

Global Credit Research - 24 Dec 2015

The Hague, Netherlands

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Aaa/P-1
Baseline Credit Assessment	a1
Adjusted Baseline Credit Assessment	a1
Counterparty Risk Assessment	Aaa(cr)/P-1(cr)
Issuer Rating	Aaa
Senior Unsecured	Aaa
Commercial Paper	P-1

Contacts

Analyst	Phone
Yasuko Nakamura/Paris	33.1.53.30.10.20
Harald Sperlein/Frankfurt am Main	49.69.707.30.700
Nicholas Hill/Paris	33.1.53.30.10.20

Opinion

SUMMARY RATING RATIONALE

On 28 May, we affirmed Bank Nederlandse Gemeeten N.V. (BNG Bank)'s long-term deposit rating and senior unsecured debt rating at Aaa with a stable outlook, and both short-term debt and deposit ratings at Prime-1. We also assigned a Counterparty Risk Assessment (CR Assessment) of Aaa(cr)/Prime-1(cr) to the bank. On the same day, we affirmed BNG Bank's baseline credit assessment (BCA) at a1.

BNG Bank's BCA of a1 reflects: (1) the bank's very high asset quality reflected in the fact that the bulk of its lending is directed at public entities; (2) its role as the largest lender to the Dutch public sector; (3) its high capitalization yet a high leverage ratio; and (4) its adequate funding profile and liquidity position despite maturity mismatches.

The Aaa deposit and senior unsecured ratings reflect (1) the a1 bank's standalone credit strength, (2) the application of our advanced Loss Given Failure (LGF) analysis, resulting in a two-notch LGF uplift from the adjusted BCA of a1 given the significant volumes of senior debt, and (3) government support uplift of two notches, reflecting a very high support probability from the Dutch national government (Aaa stable) due to the entity's public ownership and its role as one of the main providers of financing to the Dutch public sector.

The CR Assessment of Aaa(cr)/Prime-1(cr) assigned to BNG Bank is four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as a very high probability of government support.

Rating Drivers

- BNG Bank is the largest lender to the Dutch public sector, fully owned by Dutch public entities
- High asset quality reflected in the predominance of capital-free lending
- Funding profile and liquidity position are adequate despite some maturity mismatches

- BNG Bank targets a 3% leverage ratio by the end of 2017
- BNG Bank's financial performance is commensurate with the bank's public-policy role
- BNG Bank's rating is supported by its Strong+ macro profile
- Large volume of senior debt resulting in deposit and senior unsecured debt ratings benefiting from a very low-given - failure rate and two-notch uplift from the BCA
- Very high probability of government support resulting in two-notch uplift for debt and deposit ratings

Rating Outlook

The outlook on BNG Bank's long-term deposit and senior unsecured ratings is stable as we do not anticipate any deterioration of the bank's creditworthiness in the foreseeable future. The outlook on both deposit and senior unsecured ratings is underpinned by the stability of the following factors: (1) the current liability structure, which results in two notches of uplift reflecting very low loss-given-failure, and (2) two notches of systemic uplift reflecting a very high probability of government support.

What Could Change the Rating - Up

Upward pressure on BNG Bank's BCA could primarily result from further material reduction in maturity mismatches. An upgrade in the BCA will however not trigger any upgrade in the bank's deposit and senior unsecured ratings as they are already at Aaa.

What Could Change the Rating - Down

Downward pressure on BNG Bank's BCA could result from (1) a deterioration in the creditworthiness of the Dutch public sector; (2) a significant increase in non-risk-free assets; (3) a significant increase in funding gaps or (4) a weaker standing in the capital markets. A downward movement in BNG Bank's BCA could result in downgrades of all ratings.

BNG Bank's ratings would also likely be downgraded in the case of (1) a significant change in the bank's liability structure implying a material reduction in the volume of long-term senior unsecured debt and hence an increase in loss-given-failure, or (2) a decrease in the probability of government support, or (3) a downgrade of the Netherlands' sovereign rating.

DETAILED RATING CONSIDERATIONS

BNG BANK IS THE LARGEST LENDER TO THE DUTCH PUBLIC SECTOR, FULLY OWNED BY DUTCH PUBLIC ENTITIES

BNG Bank's by-laws restrict its ownership to the Dutch public sector. The central government holds a 50% stake in the bank, with the remaining 50% stakes spread among Dutch municipalities and provinces and a district water board. This ownership structure has been stable since 1925 and is unlikely to change given BNG Bank's unchanged mandate to act as a lender to the Dutch public sector.

With a long-term loan portfolio of EUR82.3 billion at end-June 2015 and new loan production that ranged from EUR 9 to 12 billion over the past three years, BNG Bank's market share of lending to local governments has been in excess of 60%, while its market share of lending to housing associations and healthcare institutions (under the guarantee of the Waarborgfonds voor de Zorgsector or WFZ) is estimated to be between 50% and 55%. BNG Bank is particularly well positioned in lending to local governments where its market share in new loans exceeds 70%. We expect the bank to continue to dominate the Dutch public sector financing business, given its mandate, ownership and advantageous funding costs compared to commercial banks.

As a bank established with an explicit public policy mandate, we believe that BNG Bank benefits from an entrenched franchise in a niche market. These conditions may result in exceptional stability in terms of asset quality, capital, profitability, supporting the bank's ongoing operating performances and resulting in a very low risk profile. This feature is reflected in the qualitative positive adjustment of one notch in our scorecard (business diversification).

HIGH ASSET QUALITY REFLECTED IN THE PREDOMINANCE OF CAPITAL-FREE LENDING

Despite market volatility, BNG Bank has consistently been able to lend to the Dutch public sector at advantageous rates, given its low funding costs compared to commercial banks. The bank's narrow public policy mandate translates into concentrations in its loan portfolio. However, these concentrations mainly relate to Dutch local governments and housing associations that benefit from indirect guarantees on their liabilities from the central government, and thus do not entail any capital charge (EUR89 billion at end-June 2015 including off-balance-sheet exposures).

A small part (EUR13 billion or 13% of total loans and advances including off-balance sheet exposures at end-June 2015) of the bank's lending is subject to a capital charge. These exposures consist of loans, for example, to public-private partnerships. Concentration risks on such loans are minimised and volumes are closely monitored. We understand that BNG Bank does not intend to materially increase the share of such loans in the foreseeable future.

Approximately 1% of BNG Bank's loan book consists of exposures to other European countries, including small amounts of lending to customers in Portugal and Spain. Lending to entities in countries other than the Netherlands is limited to 15% of the loan book as per the bank's guidelines. Moody's expects foreign lending to remain a small percentage of total lending, given the financial challenges facing some European countries.

BNG Bank's securities portfolio mainly consists of highly rated securities. The portfolio is primarily invested in government debt, bonds with government guarantees, and covered bonds. At end-June 2015, it was 88% composed of securities rated from Aaa to A, 8.7% of securities in the Baa range and 3.2% of non-investment grade securities. While we do not see the below-investment-grade investments (EUR494 million or around 13% of the bank's shareholder's equity) as a threat to BNG Bank's solvency, we note that BNG wrote down its EUR125 million nominal exposure to the former Hypo Alpe Adria (HAA, guaranteed by the federal state of Carinthia) by EUR63 million in H1 2015.

BNG Bank's overall exposures to the GIIPS economies through both the loan and securities portfolios amounted to EUR2.9 billion (or 78% of its shareholder's equity at end-June 2015). Exposures were primarily in the form of covered bonds, ABS and RMBS.

Loans in arrears and impaired loans totalled EUR108 million representing 0.1% of the bank's loans and advances at end June 2015, reflecting the bank's high asset quality.

This results in an Asset Risk score of aa1.

FUNDING PROFILE AND LIQUIDITY POSITION ARE ADEQUATE DESPITE SOME MATURITY MISMATCHES

BNG Bank is almost entirely wholesale-funded and therefore relies on capital markets for its financing. It employs a diversified funding strategy by issuing debt in multiple currencies and markets with a view to reaching out to a wide array of investors. This diversified strategy is prudent and similar to the one used by its specialised lender peers.

We note that BNG Bank's asset and liability management entails some maturity mismatches. This policy helps the bank to maintain low pricing on the financing provided to the Dutch public sector despite the very long maturity of the loans. We believe that the risks implied by these gaps are under check:

-- Liquidity risk is managed through the coverage of gaps within the one-year bucket (around EUR7.6 billion based on our estimation at year-end 2014) by a comfortable liquidity buffer composed of highly liquid assets eligible to the LCR (EUR 9.1 billion unencumbered market value at year-end 2014) and immediate drawing capacity on the ECB collateralised by public sector loans already posted by BNG Bank at the central bank (EUR9.7 billion after haircut at year-end 2014). While the collateral already recorded at the ECB is calibrated on the level of short-term gaps, we note that the bank is able to use its whole portfolio of 0% risk-weighted loans (i.e. the vast majority of its portfolio) as collateral for refinancing at the ECB. This provides substantial additional liquidity in case of need.

-- Maturity mismatches could have negative implications on BNG Bank's interest margins where the bank's spreads would rise significantly for a prolonged period of time and imply an increase in the refinancing cost of outstanding loans. Given the relatively thin margins of BNG Bank, the bank's room for manoeuvre in such a scenario could be limited. We nevertheless believe that this risk is mitigated by the fact that the funding gaps are maintained within reasonable limits and by BNG Bank's good standing in the capital markets. The recent decision of the European Commission to include bonds issued by « promotional banks » - designating banks where lending to the public sector represents more than 90% of total loans - within the level 1 category assets (the highest quality

of the High Quality Liquid Assets or HQLA) for the calculation of the Liquidity Coverage Ratio (LCR) is also a positive development for BNG Bank. It will likely further enhance financial institutions' appetite for the bank's securities.

These factors are reflected in a Combined Liquidity score of baa3.

At year-end 2014, both BNG Bank's LCR and Net Stable Funding Ratio (NSFR) were above 100%, in compliance - ahead of schedule - with EU prudential requirements.

BNG BANK TARGETS A 3% LEVERAGE RATIO BY THE END OF 2017

BNG Bank's capitalisation is commensurate with its low-risk assets. Its Basel 3 phased-in Common Equity Tier 1 ratio stood at 25.2% at end-June 2015.

Due to the very low risk weight of exposures to the local public sector, this high capital ratio translates into high leverage, although BNG Bank's leverage ratio is rather robust relative to its European peers at 2.1% at end-June 2015. The rules to be applied by the public sector financing entities in Europe are still to be agreed upon in the European Union based on a report to be submitted by the European Banking Authority (EBA) by mid-2016. Given their lower risk-profile and specific business model, these entities could eventually be imposed a lower leverage ratio than other commercial banks. Meanwhile, BNG Bank targets a 3% leverage ratio by the end of 2017 and reduced its dividend payout ratio since 2011 to 25% from 50% in order to achieve this objective. Our understanding is that the bank will make use of Additional Tier 1 capital (AT1) in order to comply with this target.

We therefore assign a high Capital score of aa1 despite the high nominal leverage.

BNG BANK'S FINANCIAL PERFORMANCE IS COMMENSURATE WITH THE BANK'S PUBLIC POLICY ROLE

Like other government-related specialised lenders, BNG Bank must generate sufficient profits to grow its capital in line with its portfolio expansion and to comply with higher regulatory capital requirements. However, it must also balance this growth with the provision of efficient, low-cost funding to local governments and their related sectors.

BNG Bank has recorded relatively stable net income until 2013. Net income has proven relatively volatile over the past few years, essentially due to changes in market value of financial instruments reported as results on financial transactions. The bank's net income of EUR155 million in H1 2015 (full-year 2014: EUR126 million; H1 2014: EUR153 million) includes a positive EUR82 million result on financial transactions (versus a loss of EUR7 million in H1 2014), partly offset by EUR68 million impairments, the bulk of which relates to HAA. Moody's expects BNG Bank's core business' profitability to remain stable in the medium term because its business model is unlikely to change.

BNG Bank's net interest margin (NIM) has consistently been around 30 to 40 basis points as it benefited from advantageous funding rates despite recent volatility in the financial markets. Interest results have somewhat reduced in 2014 and 2015 relative to previous years. The prolonged decline in interest rates has weighed on the return of invested capital, further exacerbated by the negative market interest rates on short-term instruments.

Like most other specialised lenders, BNG Bank's costs are low relative to its total assets. Cost-to-income ratio was around 10% in H1 2015, down from 33% in full-year 2014, due to the higher income base in 2015 driven by the higher valuation of financial instruments. These factors are reflected in a Profitability score of ba2.

BNG BANK'S RATING IS SUPPORTED BY ITS STRONG+ MACRO PROFILE

Dutch banks benefit from operating in a wealthy and developed country with a very high degree of economic, institutional and government financial strength as well as very low susceptibility to event risk. The main risks to the Dutch banking system stem from (1) the household sector's high leverage, with residential mortgage debt exceeding 100% of GDP, offset in part by significant savings; and (2) the commercial real-estate sector and SMEs, which have been materially affected by a weak economic environment.

The Dutch banking system is materially reliant on wholesale funding, which Moody's considers a credit weakness. Compared to other European countries, it has a relatively low stock of bank deposits because of the legal regime that requires Dutch households to invest a large portion of their savings in pension funds, some of which is returned to the banking sector in the wholesale markets.

Notching Considerations

LOSS GIVEN FAILURE

Despite its ownership and public mandate, BNG Bank falls in the scope of the EU Bank Resolution and Recovery Directive (BRRD), which we consider to be an Operational Resolution Regime. We assume residual tangible common equity of the lower of the current amount and 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. These are in line with our standard assumptions.

We believe that BNG Bank's deposits are likely to face very low loss-given-failure. This is supported by the combination of the volume of deposits themselves (we estimate junior deposits to make up about 1% of the bank's tangible banking assets in failure), and the substantial volume of long-term senior unsecured debt (63% of the bank's tangible banking assets in failure), which brings the total subordination to deposits to 67% in the event of deposits being preferred to senior debt. This results in a two-notch uplift from the adjusted BCA.

We believe that BNG Bank's senior unsecured debts are also likely to face very low loss-given-failure. This is essentially supported by the substantial volume of long-term senior unsecured debts themselves (about 63% of the bank's tangible banking assets in failure, or 64% including junior deposits). This results in a two-notch uplift above the adjusted BCA.

GOVERNMENT SUPPORT

Despite the objectives of, and limitations on government support embedded in the BRRD, the scope of which includes BNG Bank, we expect a very high probability of government support for the bank's deposits and senior unsecured debts, resulting in a two-notch uplift for both debt classes. Due to the bank's ownership and public policy mission, we believe the potential for support is considerably greater than for purely commercial banks which are expected to be affected by a bail-in.

The very high support assumptions include the support that would come (1) from the Dutch public sector (including the central government) acting as the shareholder of the bank, and (2) from the government stepping in to address systemic risk.

COUNTERPARTY RISK 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.

The CR Assessment is positioned at Aaa(cr).

The CR Assessment, prior to government support is positioned three notches above the Adjusted BCA of a1, based on the cushion against default provided to the senior obligations represented by the CR Assessment by subordinated instruments amounting to 78 % of Tangible Banking Assets. 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, therefore we focus purely on subordination and take no account of the volume of the instrument class.

The CR Assessment also benefits from one notch of systemic support. This reflects our view that any support provided by governmental authorities to a bank which benefits senior unsecured debt or deposits is very likely to benefit operating activities and obligations reflected by the CR Assessment as well, consistent with our belief that governments are likely to maintain such operations as a going-concern in order to reduce contagion and preserve a bank's critical functions.

ABOUT MOODY'S BANK 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 Factors

Bank Nederlandse Gemeenten N.V.

Macro Factors	
Weighted Macro Profile	Strong +

Financial Profile						
Factor	Historic Ratio	Macro Adjusted Score	Credit Trend	Assigned Score	Key driver #1	Key driver #2
Solvency Asset Risk <i>Problem Loans / Gross Loans</i>	0.1%	aa1	← →	aa1	Quality of assets	Long-run loss performance
Capital <i>TCE / RWA</i>	25.5%	aa1	← →	aa1	Risk-weighted capitalisation	Nominal leverage
Profitability <i>Net Income / Tangible Assets</i>	0.2%	b1	← →	ba2	Earnings quality	
Combined Solvency Score		a1		aa3		
Liquidity Funding Structure <i>Market Funds / Tangible Banking Assets</i>	87.1%	caa3	← →	ba3	Term structure	Market funding quality
Liquid Resources <i>Liquid Banking Assets / Tangible Banking Assets</i>	11.7%	ba1	← →	a3	Additional liquidity resources	
Combined Liquidity Score		b3		baa3		

Financial Profile	a2
Qualitative Adjustments	Adjustment
Business Diversification	1
Opacity and Complexity	0
Corporate Behavior	0
Total Qualitative Adjustments	1
Sovereign or Affiliate constraint	Aaa
Scorecard Calculated BCA range	aa3 - a2
Assigned BCA	a1
Affiliate Support	0

notching

Adjusted BCA

a1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency rating	Foreign Currency rating
Deposits	2	0	aa2	2		Aaa
Senior unsecured bank debt	2	0	aa2	2	Aaa	Aaa

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 <http://www.moody's.com> for the most updated credit rating action information and rating history.



© 2015 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 FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY 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.com under the heading “Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy.”

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 clients. It would be dangerous for “retail clients” to make any investment decision based on MOODY’S credit rating. If in doubt you should contact your financial or other professional adviser.

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 rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.