MOODY'S
INVESTORS SERVICE

Credit Opinion: LeasePlan Corporation N.V.

Global Credit Research - 04 Feb 2013

Almere, Netherlands

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits -Dom Curr	Baa2/P-2
Bank Financial Strength	C-
Baseline Credit Assessment	(baa2)
Adjusted Baseline Credit Assessment	(baa2)
Issuer Rating -Dom Curr	Baa2
Senior Unsecured	Baa2
Bkd Commercial Paper	P-2
Other Short Term	(P)P-2
LeasePlan Finance N.V. (DUBLIN BRANCH)	
Outlook	Stable
Bkd Senior Unsecured	Baa2
Bkd Commercial Paper	P-2
Bkd Other Short Term	(P)P-2
LeasePlan Australia Limited	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Baa2
Bkd Commercial Paper	P-2
Bkd Other Short Term -Dom Curr	(P)P-2

Contacts

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

Key Indicators

LeasePlan Corporation N.V. (Consolidated Financials)[1]

	[2]6-12	[2]12-11	[2]12-10	[2]12-09	[2]12-08	Avg.
Total Assets (EUR million)	19,290.8	18,874.8	17,469.3	17,126.2	17,698.8	[3]2.2
Total Assets (USD million)	24,481.0	24,502.2	23,435.8	24,571.7	24,602.2	[3]-0.1
Tangible Common Equity (EUR million)	2,158.2	2,013.9	1,809.0	1,567.5	1,393.7	[3]11.6
Tangible Common Equity (USD million)	2,738.9	2,614.3	2,426.9	2,249.0	1,937.3	[3]9.0
Net Interest Margin (%)	2.0	2.1	1.8	1.7	1.7	[4]1.9
PPI / Average RWA (%)	2.3	2.4	2.4	2.0	1.8	[5]2.2
Net Income / Average RWA (%)	1.7	1.7	1.6	1.2	1.3	[5]1.5
(Market Funds - Liquid Assets) / Total Assets (%)	42.9	48.5	53.8	67.6	65.1	[4]55.6
Core Deposits / Average Gross Loans (%)	--	20.0	13.3	1.5	11.1	[4]11.5
Tier 1 Ratio (%)	15.1	14.9	14.6	12.8	9.7	[5]13.4
Tangible Common Equity / RWA (%)	15.2	14.4	14.1	12.3	9.5	[5]13.1
Cost / Income Ratio (%)	68.8	68.8	68.8	69.3	69.5	[4]69.0

Problem Loans / Gross Loans (%)	–	**0.5**	**0.6**	**0.7**	**0.3**	[4]**0.5**
Problem Loans / (Equity + Loan Loss Reserves) (%)	–	**3.4**	**4.0**	**5.9**	**3.5**	[4]**4.2**

Source: Moody's

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

Opinion

RECENT CREDIT DEVELOPMENTS

On 22 January 2013, Volkswagen Aktiengesellschaft (VW AG, A3/P-2 positive) acquired a 50% stake in LeasePlan Corporation N.V. (LeasePlan) from its subsidiary Volkwagen Bank GmbH (VW Bank; A3/P-2 positive; C-/baa2 BFSR/BCA stable). We view this change of ownership within VW Group as credit neutral for LeasePlan as we understand that it will have no implications on the governance of the entity nor on the back-up liquidity facilities provided by VW AG and which have been available to LeasePlan well before this ownership change. The key purpose of this transaction was internal to VW group, the aim being to free up capital in the context of upcoming new Basel III rules.

SUMMARY RATING RATIONALE

We assign a bank financial strength rating (BFSR) of C- to LeasePlan Corporation N.V. (LeasePlan), which is equivalent to a standalone credit assessment of baa2. The BSFR reflects the company's sizeable global car leasing franchise, not only in the Netherlands but also in other European markets, Australasia and the US, as well as its well-diversified client portfolio and solid financial fundamentals. The rating is, however, constrained by the company's high, albeit reducing, reliance on wholesale funding sources and its mono-line nature, coupled with the risk of downward pressure on its profitability due to potential negative residual value performance and the deterioration of the European operating environment.

LeasePlan's global local currency (GLC) deposit ratings are Baa2/P-2, based solely on its standalone credit assessment of baa2, and do not incorporate any probability of systemic or parental support. VW AG (A3/P-2 positive) owns 50% of the company, while the remaining shares are owned by Fleet Investments B.V., an investment company (unrated).

It is our understanding that VW considers LeasePlan a financial investment. As such, the company is operationally and managerially independent from its owners.

Credit Strengths

- Leading and geographically diversified fleet and vehicle management company

- Solid capitalization and proven ability to adapt residual values to market changes

- Good pricing power, both vis-à-vis suppliers and customers, notably the ability to pass-on funding costs to customers

Credit Challenges

- High, albeit gradually reducing, reliance on wholesale funding sources and debt capital markets

- Monoline type of business focused on car leasing and fleet management

- Sensitivity of revenues to the evolution of second-hand car market prices and residual values

Rating Outlook

LeasePlan's standalone BFSR and long-term deposit and debt ratings carry a stable outlook and takes into account the firm's ability to withstand a prolonged period of stress. Despite this, LeasePlan's ratings could experience further downwards pressure if the operating environment were to deteriorate significantly above our expectations, posing additional risks to the firm.

What Could Change the Rating - Up

The BFSR and long-term deposit ratings carry a stable outlook. However, we caution that LeasePlan's high structural reliance on confidence-sensitive wholesale funding remains a constraint on its ratings and that upward pressure on the standalone BFSR is unlikely in the short to medium term.

However, upward pressure on the standalone BFSR could arise from a combination of: i) significant reduction in the reliance on wholesale funding, notably by shifting further towards funding sources that we consider to be more stable and predictable; ii) a continued improvement of the institution's risk profile, notably by maintaining strict origination and monitoring criteria and being able to mitigate the company's profitability from future second-hand car market downturns, as well as iii) the maintenance of leading market positions and bargaining power with suppliers/car manufacturers.

An upgrade of the standalone BFSR would very likely result in a similar upgrade of the long-term ratings.

What Could Change the Rating - Down

A downgrade of the standalone BFSR could be triggered by a materially weakening operating environment and an erosion in LeasePlan's revenues and earnings, combined with residual value losses or credit losses materially above current expectations that could be detrimental to the firm's loss absorption capacity. Further, indications of deterioration of the bank's liquidity profile, notably by an increased reliance on wholesale funding, or higher-than-anticipated liquidity gaps as well as more aggressive residual values or less stringent origination criteria and a weakening franchise or geographical diversification could lead us to revisit the BFSR. A downgrade of the standalone BFSR would likely result in a similar downgrade of the long-term ratings.

Recent Results and Company Events

During the first half of 2012 LeasePlan reported a net income group share of EUR123 million, down 9% versus H1 2011; the net banking income (NBI) was stable at EUR523 million. Over the same period, the cost of risk was broadly stable at EUR10.9 million compared to EUR8.2 million in H1 2011. At end-June 2012, LeasePlan's total assets were up 2% at EUR19.3 billion. LeasePlan's funding position further improved with deposits increasing to EUR4 billion from EUR3 billion at end-2011. The core Tier 1 ratio was 15.1% at end-June 2012 after a modest decrease in risk weighted assets by 2% during the first 6 months of 2012.

LeasePlan recorded net profit of EUR225 million for full year 2011, up 13% from EUR199 million in 2010. At end-December 2011, LeasePlan's total assets were up 8% at EUR18.9 billion. The bank's core Tier 1 ratio stood at 14.9%, up from 14.6% at year-end 2010 (figures under Basel II with 80% transitional floor).

DETAILED RATING CONSIDERATIONS

Unless noted otherwise, data in this report is sourced from company reports and Moody's Banking Financial Metrics.

FRANCHISE VALUE - Very High Franchise in Car Leasing Industry However Constrained by its Monoline Nature

We consider LeasePlan's global franchise as a key credit strength. LeasePlan is the world's leading fleet and vehicle management company with 1.3 million cars under management and a consolidated lease portfolio of more than EUR14 billion at end-December 2011. It has a dominant position in its key market, the Netherlands, where it has around 19% of the car fleet leasing market making it the second-largest firm. LeasePlan also has a leading position in Germany, Belgium, Norway, Sweden and Portugal. The company is also within the top three car leasing companies in the UK, Australia, Spain and Denmark and ranks fourth in the US.

In 2011, most of LeasePlan's revenue were generated in Europe (over 87% of total revenues, including non-euro countries), with the Netherlands accounting for around 10%. While we consider the bank's geographic diversification to be a credit strength through the cycle, we expect this to be less of a factor in the short-to-medium term, given the unprecedented economic crisis facing Europe, especially the euro area.

The mono-line nature of the company, while a function of its focus on a core, defensible franchise, is however a rating constraint. Indeed, the bank's displays very limited earnings diversification. In addition, although in recent years the bank started collecting deposits, the bank remains primarily reliant on wholesale funding, which is also an indirect consequence of its mono-line nature.

We view LeasePlan's large fleet scale as a competitive advantage. The scale of operations drives internal cost

efficiencies and influences the ability to demand rebates and bonuses from suppliers. In addition, the information received from large-scale operations enables more accurate predictions of maintenance and usage levels of leased vehicles. We expect that LeasePlan's already strong global franchise will remain one of the company's key strengths.

LIQUIDITY - Structural Reliance on Wholesale Funding

As part of its business model, LeasePlan has historically relied on wholesale funding to refinance its assets. Notwithstanding the bank's recent good access to capital markets, Moody's regards reliance on wholesale funding as credit negative, due to the inherent confidence sensitivity and the potential for the availability and cost of market-based funding to change unexpectedly.

However, Moody's acknowledge the substantial funding diversification achieved since the 2008/09 crisis. The most visible initiative was the launch of an online saving bank at the beginning of 2010, with the goal of building a stable deposit base with a high portion of term-deposits. As of end-June 2012 the bank had outstanding retail deposits amounting to EUR4 billion (approximately 20% of its balance sheet). Although we view internet deposits as less sticky than "traditional" retail deposits, the inclusion of LeasePlan Bank under the Dutch Deposit Guarantee scheme, which guarantees up to EUR100,000, adds an element of stability. Nevertheless Moody's considers that internet-based deposits are inherently more sensitive to reputational risk. Although more than two thirds of these deposits are term deposits, we note that there is a high concentration of term deposits into short-term maturities.

Moreover, these retail deposits won't fully address the bank's dependence on market funding. Instead, LeasePlan's ability to finance itself in the capital markets remains an essential component of its operating model. Without such access, the franchise could be quickly eroded as the institution goes into a "run-off" mode, once all available liquidity sources have been used.

With a balance sheet of EUR19.3 billion and a lease portfolio of EUR14.9 billion at end-June 2012, the bank's annual funding requirement is estimated at around EUR3.5 billion. LeasePlan has recently demonstrated its ability to tap debt capital markets without recourse to central bank funding. In 2012, LeasePlan managed to issue over EUR2.8 billion of senior unsecured debt, and EUR820 million of securitisation. We also positively note that LeasePlan reinforced its liquidity profile by issuing longer-dated notes to match the increased maturity profile of contract leases.

The bank's funding profile is supported by a "matched funding" strategy, which consists of issuing liabilities for maturities that match or exceed the maturity profile of leased assets in a run-off scenario. The significant use of lease contract extensions (to mitigate residual value risk) have not materially impacted the bank's liquidity gaps. We note that LeasePlan's liquidity gaps recently improved following the repayment of two large redemptions of State guaranteed debts in February and May.

Several standby liquidity facilities safeguard LeasePlan's ability to continue to originate new business in adverse market conditions. These facilities, which have been recently renewed, consist of a EUR1.25 billion line committed from its 50% ultimate shareholder VW AG maturing in December 2015 and a committed line from a syndicate of banks which was renewed in December 2012 for three years and slightly decreased to EUR1.25 billion (from EUR1.475 billion).

Further comfort is provided by LeasePlan's ability to refinance via securitisation transactions. LeasePlan made several securitisation transactions in 2011-12, resulting in a total securitised debt of around EUR2 billion. LeasePlan plans further securitisations of lease assets within the next 12 months.

RISK MANAGEMENT - Proven Ability to Contain Residual Value Risk

Residual value risk (asset revaluation risk) is among the largest risks faced by LeasePlan and arises from the uncertainty on the future market value of automobiles and the risk that the car price settled at the beginning of a lease might differ from the vehicle's true value at the end of the contract. Termination losses can occur if the market prices of used cars fall (due to changes in local taxation, economic conditions or market structure) below the book value of the vehicle on the day it is written off the balance sheet (i.e., it is sold on the second-hand car market). This risk is mainly borne on operational leases.

While it is part of operational leasing activities to take residual value risk, managing it effectively is key in containing potential residual value risk within the company's risk appetite. In this respect, we note that LeasePlan has been successful in taking measures during the crisis to adapt to the lower second-hand car market prices.

These actions, coupled with the structural short-duration of car leases (between three to four years) and a slight improvement of the market prices (albeit below pre-crisis levels), have enabled LeasePlan to partly mitigate the effect of a prolonged depression in second-hand car market prices. Based on our stress test analysis, we believe that LeasePlan is well positioned to absorb a material worsening in termination losses. In our view, the company's residual value risk may however increase in the event of a severe deterioration of the macroeconomic fundamentals of the euro area and Europe in general.

PROFITABILITY - Resilient Profitability Sustained By Ability to Smooth Increased Funding Costs

Overall LeasePlan's profitability is strong and has been resilient in recent years. Importantly, the company has been able to strongly mitigate negative termination income (stemming from residual value risk) as well as its higher cost of funding, by partly externalising it to its customers.

Pre-provision income as a percentage of risk-weighted assets stood at 2.2% in 2011, stable compared with 2.3% in 2010. LeasePlan's profitability has been sustained by the company's ability to manage costs and termination results. Since 2008, we positively note that LeasePlan has extensively used various mitigating factors to alleviate the negative termination results. We view LeasePlan's strong and diverse sources of non-interest income (mainly composed of management fees, rebates and bonuses from car manufacturers and suppliers, as well as insurance revenue, which has steadily increased over the past few years), as a key strength and a mitigating factor against negative termination results. We believe that LeasePlan's scale and market shares will continue to enhance its negotiating power for discounts and bonuses from car suppliers in particular.

In addition, interest income has been continuously improving over recent years, with LeasePlan's net interest margin up to 2.1% in 2011, from 1.8% in 2010. Despite elevated cost of funds due to the higher cost of interest in the debt markets, along with non-negligible charges related to the state guarantee on debt issuance and the launch of internet deposits offering attractive yields, the company was able to maintain a positive trend on its net interest margin in 2011, reflecting the company's ability to pass on its rising costs to clients. However, we believe it will become more challenging to maintain such margins in the medium term, as we expect wholesale refinancing costs will remain elevated. In addition, we continue to view the Dutch internet deposit market as highly competitive, causing continued elevated funding costs.

LeasePlan's ability to manage its cost structure has been a critical factor in maintaining its relative profitability. The cost-to-income ratio remains high at around 71% in 2011, stable compared with 2010. LeasePlan's efficiency ratios are commensurate with those of some European retail banks. While Leaseplan does not have to deal with the expenses that arise from a retail branch network, the group's multi-subsidiary organisation results in a relatively high overall cost structure. LeasePlan's expenses are mainly linked to the nature of its business as the company handles around 1.3 million vehicles, with an average new car or ticket value of between EUR20,000 and EUR25,000, which is both IT- and staff-intensive. LeasePlan's ability to manage its cost structure has been a critical factor in maintaining its relative profitability and we view any reduction in the cost base as an important step.

We expect that LeasePlan's profitability will be constrained by (i) the difficult market conditions implying higher than pre-crisis cost of funds; (ii) the current challenging operating environment, especially in Europe; and (iii) competitive pressures in its main fleet leasing markets. This could translate into pressure on net interest margins and, therefore, overall profitability. In addition, we caution that LeasePlan's profitability remains highly correlated to second-hand car market prices, which could be volatile in the current deteriorating European economic environment.

CAPTIALISATION - Solid Capital Adequacy

LeasePlan disclosed a solid Tier 1 capital ratio of 14.9% at end-December 2011 (figures under Basel II with 80% transitional floor), comprising exclusively core Tier 1 components, slightly up from 14.6% in December 2010. We view the bank's capital as adequate to absorb potential termination and credit losses under our stress scenarios.

ASSET QUALITY - Strong Asset Quality Reflecting Diversified Credit Risk Exposures

When looking at credit risk in isolation, LeasePlan's asset quality remains strong as credit losses arising from lease contracts have so far been subdued. The company has historically registered a very low level of problem loans and a high recovery rate, the latter being due to the fact that the collateral of cars results in a modest loss given default, historically close to 30%. In addition, LeasePlan's business is mainly focused on large international corporate clients with traditionally lower default rates than that of smaller fleets, and the company has no consumer-related activity, which typically bears a higher risk profile.

In LeasePlan's operations, credit risk stems from the inability of a lessee to make contractually agreed lease payments. As this risk is mostly correlated to corporate defaults, in estimating the stressed credit losses on finance leases and on the NPV of future cashflows, we used the approach described in our special comment titled "Moody's Approach to Estimating Dutch Banks Credit Losses" published in October 2009. We note that the leased vehicles remain owned by LeasePlan, which allows it to partly mitigate potential credit losses.

In terms of concentration, LeasePlan's top 20 group exposures (as defined under Moody's Consolidated Bank Rating methodology, and including interbank) are sizeable, relative to both its Tier 1 capital and pre-provision income, especially due to the company's large exposure to financial institutions. However, we note positively that the customer concentration (lessees) remains limited, owing to the large size of the company's franchise, as well as its strong geographical and industry diversification. The largest part of LeasePlan's credit exposure is to large corporates, while it is less exposed to SMEs, which we consider as more risky individually, albeit more granular. In terms of industry concentrations, excluding the exposure to financial institutions, LeasePlan's exposures to other industries are diversified.

However, we believe that LeasePlan's corporate customer base is susceptible to economic downturns, in particular given the current challenging European operating environment. Also, we caution that in the case of LeasePlan, asset quality factors fail to reflect the residual value risk borne by the company, which is inherent to car fleet management activities.

Global Local Currency Deposit Rating (Joint Default Analysis)

We assign a long-term GLC deposit rating of Baa2 stable to LeasePlan.

This is at the same level as the company's standalone credit strength given our assessment that LeasePlan would be unlikely to receive systemic support in the event of distress. Nor do we factor in any support from the main shareholder, VW AG, which we believe views LeasePlan entirely as a financial investment and remains managerially and financially independent.

We assign a P-2 short-term rating to LeasePlan.

Foreign Currency Deposit Rating

LeasePlan's foreign currency deposit ratings are Baa2/P-2.

Foreign Currency Debt Rating

LeasePlan's foreign currency debt ratings are Baa2/P-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. 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

LeasePlan Corporation N.V.

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
Qualitative Factors (50%)						C	

Factor: Franchise Value						C-	Weakening
Market Share and Sustainability			x				
Geographical Diversification		x					
Earnings Stability			x				
Earnings Diversification [2]					x		
Factor: Risk Positioning						C-	Weakening
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-	Weakening
Economic Stability			x				
Integrity and Corruption		x					
Legal System		x					
Financial Factors (50%)						C-	
Factor: Profitability						C	Neutral
PPI / Average RWA - Basel II			2.21%				
Net Income / Average RWA - Basel II			1.51%				
Factor: Liquidity						E	Weakening
(Mkt funds-Liquid Assets) / Total Assets					56.64%		
Liquidity Management					x		
Factor: Capital Adequacy						A	Neutral
Tier 1 Ratio - Basel II	14.10%						
Tangible Common Equity / RWA - Basel II	13.61%						
Factor: Efficiency						D	Neutral
Cost / Income Ratio				69.51%			
Factor: Asset Quality						A	Weakening
Problem Loans / Gross Loans	0.58%						
Problem Loans / (Equity + LLR)	4.43%						
Lowest Combined Score (15%)						E	
Economic Insolvency Override						Neutral	
Aggregate Score						C-	
Assigned BFSR						C-	

[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

Moody's
INVESTORS SERVICE

© 2013 Moody's Investors Service, Inc. and/or its 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 PUBLICATIONS") 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. 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 MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

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. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. 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 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.