MOODY'S
INVESTORS SERVICE

# Credit Opinion: ABN AMRO Bank N.V.

Global Credit Research - 03 Oct 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


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## Key Indicators

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

| | [2]**12-13** | [2]**12-12** | [2]**12-11** | [2]**12-10** | [3]**12-09** | **Avg.** |
|---|---|---|---|---|---|---|
| Total Assets (EUR million) | **372,022.0** | **392,779.0** | **407,015.0** | **377,081.0** | **386,517.0** | [4]**-1.0** |
| Total Assets (USD million) | **512,624.7** | **517,836.5** | **528,364.5** | **505,870.6** | **554,551.7** | [4]**-1.9** |
| Tangible Common Equity (EUR million) | **15,302.2** | **13,506.7** | **15,333.1** | **12,988.4** | **9,435.0** | [4]**12.9** |
| Tangible Common Equity (USD million) | **21,085.6** | **17,807.2** | **19,904.6** | **17,424.5** | **13,536.8** | [4]**11.7** |
| Net Interest Margin (%) | **1.4** | **1.3** | **1.3** | **1.3** | **1.1** | [5]**1.3** |
| PPI / Average RWA (%) | **2.2** | **2.3** | **2.0** | **1.2** | **--** | [6]**1.9** |
| Net Income / Average RWA (%) | **0.8** | **2.0** | **1.7** | **0.1** | **--** | [6]**1.1** |
| (Market Funds - Liquid Assets) / Total Assets (%) | **10.4** | **12.9** | **11.7** | **14.0** | **15.6** | [5]**12.9** |
| Core Deposits / Average Gross Loans (%) | **76.8** | **76.2** | **76.2** | **74.2** | **74.0** | [5]**75.5** |
| Tier 1 Ratio (%) | **15.3** | **12.9** | **13.0** | **12.8** | **--** | [6]**13.5** |
| Tangible Common Equity / RWA (%) | **14.0** | **11.1** | **13.0** | **11.2** | **--** | [6]**12.3** |
| Cost / Income Ratio (%) | **65.3** | **61.3** | **69.2** | **81.4** | **77.0** | [5]**70.8** |
| Problem Loans / Gross Loans (%) | **2.9** | **3.0** | **3.1** | **2.3** | **2.9** | [5]**2.8** |
| Problem Loans / (Equity + Loan Loss Reserves) (%) | **40.8** | **49.2** | **44.5** | **38.2** | **62.8** | [5]**47.1** |

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

## Opinion

### 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 H1 2015, subject to (1) the bank being ready, (2) the Dutch banking sector having stabilized; and (3) investors having appetite for it.

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. (which merged in July 2010).

Nevertheless, the standalone BFSR is constrained by the bank's modest financial performance, which has been impacted by rising impairment charges in recent quarters. Furthermore, we anticipate that, despite signs of improvement in 2014, the still challenging business environment in the Netherlands will continue to weigh on ABN AMRO's asset quality with negative effects on its already weak profitability throughout 2014 and possibly beyond.

### 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 earnings remain under pressure because of the still challenging economic conditions in the Netherlands to which ABN AMRO is mostly exposed

- ABN AMRO's profitability remains constrained by credit costs

### Rating Outlook

The negative outlook on the BFSR reflects our view that the still challenging operating environment in the Netherlands will likely continue to affect the bank's overall asset quality profile and earnings potential over the next 12-18 months, despite early signs of improvement in the Dutch economy and the residential sector.

The negative outlook on the supported long-term and deposit ratings is driven by the negative outlook on the standalone credit assessment. However, it also takes into account the recent adoption of the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) regulation in the EU. In particular, this reflects that, with the legislation underlying the new resolution framework now in place and the explicit inclusion of burden-sharing with unsecured creditors as a means of reducing the public cost of bank resolutions, the balance of risk for banks's senior unsecured creditors has shifted to the downside. Although our support assumptions are unchanged for now, the probability has risen that they will be revised downwards to reflect the new framework. For further details, please refer to our Special Comment entitled "Reassessing Systemic Support for EU Banks", published on 29 May 2014.

### 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 still weak macroeconomic environment were to (1) lead to further significant deterioration of the bank's asset quality and profitability; or (2) have a negative impact on ABN AMRO's liquidity and/or capital.

The BFSR could also be downgraded if the bank materially increased its risk profile, for example as a result of expanding its riskier activities. 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, enjoying 20% to 25% market share in key products in this area, including mortgages, savings and consumer lending. 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. Around 81% of the bank's operating income are derived 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 recent acquisition of Credit Suisse's (Credit Suisse AG, A1/Prime-1 negative; C-/baa1 negative) 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-June 2014, assets under management totalled EUR176.4 billion up 5% from end-2013.

The bank has also maintained a strong position in commercial banking. Its domestic market share in business and corporate banking ranges from 25% to 30%. In international activities, ABN AMRO is an important player in some global specialist markets such as Energy, Commodities and Transportation (ECT), as well as Clearing. Both businesses are part of the bank's Merchant Banking business line, which accounted for 15% of operating income in 2013, providing a range of specialised financial services (such as debt financing, trade financing, cash management, clearing and primary dealerships) to large corporate clients and financial institutions.

Pre-provision income from retail and commercial banking activities have proven relatively stable in recent quarters, as management has managed to offset negative pressure on revenues from reduced economic activity in the Netherlands and low interest rate environment through proactive re-pricing of its loan portfolio. Also helped by improved margins on deposits, the bank's net interest margin increased to 147 basis points in H1 2014 from 134 basis points in 2013 and 120 basis points in 2012.

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 traditional retail and commercial banking. Concentration on the domestic market has been disadvantageous for the bank's performance over the past few quarters compared to more international peer groups due to the unfavorable operating environment in the Netherlands. We nevertheless believe that ABN AMRO's well-diversified, domestic business-focused operations with a large and well-established retail franchise will ultimately prove resilient and stable through the cycle. At end-June 2014, more than 60% of the bank's loan portfolio was composed of exposure to individuals, the bulk of which is residential mortgages. Recent track-record has evidenced smaller concentrations than peers on some higher risk sectors such as commercial real estate. We note that ABN AMRO has been increasing its Energy, Commodity and Transportation (ECT) business with further growth in its on-balance sheet exposure to EUR17.4 billion end-June 2014 (or 6.2% of the bank's total loan book). We recognize that this portfolio has been historically performing well and that ABN AMRO has a long track-record in this area. We nevertheless believe that, despite the generally short-dated and collateralized nature of the exposures, this activity's performance, at least in certain sub-areas, could prove less predictable and stable than traditional banking. As we believe this type of business generally induces relatively high single borrower exposures, we will remain cautious on its development.

The bank has limited market risk exposure, which accounted for around 6% of total RWAs at end-June 2014. It had an average value-at-risk of EUR2.6 million (excluding diversification benefits) in H1-2014, 13% lower than the average figure for 2013. ABN AMRO has discontinued its proprietary trading activities as from 2010; 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 strategic review of market activities conducted by the bank in H1 2014 also led to the decision, inter alia, to discontinue its equity derivatives desk as well as its Markets business in Asia, which we believe evidences ABN AMRO's limited appetite for market risks.

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 2014. At end-June 2014, the bank disclosed a loan-to-deposit ratio (LTD) of 119%, which ranks favorably among Dutch banks. It even reflects a good coverage ratio for an institution that principally operates in the Netherlands, a market which is structurally poor in customer deposits for banks relative to the amount needed to finance the loans (please see our latest Dutch banking system outlook, published on 18 February 2014, for further details). This relatively favorable LTD can partly be attributed to ABN AMRO's strong position in private banking, which brings substantial deposits (representing 26% of the bank's consolidated deposits at end-June 2014) but generates relatively limited lending. Although private banking deposits could prove less sticky than retail deposits, we believe they will remain an important source of funding for ABN AMRO.

The customer funding gap (around EUR40 billion at end-June 2014) is wholesale-funded. Risks stemming from the reliance on confidence-sensitive source of funding are mitigated by adequate liquidity management, including the control of the term structure of the outstanding debt and the constitution of a liquidity buffer kept at a level that covers all of the bank's short-term liabilities. At end-June 2014, the EUR70.4 billion liquidity buffer represented 236% of all wholesale debt securities maturing within one year (EUR30 billion), while the bank was a net lender on the interbank market, which we consider as a more than adequate to cover liquidity risk under our central scenario. This good coverage also mitigates the fact that the liquidity buffer is 46% composed of retained RMBS, which although currently eligible for refinancing with central banks, are likely to have limited secondary market in times of stress. At end-June 2014, both the bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio were above 100%, in compliance with EU prudential requirements ahead of schedule.

At end-June 2014, ABN AMRO reported a fully loaded Common Equity Tier 1 ratio of 12.7%, which we view as relatively strong in comparison to many of its European peers and against its risk profile. The current capital ratio is within the guidance provided by ABN AMRO of 11.5%-12.5% to be reached by 2017. One concern, which is a common feature to all Dutch retail banks, is the relatively low risk-weight of the Dutch mortgages (12.4% at ABN AMRO at year-end 2014) in the calculation of risk-weighted assets. These risk-weights derive from models that take into account the historical performance of Dutch mortgage loans over a period of steady property price increase and low unemployment, and hence may not fully reflect the structural changes and decline in domestic property prices witnessed over the past two years. While we recognize that the Dutch mortgage market is starting to show early signs of improvement through an increase in transaction volumes, the specificities of the Dutch residential mortgage market, including very high loan-to-values and the high proportion of bullet loans (a historically tax-driven feature) still keeps it vulnerable.

ASSET QUALITY REMAINS UNDER PRESSURE BECAUSE OF THE STILL CHALLENGING ECONOMIC CONDITIONS IN THE NETHERLANDS

ABN AMRO's customer loan book of EUR245 billion as at end-June 2014 comprised 61% of residential mortgages (which reflects material concentration on the housing sector), 7% of other consumer loans and 32% of corporate loans.

Similar to its peers in the Dutch market, the bank's overall asset quality began to show signs of deterioration in 2012 due to weakening macroeconomic conditions in the Netherlands. The bank's key business focus on the Netherlands, particularly its SME and its sizeable retail mortgage portfolios, has rendered it vulnerable to the challenging economic environment in the Dutch market. Credit costs as a percentage of outstanding loans rose from approximately 34 basis points in 2011 to 62 basis points in 2013 (based on our own calculation and excluding all one-off charges or reversals, notably with respect to Madoff-related and Greek-related exposures sold in the previous years).

The rise was primarily driven by the SMEs in the commercial banking business line where credit costs reached 198 basis points in 2013 (2011: 144 basis points in 2011), and which represented around half of the bank's total impairment charges. But the performance also deteriorated in the other sectors over the same period, notably in the retail banking business line where credit costs peaked in 2013 at 38 basis points (2011: 17 basis points), driven by consumer loans and to a lesser extent by residential mortgages, and in the merchant banking business line which was notably affected by weakening assets in the commercial real estate (CRE) sub-sector. We nevertheless believe the degree to which ABN AMRO was affected by losses on CRE was lower than for its main peers due to its relatively small exposure: as at end-2013, ABN AMRO had CRE sector exposures totaling EUR12.3 billion, which represented only around 5% of the bank's total loan book as at the same reporting date. Additionally, EUR1.7 billion of the social housing loan portfolio of EUR4.0 billion (included in the CRE portfolio) is government-guaranteed.

The negative trend in asset quality seems to have slightly reversed in H1 2014, where credit costs fell to around 50 basis points. We believe it is too early to assess whether or not asset quality is improving despite signs of a more benign economic environment. While we do not expect significant further deterioration in our central scenario, we believe impairment charges will remain elevated until 2015.

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 CREDIT COSTS

However, weakening economic conditions in the Netherlands since mid-2012 have translated into higher credit costs for ABN AMRO and the other Dutch banks. Despite early signs of recovery, we expect still challenging domestic operating conditions for Dutch banks to continue to keep revenues under pressure in the quarters to come. Impairment charges on loans and receivables absorbed 61% of ABN AMRO's operating result in 2013 versus 50% in 2012 and 32% in 2011, excluding the impact of one-off events (impairment charge reversals on Madoff-related and Greek-related exposures in 2013 and the negative impact of the change in pension scheme on the bottom-line result in H1 2014). This ratio slightly improved to 44% in H1 2014. On one hand, this evidences that the bank has the capacity to generate sufficient income on a recurring basis to absorb additional loan losses in the event of further deterioration in asset quality without affecting its capital base. We nevertheless believe that this ratio signals that ABN's profitability is not yet back to normal.

We positively note the bank's strong efforts in upgrading its IT landscape, which we consider as an essential investment to improve the cost efficiency of a retail-focused bank like ABN AMRO. While the current cost-to-income ratio has ranged from 60% to 64% over the past few years, the bank's operating efficiency will further improve as the currently implemented IT investments are expected to bear fruit from 2017.

### 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** |
|---|---|---|---|---|---|---|---|
| **Qualitative Factors (50%)** | | | | | | **C+** | |
| **Factor: Franchise Value** | | | | | | **C** | **Neutral** |
| **Market share and sustainability** | | | **x** | | | | |
| **Geographical diversification** | | | **x** | | | | |
| **Earnings stability** | | | **x** | | | | |
| **Earnings Diversification** [2] | | | | | | | |
| **Factor: Risk Positioning** | | | | | | **C-** | **Neutral** |
| **Corporate Governance** [2] | | | | **x** | | | |
| - Ownership and Organizational Complexity | | | | x | | | |
| - Key Man Risk | -- | -- | -- | -- | -- | | |
| - Insider and Related-Party Risks | | | | | | | |
| **Controls and Risk Management** | | | **x** | | | | |
| - Risk Management | | | x | | | | |
| - Controls | | | x | | | | |
| **Financial Reporting Transparency** | | **x** | | | | | |
| - Global Comparability | x | | | | | | |
| - Frequency and Timeliness | | x | | | | | |
| - Quality of Financial Information | | | x | | | | |
| **Credit Risk Concentration** | -- | -- | -- | -- | -- | | |
| - Borrower Concentration | -- | -- | -- | -- | -- | | |
| - Industry Concentration | -- | -- | -- | -- | -- | | |
| **Liquidity Management** | | | **x** | | | | |
| **Market Risk Appetite** | **x** | | | | | | |
| **Factor: Operating Environment** | | | | | | **B+** | **Weakening** |
| **Economic Stability** | | | **x** | | | | |
| **Integrity and Corruption** | **x** | | | | | | |
| **Legal System** | **x** | | | | | | |
| **Financial Factors (50%)** | | | | | | **C** | |
| **Factor: Profitability** | | | | | | **C** | **Weakening** |
| **PPI % Average RWA (Basel II)** | | | 2.18% | | | | |
| **Net Income % Average RWA (Basel II)** | | | 1.47% | | | | |
| **Factor: Liquidity** | | | | | | **C-** | **Neutral** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| (Market Funds - Liquid Assets) % Total Assets | | | | 11.68% | | | |
| Liquidity Management | | | x | | | | |
| **Factor: Capital Adequacy** | | | | | | A | Neutral |
| Tier 1 Ratio (%) (Basel II) | 13.73% | | | | | | |
| Tangible Common Equity % RWA (Basel II) | 12.71% | | | | | | |
| **Factor: Efficiency** | | | | | | D | Weakening |
| Cost / Income Ratio | | | | 65.26% | | | |
| **Factor: Asset Quality** | | | | | | D+ | Weakening |
| Problem Loans % Gross Loans | | | 2.99% | | | | |
| Problem Loans % (Equity + LLR) | | | | 44.83% | | | |
| Lowest Combined Financial Factor Score (15%) | | | | | | D+ | |
| *Economic Insolvency Override* | | | | | | 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.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on http://www.moodys.com for the most updated credit rating action information and rating history.

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