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Analysis

SOUTH AFRICA
Europe/M.East/Africa

January 2006

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Capitec Bank Limited

Strategy and Competitive Position

A YOUNG AND SMALL INSTITUTION EXPERIENCING RAPID GROWTH

Although Capitec Bank is one of the main players in the South African microlending industry¹ and has an estimated 10% share of the market (40% share of the one-month loans market), it remains a very small institution even by local standards (total assets of USD 137mn as at February 2005, one-tenth the size of African Bank, the largest microlender). We do see possible risks in the development stage of a young institution growing at a rapid rate, but we take comfort from its good understanding of the microlending business, its careful risk management, prudent approach to liquidity, good information systems used to manage the risks and supervision by the SARB.²

TECHNOLOGY-DRIVEN, EFFICIENT PROVIDER OF BANKING SERVICES TO LOW-INCOME EARNERS

We believe that Capitec's technology-driven business model is the right approach to serving the low-income-earning population. The bank has strong front-end information technology, including the paperless (no forms to fill, tasks are carried out electronically) and cashless (using ATMs and drop-safes) branches. By making use of magnetic strip and electronic smart cards (with embedded computer chip) that can be used not only in its own 208 ATMs but in all machines linked to Maestro, Capitec uses technology as its main distribution means. The bank is also able to use the distribution outlets of retailers; around 5% of customer cash withdrawals take place at retailers such as Pick'n Pay and Shoprite, with whom the bank has business agreements. Capitec is also negotiating the opening of banking units in retailer's premises and hopes to come to a funds-transfer arrangement with Shoprite to enable its customers to send funds to other areas in the country.

1. Microlending involves providing small unsecured loans to the low-income-earning population. The business is considered high-risk and the memories of the high-profile failures of Saambou and Unifer in 2002 are still fresh. There are some 2,700 registered microlenders in South Africa including some retailers and the big banks. The size of the market is around ZAR 23bn, with the largest and most established microlender - African Bank - accounting for around 26% share.

2. Capitec is supervised by the South African Reserve Bank and also reports to the Micro Finance Regulatory Council.

THE ABILITY TO PROVIDE FULL BANKING PRODUCTS AND SERVICES GIVES THE BANK AN EDGE OVER DIRECT COMPETITORS

We believe that Capitec Bank's retail banking capability represents a strength compared to its direct competitors. We do see risks in the bank's transition from a microlender to a full service bank and believe that Capitec will need a few years to establish itself. During this time, the bank will focus on converting customers into full banking customers who transfer their salary to the bank and so can benefit from lower lending rates and more banking products. Simultaneously, Capitec will aim to lengthen the loan tenors from the predominant one- and three-month to 6 and 12 months.

However, we believe that Capitec's transition is supported by a broad branch footprint (250 branches located where the customers work, live, shop or commute) that provides a good customer reach, while its representatives located at the branches are skilled in knowing their clients well and keeping close contact with them. The staff culture is closely aligned with the customer culture and this greatly improves acceptance.

GOOD PROSPECTS TO GROW; MODERATE THREAT FROM COMPETITION

We believe that Capitec has good growth prospects considering that there are an estimated 15 million unbanked South Africans (roughly one-third the country's population) who may need low-cost banking services. Even allowing for the high unemployment levels, the portion with regular, albeit low-paying, employment would provide good numbers of potentially new customers. The needs of these customers are also being addressed by other microlenders, retailers, the mzanzi account providers and to a certain extent by the big banks, which still remain reluctant to make substantial commitments to this market sector. In general, we do not consider the competition as a serious threat to Capitec's margins or growth prospects.

Capitec's rapid growth continues, with the bank almost doubling the number of customers between February and November 2005. The bank's lending clients have increased from 140,000 to 230,000, while savings client numbers have jumped from 143,000 to 290,000, of which 116,000 have their salaries transferred to the bank. The bank's systems have strong capacity to handle business growth, and indications are that strong growth will continue.

THE NATIONAL CREDIT BILL³ WILL IMPACT THE OPERATIONS AND FINANCIAL PERFORMANCE OF ALL MICROLENDERS

We believe that the National Credit Bill that is expected to be implemented during 2006 represents an important risk for the microlending industry. We expect that the interest rate cap to be introduced, coupled with a regulated pricing disclosure, will affect microlenders' profit margins, and that earnings will be further hit by a VAT leakage which applies to non-interest income. Furthermore, the increased administration load, burden to ensure that customers do not become over-indebted and possible increased credit losses as a result of possible cover provided by the notion of "reckless lending", are further areas for concern.

A MODERATE LEVEL OF POSSIBLE SYSTEMIC SUPPORT IS IMPUTED INTO THE RATINGS

We believe that Capitec is vulnerable to possible confidence crises. Although it is not considered a systemically important bank, we have imputed some systemic support into the ratings based on its importance in microlending, which is a politically important industry in South Africa. In a few years, we believe that Capitec will also become a much larger player in the sector, with a broader depositing and borrowing customer base, thus raising its value for the industry.

3. *The National Credit Bill is expected to become legislation in 2006 and aims at making the industry more transparent and accountable, and protecting consumers from over-indebtedness and unlawful lenders. The Bill will replace all existing legislation (Usury Act, Credit Agreement Act) and will cover all credit providers and all credit transactions. It will possibly introduce an interest rate cap, require lenders to perform affordability assessments before granting loans and to make standard disclosures to customers in plain language. It will also require lenders to submit credit information to the national loans register and lead to the setting up of a National Consumer Tribunal and network of debt counsellors.*

Financial Fundamentals

ASSET QUALITY IS ACCEPTABLE, GIVEN THE INDUSTRY RISKS

Although bad debt levels are typically high for microlending businesses which involve unsecured lending to low-income earners, Capitec's asset quality ratios are acceptable.

Loan classification and provision standards are adequate, but we note that NPL ratios are difficult to interpret because most of the loans have one month tenor. Loans go into arrears if a payment is missed. All 90-day past-due one-month loans are written off and the account is transferred from the branch to the head office for centralised collection procedures and handed over to collection agents. General provisions are created against six- and twelve-month loans and full specific provisions are taken for 90-day past-due balances. In practice, the bank recovers almost one-third of 90-day past due loans. Provision reserves seem to be adequate for the current level of delinquencies, but going forward we believe that the bank needs to bolster its provisioning levels.

We believe that the bank's close monitoring of the client base has enabled it to manage well the repayment of loans even though its credit granting-criteria are currently simplistic (based on an assessment of affordability of the loan and as yet incomplete assessment of the creditworthiness of the client) and decision making is at branch level. We believe that without a credit/behavioral scoring system (planned to be in place by 2007) and a database of customer credit history, a transition to longer-term loans and bigger volumes may hide risks. This transition will be further complicated by the need to possibly reduce the credit granting autonomy of the branches.

HIGH PROFITABILITY, BUT REGULATORY CHANGES WILL HAVE A NEGATIVE IMPACT

Capitec displays impressive earning power based on its wide profit margins. Currently, its P&L shows a huge interest margin and very low fee income. This picture is distorted by the fact that for reasons of simplicity, the bank quotes and charges an all-inclusive "interest" on the one-month loans which ranges from 15% to 21.5% per month. Interest income actually includes all loan origination and administration fees.

Capitec's high cost-to-income ratio reflects the large investments made in developing a retail banking infrastructure and high staff training costs. We believe that this infrastructure, and the fact that the bank can offer full banking services, will enable it to grow its business volumes, loans and deposits, thus supporting its revenue growth dynamics. This should also help bring the cost-to-income ratio to more acceptable levels.

We believe that the National Credit Bill will reduce the margin on loans, and that strong business growth will be required to drive profitability. The Bill is likely to introduce an interest cap (expected to be 60% per year) and will enable the bank to charge fees separately (estimated to amount to two thirds of the current "interest" charged). Of greater significance could be the VAT leakage which is applied to non-interest income. We believe that these changes will impact Capitec's earning margins, but that strong business growth will enable it to show good returns.

Interest margins will also reduce as the bank shifts towards longer-term lending where interest rates will range from 9% to 12%. Only banking clients (those clients who have their salary transferred into an account with Capitec) are eligible for twelve month loans.

Nevertheless, we see opportunities to grow the fee income base as the bank starts to charge fees for the banking services it provides. Capitec also has scope to leverage its balance sheet as it currently has low levels of loans-to-asset levels.

THE BANK FACES THE CHALLENGE OF GROWING ITS CLIENT BASE, BUSINESS VOLUMES AND STABLE CUSTOMER DEPOSITS IN ORDER TO BUILD CRITICAL MASS

In order to achieve optimum results from its business model, the bank needs to grow its client base and business volumes and build a critical mass. A large loyal customer base that earns the bank strong transactional income would be the key to sustainable profits. For this to happen, the bank needs time to reach a more mature lending phase. We also believe that Capitec needs to build a stable customer deposit base in order to fund its business on an on-going basis – a state that is also conditional on the bank gaining the confidence of depositing customers.

CURRENTLY STRONG LIQUIDITY POSITION, WITH CONSERVATIVE POLICIES FOR THE FUTURE

We believe that funding and liquidity risk will remain high at this stage of the bank's development. We therefore take comfort from Capitec's cautious liquidity management whereby it currently funds loans out of shareholders' equity and long term loans, and keeps cash & cash equivalent cover against customer deposits. The aim is to avoid liquidity mismatches in the short-term bucket, and we consider this to be very prudent. However, as longer-term loans grow, the bank needs to carefully manage its term mismatches and liquidity risk. Going forward, Capitec aims to fund its loans by further tapping term borrowing, and plans to obtain committed interbank lines in order to have assured short-term liquidity backup facilities.

LOW RISK APPETITE FOR LIQUIDITY AND INTEREST RATE RISK

Capitec has very low foreign exchange risk exposure – mainly for the purchase of IT equipment - and that risk is hedged. Some interest rate risk exists from its fixed-rate long-term borrowing, but this is partially offset by some fixed-rate lending. We believe that going forward, as interest rates start to climb, the bank will be exposed to greater risks. The bank also has small holdings in preference shares, which results in moderate levels of market risk. Operational risk is also addressed and measures are in place to reduce potential losses.

CURRENTLY UNDER-GEARED BALANCE SHEET LEADS TO STRONG CAPITAL RATIOS

In general, we would expect Capitec to maintain a much larger capital buffer than commercial banks, as it operates in sectors with higher risks. Due to its currently under-g geared balance sheet, Capitec's capitalisation ratio stands at 52% (31 October 2005), much higher than the 15% minimum required by SARB. Over time, capital ratios will be reduced, but management is aiming to maintain the ratio at above 25%, which we would consider adequate, provided that a more sophisticated capital allocation and management approach is adopted. The bank plans to adopt the Standardised approach for Basel II at end-2008.

Bank Profile

HISTORY

In 1997, PSG Group entered the microlending business by acquiring SmartFin and FinAid, which had 12 and 56 microlending branches, respectively. This move was aimed at establishing a dominant position in the fragmented microlending industry, which then comprised some 2,500 players. Following management changes at PSG in 2000, the microlending business was spun out as a subsidiary of PSG Investment Bank and later into the Business Bank (bankrupted in 1999), which had a banking licence.

Capitec Bank was established in March 2001, and in 2003 the bank was unbundled out of PSG, leading to a wider shareholding structure for Capitec.

GROUP STRUCTURE

Capitec Bank Limited is fully-owned by Capitec Bank Holdings, which also has a 75% stake in Key Distributors (a wholesale distributor of consumer goods) and consolidates Capitec Share Trust. The bank comprises around 95% of group assets.

OWNERSHIP

Capitec Holding Limited is now owned 35% by board members and management, 15.6% by the black empowerment company, Arch Equity (which also holds a 20% stake in PSG, which in turn has a 23% stake in Arch Equity), Sanlam 5.2% and others. Arch Equity is now seeking BEE status and if achieved, this would help Capitec achieve its own BEE targets in black ownership. As regards the rest of the BEE scorecard, Capitec scores well; around 81% of total staff is non-white and BEE procurement policies are in place.

MARKET SHARE

Total microlending outstandings amount to around ZAR 23bn of which 47% are disbursed by banks (African, Capitec, SBSA, FNB, Absa, and others) and 47% by retailers. Of the microloans given by banks, African Bank has a 55% share and Capitec 27%.

NUMBER OF EMPLOYEES

Capitec Bank is headquartered in Stellenbosch South Africa and as at 31 August 2005 had 1,771 employees, of whom only 300 were back-office workers.

DISTRIBUTION CAPACITY

The bank has 250 branches and outlets and 208 ATMs. It plans to open another 50 branches by mid-2006. It has 600,000 debit cards which are almost equally divided between borrowing and saving clients.

Related Research

Rating Methodology:

[Bank Credit Risk in Emerging Markets, July 1999 \(46631\)](#)

Analysis:

[South Africa, August 2005 \(94077\)](#)

Banking System Outlook:

[Banking System Outlook: South Africa, October 2004 \(89490\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Capitec Bank Limited

	2/28/2005	2/28/2004	2/28/2003	2/28/2002	2/28/2001
Summary Balance Sheet (Rand mn)					
Cash & Central Bank	173	45	35	18	6
Due from Banks	189	115	69	52	10
Government Securities	--	--	--	--	--
Trading Securities	17	--	--	--	37
Investment Securities	--	--	--	--	--
Other Liquid Assets	--	--	--	--	--
Gross Loans	238	163	148	118	281
Loan Loss Reserves (LLR)	-31	-29	-32	-28	-86
Net Loans	207	135	116	90	195
Equity in Affiliates	--	--	--	6	--
Fixed Assets	175	147	136	129	--
Other Assets	42	64	89	106	4
Total Assets	803	505	446	400	253
Total Assets (USD mn)	137	76	56	35	33
Customer Deposits	279	49	26	--	1
Due to Banks	--	--	--	--	--
Borrowings	102	80	80	83	155
Other Liabilities	43	31	22	13	5
Total Liabilities	424	160	128	96	161
Subordinated Loan Capital	--	--	--	--	--
Minority Interest	--	--	--	--	--
Supplementary Capital	--	--	--	--	--
Shareholders' Equity	379	345	318	304	92
Total Capital Funds	379	345	318	304	92
Total Liabilities & Capital Funds	803	505	446	400	253
Derivatives - Notional Amount	2	2	--	--	--
Derivatives - Replacement Value	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--
Contingent Liabilities	204	144	117	101	1
Summary Income Statement (Rand mn)					
Interest Income	545	399	324	261	21
Interest Expense	-17	-3	-3	3	-31
Net Interest Income	528	396	320	263	-10
FX Income	--	--	--	--	--
Trading Income	--	--	--	--	--
Fees & Commissions	4	0	0	--	--
Other Operating Income	0	0	--	1	4
Total Non Interest Income	5	1	0	1	4
Operating Income	533	397	320	264	-7
Personnel Expenses	-160	-117	-97	--	--
Other Operating Expenses	-202	-151	-119	-160	-57
Operating Funds Flow	171	128	104	105	-63
Amortisation / Depreciation	-51	-33	-22	-11	--
Total Non Interest Expense	-413	-301	-238	-171	-57
Preprovision Income (PPI)	120	95	82	93	-63
Loan Loss Provisions Expenses (LLPE)	-45	-29	-37	-37	-104
Non Operating Income	-3	-2	0	0	--
Pretax Income	71	64	45	56	-167
Taxes	-21	-19	-15	-17	3
Net Income	50	45	30	39	-164
Minority Interests	--	--	--	--	--
Net Income (Group share)	50	45	30	39	-164
Dividends	-16	-18	-16	--	--
Transfers to Capital Reserves	-34	-27	-14	-39	164
Other Adjustments	--	--	--	--	--

Capitec Bank Limited

	2/28/2005	2/28/2004	2/28/2003	2/28/2002	2/28/2001
Summary Balance Sheet - Growth (%)					
Cash & Central Bank	287.57	28.02	92.36	184.25	--
Due from Banks	64.55	65.54	34.06	399.83	--
Government Securities	--	--	--	--	--
Trading Securities	--	--	--	--	--
Investment Securities	--	--	--	--	--
Other Liquid Assets	--	--	--	--	--
Gross Loans	45.68	10.3	25.64	-57.99	--
Loan Loss Reserves (LLR)	6.66	-11.31	15.15	-67.08	--
Net Loans	54.01	16.35	28.93	-54.01	--
Equity in Affiliates	--	--	--	--	--
Fixed Assets	19.24	7.44	6.05	--	--
Other Assets	-34.37	-28.33	-15.59	2,365.45	--
Total Assets	59.06	13.22	11.5	57.78	--
Total Assets (USD)	80.85	36.92	59.53	6.02	--
Customer Deposits	471.66	89.17	--	--	--
Due to Banks	--	--	--	--	--
Borrowings	26.89	0	-3.48	-46.49	--
Other Liabilities	38.43	39.78	71.02	167.2	--
Total Liabilities	165.1	24.89	33.56	-40.44	--
Subordinated Loan Capital	--	--	--	--	--
Minority Interest	--	--	--	--	--
Supplementary Capital	--	--	--	--	--
Shareholders' Equity	9.88	8.52	4.54	228.87	--
Total Capital Funds	9.88	8.52	4.54	228.87	--
Total Liabilities & Capital Funds	59.06	13.22	11.5	57.78	--
Derivatives - Notional Amount	0	--	--	--	--
Derivatives - Replacement Value	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--
Contingent Liabilities	41.39	22.66	16.41	16,703.83	--
Summary Income Statement - Growth (%)					
Interest Income	36.46	23.46	24.19	1,144.84	--
Interest Expense	380.68	2.53	-224.7	-108.7	--
Net Interest Income	33.42	23.68	21.61	-2,625.18	--
FX Income	--	--	--	--	--
Trading Income	--	--	--	--	--
Fees & Commissions	2,100.50	272.22	--	--	--
Other Operating Income	-79.07	--	--	-71.77	--
Total Non Interest Income	665.99	988.89	-94.88	-71.77	--
Operating Income	34.36	23.84	21.15	-4,051.93	--
Personnel Expenses	36.06	21.68	--	--	--
Other Operating Expenses	33.66	26.82	-25.22	181.86	--
Operating Funds Flow	33.64	22.44	-0.37	-265.6	--
Amortisation / Depreciation	55.98	49.09	92.45	--	--
Total Non Interest Expense	37.02	26.79	39.1	202.05	--
Preprovision Income (PPI)	25.93	15.33	-11.73	-247.54	--
Loan Loss Provisions Expenses (LLPE)	55.59	-21.14	0.11	-64.43	--
Non Operating Income	53.64	789.73	-31.91	--	--
Pretax Income	11.58	41.17	-19.37	-133.69	--
Taxes	8.98	26.05	-9.82	-763.43	--
Net Income	12.71	48.96	-23.54	-123.81	--
Minority Interests	--	--	--	--	--
Net Income (Group share)	12.71	48.96	-23.54	-123.81	--

Capitec Bank Limited

	2/28/2005	2/28/2004	2/28/2003	2/28/2002	2/28/2001
Balance Sheet - % of Total Assets					
Cash & Central Bank	21.53	8.83	7.81	4.53	2.51
Due from Banks	23.51	22.72	15.54	12.93	4.08
Government Securities	--	--	--	--	--
Trading Securities	2.1	--	--	--	14.63
Investment Securities	--	--	--	--	--
Other Liquid Assets	--	--	--	--	--
Gross Loans	29.67	32.39	33.25	29.51	110.84
Loan Loss Reserves (LLR)	-3.82	-5.7	-7.28	-7.04	-33.76
Net Loans	25.85	26.7	25.98	22.47	77.08
Equity in Affiliates	--	--	--	1.4	--
Fixed Assets	21.78	29.06	30.63	32.2	--
Other Assets	5.23	12.69	20.04	26.48	1.69
Customer Deposits	34.81	9.69	5.8	--	0.46
Due to Banks	--	--	--	--	--
Borrowings	12.65	15.86	17.95	20.74	61.15
Other Liabilities	5.35	6.14	4.98	3.24	1.92
Total Liabilities	52.81	31.69	28.73	23.98	63.53
Subordinated Loan Capital	--	--	--	--	--
Minority Interest	--	--	--	--	--
Supplementary Capital	--	--	--	--	--
Shareholders' Equity	47.19	68.31	71.27	76.02	36.47
Total Capital Funds	47.19	68.31	71.27	76.02	36.47
Income Statement - % of Average Assets					
Interest Income	83.4	84.08	76.55	79.8	8.26
Interest Expense	-2.57	-0.73	-0.81	0.84	-12.38
Net Interest Income	80.83	83.34	75.75	80.63	-4.12
FX Income	--	--	--	--	--
Trading Income	--	--	--	--	--
Fees & Commissions	0.68	0.04	0.01	--	--
Other Operating Income	0.01	0.08	--	0.32	1.48
Total Non Interest Income	0.69	0.12	0.01	0.32	1.48
Operating Income	81.52	83.46	75.76	80.95	-2.64
Personnel Expenses	-24.45	-24.72	-22.83	--	--
Other Operating Expenses	-30.94	-31.84	-28.22	-48.86	-22.34
Operating Funds Flow	26.14	26.91	24.7	32.1	-24.98
Amortisation / Depreciation	-7.83	-6.9	-5.2	-3.5	--
Total Non Interest Expense	-63.21	-63.46	-56.26	-52.36	-22.34
Preprovision Income (PPI)	18.31	20.01	19.5	28.6	-24.98
Loan Loss Provisions Expenses (LLPE)	-6.92	-6.12	-8.73	-11.28	-40.88
Non Operating Income	-0.47	-0.42	-0.05	-0.1	--
Pretax Income	10.92	13.46	10.72	17.21	-65.86
Taxes	-3.24	-4.09	-3.65	-5.23	1.02
Net Income	7.68	9.38	7.07	11.98	-64.85
Minority Interests	--	--	--	--	--
Net Income (Group share)	7.68	9.38	7.07	11.98	-64.85
Income Statement - % of Operating Income					
Interest Income	102.3	100.73	101.05	98.57	-312.92
Interest Expense	-3.15	-0.88	-1.06	1.03	468.79
Net Interest Income	99.15	99.85	99.98	99.6	155.88
FX Income	--	--	--	--	--
Trading Income	--	--	--	--	--
Fees & Commissions	0.83	0.05	0.02	--	--
Other Operating Income	0.02	0.1	--	0.4	-55.88
Total Non Interest Income	0.85	0.15	0.02	0.4	-55.88
Operating Income	100	100	100	100	100
Personnel Expenses	-29.99	-29.61	-30.14	--	--
Other Operating Expenses	-37.95	-38.15	-37.25	-60.35	846.19
Operating Funds Flow	32.06	32.24	32.61	39.65	946.19
Amortisation / Depreciation	-9.6	-8.27	-6.87	-4.32	--
Total Non Interest Expense	-77.54	-76.03	-74.26	-64.68	846.19
Preprovision Income (PPI)	22.46	23.97	25.74	35.32	946.19
Loan Loss Provisions Expenses (LLPE)	-8.49	-7.33	-11.52	-13.94	1,548.33
Non Operating Income	-0.57	-0.5	-0.07	-0.12	--
Pretax Income	13.4	16.13	14.15	21.26	2,494.51
Taxes	-3.97	-4.9	-4.81	-6.47	-38.52
Net Income	9.42	11.23	9.34	14.8	2,456.00
Minority Interests	--	--	--	--	--
Net Income (Group share)	9.42	11.23	9.34	14.8	2,456.00

Capitec Bank Limited

	2/28/2005	2/28/2004	2/28/2003	2/28/2002	2/28/2001
Profitability Indicators					
Return on Average Assets (%)	7.68	9.38	7.07	11.98	-64.85
Return on Shareholder's Equity - period end (%)	13.26	12.92	9.41	12.87	-177.8
Recurring Earning Power 1	18.31	20.01	19.5	28.6	-24.98
PPI (%) Avg Total Capital Funds	33.09	28.7	26.52	47.13	-68.5
Interest Expense (%) Interest Income	3.08	0.87	1.05	-1.05	149.81
Interest Income (%) Avg Interest Earning Assets 2	151.05	161.21	167.18	104.67	6.38
Interest Expense (%) Avg Interest Bearing Liabilities 3	6.58	2.97	3.61	-2.28	20.09
Net Spread (%) 4	144.47	158.24	163.58	106.96	-13.71
Net Interest Margin (%) 5	146.4	159.81	165.42	105.77	-3.18
Non-Interest Income (%) Operating income	0.85	0.15	0.02	0.4	-55.88
Income Tax (%) Pre-tax Income	29.66	30.37	34.01	30.41	1.54
Efficiency Indicators					
Non Interest Expense (%) Avg Assets	63.21	63.46	56.26	52.36	22.34
Cost to Income Ratio (%) 6	77.54	76.03	74.26	64.68	-846.19
Personnel Expenses (%) Avg Assets	24.45	24.72	22.83	--	--
Personnel Expenses (%) Operating Income	29.99	29.61	30.14	--	--
Personnel Expenses (%) Non Interest Expense	38.68	38.95	40.58	--	--
Liquidity Indicators					
Net Loans (%) Customer Deposits	74.25	275.59	448.08	--	16,616.94
Net Loans (%) Total Deposits 7	74.25	275.59	448.08	--	16,616.94
Average Net Loans (%) Average Customer Deposits	104.23	335.24	397.81	24,258.89	16,616.94
Average Net Loans (%) Average Assets	26.18	26.36	24.32	43.65	77.08
Liquid Assets 8 (%) Total Assets	47.13	31.56	23.35	17.46	21.22
Customer Deposits (%) Total Deposits	100	100	100	--	100
Customer Deposits / Shareholders' Equity (Times)	0.74	0.14	0.08	--	0.01
Due from Banks (%) Due to Banks	--	--	--	--	--
Loan Portfolio Quality Indicators					
Problem Loans (%) Gross Loans	--	--	--	--	--
Problem Loans (%) (Shareholders' Equity + LLR)	--	--	--	--	--
(Problem Loans - LLR) (%) Shareholders' Equity	-8.1	-8.34	-10.21	-9.27	-92.57
Loan Loss Reserve (%) Gross Loans	12.88	17.59	21.88	23.87	30.46
Loan Loss Provision Expenses (%) Preprovision Income	37.81	30.6	44.75	39.45	-163.64
LLP (%) (Loan Loss Reserve - LLP)	-310.31	-8,813.03	-827.58	-424.37	-574.36
Loan Loss Provision Expenses (%) Gross Loans	19	17.79	24.88	31.23	36.88
Preprovision Income (%) Net Loans	57.69	70.56	71.19	103.98	-32.41
Shareholders' Equity (%) Net Loans	182.57	255.89	274.36	338.36	47.32
Loans to Related Cos. (%) Gross Loans	--	--	--	--	--
Capitalization Indicators					
Tier 1 ratio (%)	--	--	--	--	--
Shareholders' Equity (%) Total Assets	47.19	68.31	71.27	76.02	36.47
Shareholders' Equity (%) T. Assets + Contingent Liabilities	37.64	53.15	56.42	60.7	36.39
Total Capital funds (%) Total Assets	47.19	68.31	71.27	76.02	36.47
Total Capital (%) T. Assets + Contingent Liabilities	37.64	53.15	56.42	60.7	36.39
Shareholders' Equity (%) Total Capital funds	100	100	100	100	100
Contingent Liabilities (%) Total Assets	25.36	28.53	26.34	25.23	0.24
Free Capital 9 (%) Shareholders' Equity	53.84	57.46	57.03	55.8	100
Dividend Payout (%) 10	32.1	40.13	53.83	--	--
Internal Capital Growth (%) 11	9.89	8.4	4.54	42.33	--

Notes:

1. Recurring Earning Power = Preprovision Income (%) Average Total Assets
2. Interest Earning Assets = Due from Banks + Government Securities + Trading Securities + Investment Securities + Gross Loans
3. Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings + Subordinated Debt Capital
4. Net spread = Interest Income (%) Avg Earning Assets - Interest Expense (%) Avg Interest Bearing Liabilities
5. Net interest margin = Net Interest Income (%) Average Earning Assets
6. Cost to Income Ratio = Total non interest expense (%) Operating income
7. Total deposits = Customer deposits + Due to banks
8. Liquid Assets = Cash & Central Bank + Due from Banks + Government Securities + Trading Securities + Other Liquid Assets
9. Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates
10. Dividend Payout = Dividends (%) Net Income
11. Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity

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Report Number: 96244

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