

# MOODY'S

## INVESTORS SERVICE

### Credit Opinion: Sparebanken Sor

Global Credit Research - 15 Dec 2014

Kristiansand, Norway

#### Ratings

Category	Moody's Rating
Outlook	Negative(m)
Bank Deposits	A2/P-1
Bank Financial Strength	C-
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1

#### Contacts

Analyst	Phone
Kim Bergoe/London	44.20.7772.5454
Jan Skogberg/London	
Sean Marion/London	
Jessica Svantesson/London	

#### Key Indicators

##### Sparebanken Sor (Consolidated Financials)[1]

	[2]9-14	[2]12-13	[2]12-12	[2]12-11	[2]12-10	Avg.
Total Assets (NOK billion)	93.3	45.8	44.1	40.5	36.9	[3]26.1
Total Assets (EUR million)	11,501.8	5,473.8	6,013.5	5,229.1	4,731.3	[3]24.9
Total Assets (USD million)	14,529.6	7,542.6	7,928.1	6,788.1	6,347.2	[3]23.0
Tangible Common Equity (NOK billion)	7.5	3.4	3.1	2.7	2.5	[3]30.8
Tangible Common Equity (EUR million)	919.2	407.9	423.8	351.5	326.6	[3]29.5
Tangible Common Equity (USD million)	1,161.2	562.0	558.8	456.4	438.1	[3]27.6
Net Interest Margin (%)	1.9	1.4	1.4	1.3	1.2	[4]1.4
PPI / Average RWA (%)	2.4	1.8	1.8	1.4	1.8	[5]1.8
Net Income / Average RWA (%)	1.9	1.2	1.3	0.9	1.2	[5]1.3
(Market Funds - Liquid Assets) / Total Assets (%)	26.6	29.1	29.6	37.3	35.1	[4]31.5
Core Deposits / Average Gross Loans (%)	68.6	57.4	56.2	47.6	51.7	[4]56.3
Tier 1 Ratio (%)	13.5	13.9	13.4	12.5	12.8	[5]13.2
Tangible Common Equity / RWA (%)	13.9	13.2	12.6	11.9	12.1	[5]12.7
Cost / Income Ratio (%)	41.3	37.3	36.3	42.8	37.3	[4]39.0
Problem Loans / Gross Loans (%)	2.0	0.8	0.6	0.5	0.7	[4]0.9
Problem Loans / (Equity + Loan Loss Reserves) (%)	19.2	8.5	6.5	6.3	7.8	[4]9.7

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

##### Rating Rationale

Sparebanken Sør's C- standalone bank financial strength rating (BFSR) equivalent to a baseline credit assessment (BCA) of baa1 primary reflects its strong franchise on the southern coast of Norway and adequate capital levels. With the increased size following the merger between Sparebanken Pluss and Sparebanken Sør effective on 2 January 2014, Moody's believe that synergies could result from the merged bank being better able to service larger companies in its core area, cost synergies resulting from a gradual restructuring of the cost base reflecting the larger scale of the operations, and lower initial borrower concentration levels.

Sparebanken Sør's A2/ P-1 long-term/short-term deposit ratings reflects the rating agency's view that (1) the potential synergies from the merger, outweigh the implementation risk associated with the merger, and (2) a stable and supportive operating environment in Norway both underpins credit quality and supports pre-provision profitability.

The bank has a stable BFSR and long-term ratings carry a negative outlook.

### **Rating Drivers**

- The merger between Sparebanken Pluss and Sparebanken Sør, creates a strong bank in Southern Norway but entails some integration risks.
- The bank's franchise is underpinned by a sound market position on the southern coast of Norway.
- It currently shows strong asset quality, although its loan book entails some credit risk concentrations.
- Despite the recent increase in deposits, its reliance on market funding remains substantial.
- Its profit generation capacity benefits from very good cost efficiency and we see room for further retail lending margin improvement.
- Capital levels are adequate.

### **Rating Outlook**

The negative outlook on the supported ratings takes into account the recent adoption of the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) regulation in the EU. In particular, this reflects that, with the legislation underlying the new resolution framework now in place and the explicit inclusion of burden-sharing with unsecured creditors as a means of reducing the public cost of bank resolutions, the balance of risk for banks' senior unsecured creditors has shifted to the downside. While not subject to the BRRD and SRM, we expect that Norway will look to introduce legislation or other tools that include mechanisms similar to those in the BRRD; our expectations are based on public comments as well as governments' track record of mirroring EU banking regulations. Although our support assumptions are unchanged for now, the probability has risen that they will be revised downwards to reflect the new framework. For further details, please refer to our Special Comment entitled "Reassessing Systemic Support for EU Banks," published on 29 May 2014.

### **What Could Change the Rating - Up**

An upgrade of Sparebanken Sør 's A2 rating could be triggered by (1) a sustainable improvement in the bank's profitability metrics without an increase in its risk profile; (2) a reduction in the group's loan-book concentration; and/or (3) bolstered liquidity position and continued good access to capital markets.

### **What Could Change the Rating - Down**

Downward pressure on the ratings could follow (1) indications that the merger is negatively impacting the group's franchise and/or financial strength (2) a deterioration in asset quality and/ or capitalisation to levels not commensurate with the current rating level.

In addition, we believe that downward pressure could be exerted on the ratings due to external factors, such as a less supportive macroeconomic environment and/or substantially adverse developments in the Norwegian real-estate market.

### **DETAILED RATING CONSIDERATIONS**

NOTE: Effective on 2 January 2014, Sparebanken Pluss and Sparebanken Sør merged with Sparebanken Pluss as the continuing entity, but changing the name to Sparebanken Sør for the merged group. The new group

published consolidated unaudited numbers since the beginning of 2014, public pro forma figures have been used for 2013 for comparison purposes.

#### SOUND MARKET POSITION ON THE SOUTHERN COAST OF NORWAY

Sparebanken Sør is a regional savings bank with a sound market position on the southern coast of Norway in the counties of Vest-Agder, Aust-Agder and Telemark where Moody's estimates it commands market shares of almost 26% for lending and 35% for deposits. However, its national market share is limited at around 2% (based on total lending and deposits by county and nationwide according to Statistics Norway). The bank is headquartered in Kristiansand, Norway and is the 4th largest savings bank in Norway (excluding DNB) with total assets of NOK 93.3 billion at end September 2014. Sparebanken Sor is the market leader in providing financial services to Christian organisations in Norway, largely as a result of its agreement with the Norwegian Christian Purchasing Organisation (KNIF).

Sparebanken Sør operates as an independent savings bank, offering a wide range of financial products and services to the retail and corporate markets. Real estate agency brokerage is carried through Sørmeegleren AS, general insurance and life insurance products are supplied via Frende (jointly owned with a number of other banks). The bank is also a joint owner of Norne, a securities trading company, and Brage a leasing product supplier.

Although we acknowledge Sparebanken Sør 's strong presence in its operational region, our assessment of the bank's franchise value is constrained by its low geographical diversification and by our view that competition in southern Norway is fierce and that, like most other regional savings banks, Sparebanken Sør lacks pricing power against larger banks such as DNB and Nordea.

#### WEAK ASSET QUALITY AND SIGNIFICANT CREDIT RISK CONCENTRATIONS

Problem loans (defined as gross defaulted loans and other loans subject to individual write-downs) at Sparebanken Sør accounted for 1.97% of gross loans at end-September 2014, placing them above the Norwegian average.

Sperbanken Sør's substantial exposure to real estate and construction sectors (above 22% of gross loans at end-September 2014), have generated significant part of the bank's problem loans over the years and pose downside risks to future loan book performance. In addition, the bank's corporate book has significant single-borrower exposure in-line with its Nordic rated peers, a feature that could heighten the extent and pace of any asset quality deterioration. In addition, the sustained increase in house prices coupled with high household indebtedness pose downside risks to Sparebanken Sør 's asset quality.

The main part of Sparebanken Sør's book is retail loans, mostly in the form of mortgages representing around 66% at end-September 2014. This asset class has been more resilient historically but we believe that its performance is sensitive to raising interest rates and/or falling house prices.

The bank is working to improve the credit quality in order to limit future losses. Ahead of the merger, a study of asset quality was carried out which concentrated on the largest commitments followed by a comprehensive review during 2014 of a much larger portion of the corporate portfolio. This review has identified individual losses or a number of loss events when viewed in contest resulted in individual write-downs on individual loans.

#### HIGH RELIANCE ON MARKET FUNDING

Sparebanken Sør's liquidity is underpinned by a strong deposit base, which accounted for almost 53% of total funding at end-September 2014. Deposits grew significantly in the nine-months of 2014 (+10.7% pro-forma), largely reflecting the bank's focus on deposit gathering which we view positively, especially as both corporate and retail deposits witnessed similar growth rates.

Notwithstanding an increased deposit-to-net loan ratio at 59.8% at end-September 2014 (pro-forma year-end 2013: 56.5%), the bank remains reliant on market funding. In particular, a sizeable and growing portion of market funds (end - September 2014: 26.4% ) are in the form of covered bonds which provides the bank with an additional source of funding, a factor that we view as credit positive, but we caution that the use of covered bond funding results in the structural subordination of Sparebanken Sør 's unsecured creditors, including depositors.

At end-September 2014, liquid assets accounted for around 14% of total assets, comprising cash and deposits with the central bank and the securities portfolio. The portfolio primarily includes Norwegian covered bonds, bonds from the government or other public entities as well as other issuers and a limited amount of equity investments.

We note that these holdings are mostly Norwegian securities, which could be a source of vulnerability from a concentration-risk perspective but reduces the currency exposure

#### SUPPORTED BY GOOD EFFICIENCY; WHILE REPRICING PUTS MARGIN UNDER PRESSURE

Sparebanken Sør is reliant on net interest income, which represented over 75% of its 2013 pro-forma net revenue. In the nine months ending September 2014 this source of income grew by 7.2%, supported by good loan growth (about 4.3% pro-forma) notwithstanding a reduction of its interest rate on mortgages in April. The bank also announced an additional reduction in the mortgage interest rate (up to 35bps in October 2014 which should take effect in December 2014 for existing loans) while deposit rates will be adjusted on a selective basis to partly mitigate the reduced mortgage lending rates, we expect increasing pressure on net interest margins going forward.

Sparebanken Sør cost efficiency is among the best in the Nordic region, with cost-to-income ratio at 41.7% pro-forma in 2013 and 38% for the first nine months of 2014 adjusted for merger costs. In the first nine months following the merger, the bank consolidated its branch network (4 branch closures) while staff downsizing is being carried out as planned (11% reduction). We expect to see further cost related synergies towards the end of 2014.

Sparebanken Sør reported NOK501 million profit for the first nine months of 2014, an 8% increase compared to pro-forma figures for the same period of 2013. This increase was mainly driven by better net interest and fee income albeit higher loan loss provisions on corporate portfolio post credit quality review.

#### ADEQUATE CAPITAL LEVELS

Sparebanken Sør's Tier 1 ratio was 13.5% at end-September 2014 (standardised approach). The current capital levels compare well with other rated Norwegian savings banks and we deem them adequate relative to the bank's risk profile.

#### NOTE ON DATA

Unless noted otherwise, data in this report is sourced from company reports and our Banking Financial Metrics. All figures are based on our own chart of account, and are adjusted for analytical purposes. Please refer to the documents entitled " Financial Statement Adjustments in the Analysis of Financial Institutions " published on 19 December 2013.

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

Moody's assigns a GLC deposit rating of A2 to Sparebanken Sør. The rating is supported by its baa1 standalone credit assessment and the Aaa local-currency deposit ceiling of Norway, which we consider to be the underlying support provider. Given the bank's importance to its region, and the region's importance to the national economy of Norway, Moody's assesses as high the probability of systemic support in the event of a stress situation. We are likely to gradually reduce such unusual support uplift as such support mechanisms are phased out, as banks' stand-alone profiles improve, and as regulators globally consider implementing bank resolution regimes.

#### **Foreign Currency Deposit Rating**

The bank's foreign-currency deposit ratings are unconstrained, because Norway has a country ceiling of Aaa. Sparebanken Sør's foreign-currency deposit rating is A2.

#### **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 recognise the potential support from schemes that may provide assistance to banks directly.

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

#### National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. An 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

#### Sparebanken Sor

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
Qualitative Factors (50%)						C-	
Factor: Franchise Value						D+	Neutral

Market share and sustainability				x			
Geographical diversification					x		
Earnings stability		x					
Earnings Diversification [2]							
<b>Factor: Risk Positioning</b>						D	Neutral
<b>Corporate Governance [2]</b>	--	--	--	--	--		
- Ownership and Organizational Complexity	--	--	--	--	--		
- Key Man Risk	--	--	--	--	--		
- Insider and Related-Party Risks	--	--	--	--	--		
<b>Controls and Risk Management</b>		x					
- Risk Management			x				
- Controls	x						
<b>Financial Reporting Transparency</b>			x				
- Global Comparability	x						
- Frequency and Timeliness	x						
- Quality of Financial Information				x			
<b>Credit Risk Concentration</b>	--	--	--	--	--		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
<b>Liquidity Management</b>							x
<b>Market Risk Appetite</b>	x						
<b>Factor: Operating Environment</b>						B	Neutral
<b>Economic Stability</b>			x				
<b>Integrity and Corruption</b>		x					
<b>Legal System</b>	x						
<b>Financial Factors (50%)</b>						C	
<b>Factor: Profitability</b>						C	Neutral
PPI % Average RWA (Basel II)			1.68%				
Net Income % Average RWA (Basel II)			1.14%				
<b>Factor: Liquidity</b>						E	Weakening
(Market Funds - Liquid Assets) % Total Assets					32.02%		
<b>Liquidity Management</b>					x		
<b>Factor: Capital Adequacy</b>						A	Neutral
Tier 1 Ratio (%) (Basel II)	13.27%						
Tangible Common Equity % RWA (Basel II)	12.55%						
<b>Factor: Efficiency</b>						A	Neutral
Cost / Income Ratio	38.83%						
<b>Factor: Asset Quality</b>						A	Weakening
Problem Loans % Gross Loans	0.64%						
Problem Loans % (Equity + LLR)	7.11%						
<b>Lowest Combined Financial Factor Score (15%)</b>						E	
<b>Economic Insolvency Override</b>						Neutral	
<b>Aggregate BFSR Score</b>						C-	
<b>Aggregate BCA Score</b>						baa1/baa2	
<b>Assigned BFSR</b>						C-	
<b>Assigned BCA</b>						baa1	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

[2] - A blank score under Earnings Diversification or Corporate Governance indicates the risk is neutral.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication,

please see the ratings tab on the issuer/entity page on <http://www.moody's.com> for the most updated credit rating action information and rating history.



© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their 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 PUBLICATION") 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. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. 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, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

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 or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

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](http://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.