Rating Action: Moody’s downgrades the ratings of five South African banks following downgrade on the South African sovereign. The outlook is negative

31 Mar 2020

London, 31 March 2020 -- Moody’s Investors Service ("Moody’s") has today downgraded to Ba1 from Baa3 the long-term local currency and foreign currency deposit ratings of The Standard Bank of South Africa Limited, FirstRand Bank Limited, ABSA Bank Limited, Nedbank Limited and Investec Bank Ltd., the five largest banks in South Africa. The rating agency has also downgraded to Ba2 from Ba1 the long-term issuer ratings of the holding companies Absa Group Limited and Standard Bank Group Limited.

The outlook on all the South African banks’ long-term deposit ratings remains negative.

At the same time, Moody’s downgraded to Ba2 from Ba1 the long-term local currency deposit rating of First National Bank of Namibia Limited, the Namibian subsidiary of South Africa's FirstRand Limited, and changed the outlook on this rating to stable from negative.

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL421844 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

The primary driver for today’s rating actions is the increasingly difficult operating environment for banks in South Africa as reflected by Moody's decision to lower South Africa's Macro Profile score from 'Moderate' to 'Moderate-'.

A secondary driver of today’s rating actions is the weakening credit profile of the South African government given banks’ high sovereign exposure, mainly in the form of government debt securities held as part of their prudential liquidity requirements, which links their credit profiles to that of the government.

These actions follow the downgrade of the South African government's issuer rating to Ba1 from Baa3 on 27 March 2020. The driver behind the sovereign rating downgrade is the continuing deterioration in South Africa's fiscal strength and structurally very weak growth, which Moody's does not expect current policy settings to address effectively (refer to the sovereign press release Moody's downgrades South Africa's ratings to Ba1, maintains negative outlook; https://www.moodys.com/research/--PR_420630).

RATINGS RATIONALE

WEAKENING MACRO PROFILE

The key driver of today's rating actions is the lowering of South Africa's Macro Profile score to 'Moderate-' from 'Moderate' to reflect the increasingly challenging operating environment for banks. The lower Macro Profile score results in the downgrade of the Baseline Credit Assessments (BCAs) to ba1 from baa3 of the five largest South African banks.

The rating agency expects a GDP contraction of 2.5% in 2020 and growth of 1.1% in 2021, significantly below the level required to reduce both high poverty and unemployment levels (29.1%, 2019) materially. As the weak economy strains borrower cash flows and makes it more difficult for borrowers to meet their loan obligations, Moody's expects a deterioration of the banking system's problem loan ratio over the next 12 to 18 months, from their average of 3.9% as of year-end 2019, and declining profitability metrics. However, Moody's expects banks' capitalization to be broadly stable over the next 12 months as pre-provision income should be sufficient to absorb banks' rising loan losses.

South Africa's Macro Profile continues to reflect the funding risks that the South African banking system faces given its high reliance on short-term domestic institutional deposits. Large institutional deposits (including interbank deposits), along with debt securities (primarily held by financial institutions), account for around 34% of the banking system's funding base, and corporate deposits 18%, as of December-end 2019.

Additionally, the unprecedented deterioration in the global economic outlook caused by the rapid spread of the
coronavirus outbreak will exacerbate South Africa's economic and fiscal challenges, complicate the emergence of effective policy responses and negatively impact banks' credit profiles through asset quality, profitability and liquidity pressures.

Though operating conditions are challenging, it is important to note that Moody's does not have any particular governance concern for the rated South African banks and does not apply any corporate behaviour adjustments to them.

BANKS' EXPOSURE TO THE SOUTH AFRICAN GOVERNMENT

A secondary driver of today's rating actions is South African banks' high sovereign exposure, mainly in the form of government debt securities held as part of their prudential liquidity requirements, which links their credit profiles to that of the government. The banks' overall sovereign exposure, including loans to state-related entities, averages 176% of their capital bases, as of December-end 2019.

In view of the weakening operating environment and the correlation between sovereign and bank credit risk, the banks' standalone credit profile and ratings are constrained by the credit profile of the government.

NEGATIVE OUTLOOK REFLECTS SOVEREIGN OUTLOOK

The negative outlook of the South African banks' ratings reflects our expectation that the weak economic environment will increase the downside risks for banks' credit profiles. The challenging operating environment will translate to higher impairments for the banks; exerting negative pressure on revenues and testing the resilient performance they have demonstrated in recent years. However, Moody's does not anticipate that the asset quality deterioration will materially compromise banks' capitalisation. The negative outlook on the banks is aligned with the outlook on the sovereign rating, which reflects downside risks around economic growth and fiscal metrics, that could lead to an even more rapid and sizeable increase in the debt burden, further lowering debt affordability and potentially weakening South Africa's access to funding.

NATIONAL SCALE RATINGS (NSR)

There has also been a recalibration of South Africa's NSR mappings, triggered by the downgrade of South Africa's government bond rating. Moody's NSRs are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks.

INDIVIDUAL BANKS' MAIN RATING DRIVERS

- The Standard Bank of South Africa Limited (SBSA) and Standard Bank Group Limited (SBG)

Moody's downgraded the BCA of SBSA to ba1 from baa3 primarily as a result of the increasingly difficult operating conditions, and our expectation that the bank's profitability and asset quality metrics will deteriorate over the next 12 months. However, SBSA's ba1 BCA continues to reflect our expectation of resilient capital buffers despite an increasing cost of risk on account of the challenging operating environment. We also expect that the bank's robust risk-management framework will continue to be supportive of its solvency profile. The bank's credit loss ratio increased marginally over 2019 and the bank's nonperforming loans (NPLs) ratio stood at 3.6% as of December-end 2019. SBSA's reported Common Equity Tier 1 (CET1) ratio was 13.2% as of December-end 2019, which compares favourably to its South African peers.

SBG's issuer rating of Ba2 is positioned one notch lower than the deposit ratings of its fully owned main banking subsidiary SBSA, reflecting the structural subordination of SBG's creditors to those of SBSA.

- FirstRand Bank Limited (FRB)

Moody's downgraded the BCA of FRB to ba1 from baa3 primarily as a result of the increasingly difficult operating conditions, and our expectation that the bank's profitability and asset quality metrics will deteriorate over the next 12 months. However, FRB's ba1 BCA continues to reflect its solid franchise in the South African banking sector. The bank's BCA also takes into account our expectation that the bank's (1) capital buffers will remain resilient; and (2) profitability will continue to compare favourably with that of its similarly rated local peers, despite some negative pressure. The bank's credit loss ratio increased to 107bps in the six months ended 2019 up from 93bps in the same period in 2018 and the bank's reported nonperforming loans (NPLs) ratio stood at 4.2% as of December-end 2019. FRB's reported Common Equity Tier 1 (CET1) ratio was 13.7% as of December-end 2019, which is the highest amongst its South African peers.

- ABSA Bank Limited and Absa Group Limited
Moody's downgraded the BCA of ABSA Bank Limited to ba1 from baa3 primarily as a result of the increasingly difficult operating conditions, and our expectation that the bank's profitability and asset quality metrics will deteriorate over the next 12 months. However, ABSA Bank Limited's ba1 BCA continues to capture its sound risk management practices and ability to maintain a solid earnings generating capacity. The bank's reported nonperforming loans (NPLs) ratio stood at 4.5% as of December-end 2019. The ratings also capture its adequate capital buffers (with a core Tier 1 capital ratio of 11.4% as of December 2019, on a normalized basis), but which remain below international peers.

Absa Group Limited's issuer rating of Ba2 is positioned one notch lower than the deposit ratings of its fully owned main banking subsidiary, ABSA Bank Limited, reflecting the structural subordination of Absa Group Limited's creditors to those of ABSA Bank Limited.

- Nedbank Limited (Nedbank)

Moody's downgraded the BCA of Nedbank Limited to ba1 from baa3 primarily as a result of the increasingly difficult operating conditions, and our expectation that the bank's profitability and asset quality metrics will deteriorate over the next 12 months. However, Nedbank's BCA of ba1 continues to reflect the bank's solid local franchise and material investments in digitisation and information technology and its resilient capitalisation (a reported Common Equity Tier 1 capital ratio of 11.5%, as of December 2019). Nedbank's asset quality metrics deteriorated only marginally over 2019 with NPLs rising to 3.6% as of December-end 2019 from 3.5% as of December-end 2018.

- Investec Bank Ltd. (IBL)

Moody's downgraded the BCA of IBL to ba1 from baa3 primarily as a result of the increasingly difficult operating conditions, and our expectation that the bank's profitability and asset quality metrics will deteriorate over the next 12 months. However, IBL's ba1 BCA continues to reflect the bank's resilient capitalisation, strong liquidity and good asset quality (NPLs accounted for a modest 1.3% of gross loans as of September-end 2019). These strengths are moderated the bank's credit concentrations to both commercial and residential property-related borrowers; although these sectors have historically performed well. The bank's reported CET1 ratio was 13% as of September 2019, and its reported leverage ratio of 7.8% is one of the highest among its local peers.

- First National Bank of Namibia Limited (FNB Namibia)

Moody's downgraded to Ba2 from Ba1 the long-term local -currency deposit ratings of First National Bank of Namibia Limited as a result of the increasingly challenging operating conditions in South Africa given the negative implications these have for the credit profile of South Africa's FirstRand Limited, FNB Namibia's parent, in its capacity as affiliate support provider.

FNB Namibia's Ba2 local currency deposit rating incorporates one notch of rating uplift from the bank's BCA of ba3, based on our view of a high probability of support from the Government of Namibia (Ba2, stable), in case of need. Additionally, we also continue to expect a very high willingness of support from FNB Namibia's ultimate parent, South Africa's FirstRand Limited, in a stress scenario. FNB Namibia's BCA, its standalone credit strength, of ba3 captures our expectation that the bank's strong domestic franchise will continue to support its earnings generating capacity and robust capital ratios, both of which will continue to provide a large buffer against loan losses. As of June-end 2019, the bank's reported CET1 ratio was 17.0% and return on assets was 2.42%. These strengths are moderated by our expectation that NPLs will continue to deteriorate over the next 12 months (NPLs increased to 2.71% as of June-end 2019 from 2.30% as of December-end 2018).

The stable outlook of FNB Namibia's long-term deposit ratings reflects our view that FNB Namibia's asset risks and profitability metrics will stay within the thresholds assumed by its current ratings despite the deteriorating trend witnessed in both metrics over the last 18 months. The stable outlook is aligned with the stable outlook on the Namibian sovereign's issuer rating.

PRINCIPAL METHODOLOGY

Factors that would lead to an upgrade or downgrade of the ratings:

Any future deterioration in the creditworthiness of South Africa or Namibia would exert downward pressure on the banks’ ratings in that system, in view of their sizeable holdings of sovereign debt securities held as part of their prudential liquidity requirements. In addition, the banks’ ratings could be downgraded if operating conditions worsen, leading to significantly higher loan loss provisions that prompt deterioration in the banks’ earnings and capital metrics that exceed the rating agency’s expectations.

For the South African banks, upwards momentum of the banks’ ratings is currently constrained by weak operating conditions in South Africa as reflected by the negative outlook. For FNB Namibia, any upward rating momentum is also constrained by operating conditions in South Africa, where its ultimate parent and affiliate support provider, FirstRand Limited, resides. However, for FNB Namibia, an upgrade in the bank’s ratings could be triggered by an upgrade of the issuer ratings of the Namibian government, as a support provider, combined with improvements in the financial profile of the bank.

Moody’s National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody’s global scale credit ratings in that they are not globally comparable with the full universe of Moody’s rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody’s approach to national scale credit ratings, please refer to Moody’s Credit rating Methodology published in May 2016 entitled “Mapping National Scale Ratings from Global Scale Ratings”. While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1216309.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL421844 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody’s disclosures on the following items:

• Releasing Office

For further specification of Moody’s key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody’s Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody’s rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider’s credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.
These ratings include both solicited and unsolicited ratings. As a result, Moody's considers the Rated Entity and/or any Related Third Party to be participating in the ratings process, thereby providing general access to internal documents and management. Please refer to the List of Affected Credit Ratings for more details regarding solicitation. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the website.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Akin Majekodunmi
VP-Sr Credit Officer
Financial Institutions Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Sean Marion
MD - Financial Institutions
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

© 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.moodys.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.