

# MOODY'S

## INVESTORS SERVICE

### CREDIT OPINION

28 July 2022

Update



Send Your Feedback

#### RATINGS

##### Lloyds Bank plc

Domicile	London, United Kingdom
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	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

Laurie Mayers +44.20.7772.5582  
Associate Managing Director  
laurie.mayers@moody's.com

Alessandro Roccati +44.20.7772.1603  
Senior Vice President  
alessandro.rocatti@moody's.com

#### CLIENT SERVICES

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

## Lloyds Bank plc

### Update following rating action

#### Summary

We assign a rating of A1 to the long-term deposit and senior unsecured debt of [Lloyds Bank plc](#) (LB), the ring-fenced bank of the [Lloyds Banking Group plc](#) (LBG, senior unsecured rating A3 Stable).

On 19 July 2022, we affirmed LB's senior unsecured debt ratings at A1 with a stable outlook and downgraded by one notch its subordinated debt ratings to Baa1 from A3 and its junior subordinated debt ratings to Baa2(hyb) from Baa1(hyb). The action only focused on the results from our Advanced Loss Given Failure (LGF) analysis.

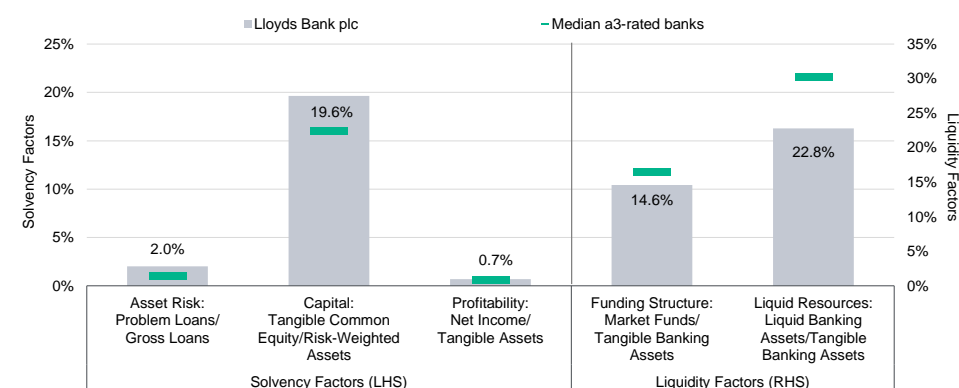
LB's A1 long-term deposit and senior unsecured ratings reflects (1) the bank's standalone creditworthiness, expressed in an a3 Baseline Credit Assessment (BCA); (2) low loss-given-failure, which provides one notch of uplift under our Advanced Loss Given Failure (LGF) analysis; and (3) our assessment of a moderate probability of support from the [Government of the United Kingdom](#) (Aa3 stable), which provides one notch of uplift.

LB's a3 BCA reflects its strong capital, good asset quality, stable retail funding and ample liquidity, and its improving levels of profitability as revenues recover and rates rises support net interest income.

We align the ratings of [HBOS plc](#) and [Bank of Scotland plc](#) subsidiaries to those of LB, to reflect their high integration with LB.

Exhibit 1

#### Rating Scorecard - Key financial ratios



Source: Moody's Investors Service

## Credit strengths

- » Strong capital
- » Low asset risk
- » Stable retail funding and ample liquidity

## Credit challenges

- » Profitability will improve on the back of increases in volumes and margins, while the cost of risk will remain low; however, inflationary pressures, if they persist, will constrain household incomes and debt servicing capacity and impact business and consumer confidence, weakening credit demand

## Outlook

The stable outlook on LB's ratings reflects our view that the combined solvency and liquidity metrics will on a forward-looking basis remain in line with our current assessment, as its asset quality normalises and its profitability stabilizes, following the pandemic-induced deterioration in 2020, and taking into account tail winds from rising interest rates and headwinds from current macroeconomic pressures.

## Factors that could lead to an upgrade of the ratings

LB's BCA could be upgraded if the bank's profitability and liquidity buffers improve. An upgrade of the BCA could lead to an upgrade of all long-term ratings of LB, with the exclusion of its senior unsecured debt, as government support would decrease to zero notches from one notch. LB's junior debt rating could also be upgraded following a significant increase in the stock of subordinated debt issued by LB.

## Factors that could lead to a downgrade of the ratings

LB's BCA could be downgraded following (1) a deterioration of the UK operating environment beyond our current expectations, or (2) a material decline in the group's capital metrics. A one notch downgrade of the bank's BCA would lead to a downgrade of all its ratings.

## Key indicators

Exhibit 2

### Lloyds Bank plc (Consolidated Financials) [1]

	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	12-18 <sup>2</sup>	12-17 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (GBP Billion)	602.8	590.5	567.8	578.8	786.4	(6.4) <sup>4</sup>
Total Assets (USD Billion)	813.6	807.2	752.2	737.2	1,063.8	(6.5) <sup>4</sup>
Tangible Common Equity (GBP Billion)	31.7	29.6	33.5	35.4	46.3	(9.0) <sup>4</sup>
Tangible Common Equity (USD Billion)	42.8	40.4	44.4	45.0	62.6	(9.0) <sup>4</sup>
Problem Loans / Gross Loans (%)	2.0	2.1	2.0	2.1	1.7	2.0 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	19.6	17.3	19.5	20.3	22.5	19.8 <sup>5</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	24.4	25.6	22.9	23.1	16.0	22.4 <sup>5</sup>
Net Interest Margin (%)	1.8	1.8	2.2	2.1	1.9	2.0 <sup>5</sup>
PPI / Average RWA (%)	3.2	3.2	4.4	3.4	3.7	3.6 <sup>5</sup>
Net Income / Tangible Assets (%)	0.7	1.0	0.9	0.5	0.7	0.7 <sup>5</sup>
Cost / Income Ratio (%)	63.0	62.3	53.5	60.2	54.4	58.7 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	14.6	16.2	17.2	19.5	17.7	17.0 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	22.8	23.5	21.4	21.6	21.1	22.1 <sup>5</sup>
Gross Loans / Due to Customers (%)	96.7	100.6	106.0	108.4	105.3	103.4 <sup>5</sup>

[<sup>1</sup>] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [<sup>1</sup>] All figures and ratios are adjusted using Moody's standard adjustments. [<sup>2</sup>] Basel III - fully loaded or transitional phase-in; IFRS. [<sup>3</sup>] May include

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.

rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

## Profile

LB is the ring-fenced bank of Lloyds Banking Group plc (LBG), a leading UK-based financial services group providing a wide range of banking and financial services, focused on retail and commercial customers. LB operates also through other brands, mainly Halifax and Bank of Scotland. The bank retains most of the group's banking businesses, including more than 95% of loans and most of the retail, small and medium-sized enterprise, and corporate deposits.

Besides LB, LBG's other main subsidiaries are the insurer Scottish Widows Limited (Scottish Widows, IFRS A2 stable), and the non-ring-fenced bank Lloyds Bank Corporate Markets plc (LBCM, A1/A1 stable), holding capital markets activities, business outside of the European Economic Area and lending to financial institutions.

## Detailed credit considerations

The financial data in the following sections are sourced from LB's consolidated financial statements, unless otherwise stated.

### Low asset risk

We assign an a3 Asset Risk score, one notch below the Macro-Adjusted score, reflecting our expectation that Stage 3 loans will moderately increase and then stabilize at just above 2% of loans. We calculate that IFRS9 Stage 3 loans were 2.0% of gross loans at end-2021 (end-2020: 2.0%) and that Stage 2 loans were around 7% (end-2020: 14%).

LB's lending book includes high exposure to lower-risk retail mortgages (64%), followed by unsecured and auto lending (8%), and commercial lending (14%) at end-2021. LB classifies 10% of its loan book as "Other".

Underwriting standards in the mortgage book are higher than the market's average. The bank remains focused on the prime UK residential mortgage business, a segment with low risks. Riskier mortgages with high loan-to-values of above 90% accounted for 0.5% of gross lending at end-2021, lower than the 4% market average. Within UK residential mortgages, 17% are buy-to-let loans, which represents a higher proportion than for some of its peers.

### Strong capital

We assign an aa3 Capital score as we expect capital levels to decrease in 2021 and beyond. Our tangible common equity (TCE) ratio was 19.6% at end-2021.

LB reported a high Common Equity Tier 1 (CET1) capital ratio of 15.2% at end-June 2022 (16.7% at end-2021), with a significant headroom over c.11% regulatory requirement. We expect regulatory capital will decrease, reflecting capital distributions and regulatory changes.

### Profitability will significantly improve in 2022; however, long-term trends are uncertain

We assign a baa3 Profitability score, reflecting our expectation that LB's net income will stabilize around £4-4.5 billion in the medium-term, reflecting improved revenue supported by higher net interest margin in both 2021 and 2022, and an increase in the cost of risk in 2023 from a low base.

In H1 2022, LB reported profit after tax of £2.4 billion (from £3.7 billion in H1 2021). The decrease largely reflects an impairment charge of £364 million, most of which related to revisions around the economic outlook including additional risks from a higher inflation and interest rate environment, versus a £677 million impairment reversal in H1 2021. Revenue increased by 10% yoy reflecting higher net interest income and net fee and commission income; operating costs decreased by 3% yoy.

### Stable retail funding and ample liquidity

We assign an a3 Combined Liquidity score, reflecting an a3 Funding Structure score and a baa1 Liquid Resources score. LB's Combined Liquidity score is one notch above LBG's, reflecting lower market funding and higher liquidity.

LB benefits from its stable and granular retail deposit base: its market share in the UK for personal current accounts was 24% at end-2021, the highest in the country.

LB's reliance on wholesale funding is moderate, representing 15% of tangible banking assets at end-2021.

In 2020, LBG replaced all Term Funding Scheme (TFS) balances and Funding for Lending Scheme (FLS) drawings with £13.7 billion borrowings under the Term Funding Scheme with additional incentives for SMEs (TFSME), which allows banks to borrow at an interest close to the Bank Rate for a period of four years. In 2021, LB made net drawings of £16.3 billion from TFSME, taking the total outstanding amount to £30 billion as of end-2021.

### ESG Considerations

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

Our assessment of moderate Social risk for LB considers its exposure to the coronavirus-induced economic shock. Despite LB incurred substantial provisions related to Payment Protection Insurance mis-selling in the past, we expect any further charges to be marginal, as the deadline for UK consumers to claim compensation elapsed in August 2019.

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

As a ring-fenced bank LB is subject to separate governance arrangements than LBG: LB has its own board, which acts independently from the group and prioritises the interests of LB over those of LBG.

### Support and structural considerations

#### Affiliate support

We expect a very high probability of support from LBG, based on the size and importance of LB within the group. Our assumptions do not lead to any uplift, because LBG and LB have the same BCA.

#### Loss Given Failure analysis

We apply our advanced LGF analysis to LB because the bank is incorporated in the UK, which we consider to be an operational resolution regime.

Following the implementation of ring-fencing in the UK, we believe that LB would be resolved separately from its non ring-fenced sister bank, LBCM. As such our LGF analysis for LB reflects the entity's own liability structure.

Our LGF analysis assumes residual TCE of 3%, post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and it assigns a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in line with our standard assumptions. We also assume that the junior proportion of LB's deposits is 26%. These are in line with our standard assumptions.

Our LGF analysis indicates that LB's deposits and senior unsecured debt are likely to face a very low and low loss-given-failure respectively because of the loss absorption provided by subordinated debt (including the debt down-streamed from LBG), and the volume of deposits and senior debt themselves. This results in a two-notch uplift for the long-term deposit and a one-notch uplift to the senior unsecured debt ratings from the BCA.

#### Government support considerations

Given LB's systemic importance to the UK economy, reflecting its large national market share of residential mortgages and deposits, we incorporate a moderate probability of government support for deposits and senior unsecured debt, which leads to no uplift for the long-term deposit and a one-notch uplift for the senior unsecured debt ratings.

We believe that potential government support is low for LB's subordinated liabilities, which does not result in any uplift.

### Counterparty Risk (CR) Assessments and Counterparty Risk Ratings (CRRs)

LB's CR Assessments are Aa3(cr)/Prime-1(cr). The long-term CR Assessments, before government support, are three notches above the bank's standalone BCAs of a3. The uplift results from the buffer against default provided to the operating obligations by substantial bail-in-able debt and deposits. A moderate probability of government support results in no additional notch of uplift.

LB's CRRs are Aa3/Prime-1. The long-term CRRs, before government support, are three notches above the bank's BCAs of a3. The uplift derives from the buffer against default provided to the operating obligations by substantial bail-in-able debt and deposits. A moderate probability of government support results in no additional notch of uplift.

### 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 3

Lloyds Bank plc

Macro Factors							
Weighted Macro Profile		Strong +	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	2.0%	a2	↔	a3	Sector concentration		
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	19.6%	aa2	↔	aa3	Expected trend		
Profitability							
Net Income / Tangible Assets	0.7%	baa2	↔	baa3	Expected trend		
Combined Solvency Score		a2		a3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	14.6%	a2	↔	a3			
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	22.8%	baa1	↔	baa1			
Combined Liquidity Score		a3		a3			
Financial Profile				a3			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Aa3			
BCA Scorecard-indicated Outcome - Range				a2 - baa1			
Assigned BCA				a3			
Affiliate Support notching				0			
Adjusted BCA				a3			
<b>Balance Sheet</b>		<b>in-scope (GBP Million)</b>	<b>% in-scope</b>	<b>at-failure (GBP Million)</b>	<b>% at-failure</b>		
Other liabilities		93,932	15.7%	139,798	23.4%		
Deposits		449,663	75.2%	403,797	67.5%		
Preferred deposits		332,751	55.6%	316,113	52.8%		
Junior deposits		116,912	19.5%	87,684	14.7%		
Senior unsecured bank debt		5,859	1.0%	5,859	1.0%		
Junior senior unsecured bank debt		17,775	3.0%	17,775	3.0%		
Dated subordinated bank debt		7,183	1.2%	7,183	1.2%		
Junior subordinated bank debt		169	0.0%	169	0.0%		
Preference shares (bank)		5,707	1.0%	5,707	1.0%		
Equity		17,947	3.0%	17,947	3.0%		
Total Tangible Banking Assets		598,235	100.0%	598,235	100.0%		

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF	Assigned	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto	Notching Guidance vs. Adjusted BCA	LGF notching		
Counterparty Risk Rating	23.8%	23.8%	23.8%	23.8%	3	3	3	3	0	aa3
Counterparty Risk Assessment	23.8%	23.8%	23.8%	23.8%	3	3	3	3	0	aa3 (cr)
Deposits	23.8%	8.2%	23.8%	9.1%	3	3	3	2	0	a1
Senior unsecured bank debt	23.8%	8.2%	9.1%	8.2%	3	1	2	1	0	a2
Dated subordinated bank debt	5.2%	4.0%	5.2%	4.0%	-1	-1	-1	-1	0	baa1
Junior subordinated bank debt	4.0%	4.0%	4.0%	4.0%	-1	-1	-1	-1	-1	baa2

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	aa3	0	Aa3	Aa3
Counterparty Risk Assessment	3	0	aa3 (cr)	0	Aa3(cr)	
Deposits	2	0	a1	0	A1	A1
Senior unsecured bank debt	1	0	a2	1	A1	A1
Dated subordinated bank debt	-1	0	baa1	0	Baa1	(P)Baa1
Junior subordinated bank debt	-1	-1	baa2	0	Baa2 (hyb)	

[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 4

Category	Moody's Rating
<b>LLOYDS BANK PLC</b>	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A1
Subordinate -Dom Curr	Baa1
Jr Subordinate -Dom Curr	Baa2 (hyb)
Commercial Paper	P-1
Other Short Term -Dom Curr	(P)P-1
<b>PARENT: LLOYDS BANKING GROUP PLC</b>	
Outlook	Stable
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Senior Unsecured	A3
Subordinate	Baa1
Bkd Jr Subordinate -Dom Curr	Baa2 (hyb)
Pref. Stock Non-cumulative	Baa3 (hyb)
Other Short Term -Dom Curr	(P)P-2
<b>BANK OF SCOTLAND PLC</b>	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
Bkd Senior Unsecured	A1
Jr Subordinate -Dom Curr	Baa2 (hyb)
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)
<b>HBOS PLC</b>	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
Subordinate	Baa1
Jr Subordinate -Dom Curr	Baa2 (hyb)
ST Issuer Rating	P-1

Source: Moody's Investors Service



© 2022 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 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 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](http://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.

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

1327719

## CLIENT SERVICES

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