

## Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	A3/P-2
Bank Financial Strength	C-

## Contacts

Analyst	Phone
Janne Thomsen/London	44.20.7772.5454
Oscar Heemskerk/London	
Simon Harris/London	
Soline Poulain/London	

## Key Indicators

### Sparebanken Sør

	[1]2010	2009	2008	[2]2007	2006	[3]Avg.
Total assets (NOK billion)	35.48	35.34	33.67	30.18	26.23	--
Total assets (EUR billion)	4.42	4.26	3.46	3.80	3.19	--
Total capital (NOK billion)	3.26	3.14	2.57	2.58	2.36	--
Return on average assets	1.30	0.43	-0.06	0.84	--	0.40
Recurring earnings power [4]	2.08	0.92	0.46	1.24	--	0.87
Net interest margin	1.96	1.92	2.12	2.07	--	2.04
Cost/income ratio (%)	33.09	60.33	78.01	57.90	58.67	63.73
Problem loans % gross loans	1.15	1.25	1.20	0.93	1.13	1.13
Tier 1 ratio (%)	13.90	14.14	11.13	10.64	11.30	11.80

[1] As of March 31. [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] Preprovision income % average assets.

## Opinion

### SUMMARY RATING RATIONALE

Moody's rates Sparebanken Sør A3/C-/P-2.

The C- bank financial strength rating (BFSR), which translates into a baseline credit assessment (BCA) of Baa2, reflects Sparebanken Sør's sound local franchise, solid retail business and sound capital levels. However, the rating is constrained by the bank's large exposure to the real estate sector, its high borrower concentration and its less sophisticated risk management procedures.

The global local currency (GLC) deposit rating of A3 assigned to Sparebanken Sør is supported by the bank's Baa2 BCA and the Aaa local currency deposit ceiling of Norway, which is deemed 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 a high probability of systemic support in the event of a stress situation. Consequently, Sparebanken Sør's GLC deposit rating benefits from a two-notch uplift from its BCA.

### Credit Strengths

- Sound market position in southern Norway
- Resilient earnings from retail banking operations
- Good capitalisation, strengthened in 2009

### Credit Challenges

- Growing revenue in the highly competitive Norwegian market

- Reducing credit risk concentrations, especially to the real estate sector and by single-name borrower
- Further developing risk management practices
- Maintaining asset quality across the economic cycle

### Rating Outlook

The outlook on all ratings is stable.

### What Could Change the Rating - Up

An upgrade of the BFSR or the GLC deposit rating could be triggered by: (i) an improvement in the bank's profitability metrics; or (ii) a reduction in the loan book concentration.

### What Could Change the Rating - Down

The BFSR could be downgraded if there is: (i) any deterioration in asset quality or capitalisation that exceeds Moody's expectations; any change in the risk profile of the bank; or (iii) any sign that the bank is unable to sustain its market positions.

The GLC deposit rating could be downgraded if: (i) the BFSR deteriorates; or (ii) Moody's current assessment of the probability of systemic support for the bank declines.

### Recent Results and Company Events

Sparebanken Sør's unaudited half-year financial statements show a substantial increase in pre-tax profit at NOK369 million in H1 2010 compared to NOK30 million in H1 2009. However, the improvement is primarily related to financial instruments, which performed weakly in 2009 and benefited from a one-off gain on its shareholding in Nordito in Q2 2010. Earnings from core banking activities have been relatively stable over the latest quarters. On a positive note, loan loss provisions have been on a decreasing trend in 2010 so far and were NOK42 million in H1 2010 (NOK109 million for the full year 2009).

At end-June 2010, the Tier 1 and total capital ratios, as calculated under Basel II's standardised approach and excluding interim profits, stood at 13.8% and 15.4%, respectively.

### DETAILED RATING CONSIDERATIONS

Detailed considerations for Sparebanken Sør's currently assigned ratings are:

#### Bank Financial Strength Rating

The assigned BFSR is one notch below the C outcome of Moody's bank financial strength scorecard. Based on Moody's scenario analysis (see Special Comment entitled "Moody's Approach to Estimating Nordic Banks' Credit Losses" published in July 2009), we believe that Sparebanken Sør's sizeable exposure to the real estate sector and its high loan book concentration could exert adverse pressure on its capitalisation. As a result, we believe that the bank's financial strength is more consistent with a C- BFSR.

Qualitative Factors (50% weighting)

Factor 1: Franchise Value

Trend: Neutral

Sparebanken Sør is a regional savings bank with a sound market position in southern Norway in the counties of Vest-Agder, Aust-Agder and Telemark. The bank is characterised by high retail and corporate market shares that are underpinned by a loyal customer base. The bank reports a market share of almost 15% in retail lending and around 20% in corporate lending (mainly to SMEs) in the municipalities where it is present. However, the bank is a marginal player nationally.

Sparebanken Sør operates as an independent savings bank, using an open-architecture business model to offer financial services including life and non-life insurance (Frende Forsikring, 10% ownership) and investment (Norne Securities, 14.8% ownership) products. Both Frende Forsikring and Norne Securities are product companies jointly owned by several independent savings banks in Norway. In addition, Sparebanken Sør owns a real estate brokerage subsidiary (ABCcenter) and established its own covered bond company, Sør Boligkredit AS, in Q4 2008 for funding purposes.

In the region where it operates, Sparebanken Sør faces competition from larger players such as Nordea and DnB NOR, as well as from other local and regional savings banks. As a result, one of the bank's main challenges is maintaining and improving its market share.

Although we acknowledge Sparebanken Sør's strong presence in the region in which it operates, the C- score for franchise value is constrained by the bank's low geographic diversification.

Factor 2: Risk Positioning

Trend: Neutral

Sparebanken Sør is organised as independent entity without external owners. The highest body, the Committee of Representatives, is comprised of 28 depositors, employees and public appointees and is responsible for electing the Board of Directors members. The CEO is not a member of the Board of Directors, which consists of 9 members. Sparebanken Sør's corporate governance principles are based on the Norwegian Code of Practice and the rules from the Committee of European Banking Supervisors (CEBS).

However Sparebanken Sør has been criticised for its involvement in the local football club Start, of which it was both creditor and sponsor, as well as shareholder. The investment has generated losses of NOK100 million and the bank's CEO, chairman and deputy chairman of the board

have resigned. Gunnar Thomassen, retail market director, has been appointed interim CEO. We do not expect any major strategic change to result from the reshuffling of the management.

Risk management procedures at the bank are considered adequate. Sparebanken Sør has a dedicated risk management unit reporting to the CEO. The bank's overall risk exposure and development is reviewed quarterly by the management and the Board of Directors. Sparebanken Sør currently applies the standardised approach of Basel II to calculate its credit risk and reports it is aiming to build a relevant modelling tool to receive the Foundation IRB approval. Overall, we view Sparebanken Sør's risk management as lacking sophistication but we positively note the management's stated intention to further develop procedures in that respect.

Sparebanken Sør's market risk remains modest. Its exposure to interest rates is limited: interest rate risk was NOK0.4 million in relation to a 100 bps change in interest rates at YE 2009. Investments in shares and ECs amounted to NOK336 million at YE 2009, corresponding to around 12% of Tier 1 capital. This figure includes a 1.3% ownership in Eksporthfinans. The bank also has limited foreign currency exposure (NOK76 million open positions at YE2009).

Sparebanken Sør's liquidity management is covered under the Liquidity section, below.

Limitations in risk management - e.g. in terms of credit risk modelling and stress testing - as well as high credit risk concentration is a constraining factor in the score for risk positioning and pushes it to D.

### Factor 3: Regulatory Environment

For a discussion about the regulatory environment, please see Moody's Banking System Outlook on Norway.

### Factor 4: Operating Environment

Trend: Neutral

The score for the operating environment takes into account the economic stability, integrity and corruption of a country and its legal system. The score for Norway's operating environment is B. For a further discussion about the operating environment, please see Moody's latest Banking System Outlook on Norway.

Quantitative Factors (50% weighting)

### Factor 5: Profitability

Trend: Weakening

Sparebanken Sør is reliant on net interest income, which has represented over 70% of its operating income in the most recent years.

This source of income contracted in 2009, largely reflecting the low interest rate environment, upward pressure on funding cost in the first part of the year and sluggish growth in corporate lending (+3% year-on-year). Also, strong competition in southern Norway added pressure on deposit margins. Fee & commission income, mainly from payment services and real estate operations, income represented some 19% of operating income during the year and was slightly down from its 2008 level.

Net income from financial investments has been negative in 2008 and to a less extent 2009, chiefly reflecting spread widening on the bank's fixed income securities.

Loan loss provisions affected the bank's net profitability in 2009, standing at NOK109 million (NOK114 million in 2008).

The score for profitability is D+ with a weakening trend, mainly reflecting our expectations that growth in net interest income is uncertain as lending growth is to remain contained.

### Factor 6: Liquidity

Trend: Neutral

Sparebanken Sør's liquidity is underpinned by a strong deposit base, which accounts for some 50% of its total funding, and retail deposits that represent almost 60% of total deposits.

At YE 2009 the deposit-to-gross loan ratio was below 60%, meaning the bank is reliant on market funding, most of which comes from the domestic market. The maturity profile of the bank's debt is relatively diversified: at YE 2009 approximately 85% of the market funding has a maturity longer than 12 months.

In December 2008, Sparebanken Sør established its wholly-owned covered bond company, Sør Boligkreditt. This provides the bank with an additional source of funding, something that Moody's views favourably. In 2009, covered bonds were mainly used in the (now phased out) government swap arrangement, whereby these instruments were exchanged for government bonds. We expect that covered bonds will remain an attractive source of funding for Sparebanken Sør, especially in the context of the central bank recently amended guidelines whereby it will no longer accept securities issued by banks as collateral for loans from February 2012, although covered bonds will continue to be accepted.

At YE 2009 liquid assets accounted for almost 16% of total assets (12% at YE 2008) and comprised cash and deposits with the central bank and the securities portfolio, which mainly comprise senior bonds of banks and municipalities, as well as some corporate bonds and shareholdings. We note that holdings are concentrated on Norwegian securities, which could be a source of vulnerability from a concentration risk point of view. Overall, we view the increased liquidity level positively but we note that it is chiefly in the form of Norwegian Treasury bills from the government swap arrangement and that the bank will have to repurchase the covered bonds from the government at the same price paid by the government for these bonds.

Sparebanken Sør's liquidity score of D+ is lower than those of its European peers and reflects a relatively low amount of liquid assets in relation to market funding.

#### Factor 7: Capital Adequacy

Trend: Neutral

Sparebanken Sør exhibits strong capitalisation. At YE 2009, the Tier 1 and total capital ratios, as calculated under Basel II's standardised approach, stood at 14.1% and 15.8%, respectively. These levels compare positively with the other Moody's-rated Norwegian savings banks and the Tier 1 ratio is above the management's target of 12%.

The improvement from 11.1% and 12.7% reported at YE 2008 is largely due to a NOK400 million Tier 1 hybrid issue from the State Finance Fund in August 2009. We view this measure positively as it strengthens the bank's capital buffer to withstand potential credit losses. However, we caution that the quality to absorb losses of hybrid capital is below that of pure equity. In addition, these instruments could be excluded from Tier 1 capital according to the Basel Committee's propositions as they are currently presented. At YE 2009 hybrid capital made up some 14% of the bank's Tier 1 capital, which is close to the maximum amount that can be included in Tier 1 in Norway.

Sparebanken Sør applies a standard approach in calculating its capital adequacy requirement for credit risk. Given the bank's large retail loan book, the capital requirement is estimated to be lower under Basel II IRB model.

Sparebanken Sør scores A for capital adequacy.

#### Factor 8: Efficiency

Trend: Neutral

Sparebanken Sør's efficiency as measured by its cost-to-income ratio is relatively weak at above 60% at YE 2009. In the recent years, the trend in the ratio has been affected by the variation in income but we note that operating costs in relation to total assets have gradually decreased to 1.4% in 2009 from 1.7% in 2007. The bank has managed to keep personnel costs under control and IT costs were reduced in 2009, reportedly as a result of a new agreement with the supplier. In addition, that costs related to real estate business have been reduced compared to 2008.

The bank uses third party providers when selling services such as insurance and investment products, avoiding the fixed costs that would be related to in-house production. However, going forward, cost containment might prove to be more difficult as an independent bank.

The bank scores D for cost efficiency. However, given the revenue pressure from a challenging operating environment, we view efficiency gains as a challenge for Sparebanken Sør.

#### Factor 9: Asset Quality

Trend: Weakening

Operating in a small geographic region means the bank has significant single-borrower exposure, as measured by the 20 largest exposures in relation to Tier 1 capital or pre-provision income. The bank also has some industry concentration, with the real estate sector (including construction) representing around 22% of gross loans. Add comment on breakdown. We view this relatively high exposure to a sector that has historically generated high losses for banks as a potential source of vulnerability, though we note that losses in that sector have remained moderate at Sparebanken Sør. Nevertheless, beside the concentration toward real estate exposures, the loan book is well-diversified across industries and comprise 65% of loans to retail customers.

In addition, we note a somewhat unseasoned loan portfolio, which reflects high lending growth (a year-on-year increase of 10% in 2008 and 17% in 2007). Nevertheless, a large part of the growth was in the retail sector and, in 2009, growth in gross loans was moderate at 3%.

At YE 2009, problem loans (defined as commitments in default and other bad and doubtful commitments) accounted for 1.25% of gross loans (1.20% at YE 2008). The bank reports that these are primarily related to a limited number of corporate exposures. Actual losses have remained at a low level in the recent years, although we note an increasing trend.

Loan loss reserves covered 60% of problem loans at YE 2009, which we view as adequate. We caution that the sustained increase in house prices in Norway may have underrated the level of provisioning by inflating collateral value.

We further note that at YE 2009, almost 30% of retail mortgages (18% of total loans) were part of Sør Boligkredit's covered pool.

The score for asset quality is B. The economic environment in Norway, and in southern Norway, is still satisfactory, but slower economic growth, fewer exports and weaker domestic demand are challenges for the corporate sector. Further, with regards to retail loans, household indebtedness has increased in recent years, making customers more vulnerable to interest rates rises, although we take comfort in the still low unemployment levels in Norway. Overall, we consider the trend to be weakening.

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

Moody's assigns a GLC deposit rating of A3 to Sparebanken Sør. The rating is supported by its Baa2 BCA and the Aaa local currency deposit ceiling of Norway, which is considered 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.

#### Foreign Currency Deposit Rating

Foreign currency deposit ratings are unconstrained given that Norway has a country ceiling of Aaa. Sparebanken Sør's foreign currency deposit rating is A3.

#### Foreign Currency Debt Rating

Foreign currency debt ratings are unconstrained given that Norway has a country ceiling of Aaa. Sparebanken Sør's senior unsecured foreign currency debt 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 honor 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 Ratings

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

### Sparebanken Sør

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
<b>Qualitative Factors (50%)</b>						<b>C-</b>	
<b>Factor: Franchise Value</b>						<b>C-</b>	<b>Neutral</b>
<b>Market Share and Sustainability</b>		x					
<b>Geographical Diversification</b>					x		
<b>Earnings Stability</b>			x				
<b>Earnings Diversification [2]</b>							
<b>Factor: Risk Positioning</b>						<b>D</b>	<b>Neutral</b>
<b>Corporate Governance [2]</b>							
- Ownership and Organizational Complexity	--	--	--	--	--		
- Key Man Risk	--	--	--	--	--		

- Insider and Related-Party Risks	--	--	--	--	--		
<b>Controls and Risk Management</b>				<b>x</b>			
- 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>			<b>x</b>				
<b>Market Risk Appetite</b>	<b>x</b>						
<b>Factor: Operating Environment</b>						<b>B</b>	<b>Neutral</b>
<b>Economic Stability</b>			<b>x</b>				
<b>Integrity and Corruption</b>		<b>x</b>					
<b>Legal System</b>	<b>x</b>						
<b>Financial Factors (50%)</b>						<b>C</b>	
<b>Factor: Profitability</b>						<b>D+</b>	<b>Weakening</b>
<b>PPP % Avg RWA- Basel II</b>			1.61%				
<b>Net Income % Avg RWA- Basel II</b>				0.75%			
<b>Factor: Liquidity</b>						<b>D+</b>	<b>Neutral</b>
<b>(Mkt funds-Liquid Assets) % Total Assets</b>					28.16%		
<b>Liquidity Management</b>			<b>x</b>				
<b>Factor: Capital Adequacy</b>						<b>A</b>	<b>Neutral</b>
<b>Tier 1 ratio (%) - Basel II</b>	12.64%						
<b>Tangible Common Equity / RWA- Basel II</b>	11.63%						
<b>Factor: Efficiency</b>						<b>D</b>	<b>Neutral</b>
<b>Cost/income ratio</b>				65.41%			
<b>Factor: Asset Quality</b>						<b>B</b>	<b>Weakening</b>
<b>Problem Loans % Gross Loans</b>		1.12%					
<b>Problem Loans % (Equity + LLR)</b>		12.60%					
<b>Lowest Combined Score (15%)</b>						<b>D+</b>	
<b>Economic Insolvency Override</b>						<b>Neutral</b>	
<b>Aggregate Score</b>						<b>C</b>	
<b>Assigned BFSR</b>						<b>C-</b>	

[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



© 2010 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS 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 ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD,

OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. 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.