

CREDIT OPINION

21 June 2016

Update

Rate this Research >>

RATINGS

Ringkjøbing Landbobank A/S

Domicile	Ringkjøbing, Denmark
Long Term Rating	A1
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

Swen Metzler, CFA 49-69-70730-762
 VP-Senior Analyst
 swen.metzler@moodys.com

Oscar Heemskerck 44-20-7772-5532
 Associate Managing Director
 oscar.heemskerck@moodys.com

Maria Asensio 44-20-7772-1078
 Associate Analyst
 maria.asensio@moodys.com

Ringkjøbing Landbobank A/S

Update to Discussion of Key Credit Factors

Summary Rating Rationale

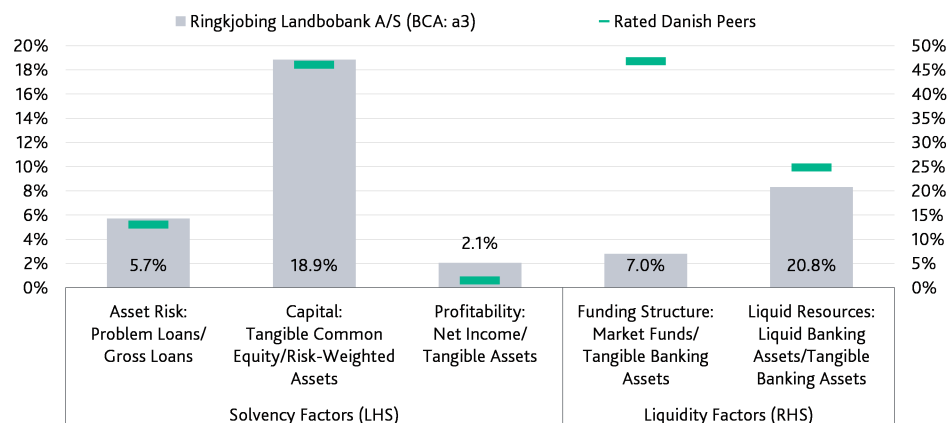
We assign an A1 / Prime-1 deposit rating to Ringkjøbing Landbobank on the back of an a3 baseline credit assessment (BCA). We also assign a long-term and short-term Counterparty Risk Assessment (CR Assessment) of Aa3(cr) / P-1(cr) to Ringkjøbing Landbobank.

Ringkjøbing Landbobank's standalone a3 BCA reflects primarily our expectation that the bank's high and resilient profitability, as demonstrated throughout the financial crisis, and strong capitalisation, position it well to cope with any deterioration in the operating environment or the challenges arising from the low interest rate environment and the still elevated level of problem loans.

The bank's A1 deposit ratings takes into account the Advanced Loss Given Failure (LGF) analysis of the bank's own volume of debt and deposits and securities subordinated to them in our creditor hierarchy. Our Advanced LGF analysis of Ringkjøbing Landbobank's own volume of debt and deposits and securities subordinated to them indicates a very low loss given failure for depositors, resulting in a two-notch uplift to the deposit ratings from the bank's BCA. We continue to believe the probability of government support for Ringkjøbing Landbobank's long-term deposits is low and therefore do not add further support uplift.

Exhibit 1

Financial Profile Key Indicators as of Dec 2015



Source: Moody's Banking Financial Metrics

Credit Strengths and Challenges

- » Elevated problem loan level and somewhat concentrated loan book by geography and industry
- » Solid capital base and leverage ratio
- » Good earnings from core operations and high operating efficiency resulting in high profitability
- » Primarily deposit-funded, with good liquidity
- » Ringkjøbing Landbobank's BCA is supported by its "Strong+" macro profile
- » Deposit ratings are likely to benefit from a very low loss-given-failure rate stemming from a large volume of deposits and a large back-to-back development bank loan, which we view as bail-in-able
- » Low probability of government support resulting in no uplift from BCA for deposits

Rating Outlook

The outlook on all ratings is stable.

Factors that Could Lead to an Upgrade

- » Upward pressure on the ratings could develop from improved asset quality metrics, especially in relation to more volatile segments such as agriculture.

Factors that Could Lead to a Downgrade

- » Downward pressure on the ratings could emerge if asset quality or capital metrics deteriorate, profitability reduces or the bank's reliance on market funding increases from the current low level.

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

Ringkjøbing Landbobank A/S (Consolidated Financials) [1]

	3-16 ²	12-15 ²	12-14 ²	12-13 ³	12-12 ³	Avg.
Total Assets (DKK million)	22363.0	22317.4	21237.9	19582.8	17681.5	6.0 ⁴
Total Assets (EUR million)	3001.6	2990.6	2852.1	2624.9	2369.9	6.1 ⁴
Total Assets (USD million)	3420.5	3248.6	3451.2	3617.0	3124.4	2.3 ⁴
Tangible Common Equity (DKK million)	3256.2	3293.8	3098.4	2900.9	2675.9	5.0 ⁴
Tangible Common Equity (EUR million)	437.1	441.4	416.1	388.8	358.7	5.1 ⁴
Tangible Common Equity (USD million)	498.0	479.5	503.5	535.8	472.9	1.3 ⁴
Problem Loans / Gross Loans (%)	-	5.7	6.7	8.1	7.3	6.9 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	18.4	18.9	19.5	19.5	20.1	18.9 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	-	24.5	27.3	31.6	27.9	27.8 ⁵
Net Interest Margin (%)	3.0	2.9	3.1	3.4	3.5	3.2 ⁵
PPI / Average RWA (%)	3.9	3.9	4.4	4.1	4.4	4.1 ⁶
Net Income / Tangible Assets (%)	2.3	2.1	2.1	1.8	1.9	2.0 ⁵
Cost / Income Ratio (%)	29.5	32.1	30.7	31.7	30.6	30.9 ⁵
Market Funds / Tangible Banking Assets (%)	6.7	7.0	10.3	10.4	9.0	8.7 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	21.5	20.8	25.0	27.4	27.4	24.4 ⁵
Gross loans / Due to customers (%)	106.4	107.4	106.4	104.1	102.4	105.3 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; LOCAL GAAP [3] Basel II; LOCAL GAAP [4] Compound Annual Growth Rate based on LOCAL GAAP reporting periods [5] LOCAL GAAP reporting periods have been used for average calculation [6] Basel III - fully-loaded or transitional phase-in & LOCAL GAAP reporting periods have been used for average calculation

Source: Moody's Financial Metrics

Detailed Rating Considerations

ELEVATED PROBLEM LOAN LEVEL AND SOMEWHAT CONCENTRATED LOAN BOOK BY INDUSTRY AND GEOGRAPHY

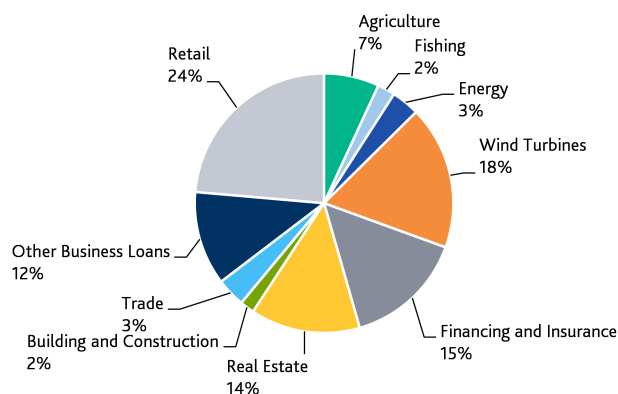
Our assigned ba2 Asset Risk score indicates that overall, asset risk remains a relative weakness for Ringkjøbing Landbobank.

Ringkjøbing Landbobank's continued elevated level of problem loans both relative to pre-crisis levels and to similarly highly rated peers across Europe remains a key weakness for the bank. We note, however, that more recently, the trend has been positive with problem loans (defined as gross loans subject to individual impairment) decreasing to 5.7% of gross loans at end-2015 from 6.7% in 2014. The bank reported a coverage ratio (loan loss reserves as a percentage of problem loans) of 90% at end-December 2015, up from 85% at end-December 2014, the highest coverage ratio of the rated Danish banks. The end-December 2015 results showed a stable level of non-performing loans (a narrower definition than problem loan including only loans with suspended calculation of interest) at 0.4% of total lending (0.3% in 2014).

At end-2015, around 40% of the bank's lending was to customers within the core region of western and central Jutland, while 9% of lending was outside Denmark. Much of the lending outside the core region is within the bank's chosen niche areas. The bank's loan and guarantee portfolio consists 18% of lending to the wind turbine sector, 24% to private customers, 14% to real estate, 15% to finance companies, almost 7% to agriculture, and the remainder to other corporates. We note that the bank has allocated considerable provisions for write-downs on agriculture, in particular.

Between 2010 and 2012, Ringkjøbing Landbobank's loan book decreased by on average 2% per year. In 2013, 2014 and 2015 loan growth turned around, recording 12% growth in 2015 so that the loan book is now above the end-2008 level. When excluding DKK283 million in reverse transactions, the increase in the bank's loan book was 14% for 2015.

Exhibit 3

Breakdown of Ringkjøbing Landbobank's loan portfolio by sector at end-2015

Source: Moody's, company reports

Ringkjøbing Landbobank operates in, and is supportive to, a small region, and therefore has relatively large customer concentration in comparison with its European peers measured as the top 20 largest exposures relative to Tier 1 capital. We note that a majority of the 20 largest exposures are outside the core area of central and western Jutland and therefore not concentrated locally and that a significant share of the large exposures are to highly rated Danish mortgage bonds. At end-2015, Ringkjøbing Landbobank had total large exposures of 63.4% of the bank's capital measured, according to the Danish FSA's methodology, compared with 47.8% in 2014 and 35.0% in 2013.

Going forward, we view Ringkjøbing Landbobank's ability to control sector- and single-name concentration as an important rating driver. We note that Ringkjøbing Landbobank's exposure to the real estate market (13.7% of the loan book) is more limited than that of many other Danish regional banks. However, the bank does have some exposures to the real estate market in Germany, and its exposure to the agricultural sector could continue to prove problematic in light of the generally high debt levels of Danish farmers.

SOLID CAPITAL BASE AND LEVERAGE RATIO

Our assigned Capital score reflects the bank's high capital level, making capital a relative strength for the bank. Ringkjøbing Landbobank applies the Basel III/CRD IV standardised method in calculating risk-weighted assets.

Ringkjøbing Landbobank reports strong capital metrics: Its Common Equity Tier 1 (CET1) capital ratio was 16.5% at end-March 2016 and 17.1% in December 2015 (17.5% at end-2014). The bank's ratio of tangible common equity to risk-weighted assets stood at 18.9% at end-December 2015, which is significantly higher than the levels recorded by most of the bank's Nordic peers.

The bank's individual solvency need as calculated according to the Danish 8+ model was 9% at end-December 2015. We note that the bank's high profitability and strong track record point to a high capacity to generate capital internally. Accordingly, we expect that the bank will sustain strong capital buffers over the foreseeable future.

Ringkjøbing Landbobank has one of the highest leverage ratios among Nordic and international banks. The vast majority of the bank's capital consists of common shares. The bank had a ratio of tangible common equity to total assets of 14.6% at end-March 2016 and 14.8% at end-December 2015 (14.6% at end-December 2014), which is significantly higher than the 4%-10% level recorded by most of the bank's Nordic peers.

GOOD EARNINGS FROM CORE OPERATIONS AND HIGH OPERATING EFFICIENCY RESULTING IN HIGH PROFITABILITY

Our assigned Profitability score reflects the bank's high profitability levels and strong track record of delivering bottom-line results.

We note that the bank's high profitability and strong track record point to a strong capacity to absorb losses through earnings and internal capital generation. Ringkjøbing Landbobank reported a return on assets of 2.1% and a return on equity of 14.5% at the end of 2015 (2.3% and 16% for the first three months of 2016). Although the very low interest rates in Denmark create some uncertainty

regarding the bank's future earnings, we note that the bank's very high cost efficiency, with a cost-to-income ratio of 32% at the end of 2015 and 29.5% for the first three months of 2016, adds resilience to profitability.

For 2015, Ringkjøbing Landbobank's pre-tax profits of DKK588 million, almost unchanged compared with 2014, were exclusively generated from core bank activities. However, the bank's risk-adjusted profitability (measured as pre-provision income as a percentage of average risk-weighted assets) decreased slightly to 3.9% in 2015 from 4.4% in 2014 but still compares well with its Danish peers.

Further, Ringkjøbing Landbobank's remains one of Denmark's most efficient banks, with a 32% cost-to-income ratio (measured as operating income divided by operating expenses) in 2015 (2014: 31%). In our view, the bank's lean and low-cost business model remains a key driver for its high risk-adjusted profitability compared with that of regional peers.

Loan losses and provisions decreased to DKK60 million in 2015 from DKK87 million in 2014. Loan loss provisions amounted to 9% of pre-provision income in 2015 down from 13% in 2014, but remain somewhat elevated compared with pre-crisis levels.

Return on year-end equity was 14.5% in 2015, which is around double the level of regional peers and compares favourably with that of global peers. Ringkjøbing Landbobank consistently recorded a return on equity in excess of 11% between 2010 and 2015 with a very strong leverage ratio (defined as tangible common equity to total assets) averaging 14% over the same period.

PRIMARILY DEPOSIT-FUNDED, WITH GOOD LIQUIDITY

Our Funding Structure score indicates that the overall funding profile remains a modest fundamental strength for Ringkjøbing Landbobank, owing to the relatively low dependence on more confidence-sensitive wholesale funding.

Market funding accounted for 7% of the bank's tangible banking assets at end-December 2015 and 6.7% at the end of March 2016 (just over 10% at end of December 2014) and has been relatively stable since 2011. Around 90% of the bank's funding was in deposits in 2015 (compared with a the pre-crisis level of close to 50%) and has been relatively stable in recent years. The share of interbank funding has been reduced from close to 50% pre-crisis to 8% at end-2015. As with most Danish regional and local banks, Ringkjøbing Landbobank can secure its mortgage loan financing via the specialised mortgage lenders Nykredit/Totalkredit and DLR. The loan funding by the specialised mortgage lenders will not show on the bank's balance sheet as the mortgage loans are transferred in full.

At end-December 2015, liquid assets accounted for 20.8% of total assets and 21.5% in March 2016 (around 25% at December 2014), which has been relatively stable in recent years. At end-December 2015, Ringkjøbing Landbobank reported a liquidity coverage ratio of 106% and thereby met the requirement of 100% to be met by 1 October 2015 by Danish systemically important financial institution banks (although Ringkjøbing Landbobank is not a systemically important financial institution bank). At the end of March 2016 the bank's reported LCR was 110%.

RINGKJØBING LANDBOBANK'S BCA IS SUPPORTED BY ITS "STRONG+" MACRO PROFILE

Ringkjøbing Landbobank is almost purely active in Denmark, meaning that the bank's operating environment is heavily influenced by Denmark and its macro profile is thus aligned with that of Denmark at "Strong+". Danish banks and mortgage credit institutions benefit from an improving operating environment and a strong institutional and legal framework. Our assessment, however, also factors in the banks' large stock of problem loans that date back to the financial crisis in Denmark, and high household debt. The financial sector has considerable wholesale funding needs, which - though reducing - create some susceptibility to adverse events, while the relatively fragmented structure of the banking industry and strong competition constrain profitability.

Notching Considerations

Affiliate Support

Loss Given Failure

Ringkjøbing Landbobank is subject to the EU Bank Recovery and Resolution Directive, which we consider to be an Operational Resolution Regime. We assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. We assume 26% of deposits are junior, in line with our standard assumption for European banks with mainly retail depositors. These are in line with our standard assumptions.

The bank's A1 deposit ratings take into account the LGF analysis of the bank's own volume of debt and deposits and securities subordinated to them in our creditor hierarchy. Our Advanced LGF analysis of Ringkjøbing Landbobank's own volume of debt and deposits and securities subordinated to them indicates a very low loss-given-failure for depositors, resulting in a two-notch uplift to the deposit ratings from the bank's BCA.

Government Support

The implementation of the EU Bank Recovery and Resolution Directive has caused us to reconsider the potential for government support to benefit certain creditors. We continue to consider the probability of government support to Ringkjøbing Landbobank to be low and hence do not assign any systemic support to the bank's rating.

COUNTERPARTY RISK (CR) ASSESSMENT

CR Assessments are opinions 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 suffered in the event of default 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 (e.g., swaps), letters of credit, guarantees and liquidity facilities.

Ringkjøbing Landbobank's CR Assessment is positioned at Aa3(cr)/Prime-1(cr). The CR Assessment is positioned three notches above the adjusted BCA of a3, based on the substantial cushion against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, thereby focusing purely on subordination and taking no account of the volume of the instrument class.

OUTPUT OF THE BASELINE CREDIT ASSESSMENT SCORECARD

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment 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 4

Ringkjøbing Landbobank A/S

Macro Factors						
Weighted Macro Profile	Strong +	100%				
Financial Profile						
Factor	Historic Ratio	Macro Adjusted Score	Credit Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	6.8%	ba1	↓	ba2	Sector concentration	Geographical concentration
Capital						
TCE / RWA	18.4%	aa2	← →	aa2	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	2.1%	aa2	↓	aa3	Return on assets	
Combined Solvency Score		a2		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	7.0%	aa3	← →	aa3	Extent of market funding reliance	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	20.8%	baa1	← →	baa1	Stock of liquid assets	
Combined Liquidity Score		a2		a2		
Financial Profile				a3		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint:				Aaa		
Scorecard Calculated BCA range				a2-baa1		
Assigned BCA				a3		
Affiliate Support notching				0		
Adjusted BCA				a3		
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency rating	Foreign Currency rating
Counterparty Risk Assessment	3	0	aa3 (cr)	0	Aa3 (cr)	--
Deposits	2	0	a1	0	A1	A1

Source: Moody's Financial Metrics

Ratings

Exhibit 5

Category	Moody's Rating
RINGKJØBING LANDBOBANK A/S	
Outlook	Stable
Bank Deposits	A1/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)

Source: Moody's Investors Service

© 2016 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 ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S 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.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

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

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

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

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 rating, agreed to pay to Moody's Investors Service, Inc. 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.moody's.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. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") 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 MJJK. 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. MJJK 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.

MJJK 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 MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

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

REPORT NUMBER 1031538