

CREDIT OPINION

2 May 2023

Update



Send Your Feedback

RATINGS

Strategic Banking Corporation of Ireland

| | |
|-------------------------|--------------------------------|
| Domicile | Dublin, Ireland |
| Long Term CRR | Not Assigned |
| Long Term Issuer Rating | Aa3 |
| Type | LT Issuer Rating - 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

Farooq Khan +44.20.7772.1638
VP-Senior Analyst
farooq.khan@moodys.com

Laurie Mayers +44.20.7772.5582
Associate Managing Director
laurie.mayers@moodys.com

Christopher Tucker +44.20.7772.1357
Associate Analyst
christopher.tucker@moodys.com

CLIENT SERVICES

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

Strategic Banking Corporation of Ireland

Update following upgrade of ratings

Summary

The Aa3 ratings of Strategic Banking Corporation of Ireland (SBCI), which is an Irish development bank reflects its links with the [Government of Ireland](#) (Aa3 stable) and the creditworthiness of the government. We rate SBCI using our analytical approach for government-related issuers. We do not assign a Baseline Credit Assessment, as the risks to SBCI's creditors are not driven by its standalone financial performance and metrics.

In the absence of a full, explicit and unconditional guarantee provided by the government, SBCI's ratings reflect (1) its full ownership by the Irish government, (2) SBCI's unique policy function within the country and its key role in supporting the Irish economy, (3) legal supervision and nomination of SBCI's board members by the Irish Minister for Finance, (4) high integration of SBCI with the NTMA¹, and (5) the high extent to which the credit risk exposures assumed by SBCI are largely counter guaranteed. The counter guarantees reduce the risk to SBCI's capital to a level that can be comfortably met by the capital and funding committed by the government, as stated in the relevant legislation².

On 25 April 2023, Moody's upgraded by one notch the Aa3 and affirmed Prime-1 issuer ratings of SBCI. The rating action followed the upgrade of the Government of Ireland's rating. The positive outlook was maintained

Credit strengths

- » Full ownership by the Irish government, with a clear mandate to promote small- and medium-sized enterprise (SME) financing to support the Irish economy
- » Low liquidity risk, given that it has good market access and long-term financing
- » High integration with the government, with all board members nominated by the government and the NTMA providing shared services and staffing
- » Contained asset risk, because SBCI benefits from counter guarantees, with the unguaranteed portion covered by funding from the Department of Agriculture, Food and the Marine; and the Department of Enterprise, Trade and Employment.

Credit challenges

- » High dependence on the Irish government and its affiliates
- » Wholesale funded, mitigated by guarantees by the Minister for Finance and long tenors
- » Modest profitability because of its not-for-profit role and mission

Outlook

The outlook on SBCI is stable, reflecting the stable outlook on the Government of Ireland as well as Moody's expectation that SBCI's mandate as well as the risk, funding and operational support it receives from the Irish government will continue.

Factors that could lead to an upgrade

SBCI's ratings are aligned at the same level as those of the Government of Ireland and any upgrade of the ratings will depend on the upgrade of the sovereign.

Factors that could lead to a downgrade

SBCI's ratings could be downgraded if (1) the credit profile of the bank's guarantor, the Government of Ireland, deteriorates; or (2) Moody's view of the very strong support mechanism weakens, which the agency currently considers to be highly unlikely given the important role SBCI plays in facilitating the economic policy objectives of the government in the SME sector.

Profile

Strategic Banking Corporation of Ireland (SBCI) is a limited finance company that was set up in September 2014 by the Irish government to support the development of a competitive funding market for SMEs. SBCI has a mandate to facilitate the provision of stable, lower-cost, long-term funding to SMEs to be distributed via participating Irish banks and non-bank lenders. SBCI borrows at a preferential rate from the Treasury, [European Investment Bank](#) (EIB, Aaa stable), as well as [Council of Europe Development Bank](#) (Aaa stable), and [Kreditanstalt fuer Wiederaufbau](#) (KfW, Aaa stable) in the past, backed by a guarantee from the Minister for Finance.

SBCI is fully owned by the Minister for Finance, which provides funding for its operating budget and nominates its board. In addition, SBCI's staffing and operations are sourced from Ireland's National Treasury Management Agency (NTMA). SBCI is governed by the Strategic Banking Corporation of Ireland Act 2014 (SBCI Act 2014) and is not subject to banking regulatory requirements and does not take deposits.

Recent developments

On [21 April 2023](#), Moody's upgraded the Government of Ireland's foreign and domestic long-term issuer and domestic senior unsecured ratings to Aa3 from A1 as well as the senior unsecured MTN program rating to (P)Aa3 from (P)A1. Concurrently, the commercial paper ratings have been affirmed at Prime-1 (P-1). The outlook has been changed to stable from positive.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

The upgrade was driven by the significant improvement of Ireland's key fiscal and debt metrics, and Moody's expectation that this improvement will be resilient to potential shocks, including to the country's corporate sector and related government revenue. An established track record of prudent bank lending practices, and banking regulation and supervision also diminish the sovereign credit impact of potential property shocks.

Growth of the Irish economy remained exceptionally strong in 2022, with Modified Domestic Demand (MDD³) growing at 8.2% and real GDP at 12%. Still, a marked slowing of growth in the fourth quarter of 2022 is an indication that growth rates will be much less exceptional in 2023 and beyond. We currently forecast real GDP growth of 4.8% in 2023 and 4.5% in 2024, while the government in its Stability Programme published on 18 April forecast MDD growth of 2.1% and 2.5% in 2023 and 2024 respectively.

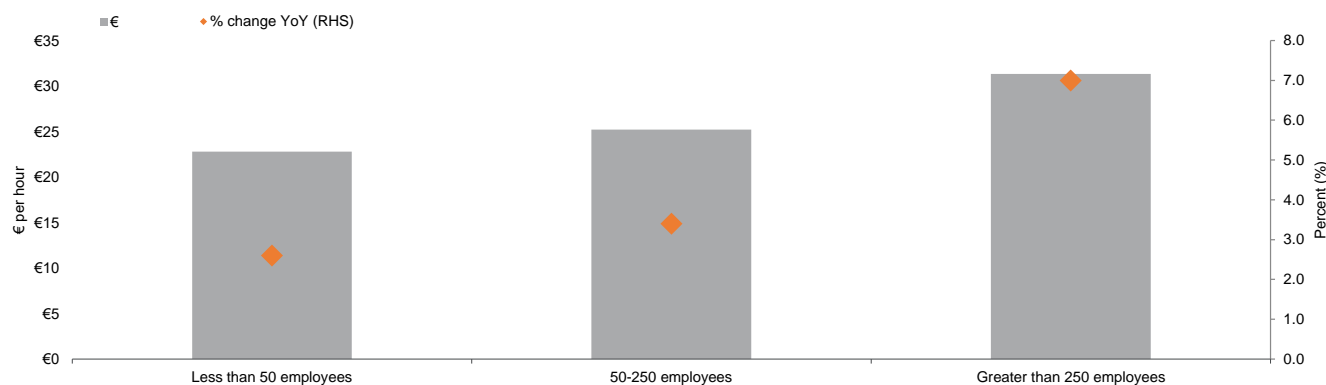
Detailed credit considerations

Full ownership by the government, with a unique policy function within the country to support the Irish economy

The Irish government established SBCI as a limited finance company, with a 100% ownership by the Minister for Finance and a mandate to facilitate the provision of stable, low-cost, long-term funding to SMEs. The SBCI borrows at a preferential-rate from the Treasury, as well as from the EIB, and in the past from CEB and KfW, backed by a guarantee from the Irish Minister for Finance. As a result, SBCI has a strategic alignment with the government's political and policy objectives and has a key role in supporting the Irish economy.

Exhibit 1

Ireland is a two-speed economy, with SMEs that are not very productive (unlike multinationals) and are a weak part of the Irish economy
Hourly earnings compared by company size as of Q4 2022*



*Preliminary estimates

Source: Irish Central Statistics Office

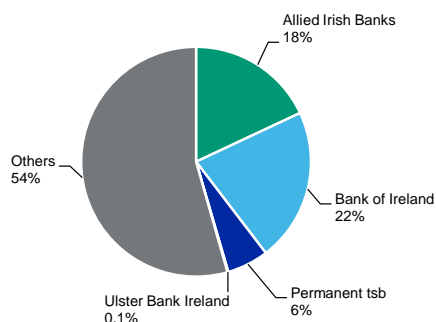
SBCI facilitates its policy objective through its medium-term liquidity offering and several risk sharing schemes: the Agriculture Cashflow Support Loan Scheme (ACSL), the Brexit Impact Loan Scheme (BILS), the Future Growth Loan Scheme (FGLS), the Covid-19 Loan Scheme (CLS), the Covid-19 Credit Guarantee Scheme (CCGS), the Ukraine Credit Guarantee Scheme (UCGS) and the Energy Efficiency Loan Scheme (EELS). Additionally, the bank operates the Credit Guarantee Scheme (CGS) on behalf of the Minister for Enterprise, Trade and Employment.

- » **Medium-term liquidity:** SBCI's business model is based on borrowing at a preferential rate from the Treasury and public institutions (such as EIB with government guarantee), with maturities up to 6 years. The benefit of the lower interest rate is then passed to SME borrowers via participating Irish banks and non-bank lenders. The loans are available to eligible SMEs for an amount up to €1 million for working capital and investment purposes.
- » **ACSL amounts to €150 million and is for SMEs involved in the agricultural sector:** This Scheme was launched in January 2017 to support farmers experiencing short-term financial pressure due to price and income volatility. The loans were available up to a maximum of €150,000 over a term of 1 to 6 years, with a fixed interest rate of 2.95%. This scheme is now almost fully repaid.

- » **BILS provides affordable working capital finance and medium-term finance to eligible businesses that are impacted by Brexit:** It was launched in October 2021 to replace the previous Brexit Loan Scheme (BLS) and to provide support for businesses. Operated by the SBCI, it provides low-cost funding (initial rates at 3.74% or less), with support from the [European Investment Fund](#) (EIF, Aaa stable), to businesses that are innovating in response to the challenges that Brexit poses. The total guarantee provided by EIF for BILS and CLS is capped at €315 million. BILS will cover loans ranging from €25,000 to €1.5 million, with loans of up to €500,000 being unsecured. The maximum rate for this scheme will be significantly lower than the matrix of rates currently available to businesses on loans less than €250,000. The scheme closed to new applicants on 31 December 2022.
- » **CLS provides affordable working capital finance and medium-term finance to eligible businesses impacted by the coronavirus:** It was launched in July 2022 following the closure of CCGS. It benefits from the guarantee from EIF. EIF's collective guarantee for CLS and BILS is capped at €315 million. CLS scheme covers loans ranging from €25,000 to €1.5 million, with loans of up to €500,000 being unsecured and an initial maximum interest rate of 3.74%. This scheme was closed to new applicants on the 31 December 2021.
- » **FGLS amounts to €800 million and supports Irish businesses including those in the agriculture and seafood sector:** It is designed to support the development of SMEs and agriculture businesses and was launched in April 2019. The SBCI scheme funds capital spending and promotes business investment through low-cost loans, with terms ranging from seven to 10 years, secured with an 80% guarantee from the SBCI. As a participant institution, banks are offering low-cost, long-term loan facilities through SBCI to aid businesses in their development through structural and market change. This has been increased by an additional €500 million to €800 million in July 2020 to provide longer-term relief for coronavirus impact business. The loans were available through AIB, BOI, KBC Ireland, [Permanent TSB p.l.c.](#) (PTSB, A2 stable, baa3⁴), UBIDAC and [Close Brothers Limited](#) (Aa3 stable, a2³). The scheme closed to new applicants on 31 March 2023.
- » **COVID-19 CGS:** In 2020, the SBCI announced a new €2 billion COVID-19 CGS. The scheme is provided by the Government of Ireland to facilitate lending to micro and SMEs adversely impacted by the pandemic, including sectors such as agriculture and fishing). The COVID-19 CGS facilitates the provision of liquidity and working capital to businesses. The SBCI is the operator of the scheme on behalf of the Minister for Enterprise, Trade and Employment. Unlike the SBCI's other schemes, the Government provides the guarantee directly to the participating finance providers. As operator, the SBCI engages with the participating finance providers in the operational and management elements of the scheme. The scheme offered up to €2 billion of additional credit capacity, supported by a Government guarantee distributed through a network of banks, non-bank finance providers and Credit Unions. The scheme closed to new applications on 30 June 2022.
- » **Energy Efficiency Loan Scheme (EELS):** Loan guarantee scheme supports qualifying viable Irish businesses and primary producers by providing access to affordable long-term financing to enable investment in the energy efficiency of their business. The scheme benefits from a guarantee provided by COSME⁶ and the European Fund for Strategic Investment (EFSI). Loan amounts range between €10,000 to €150,000 and have terms between 1 and 10 years. Loans may be secured only by the asset being funded and can only be used for the purpose of upgrading the energy efficiency of the business. In 2022, €1.7 million of funding had been approved under the scheme.
- » **Ukraine Credit Guarantee Scheme (UCGS):** Provides viable SMEs and Small Mid-Caps, impacted by economic challenges arising from the conflict in Ukraine with access to low-cost financing. Loan amounts between €10,000 to €1 million per borrower with repayment terms between 3 months to up to 6 years. Loan amounts less than €250,000 will be unsecured and loan amounts greater than this will be secured. Loans will be available up to the 31 December 2024 or until the scheme has been fully subscribed. All eligible loans under the scheme are 80% guaranteed by the DETE and 20% by the on-lender

Currently, SME lending is dominated by the three main banks. Through the SBCI scheme, we expect further diversification in SME lenders, as smaller banks and non-bank lenders utilise the available funds. Unlike the three large banks, the smaller banks and non-banks might not have the same level of wholesale funding access. Furthermore, there is suppressed demand for SME credits, and SMEs are focused on short-term credits instead of five to 10 years' funding. As a result, the large banks with very strong liquidity have been meeting these demands. However, following SBCI's programmes, there is more competition in SME lending.

Exhibit 2

Loan market share in percentage terms (December 2022)

Includes loans to residents in Ireland, the euro area and the rest of the world provided by credit institutions in the domestic market group. Ulster Bank Ireland DAC is currently undergoing a phased withdrawal from the Irish market.

Source: Bank's financials and Central Bank of Ireland

Low liquidity risk, with good market access and long-term financing

SBCI's business model is based on borrowing at a preferential rate from the Treasury and public institutions (such as EIB with government guarantee), with maturities up to 10 years. The benefit of the lower interest rate is then passed to SME borrowers via participating Irish banks and non-bank lenders.

Legal supervision and nomination of board members by the Irish Minister for Finance

SBCI is highly integrated with the Irish government, which provides funding for its operating budget and nominates its board members. In addition, SBCI's staffing and operations are sourced from Ireland's NTMA and are housed at the same premises. NTMA provides service functions in terms of Finance, Human Resources, IT, Legal, Compliance, Risk, Procurement and Internal Audit. NTMA charges SBCI for these services on a cost-recovery basis. SBCI's team comprises 34 staff, all of whom are staff of NTMA and are assigned to SBCI. NTMA executes the Treasury function for SBCI, but decisions are made by SBCI.

Low asset risk because the credit risk exposures assumed by SBCI are to varying degrees covered by counter guarantees and reserves

Under SBCI's risk-sharing schemes, SBCI assumes 80% of the credit risk, with 20% being assumed by lenders. However, the claims paid out by SBCI are capped at 15% on a portfolio basis in ACLS and EELS, with no cap in the case of BILS, CLS and FGLS. SBCI does not retain the full amount of its share of credit risk, offsetting its risk exposure.

SBCI uses the European Investment Fund to counter guarantee its exposure at 50% in ACLS, and BLS/CWCS, at 70% for BILS and at 80% in FGLS. Furthermore, funds from various sponsoring government entities (DAFM or the DETE) cover the remaining 50% by providing cash reserves, which are provided upfront to ensure that the amount received is sufficient to cover SBCI's share of expected losses.

Modest profitability because of its not-for-profit role and mission, but strong capital base and maximum principal amounts provide a solid loss buffer against residual risk

SBCI operates with a profit target to meet its cost base. The entity had shareholders' equity of €77.3 million equivalent to leverage (expressed as tangible common equity/total assets) of 21.4% and total borrowed funds of €186.7 million as of year-end 2021. This compares favourably with the amount stated in SBCI ACT 2014, which provides an ample capacity for further growth.

Notwithstanding its modest profitability and good leverage, we view SBCI's solvency as very strong, reflecting the very low risk to its own capital. This is because SBCI facilitates its policy objective through the assumption of 80% of the credit risk under the various programmes Irish bank lenders can participate in.

Environmental, social and governance considerations

In line with our general view for the banking sector, SBCI has a low exposure to environmental risks and moderate exposure to social risks. See our [Environmental](#) and [Social](#) heat maps for further information.

In terms of social considerations, SBCI's role to promote the Irish economy and high integration with the government makes it susceptible to politically and socially motivated decisions that could affect its financial profile. Given its public policy role, profit maximisation is not a bank's primary goal, and its profitability has traditionally been very modest compared with the Irish banking system. Likewise, policy considerations can lead the bank to issue riskier loans, impairing its asset risk. Nevertheless, SBCI's loans are credit insured and guaranteed by the European Investment Fund and various sponsoring government entities for the most part. As a result, SBCI is able to support the borrowers in current weaker operating environment, while its balance sheet is shielded from the rising credit risk from the borrowers.

Furthermore, we consider the spread of the coronavirus outbreak also as a social risk given the substantial implications for public health and safety and given that its business continues to be impacted by the coronavirus crisis.

Governance is highly relevant for SBCI, as it is to all banks in the industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and for SBCI, we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

The alignment of SBCI's issuer ratings with the sovereign rating is in accordance with the SBCI Act 2014, which governs SBCI and allows it to draw down additional callable capital, at its discretion, from the Minister for Finance up to a total of €165 million (or up to €1 billion if the Minister for Finance so determines). SBCI notifies the Minister for Finance about its guaranteed borrowing and, so far, SBCI has not borrowed externally without government guarantee. SBCI could borrow, at its discretion, up to a principal amount of up to €4 billion, which is the maximum principal amount stated in the SBCI Act 2014. Given the importance of subsidised funding to SBCI's operating model, the likelihood that it would borrow without government guarantee is low.

Methodology and scorecard

The principal methodology we used in rating SBCI was our [Government-Related Issuers](#) rating methodology, published in February 2020. SBCI's standalone financial performance and metrics do not reflect the credit risk faced by bondholders. The key driver for SBCI's ratings is the likelihood of the government providing liquidity or capital support to SBCI, if required. Therefore, SBCI is rated under our analytical approach for government-related issuers without a Baseline Credit Assessment.

Ratings

Exhibit 3

| Category | Moody's Rating |
|---|----------------|
| STRATEGIC BANKING CORPORATION OF IRELAND | |
| Outlook | Stable |
| Issuer Rating | Aa3 |
| ST Issuer Rating | P-1 |

Source: Moody's Investors Service

Endnotes

- 1 National Treasury Management Agency
- 2 [Strategic Banking Corporation of Ireland Act 2014](#)
- 3 MDD is an alternative measure of economic activity produced by the Irish authorities, intended to remove some of the distortions to GDP numbers from the activity of multinationals based in Ireland. MDD is defined as domestic consumption, government consumption and modified investment, deducting purchases of Intellectual property rights and aircraft for leasing which are particularly susceptible to distortions due to the activities of multinationals based in Ireland. MDD notably also excludes net exports, as export data is distorted by factors such as contract manufacturing outside Ireland by companies registered in Ireland
- 4 Deposit rating, BCA
- 5 Deposit rating, BCA
- 6 Europe's programme for small and medium-sized enterprises

© 2023 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 CREDIT RATINGS AFFILIATES ARE THEIR 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 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 APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S 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 credit 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 \$5,000,000. 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, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Charter Documents - 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 JPY100,000 to approximately JPY550,000,000.

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

REPORT NUMBER 1364543

CLIENT SERVICES

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