

Outlook for Banks and Brokers NAPCO September 2007 Meeting

Facing the Credit Markets Turmoil of 2007

Allerton Smith, SVP
Moody's Credit Strategies Team



Moody's Investors Service

Brokers and Banks: Key Takeaways for Today

- Rating Outlook is Stable at large US Banks and Brokers
- Brokers/Banks well positioned at center of global capital flows, but CLO/CDO and ABCP exposures are concerning
- Diversification by business, customer, geography, asset class, and product has increased
- Firms have liquid balance sheets & expense flexibility
- Caution: At the margin, management has increased proprietary risk-taking and added illiquid positions
- Well disciplined mortgage businesses in most cases



Moody's Investors Service

1



Industry Rating Outlook is Stable for Brokers

U.S. Securities Industry Ratings	Senior Unsecured	Outlook	CP
The Goldman Sachs Group, Inc.	Aa3	Stable	P-1
Merrill Lynch & Co., Inc.	Aa3	Stable	P-1
Morgan Stanley	Aa3	Stable	P-1
Lehman Brothers Holdings	A1	Positive	P-1
Bear Stearns Companies Inc.	A1	Stable	P-1
The Charles Schwab Corporation	A2	Stable	P-1
Jefferies Group, Inc	Baa1	Stable	---
Lazard Group, LLC	Ba1	Positive	---
TD Ameritrade Holding Corp.	Ba1	Stable	---
E*Trade Financial Corp.	Ba2	Positive	---
LaBranche & Co, Inc	Ba3	Stable	---
LPL Holdings	B1	Positive	---
Oppenheimer Holdings	B1	Stable	---
BNY Convergenx	B2	Stable	---

9/11/2007

All ratings are holding company ratings,
unless otherwise indicated.



Moody's Investors Service

2

Global Securities Industry Methodology Rating Factors

Factor	Model Weight	
	Market Makers	Others
Quantitative Factors	41%	53%
Earnings Strength and Stability	25%	30%
Pre-Tax Earnings (\$US Millions)	15%	15%
Pre-Tax Margin	5%	5%
Pre-Tax Margin Volatility	5%	10%
Liquidity	8%	0%
NCC/LNA	8%	0%
Capital Adequacy	8%	0%
IRAT/CE	8%	0%
Debt Service Capacity	0%	23%
Debt / EBITDA	0%	12%
EBITDA / Interest Expense	0%	11%
Qualitative Factors	59%	47%
Franchise Strength and Diversification [1]	17%	17%
Processing	2%	2%
Asset/Wealth Management	2%	2%
Institutional Capital Markets	2%	2%
Retail Banking	2%	2%
HNW Retail Brokerage, AMA	2%	2%
Discount Brokerage	2%	2%
Principal Investing / Prop. Trading	2%	2%
Diversification	2%	2%
Management Quality And Culture	20%	20%
Vulnerability to Event Risk	4%	4%
Management Operating Quality/Breadth/Depth	4%	4%
Corporate Governance [2]	4%	4%
Culture & Ethics	4%	4%
Consideration of Bondholders' Interests	4%	4%
Risk Management	12%	0%
Governance	3%	0%
Management	3%	0%
Quantification	3%	0%
Environment	3%	0%
Operating Environment	10%	10%
Competitive Dynamics	5%	5%
Regulatory Environment	5%	5%

[1] The weight of the Franchise Strength and Diversification factor is distributed equally among all the applicable franchise sub-factors and the diversification sub-factor. The maximum number of sub-factors is a = 7 franchises + diversification. For any franchise, which does not apply to a given firm, its weight is distributed equally among the remaining sub-factors.

[2] Corporate Governance is considered neutral if scored A (Strong) or above, in which case its weight is distributed equally among the remaining sub-factors.



Moody's Investors Service

3



Credit Erosion in Subprime Mortgages

Key takeaways for US securities firms:

- Unlikely to have broad ratings implications
- Manageable earnings impact
- Reduced origination levels hurt fees/trading
- Contagion is a risk for other Asset Classes
- Regulatory/legal risks could grow
- Brokers benefit from earnings diversification and cost flexibility
- Opportunistic firms set to pick up the pieces



Moody's Investors Service

4

Market Segment – Subprime

- Borrower has “less than perfect” credit history
- Underwriting uses past mortgage or rental payment history in addition to FICO
 - More than one missed payment in the past
- FICOs: generally below 620; LTVs: 80% to 90%
- Often uses low initial interest rates for 2 to 3 years, followed by an adjustable rate for the remaining term of the loan (providing reset risk)
- Tends to be originated through mortgage broker networks

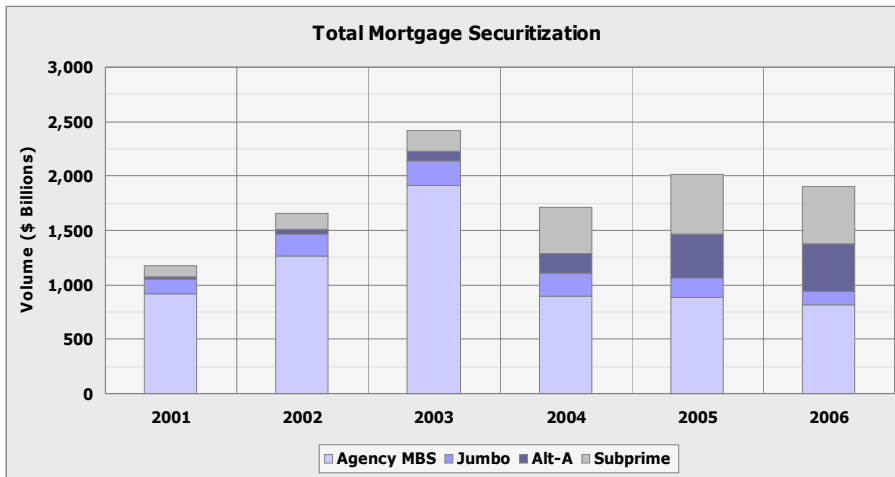


Moody's Investors Service

5



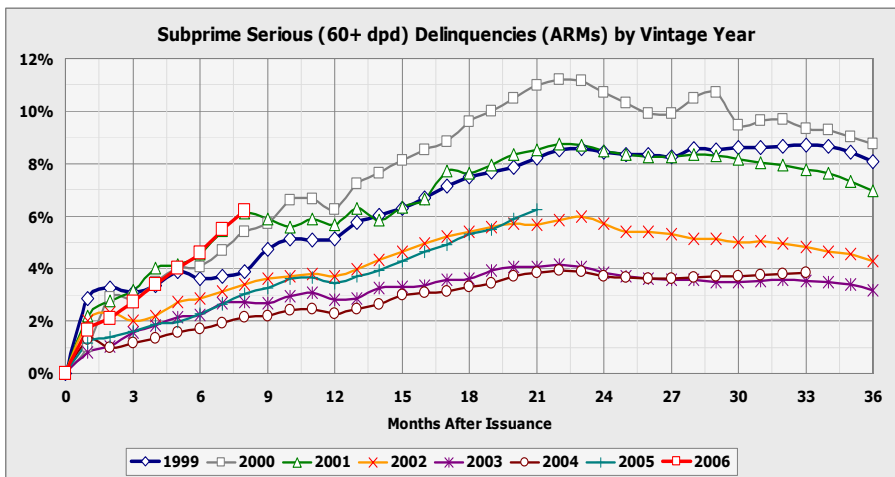
2006 US Mortgage Securitizations Hit \$1.9 Trillion - Subprime Accounted for Around 25% in 2006 or 15% of total outstanding



Moody's Investors Service

6

Subprime Problems Concentrated in 2006 Vintage - Performance Worse than '05; On par with 2001



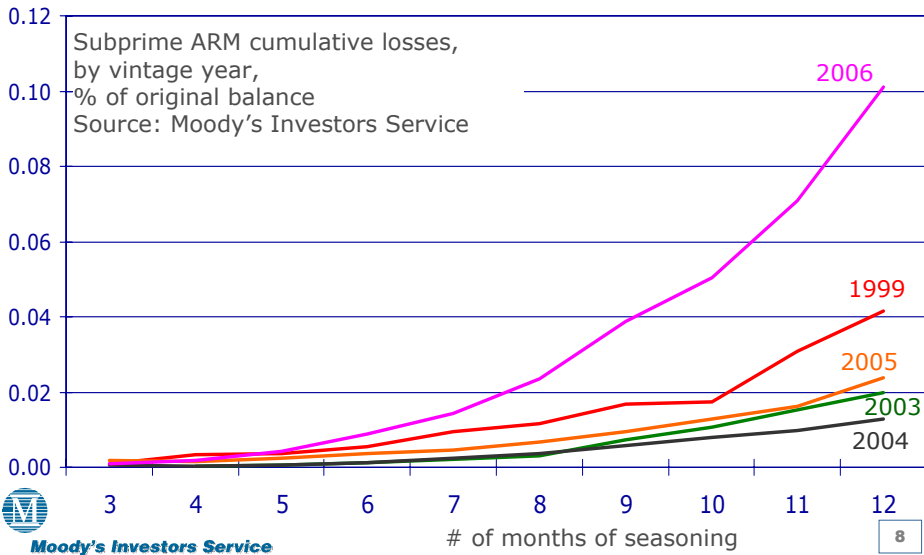
Source: Moody's

Moody's Investors Service

7

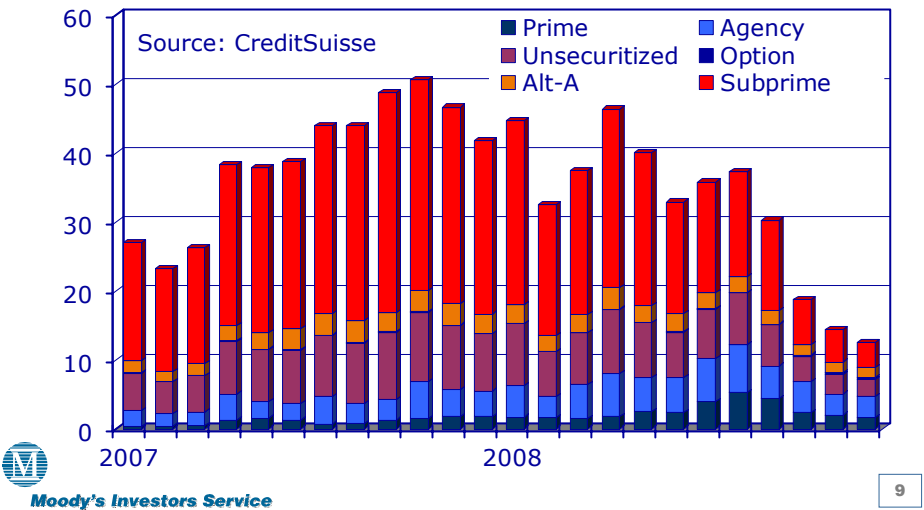


Static Pool Losses Accelerate in Recent Vintages



More Credit Problem Coming as Resets Mount...

Mortgage debt outstanding facing first payment reset, \$ bil



...and Housing Prices Continue to Correct

Median Existing House Price, % chg yr ago, 3-Month MA



Moody's Investors Service

10

Credit Erosion in Subprime Mortgages - Risk elements emanate from rabid competition

Growth of exotic products undermined discipline...

- **ARMs- watch out for delinquencies as rates reset: few loans underwritten based on "go-to" rates**
- **Second liens- not much better than unsecured loans**
- **High LTV loans-can't refinance as home prices fall**
- **Higher FICO score cut-offs impede refinancing**
- **Stated income (low-doc/no-doc) loans-abused**
- **Payment Option Arms-Poor Underwriting Standards**



Moody's Investors Service

11



Credit Erosion in Sub-prime Mortgages

- What risks do the securities firms face?

- Residual inventories rise with lower market appetite
- Valuation marks: lack of transparency and data :Fair Value Accounting not trusted by markets
- Counterparty risks: levered hedge funds and banks
- Reduced securitization and secondary activity
- Spill-over to Alt-A and other MBS
- Broad market contagion: flight to quality



Moody's Investors Service

12

Credit Erosion in Subprime Mortgages

- Why haven't the securities firms been hurt more?

- Firms originate to distribute, not hold
- Forward looking risk management practices
- Cut back on subprime originations (belated)
- Enhanced due diligence/underwriting criteria
- Reduced warehouse advance rates
- Built up loss reserves
- Implemented hedging strategies
- Improved earnings diversification



Moody's Investors Service

13

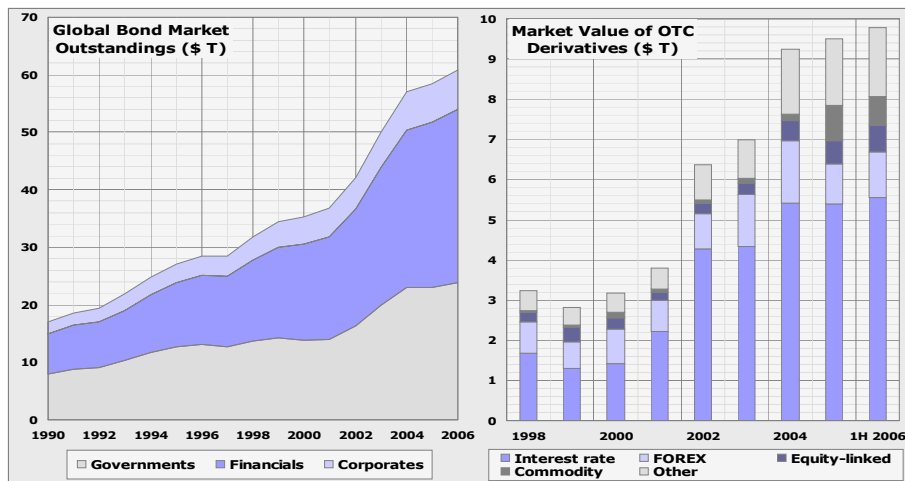


CDOs and CLOs represent a continuing pool of uncertain risks for banks and brokers, ABCP conduits are a rapidly emerging concern

- **CDOs and CLOs are more complex than ABS**
- **CDOs are a distribution channel for banks to sell assets originated from multiple sources, but investments in most junior tranches may negate risk transference**
- **ABCP conduits liquidity drying UP**
- **Problem spreading to SIVs and SIV lites**



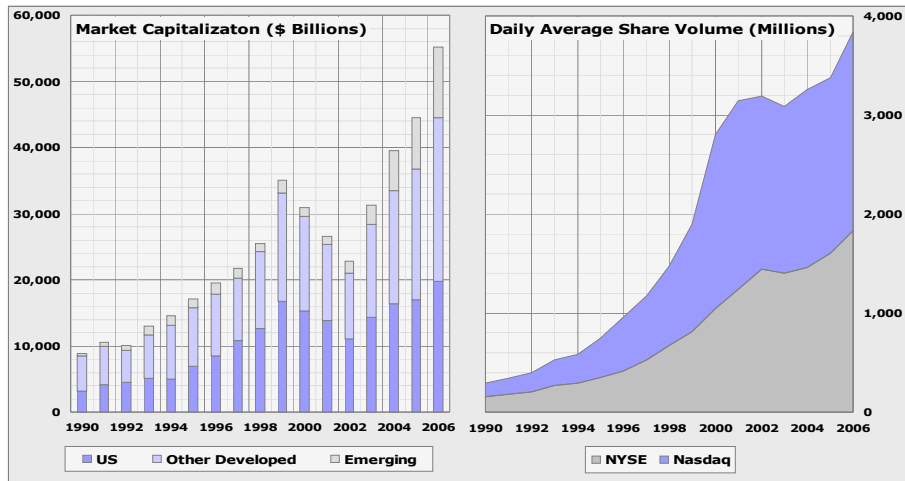
Fixed Income Markets: Unabated Expansion



Source: BIS, ISDA



Equity Markets: Long-term Growth in Size and Volume



Source: World Federation of Exchanges

Moody's Investors Service

16

Brokers Are Building Resilient Franchises

	Cross-Cycle PTM ¹	Return on Capital	Risk	Ceiling ³
Processing	20% - 53%	High	Low	Aaa
Asset Management	15% - 40%	High	Low	Aaa
Market-Making	29% - 44% ²	Medium	Medium	Aa
Investment Banking	11% - 25%	Medium	Medium	Aa
Retail Brokerage	15% - 23%	Low	Medium	A/Baa ⁴
Proprietary Trading	29% - 44% ²	Medium	High	Ba

¹Cross Cycle PTM is the range of average quarterly PTMs, across 2003 to 2006, from those firms whom disclose them.

²Market Making & Proprietary Trading activities are indistinguishable from company filings, the same PTM is used for both.

³Moody's "Global Securities Industry Methodology" places a rating ceiling on each business line according to bondholder attractiveness

⁴High-net worth retail brokerage has a ceiling of A, discount brokerage has a ceiling of Baa

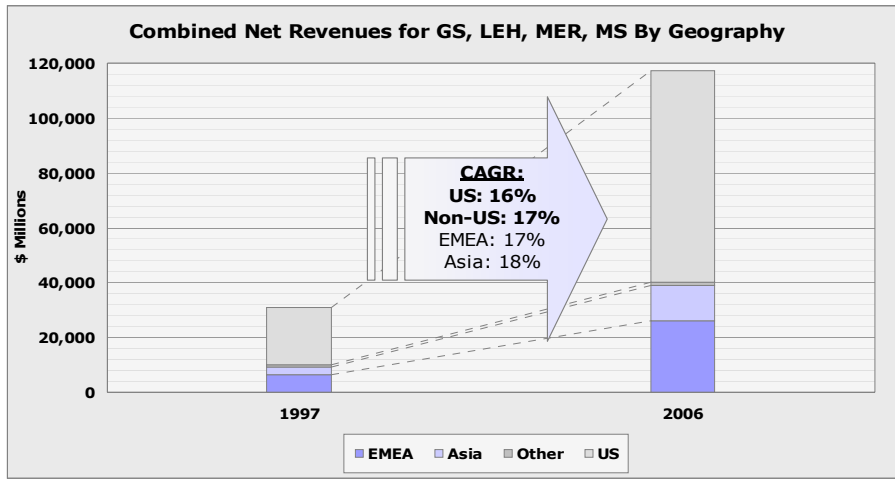


Moody's Investors Service

17



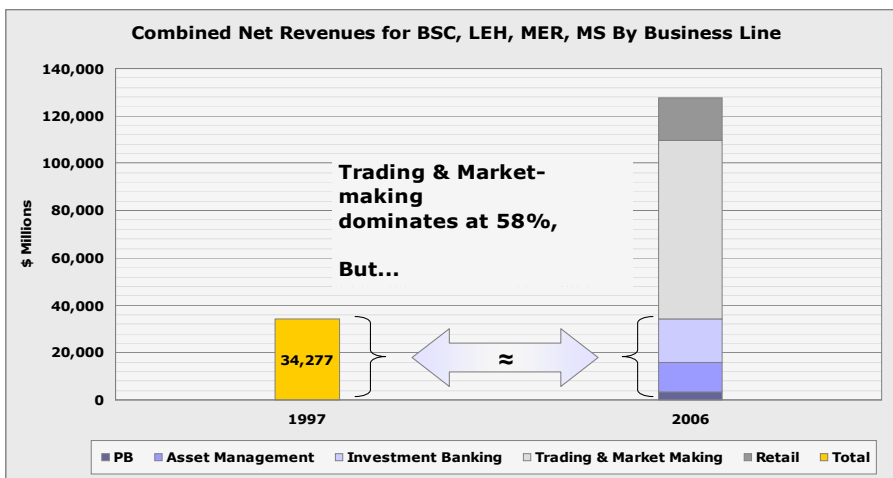
Major Firms Have an Increasingly Global Footprint



Moody's Investors Service

18

Trading Dominates , but within larger revenue base



*Peer group includes BSC, GS, LEH, MER MS, as per public disclosures.
 MS's Discover not included. Prime brokerage includes BSC's Global Clearing Services and GS' Security Services revenues.

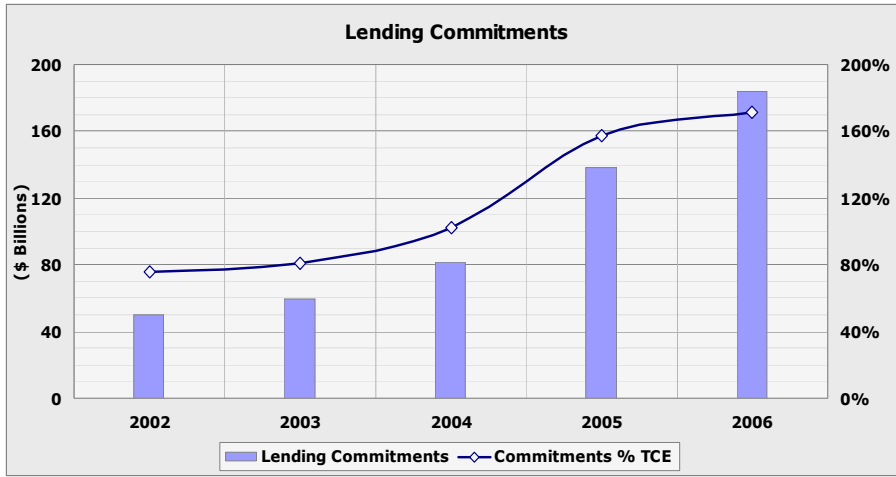


Moody's Investors Service

19



Buyout Clients Pressure I-Banks to Lend

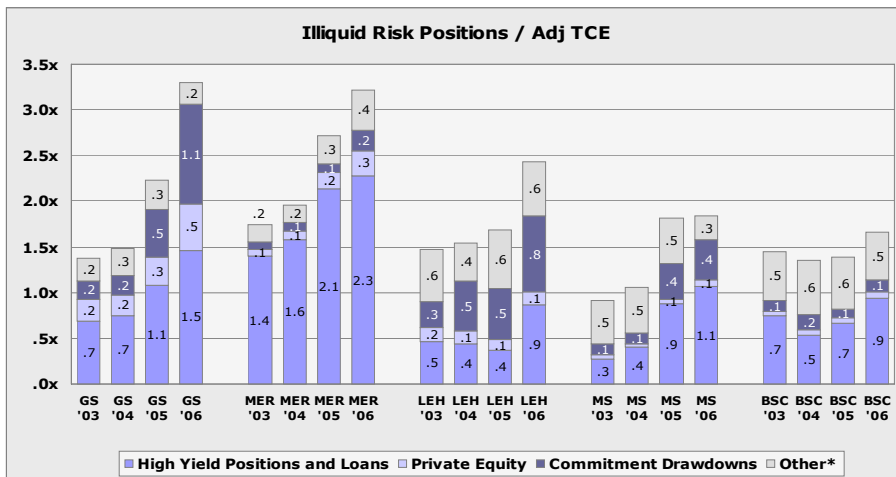


*Aggregate of BSC, GS, LEH, MER and MS lending commitments, including both investment grade and non-investment grade. GS lending commitments provided under its William Street program are excluded.

Moody's Investors Service

20

Illiquid Risk Positions are Rising



TCE: Total Stockholders Equity - Goodwill & Intangibles - Preferred Equity MS's TCE: adjusted by deducting 8% of managed receivables (for CC business). MER's TCE: adjusted using by deducting 4% of consumer loans.

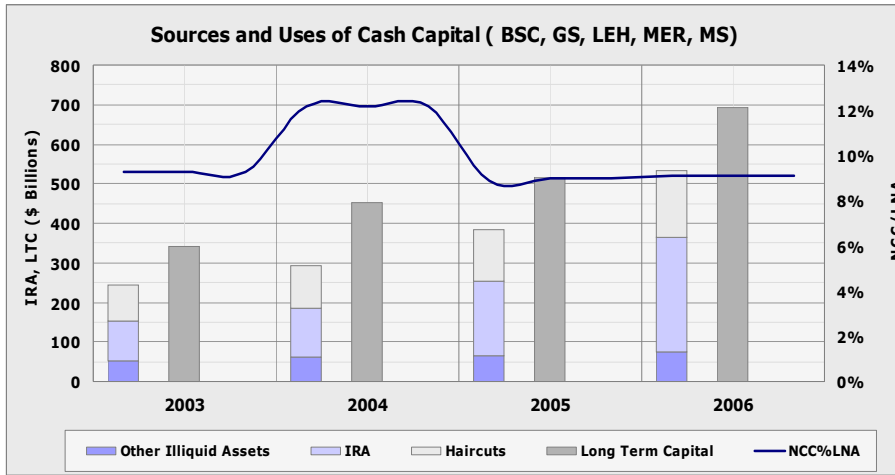
*Other - can include rating triggers, uncollateralized spec-grade derivatives, retained interest (LEH '03& '04 non-inv. grade RI assumed to be a quarter of the total), and other illiquid assets.

Moody's Investors Service

21



B/S Liquidity Remains Strong- but credit costs rise



Illiquid Risk Assets (IRA): Loans, Illiquid Bonds, Uncollateralized Spec Grade Derivatives, Private Equity, Retained Interest, Aircraft Assets (MS), Loan Commitment Drawdowns (10% Investment Grade & 33% Non Investment Grade, GS William Street Commitments excluded)

Other Illiquid Assets: Consumer Loans (MS & MER), PPE, Goodwill, Other Assets

Haircuts: on securities inventory and mortgages

Long Term Capital: Equity Capital + Long Term Debt (less current portion) + Trust Preferreds

Net Cash Capital (NCC): Long Term Capital - (Illiquid Risk Positions + Other Illiquid Assets + Haircuts)

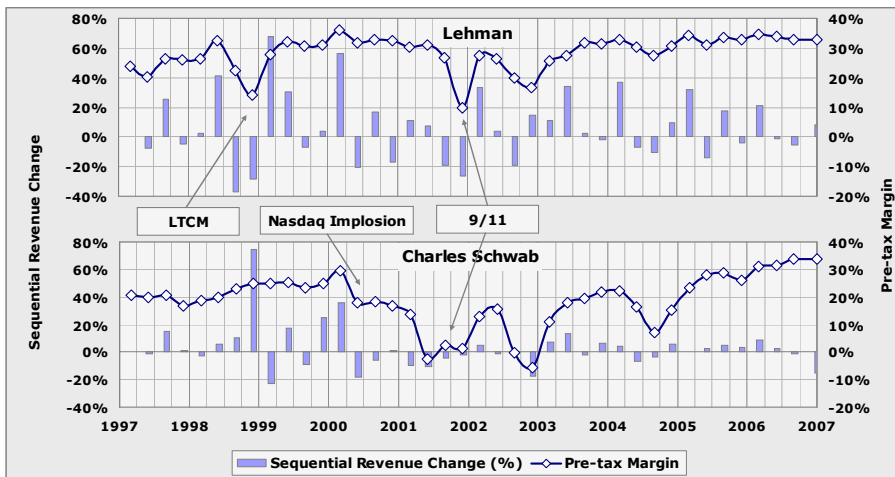
Liquid Net Assets (LNA): Gross Assets - (Low Risk Assets + IRA + Other Illiquid Assets + Haircuts)



Moody's Investors Service

22

Expense Flexibilities- Dealing with the Cycle: Steady Pre-Tax Margin = Good Cost Disciplines



Moody's Investors Service

23



How Can Brokerage Firms Maintain Ratings Through the Cycle ?

- **Build resilient franchises**
- **Diversify and avoid concentrations**
- **Manage risk dynamically**
- **Maintain Expense Disciplines**
- **Stay liquid, maintain expense flexibility**



Moody's Investors Service

24

**The Banking System is Strong:
It Will Need To Be to Face
Current Asset Quality Erosion**



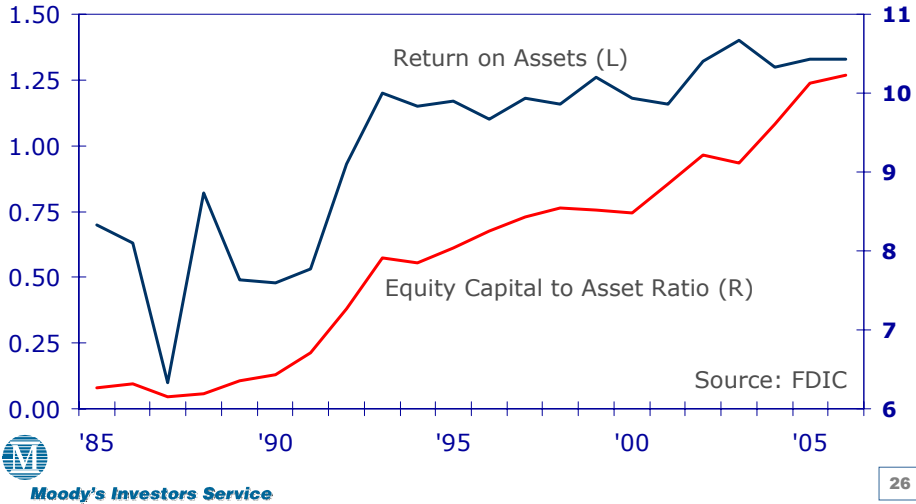
Moody's Investors Service

25



Banks are Highly Profitable and Capitalized...

Commercial Banks

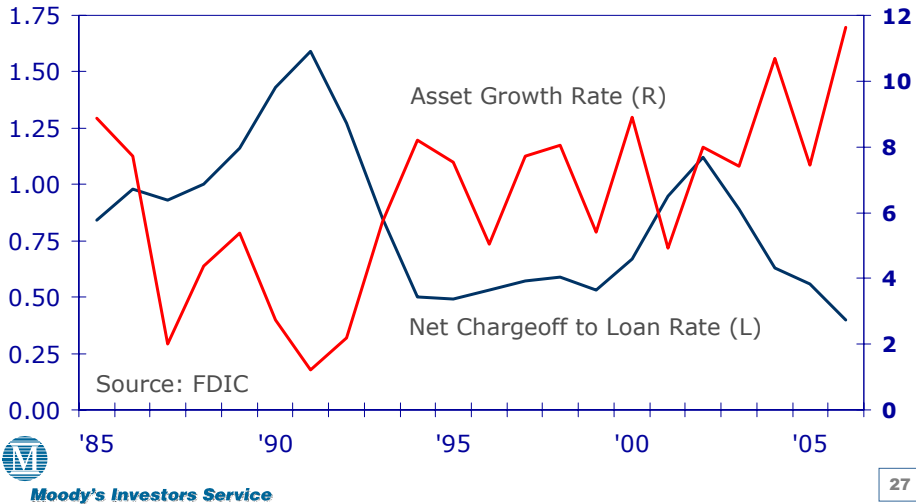


Moody's Investors Service

26

...Due to Strong Asset Growth and Good Quality...

Commercial Banks



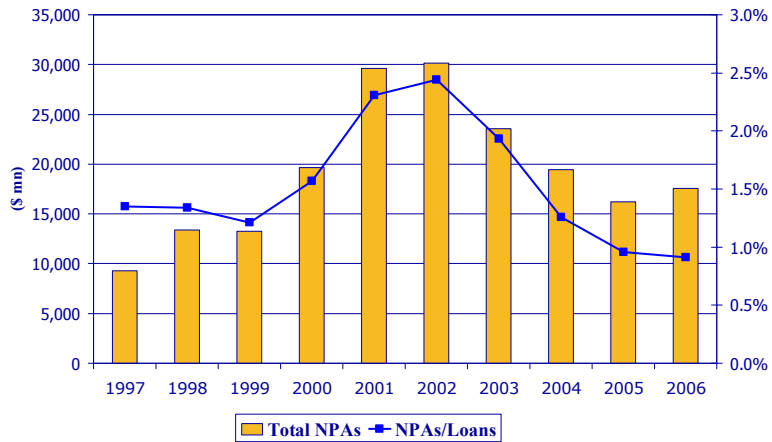
Moody's Investors Service

27



Asset Quality Indicators Have Been Strong with Problem Loans Currently at a Cyclical Low

Nonperforming Commercial & CRE Loans/Commercial & CRE Loans Large Bank Group*

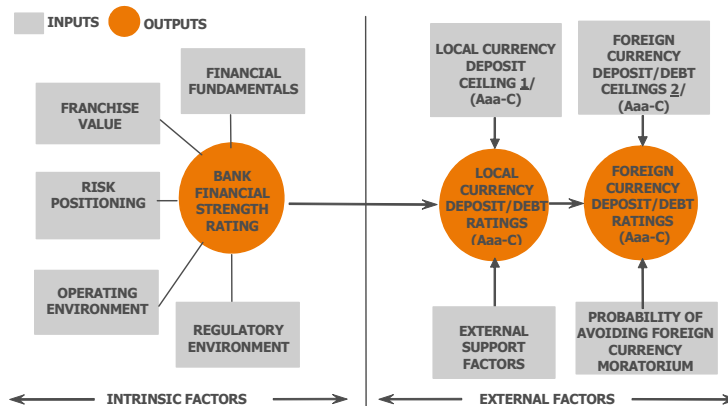


Large Bank Group - Total Assets >\$35B

Moody's Investors Service

28

Moody's Bank Rating Approach



- 1/ Measures ability of a government to support troubled banks and the risk of a local currency deposit freeze.
2/ Measures the risk of a foreign currency deposit or foreign currency debt moratorium.



Moody's Investors Service

29



BFSR Inputs

- **Qualitative Factors – 50%**
 - Franchise Value
 - Risk Positioning
 - Regulatory Environment
 - Operating Environment
- **Financial Factors – 50%**
 - Profitability: ROA, ROE, Net Interest Margin
 - Liquidity: Deposit Base: Confidence Sensitive Funds
 - Capital Adequacy: BIS Capital, Equity to Assets
 - Efficiency: Costs to Revenues
 - Asset Quality: Problem Loans and Credit Losses

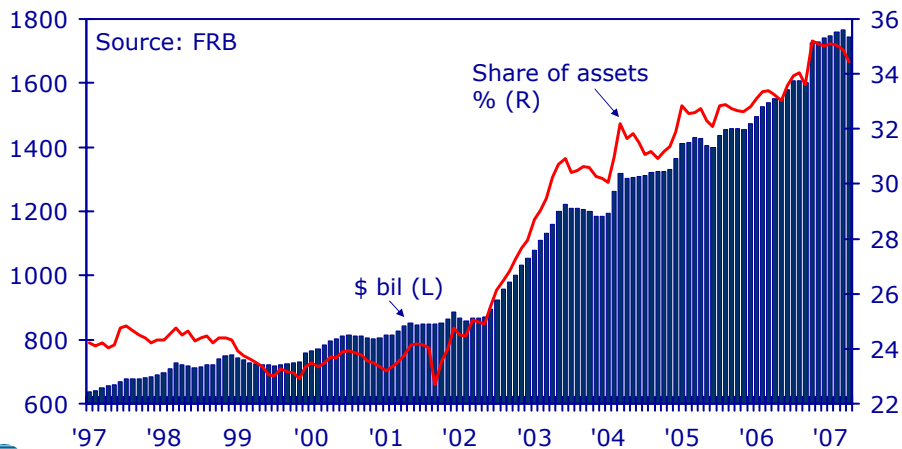


Moody's Investors Service

30

Now the BAD NEWS: Real Estate-The Regional Banks are in Deep

Residential RE Assets of Large Commercial Banks



Moody's Investors Service

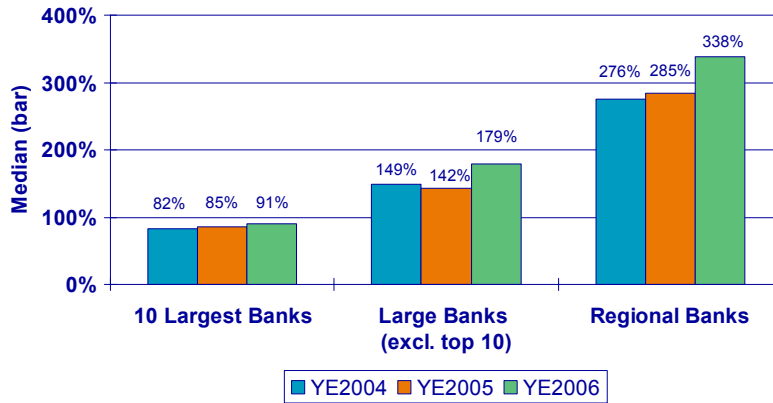
31



Concentration Risks Are Worsening

Large Banks vs. Regionals

Top 20 Exposures Rated Below A3 as a % Pre-provision Income



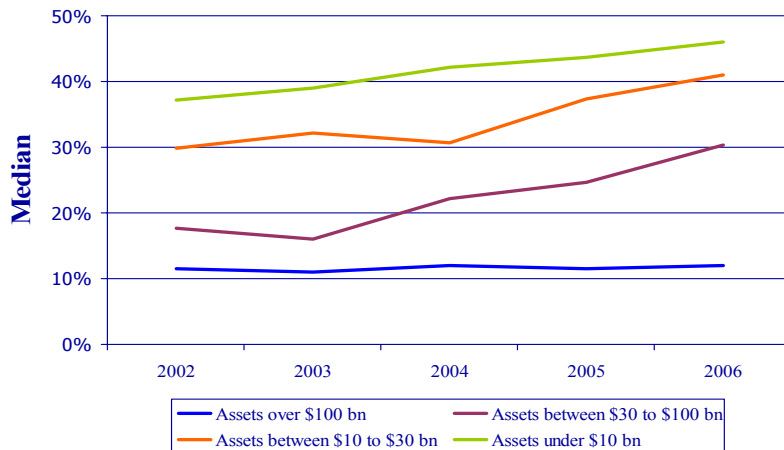
Large Bank Group - Total Assets >\$35B

Moody's Investors Service

32

Commercial Real Estate Growth at U.S. Banks

CRE % Loans



Source: Moody's

Moody's Investors Service

33



Significant Construction Growth in 2005 and 2006: Note biggest banks less active in sector

	2006: Total Construction, Land Development, and Other Land (\$bn)	Change: 2005 to 2006	Change: 2004 to 2005	2006 as a multiple of TCE	2005 as a multiple of TCE
Marshall & Ilsley Corporation	9.2	57%	121%	3.1	2.6
Zions Bancorporation	8.1	33%	75%	3.0	2.8
BB&T Corporation	17.6	47%	39%	2.7	1.9
First Horizon National Corporation	5.2	22%	76%	2.5	2.3
BancWest Corporation	3.0	-4%	65%	1.6	2.6
SunTrust Banks, Inc.	13.9	26%	41%	1.4	1.2
KeyCorp	8.2	15%	30%	1.3	1.2
Regions Financial Corporation	11.0	22%	13%	1.3	1.7
Fifth Third Bancorp	9.2	88%	51%	1.2	0.7
M&T Bank Corporation	3.7	46%	32%	1.2	0.9
Median for 32 banks with assets >\$35 bn		23%	33%	0.8	0.7

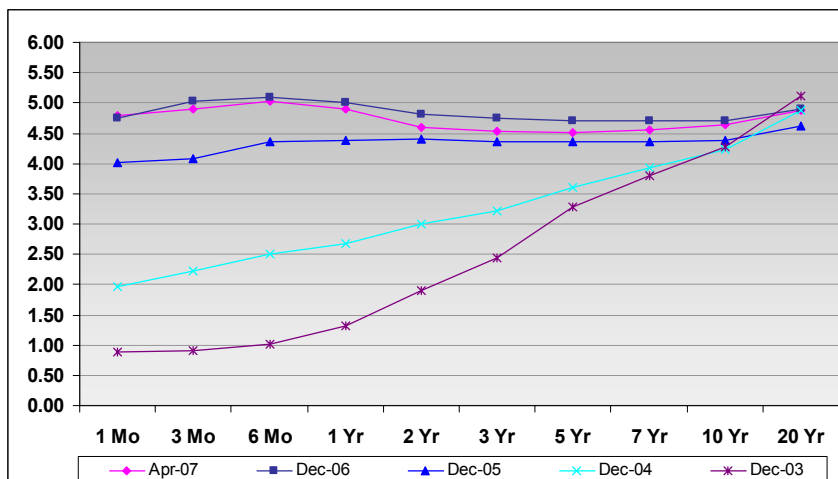


Source: Moody's

Moody's Investors Service

34

Since 2005, Yield Curve Has Been Flat and Rate Changes Have Been Minimal



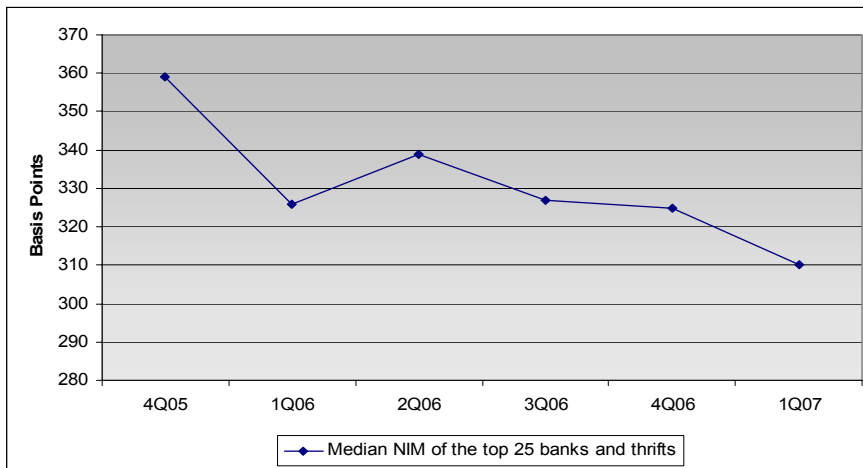
Source: Federal Reserve

Moody's Investors Service

35



As a Result, Net Interest Margins Have Compressed-so lower coverage of NCOs



Source: Disclosures of top 25 banks and thrifts

Moody's Investors Service

36

Conclusions: Ratings Downgrades Only Selectively

- **Lagging asset quality indicators were solid- But Leading Indicators raise multiple concerns**
- **Net Interest Margins still under pressure**
- **We expect deterioration in financial metrics as credit costs rise**
- **Earnings coverage remains an industry strength, but will erode in some cases**



Moody's Investors Service

37



Moody's Market Implied Ratings

- **Moody's Market Implied Ratings Are An Alternative Tool For Credit Risk Evaluation and Management**
- **When Credit Markets disagree with Moody's ratings-Market Credit Spreads "Imply" a Different Ratings Level**
- **Market Disagreements with Moody's Have Predictive Value for Ratings Changes and Defaults**



Moody's Investors Service

38

MIR: CDS-Implied Ratings for Large Banks

MIR: Transition Matrix-CDS							
Issuer	Ratings	Probability of Out/Underperformance (12 mo.)					
		Watch Status	Moody's Rating	CDS Imp. Rating	CDS Imp. Gap	Outperf	Mkt Perf
CITIGROUP INC.	STA	Aa1	Baa2	-7	76%	21%	3%
BANK OF AMERICA CORPORATION	STA	Aa1	Baa1	-6	61%	25%	14%
JPMORGAN CHASE & CO.	STA	Aa2	Baa2	-6	76%	21%	3%
WELLS FARGO & COMPANY	STA	Aa1	Baa1	-6	61%	25%	14%
BANK OF NEW YORK MELLON CORPORATION (THE)	STA	Aa2	Baa1	-5	65%	15%	21%
U.S. BANCORP	STA	Aa2	Baa1	-5	65%	15%	21%
SUNTRUST BANKS, INC.	STA	Aa3	Baa1	-4	86%	0%	14%
WACHOVIA CORPORATION	STA	Aa3	Baa1	-4	86%	0%	14%
BB&T CORPORATION	STA	Aa3	A3	-3	50%	42%	8%
NATIONAL CITY CORPORATION	RUR	A1	Baa1	-3	55%	18%	27%
PNC FINANCIAL SERVICES GROUP, INC.	STA	A1	Aaa	4	0%	44%	53%

*As of September 5, 2007



Moody's Investors Service

39



MIR: CDS-Implied Ratings for Brokers

MIR: Transition Matrix-CDS							
Issuer	Ratings			Probability of Out/Underperformance (12 mo.)			
	Watch Status	Moody's Rating	CDS Imp. Rating	CDS Imp. Gap	Outperf.	Mkt Perf.	Underperf.
CITIGROUP INC.	STA	Aa1	Baa2	-7	76%	21%	3%
BEAR STEARNS COMPANIES INC. (THE)	STA	A1	Ba1	-6	71%	0%	29%
CREDIT SUISSE GROUP	STA	Aa2	Baa2	-6	76%	21%	3%
GOLDMAN SACHS GROUP, INC. (THE)	STA	Aa3	Baa3	-6	100%	0%	0%
JPMORGAN CHASE & CO.	STA	Aa2	Baa2	-6	76%	21%	3%
LEHMAN BROTHERS HOLDINGS INC.	POS	A1	Ba1	-6	71%	0%	29%
MERRILL LYNCH & CO., INC.	STA	Aa3	Baa3	-6	100%	0%	0%
MORGAN STANLEY	STA	Aa3	Baa3	-6	100%	0%	0%

*As of September 5, 2007



Moody's Investors Service

40

MIR Predictive Power is Superior to Ratings Alone

- **Moody's Ratings Have a High Degree of Consistency and Stability**
- **Credit Market Signals Have More Volatility and Rapid Response Timeframes**
- **Wider Market Implied Ratings Gaps for Bonds and CDS Have Significant Predictive Power for Upgrades/Downgrades and Defaults**



Moody's Investors Service

41



A Key Feature is that Market-Implied Ratings Are a Lot More Volatile Than Moody's Credit Ratings

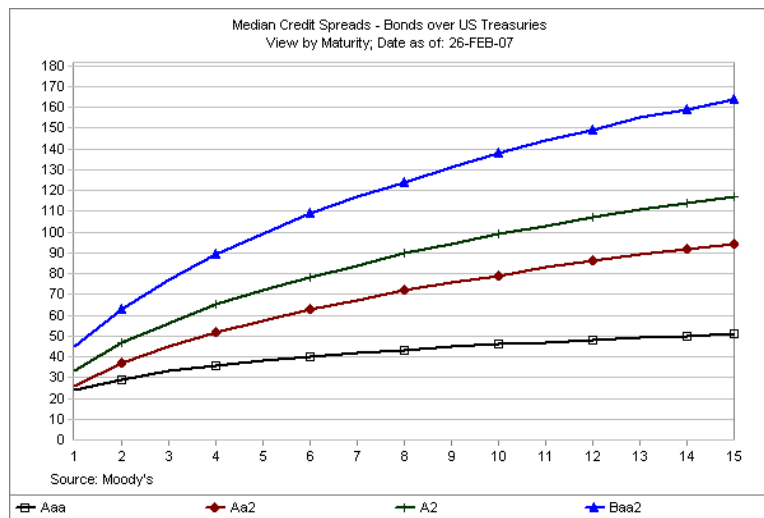
- Moody's Ratings:
 - ~20% change in a year, ~1% reverse
- Market-Implied Ratings:
 - ~90% change in a year, ~76% reverse
- Moody's Ratings look through the cycle, market levels give greater weight to shorter term considerations
- Moody's Ratings Reflect Credit Risk & Incorporate a Range of Factors Through a Business Cycle



Moody's Investors Service

42

Bond-Implied and CDS-Implied Ratings Explained: The First Step is to Construct Median Credit Spreads

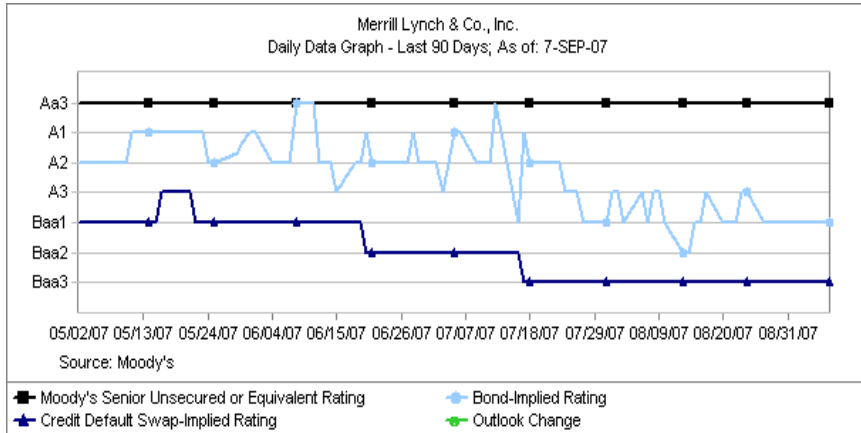


Moody's Investors Service

43



Market Implied Ratings Graphs Show Moody's and Market Risk Signals on the Same Scale

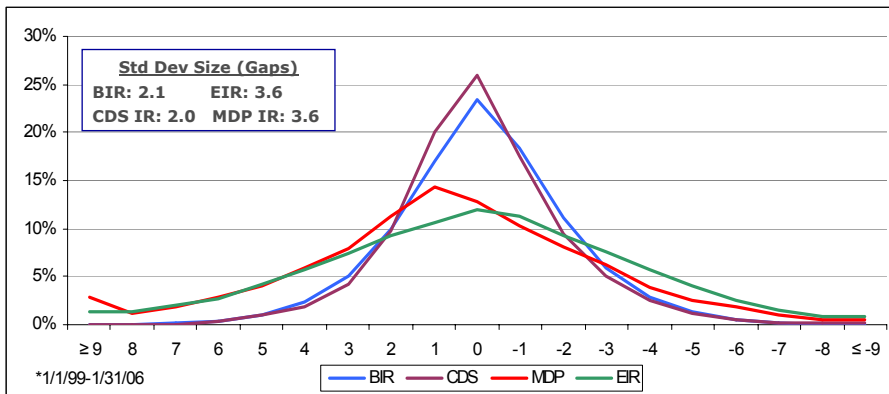


Moody's Investors Service

44

Ratings Gaps: 75% Cluster within +2/ or -2 from assigned rating

Ratings Gap Distribution by Model



Moody's Investors Service

45



MIR Market Coverage is Broad and Growing

	Bond-Implied	Equity-Implied	CDS-Implied	MDP-Implied
Number of Issuers	2,900	1,800	1,700	1,800
Investment Grade	67%	79%	78%	64%
Speculative Grade	33%	21%	22%	36%
Geographic Breakdown				
Americas	68%	66%	55%	74%
Asia	5%	5%	7%	3%
Europe	22%	18%	28%	14%
Japan	5%	10%	11%	9%

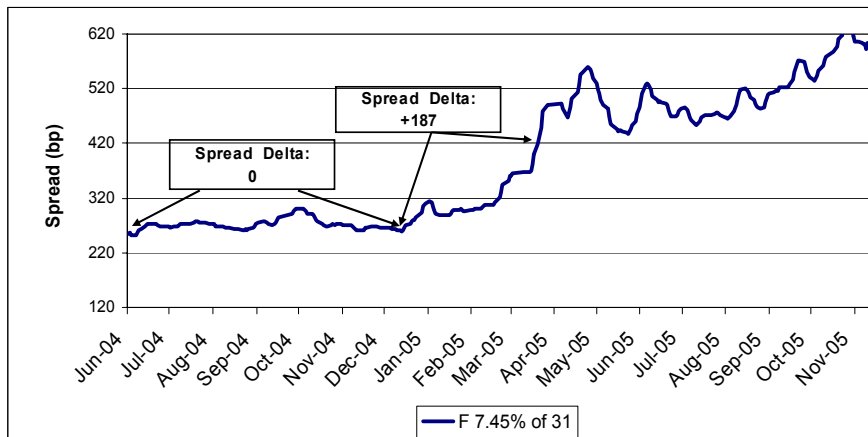


Moody's Investors Service

46

MIR Measures Entities' Performance Relative to the Broad Market. This is a Very Useful Feature

Ford's Bonds Spread over Benchmark TSY

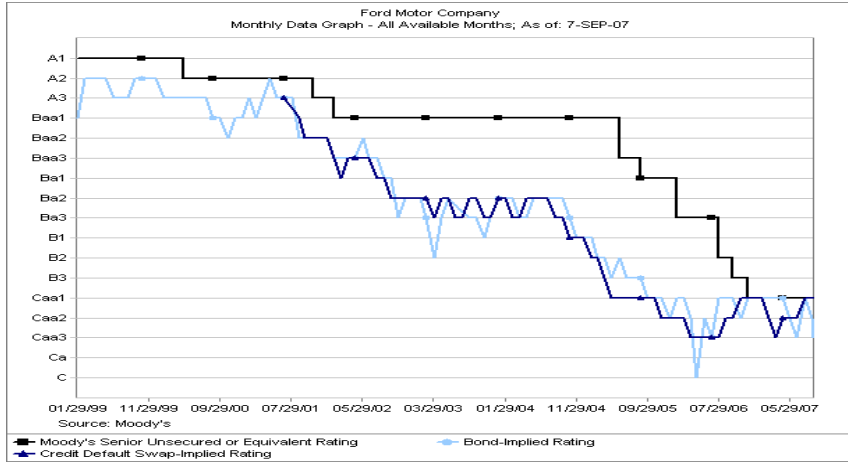


Moody's Investors Service

47



Market Implied Ratings=Early Warning Signal



Moody's Investors Service

48

Ford's MIR Decline was a valuable signal versus absolute spreads and Moody's Ratings

- In June 2004 to December 2004, Ford's credit spreads were little changed...
- However, the Credit Markets Rallied Strongly...
- So, Ford's Bond-Implied Gap Widened by -3 notches in this period-showing significant Underperformance
- Bond-Implied and CDS-Implied Ratings Gaps Widening Signaled a Brewing Problem Credit Problem



Moody's Investors Service

49



Using Market Implied Ratings to Predict Downgrades

- Credit Default Swap-Implied Ratings are Most Accurate Predictor of Moody's Ratings Changes
- For Market Implied Ratings Gaps of Zero, Upgrades and Downgrades are Balanced
- The Larger the MIR Gap, the More Likely an Upgrade or Downgrade Becomes

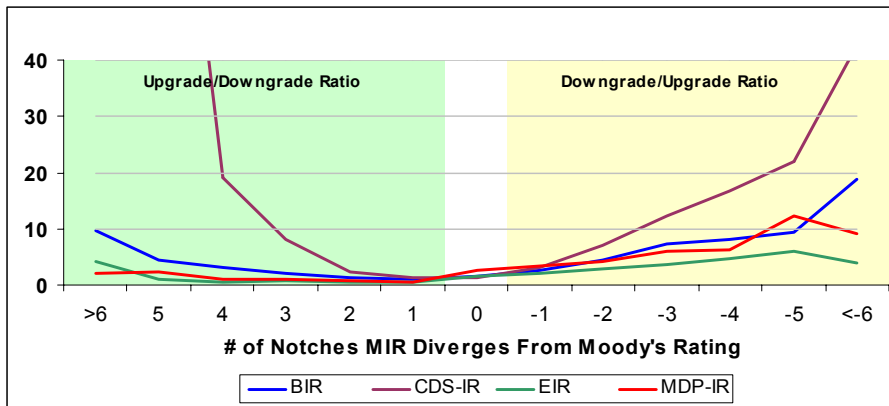


Moody's Investors Service

50

The CDS Market's Ratings Change "Predictive" Power Is Most Evident in Investment Grade

Moody's Ratings Change Ratio by Ratings Gap, IG Only



One-Year Horizon

Moody's Investors Service

51



Identification of Default Risk

Default Rates Vary Considerably by Ratings Gap

Rating	Default Rate - All Issuers	Default Rates Conditioned on Ratings Gaps						
		3	2	1	0	-1	-2	-3
Baa1	0.17%	0.13%	0.27%	0.27%	0.17%	0.69%	0.52%	0.89%
Baa2	0.12%	0.00%	0.00%	0.34%	0.08%	0.00%	0.31%	0.80%
Baa3	0.41%	0.00%	0.09%	0.05%	0.14%	0.75%	0.72%	1.55%
Ba1	0.66%	0.00%	0.00%	0.11%	0.22%	0.11%	0.98%	1.26%
Ba2	0.62%	0.00%	0.00%	0.24%	0.48%	0.65%	0.87%	4.00%
Ba3	2.23%	0.00%	0.00%	0.09%	0.90%	1.36%	1.00%	3.44%
B1	3.03%	0.52%	0.20%	0.28%	0.73%	2.76%	8.68%	10.92%
B2	5.93%	0.20%	0.59%	0.99%	3.61%	7.86%	17.42%	31.37%
B3	10.77%	1.21%	2.27%	1.71%	6.04%	13.66%	28.55%	43.04%
Caa1 -C	22.24%	7.99%	14.66%	15.65%	20.95%	30.89%	41.43%	37.50%



Moody's Investors Service

One-Year Time Horizon for Bond Data Covering 1/1/99 – 2/28/06

52

Predicting Downgrades and Defaults: Ratings Gap-Conditioned Transition Matrices for Baa3 Ratings

Baa3 Transition Rates – Undifferentiated by Ratings Gaps

Ratings After One Year	Up	Unchanged	Down	WD/Defaulted
	12%	70%	12%	6%

Baa3 Transition Rates - Differentiated by Ratings Gaps

Rating Gaps	>6	5	4	3	2	1	0	-1	-2	-3	-4	-5	<-6
Ratings After 1 Year													
Unchanged	60%	58%	61%	72%	75%	78%	82%	77%	72%	66%	58%	45%	28%
Up	36%	38%	35%	25%	20%	15%	8%	7%	6%	6%	6%	9%	7%
Down	2%	3%	3%	3%	4%	7%	10%	15%	21%	26%	34%	44%	55%
Defaulted/WD	3%	2%	2%	1%	1%	1%	1%	2%	2%	4%	3%	3%	10%

Bond Data Covering 1/1/99 – 2/28/2006



=> This is available for each rating category

Moody's Investors Service

53



Risk Management Uses of Market Implied Ratings

- **Implied Ratings Gaps Superior to Moody's Ratings for Default/Downgrade Prediction**
- **Using MIR Can Help Identify Credits That May Move Between Risk Weight Categories**
- **Default and Downgrade Probabilities in Market Implied Ratings Can Help to Manage Risk Exposures Better Than Ratings Alone**
- **USE MIR to Determine Which Corporate Credits to Sell, Securitize or On Which to Buy Protection**



MIR Portfolio Management and MIR Alerts

- **Multiple MIR Portfolios can be created by a user, customized in multiple groups**
- **MIR e-mail alerts can be set for numerous filters for prompt notification of Changing Market Sentiments**
- **Alert Frequency can be Customized to Meet User Preferences**



NAPCO
Portfolio Assessment Report of Select Companies
Transition Matrix Analysis as of September 11, 2007

Issuer	Outlook	Watch Status	Senior Unsecured Rating	CDS Rating	Current CDS Implied Gap	Moody's Up-grade	Moody's Same	Moody's Down-grade	CDS Spreads Out-Perform	CDS Same	CDS Spreads Under-Perform
BARCLAYS BANK PLC		Not on Watch	Aa1	Baa2	-7	0%	86.96%	13.04%	75.76%	21.21%	3.03%
CITIGROUP INC.	STABLE	Not on Watch	Aa1	Baa2	-7	0%	86.96%	13.04%	75.76%	21.21%	3.03%
DEUTSCHE BANK AG	STABLE	Not on Watch	Aa1	Baa2	-7	0%	86.96%	13.04%	75.76%	21.21%	3.03%
BANK OF AMERICA CORPORATION	STABLE	Not on Watch	Aa1	Baa1	-6	0%	86.96%	13.04%	61.36%	25%	13.64%
BEAR STEARNS COMPANIES INC. (THE)	STABLE	Not on Watch	A1	Ba1	-6	0%	14.29%	85.71%	71.43%	0%	28.57%
GOLDMAN SACHS GROUP, INC. (THE)	STABLE	Not on Watch	Aa3	Baa3	-6	0%	0%	100%	100%	0%	0%
JPMORGAN CHASE & CO.	STABLE	Not on Watch	Aa2	Baa2	-6	0%	96.15%	3.85%	75.76%	21.21%	3.03%
MERRILL LYNCH & CO., INC.	STABLE	Not on Watch	Aa3	Baa3	-6	0%	0%	100%	100%	0%	0%
MORGAN STANLEY	STABLE	Not on Watch	Aa3	Baa3	-6	0%	0%	100%	100%	0%	0%
BANK OF MONTREAL	STABLE	Not on Watch	Aa1	A3	-5	0%	87.10%	12.90%	64.52%	19.35%	16.13%
FORTIS N.V.	STABLE	Not on Watch	Aa3	Baa2	-5	0%	28.57%	71.43%	100%	0%	0%
ROYAL BANK OF CANADA	STABLE	Not on Watch	Aaa	A2	-5	0%	89.19%	10.81%	51.35%	28.38%	20.27%
ROYAL BANK OF SCOTLAND GROUP PLC	NEGATIVE	Not on Watch	Aa1	A3	-5	0%	87.10%	12.90%	64.52%	19.35%	16.13%
UBS AG	STABLE	Not on Watch	Aaa	A2	-5	0%	89.19%	10.81%	51.35%	28.38%	20.27%
WELLS FARGO & COMPANY	STABLE	Not on Watch	Aa1	A3	-5	0%	87.10%	12.90%	64.52%	19.35%	16.13%
CANADIAN IMPERIAL BANK OF COMMERCE	STABLE	Not on Watch	Aa2	A3	-4	2.70%	77.03%	20.27%	52.70%	25.68%	21.62%
TORONTO-DOMINION BANK (THE)	STABLE	Not on Watch	Aaa	Aa2	-2	0%	83.33%	9.09%	50%	15.15%	27.27%
BANK OF NOVA SCOTIA	STABLE	Not on Watch	Aa1	Aa1	0	0%	92.38%	6.67%	30.48%	44.76%	23.81%

All conclusions, views and opinions expressed in this presentation are provided by Moody's Credit Strategies Team.

Allerton G. Smith, SVP Moody's Credit Strategies Team

allerton.smith@moodys.com

212-553-4058

© Copyright 2007, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY 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, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. 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 credit ratings and financial reporting analysis 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. 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. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$2,300,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (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 on Moody's website at www.moodys.com under the heading "Shareholder Relations – Corporate Governance – Director and Shareholder Affiliation Policy."



Moody's Investors Service

56

