



Moody's Investors Service

Credit Opinion: DVB Bank S.E.

Global Credit Research - 23 Nov 2009

Frankfurt, Germany

Ratings

Category	Moody's Rating
Outlook	Negative
Bank Deposits	A1/P-1
Bank Financial Strength	D+
Senior Unsecured	A1
Subordinate -Dom Curr	A2
Other Short Term -Dom Curr	P-1
Parent: DZ BANK AG Deutsche Zentral-Genossenschaftsb.	
Outlook	Stable
Bank Deposits	Aa3/P-1
Bank Financial Strength	C-
Senior Unsecured	Aa3
Subordinate -Dom Curr	A1
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	P-1
DVB Group Merchant Bank (Asia) Ltd	
Outlook	Rating(s) Under Review
Bkd Sr Unsec MTN	A1

Contacts

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Key Indicators

DVB Bank S.E.

	[1]2009	[2]2008	2007	2006	2005	[3]Avg.
Total assets (EUR billion)	17.89	17.38	13.15	11.10	10.86	[4]13.90
Total capital (EUR billion)	1.64	1.67	1.42	1.24	1.12	[4]13.23
Return on average assets	0.55	0.72	0.91	0.81	0.57	0.67
Recurring earnings power [5]	0.81	0.80	1.14	1.14	0.55	0.87
Net interest margin	1.14	1.49	1.73	1.58	1.17	1.42
Cost/income ratio (%)	51.89	57.28	52.14	50.02	65.23	56.29
Problem loans % net loans	--	0.70	1.04	1.32	0.17	0.72
Tier 1 ratio (%)	14.40	13.90	6.40	6.80	6.80	8.12

[1] As of June 30. [2] Statement period in which the bank switched to Basel II accounting framework. [3] The average calculations are based on Basel I and Basel II data where applicable. [4] Compound annual growth rate. [5] Preprovision income % average assets.

Opinion

RECENT CREDIT DEVELOPMENTS

On 28 September 2009, Moody's downgraded the bank financial strength rating (BFSR) of DVB Bank SE (DVB) to D+ from C-, reflecting its expectation of weakening asset quality in the bank's loan portfolios. The D+ BFSR maps to a baseline credit assessment (BCA) of Baa3. DVB's A1 long-term debt and deposit ratings and A2 subordinated debt ratings were confirmed. The Prime-1 short-term rating was affirmed. The rating action concluded the review for possible downgrade initiated in June 2009. The outlook on all

the ratings is negative.

Moody's decision to further downgrade DVB's BFSR to D+ from C- after a review of its ratings was prompted by its expectation that the bank, a specialised transport finance lender, will suffer from significant asset quality deterioration and, subsequently, rising credit losses over the next 12-18 months.

SUMMARY RATING RATIONALE

Moody's assigns a BFSR of D+ to DVB, which translates into a BCA of Baa3. The assigned D+ BFSR rating is constrained by the vulnerability of the bank to continued adverse market developments. The BFSR, however, continues to be supported by DVB's solid franchise position as an established international long-term lender to the transport industry. It also factors in the less diversified character of the institution, exposing it to the cyclical global transportation industry that we anticipate will enter a severe downswing and stretched financial factors, including modest levels of risk-adjusted profitability.

Moody's views the probability of support for DVB from its parent DZ Bank Deutsche Zentral-Genossenschaftsbank AG (DZ Bank AG, rated C-/Aa3/P-1) as very high. As a member of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), DVB benefits from co-operative support from the latter. In addition, through its parent, DVB also benefits indirectly from both BVR support and systemic support. This support assumption results in a five-notch uplift for the long-term global local currency deposit rating to A1 from the Baa3 BCA.

Credit Strengths

- Dedicated management, solid franchise and considerable market expertise as an international transport finance specialist
- Well diversified loan portfolios in the sub-segments of shipping and aviation with good diversification across geographies
- Successful transformation into a specialised lender, with acceptable risk-weighted returns and efficiency

Credit Challenges

- Transport financier, with profitability vulnerable to a prolonged slump in the shipping and airline industries
- In addition to the inherent industry concentration, some single risks exist, represented by unsecured exposures or investments in closed-end funds
- DVB's liquidity profile is modest, since the bank's funding predominantly relies on wholesale funds

Rating Outlook

The outlook on all the ratings is negative. The negative outlook on the D+ BFSR reflects the low predictability of the severity and length of the shipping and aviation market's ongoing downturn. Under a worst-case scenario, we expect that the ship financing segment in particular could potentially exert significant pressure on the bank's capital levels, aggravated by losses from its equity fund investments, which could result in a further downgrade over the next 12-18 months. The negative outlook on the senior unsecured debt and deposit ratings reflects the sensitivity of these ratings to a possible BFSR downgrade.

What Could Change the Rating - Up

We currently envisage limited upward pressure being exerted on the BFSR and long-term ratings in an environment where the global economic recession exerts significant pressure on transportation markets. We further expect for the near-term the global demand for traded goods to move on comparatively low levels. Existing structural overcapacities, have already significantly depressed prices for transportation services and vehicles and will continue to do so in the near-term.

What Could Change the Rating - Down

A prolonged and escalating crisis in the transportation markets accompanied by a deterioration of asset quality matching or exceeding Moody's worst-case scenario for the development of DVB's loan losses combined with significant losses from its closed-end equity fund investments would exert pressure on both the bank's BFSR and its debt and deposit ratings.

Recent Results and Company Events

DVB acts as a specialised transport finance lender in three main sectors: shipping (roughly 50% of risk-weighted assets as of mid 2009), aviation (roughly 30% of risk-weighted assets) and rail transport (roughly 8% of risk-weighted assets). The outlook on both the shipping and aviation markets is negative in Moody's view.

The excess supply of vessels and weakening demand for ships and airplanes are evident throughout the transportation sector, which we expect to enter a prolonged period of financial strain. It is, however, currently still unclear how long the turmoil in the industry will last. We expect the bank's profitability to be subdued throughout 2009 and beyond.

The difficult funding environment in the context of the turmoil in the financial markets has affected DVB mostly through (i) decreased new business and (ii) increased refinancing costs (caused by money market distortions) in light of the recent financial crisis.

Net interest income, DVB's main income driver, contributing roughly two-thirds to its operating income, decreased by 4.5% from EUR 91 million in mid-2008 to EUR 87 million in H1 2009. The decline was due to lower interest income against the backdrop of lower new business. The increase in lending margins for new business did not outweigh the decline in interest income from DVB's lending business (-3.5% y-o-y).

Fee and commission income grew by 44% to EUR 51 million, mainly driven by commissions generated from newly underwritten loans

and fees on advisory services related to the structuring of transport finance projects.

DVB's net income from financial instruments (including the bank's trading income, fair value movements on derivatives and income from securities) increased to EUR 4.4 million from EUR 3.2 million y-o-y. We regard the positive result as a non-sustainable source of income as it mainly consists of positive fair value movements on DVB's derivative instruments due to benign currency valuations and increased market volatility. It is our understanding that the bank employs derivatives mainly to mitigate adverse currency movements and interest risk mismatches in its core business. H1 2009 net income from investment securities included a EUR 7.4 million impairment charge on the bank's liquidity portfolio relating to a bond issued by an Icelandic bank.

The bank increased its loan loss provisions to EUR 11 million in H1 2009 after a release of provisions of EUR 12 million in 2008. Provisions for the bank's shipping loan portfolio constituted over two-thirds of the main component. Risk provisions included loan write-offs of EUR 4.3 million in H1 2009 (EUR 0.6 million in 2008) and substantial releases of prior provisions. We expect a significant increase in risk provisions to burden the bank's income in the H2 2009 results, eventually peaking by the end of 2010 or mid-2011.

Pre-provision income of EUR 71 million in H1 2009 developed flat on a y-o-y basis. Pre-tax income decreased to EUR 61 million from EUR 85 million H1 2008. The drop in net income to EUR 49 in H1 2009 from EUR 71 (y-o-y) million in H1 2008 was mainly driven by the EUR 23 million decline in risk provisions.

DVB's total assets increased by 3% in H1 2009 from year-end 2008, to EUR 17.9 billion at the end of the period. The core capital ratio increased to 14.4% from 13.9% at end-2008.

DETAILED RATING CONSIDERATIONS

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

Bank Financial Strength Rating

Moody's assigns a D+ BFSR to DVB. Key positive elements driving the BFSR include its solid franchise and market expertise in the international transport industry and its ample geographic diversification. The BFSR also takes into account the bank's improving cost efficiency and its historically adequate risk appetite.

Key elements constraining the BFSR are the improving but still modest profitability indicators and the heavy dependence on wholesale funding. As a point of reference, the assigned BFSR is two notches below the C outcome of Moody's bank financial strength scorecard. The D+ BFSR better reflects our concerns about the bank's future performance given likely significant asset quality deterioration and, subsequently, rising credit losses as well as continuing pressure on profitability. It also reflects the bank's status as a financier with a sole focus on international transportation markets.

Qualitative Factors (50%)

Factor 1: Franchise Value

Trend: Neutral

DVB has a focused and well executed strategy of being a specialised lender to the transport finance industry. DVB has a well-established market position in shipping and aviation finance and is also an important player in land transport finance, primarily rail and roads. For the past several years, the bank has built up client relationships and extensive sector know-how and is a well-known player in the international transport industry; it is active in lending, structuring complex finance solutions and advisory services. In addition, DVB has used its sector expertise to establish itself as a service provider to its transport finance clients and as an asset manager in investment funds, focusing on investments in the shipping, aviation, cruise, rail rolling stock and inter-modal equipment (multi-use containers).

DVB's franchise value is constrained by the cyclical nature of its core business lines and the highly competitive and fragmented market of aviation and ship finance. The volatile characteristics of the aviation and shipping industry could potentially affect the bank's risk-return profile and render its financial fundamentals somewhat less predictable, particularly when compared with those of banks with more diversified earnings, spread over a greater number of businesses and industries. However, DVB's experience in - and deep knowledge of - the transport sector, enables the bank to contain the damage from adverse cyclical developments.

DVB's returns have continued on a stable path despite the widespread effects of the recent financial crisis and the gloomy outlook for the transportation markets. In light of the deteriorating environment of the shipping industry, we expect substantially more volatile earnings than in recent years, partly driven by higher risk charges.

DVB's activities are of a global nature and well diversified in geographic terms. The bank has significant operations in many major markets and owns a worldwide network of branches and representative offices in the major centres for aviation and ship finance. Markets outside Germany account for more than 90% of its customers and exposure. The overall score for franchise value is C.

Factor 2: Risk Positioning

Trend: Neutral

DVB has a sound risk profile. The bank displays good risk management practices, supported by an improved IT platform and updated risk management systems and an appropriate risk culture.

The nature of bank's business implies notable credit risk concentrations. From an industry point of view, shipping - accounting for more than half of the portfolio - is, by far, the largest concentration. Borrower concentration is also high compared with that of less specialised banks. Existing borrower concentrations have to be seen in the context of the nature of secured lending. Single exposure are usually collateralised by first-priority ship or aircraft mortgages, reducing the loss risk contained in the transaction, but also the concentration risk in terms of larger borrower groups.

DVB has no exposures to ABS- or CDO-related investments. Further, it has not applied for guaranteed facilities from the German Financial Markets Stabilisation Fund (SoFFin) as it has adequate liquidity buffers. DVB benefits from its membership of the German co-operative banking sector, which provides the bank with indirect access to retail liquidity through its parent DZ Bank.

Market risk is confined almost exclusively to interest rate risk and foreign exchange, as equity and trading risks are minimal. The bank's appetite for market risk is low, especially given that interest rate and FX risks are generally hedged.

DVB faces loan volume risk, with its assets (shipping and aircraft loans) being denominated in US dollars and its liabilities mainly in euros. While DVB's hedging policy is to match hedge flows with derivatives, a strengthening US dollar could adversely affect DVB's risk-weighted assets and subsequently its regulatory capital ratios.

DVB displays high financial transparency, reporting quarterly under IFRS with good disclosure on key financial data.

Overall, DVB's score for risk positioning is C-, with a neutral trend.

Factor 3: Regulatory Environment

All German banks are subject to the same score on the regulatory environment. This factor does not address bank-specific issues; instead, it evaluates whether regulatory bodies are independent and credible, demonstrate enforcement powers and adhere to global standards of best practices for risk control. According to Moody's country regulatory environment assessment, Germany has an advanced regulatory environment. Refer to Moody's most recent Banking System Outlook on Germany to obtain a detailed discussion of the regulatory environment.

Factor 4: Operating Environment

Trend: Neutral

This factor is also common to all German banks. Moody's gives the overall operating environment a score of B. Refer to Moody's most recent Banking System Outlook on Germany to obtain a detailed discussion of the operating environment.

Quantitative Factors (50%)

Factor 5: Profitability

Trend: Weakening

Net interest income derived from its lending operations is DVB's main income driver, contributing roughly two-thirds of its operating income. Since 2004, DVB has intensified its efforts to become a fully integrated corporate finance house for its selected industries through strengthening its corporate finance and capital market activities. This has entailed extending the bank's customer lending relationships into higher-margin products and services, such as structured finance, syndication, advisory services, mezzanine lending and equity sourcing. A constantly growing proportion of interest and commission income is in particular generated from the bank's fund management activities and the initiated shipping, aviation and rail closed-end investment funds. We view this revenue diversification positively with regard to income diversification. However, some of these higher margin activities, in particular equity and mezzanine finance, also entail higher risks than pure secured lending.

The bank's recurring earnings power and profitability have clearly improved in recent years and, on a risk-weighted basis, are now roughly in line with those of other German banks, although still lagging behind those of European peers.

We note that the transportation sector has entered a period of prolonged financial strain. It is, however, currently still unclear how long the turmoil in the industry will last. We expect this, and increased refinancing and risk costs, to adversely affect the bank's profitability in 2009 and beyond.

The overall score for profitability is D+ with a weakening trend.

Factor 6: Liquidity

Trend: Neutral

DVB's liquidity position is modest, reflecting the bank's dependence on wholesale funding, with interbank and capital market funding dominating. However, to improve its liquidity, DVB holds a portfolio of liquid securities, predominantly bank bonds, and has access to committed un-drawn back-up facilities. DVB's liquidity position is further enhanced by its access to funding provided by its parent DZ BANK, which relies on the members of the co-operative banking sector, which are typically highly liquid retail banks. Moreover, since DVB is a member of the BVR sector, it could in our opinion rely on short-term funds provided by BVR members in the event of need.

The D+ score for liquidity reflects the bank's relatively modest liquidity position.

Factor 7: Capital Adequacy

Trend: Weakening

DVB's core capital ratio was 14.4% as of end-June 2009, up from 13.9% at year-end 2008. DVB's core capital is supplemented by silent participations, which - given their nature, in particular their loss-absorbing capacity - are very close to the bank's core capital. The total capital ratio was 19.0% (18.2% at year-end 2008) - all ratios are in accordance with the regulatory guidelines of the German Banking Act. Risk-weighted capital ratios previously reported under Basel I have benefited strongly from the decline in risk-weighted assets under Basel II, almost doubling.

DVB's increased its share capital in July 2008 by EUR 150 million, the main purpose being to expand its regulatory capital and build up a cushion against currency fluctuations. In addition, the proceeds were intended to support a moderate and selective expansion of DVB's core lending business. DZ Bank AG increased its share of DVB's capital upon completion of the transaction to 95.44% (previously 93.30%). The capital increase was, however, partly offset by portfolio growth and negative exchange rate developments. As of end-2008, roughly 85.0% of DVB's transport finance business was denominated in US dollars.

Moody's assessment of the bank's credit risk and loss absorption capacity incorporates a stress analysis of DVB's loan portfolio and equity fund investments that reveals the potential for significant losses over the next two years. In Moody's opinion, the bank's current capitalisation and its present risk-absorption capacity is adequate given the absolute size of its core capital of roughly EUR 1 billion. Our worst-case scenario for the ship financing segment could, however, potentially exert higher-than-expected pressure on the bank's capital levels, warranting a weakening trend on capital adequacy.

The score for the bank's capital adequacy is A with a weakening trend.

Factor 8: Efficiency

Trend: Weakening

We acknowledge DVB's efforts and success in achieving its targeted cost-to-income ratio of around 50% (52% in H1 2009), together with continued diversification into new products and asset classes. However, compared with other specialised lenders, such as ship financiers or mortgage banks, the cost-to-income ratio might appear to be relatively high and it will be difficult for the bank to achieve the very low ratios of secured long-term lenders that specialise in the financing of only one single asset class. We expect the current level of efficiency to slightly deteriorate over the coming periods due to likely subdued profitability.

Based on the three-year average figure, DVB scores B for efficiency with a weakening trend.

Factor 9: Asset Quality

Trend: Weakening

We regard DVB's loan portfolios in its core businesses of shipping and aviation as well diversified in the various sub-segments of these two industries. Critical sub-segments such as the container segment in shipping and the freighter airplane segment in aviation are, in comparison with other transport finance banks, well proportioned in relation to the rest of DVB's lending portfolio. We also regard the diversification across geographies as prudent. Although the bank is fairly diversified between sub-segments and geographies, we believe that transportation markets are too closely correlated to the volume of global trade and other fundamental economic factors to provide significant diversification benefits during a prolonged global and synchronised economic downturn.

Strong collateral has helped the bank to avoid losses in the past, e.g. during the last aviation crisis of 2001-03. More than 95% of DVB's loan portfolio in shipping and aviation is collateralised and the quality of the collateral is sound. We expect, however, significantly rising loan-to-value ratios in the shipping and the aviation loan portfolios, due to the sharp decline of market values for ships and aircraft.

In the past few years, loan-loss provisioning requirements in DVB's ship financing business have been modest, which is indicative of the bank's strong expertise in its core business fields. In aviation, loan loss provisions have been somewhat higher in recent years, although typically followed by comparatively high reversals of loan loss provisions.

DVB's asset quality indicators have deteriorated recently due to the rising value of problem loans against the background of worsened conditions in the global transportation markets. We believe that the full effect of the downturn on DVB's lending exposures will only be seen later in the recession, i.e. lagging behind other indicators. We therefore expect a further deterioration of asset quality going forward. Moody's assessment of the bank's credit risk and loss absorption capacity therefore incorporates a forward-looking stress analysis of DVB's loan portfolio, which indicates the potential for significant losses over the next two years.

Moody's also takes a cautious view of any equity positions that the bank holds in closed-end funds initiated by DVB's investment management division in the shipping, aviation and rail sectors. Despite the fact that those funds mainly use third-party financing for their investment purposes, limiting DVB's exposure to the amount of equity invested, we regard the restructuring flexibility of those exposures as limited and the correlation with DVB's pure asset-based lending activities as very high.

The bank scores D+ for asset quality with a weakening trend.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's assigns a GLC deposit rating of A1 to DVB Bank AG.

The GLC deposit rating is supported by DVB's BCA of Baa3, as well as by the ratings of its underlying support providers:

- Parental support: The C- BFSR of its major shareholder DZ Bank AG, which translates to a Baa1 BCA;
- Co-operative support: The creditworthiness of the BVR sector;
- Systemic support: Germany's Aaa local-currency deposit ceiling.

We now view the probability of support for DVB from its parent DZ Bank AG as very high. Through its parent, DVB indirectly benefits from co-operative and systemic support. Previously, the probability for parent support was low, as we did not include co-operative and systemic support via the parent, but only on a stand-alone basis.

These support assumptions result in a five-notch uplift for the long-term ratings to A1 from the Baa3 BCA.

Notching Considerations

In line with Moody's notching guidelines published in November 2009, DVB's subordinated debt is rated at A2, i.e. one notch below the bank's senior debt rating.

Foreign Currency Deposit Rating

Moody's foreign currency deposit ratings for DVB are A1/Prime-1

Foreign Currency Debt Rating

Moody's foreign currency debt ratings for DVB are A1/Prime-1. It is unconstrained given that Germany, like other EU members, has a country ceiling of Aaa.

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

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. 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

DVB Bank S.E.

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
Qualitative Factors (50%)						C	
Factor: Franchise Value						C	Neutral
Market Share and Sustainability			x				
Geographical Diversification	x						
Earnings Stability					x		
Earnings Diversification [2]							
Factor: Risk Positioning						C-	Neutral
Corporate Governance [2]							
- 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	--	--	--	--	--		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
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						D+	Weakening
PPP % Avg RWA - Basel II				1.23%			
Net Income % Avg RWA - Basel II			1.10%				
Factor: Liquidity						D+	Neutral
(Mkt funds-Liquid Assets) % Total Assets					48.92%		
Liquidity Management			x				
Factor: Capital Adequacy						A	Weakening
Tier 1 ratio (%) - Basel II	13.90%						
Tangible Common Equity / RWA - Basel II	13.88%						
Factor: Efficiency						B	Weakening
Cost/income ratio		54.71%					
Factor: Asset Quality						D+	Weakening
Problem Loans % Gross Loans			3.41%				
Problem Loans % (Equity + LLR)				43.91%			
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



Moody's Investors Service

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