

CREDIT OPINION

5 August 2021



RATINGS

Faroe Islands, Government of

Domicile	Denmark
Long Term Rating	Aa2
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

Gjorgji Josifov +420.23.474.7531
 AVP-Analyst
 gjorgji.josifov@moodys.com

Sam McDonald +44.20.7772.1401
 Associate Analyst
 sam.mcdonald@moodys.com

Massimo Visconti, MBA +39.02.9148.1124
 VP-Sr Credit Officer/Manager
 massimo.visconti@moodys.com

CLIENT SERVICES

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

Government of Faroe Islands (Denmark)

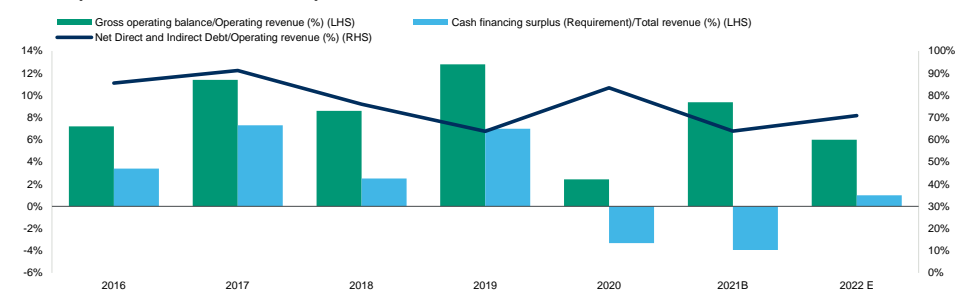
Update to credit analysis

Summary

The credit profile of the [Government of Faroe Islands](#) (Faroe Islands, Aa2 stable) reflects the fiscal autonomy, resulting in a high level of financial flexibility, combined with a track record of prudent budgeting. The credit profile also takes into account the government's very large liquidity buffer, which mitigates any refinancing risk. Following significant financial surpluses over the last four years, a financing deficit was posted in 2020, which should continue in 2021 due to the economic impact from the pandemic. Debt metrics have deteriorated in 2020 but we expect these will return to a declining trend over the next two years. We also take into account a strong likelihood that the [Government of Denmark](#) (Aaa stable) will provide support if the Faroe Islands were to face acute liquidity stress.

Exhibit 1

The impact of the coronavirus pandemic led to an increase in debt



B - budget; E - Moody's estimate

Source: Issuer, Moody's Investors Service

Credit strengths

- » Fiscal autonomy and stable relationship with the Government of Denmark
- » Structurally sound balance and large liquidity buffer
- » Debt metrics deteriorated during the pandemic, but will recover in 2021-22

Credit challenges

- » Faroese economy is narrow and relatively exposed to the fishing industry
- » High investment requirements stemming from the growing population

Rating outlook

The outlook of the Faroe Islands is stable. This reflects its sound financial performance and ability to contain debt levels, good macroeconomic metrics and a stable relationship with the government of Denmark.

Factors that could lead to an upgrade

An upgrade of the Faroe Islands' rating would require a significant reduction in debt ratios as well as a more diversified economic structure. A stronger support assumption could also have positive rating implications, which, however, is not expected because of its autonomous status.

Factors that could lead to a downgrade

One or a combination of the following could have negative rating implications: (1) a weakening in the Faroe Islands' relationship with Denmark; (2) a higher than expected increase in debt level or structural financial deficits over several years; and (3) any unexpected adverse shock from the pandemic affecting the Faroese fishing industry.

Key indicators

Exhibit 2

Government of Faroe Islands

Faroe Islands, Government of	2016	2017	2018	2019	2020	2021B	2022 E
Population (in '000)	49.5	50.1	50.9	51.7	52.6	53.2	53.6
Gross operating balance/Operating revenue (%)	7.2%	11.4%	8.6%	12.8%	2.4%	9.4%	6.0%
Intergovernmental transfers/Operating Revenue(%)	10.3%	9.5%	9.5%	8.7%	8.7%	8.2%	8.8%
Cash financing surplus (Requirement)/Total revenue (%)	3.4%	7.3%	2.5%	7.0%	-3.3%	-3.9%	1.0%
Net Direct and Indirect Debt/Operating revenue (%)	85.5%	91.2%	76.0%	63.8%	84.4%	63.9%	70.9%
Short-term Direct Debt/Direct Debt (%)	20.9%	9.4%	23.7%	35.2%	19.9%	24.2%	20.4%

B - budget; E - Moody's estimate

Source: Landsbankin Foroya (Faroe Islands Governmental Bank), Moody's Investors Service

Detailed credit considerations

The credit profile of the Faroe Islands, as expressed in an Aa2 stable rating, combines (1) a Baseline Credit Assessment (BCA) of a1, and (2) a strong likelihood of extraordinary support from the government of Denmark in the event the entity faces acute liquidity stress.

Baseline Credit Assessment

Fiscal autonomy and a stable relationship with the Government of Denmark

The Faroe Islands consist of 18 islands located in the Atlantic Ocean, between Scotland and Iceland, with a growing population, with more than 52 thousand inhabitants. While part of the Kingdom of Denmark, the Faroe Islands are governed by the Home Rule Act, which gives the Faroese government full power and flexibility to set its tax rates and fees. This broad control over revenue supports the Faroese government's financial flexibility; around 90% of the Faroese government's operating revenue is derived from sources under its control. The Kingdom of Denmark provides an annual block grant of around DKK700 million, which accounts for close to 10% of the Faroe Islands' operating revenue. This grant is for "Joint Matters" that have not been transferred to the Faroese government's control. The grant is intended and indeed spent on social welfare, schools and health sectors, though the Faroese government does have freedom over how the grant is used. The Faroese government has, in the past, implemented substantial cuts in spending, when required.

Economic indicators in recent years have been very strong, with a gross domestic product (GDP) per capita at the Danish average between 2015 and 2019 (as Exhibit 3 shows). GDP per capita has fallen below the Danish level in 2020 but is expected to recover back to the Danish average by 2023. Real GDP growth rate was above the Danish average over many years in the past. Despite an increase in the number of unemployed during the pandemic, the unemployment rate is still extremely low at around 1.5% even with the phasing

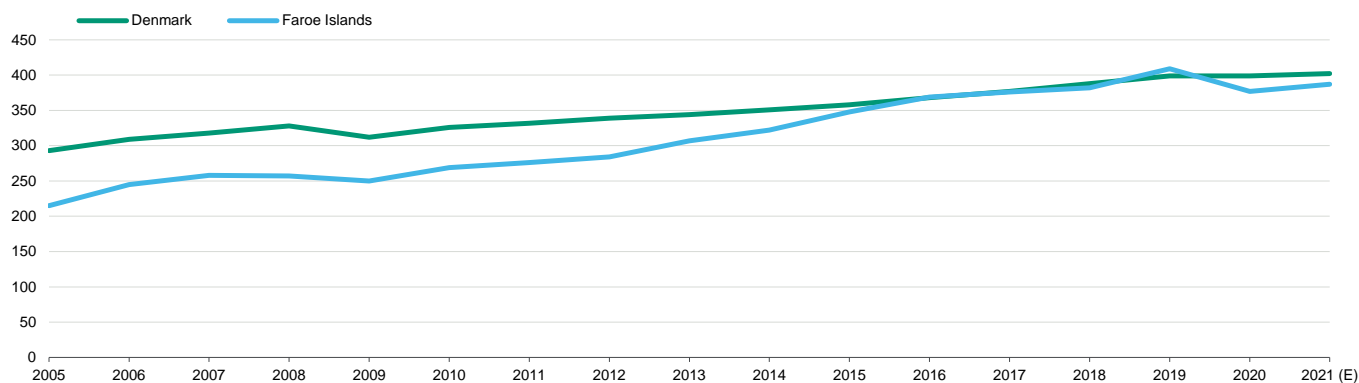
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

out of employment support measures, introduced as an aid-package in connection with the Covid-19 pandemic (financed by state employment agency).

Exhibit 3

Faroese GDP per capita has fallen below Danish GDP per capita due to the coronavirus pandemic

Nominal GDP per capita in DKK thousands, by year



E - estimate

Source: Landsbankin Foroya, Statistics Denmark, Moody's Investors Service

In recent years, the former government had implemented reforms, including fishing and pension reforms, aiming to enhance and sustain government's financial health (see: [Fishing Policy Reform - Issuer In-Depth Report, published October 2018](#)). As a result from 2019 election, the new government was formed, which made some amendments, e.g. to the Act on the Management of Marine Resources. The amended Act appears to be more favourable for the fishing industry, as it replaces the previous quota and auction system and extends fishing licences.

The islands' 29 municipalities vary widely in terms of size, from fewer than 50 inhabitants to around 20,000. Municipalities vary also widely in terms of financial strength, with stronger ones including Klaksvikar and Torshavnar.

The Faroese relationship with Denmark is stable. In 1948, the Faroe Islands were granted Home Rule, and, in 2005, it gained further authority over certain matters. The Faroese government controls special matters that cover the economy, finances (independence to raise taxes), industry, foreign trade, mineral rights and the education system.¹ "Joint Matters" are administered by the Danish government according to the laws of the Kingdom of Denmark, although some may be wholly or partly assigned to the Faroe Islands, or undertaken by the Danish and Faroese authorities jointly. Currently, matters under the Danish realm comprise the police force, judicial system and banking supervision. The Faroe Islands elect their own parliament (Lagtinget), and the islands are governed by the Faroese government (Landsstyret), which is responsible for its own finances. In addition, the Faroe Islands have two seats in the Danish parliament, which had some influence in Danish politics historically, particularly in parliaments with thin majorities.

Structurally sound budget and large liquidity buffer

The coronavirus has hit the Faroese economy quite severely last year and will continue to put pressure on the economic outlook; estimated GDP fell by around 4.8%. Despite this, the operating performance of the government was relatively resilient to the negative shock.

The 2020 results indicate that the Faroe Islands still managed to produce an operating surplus of DKK 193 million, albeit reduced from DKK1 billion in 2019, representing 2.4% of operating revenue (12.8% in 2019). At the start of the pandemic, it was expected there would be a financial deficit of around DKK1.1 billion in 2020 and DKK500 million in 2021. While fishing exports and tourism services with travel restrictions were temporarily hit hard, we forecast Faroe Islands to continue its recovery in its budget in 2021, with operating surplus rising to DKK 790 million accounting for 9.4% of projected operating revenue. The fishing industry suffered due to the closure of restaurants during the pandemic, with catches being sold to supermarkets instead at a lower price. Subsequently, revenues from fishing and fish farming were down in 2020 at DKK375 million, from DKK509 million in 2019. This impact was partially offset by increases in the prices of cod and mackerel.

To address the negative impact, the Faroese government implemented some coronavirus relief packages accounting in total for around 1% of the Faroese GDP. The measures appear to be successful in mitigating impacts of the pandemic on the budget to date. Despite expectations of a significant decline in operating revenues, they remained stable at DKK7.96 billion in 2020 from DKK8.02 billion in 2019. The relief measures provided support on areas such as employment via the Unemployment Fund and support for the tourism industry. In 2020, DKK159 million was spent on unemployment benefits but only DKK30.5 million came from the government's budget; the remainder was financed by the Unemployment Fund. The Faroese government expects to spend an additional DKK40-60 million on support measures for the tourism industry in 2021. As a result of these support measures, operating expenditures increased by 11% in 2020 with a total spend of DKK7.77 billion, up from DKK6.99 billion. Additionally, capital expenditures rose by 38% to DKK689 million, leaving an overall financing deficit of DKK272 million in 2020, the first since 2015, representing 3.3% of total revenue down from a surplus of 7% in the previous year. A similar financing deficit is forecasted in 2021, which we expect to improve in 2022.

The Faroe Islands have a large liquidity reserve, amounting to DKK4.5 billion as of the end of December 2020 (compared with DKK3.5 billion in December 2019), which is well above the internal minimum liquidity threshold of DKK3.3 billion in 2021, based upon 15% of GDP from two years prior. As such, the minimum liquidity threshold in 2022 will be lower than this year's due to the decrease in GDP in 2020. In the context of the pandemic and recent funding activities, the Faroe Islands displays a liquidity reserve of DKK3.9 billion as of June 2021. According to the guidelines, this reserve is only to be used during times of heightened market stress — if the reserve is drawn upon and drops below 15% of the GDP, it is expected to be addressed and to again reach internal limits during the next borrowing round.

The 2020 liquidity reserve represented around 23% of the Faroese GDP or 69% of its outstanding debt (Moody's adjusted). The reserve amount exceeds necessary borrowing requirements in any single year, and this mitigates the refinancing risk significantly. The liquidity pool is sufficient to cover scheduled debt repayments for the next four years. In June 2020, the government issued two bonds, amounting to DKK2.945 billion, of which DKK1.345 was refinancing of maturing debt. The remaining DKK1.6 billion was issued to pre-fund expected deficits in 2020 and 2021. The liquidity reserve fund is invested in a portfolio of highly rated securities, with investments spread across various asset classes with defined limits to maximise the returns. Around two thirds of the total liquidity pool is invested in Aaa-rated securities.

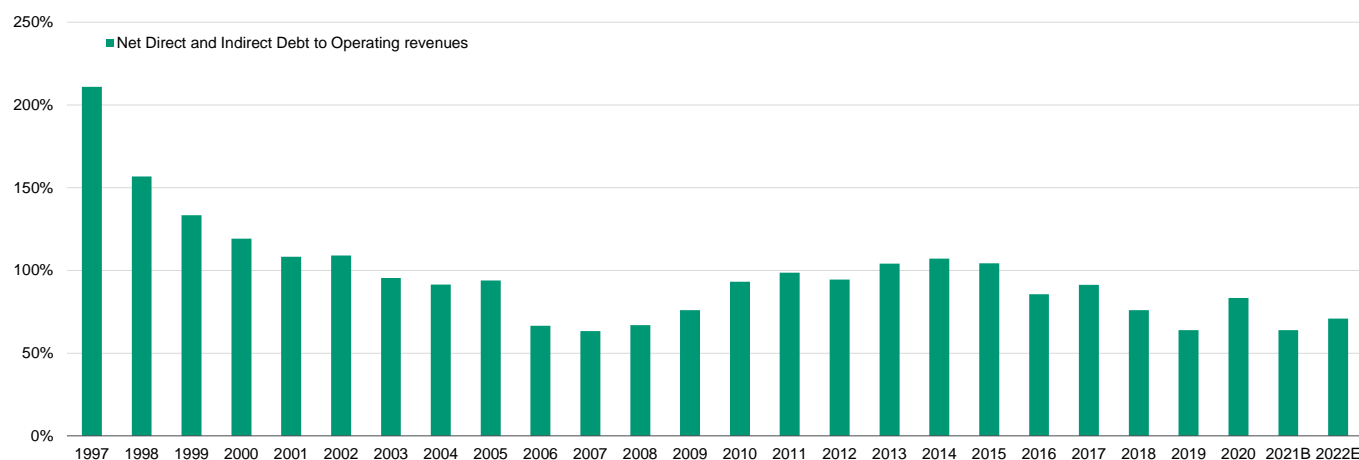
Debt metrics deteriorated during the pandemic, but will recover in 2021-22

The negative effects of the coronavirus pandemic have increased the Faroese government's debt metrics in 2020, which should decline over the next two years (Exhibit 4).

Exhibit 4

Debt increased in 2020 due to the coronavirus pandemic but is still lower than historical levels

Net direct and indirect debt to operating revenues (%) by year



B - budget; E - Moody's estimate

Source: Issuer, Moody's Investors Service

The net direct and indirect debt (NDID) consists mainly of direct debt (DKK5.4 billion as of December 2020). We count another DKK1.3 billion as indirect debt, which is because of the fact that the Faroese government has guaranteed an unfunded pension liability under Foroya Livstrygging (LIV). This translates into NDID of 84% of operating revenues as of year-end 2020. After successful repayment of the loan of DKK1.35 billion in June 2021 which was taken out in 2016 and no plans for new borrowing, we expect NDID to operating revenues ratio to decline to 64% at the end of this year. We forecast similar debt levels in 2022 as the Faroe Islands is aiming to refinance the outstanding bond of DKK1.3 billion issued in 2020 due in June next year.

In addition, the government is responsible for the pensions of its civil servants. Such obligations are partly unfunded and could strain future budgets. However, the government has flexibility to manage its obligation, which we consider a contingent liability for the government.

Municipal debt is considered self-supporting and not included in indirect debt because the government does not provide a guarantee on the debt, and municipalities may only incur a total debt burden up to their level of total tax income in any one year.

The Faroese government also has some off-balance-sheet activities and public companies. Overall, these are assessed as self-supporting, so we do not include their debt into the government's NDID ratio.

The most noteworthy of these activities is a state-owned project company executing the construction of two tunnel projects. The Faroese government has provided a minimum revenue guarantee for the benefit of the company. The tunnel project company is 100%-owned by the government, and we consider it a contingent liability.

Faroese economy is narrow and relatively exposed to fishing industry

The Faroese economy continues to rely on the fishing industry, including fishing and fish farming, accounting for around 20% of national GDP and 93% of the total export value of goods. This high exposure introduces economic volatility as the economy is susceptible to exogenous factors. The variability in fish prices, factor inputs such as oil prices, and the risks of stock depletion would have a direct impact on the Faroese economy. Over the past few years, a combination of high global demand for fish and low oil prices has benefited the Faroese fishing sector, and indirectly government revenue.

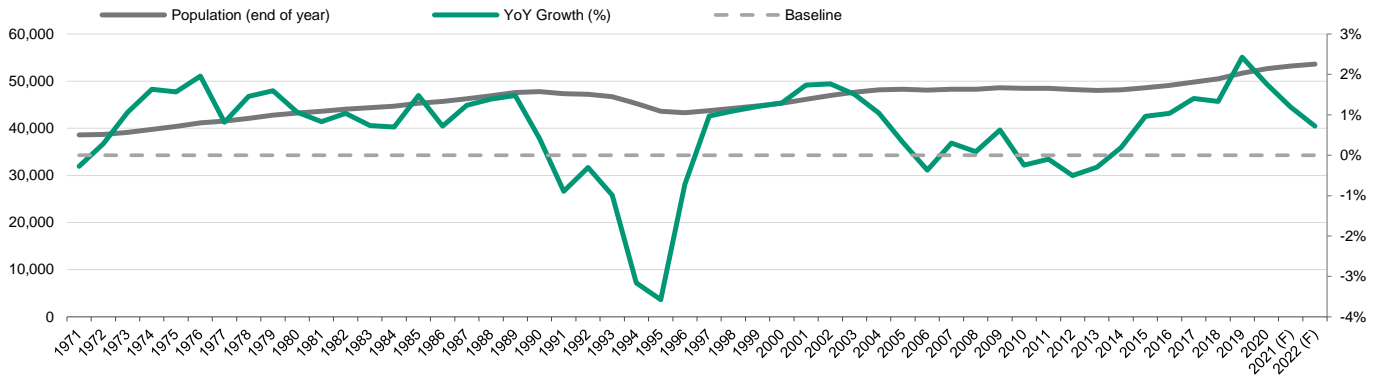
To reduce dependencies, the Faroe Islands have also increased trade with non-EU countries, from around one-third 10 years earlier to more than 50% now. We view the diversification in both fish species and trade partners as a partial mitigant to the concentration risk as it reduces exposure to species-specific shocks and potential trade frictions. In 2019, the Faroe Islands signed a trade agreement with the United Kingdom which secures the access to the UK market. The Faroese government was unable to reach an agreement with the EU or the UK for quotas this year and subsequently increased its mackerel quota on last year.

Faroe Islands' growing population requires infrastructure investments

The Faroese population is steadily growing by about a couple of hundred new inhabitants per year (Exhibit 5). Such population growth put pressure on the government's operations especially with regards to capital investments. The government would need to invest in areas such as new schools, health and social service, culture and infrastructure projects.

The government expects its capital investments to reach up to DKK500 million annually over the coming years. In addition, government companies are also planning to invest to address infrastructure needs. The pandemic did not disturb their capital spending plans.

Exhibit 5
The Faroe Islands has seen strong population growth over the past decade
 Population (LHS) and year-on-year growth (%) (RHS)



F - forecast
 Source: Landsbankin Foroya, Moody's Investors Service

Extraordinary support considerations

We consider Faroe Islands to have a strong likelihood of extraordinary support from the Government of Denmark. This reflects our assessment that the current relationship with the Government of Denmark is unlikely to change in the medium term. We also take into consideration the intensive extraordinary support provided to the islands in response to the financial crisis of the 1990s.

While Denmark has no formal obligation to provide extraordinary support to the Faroe Islands, it has historically supported the Faroese government on a number of occasions. In the 1990s, the Faroese government borrowed — largely from Denmark, given the scale of the crisis — to fund the nationalisation of Føroya Banki and Sjøvinnubankin and to bridge the deficits of the recovery plan were established, the Faroese began standalone borrowing, ultimately using these and other reforms' funds to repay Denmark. In 2010, Denmark (through Finansiel Stabilitet) also assumed control over EiK, a failing bank with operations in both the Faroes and the Danish mainland. This action is consistent with Denmark's responsibility for financial regulation (the banking sector). The relationship with Denmark remains important as a likely source of liquidity support, were independent financing to be tested.

ESG considerations

Moody's takes account of the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of the Faroe Islands, we assess the materiality of ESG to the credit profile as follows:

Environmental considerations are material to Faroe Islands' rating. The Faroe Islands have mainly exposure to sea rising level risk, which would impact its fishing industry, and we do not expect any intervention from Denmark as the Home Rule Act gives to the Faroe Islands the responsibility in terms of environmental policies and resources management. To counterbalance climate change risks, the government has the ambition to be 100% green energy on electricity on land in 10 years.

Social considerations are material to the Islands' credit profile. Faroe Islands face a trend of ageing population, resulting in declining labour supply and higher pension and social costs. Over time, these challenges can add pressure on its finances. We view the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications on economic growth, the coronavirus relief measures implemented, and therefore the consequences on its revenues and expenditures.

Governance considerations are material to Faroe Islands' rating. Governance and management are considered good with prudent budgetary practices associated with sound management of liquidity and debt.

Further details are provided in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing ESG Risks](#).

Rating methodology and scorecard factors

Exhibit 6

Faroe Islands, Government of
Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Total	Factor Weighting	Total
Factor 1: Economic Fundamentals				6.20	20%	1.24
Economic Strength [1]	5	101.10%	70%			
Economic Volatility	9		30%			
Factor 2: Institutional Framework				1	20%	0.20
Legislative Background	1		50%			
Financial Flexibility	1		50%			
Factor 3: Financial Position				3.25	30%	0.98
Operating Margin [2]	3	6.29%	12.5%			
Interest Burden [3]	1	0.56%	12.5%			
Liquidity	1		25%			
Debt Burden [4]	5	84.38%	25%			
Debt Structure [5]	5	24.92%	25%			
Factor 4: Governance and Management				5	30%	1.50
Risk Controls and Financial Management	1					
Investment and Debt Management	5					
Transparency and Disclosure	1					
Idiosyncratic Risk Assessment						3.92 (4)
Systemic Risk Assessment						Aaa
Suggested BCA						aa3

[1] Local GDP per capita as % of national GDP per capita

[2] Gross operating balance/operating revenues

[3] Interest payments/operating revenues

[4] Net direct and indirect debt/operating revenues

[5] Short-term direct debt/total direct debt

Source: Moody's Investors Service; Fiscal 2020.

Ratings

Exhibit 7

Category	Moody's Rating
FAROE ISLANDS, GOVERNMENT OF	
Outlook	Stable
Issuer Rating	Aa2

Source: Moody's Investors Service

Endnotes

1 For more information on the division of tasks, see [Delivery of Faroe Islands' Fiscal Plan Supports Creditworthiness](#), published July 2015

© 2021 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.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 657AFSL 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. ("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 credit rating, agreed to pay to MJJK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

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

REPORT NUMBER 1294597

CLIENT SERVICES

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