership structure permits freedom of economic choice, unlike other public sector banks in Turkey

- Fierce competition in a market that attracts more dynamic international banks

- Large concentration in, and income reliance on, Turkish government securities

- Legacy non-performing loan levels remain high relative to other Turkish banks

Rating Outlook

The outlook on VakifBank's B1 foreign currency deposit rating is positive. The outlook on all other ratings is stable.

What Could Change the Rating - Up

Further improvement in asset quality and deepening of the retail franchise in an improving operating environment, coupled with further enhancement of the bank's earnings quality and fee-based income could result in a BFSR upgrade. Any upgrade of Turkey's foreign currency deposit ceiling would result in an upgrade of the bank's foreign currency deposit ratings.

What Could Change the Rating - Down

Negative pressure could be exerted on the BFSR if there is material weakening of the bank's earnings due to higher credit costs or significant losses from interest rate exposure or deterioration in the bank's retail franchise strength. The ratings could also be affected negatively if the bank's capital levels fail to keep pace with the growth in total assets. The foreign currency deposit rating will move in tandem with movements in Turkey's foreign currency deposit ceiling.

Recent Results and Developments

First half 2009 BRSA unconsolidated results show a 26% year-on-year increase in net profit to YTL595 million (US$387.1 million) on the back of surging net interest income (up 61.3% y-o-y) as net interest margins increased by 145 bps from the year before. However, net fee and commissions income was lower by 5.7% y-o-y, which was more than compensated by net trading income that increased by 371%. Pre-provision income (operating profit) was up by an impressive 44.4% year-on-year, although bottom-line profitability was impacted by a 106.4% surge in loan loss provisions.

During the period the bank's government securities holdings were up by 15.6% while total loans grew by 13.5% with the bulk of new origination driven by less risky salary account holders. Loans to customer deposits were a healthy 76% and core liquidity to total assets 18% at end of June 2009. NPLs accounted for 5.47% of the bank's loan book compared to 4.57% at the end of 2008. The cost-to-income ratio stood at the very attractive level of 36%. VakifBank continued to have a healthy capital adequacy ratio (CAR) of 14.62% in June 2009, compared to 13.66% in June 2008, indicating features of a conservatively lower leveraged bank.

DETAILED RATING CONSIDERATIONS

The detailed considerations for VakifBank's currently assigned ratings are as follows:

Bank Financial Strength Rating

Moody's assigns a D+ BFSR to VakifBank. The D+ rating reflects the bank's healthy financial metrics, its strong presence in terms of physical branch network and its solid franchise accounting for around 8% of total banking assets, in addition to a strong position in salary accounts, consumer loans, and in debit cards. Its quasi-government majority ownership coupled with being one of the government's `treasurers', enables it to serve the banking needs of most of Turkey's state-owned enterprises and municipalities, and as such it benefits from an ample level of low-cost demand deposits. Nevertheless, the bank faces challenges to further increase its fee-based income, reduce the reliance of its funding dependence on government-related deposits, and continue to reduce its relatively high stock of non-performing loans.

As a point of reference, the assigned BFSR is one notch below the C- outcome of Moody's bank financial strength scorecard for VakifBank. The difference reflects a combination of factors, including (i) uncertainty as to whether current profitability and margins are sustainable, (ii) the bank's continued high reliance on income from Turkish government securities, and (iii) the bank's rapid credit growth in the last few years within a relatively untested credit environment.

Qualitative Factors (70%)

Factor 1: Franchise Value

Trend: Improving

VakifBank has a solid franchise as the sixth-largest bank in Turkey with consolidated assets of US$38.4 billion at the end of June 2009, accounting for around 8% of all Turkish commercial banking assets and 8.7% of total customer deposits and loans. It is one of the largest banks in Turkey in terms of physical branch facilities (529 branches) and has a strong presence in Ankara, and Anatolia, with plans underway to enhance its presence in the Istanbul and Marmara regions. The bank's quasi-government ownership structure and relationships with public sector entities places it on an advantageous footing by facilitating easy access to customers.

Traditionally the bank has had a strong commercial and corporate banking book which, including SME lending, accounted for around 55% of the group's operating profit and made up 70% of the loan book at end-June 2009. Retail loans accounted for around 30% of total loans at end-June 2009 from 23% at year-end 2005 on the back of increasing demand and efforts by VakifBank to strengthen its retail franchise. Also according to the bank it has a market share of around 30% in payroll accounts and debit cards and is positioned within the country's top five banks for consumer lending.

It has a market share of around 9.2% in retail loans including home loans, auto loans and general purpose loans excluding credit cards and overdrafts. Moody's considers that, as a whole, retail banking activities generate highly predictable risk-adjusted earning stream, which are invaluable in time of volatility and stress. In addition, we note VakifBank's gradually improving market shares in retail business, including credit cards that still lag behind with a 2.5% market share, and we believe that this strengthens its overall franchise value considering the sustainable nature of its payroll accounts mainly to public servants.

An overall franchise score of D+ reflects VakifBank's strong position in the Turkish market, its lack of geographical diversification outside of Turkey, as well as its still relatively high reliance on income from corporate/commercial banking and government securities.

Factor 2: Risk Positioning

Trend: Neutral

Moody's assessment of VakifBank's Risk Positioning reflects the bank's adequate risk management, strong liquidity and funding profile and moderate market risk appetite. It is constrained by high single-party exposure to the Turkish government through the government securities portfolio and by the bank's strong growth in recent years within a relatively untested credit environment.

In November 2005, the bank offered 25.18% of its equity base to the public while the General Directorate of Foundations (GDF) continues to have majority ownership, 58.45%, in VakifBank and the remaining 16.1% stake is held by the VakifBank Employees Pension Fund. Moody's considers the bank to have a unique public-private hybrid ownership structure, which provides freedom and independence for the bank to implement its strategies in an economically viable manner without having to support any particular economic sector.

While the bank's asset quality metrics have improved, the bank's overall asset quality appears slightly weaker than that of most of its peers, particularly private sector banks, mainly due to the fact that the bank is not able to write-off or sell legacy NPLs due to its quasi-government ownership. Moreover, Moody's view on the bank's credit risk profile also takes into account - as a source of some concern - the high rates of recent credit growth at many banks in recent years, including VakifBank, and the fact that the post-2001 credit environment in Turkey has not been adequately tested in a downturn. However, VakifBank's retail credit risk profile appears to be more modest than other Turkish banks given its client base that is geared towards public servants with salary-accounts and the fact that its growth has been mainly driven by local currency loans, which represent around 67% of the bank's total loan book.

Also, in common with most Turkish banks, the bank's credit risk profile remains somewhat constrained by the high single-party exposure to the Turkish government, through its holdings of Turkish government securities (rated non-investment grade at Ba3 by Moody's), which represented 23.2% of VakifBank's total assets or 210.8% of its equity base as at June 2009. VakifBank appeared to be one of the most exposed to sovereign risk among its rated peer, exposing the bank to a potential source of earnings volatility in case of a financial crisis in Turkey.

We consider VakifBank's liquidity risk management to be thorough and its liquidity position to be comfortable with limited reliance on market funding and a core diversified deposit base in place. VakifBank also benefits significantly from its capacity to attract public-sector deposits that form 26.7% of its total deposits.

The scorecard outcome of D for Risk Positioning is broadly in line with Moody's view of VakifBank's current risk profile.

Factor 3: Regulatory Environment

Trend: Improving

VakifBank operates within the context of a sound regulatory and supervisory environment. The Bank Regulation and Supervision Agency ("BRSA") is the independent regulator and supervisor and has been driving improvements in both regulation and supervision since the 2000-2001 banking crises, therefore contributing to the subsequent strengthening of the Turkish banking sector. Banking regulation is largely harmonised with European Union laws.

For more detail, please refer to Moody's Banking Sector Profile on Turkey, published in July 2008. Overall, the regulatory environment has a neutral impact on the bank's BFSR.

Factor 4: Operating Environment

Trend: Weakening

The overall D operating environment assessment for Turkey is a blended score that takes into account economic stability (GDP growth volatility), integrity and corruption scores (as calculated by the World Bank) and also an assessment of the effectiveness of the legal system (based on the ease with which property can be foreclosed).

For more detail, please refer to Moody's Banking Sector Profile on Turkey, published in July 2008. The weakening trend in the operating environment reflects that sharp recession in Turkey since the fourth quarter of 2008.

Quantitative Factors (30%)

Factor 5: Profitability

Trend: Neutral

VakifBank boasts a good profitability track record over the past few years that is roughly comparable with that of other rated Turkish banks. Although profitability ratios have been following a steadily declining trend since 2004 they are still at relatively healthy levels. Return on average assets (ROAA) based on the 2008 IFRS consolidated financials stood at 1.95% from 2.68% in 2007, while its net interest margin (NIM) was still at a comfortable 4.79% from 5.13% the year before. Bottom-line profitability declined by 13.1% in 2008 through a combination of higher operating expenses and surging loan loss provisions.

Looking ahead, we expect the bank to continue its satisfactory performance in its core operating banking revenues despite fierce competition and the more challenging global credit environment, although we expect volatility in other source of income to persist for some time. Moreover, we also expect the bank's profits to be relatively challenged by higher loan loss provisions in a currently more vulnerable Turkish economy. Nonetheless, first-half 2009 results are encouraging with bank-only BRSA operating profits surging by year-on-year by 44.3%, although net income was up by 25.9%.

As is the case with all banks in Turkey, we have adjusted VakifBank's profitability metrics by assigning a 100% risk weight to government securities, rather than the regulator's 0%. Although risk-weighted profitability ratios at all Turkish banks have been overstated by risk weights that ignore government securities, our adjustments still show a profitability score of B+ for VakifBank.

Factor 6: Liquidity

Trend: Neutral

The bank has a comfortable liquidity position which is underpinned by customer deposits. VakifBank is one of the main deposit-taking institutions in Turkey, controlling a market share of approximately 8.7% in total customer deposits. Although loan portfolio expansion in the last few years exerted some pressure on its liquidity - net loans to customer deposits rose to 86% at end-2008 from 54% in 2005 and liquid assets to total assets were 38% in 2008 from 53% in 2005 - the bank's liquidity compares favourably to the average of its peer group.

The bank has limited borrowings comprising only 9.7% of total liabilities, while customer deposits represent 71.4% at the end of June 2009 growing by 21.1% year-on-year, outperforming the sector average growth, with more than 31% being pure retail deposits and another 26.6% being state related deposits. The scorecard outcome of B reflects the bank's adequate liquidity management practices and strong liquidity metrics.

Factor 7: Capital Adequacy

Trend: Neutral

VakifBank continued to operate at healthy capital levels and Moody's considers the bank to have ample capital to support its growth plans over the short-to-medium term; although we expect the bank to slow down its aggressive loan growth in the currently challenging operating environment. The bank had a relatively good capital adequacy ratio (CAR) of 14.3% in December 2008 while its shareholder equity-to-total assets ratio stood at a high 10.9% at end of 2008, comparing favourably with the average of rated Turkish banks. Higher levels of liquidity in the first half of 2009 meant that CAR was even stronger at 14.62% in June 2009 against a minimum of 8% and a BRSA recommended level of 12%.

VakifBank's three-year average capital ratios yield an A score for capital adequacy. Moreover, VakifBank's capital ratios are sufficiently high that Moody's RWA adjustment (applying a 100% risk weight for Turkish government securities, rather than the regulator's 0%) does not lead to a lower score for this factor.

Factor 8: Efficiency

Trend: Neutral

VakifBank reports good efficiency ratios among Turkish large and mid-sized banks. Efforts to contain ongoing operating expenses have resulted in higher operational efficiency during recent years. However, spending on branch network expansion and other infrastructure enhancements, such as IT upgrades, has somewhat impaired the bank's efficiency ratios in the most recent reporting periods. VakifBank's cost-to-income ratio stood at 57.9% at end-2008, while non-interest expenses comprised 4.05% of average assets.

VakifBank's three-year average cost-to-income ratio of 54.9% translates into a B score for efficiency.

Factor 9: Asset Quality

Trend: Weakening

VakifBank's asset quality indicators compare somewhat unfavourably to those of most Turkish banks; we note however that the level of non-perfoming loans (NPLs) has improved significantly over the past few years due to recoveries and restructuring of some non-performing loans. Gross NPLs accounted for 4.76% of bank's loan book in December 2008 from 9.5% in 2004, although this number jumped to 5.5% for the bank in June 2009. Looking at the bank's delinquency rates by business segment, credit cards exhibit the highest level of delinquency, 10.9%, followed by SMEs at 6.6%, retail loans at 3.1% and mortgages at 1.7%.

We remain wary as rapid loan growth in recent years raises the bank's credit risk profile and increases the risk of future asset quality deterioration amid a severe recession in Turkey. We also cautiously note that delinquency rates by segment have been on an increasing trend in the last few quarters, although the bank's provisioning coverage remains at the satisfactory level of 97.3% at the end of 2008. We are also encouraged to see that second quarter results for the bank point to a marginal improvement in asset quality indicators with 30% quarter-on-quarter decrease in new NPLs and a 28% quarter-on-quarter increase in NPL collections. In addition, we also note that VakifBank's asset quality figures do not benefit from any sale or write-off of NPLs, a policy followed by other Turkish rated banks.

VakifBank scores a C+ for the asset quality metric.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's assigns a global local currency deposit rating of Baa3 to Turkiye Vakiflar Bankasi. The rating is supported by: (i) VakifBank's Baseline Credit Assessment of Baa3, (ii) a very high likelihood of systemic support in case of need, and (iii) the systemic support input for Turkey.

Moody's assessment of the very high likelihood of systemic support is based on VakifBank systemic importance to the local banking sector, accounting for 8% of total banking assets and 8.7% of customer deposits and total loans. Moreover, the bank's quasi-governmental ownership structure further reinforces our confidence as to the timeliness and very high likelihood of support should it become necessary. However, this does not result in any rating uplift for bank's local currency deposit rating from its BCA of Baa3.

Notching Considerations

Ratings for any junior obligations of VakifBank should be notched off the deposit rating, or VakifBank's GLC deposit rating because Moody's believes that there is no legal authority mechanism in place for Turkish bank regulators to impose losses on subordinated creditors outside of a liquidation scenario.

Foreign Currency Deposit Rating

The foreign currency deposit rating for VakifBank is constrained by the Turkish foreign currency deposit ceiling (FCDC) at B1/NP.

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. BFSRs 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 BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs 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 BFSR 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, they are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which 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 Global Local Currency Deposit 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 systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Ratings

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 high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted 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 ratings 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

Turkiye Vakiflar Bankasi TAO

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (70%)						**D**	
Factor: Franchise Value						**D+**	**Improving**
Market Share and Sustainability			**x**				
Geographical Diversification				**x**			
Earnings Stability				**x**			
Earnings Diversification [2]							
Factor: Risk Positioning						**D**	**Neutral**
Corporate Governance [2]				**x**			
- 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	**--**	**--**	**--**	**--**	**--**		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management			**x**				

Market Risk Appetite			**x**				
Factor: Operating Environment						**D**	**0**
Economic Stability					**x**		
Integrity and Corruption				**x**			
Legal System			**x**				
Financial Factors (30%)						**B**	
Factor: Profitability						**A**	**0**
PPP % Avg RWA - Basel I	4.86%						
Net Income % Avg RWA - Basel I	3.67%						
Factor: Liquidity						**B**	**0**
(Mkt funds-Liquid Assets) % Total Assets	-22.34%						
Liquidity Management			x				
Factor: Capital Adequacy						**A**	**0**
Tier 1 ratio (%) - Basel I	17.35%						
Tangible Common Equity / RWA - Basel I	16.74%						
Factor: Efficiency						**B**	**0**
Cost/income ratio		54.91%					
Factor: Asset Quality						**C+**	**0**
Problem Loans % Gross Loans			4.94%				
Problem Loans % (Equity + LLR)		19.39%					
Lowest Combined Score (9%)						**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

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