

Wairarapa Building Society

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

Local Currency

Long-Term IDR	BB+
Short-Term IDR	B

Viability Rating

Individual Rating	bb+
Support Rating	C/D
Support Rating Floor	4
	B

Sovereign Risk

Long-Term Foreign-Currency IDR	AA+
Short-Term Foreign-Currency IDR	F1+
Long-Term Local-Currency IDR	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Financial Data

Wairarapa Building Society

	31 Mar 2011	31 Mar 2010
Total assets (USDm)	84.3	81.9
Total assets (NZDm)	110.6	115.4
Total equity (NZDm)	15.3	16.2
Operating profit (NZDm)	-0.48	0.01
Published net income (NZDm)	-0.85	0.05
Comprehensive income (NZDm)	-0.83	0.05
Operating ROAA (%)	-0.42	0.00
Operating ROAE (%)	-3.02	0.03
Tier 1 ratio (%)	12.5	N/A
Equity/ total assets (%)	13.86	13.99

Key Rating Drivers

Moderate Risk Profile: The Long-Term and Short-Term IDRs and Viability Rating of Wairarapa Building Society (WBS) reflect its small size, geographic and product concentration, and volatile operating profitability. The ratings also take into account sound capital ratios and adequate asset quality, and on-balance sheet liquidity.

Adequate Asset Quality: WBS's loan book is well secured, with more than 97% by value having a loan/value ratio (LTV) of less than 80%. There was only one impaired exposure (of NZD295,000) in the financial year ending 31 March 2011 (FY11) – accounting for 0.33% of gross loans – but WBS had acquired a NZD1.387m asset through enforcement of security on this exposure. The impairment was cleared by end-August 2011.

Large Exposures: WBS is exposed to some large loans for an institution of its size. Nonetheless, the society managed to reduce exposure to its 20 largest borrowers to 35% of gross loans in FY11, from 43% in FY10.

Volatile Operating Profitability: Downward fair-value adjustments to investment property (by NZD565,000), high hedging costs and a noticeable increase in operating expenditure caused WBS to report a loss after tax of NZD851,000 in FY11. This was despite a reasonable improvement in net interest revenue, rental and fee income. The increase in net interest revenue was the result of declining hedging costs related to the society's interest-rate risk – these costs are expected to decrease further as swaps mature.

Improved On-Balance Sheet Liquidity: WBS enhanced its on-balance sheet liquidity in FY11. However, Fitch Ratings notes that WBS holds all of its liquidity with one single bank – albeit a highly rated one. Overall liquidity is supported by committed facilities provided by two New Zealand-based banks.

Sound Funding and Capitalisation: WBS's loan book is fully funded by customer deposits, with the majority being retail deposits. WBS took up the offer of the extended government guarantee to provide depositors with an option to invest in guaranteed deposits. However, the outstanding amount covered by the guarantee by end-2011 is modest.

WBS has strong capital ratios, with its Tier 1 ratio exceeding 12% at FYE11. Fitch views these capital ratios as appropriate, due to WBS's loan concentrations and limited access to capital.

Systemic Importance: Fitch considers the propensity for the New Zealand regulatory authorities to provide support to WBS to be limited. In 2010, the Reserve Bank of New Zealand (RBNZ) assumed responsibility for the prudential supervision of non-bank deposit-taking institutions, including WBS, under a new regulatory framework.

What Could Trigger a Rating Action

Stable, but Constrained: WBS's Long-Term IDR has a Stable Outlook. The ratings are constrained by geographic and product concentration, and high large-loan exposure. Fitch would be likely to downgrade the society by one notch should asset quality and/or capitalisation deteriorate further, or should funding come under pressure and significantly affect liquidity.

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- Small building society, located in New Zealand's North Island.
- WBS holds an investment property portfolio.

Profile

WBS is based in the Wairarapa region in the south of New Zealand's North Island. It was formed through the amalgamation of three local societies in 1980, although its history can be traced back as far as 1873.

WBS distributes products and services via a single branch in Masterton, and offers internet and traditional banking services – such as loans and deposits – to retail and SME customers. However, due to its small size, WBS does not provide transaction banking services such as cheque accounts and ATMs. WBS employs seven full-time staff and one part-timer.

In addition to the typical building society business, WBS held an investment property portfolio of NZD8.5m at FYE11. This portfolio includes seven properties which have been rented to high-quality tenants. The average maturity of the tenant agreements is about 37 months, with the bulk of rental income being received from tenancy agreements which have a maturity of more than four years. While none of the properties are debt-financed, maintenance costs – such as building insurance – have increased significantly.

The Wairarapa region is not densely populated, with around 40,000 inhabitants, and its most important industries are agriculture, horticulture, viticulture, fishing and tourism. The economic recovery as of mid-2011 is being driven mainly by the sheep and beef industries, which are benefitting from strong commodity prices and healthy demand. However, economic growth remains subdued, and unemployment stood at 5.5% – below the national average of 6.5% at end-2010. Its location near New Zealand's capital leaves Wairarapa's economy somewhat dependent on Wellington's affluence.

Corporate Governance

WBS is an unlisted, mutual building society, and customers must hold a minimum of NZD200 on deposit to vote, with only one vote per member. Consequently, WBS tends to be more customer- and community-focused than publicly listed institutions.

At end-July 2011, the board comprised a chair, a deputy chair and four non-executive directors, who bring a range of commercial and non-commercial experience to the group. Under new regulatory corporate governance requirements, WBS is short of one independent member, a situation that needs to be resolved within six months. The board meets monthly, or more frequently if required (eg to consider large loan exposure applications). WBS's management has been in place for several years. Formal succession plans are being developed.

Performance

While WBS's statutory profitability deteriorated in FY11, underlying performance improved. Nevertheless, competition for deposits remained fierce, and loan demand was weak as households and businesses continued to deleverage. Property prices remained largely unchanged.

WBS's statutory net loss before tax of NZD475,000 included a number of factors that are not likely to feature as prominently, if at all, in future reporting periods:

- WBS had hedged its interest-rate risk prudently with fixed-rate loans longer than one year, by using swaps. However, these swaps became very costly from 2009 when the financial crisis prompted the RBNZ to lower interest rates by 350bp in the space of just three months. WBS estimates this to have added NZD580,000 to net interest expense in FY11, contributing significantly to the NZD475m loss before tax.
- The other significant contributor was the society's investment properties, which reported a negative fair-value adjustment of NZD565,000. Excluding these adjustments, WBS's property investments are very profitable.

Related Criteria

[Global Financial Institutions Rating Criteria \(August 2011\)](#)

WBS: Business Segments Performance Split FY11

(NZD 000)	FY11	FY10	Growth
Building Society			
Operating Income	1,738	1,662	5%
Operating Expenses	1,981	1,671	19%
Pre-Impairment Operating Profit	-243	-9	-2,600%
Loan Impairment Charges	179	508	-65%
Operating Profit	-422	-517	-18%
Property Business			
Operating Income ^a	156	747	-79%
Operating Expenses	209	225	-7%
Operating Profit	-53	522	-110%

^a Includes fair-value gains/losses on properties
 Source: WBS Annual Report, Fitch analysis

- WBS also elected to use the extended government guarantee covering deposits, which expires on 31 December 2011. WBS estimates the cost of this guarantee to be around NZD108,000 per annum.

Combined, the above factors amounted to a negative impact of NZD1.148m. Hedging costs will shrink progressively (WBS expects these to decline by half in FY12), and the cost of the government guarantee will disappear from 31 December 2011. Fair-value adjustments will continue to influence reported numbers, although the magnitude of the FY11 adjustment was significantly influenced by an asset acquired through enforcement of security. It consumed more than 60% of the total fair-value adjustment, reflecting its unleased state; WBS believes that the property will yield a fair-value gain, once leased.

Within the traditional building society business, Fitch expects net interest margins (NIM) to remain under pressure in FY12 due to deposit competition and existing – albeit lower – hedging costs; high hedging costs in FY11 eroded approximately 50bp from WBS’s NIM, which would have otherwise been above 2% and more in line with that of its peers.

The building society’s operating expenses increased by 19% in FY11. Staff expenses remained flat, with most of the increase due to higher charges for committed bank facilities, an update of the society’s internet portal, and fees for the extended government guarantee. Operating costs in the property business are likely to rise due to higher insurance premiums for buildings following the recent earthquakes. However, insurance costs equated to just 3% of rental income in FY11, so the rise is not expected to have much effect on performance.

Despite a weakening in asset quality, loan impairment charges declined considerably from the previous year – which helped offset some of the impact on profit from the negative fair-value movements. WBS retains strong reserve coverage against impaired loans, but having acquired collateral from an insolvent customer exposes the profit and loss to fair-value adjustments. As a result of this experience, WBS informed Fitch that it does not plan to repeat such action.

Prospects

As WBS’s operating performance is linked to the fortunes of the Wairarapa economy – where conditions appear to have stabilised around a low growth level – such an environment would constrain WBS’s growth prospects. Competition is likely to remain intense for deposits, exerting ongoing downward pressure on NIM.

The society is forecasting a reasonable profit in FY12. Performance should benefit from a reduction in fee expenses due to the expiry of the extended government guarantee, as well as lower hedge costs. Investment properties will continue to add valuable income and diversification, although fair-value adjustments flow through to statutory profitability. A relatively high cost/income ratio is likely to persist, with the trade-off being high customer loyalty.

Peer Group Comparison: Profitability, Capitalisation and Funding

(%)	WBS (‘BB+’/Stable)		Southland Building Society (SBS Bank; ‘BBB’/Stable)		Nelson Building Society (NBS, ‘BB+’/Stable)	
	FY11	FY10	FY11	FY10	FY11	FY10
Net interest margin	1.52	1.44	2.44	2.36	2.33	2.61
Cost/income ratio	115.6	78.7	54.5	54.1	72.3	68.3
Impairment charges/ pre-impairment operating profit	-60.5	99.0	43.3	43.3	1.80	8.51
Return on average assets	-0.42	0.00	0.84	0.80	0.71	0.81
Return on average equity	-3.02	0.03	11.9	12.5	11.4	12.5
Customer loans/customer deposits	95.5	103.4	108.2	112.5	81.5	85.6
Tangible common equity/tangible assets	13.86	13.99	7.09	6.65	6.18	6.06
Total equity (in NZDm)	15.32	16.15	202.04	177.66	18.41	16.69

Long-Term IDR and Outlook shown in brackets
 Source: Fitch

- Deterioration in asset quality reflects one large problem loan.
- Loan book shrinks while liquid assets grow.
- Geographic and product concentration.
- Market risk adequately managed.
- Potential for operational mishaps to have a significant impact, due to the society's small size.

Risk Management

WBS demonstrates a generally conservative approach to risk management and an understanding of more complex risk management techniques.

Credit Risk

WBS's main risk is credit risk, arising from customer loans (80% of total assets at FYE11), interbank exposure (10%) and other assets – including fixed assets and small cash reserves (10%). WBS also has NZD6.5m in off-balance sheet commitments relating to undrawn committed facilities.

WBS's credit assessment process is largely manual (eg it does not use scoring models), but the society does not process large numbers of applications, and has knowledge of its local borrowers. Underwriting criteria are sound, but in some instances the society has lent outside these criteria – although still within the parameters of its governing trust deed.

At FYE11, WBS's loan book consisted of 49% residential mortgages and 51% commercial mortgages (including rural loans). There was a shift in FY11, with the proportion of residential mortgages declining after a large pool of mortgage loans was refinanced with another financial institution. This freed up capital, which was invested in liquidity – being mainly term deposits with a highly-rated bank.

WBS's asset quality remained sound despite a doubling of impaired loans in FY11; the impaired loans/gross loans ratio was 0.33% (FYE10: 0.15%), while past due loans decreased sharply. Reserve coverage for impaired loans is strong, in excess of 300%. In addition, WBS's loan book is well collateralised, as the society had less than 1% of its exposure unsecured at FYE11. One large loan, which had been impaired for more than a year, was cleared after 31 March 2011. Loan losses were entirely covered by specific provisions, although WBS is now left holding a commercial property as part of its investment property portfolio.

Single-name concentration has eased following the refinancing of its largest borrower with a different bank. Nevertheless, the largest 20 borrowers still accounted for 36% of gross loans at end-June 2011 – a ratio which Fitch still considers high in comparison with WBS's domestic and international peers.

Only four mortgages exceeded a LVR of 80%, accounting for 2% of WBS's loan book. WBS's general LVR limit on commercial loans is 60%, but around 19% of commercial loans had a LVR exceeding 60% at FYE11. Although WBS's exposure to commercial mortgages is proportionally larger than the portfolios of its domestic peers, many of these loans are secured on residential properties or commercial real estate.

Other Assets

WBS has strict criteria in place which limit the society to investing in securities with a minimum rating of 'AA-'. WBS is only allowed to invest in securities issued by the New Zealand

Peer Group Comparison: Asset Quality

(%)	WBS		SBS Bank		NBS	
	FY11	FY10	FY11	FY10	FY11	FY10
Loan exposure (NZDm)	88.8	99.3	2,781.4	2,601.4	225.1	217.9
Residential mortgages	49.4	60.7	65.2	65.9	82.0	73.0
Commercial mortgages	50.6	39.3	28.6	29.2	14.4	23.5
Others ^a	0.0	0.0	6.2	4.9	3.6	0.5
Impaired loans/gross loans	0.33	0.15	1.47	1.21	0.07	0.19
Impairments/impaired loans	373.9	615.3	56.62	57.57	142.7	63.23
Residential mortgages LVR > 80%	1.7	1.2	20.9	23.2	13.0	13.0
Collateralised loan book	99.9	99.9	99.7	99.7	99.8	99.8

^a Includes secured and unsecured personal loans, and local authorities
Source: Fitch

government, local authorities or a New Zealand corporation with a minimum rating of 'A+'. At FYE11, WBS held all of its on-balance sheet liquid assets (term deposits of varying maturities) with a single counterparty. While this counterparty has a strong credit profile, credit risk is concentrated.

Counterparty credit risk on WBS's interest-rate swaps is restricted to dealing with registered New Zealand banks with a minimum rating of 'AA-', with no single counterparty having more than 50% (by notional amount) of the total interest-rate swap portfolio.

At FYE11, WBS held an investment property portfolio of NZD8.5m, which included a range of commercial properties (see *Profile*).

Market Risk

Market risk arises out of interest-rate risk on assets and liabilities. In FY11, WBS maintained a large proportion of variable-priced mortgages which accounted for 79% of total mortgages, indicating that the society has a degree of flexibility to re-price mortgages should the RBNZ's Official Cash Rate change. At the same time, most of WBS's customer deposits are priced at floating rates, and almost all time deposits mature (and are therefore re-priced) within one year, reducing interest-rate mismatch. WBS calculates that the impact of a 100bp parallel shift in the yield curve without management action would account for 21% of the society's net interest revenue at FYE11.

WBS manages interest-rate re-pricing risk by hedging all exposure to interest rates on fixed-rate advances beyond one year through the use of interest swaps. WBS has adopted full hedge accounting. This minimises the volatility associated with changes in the fair-value of the instruments by recognising only the ineffective portion of the hedge through equity.

Unlike its peers, WBS also faces market risk in the form of fair-value adjustments on its property investments. While fair-value moves had a negative impact on profit in FY11, this was offset by earnings and diversification benefits.

Operational Risk

WBS is exposed to operational risks, including "key person risk". However, operational risk management systems appear adequate relative to the society's size and lack of complexity in structure and business activities. Business continuity planning uses data replication to ensure that core functions will continue if the head office is inaccessible. Employees are cross-trained to help mitigate the risk of a staff-related disruption to daily operations.

Funding and Capital

Funding

At FYE11, WBS's loan book was funded entirely by customer deposits. Although customer deposits declined by 4% in FY11, the refinancing of WBS's largest loan exposure reduced the loan book by 11% – providing the society with greater financial flexibility.

The vast majority of WBS's customer deposits were classified as retail deposits at FYE11. Non-retail deposits are potentially more volatile than retail, and in the case of WBS are sourced mostly from local authorities. Although only 20% of all customer deposits have a maturity of more than 12 months, WBS has traditionally enjoyed strong customer loyalty – which was reflected in roll-over rates of about 90%. Fitch considers WBS's depositor base adequately diversified for an institution of its size. The largest 20 depositors accounted for 14% of customer deposits at end-June 2011.

Although WBS decided to extend the government guarantee, it provided its depositors with a choice as to whether their deposits should benefit from the extended guarantee. Only a small proportion of deposit customers have made use of the guarantee, and only a small proportion of guaranteed deposits were outstanding at end-June 2011. Only two depositors held deposits exceeding the guaranteed NZD1m threshold.

- Loan book fully funded by customer deposits.
- Healthy deposit growth despite intensifying competition from major banks in New Zealand.
- Sound capital ratio.
- Improved on-balance sheet liquidity, but concentrated with one counterparty.

Liquidity

On-balance sheet liquidity has significantly improved, with liquid assets accounting for 37.3% of tangible assets at FYE11 according to the trust deed requirements – well above the minimum of 15%. However, all of WBS's on-balance sheet liquidity is held with one bank, which has a strong credit profile and is affiliated with one of Australia's major banks. WBS also benefits from two stand-by facilities of up to NZD24m which are provided by two of the major domestic banks.

Capital

WBS is strongly capitalised, as measured by its tangible common equity/tangible asset ratio which stood at 13.9% and consisted only of core capital at FYE11. However, WBS's absolute capital base has weakened as a result of an after-tax loss of NZD0.851m, but remains relatively high at around 12.5%. Fitch considers a high ratio to be appropriate, given WBS's size, limited internal capital generation and concentration. Subject to investors' appetite, capitalisation could be boosted by the issuance of preference shares, as WBS has no hybrid issuances outstanding.

Annex

Prudential Regulation

New Zealand's building societies have been under the prudential supervision of the RBNZ since March 2010. They now have to comply with the RBNZ's minimum prudential and governance standards.

In 2010, the RBNZ tightened regulation and oversight in the following ways:

- Introduction of a new core funding ratio of 65%, which rose to 70% on 1 July 2011 (see *Funding and Capital* section).
- Changes to disclosure requirements, which should streamline information provided to the market and reduce compliance costs for the banks
- More comprehensive corporate governance requirements.

Other areas on which the RBNZ is working:

- An Open Bank Resolution Scheme to clarify bank failure procedures
- A significant acquisitions policy for locally incorporated New Zealand-registered banks
- An all-encompassing framework for the issuance of covered bonds.

While some of these changes will have an impact on WBS to varying degrees, the society appears well-placed to cope. For example, due to its small size, Fitch believes it is unlikely that WBS will issue covered bonds.

Related Criteria

[Global Financial Institutions Rating Criteria \(August 2011\)](#)

Wairarapa Building Society
Income Statement

	31 Mar 2011			31 Mar 2010		31 Mar 2009		31 Mar 2008	
	Year End USDm Unqualified	Year End NZDth Unqualified	As % of Earning Assets	Year End NZDth Unqualified	As % of Earning Assets	Year End NZDth Unqualified	As % of Earning Assets	Year End NZDth Unqualified	As % of Earning Assets
1. Interest Income on Loans	5.1	6,659.0	6.19	6,680.0	5.92	8,637.0	7.84	8,357.0	8.01
2. Other Interest Income	0.1	74.0	0.07	114.0	0.10	218.0	0.20	303.0	0.29
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	5.1	6,733.0	6.26	6,794.0	6.02	8,855.0	8.04	8,660.0	8.30
5. Interest Expense on Customer Deposits	3.9	5,060.0	4.70	5,192.0	4.60	6,513.0	5.91	6,034.0	5.79
6. Other Interest Expense	0.0	2.0	0.00	2.0	0.00	1.0	0.00	3.0	0.00
7. Total Interest Expense	3.9	5,062.0	4.71	5,194.0	4.60	6,514.0	5.91	6,037.0	5.79
8. Net Interest Income	1.3	1,671.0	1.55	1,600.0	1.42	2,341.0	2.13	2,623.0	2.52
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	-0.4	-565.0	-0.53	141.0	0.12	-163.0	-0.15	209.0	0.20
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	0.1	67.0	0.06	62.0	0.05	66.0	0.06	73.0	0.07
14. Other Operating Income	0.5	721.0	0.67	606.0	0.54	665.0	0.60	539.0	0.52
15. Total Non-Interest Operating Income	0.2	223.0	0.21	809.0	0.72	568.0	0.52	821.0	0.79
16. Personnel Expenses	0.6	828.0	0.77	824.0	0.73	937.0	0.85	865.0	0.83
17. Other Operating Expenses	1.0	1,362.0	1.27	1,072.0	0.95	1,218.0	1.11	1,119.0	1.07
18. Total Non-Interest Expenses	1.7	2,190.0	2.04	1,896.0	1.68	2,155.0	1.96	1,984.0	1.90
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	-0.2	-296.0	-0.28	513.0	0.45	754.0	0.68	1,460.0	1.40
21. Loan Impairment Charge	0.1	179.0	0.17	508.0	0.45	265.0	0.24	150.0	0.14
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	-0.4	-475.0	-0.44	5.0	0.00	489.0	0.44	1,310.0	1.26
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	-0.4	-475.0	-0.44	5.0	0.00	489.0	0.44	1,310.0	1.26
30. Tax expense	0.3	376.0	0.35	-40.0	-0.04	275.0	0.25	383.0	0.37
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	-0.6	-851.0	-0.79	45.0	0.04	214.0	0.19	927.0	0.89
33. Change in Value of AFS Investments	0.0	18.0	0.02	n.a.	-	n.a.	-	n.a.	-
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	-0.6	-833.0	-0.77	45.0	0.04	214.0	0.19	927.0	0.89
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	-0.6	-851.0	-0.79	45.0	0.04	214.0	0.19	927.0	0.89
40. Memo: Common Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = NZD1.31110

USD1 = NZD1.40885

USD1 = NZD1.77900

USD1 = NZD1.26024

Wairarapa Building Society
Balance Sheet

	31 Mar 2011			31 Mar 2010		31 Mar 2009		31 Mar 2008	
	Year End USDm	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	33.0	43,328.0	39.19	60,266.0	52.21	59,005.0	52.31	54,831.0	51.49
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	34.7	45,464.0	41.12	39,941.0	34.60	40,543.0	35.94	38,686.0	36.33
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Less: Reserves for Impaired Loans/ NPLs	0.8	1,103.0	1.00	923.0	0.80	415.0	0.37	150.0	0.14
7. Net Loans	66.9	87,689.0	79.32	99,284.0	86.00	99,133.0	87.88	93,367.0	87.68
8. Gross Loans	67.7	88,792.0	80.31	100,207.0	86.80	99,548.0	88.25	93,517.0	87.82
9. Memo: Impaired Loans included above	0.2	295.0	0.27	150.0	0.13	342.0	0.30	385.0	0.36
10. Memo: Loans at Fair Value included above	0.4	505.0	0.46	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	0.0	65.0	0.06	79.0	0.07	0.0	0.00	n.a.	-
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Derivatives	n.a.	n.a.	-	14.0	0.01	0.0	0.00	394.0	0.37
5. Available for Sale Securities	8.5	11,200.0	10.13	6,975.0	6.04	4,781.0	4.24	4,170.0	3.92
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. At-equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	8.5	11,200.0	10.13	6,989.0	6.05	4,781.0	4.24	4,564.0	4.29
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	6.6	8,595.0	7.77	6,500.0	5.63	6,220.0	5.51	6,355.0	5.97
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
15. Total Earning Assets	82.0	107,549.0	97.28	112,852.0	97.76	110,134.0	97.63	104,286.0	97.93
C. Non-Earning Assets									
1. Cash and Due From Banks	0.1	129.0	0.12	78.0	0.07	121.0	0.11	357.0	0.34
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	1.8	2,424.0	2.19	2,417.0	2.09	2,458.0	2.18	1,733.0	1.63
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	0.3	454.0	0.41	93.0	0.08	92.0	0.08	114.0	0.11
11. Total Assets	84.3	110,556.0	100.00	115,440.0	100.00	112,805.0	100.00	106,490.0	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	59.9	78,499.0	71.00	82,004.0	71.04	76,004.0	67.38	69,909.0	65.65
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	11.0	14,468.0	13.09	14,927.0	12.93	17,342.0	15.37	18,671.0	17.53
4. Total Customer Deposits	70.9	92,967.0	84.09	96,931.0	83.97	93,346.0	82.75	88,580.0	83.18
5. Deposits from Banks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Deposits, Money Market and Short-term Funding	70.9	92,967.0	84.09	96,931.0	83.97	93,346.0	82.75	88,580.0	83.18
9. Senior Debt Maturing after 1 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Subordinated Borrowing	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Derivatives	0.4	505.0	0.46	817.0	0.71	1,552.0	1.38	43.0	0.04
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Funding	71.3	93,472.0	84.55	97,748.0	84.67	94,898.0	84.13	88,623.0	83.22
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Current Tax Liabilities	0.0	38.0	0.03	35.0	0.03	0.0	0.00	44.0	0.04
5. Deferred Tax Liabilities	0.4	481.0	0.44	183.0	0.16	339.0	0.30	297.0	0.28
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	1.0	1,246.0	1.13	1,322.0	1.15	1,481.0	1.31	1,799.0	1.69
10. Total Liabilities	72.6	95,237.0	86.14	99,288.0	86.01	96,718.0	85.74	90,763.0	85.23
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	10.9	14,230.0	12.87	15,081.0	13.06	15,036.0	13.33	14,972.0	14.06
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	0.8	1,089.0	0.99	1,071.0	0.93	1,051.0	0.93	755.0	0.71
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	11.7	15,319.0	13.86	16,152.0	13.99	16,087.0	14.26	15,727.0	14.77
7. Total Liabilities and Equity	84.3	110,556.0	100.00	115,440.0	100.00	112,805.0	100.00	106,490.0	100.00
8. Memo: Fitch Core Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = NZD1.31110

USD1 = NZD1.40885

USD1 = NZD1.77900

USD1 = NZD1.26024

Wairarapa Building Society Summary Analytics

	31 Mar 2011	31 Mar 2010	31 Mar 2009	31 Mar 2008
	Year End	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	7.05	6.69	8.90	9.09
2. Interest Expense on Customer Deposits/ Average Customer Deposits	5.33	5.46	7.22	7.16
3. Interest Income/ Average Earning Assets	6.11	6.09	8.34	8.69
4. Interest Expense/ Average Interest-bearing Liabilities	5.29	5.39	7.16	7.05
5. Net Interest Income/ Average Earning Assets	1.52	1.44	2.20	2.63
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.35	0.98	1.95	2.48
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.52	1.44	2.20	2.63
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	11.77	33.58	19.53	23.84
2. Non-Interest Expense/ Gross Revenues	115.63	78.70	74.08	57.61
3. Non-Interest Expense/ Average Assets	1.94	1.66	1.98	1.93
4. Pre-impairment Op. Profit/ Average Equity	-1.88	3.18	4.75	9.60
5. Pre-impairment Op. Profit/ Average Total Assets	-0.26	0.45	0.69	1.42
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	-60.47	99.03	35.15	10.27
7. Operating Profit/ Average Equity	-3.02	0.03	3.08	8.61
8. Operating Profit/ Average Total Assets	-0.42	0.00	0.45	1.27
9. Taxes/ Pre-tax Profit	-79.16	-800.00	56.24	29.24
10. Pre-Impairment Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
11. Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	-5.41	0.28	1.35	6.09
2. Net Income/ Average Total Assets	-0.75	0.04	0.20	0.90
3. Fitch Comprehensive Income/ Average Total Equity	-5.29	0.28	1.35	6.09
4. Fitch Comprehensive Income/ Average Total Assets	-0.74	0.04	0.20	0.90
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
7. Fitch Comprehensive Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	n.a.	n.a.	n.a.	n.a.
2. Fitch Eligible Capital/ Weighted Risks	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	13.86	13.99	14.26	14.77
4. Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
5. Total Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	13.86	13.99	14.26	14.77
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	n.a.	n.a.	n.a.
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	-5.56	0.28	1.33	5.89
E. Loan Quality				
1. Growth of Total Assets	-4.23	2.34	5.93	4.25
2. Growth of Gross Loans	-11.39	0.66	6.45	1.50
3. Impaired Loans(NPLs)/ Gross Loans	0.33	0.15	0.34	0.41
4. Reserves for Impaired Loans/ Gross Loans	1.24	0.92	0.42	0.16
5. Reserves for Impaired Loans/ Impaired Loans	373.90	615.33	121.35	38.96
6. Impaired Loans less Reserves for Imp Loans/ Equity	-5.27	-4.79	-0.45	1.49
7. Loan Impairment Charges/ Average Gross Loans	0.19	0.51	0.27	0.16
8. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.	n.a.
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	0.33	0.15	0.34	0.41
F. Funding				
1. Loans/ Customer Deposits	95.51	103.38	106.64	105.57
2. Interbank Assets/ Interbank Liabilities	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding excl Derivatives	100.00	100.00	100.00	100.00

Wairarapa Building Society
Reference Data

	31 Mar 2011			31 Mar 2010		31 Mar 2009		31 Mar 2008	
	Year End USDm	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitised Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Business Volume	84.3	110,556.0	100.00	115,440.0	100.00	112,805.0	100.00	106,490.0	100.00
8. Memo: Total Weighted Risks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet									
Average Loans	72.1	94,499.5	85.48	99,877.5	86.52	97,028.7	86.01	91,936.3	86.33
Average Earning Assets	84.1	110,200.5	99.68	111,493.0	96.58	106,200.0	94.14	99,598.7	93.53
Average Assets	86.2	112,998.0	102.21	114,122.5	98.86	108,867.3	96.51	102,955.3	96.68
Average Managed Securitised Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	72.9	95,610.0	86.48	96,323.0	83.44	90,933.3	80.61	85,678.7	80.46
Average Common equity	11.2	14,655.5	13.26	15,058.5	13.04	15,020.3	13.32	14,496.0	13.61
Average Equity	12.0	15,735.5	14.23	16,119.5	13.96	15,874.0	14.07	15,213.7	14.29
Average Customer Deposits	72.4	94,949.0	85.88	95,138.5	82.41	90,255.0	80.01	84,299.3	79.16
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	18,120.0	15.70	13,236.0	11.73	14,005.0	13.15
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	7,026.0	6.09	11,491.0	10.19	14,005.0	13.15
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	38,041.0	32.95	42,482.0	37.66	65,357.0	61.37
Loans & Advances > 5 years	n.a.	n.a.	-	121,221.0	105.01	135,889.0	120.46	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	6,975.0	6.04	4,781.0	4.24	4,170.0	3.92
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	87,533.0	75.83	78,639.0	69.71	76,117.0	71.48
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	7,403.0	6.41	14,303.0	12.68	12,440.0	11.68
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	1,995.0	1.73	404.0	0.36	23.0	0.02
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1 - 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	11.7	15,319.0	13.86	16,152.0	13.99	16,087.0	14.26	15,727.0	14.77
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	11.7	15,319.0	13.86	16,152.0	13.99	16,087.0	14.26	15,727.0	14.77
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Non-loss-absorbing non-controlling interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other intangibles	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Deferred tax assets deduction	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Net asset value of insurance subsidiaries	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. First loss tranches of off-balance sheet securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Fitch Core Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Eligible Hybrid Capital Limit	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange Rate

USD1 = NZD1.31110

USD1 = NZD1.40885

USD1 = NZD1.77900

USD1 = NZD1.26024

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