MOODY'S
INVESTORS SERVICE

Credit Opinion: Erste Group Bank AG

Global Credit Research - 19 Dec 2014

Vienna, Austria

Ratings

Category	**Moody's Rating**
Outlook	Negative(m)
Bank Deposits	Baa2/P-2
Bank Financial Strength	D+
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Senior Unsecured	Baa2
Senior Subordinate -Dom Curr	Ba2
Jr Subordinate -Dom Curr	Caa1 (hyb)
Commercial Paper -Dom Curr	P-2
Other Short Term -Dom Curr	(P)P-2
Ceska Sporitelna, a.s.	
Outlook	Negative(m)
Bank Deposits	A2/P-1
Bank Financial Strength	C-
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Erste Bank Hungary Zrt.	
Outlook	Negative(m)
Bank Deposits	B3/NP
Bank Financial Strength	E
Baseline Credit Assessment	caa2
Adjusted Baseline Credit Assessment	b3

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Key Indicators

Erste Group Bank AG (Consolidated Financials)[1]

	[2]**9-14**	[3]**12-13**	[3]**12-12**	[3]**12-11**	[3]**12-10**	**Avg.**
Total Assets (EUR million)	**196,973.2**	**199,773.1**	**213,707.0**	**209,875.3**	**205,639.0**	[4]**-1.1**
Total Assets (USD million)	**248,826.1**	**275,275.8**	**281,749.5**	**272,448.6**	**275,873.7**	[4]**-2.5**
Tangible Common Equity (EUR million)	**8,328.4**	**9,425.2**	**9,177.0**	**8,831.7**	**8,939.1**	[4]**-1.8**
Tangible Common Equity (USD million)	**10,520.9**	**12,987.3**	**12,098.9**	**11,464.9**	**11,992.2**	[4]**-3.2**
Net Interest Margin (%)	**2.3**	**2.4**	**2.5**	**2.7**	**2.8**	[5]**2.5**
PPI / Average RWA (%)	**2.7**	**2.6**	**2.7**	**2.8**	**2.9**	[6]**2.7**
Net Income / Average RWA (%)	**-0.9**	**0.5**	**0.7**	**0.4**	**0.9**	[6]**-0.9**
(Market Funds - Liquid Assets) / Total Assets (%)	**-4.3**	**2.5**	**4.7**	**8.1**	**7.6**	[5]**3.7**
Core Deposits / Average Gross Loans (%)	**93.7**	**94.3**	**92.0**	**88.8**	**89.4**	[5]**91.6**
Tier 1 Ratio (%)	**10.8**	**11.8**	**11.6**	**10.4**	**10.2**	[6]**10.8**
Tangible Common Equity / RWA (%)	**8.3**	**9.6**	**8.7**	**7.7**	**7.5**	[6]**8.3**

Cost / Income Ratio (%)	**60.5**	**61.5**	**58.9**	**56.0**	**53.4**	[5]**58.1**
Problem Loans / Gross Loans (%)	**8.9**	**9.6**	**9.2**	**8.5**	**7.6**	[5]**8.7**
Problem Loans / (Equity + Loan Loss Reserves) (%)	**63.0**	**62.1**	**60.9**	**59.8**	**51.8**	[5]**59.5**

Source: Moody's

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

Opinion

SUMMARY RATING RATIONALE

Erste Group Bank AG's (Erste) long-term debt and deposit ratings are Baa2 (negative outlook), and its short-term ratings are Prime-2. Under Moody's joint default analysis (JDA) methodology, our support assessments provide two notches of rating uplift to Erste's long-term ratings from its ba1 baseline credit assessment (BCA), reflecting our assumption of a high probability of systemic support from Austria (Aaa stable) in case of need. Our support assumptions take into account the bank's sizeable domestic market shares, its critical role for Austria's payment system, and the relative importance of the savings bank (Sparkassen) sector to the country's banking system.

We assign a standalone bank financial strength rating (BFSR) of D+ to Erste, equivalent to a ba1 BCA, with a negative outlook. We recently repositioned Erste's BCA to ba1 to reflect the weak earnings trend and significantly reduced internal capital generation, which is further pressured by ongoing high credit risk charges for its Hungarian and Romanian operations. While Erste's direct exposure to Russia is limited, the recent dislocations in the Russian market have prompted concerns over the potential adverse effect on some of the bank's main operations in Central and Eastern Europe (CEE). The bank's still elevated ratio of non-performing loans (NPLs) of 13.3% for its operations in CEE indicates sustained asset quality problems in this region.

Rating Drivers

-- Weak earnings trend, hence significantly reduced internal capital generation

- Elevated level of problem loans constrains Erste's standalone credit profile

- Improved capital position

- Deposit-rich balance sheet, with moderate reliance on wholesale funding

- CEE subsidiaries remain the group's driver of profitability and high credit costs

Rating Outlook

The negative outlook on Erste's long-term deposit and debt ratings reflects the negative outlook on its BFSR and our view that the balance of risk for banks' senior unsecured creditors has shifted to the downside following the adoption of the Bank Recovery and Resolution Directive (BRRD) in Europe which will be transposed into national legislation in Austria as of 1 January 2015.

The negative outlook on Erste's BFSR reflects (1) our assessment of additional uncertainties arising from the recent deterioration of operating conditions in Russia and potential negative implications on some of the bank's operations in CEE; and (2) our assessment regarding the bank's ability to provide a buffer for negative developments in its pressured profitability in order to avoid losses for subordinated creditors, as indicated by the recent announcement to skip or defer coupon payments on the bank's subordinated capital instruments.

What Could Change the Rating - Down

Downward pressure could be exerted on Erste's D+ standalone BFSR following (1) further additional credit charges, in particular related to the bank's operations in CEE; (2) further weakening in earnings that result in lower internal capital generation; and (3) weakened capitalisation levels.

Downward pressure could be exerted on Erste's long-term ratings as a result of (1) a lowering of its standalone ba1 BCA; or (2) a re-assessment of Moody's systemic support assumptions.

What Could Change the Rating - Up

There is currently no upward rating pressure as reflected by the negative outlook.

Upward pressure on Erste's D+ standalone BFSR would be prompted by (1) a significant and sustained reduction in the volume of NPLs; (2) a material increase of its capitalisation; and (3) sustained improvement in the bank's operating performance and its capital generation capacity.

If Erste were to resume payments on its supplementary capital and hybrid capital instruments on a sustained basis, upward pressure would develop on these ratings to the extent that ratings would return to normal notching.

DETAILED RATING CONSIDERATIONS

WEAK EARNINGS TREND, HENCE SIGNIFICANTLY REDUCED INTERNAL CAPITAL GENERATION

Erste's earnings strength has weakened in recent years while the bank's capital generation capacity remains constrained by high risk charges and one-off payments. Given the low interest environment, we consider that Erste's earnings generation capacity has diminished as reflected by lower net interest income. After a significant decrease in the bank's operating result since 2010 (to EUR3.3 billion in 2013, from EUR3.8 billion in 2010) , we note that it stabilised at EUR2.3 billion during the nine months to September 2014 compared to the same period in 2013 as the bank was able to compensate for the pressure on interest income mainly by lower expenses.

Erste still expects a weaker operating result for full year 2014, mainly driven by weaker operating results in Hungary and Romania. Operations in both countries continue to experience poor asset quality related to substantial legacy portfolios, and, in the case of Hungary, continued government intervention related to the bank's substantial foreign-currency mortgage book. For 2014, we expect the bank to accelerate its NPL reduction in Romania. Following new legislation in June 2014, the Hungarian government has passed legislation in November on how interest rates on foreign-currency retail loans will be converted into local currency. While the conversion still benefits borrowers as the Swiss franc base rate is replaced with the Hungarian forint rate, there will be no further additional haircut on conversion rates. As the conversion is performed on a loan-by-loan basis, effects depend on the period when the loans were granted, and will only be fully visible once Hungarian banks start reporting according to the new rules in H1 2015.

For 2014, Erste expects loan loss provisions of EUR2.4 billion, mainly as a result of increased provisions in Hungary and Romania. Erste now expects to record a full year net loss of EUR1.4-1.6 billion, also as a result of a write-down on intangibles in Romania and deferred tax assets of up to EUR1.0 billion that does not impact regulatory capital. Erste expects a normalisation of the cost of risk in Romania at 100-150 bps for 2015 and in Hungary at 150-200 bps by 2016. However, given the significant deterioration of the operating environment in Russia, we are concerned over the potential adverse effect on the credit metrics of some of the bank's main operations in CEE. At the same time, we note that Erste's direct exposure to Russia is limited.

ELEVATED LEVEL OF PROBLEM LOANS CONSTRAINS ERSTE'S STANDALONE CREDIT PROFILE

NPLs as of September 2014 amounted to EUR11.4 billion, down from EUR12.3 billion at year-end 2013. As a result, over this period the bank's NPL ratio (NPLs as percentage of total loans) dropped to 8.9% from 9.6%. The decline was mainly the result of EUR562 million of NPL sales since the beginning of the year, EUR341 million of which Erste completed in the third quarter. Moreover, the formation of new NPLs slowed down with a net reduction of EUR312 million, despite additional NPLs of EUR122 million related to Erste's non-core operations in Southeastern Europe and the Commonwealth of Independent States region.

We expect the bank's credit profile to remain constrained by the high stock of NPLs - mainly related to the bank's operations in CEE - as we expect the bank to remain vulnerable to a slowdown in economic activity in Eastern Europe. Key drivers of Erste's high NPL ratios are three of the bank's five core markets in CEE: Romania (NPL ratio 26.5% as of September 2014), Hungary (26.3%) and Croatia (18.7%). At the same time, Erste reports good asset quality and comfortable coverage in the Czech Republic (NPL ratio: 4.7%, coverage: 79%) and Slovakia (NPL ratio: 5.1%, coverage: 85%), accounting for more than 50% of the bank's gross loans in CEE.

While still at very high levels, the volume of NPLs for Hungary and Romania has started to decrease. For Romania, Erste reported a decline in NPLs to EUR2.5 billion as at September 2014, down from EUR3.3 billion as at September 2013, mainly on the back of the sale portfolios of NPLs (about EUR276 million of NPLs sold in Q3 2014). Further NPL sales should help the bank to substantially decrease its stock of NPLs in Romania over time.

For Hungary, over the same period the volume of NPLs decreased to EUR1.3 billion from EUR1.5 billion.

Despite some recent stabilisation and success in active reduction in the volume of NPLs, we consider the weak credit quality of significant parts of its CEE exposure to pose a considerable tail risk, particularly if the latest trend in group NPLs proves short-lived, which could be the case in an overall economic slowdown in Europe.

IMPROVED CAPITAL POSITION

We consider Erste's capital position to be sufficiently adequate to absorb losses in a downside scenario, (1) given a reported Common Equity Tier 1 (CET1) of 10.8% as of 30 September 2014 and guidance of a fully phased-in CET1 comfortably above 10% as per year-end 2014; and (2) also taking into account Erste's improved coverage ratio. A combination of a capital increase and a reduction in risk-weighted assets enabled Erste to repay its entire participation capital in 2013, thereby improving its capital quality without negatively affecting its capital ratio. Erste's disposal of non-core assets, and changes to its business mix towards a larger portion of mortgage loans enabled the bank to decrease the risk-weighted assets to EUR101 billion as of end-September 2014 from EUR120 billion as of December 2010. Because of limited adjustments implied by the transitioning to the full implementation of Basel III, we consider the bank's capital position to be in line with similarly rated peers.

Erste passed the ECB's comprehensive assessment with a CET1 of 10.1% in the ECB's "baseline" scenario and 7.6% in its "adverse" stress scenario. As a result of the asset quality review, the ECB adjusted Erste's CET1 ratio down to 10.0%, compared with the 11.2% ratio reported by the bank at the beginning of 2014 and which is one of the most significant adjustments among the 130 banks assessed by the ECB. Erste has addressed the additional provisioning needs outlined by the ECB (EUR1.4 billion under ECB rules) and significantly increased the provisioning related to its operations in Hungary and Romania.

DEPOSIT-RICH BALANCE SHEET WITH MODERATE RELIANCE ON WHOLESALE FUNDING

Erste's funding structure continues to be a relative strength, with a loan-to-deposit structure at the end of September 2014 of 100%. The bank continues to benefit from its access to a broad and diversified base of customer deposits of EUR120 billion - accounting for 61% of total liabilities. Around 57% of the bank's deposits are generated from its domestic operations, while roughly 65% of its CEE-related deposits (EUR34 billion out of EUR51 billion) are generated from the Czech Republic and Slovakia.

Erste benefits from a comfortable liquidity profile. As at end-September 2014, Erste's short-term funding needs were EUR20 billion compared to a portfolio of unencumbered assets (post haircut) of EUR41.5 billion. The bank's liquidity portfolio is mainly invested in ECB- and other central bank-eligible assets. The bank's outstanding securities amounted to EUR29 billion and accounted for 15% of total liabilities, of which covered bonds represented EUR10 billion . We estimate Erste's annual long-term refinancing needs to be roughlyEUR3 billion for the next three years, which we believe is manageable compared to the bank's balance sheet size.

In March 2012, Austria's banking regulators recommended that the country's three major banks limit their new lending in Eastern European subsidiaries to 110% of local deposits, plus funding in local capital markets and funding from supranational institutions. In our view, the promotion of a more locally based funding model mitigates potential risks resulting from potential funding imbalances in local markets. Accounting for local customer loans and deposits only, Erste's Czech subsidiary benefits from EUR5.6 billion excess deposits (Slovakia: EUR1.3 billion) as of September 2014. In Romania, Hungary and Croatia loans exceeded deposits by EUR1.0 billion, EUR1.2 billion and EUR1.7 billion, respectively.

CEE SUBSIDIARIES REMAIN THE GROUP'S DRIVER OF PROFITABILITY AND HIGH CREDIT COSTS

Erste's credit profile is driven by its operations in Austria (accounting for almost 44% of its exposure) and its activities in CEE. Both activities have distinct characteristics: The bank's domestic operations contribute stable but lower-margin business, with Erste accounting for 18% of retail deposits in Austria as of year-end 2013.

Erste also has leading market shares in most of its six core markets in CEE. Its CEE operations account for two-thirds of the group's pre-provision income (first nine months of 2014). Erste's operations in CEE are geographically more concentrated than some of its major peers because operations in the Czech Republic and Slovakia increasingly contribute the bulk of the group's CEE earnings; in the first nine months of 2014, these two countries accounted for 36% of the group's pre-provision income. In addition, the bank's activities in Hungary, Romania and Croatia - with combined total loans of EUR21.3 billion as of end-September 2014 (representing 17% of total gross loans) - face specific challenges and, therefore, reduce the group-wide risk-adjusted profitability. These factors are important rating constraints compared with Erste's profitability dispersion in previous years, rendering the bank more vulnerable to potential setbacks in these markets.

In recent years, Erste's cost of risk accounted for more than 35% its net interest income. For 2014, we expect Erste's cost of risk to be more than 50% of its net interest income as the bank increased its full year expectation for loan loss provisions to EUR2.4 billion, from its previous forecast of EUR1.7 billion, as a result of increased provisions in Hungary and Romania. In addition, Erste continued to write-down its intangible assets related to CEE during H1 2014. The main drivers for the net loss of EUR1.5 billion in the first nine months of 2014 were loan-loss provisions of EUR2.0 billion which includes an estimate of EUR361 million additional provisioning needs for consumer loans in Hungary. In addition, Erste accounted for EUR471 million write-downs of the customer relationships, and the brand in Romania, as well as goodwill impairments amounting to EUR421 million (comprising EUR319 million in Romania and EUR61 million in Croatia, as well as EUR40 million of Steiermärkische Sparkasse which holds a significant stake in Erste Bank Croatia).

Global Local Currency Deposit Rating (Joint Default Analysis)

We assign a global local currency (GLC) deposit rating of Baa2 to Erste, with negative outlook. In accordance with Moody's joint default analysis methodology, the rating is supported by Erste's ba1 BCA as well as two notches of systemic support uplift on the basis of our assessment of a high probability of systemic support. The systemic support assessment is based upon Erste's sizeable national market share, its critical role for the country's payment system and the relative importance of the savings bank (Sparkassen) sector to the country's banking system.

Notching Considerations

Erste's subordinated debt is assigned a Ba2 local-currency debt rating. The rating is one notch below the bank's ba1 adjusted BCA and carries a negative outlook in line with Erste's BFSR.

The ratings of Erste's supplementary capital and hybrid capital instruments reflect the bank's announcement on 9 December 2014 to pay no coupons on these instruments in 2015. The ratings are positioned at the lower of normal notching or on an expected loss basis once the coupons stop paying. The rating levels depend on the terms and conditions of these securities and their respective coupon levels.

Ratings that continue to be rated according to our notching approach:

(1) We continue to rate Erste's cumulative junior subordinated debt maturing in 2019 (ISIN:XS0303559115, Moody's Debt ID: 820418491) at B1(hyb) (three notches below the ba1 adjusted BCA) as bondholders benefit from Erste's obligation to pay the 2015 coupons once the bank has sufficient annual profits to resume payments. The ratings reflect the junior subordinated claim in liquidation and cumulative deferral features tied to the breach of a net loss trigger. The outlook is negative in line with the outlook on Erste's BFSR.

(2) We rate three junior subordinated debt securities at B2(hyb) (ISIN:AT000B000450, Moody's Debt ID: 809640880; ISIN:AT000B000518, Moody's Debt ID: 809783821; ISIN:AT000B001078, Moody's Debt ID: 820411086). To the extent that there are not sufficient profits (prior to movements in reserves) under Austrian GAAP coupon payments must not be paid in that year. Whether coupons are then deferred or skipped is subject to management discretion according to our assessment of the bond documentation and as reflected in the rating levels at four notches below the adjusted BCA. We expect Erste to resume payments in 2016. The outlook on these ratings is stable.

The following ratings are based on our expected loss approach and carry a stable outlook as we do not expect any further impairment at the current rating levels.

(3) The ratings of Erste's non-cumulative preferred securities reflect the expected recovery rate given the announced loss of coupon payments in 2015: Caa1(hyb) (ISIN XS0268694808, Moody's Debt ID: 809807559; XS0215338152, Moody's Debt ID: 808192280) and B2(hyb) (ISIN XS0188305741, Moody's Debt ID: 807484307) from B1(hyb). These securities have a deeply subordinated claim in liquidation and non-cumulative coupon skip mechanism tied to the breach of a balance sheet loss trigger.

(4) Two junior subordinated debt securities (ISIN:AT000B000062, Moody's Debt ID: 809202341; and ISIN:XS0143383148, Moody's Debt ID: 10323181) have non-cumulative coupons and are rated at Caa1(hyb) (AT000B000062) and B2(hyb) (XS0143383148).

(5) For Erste's junior subordinated debt maturing in 2015 (ISIN:AT000B000708, Moody's Debt ID: 815144235) We do not expect bondholders to recoup the lost coupons at maturity and hence rate the debt at Caa1(hyb).

Foreign Currency Deposit Rating

Erste's foreign-currency deposit ratings are Baa2 (negative outlook)/Prime-2.

Foreign Currency Debt Rating

Erste's foreign currency debt ratings are Baa2 (negative outlook)/Prime-2.

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 honour 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 (Joint Default Analysis)

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 recognise 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. 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

Erste Group Bank AG

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						**D+**	**Neutral**
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- 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					**x**		
- Borrower Concentration					x		
- Industry Concentration				x			
Liquidity Management			**x**				
Market Risk Appetite		**x**					
Factor: Operating Environment						**B-**	**Neutral**
Economic Stability				**x**			
Integrity and Corruption		**x**					
Legal System	**x**						
Financial Factors (50%)						**C-**	
Factor: Profitability						**C**	**Neutral**
PPI % Average RWA (Basel II)		2.71%					
Net Income % Average RWA (Basel II)				0.51%			
Factor: Liquidity						**C**	**Neutral**
(Market Funds - Liquid Assets) % Total Assets			5.14%				
Liquidity Management			x				
Factor: Capital Adequacy						**A**	**Neutral**

Tier 1 Ratio (%) (Basel II)	11.27%						
Tangible Common Equity % RWA (Basel II)	8.70%						
Factor: Efficiency						**C**	**Neutral**
Cost / Income Ratio			58.80%				
Factor: Asset Quality						**E+**	**Neutral**
Problem Loans % Gross Loans				9.08%			
Problem Loans % (Equity + LLR)					60.92%		
Lowest Combined Financial Factor Score (15%)						**E+**	
Economic Insolvency Override						**Neutral**	
Aggregate BFSR Score						**C-**	
Aggregate BCA Score						**baa1/baa2**	
Assigned BFSR						**D+**	
Assigned BCA						**ba1**	

[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.