

Global Credit Research - 15 Dec 2010

La Coruna, Spain

## Ratings

Category	Moody's Rating
Outlook	Negative
Bank Deposits	A3/P-2
Bank Financial Strength	D
Issuer Rating	A3
Covered Bonds MTN -Dom Curr	(P)Aaa
Senior Unsecured -Dom Curr	A3
Subordinate -Dom Curr	Baa1
Jr Subordinate -Dom Curr	Ba3
<b>Pastor International Capital</b>	
Outlook	Negative
Bkd Subordinate MTN	(P)Baa1
<b>Pastor Internacional Debt, S.A Unipersonal</b>	
Outlook	Negative
Bkd Sr Unsec MTN -Dom Curr	(P)A3
Bkd Subordinate MTN -Dom Curr	(P)Baa1
Bkd Other Short Term -Dom Curr	(P)P-2
<b>Pastor Particip. Preferent., S.A Unipersonal</b>	
Outlook	Negative
Bkd Preferred Stock -Dom Curr	B3
Bkd Preference Stock -Dom Curr	B3

## Contacts

Analyst	Phone
Olga Cerqueira/Madrid	34.91.310.14.54
Maria Cabanyes/Madrid	
Johannes Wassenberg/London	44.20.7772.5454
Lucia GonzalezdeHeredia/Madrid	

## Key Indicators

### Banco Pastor, S.A (Consolidated Financials)[1]

	[2]12-09	[2]12-08	[3]12-07	[3]12-06	Avg.
Total Assets (EUR million)	32,325.23	27,121.30	25,326.46	23,782.25	[4]10.77
Tangible Common Equity (EUR million)	1,719.16	1,606.69	1,517.72	1,369.17	[4]7.88
Total Assets (USD million)	46,378.33	37,699.89	37,028.61	31,360.52	[4]13.93
Tangible Common Equity (USD million)	2,466.54	2,233.38	2,218.98	1,805.46	[4]10.96
PPI / Avg RWA	2.75%	2.13%	2.24%	1.93%	[5]2.44%
Net Income / Avg RWA	-0.19%	0.48%	1.13%	0.95%	[5]0.14%
(Market Funds - Liquid Assets) / Total Assets	27.33%	28.78%	23.41%	30.27%	[6]27.45%
Core Deposits / Average Gross Loans	64.48%	63.22%	63.20%	54.58%	[6]61.37%
Tier 1 Ratio	10.55%	7.46%	7.18%	7.26%	[5]9.01%
Tangible Common Equity / RWA	9.19%	8.13%	7.33%	7.61%	[5]8.66%
Cost / Income Ratio	43.33%	47.46%	48.73%	47.57%	[6]46.77%
Problem Loans / Gross Loans	7.14%	4.70%	0.99%	0.75%	[6]3.40%
Problem Loans / (Equity + Loan Loss Reserves)	59.32%	45.08%	9.29%	7.65%	[6]30.34%

Source: Moody's

[1] All 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] Basel II & IFRS reporting periods have been used for average calculation [6] IFRS reporting periods have been used for average calculation

## Opinion

## SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating (BFSR) of D to Banco Pastor (Pastor), which translates into a Baseline Credit Assessment (BCA) of Ba2. The rating is based on the bank's above-average efficiency indicators, satisfactory liquidity and good franchise value underpinned by its good market share in Galicia. The rating also reflects Pastor's high exposure to the construction and real estate sectors, its worse-than-average asset quality indicators and its weak risk-absorption capacity under Moody's anticipated scenario.

Banco Pastor's long-term global local currency (GLC) deposit rating of A3 is based on Moody's assessment of a high probability of systemic support in case of need, resulting in a five-notch uplift from the Ba2 BCA. The outlook on the deposit rating is negative.

Banco Pastor's debt ratings are A3/P-2.

### Credit Strengths

- Strong regional franchise
- Limited market risk as result of the focus on customer-driven activity
- Good liquidity management
- Strong cost-efficiency indicators

### Credit Challenges

- Managing and reducing its high exposure to the real estate sector
- Improving its asset quality indicators, which compare poorly with the system average
- Reducing its concentration in single-name exposures
- Preserving its risk-absorption capacity given the expected further deterioration of asset quality in Spain
- Maintaining adequate solvency levels

### Rating Outlook

The outlook on all the ratings, excluding the short-term rating, is negative. The outlook on the government-guaranteed debt portion of Pastor's medium-term note programme and outstanding government guaranteed debt issues is stable.

The negative outlook on the deposit rating reflects Moody's view that Pastor's ratings could come under pressure if loss assumptions were to increase significantly above our current expectations, or if other factors determining the bank's risk absorption capacity were to deteriorate to the degree that capital and earnings were affected. The negative outlook also reflects the challenging operating environment in Spain, which will continue to exert pressure on Pastor's credit fundamentals.

### What Could Change the Rating - Up

An upgrade of Pastor's BFSR and long-term ratings is unlikely in the near future, given the current outlook and Moody's negative outlook for the Spanish financial system.

However, upward pressure on Pastor's BFSR would be dependent on: (i) stronger Tier 1 and tangible common equity (TCE) ratios, needed to offset estimated credit losses under our anticipated scenario, and a reduction in transition risk to a more severe scenario; (ii) a sustained recovery of asset quality indicators, with less exposure to higher-risk asset classes; (iii) a reduction in credit risk concentration by borrower.

### What Could Change the Rating - Down

A downgrade of Banco Pastor's BFSR could ultimately result from: (i) further deterioration of asset quality indicators; (ii) deterioration of its capitalisation levels; (iii) greater deterioration in recurring earnings power than that contemplated in our base-case scenario; and/or (iv) deterioration of its liquidity position, with an increase in the recourse to short-term market funding.

Pastor's long-term debt and deposit ratings could potentially be downgraded if the bank's credit profile deteriorated substantially - leading to a multi-notch downgrade of its BFSR - or if Moody's were to assess the probability of systemic support as having declined.

### Recent Results and Company Events

On 7 October 2010, Moody's downgraded all rated government-backed debt issues of Spanish banks - including those of Pastor - to Aa1 with stable outlook from Aaa. This rating action was triggered by the downgrade of the Spanish Government to Aa1 from Aaa. While the downgrade of the Spanish Government's rating to Aa1 did not have an immediate impact on any other (not explicitly guaranteed) debt and deposit ratings of Spanish banks, Moody's noted that the government's financial flexibility and willingness to support its banks remain key drivers of most banks' ratings, and will be closely monitored going forward.

On 23 February 2010, Moody's downgraded the ratings on Spanish hybrid securities - in line with the revised "Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt", published in November 2009 - concluding the review for possible downgrade on these ratings initiated on 18 November 2009. Based on the above-mentioned methodology and on the characteristics of Spanish hybrid securities, junior subordinated debt instruments are rated one notch below the Adjusted BCA and non-cumulative preferred securities four notches below the Adjusted BCA. In particular, Banco Pastor's junior subordinated debt was downgraded to Ba3 from Baa3 and its non-cumulative preferred securities were downgraded to B3 from Ba3. The outlook on the ratings of all the affected instruments is negative, in line with the negative outlook on Banco Pastor's D BFSR and corresponding Ba2 BCA.

In the first nine months of 2010, Banco Pastor posted a net income of EUR 61.8 million, a decrease of 48.6% year-on-year. Net interest income

fell 11.4% as result of the increase of non-earning assets, low interest rates and higher funding costs. Fee and commission income decreased by 16.0%, total operating expenses rose by 4.2% and loan loss provisions increased by 83.7%.

The ratio of problem loans to gross loans stood at 7.04% at the end of September 2010 (the ratio would be 6.34%, if we were to include in gross loans EUR 2.5 billion related to the sale of first loss pieces of securitised loans), which compares negatively with the system's average of 5.49%. The coverage ratio stood at 44.0%, which compares with the system's average of 60.1%. If we adjusted the problem loans ratio to account for other non-earning assets - related to real estate acquisitions - the ratio of non-performing asset would amount to 13.92% as of September 2010.

At end-September 2010 Pastor's Tier 1 ratio stood at a sound 10.5% (vs. 10.7% a year before) and its core capital ratio remained strong at 8.4% (vs. 8.3%).

## **DETAILED RATING CONSIDERATIONS**

Detailed considerations for Banco Pastor's currently assigned ratings are as follows:

### **Bank Financial Strength Rating**

Moody's assigns a D BFSR to Banco Pastor. The BFSR is supported by the bank's good franchise in the region of Galicia, its above-average efficiency indicators and its good liquidity management. The ratings also reflect Pastor's weak risk-absorption capacity under Moody's anticipated scenario, its rapidly deteriorating asset quality indicators and its high-exposure to the construction and real estate sectors.

As a point of reference, the assigned BFSR is lower than the C+ outcome of Moody's bank financial strength scorecard, which is a reflection of the bank's most recent performance (average 2007-2009) and does not incorporate a forward-looking analysis of its credit fundamentals. The assigned BFSR is the result of incorporating our expected loss scenario for Pastor and our estimation of higher credit losses.

Qualitative Rating Factors (50%)

Factor 1: Franchise Value

Trend: Neutral

Pastor is the 15th largest financial institution in Spain by total assets as of end-December 2009, and a leading player in its home region of Galicia, where it had a combined market share of 10.35% in loans and deposits as of June 2010.

During the years prior to the global financial crisis, Pastor pursued a strategy to increasingly grow its network outside its home region. Although its national market share remains modest, 61.6% of the bank's branches were located outside its home territory as of September 2010. The bank now has branches in every Spanish region, but has focused its commercial efforts on Madrid and the regions along the Mediterranean coast (Catalonia, Valencia, Murcia and Andalusia). The increased geographical diversification has been achieved without compromising the bank's position in Galicia where it has been able to maintain or increase its market share.

Pastor's capital markets activity is modest and the contribution to profits is limited; however, the bank displays strong revenue predictability as a result of its focus on retail banking.

We note that, in the context of the current crisis, Pastor has not been proactive in seeking growth opportunities through acquisitions - in contrast to its peers. If Pastor were to participate in any integration process, we would have to assess the impact on its credit profile and the risk absorption capacity of the resulting entity.

We regard the current C+ score for franchise value as sustainable but difficult to improve, given the current operating environment and the reorganisation of the Spanish financial system.

Factor 2: Risk Positioning

Trend: Neutral

Overall, Banco Pastor's risk positioning is adequate, with good risk management, reflected in good risk infrastructure and risk management systems. The factor that most negatively impacts its risk positioning is the high credit risk concentration per borrower, particularly in the real estate and construction sectors, a factor common to many of its domestic peers.

We acknowledge that there is high awareness by the Board and senior management of the bank's key risks, a good risk culture spread across the organisation, and clear separation of the risk and business functions. However, we believe that further improvements could be made in terms of risk governance and in terms of use of stress-tests and economic capital per business area.

The bank has relatively low market risk appetite, with low exposure to market risk due to a small trading portfolio, low exposure to FX risk and a heavily hedged balance sheet, and hence a modest impact of interest rate movements on the bank's shareholder equity. The exposure to equities has been reduced with the sale of 1.1% and 1.86% stakes in Union Fenosa in 2008 and 2009, respectively.

Overall, the bank displays a good liquidity profile and adequate liquidity management. Banco Pastor presents a diversified funding profile and moderate refinancing requirements over the next two years. Since the beginning of the financial crisis, the bank has been reducing its reliance on domestic commercial paper, which at the end of September 2010 stood at EUR 432 million, representing 5% of total wholesale funding. At the end of September 2010, ECB funding totalled EUR 2.2 billion, down from EUR 5.9 billion in June 2010. Total available liquid assets on balance sheet which could be pledged with the ECB in the case of need amounted to EUR 2.1 billion (net of haircuts and of already "re-poed" assets).

After many years of significant increase in its reliance on wholesale funding due to the strong growth in lending, Banco Pastor has been able to stabilise its funding profile, with customer deposits accounting for 42.1% of funding as of June 2010. We also note that as of such date, Banco Pastor had a net borrowing interbank position of EUR 228 million. Overall, as at end-June 2010, Pastor had a net positive funding gap for a period of one year, in the event that markets (including interbank and commercial paper) remained completely closed for a year.

As mentioned above, Pastor displays high credit risk concentration. The bank is exposed to some large risks and also to the real estate and construction sectors. We will continue to monitor these exposures and the evolution of Pastor's risk absorption capacity.

The score outcome for risk positioning is C+. Going forward, we do not expect changes in the credit risk concentration, which is the main driver of this factor score.

#### Factor 3: Regulatory Environment

Please see the latest Banking System Outlook on Spain, published in December 2010, for a full discussion of the regulatory environment.

#### Factor 4: Operating Environment

Trend: Weakening

This factor is common to all Spanish banks. Please see the latest Banking System Outlook on Spain, published in December 2010, for a full discussion of the regulatory environment.

#### Quantitative Rating Factors (50%)

#### Factor 5: Profitability

Trend: Weakening

Over the past few years, Pastor's profitability indicators have compared well with those of its domestic peers, despite the bank's aggressive expansion strategy. This was mainly a result of the bank's relatively high net interest margins (1.99% at the end of 2009) and good cost control. At the end of September 2010, Pastor's profitability, measured by adjusted pre-provision income and net income as a percentage of average risk-weighted assets, stood at 1.73% and 0.33%, respectively, from 2.75% and -0.19% at the end of December 2009. In common with its domestic peers, Pastor's recurrent profitability has been negatively affected during the first nine months of 2010 by the sharp increase in non-earning assets, low interest rates, and higher funding costs.

The bank is particularly active in retail and SME lending, with the loan book representing 68.6% of total assets as of June 2010. However, Pastor is less reliant on net interest income compared with its domestic peers, as it benefits from a good contribution from fee income. In 2008 and 2009, trading income contributed in a higher proportion to Pastor's income, as a result of the divestment in Union Fenosa. Nonetheless, we note that the bank allocated these gains in order to increase loan loss provisions.

Pastor's profitability indicators are currently in the D range. We believe it will be difficult to improve profitability in the short term given the current operating environment and our expectations of increased funding pressures and the higher level of non-earning assets.

#### Factor 6: Liquidity

Trend: Weakening

Please refer to the discussion on liquidity management under Risk Positioning above

During the first nine months of 2010, Pastor increased its customer deposits by 12.4% year-on-year. As at end-September 2010, customer funding represented 42.1% of total funding (49.6% at the end of December 2009). The ratio of gross loans to customer deposits was 141.2% (versus 157.1% at end-December 2009). In addition, Banco Pastor displays adequate diversification of its wholesale funding, with no significant maturities over the next two years.

Pastor scores D+ for liquidity, but the score improves to C- after adjusting the liquidity ratio by excluding covered bonds and long-term debt from market funds. The weakening trend reflects the ongoing liquidity crunch that is preventing Banco Pastor and its domestic peers from accessing long-term, stable funding.

#### Factor 7: Capital Adequacy

Trend: Weakening

In the years prior to the crisis, Pastor's capitalisation levels compared unfavourably with those of its Western European peers, explained by the bank's growth strategy and the slower increase in retained earnings. During 2009, however, the slowdown in risk-weighted assets and the issuance of preferred shares (in April 2009) enabled Pastor to reinforce its capitalisation levels. At the end of September 2010, Pastor reported Tier 1 and total capital levels of 10.49% and 11.28%, respectively, from 10.55% and 12.47% at the end of 2009.

The weakening trend for capital adequacy reflects Moody's expectation of different loss scenarios for Banco Pastor's current loan portfolios. Instead of looking at the bank's current capital ratio, we therefore consider the capital ratio available after incorporating the bank's potential cumulative lifetime losses. In addition, we include the benefit of 12 months of pre-provision income.

Pastor scores B+ for capital adequacy, but after incorporating our baseline estimation of losses, the outcome deteriorates to E+, which is more in line with the assigned BFSR.

#### Factor 8: Efficiency

Trend: Neutral

Banco Pastor's efficiency indicators compare well with those of its similarly rated peers. We acknowledge that efficiency gains have remained one of management's key strategic targets over the past few years. The relatively good efficiency indicators posted by Pastor over the past few years are the result of the bank's recurrent earnings growth and good cost-control capacity. At the end of September 2010, however, the cost-to-income ratio deteriorated to 47.2% from 43.3% at the end of 2009, on the back of the decrease of net interest income (down by 11.4% year-on-year) and fee and commissions (a drop of 16.0%) as well as the higher operating expenses (up by 4.2%).

The scorecard outcome for efficiency is B, which we believe will remain unchanged over the next few years, given our expectations of slower profit growth, which will make further efficiency improvements difficult to achieve.

#### Factor 9: Asset Quality

Trend: Weakening

Pastor's asset quality indicators compare unfavourably with its domestic peers, with a ratio of problem loans to gross loans of 7.04% as at September 2010 (the ratio would be 6.34%, if we were to include in gross loans EUR 2.5 billion related to the sale of first loss pieces of securitised loans), which compares with the system average of 5.49%.

The deterioration of Pastor's asset quality has been triggered by the construction and real estate sectors, to which Pastor has a significant exposure. If we adjust the problem loans ratio to account for other non-earning assets - related to real state acquisitions - we arrive at a non-performing asset ratio of 13.92% (problem loans plus real-estate assets, as a percentage of its loan book) as of June 2010.

Pastor's coverage ratio stood at 44.0% as at September 2010 (vs. 54.1% a year before), which compares with the system average of 60.1% as at September 2010.

Going forward, we expect asset quality indicators to continue to deteriorate given the weak economic prospects for Spain, rising unemployment and expected higher interest rates in 2011.

The scorecard outcome for asset quality is D+, but it deteriorates to E+ if we adjust to reflect only the most recent year.

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

Moody's assigns a Global Local Currency (GLC) deposit rating of A3 to Banco Pastor.

The GLC rating is supported by Banco Pastor's BCA of Ba2 and by Spain's Aaa local currency deposit ceiling. The bank receives a five-notch uplift from its BCA, bringing the GLC to A3.

Moody's assesses the probability of systemic support in the event of a stress situation as high. This is based on Banco Pastor's top-tier status in the Galicia region.

#### Notching Considerations

In accordance with Moody's notching guidelines, Banco Pastor's senior subordinated debt is rated at Baa1 and its junior subordinated debt at Ba3. The bank's preferred shares are rated at B3.

#### Foreign Currency Deposit Rating

Moody's foreign currency deposit ratings for Pastor are A3/P-2, with a negative outlook on the long-term deposit rating.

#### Foreign Currency Debt Rating

Moody's foreign currency debt ratings for Pastor are A3/P-2, with a negative outlook on the long-term debt rating.

### ABOUT MOODY'S BANK RATINGS

#### Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. BFSRs do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

#### Global Local Currency Deposit Rating

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

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Credit Assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

#### National Scale 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. 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

#### Banco Pastor, S.A

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
<b>Qualitative Factors (50%)</b>						<b>B-</b>	
<b>Factor: Franchise Value</b>						<b>C+</b>	<b>--</b>
<b>Market Share and Sustainability</b>			<b>x</b>				
<b>Geographical Diversification</b>			<b>x</b>				
<b>Earnings Stability</b>		<b>x</b>					
<b>Earnings Diversification [2]</b>							
<b>Factor: Risk Positioning</b>						<b>C+</b>	<b>--</b>
<b>Corporate Governance [2]</b>	--	--	--	--	--		
- Ownership and Organizational Complexity	--	--	--	--	--		
- Key Man Risk	--	--	--	--	--		
- Insider and Related-Party Risks	--	--	--	--	--		
<b>Controls and Risk Management</b>		<b>x</b>					
- Risk Management			<b>x</b>				
- Controls	<b>x</b>						
<b>Financial Reporting Transparency</b>		<b>x</b>					
- Global Comparability	<b>x</b>						
- Frequency and Timeliness	<b>x</b>						
- Quality of Financial Information		<b>x</b>					
<b>Credit Risk Concentration</b>	--	--	--	--	--		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
<b>Liquidity Management</b>			<b>x</b>				
<b>Market Risk Appetite</b>	<b>x</b>						
<b>Factor: Operating Environment</b>						<b>B</b>	<b>--</b>
<b>Economic Stability</b>	<b>x</b>						
<b>Integrity and Corruption</b>			<b>x</b>				
<b>Legal System</b>		<b>x</b>					
<b>Financial Factors (50%)</b>						<b>C-</b>	
<b>Factor: Profitability</b>						<b>D</b>	<b>Weakening</b>
<b>PPI / Average RWA- Basel II</b>			2.44%				
<b>Net Income / Average RWA- Basel II</b>					0.14%		
<b>Factor: Liquidity</b>						<b>D+</b>	<b>Weakening</b>
<b>(Mkt funds-Liquid Assets) / Total Assets</b>					26.51%		
<b>Liquidity Management</b>			<b>x</b>				
<b>Factor: Capital Adequacy</b>						<b>B+</b>	<b>Weakening</b>
<b>Tier 1 Ratio - Basel II</b>		9.01%					

Tangible Common Equity / RWA- Basel II	8.66%						
Factor: Efficiency						B	Neutral
Cost / Income Ratio		46.50%					
Factor: Asset Quality						D+	Weakening
Problem Loans / Gross Loans			4.28%				
Problem Loans / (Equity + LLR)				37.90%			
Lowest Combined Score (15%)						D+	
Economic Insolvency Override						Neutral	
Aggregate Score						C	
Assigned BFSR						D	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral



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