

CREDIT OPINION

6 March 2020

Update

✓ Rate this Research

RATINGS

Helgeland Sparebank

Domicile	Norway
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Alexios Philippides +357.2569.3031
VP-Senior Analyst
alexios.philippides@moody's.com

Emma Jonasson +46.8.5179.1283
Associate Analyst
emma.jonasson@moody's.com

Simon James Robin +44 207 772 5347
Ainsworth
Associate Managing Director
simon.ainsworth@moody's.com

Sean Marion +44.20.7772.1056
MD-Financial Institutions
sean.marion@moody's.com

Helgeland Sparebank

Update following rating affirmation

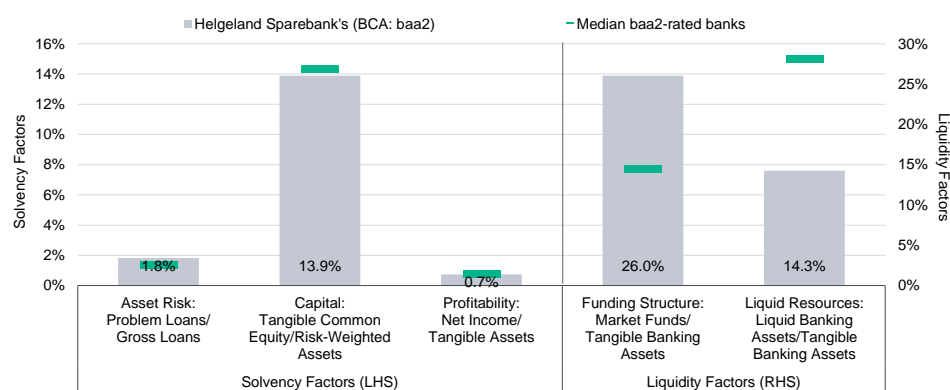
Summary

Helgeland Sparebank's A3 long-term deposit and issuer ratings incorporate (1) the bank's baa2 standalone Baseline Credit Assessment (BCA); and (2) two notches of rating uplift from the application of our Advanced Loss Given Failure (LGF) analysis, which takes into account the risks faced by different liability classes should the bank enter resolution. The bank's ratings do not benefit from government support uplift because of our assessment of a low probability of support.

Helgeland Sparebank's baa2 BCA reflects the bank's (1) Norway's supportive operating environment; (2) strong capitalisation, with a Common Equity Tier 1 (CET1) capital ratio of 16.5% as of the end of 2019; and (3) recovered profitability during 2019, and healthy operating efficiency. These credit strengths are balanced against the bank's (1) limited geographical reach, with around 80% of loans extended within its home district of Helgeland, concentration in the cyclical real estate and construction sectors and some single-name concentrations; and (2) material market funding reliance.

Exhibit 1

Rating Scorecard - Key financial ratios



These are our scorecard ratios. Asset risk and profitability reflect the weaker of either the three-year average and the latest figure. Capital is the latest reported figure. Funding structure and liquid resources reflect the latest fiscal year-end figures. Source: Moody's Financial Metrics

Credit strengths

- » A strong operating environment in Norway, and relatively consistent historical asset quality
- » Strong capitalisation, in line with capital requirements
- » Recovered profitability and healthy operating efficiency

Credit challenges

- » Exposed to elevated risks from lending to cyclical sectors, and geographical and credit concentrations
- » Material market funding reliance, which renders the bank vulnerable to any adverse changes in investor sentiment, despite a sizeable deposit base
- » Intense competition, which will continue to weigh on margins, and high reliance on net interest income

Outlook

The stable rating outlook reflects our view that Helgeland Sparebank's financials will remain broadly resilient over the next 12-18 months and that its asset quality will continue to improve towards historical levels.

Factors that could lead to an upgrade

- » There could be positive pressure on Helgeland Sparebank's ratings if the bank demonstrates (1) a material reduction in its client and sector concentrations, particularly in more volatile sectors; (2) stronger earnings (and therefore a strengthened internal capital generation capacity), without a deterioration in its risk profile; and (3) a significant increase in granular customer deposits.
- » The bank's deposit and issuer ratings could be upgraded if its liability structure changes to include substantially higher amounts of more junior debt.

Factors that could lead to a downgrade

- » Downward rating pressure would emerge if (1) Helgeland Sparebank's problem loan ratio increases significantly, or its cost of risk rises sustainably above the historical average; (2) its risk profile deteriorates, for example, if it does not sustain improvements in its risk management, governance and controls, along with more moderate single-borrower concentration levels; or (3) financing conditions become more difficult.
- » There could also be downward pressure on Helgeland Sparebank's ratings in case its liability structure changes, such that it increases the expected loss given failure for deposits and senior debt. This could occur because of a materially higher proportion of covered bonds in favour of senior unsecured debt, and a lower amount of subordinated debt and low-trigger Additional Tier 1 hybrid instruments.

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 www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Helgeland Sparebank (Consolidated Financials) [1]

	09-19 ²	12-18 ²	12-17 ²	12-16 ²	12-15 ²	CAGR/Avg. ³
Total Assets (NOK Billion)	34.2	33.0	31.9	29.4	27.1	6.4 ⁴
Total Assets (USD Million)	3,767.9	3,807.4	3,894.0	3,413.6	3,065.3	5.7 ⁴
Tangible Common Equity (NOK Billion)	2.7	2.6	2.6	2.4	2.1	7.9 ⁴
Tangible Common Equity (USD Million)	301.0	298.0	313.2	282.2	231.9	7.2 ⁴
Problem Loans / Gross Loans (%)	1.8	2.3	0.9	0.6	0.4	1.2 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	13.9	13.5	14.1	14.8	14.0	14.0 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	16.9	21.5	8.9	5.6	4.3	11.5 ⁵
Net Interest Margin (%)	1.7	1.7	1.8	1.8	1.8	1.8 ⁵
PPI / Average RWA (%)	2.0	2.0	2.2	2.2	2.0	2.1 ⁶
Net Income / Tangible Assets (%)	0.8	0.4	0.8	0.9	0.8	0.7 ⁵
Cost / Income Ratio (%)	43.4	43.3	42.4	43.4	47.9	44.1 ⁵
Market Funds / Tangible Banking Assets (%)	24.1	26.0	26.3	25.2	29.0	26.2 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	15.9	14.3	14.8	14.1	15.0	14.8 ⁵
Gross Loans / Due to Customers (%)	154.0	162.3	156.8	153.0	156.3	156.5 ⁵

[1]All figures and ratios are adjusted using Moody's standard adjustments. [2]Basel III - fully-loaded or transitional phase-in; IFRS. [3]May include rounding differences due to scale of reported amounts. [4]Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5]Simple average of periods presented for the latest accounting regime. [6]Simple average of Basel III periods presented.

Source: Moody's Investors Service; Company Filings

Profile

Helgeland Sparebank is an independent savings bank with a leading position in Helgeland, the southernmost district in Northern Norway. It is the eleventh-largest savings bank in Norway. The bank provides traditional banking products and financial services to retail customers, small and medium-sized companies, municipalities and institutions that are predominantly connected to Helgeland.

As of 31 December 2019, the bank reported total consolidated assets of NOK34 billion (€3.5 billion). The bank operated through four offices in four municipalities in Helgeland.

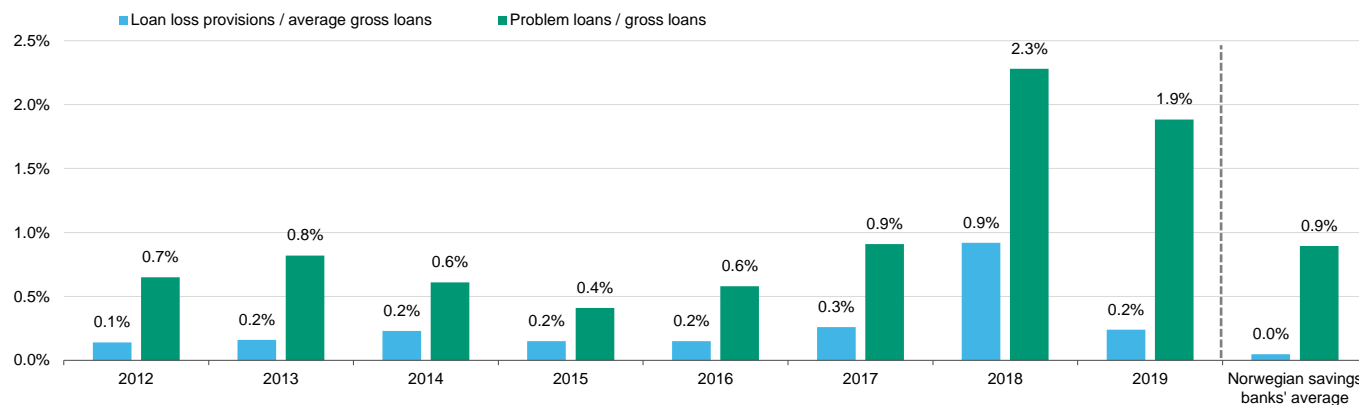
Detailed credit considerations

Consistent historical asset quality, but high asset risks stem from credit concentrations

Our baa3 Asset Risk score for Helgeland Sparebank takes into account the bank's relatively consistent historical asset quality, but also its high concentrations, which contributed to a recent spike in credit costs and problem loans. Asset quality is now improving, however.

Helgeland Sparebank demonstrated a consistent credit loss performance, with loan-loss provisions/gross loans averaging a relatively low 0.2% in the six years 2012-17 (see Exhibit 3), but then increased to 0.9% in 2018 consuming 67% of pre-provision income. Credit costs subsequently declined to 0.2% in 2019. Problem loans (defined as IFRS 9 Stage 3 loans) improved marginally to 1.9% of gross loans as of the end of 2019, from a recent peak of 2.3% as of year-end 2018 following financial issues at a number of its large corporate borrowers, highlighting the transition risk stemming from the bank's relatively high borrower concentrations. We expect problem loans to decline further in the next 12 months, helped by a supportive operating environment in Norway, which is reflected in our [Very Strong-](#) Macro Profile. The coverage of problem loans by Stage 3 provisions remained broadly stable at 48% as of the end of 2019 compared to end 2018.

Exhibit 3

The bank's asset-quality metrics have recently been affected by the restructuring of its corporate commitments**Helgeland Sparebank's asset-quality evolution**

Source: Moody's Investors Service

We see elevated risks stemming from Helgeland Sparebank's significant exposure to the cyclical real estate and construction sectors, which together accounted for 14% of loans at the end of 2019. A large portion of the bank's historical problem loans and credit losses relate to these sectors. In addition, the bank's loan book exhibits high geographical and some single-borrower concentration. As of the end of 2019, 82% of the bank's lending exposures were in the district of Helgeland. Although such concentrations are typical for small local savings banks, they could accelerate the extent and pace of any deterioration in asset quality, especially in the event of an economic downturn.

Retail loans, predominantly residential mortgages, made up the bulk 69% of the bank's loan book (including loans transferred to its covered bond funding vehicle) as of the end of 2019. However, this proportion is generally lower than that of other Norwegian savings banks, in which retail lending usually accounts for 70%-80% of gross loans.

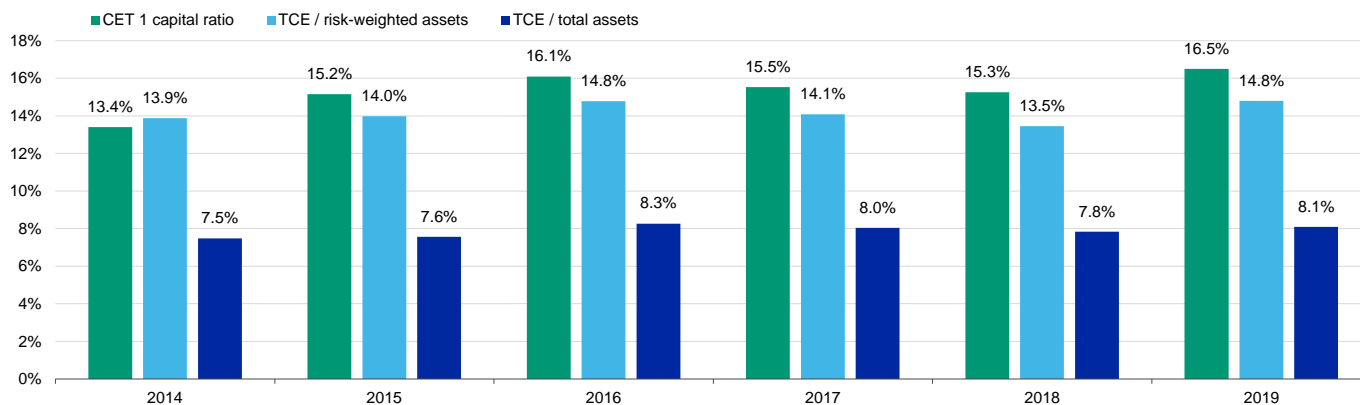
Residential mortgages have performed well in the past, and we expect this segment's loan quality to remain strong over the next 12-18 months because, despite the long-term risks stemming from an increasing level of household indebtedness, Norway's households will continue to service their debt as interest rates remain low. Furthermore, mortgage affordability in Helgeland remains substantially better than that in other areas, such as Bergen or Oslo, despite property price increases in the area of Helgeland in recent years.

Capitalisation is adequate, in line with capital requirements

Our assigned Capital score of a1 reflects Helgeland Sparebank's strong capitalisation, a relative strength in our assessment of the bank's standalone financial profile. The bank's CET1 ratio was 16.5% (see Exhibit 4) as of the end of 2019. This ratio is in line with the bank's target of 16% and above the regulatory minimum of 14.7% that applied for that period. The regulatory minimum includes a 2.2% Pillar 2 requirement specific to the bank, a 3% systemic risk buffer and a 2.5% countercyclical capital buffer that applies to all banks in Norway. Our own capital measure, tangible common equity (TCE)/risk-weighted assets, was 14.8% as of the end of 2019, compared with 13.5% as of year-end 2018.

Exhibit 4

The bank's capitalisation is generally robust
Helgeland Sparebank's capital evolution



Source: Moody's Investors Service

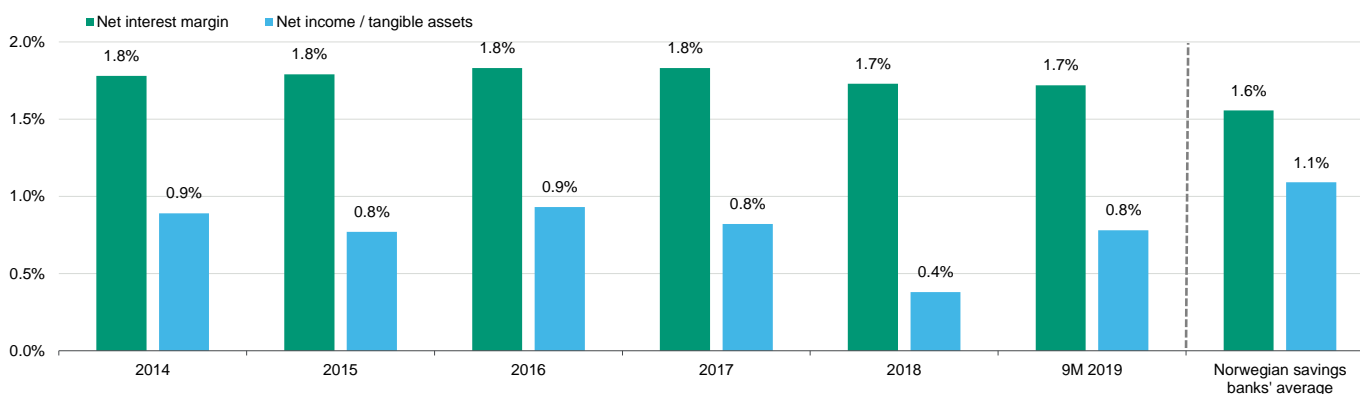
Our assigned Capital score for the bank also reflects its 8.1% TCE/total assets and 9.4% reported Basel leverage ratio as of the end of 2019.

Stable profitability, but intense competition will continue to strain margins

Our Profitability score of baa3 for the bank takes into account our net income/tangible assets ratio, which we expect to remain close to the 0.8% that the bank had posted for 9M 2019 (see Exhibit 5). We expect the bank to maintain its earnings in the coming 12-18 months, helped by retail credit growth and increased lending rates following rate hikes by the Norwegian central bank, but offset by higher funding costs and intense competition. The bank is also relatively cost efficient, despite its small size. Our assessment also incorporates a relatively high reliance on net interest income, with non interest income only accounting for 15% of net revenue for 9M 2019.

Exhibit 5

The bank's profitability has remained broadly stable and compares adequately with that of its peers
Helgeland Sparebank's profitability evolution



Norwegian savings banks' average is based on the latest available data for the banks that we rate.

Source: Moody's Banking Financial Metrics

Net interest income grew 4% year over year in 9M 2019, primarily as a result of loan growth of around 4%. The bank managed to maintain its net interest margin at 1.7% for the first nine months of 2019 (1.7% for full-year 2018) despite strong competition. The bank's loan-loss provisions declined substantially in 9M 2019, representing 0.2% of average loans (year-end 2018: 0.9%) and supporting a recovery in its bottom-line profitability.

Helgeland Sparebank's cost-to-income ratio was 43% for the nine months ended September 2019, in line with that as of year-end 2018. Operating expenses/total assets was 0.9% in 9M 2019 and 2018. We expect Helgeland Sparebank's cost efficiency to remain broadly stable because of a focus on cost control, but under some pressure because several large IT projects were ending in 2019 and will lead to higher depreciation costs.

Market funding reliance renders the bank vulnerable to any adverse changes in investor sentiment, despite a sizeable deposit base

Our combined Liquidity score of ba1 reflects Helgeland Sparebank's relative reliance on potentially confidence-sensitive market funding, and its limited debt issuance sizes and, therefore, potential investor base.

Helgeland Sparebank's funding profile benefits from a sizeable deposit base, 62% of its non-equity funding as of the end of 2019, made largely of retail customer deposits. However, the bank's deposit base demonstrates a higher customer concentration than that of its peers, particularly in the municipalities sector (around 12% of total deposits). The bank also has a material reliance on market funding, primarily in the form of senior debt and covered bonds, rendering it vulnerable to any adverse changes in investor sentiment. Covered bond funding has grown significantly since 2009, when [Helgeland Boligkreditt AS](#) (the bank's wholly owned covered bond company) was established. As of the end of 2019, covered bonds accounted for slightly more than 60% of total market funds.

Based on our banks methodology, we generally reflect the stability of covered bonds relative to unsecured market funding by deducting 50% of these funds from the bank's market funds/tangible banking assets, and our adjusted ratio for the bank was 26% as of year-end 2018 (24% as of the end of September 2019). However, we do not expect, sizewise, Helgeland Sparebank to have the capacity to make large benchmark issuances, ultimately restricting its potential investor base and increasing its refinancing risk. As such, we reverse this adjustment for the bank (similar to other small Norwegian banks) by including all covered bonds in the ratio and assigning a Funding score based on the bank's unadjusted market funds/tangible banking assets of 36% as of year-end 2018 (34% as of the end of September 2019).

We consider the bank's stock of liquid banking assets adequate. As of year-end 2019, liquid banking assets accounted for 18% of tangible banking assets and comprised cash, due from banks and securities. As of year-end 2018, 99% of securities in the portfolio were rated single A or higher. However, these holdings mostly consist of domestic government/municipal securities and mortgage covered bonds, which leads to concentration risk in the country. They also further increase the bank's exposure to the domestic housing market.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank specific figures originate from bank's reports and Moody's Banking Financial Metrics. All figures are based on our own chart of account and may be adjusted for analytical purposes. Please refer to the document titled [Financial Statement Adjustments in the Analysis of Financial Institutions](#), published on 9 August 2018.

ESG considerations

In line with our general view on the banking sector, Helgeland Sparebank has a low exposure to Environmental risks. See our [Environmental risks heat map](#) for further information.

We believe banks, including Helgeland Sparebank, face moderate Social risks. See our [Social risks heat map](#) for further information.

Governance is highly relevant for Helgeland Sparebank, as it is to all entities in the banking industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. The Norwegian Financial Supervisory Authority (FSA) [issued](#) a letter on 29 October 2018 following an audit of the bank on 13 June and 14 June 2018. The FSA's purpose was to assess the bank's credit and operational risks. The letter highlighted a number of significant shortcomings. Helgeland Sparebank has already taken measures to address these failings and improve internal processes and corporate culture, and has stepped up its staff training. Therefore, we do not have any specific concerns around the bank's own governance, beyond our considerations under Asset Risk. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Loss Given Failure (LGF) analysis

Norway has transposed the European Union Bank Resolution and Recovery Directive into a local legislation, effective from January 2019. Therefore, we consider the country an operational resolution regime. In accordance with our methodology, we apply our Advanced LGF analysis, considering the risks faced by different debt and deposit classes across the liability structure should the bank enter resolution.

In our LGF analysis, we use our standard assumptions and assume a residual tangible common equity of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits. We assign a 25% probability to deposits being preferred over senior unsecured debt.

Under these assumptions, Helgeland Sparebank's deposits and senior unsecured debt are likely to face a very low loss given failure, because of the volume of deposits and senior debt themselves and the amount of debt subordinated to them. This results in an a3 Preliminary Rating Assessment for both the deposit and issuer ratings of the bank, which is two notches above the baa2 Adjusted BCA.

Government support

We do not incorporate any government support uplift on Helgeland Sparebank's ratings because we consider the probability of government support, in case of need, to be low.

Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

Helgeland Sparebank's CRRs are positioned at A2/Prime-1

Helgeland Sparebank's CRRs are positioned three notches above its Adjusted BCA of baa2, reflecting the extremely low loss given failure from the volumes of instruments that are subordinated to CRR liabilities.

Counterparty Risk (CR) Assessment

The CR Assessment is an opinion of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

Helgeland Sparebank's CR Assessment is positioned at A2(cr)/Prime-1(cr)

For Helgeland Sparebank, our Advanced LGF analysis indicates an extremely low loss given failure for the CR Assessment, leading to three notches of uplift from the bank's baa2 Adjusted BCA.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard 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 methodology and scorecard factors

Exhibit 6

Helgeland Sparebank

Macro Factors

Weighted Macro Profile		Very Strong -	100%			
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.8%	aa3	←→	baa3	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	13.9%	a1	↑	a1	Nominal leverage	Stress capital resilience
Profitability						
Net Income / Tangible Assets	0.7%	baa2	←→	baa3	Earnings quality	
Combined Solvency Score		a2		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	26.0%	baa2	←→	ba2	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	14.3%	baa3	←→	baa3	Stock of liquid assets	
Combined Liquidity Score		baa2		ba1		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		

Balance Sheet	in-scope (NOK Million)	% in-scope	at-failure (NOK Million)	% at-failure
Other liabilities	9,457	27.6%	11,344	33.1%
Deposits	18,497	54.0%	16,610	48.5%
Preferred deposits	13,688	40.0%	13,003	38.0%
Junior deposits	4,809	14.0%	3,607	10.5%
Senior unsecured bank debt	4,504	13.2%	4,504	13.2%
Dated subordinated bank debt	450	1.3%	450	1.3%
Preference shares (bank)	300	0.9%	300	0.9%
Equity	1,027	3.0%	1,027	3.0%
Total Tangible Banking Assets	34,235	100.0%	34,235	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF	Assigned	Additional	Preliminary
	Instrument	Sub-ordination	Instrument	Sub-ordination	De Jure	De Facto	Notching Guidance vs. Adjusted BCA	LGF notching	Notching	Rating Assessment
Counterparty Risk Rating	28.9%	28.9%	28.9%	28.9%	3	3	3	3	0	a2
Counterparty Risk Assessment	28.9%	28.9%	28.9%	28.9%	3	3	3	3	0	a2 (cr)
Deposits	28.9%	5.2%	28.9%	18.3%	2	3	2	2	0	a3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a2	0	A2	A2
Counterparty Risk Assessment	3	0	a2 (cr)	0	A2(cr)	
Deposits	2	0	a3	0	A3	A3

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

Source: Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
HELGELAND SPAREBANK	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A3

Source: Moody's Investors Service

© 2020 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. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE 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 OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER 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. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS 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, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN 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.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

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 its 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 CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., 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 Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms 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 61 003 399 657 AFSL 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 investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454