

# MOODY'S

## INVESTORS SERVICE

### Credit Opinion: ABN AMRO Bank N.V.

Global Credit Research - 21 Jan 2014

Amsterdam, Netherlands

#### Ratings

Category	Moody's Rating
Outlook	Negative
Bank Deposits	A2/P-1
Bank Financial Strength	C-
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Issuer Rating	A2
Senior Unsecured	A2
Subordinate	Baa3
Jr Subordinate	Ba1 (hyb)
Pref. Stock -Dom Curr	Ba2 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term	(P)P-1

#### Contacts

Analyst	Phone
Andrea Usai/London	44.20.7772.5454
Stephane Herndl/Paris	33.1.53.30.10.20
Carola Schuler/Frankfurt am Main	49.69.707.30.700

#### Key Indicators

##### ABN AMRO Bank N.V. (Consolidated Financials)[1]

	[2]6-13	[2]12-12	[2]12-11	[2]12-10	[3]12-09	Avg.
Total Assets (EUR million)	402,317.0	393,425.0	407,015.0	379,398.0	386,509.0	[4]1.0
Total Assets (USD million)	522,951.4	518,688.2	528,364.5	508,979.0	554,540.2	[4]-1.5
Tangible Common Equity (EUR million)	15,372.0	14,660.7	15,333.1	12,988.4	9,419.0	[4]13.0
Tangible Common Equity (USD million)	19,981.3	19,328.6	19,904.6	17,424.5	13,513.9	[4]10.3
Net Interest Margin (%)	1.4	1.3	1.3	1.3	0.0	[5]1.0
PPI / Average RWA (%)	2.1	2.1	2.0	1.2	-	[6]1.9
Net Income / Average RWA (%)	1.4	1.8	1.7	0.1	-	[6]1.2
(Market Funds - Liquid Assets) / Total Assets (%)	8.3	12.6	11.7	13.9	15.7	[5]12.4
Core Deposits / Average Gross Loans (%)	81.6	76.0	76.0	74.8	72.3	[5]76.2
Tier 1 Ratio (%)	14.2	12.9	13.0	12.8	-	[6]13.2
Tangible Common Equity / RWA (%)	13.3	12.1	13.0	11.2	-	[6]12.4
Cost / Income Ratio (%)	64.6	65.0	69.2	81.4	0.0	[5]56.1
Problem Loans / Gross Loans (%)	2.8	3.0	3.1	3.1	-	[5]3.0
Problem Loans / (Equity + Loan Loss Reserves) (%)	42.2	46.1	44.5	51.3	-	[5]46.0

Source: Moody's

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

### SUMMARY RATING RATIONALE

We assign long-term global local-currency ratings of A2 to ABN AMRO N.V. (ABN AMRO), which incorporate a three-notch uplift for systemic support from the bank's baa2 baseline credit assessment (BCA). The ratings' uplift is based on (1) our assessment of a very high probability of systemic support from the Dutch government, due to ABN AMRO's size and importance in the domestic banking sector, and to a lesser extent (2) the Dutch state's full ownership of ABN AMRO, which is temporary in nature. The latter point has been reiterated by the Dutch authorities in August 2013, which have indicated that a privatization of ABN AMRO through an IPO is envisaged not earlier than August 2014, subject to (1) the bank being ready, (2) on the Dutch banking sector having stabilized and (3) investors having appetite for it. This suggests that these conditions are currently not met. In particular, whilst we recognize that ABN AMRO has made material progress since 2010 - as evidenced by improvement in some of its key credit fundamentals - some additional time will be required to achieve full recovery, in our view. Regarding the Dutch banking sector, we believe it continues to be adversely impacted by the protracted uncertain economic conditions in the Netherlands as well as the negative effects resulting from the recent nationalization of SNS Reaal N.V. (rated (P) Ba2). For further details, please see our Credit Focus report "ABN AMRO Bank NV: Still in Recovery Mode Ahead of Its Privatisation" published on 13 September 2013.

We assign a C- bank financial strength rating (BFSR) to ABN AMRO, which is equivalent to a baa2 BCA, reflecting the bank's overall good financial fundamentals including solid capitalization and comfortable liquidity position. It further captures the bank's strong franchise in the Dutch market, its balanced business mix - between retail and commercial banking - and the full operational integration of the two former banks, ABN AMRO Bank N.V. and Fortis Bank Nederland N.V. (merged in July 2010).

Nevertheless, the standalone BFSR is constrained by (1) the bank's modest financial performance, which has been impacted by large integration and separation costs until 2012 and rising impairment charges in recent quarters; and (2) ABN AMRO's structural reliance on wholesale funding, which we view as a credit weakness in the current funding environment. Furthermore, we anticipate that a challenging business environment on ABN AMRO's credit fundamentals will continue to lower its asset quality profile with negative effects on its already weak profitability throughout 2014.

#### Rating Drivers

- ABN AMRO has a strong franchise in the Dutch retail/commercial banking markets and a strong presence in private banking in the Netherlands and in other selected European countries
- The bank has a modest risk profile owed to its retail and commercial banking business focus
- The bank's liquidity is sound and its capital base is strong, relative to its rated peers
- Asset quality is deteriorating and earnings remain under pressure because of worsening economic conditions in the Netherlands
- ABN AMRO's profitability has thus far been constrained by separation and restructuring costs, but difficult operating conditions will continue to pose challenges

#### Rating Outlook

The negative outlook on both the BFSR and the long-term ratings reflects our view that the further deterioration in the operating environment in the Netherlands will likely affect the bank's overall asset quality profile and earnings potential over the next 12-18 months.

#### What Could Change the Rating - Up

The ratings for ABN AMRO carry a negative outlook and, as such, are unlikely to be upgraded in the foreseeable future. However, upwards pressure on the BFSR could develop if the bank were to (1) improve its asset quality profile despite the challenging operating environment; (2) improve its profitability; and/or (3) further reduce its reliance on wholesale funding. A strengthening of the bank's standalone credit profile is unlikely to result in upwards rating pressure on ABN AMRO's long-term debt and deposit ratings, given (1) the very high support assumptions that we currently factor into the ratings; and (2) more generally, the prospect of a less supportive environment for European banks underpinned by the upcoming EU framework on recovery and resolution.

## **What Could Change the Rating - Down**

We might downgrade the bank's BFSR if the weakening macroeconomic environment were to (1) lead to further significant deterioration of the bank's asset quality; or (2) have a negative impact on its liquidity, profitability and/or capital.

The BFSR could also be downgraded if the bank (1) failed, in our view, to reach the expected operational efficiencies resulting from the integration process with former Fortis Bank Nederland N.V. (merged in July 2010); although we note that management has recently indicated that the relevant costs have now been fully accounted for and progress in achieving operational efficiencies has been made; and/or (2) materially increased its risk profile, for example as a result of expanding its riskier activities or materially increased its market risk appetite. A downgrade of the debt and deposit ratings would be triggered by a downgrade of the BFSR, or by a change in our assessment of the currently very high probability of systemic support from the Dutch state for this state-owned bank.

## **DETAILED RATING CONSIDERATIONS**

### **A STRONG POSITION IN THE DOMESTIC MARKET AND IN SELECTED COUNTRIES GENERATING STABLE RETAIL AND COMMERCIAL BANKING EARNINGS**

ABN AMRO has a strong franchise in the highly concentrated Dutch market, where it is the third largest player in retail banking, serving around 6.8 million customers. We consider that outside the Netherlands, its franchise is more limited, although it benefits from good brand recognition in selected countries and for certain activities, such as private banking in France, Germany and merchant banking in the main global financial centres. In 2012 and in the first nine months of 2013, 83% of the bank's operating income came from domestic operations.

In private banking, ABN AMRO is ranked first in its home market and has significant activities in the rest of Europe. The announcement on 5 December 2013 to acquire Credit Suisse's (Credit Suisse AG, A1/Prime-1 stable; C-/baa1 stable) private banking operations in Germany signals ABN AMRO's intention to further strengthen its position in Western Europe in an area which is considered of strategic importance. At end-September 2013, assets under management totalled EUR166.9 billion up 2% from end-2012, although we note that a large part of this increase was due to market performance. The bank has also maintained a strong position in corporate banking. ABN AMRO is an important player in some global specialist markets such as Energy, Commodities and Transportation (ECT), as well as Clearing.

Pre-provision income from retail and commercial banking activities have proven relatively stable. However, we expect ABN AMRO's underlying earnings to remain under pressure in the coming quarters, due to downward pressures on profits from the protracted difficult business environment, with credit-negative effects on the bank's franchise value. This has resulted in lowered transaction volumes and caused asset quality deterioration.

### **THE BANK HAS A MODEST RISK PROFILE OWED TO ITS RETAIL AND COMMERCIAL BANKING BUSINESS FOCUS**

We consider ABN AMRO's risk profile as modest overall, reflecting its operations that are primarily retail and commercial banking. At end-September 2013, the bank's risk-weighted assets (RWAs) were EUR114.4 billion, 6% lower than at year-end 2012, owed to the migration of some of its portfolios from the standardized to the advanced approach, as part of the process to integrate the Internal Risk Based (IRB) models of the two former banks. This positive effect on RWAs was partly off-set by (1) a 19% increase in market risk capital requirements due to the pending transition to the advanced approach under Basel rules; and (2) a 6% increase in RWAs for operational risk, resulting from the annual reassessment of the bank's gross income.

Credit risk is ABN AMRO's largest risk, representing 80% of total RWAs at end-September 2013. The bank has limited market risk exposure accounting for around 6% of total RWAs at the same reporting date. It had an average value-at-risk of EUR3 million (excluding diversification benefits) in H1-2013 (figures for Q3-2013 are undisclosed), 33% lower than the average figure for 2012. ABN AMRO has discontinued its proprietary trading activities; however, it still undertakes some market-making activities, which are relatively small and essentially driven by its corporate clients. This is reflected in the relatively low level of market risk.

### **THE BANK'S LIQUIDITY IS SOUND AND ITS CAPITAL BASE IS STRONG RELATIVE TO RATED PEERS**

We view ABN AMRO's liquidity position as sound, and we expect that it will remain as such, over 2013. At end-September 2013, the bank had a customer deposit base of EUR205.1 billion (excluding securities financing

transactions) and a combined retail and corporate loan book of EUR256.9 billion. This results in a relatively high loan-to-deposit ratio of 125% (as per our calculations). However, we note a declining trend since 2010, indicating the bank's reduced reliance on confidence sensitive wholesale funding, which remains sizeable in our view.

To mitigate liquidity risk, the bank had a substantial liquidity buffer of EUR70.7 billion at end-September 2013, up from EUR68.0 billion at end-2012. The bank adjusts its cash component depending on funding market conditions and its imminent liquidity needs. However, this asset pool is kept at a level that covers all of the bank's short-term liabilities, and we consider it as a more than adequate to cover liquidity risk under our central scenario. ABN AMRO's liquidity buffer comprised 44% of cash and quasi-cash instruments at end-September 2013 and 45% of RMBs, most of which were assets originated by the bank itself. Although Dutch RMBs have had a good track record because of good underwriting standards, we believe that there is a very limited secondary market for these securities in times of stress; we therefore consider these securities as being of lower quality than other assets, such as government bonds. However, we recognize that Dutch RMBs can be used as repo-collateral with central banks.

At end-June 2013, the bank reported a pro-forma Basel III Liquidity Coverage Ratio (LCR) of 91%, 200 basis points higher than at end-2012 and from 57% at the end of 2011, and a Net Stable Funding Ratio (NSFR) of 101%, from 108% at the end-2012 and 100% at end-2011 - ABN AMRO does not disclose these ratios as at end-September 2013. These figures confirm the improvement in ABN AMRO's already sound liquidity and funding positions, achieved since 2011. The bank has an adequate liquidity management framework and exhibits a well diversified funding mix. We also note that around 40% of its medium-long term debt matures by 2015, which is a relatively low portion compared to many of its European peers. ABN AMRO is making significant efforts to diversify its wholesale funding by currency, which will in turn further reduce the scope for refinancing risk. In addition, the average maturity of the outstanding debt stock was 4.5 years at end-September 2013, up from 4.3 years at end-2012.

ABN AMRO reported a Basel 2.5 Core Tier 1 ratio of 13.7% and a Tier 1 ratio of 14.6% at end-September 2013 (with no transitional Basel I capital floors) from 12.1% and 12.9% at end-2012, respectively. The bank also disclosed that this ratio corresponds to a Common Equity Tier 1 ratio of 11.8% (fully loaded Basel III), which we view as relatively strong in comparison to many of its European peers and against its risk profile. Despite relatively low risk weightings of its largely collateralized retail loan book (average risk weighting of 20% at end-September 2013 including those that are guaranteed by the Dutch government), ABN AMRO displayed a relatively contained leverage ratio of just over 4% as of end-September 2013 (simple leverage measured as Tier 1 capital / total assets - as per our calculations). Sector concentration is particularly relevant in relation to commercial real estate (CRE) which accounted for 88% of Tier 1 capital as of the same reporting date; despite the weakening trend of the portfolio, this is a manageable exposure in our view also given its composition.

We also note that the Dutch central bank identified ABN AMRO as one of the local systemically important financial institutions, which will be subject to an additional capital surcharge ranging between 1% and 3%, although the exact amount is still to be determined. The transition to the new capital rules will increase the bank's regulatory capital in the years to come. Considering ABN AMRO's only modest internal capital generation capacity, due to its weak profitability, we expect that prudent and proactive capital management will remain a key area of focus for the group.

#### ASSET QUALITY IS DETERIORATING AND EARNINGS REMAIN UNDER PRESSURE BECAUSE OF WORSENING ECONOMIC CONDITIONS IN THE NETHERLANDS

ABN AMRO's customer loan book of EUR256.9 billion (excluding securities financing transactions) as at end-September 2013 comprised 61% of residential mortgages, 7% of other consumer loans and 33% of commercial loans. Similar to its peers in the Dutch market, the bank's overall asset quality began to show signs of deterioration: total non-performing loans represented 2.7% of total loans at end-September 2013 (as per our calculations). However, this ratio masks significant differences across the different loan portfolios.

In the first nine months of 2013, ABN AMRO reported credit costs for EUR428 million, 44% lower than in the same period a year earlier because these included the reversal of impairment charges on some Madoff-related and Greek-related exposure in previous years. However, credit costs were 25% higher than in the same period a year earlier to EUR1,113 million, when excluding the effect of these reversals.

During 2012 and the first nine months of 2013, ABN AMRO's CRE, construction, horticulture, retail sector exposures and to a lesser extent mortgages drove weakening asset quality. As at end-September 2013, ABN AMRO had CRE sector exposures totaling EUR14.5 billion, which represented only around 6% of the bank's total loan book, as at the same reporting date. Additionally, we note that the riskier CRE sub-sectors represented a

small portion of its portfolio and we note that the portion of social housing loans within the bank's CRE book of EUR4.5 billion are largely government-guaranteed.

The bank's key business focus on the Netherlands, particularly its sizeable retail mortgage and SME portfolios, renders it vulnerable to the challenging economic environment in the Dutch market. This is also reflected by the rapid increase in loan impairment charges since mid-2012. With a Tier 1 capital ratio of 14.6% at end-September 2013, ABN AMRO has a significant loss-absorption buffer under our central scenario. For its current BCA, we believe that the bank is vulnerable to potential shocks from a further deterioration in the operating environment and to rising risks under our assumptions.

Positively, we note that the bank's exposures to weak, periphery euro area sovereigns were largely reduced since 2011 and its residual exposures are minimal.

ABN AMRO is one of the banks from the euro-zone currently being reviewed by the ECB as part of its comprehensive assessment. This review consists of a supervisory judgment on key risks, an asset quality review alongside a stress test, the result of which are to be published in October 2014. Please see our Special Comment "European Banks: ECB's comprehensive Assessment Is Credit Positive, But Crucial Questions Left Unanswered" published on 25 November 2013, for details.

#### PROFITABILITY HAS BEEN THUS FAR CONSTRAINED BY SEPARATION AND RESTRUCTURING COSTS, BUT DIFFICULT OPERATING CONDITIONS WILL CONTINUE TO POSE CHALLENGES

We believe that the bank's profitability will remain constrained in the coming quarters because of the difficult operating environment in the Netherlands, which will continue to keep revenues under pressure and asset quality to deteriorate.

We consider ABN AMRO's profitability as modest, as its underlying business performance was constrained by separation and restructuring costs until end-2012 and is currently impacted by increasing credit costs. Pre-provision income over (average) RWAs was of 2.3% (annualized) for the first nine months of 2013, down from 2.5% in the same period a year earlier (our calculation). We expect the operational integration process to generate long-term benefits in terms of both cost synergies and earnings.

#### Global Local Currency Deposit Rating (Joint Default Analysis)

ABN AMRO's GLC deposit rating is supported by the bank's C- BFSR and the Netherlands' Aaa local-currency deposit ceiling. In accordance with our joint default analysis (JDA) methodology, ABN AMRO receives a three-notch uplift from its baa2 BCA, reflecting our assumptions of a very high likelihood of support from the Dutch government, in case of need, bringing the GLC rating to A2.

#### Notching Considerations

In line with our current guidelines for rating bank hybrid securities and subordinated debt published in November 2009, ABN AMRO's dated subordinated debt is rated Baa3, i.e., one notch below the bank's baa2 BCA.

Following the termination on 11 March 2013 of the restrictions on coupon payment imposed by the European Commission, ABN AMRO's two outstanding hybrid securities are notched off the bank's adjusted BCA in line with our Global Banks methodology. The remaining GBP150 million perpetual subordinated upper tier 2 notes (ISIN: XS0244754254) are rated Ba1 (hyb), in line with our standard notching for junior subordinated debt (2 notches off the adjusted BCA).

The outstanding EUR1,000 million perpetual Tier 1 capital securities (ISIN : XS0246487457) are rated Ba2 (hyb), three notches below ABN AMRO's baa2 adjusted BCA. These securities are now rated in line with our standard notching for non-cumulative preferred stock, as they include a cumulative coupon suspension mechanism which becomes non-cumulative if the bank breaches its minimum capital adequacy ratio.

The outlook on both ABN AMRO's capital instruments is negative, in line with those on its BFSR and its long term ratings.

#### Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. Bank Financial Strength Ratings do not take into account the probability that the

bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Moody's uses the Baseline Credit Assessment (BCA) to map BFSRs onto the 21-point Aaa-C rating scale and like the BFSR, it reflects a bank stand-alone default risk. Each point on the Aaa-C scale represents a specific probability of default and therefore allows Moody's to use the BCA as an input to Moody's Joint Default Analysis (JDA), described below. The baseline credit assessment reflects what the local currency deposit rating of the bank with the given BFSR would be without any assumed external support from a government or third party

#### **Global Local Currency Deposit Rating**

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

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of any external elements of support into the bank's Baseline Credit Assessment. In assigning the local currency deposit rating to a bank, the JDA methodology also factors in the rating of the various potential support providers (parent company, cooperative group, regional or national governments), as well as the degree of dependence that may exist between each one of them and the bank. Moody's assessment of the probability of systemic support (by a national government) is derived from the analysis of the capacity of a government and its central bank to provide support on a system-wide basis. The systemic support indicator is determined for a particular country and serves as an input for all bank ratings in that country. The support indicator can be set at, above or, in rare cases, below the government's local currency bond rating for that country.

#### **National Scale Rating**

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A 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

ABN AMRO Bank N.V.

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
<b>Qualitative Factors (50%)</b>						<b>C+</b>	
<b>Factor: Franchise Value</b>						<b>C</b>	<b>Neutral</b>
Market share and sustainability			x				
Geographical diversification			x				
Earnings stability			x				
<b>Earnings Diversification [2]</b>							
<b>Factor: Risk Positioning</b>						<b>C-</b>	<b>Neutral</b>
<b>Corporate Governance [2]</b>				x			
- Ownership and Organizational Complexity				x			
- Key Man Risk	--	--	--	--	--		
- Insider and Related-Party Risks							
<b>Controls and Risk Management</b>			x				
- Risk Management			x				
- Controls			x				
<b>Financial Reporting Transparency</b>		x					
- Global Comparability	x						
- Frequency and Timeliness		x					
- Quality of Financial Information			x				
<b>Credit Risk Concentration</b>	--	--	--	--	--		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
<b>Liquidity Management</b>			x				
<b>Market Risk Appetite</b>	x						
<b>Factor: Operating Environment</b>						<b>B+</b>	<b>Weakening</b>
<b>Economic Stability</b>			x				
<b>Integrity and Corruption</b>	x						
<b>Legal System</b>	x						
<b>Financial Factors (50%)</b>						<b>C</b>	
<b>Factor: Profitability</b>						<b>C</b>	<b>Weakening</b>
PPI % Average RWA (Basel II)			1.77%				
Net Income % Average RWA (Basel II)			1.18%				
<b>Factor: Liquidity</b>						<b>C-</b>	<b>Neutral</b>
(Market Funds - Liquid Assets) % Total Assets				12.73%			
<b>Liquidity Management</b>			x				
<b>Factor: Capital Adequacy</b>						<b>A</b>	<b>Neutral</b>
Tier 1 Ratio (%) (Basel II)	12.90%						
Tangible Common Equity % RWA (Basel II)	12.06%						
<b>Factor: Efficiency</b>						<b>D</b>	<b>Weakening</b>
Cost / Income Ratio				71.87%			

Factor: Asset Quality						D+	Weakening
Problem Loans % Gross Loans			3.07%				
Problem Loans % (Equity + LLR)				47.32%			
Lowest Combined Financial Factor Score (15%)						D+	
<i>Economic Insolvency Override</i>						Neutral	
Aggregate BFSR Score						C	
Aggregate BCA Score						a3	
Assigned BFSR						C-	
Assigned BCA						baa2	

[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.



© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.



ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain

affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.