

The Major Sparebanken of the SpareBank 1 Alliance

Special Report

Ratings

SpareBank 1 SR-Bank

Foreign Currency

Long-Term IDR A-
Short-Term IDR F2

Viability Rating a-
Support Rating 3
Support Rating Floor BB+

SpareBank 1 SMN

Foreign Currency

Long-Term IDR A-
Short-Term IDR F2

Viability Rating a-
Support Rating 3
Support Rating Floor BB+

SpareBank 1 Nord-Norge

Foreign Currency

Long-Term IDR A
Short-Term IDR F1

Viability Rating a
Support Rating 3
Support Rating Floor BB+

SpareBank 1 Boligkreditt AS

Foreign Currency

Long-Term IDR A-
Short-Term IDR F2

Support Rating 1

Sovereign Risk

Long-Term Foreign-Currency IDR AAA
Long-Term Local-Currency IDR AAA
Country Ceiling AAA

Outlooks

SpareBank 1 SR-Bank Stable
Long-Term Foreign-Currency IDR Stable
SpareBank 1 SMN Stable
Long-Term Foreign-Currency IDR Stable
SpareBank 1 Nord-Norge Stable
Long-Term Foreign-Currency IDR Stable
SpareBank 1 Boligkreditt Stable
Long-Term Foreign-Currency IDR Stable
Sovereign Long-Term Stable
Foreign-Currency IDR Stable
Sovereign Long-Term Stable
Local-Currency IDR

Related Research

[SpareBank 1 SR-Bank \(December 2013\)](#)
[SpareBank 1 SMN \(December 2013\)](#)
[SpareBank 1 Nord-Norge \(December 2013\)](#)
[SpareBank 1 Boligkreditt \(December 2013\)](#)

Analysts

Jens Hallen
+44 20 3530 1326
jens.hallen@fitchratings.com

Andrew Parkinson
+ 44 20 3530 1420
andrew.parkinson@fitchratings.com

Intrinsic Strengths Drive Ratings: SpareBank 1 SR-Bank (SR), SpareBank 1 SMN (SMN) and SpareBank 1 Nord-Norge (SNN) (collectively the Sparebanken) are the three largest savings banks rated by Fitch Ratings in Norway's SpareBank 1 Alliance (Alliance). Fitch rates the banks individually and has not assigned any group rating.

Benefits from Alliance Membership: Alliance members benefit from cost efficiencies and wider income diversification. The Sparebanken generate income through a wide range of activities including insurance, leasing, asset management, and estate agency services.

Operating Environment Supports Ratings: The Sparebanken benefit from Norway's relatively favourable economic prospects. Fitch expects Norway's economy to expand by 2.3% in 2014.

Strong Regional Franchises Supports Earnings: Supported by their strong regional franchises, the increases in core earnings at the Sparebanken are driven by higher lending volume and higher lending rates. This results from increased capital requirements for banks in Norway. Loan impairment charges (LICs) should remain low and manageable for the banks.

Sound Asset Quality: NPLs for the Sparebanken remain low, with LICs less than 0.5% of average gross loans on an annualised basis. Asset quality should remain sound, supported by a still strong Norwegian economy. Property prices have risen sharply in recent years but Fitch expects the banks to further build buffers to withstand a correction in house prices.

Fitch does not expect a significant deterioration of the banks' loan books, but a sharp house price decline or oil price fall may indirectly lead to lower private consumption, which would affect the asset quality of the banks' corporate exposures.

Wholesale Funding Reliance: The Sparebanken have strong deposit franchises. However, they also rely on wholesale markets for part of their funding, which exposes them to market sentiment. A substantial part of wholesale funding is raised by SpareBank 1 Boligkreditt AS (S1B), a joint funding vehicle of Alliance member banks. Access to domestic and international markets has remained solid as investors view Norway as a relative safe haven.

Capitalisation Adequate: The Sparebanken's capital adequacy ratios compare well with those of international peers but lag some of their larger Nordic peers. Leverage is low in a European context. New regulations impose a minimum common equity Tier 1 capital ratio of 13% by 2015, including add-on for systemically important financial institutions as well as 1pp countercyclical buffer.

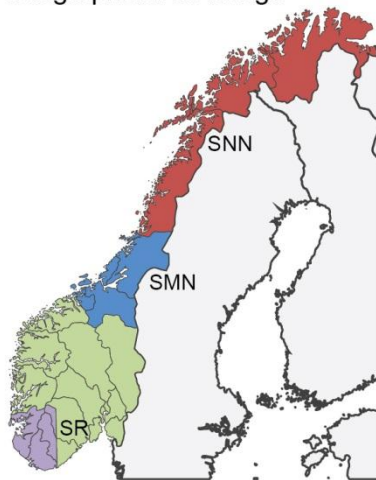
Moderate Probability of Support: The Sparebanken's Support Ratings reflect Fitch's view that there is a moderate probability of support, if required from the Norwegian authorities, given the Alliance banks' strong regional franchises.

Rating Sensitivities

House Prices, Building Buffers: Fitch expects house prices to stabilise or moderately fall in the near term. However, capital ratios and funding structures are strengthening and growth plans are limited, providing a stronger buffer against unexpected shocks.

Wholesale Funding Market Dislocation: Though it is not Fitch's base case, a sustained period with difficulties in obtaining competitively priced funding in the wholesale markets would put downward pressure on the Sparebanken's ratings.

Figure 1
Geographical Coverage



Source: Fitch

Operating Environment

'AAA' Rated Norwegian Sovereign with Significant Financial Flexibility

As regional banks, the performance of the Sparebanken is closely linked to that of the Norwegian economy. Norway has maintained its 'AAA' rating for the past 20 years, and Fitch expects the Norwegian banking sector to continue to benefit from the country's favourable economic environment. Despite the minimal growth in the eurozone, Fitch forecasts 2.3% GDP growth for Norway in 2014, and expects unemployment to remain low (below 4%). As a small, open economy with large export-driven industries, Norway's economy and consequently the country's banks are sensitive to global growth development, falling commodity prices and an appreciation of the krona. The sovereign balance sheet is supported by well-managed North Sea petroleum revenues, putting the Norwegian authorities in a strong position to respond to adverse shocks. Net government financial assets amounted to around 170% of GDP at end-2013, making Norway a standout among 'AAA' peers.

The Norwegian banking sector is reasonably concentrated, with the largest player, DNB Bank ASA, having over a 30% market share and operating throughout the country. Nordea Bank Norge, the Norwegian subsidiary of Nordea Bank AB, is the second largest stand-alone bank. There are a number of savings banks groupings, of which the Alliance is the largest one, while some savings banks also operate independently.

Given their regional footprint, the prospects of the Sparebanken are closely linked to the economic development of the regions in which they are active. While Western Norway and the Oslo region are experiencing the strongest growth and the largest share of exports, northern Norway's economy is supported by a large and stable public sector.

Company Profile

In 1996, SNN, SMN, SR and Sparebanken Vest (SV; A-/Stable) founded the Alliance along with Samspar, a group of smaller savings banks. SV withdrew from the venture in January 2004 to pursue an independent strategy. At end-2013, Alliance members had over 350 branches across Norway. Assets of the Alliance totalled over NOK800bn at end-2013, making the alliance the second largest banking group in Norway behind DNB.

Leading Regional Franchises with Nationwide Brand

The Sparebanken operate as universal banks for retail and SME customers in their regions, where they hold leading market shares (of at least 30%) in deposits and loans. Their business model, although regionally concentrated, has proven stable given the focus on traditional retail banking and relatively simple organisational structures. On a nationwide level, the Alliance has around a 20% market share in retail lending and around a 15% share in the SME segment. The SpareBank 1 brand has been established as one of the most recognised financial brands in Norway.

Benefits from the Alliance product subsidiaries

The Alliance banks benefit from co-operation agreements between the members in areas such as marketing and IT. They also own S1B, a funding vehicle for covered bonds. The Alliance banks also jointly own Sparebanken Gruppen (SG), which provides insurance, leasing and fund management services through its subsidiaries. Alliance member banks benefit from some economies of scale, as SG is also responsible for product development. Capital markets services are provided by SpareBank 1 Markets, which is owned directly by the Alliance banks (except SR) and not via SG.

Management

The Sparebanken's management teams have a deep local knowledge and have created a unified corporate culture under the SpareBank 1 brand. The strategic orientations of the Alliance have been consistent since its creation, benefiting all its members.

Figure 2
Macroeconomic
Forecasts

	2013	2014f	2015f
GDP growth	2.1	2.3	2.5
Unemployment	3.5	3.5	3.8
Inflation	2.0	2.0	2.3

Source: Fitch

Related Criteria

[Global Financial Institutions Rating Criteria \(January 2014\)](#)

SR converted into a limited liability savings bank in 2011, which was undertaken to make it easier to raise equity to support business growth. SMN and SNN have no plans to follow SR's conversion. SMN's and SNN's owners are the holders of equity capital certificates. Representatives of the owners, together with public appointees, employees and customer representatives, sit on the supervisory board, whose nomination committee appoints the board of directors. Corporate governance principles are in line with the Norwegian code on corporate governance.

Risk Appetite

Relatively Sophisticated Risk Management Systems

The regional focus of the Sparebanken is the driver of their risk appetite. The banks are essentially exposed to credit risk in their loan books, while market risk is moderate. Business growth over the past few years has been broadly in line with economic developments, with corporate lending being relatively modest in 2013. Excluding loans transferred to S1B, SNN, SMN and SR's loan books grew by around 5-10% in 2013. Fitch expects loan growth to reduce further in 2014 as the banks adjust to higher capital requirements as well as more limited credit demand. The Sparebanken have robust risk management systems in place for credit, market, and operational risk. Systems and expertise are shared across the Alliance, and the banks have been preparing to move to the advanced IRB (AIRB) approach for corporate exposures, with supervisory approval expected in 2014.

Moderate Exposure to Market Risk

Market risk arises from the financial instruments held by the banks, as well as indirectly through SG, in particular in its insurance investment portfolio. Interest rate risk is mitigated to some extent, as rates on most mortgage loans can be varied following a six-week notice period; Fitch understands that interest rates on corporate loans can be adjusted even faster. Interest rate risk is managed using gap and duration analysis within relatively small limits for sensitivity to a 100bp parallel shift in interest rates. Fitch considers the banks' volume of equity investments to be relatively small. There are strict limits on equity investments made by the Sparebanken.

Financial Profile

Asset Quality

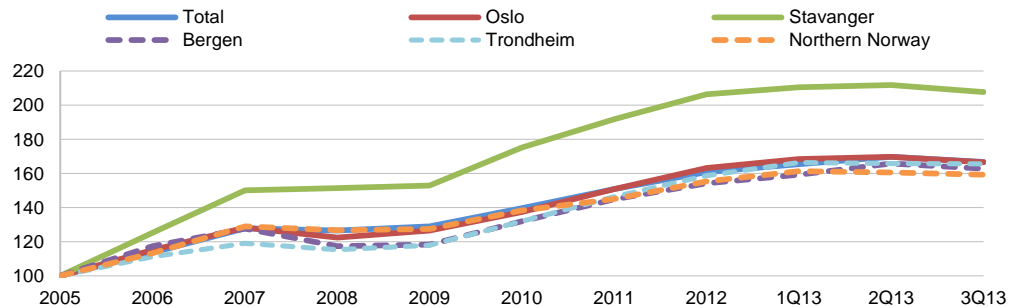
Sound Loan Books but Sensitive to Potential Correction in Property Prices

The Sparebanken's sound asset quality is supported by a benign Norwegian operating environment, but could come under pressure from rising interest rates and a decline in asset prices, in particular property values. A large proportion of the Sparebanken's loans are floating rate, making households sensitive to significant increases in interest rates. This is amplified by a significant, increasing household indebtedness. However, interest rates are expected to remain low for the foreseeable future.

Property prices have increased significantly in Norway in recent years, particularly in Western Norway, and a significant fall in property prices could affect the Sparebanken. SR's asset quality is more sensitive to a potential price correction, as property prices have increased above national averages in its region. Rises in property prices reflect the development of fundamental factors, such as rising incomes, under supply of housing, and population growth. Nominal house prices increased by over 100% between 2002 and mid-2013, but when adjusted for income growth over the same period, this rise is just 27%. Fitch expects that house prices are likely to stabilise or moderately fall in the near-term and for households' debt servicing capacity to remain strong. A significant house price correction would probably lead to a drop in private consumption, affecting corporate lending while the agency expects the banks to maintain strict underwriting practices and further build buffer to withstand correction in house prices.

Figure 3

Regional House Price Development
2005=100



Source: Fitch, Statistics Norway

Residential mortgage lending represents around half of the Sparebanken’s loan books. The vast majority of mortgage loans have a loan to value (LTV) ratio of less than 75%, in line with S1B’s criteria for loan transfers. These portfolios have performed well, supported by the low interest rates and unemployment.

At SMN and SR, corporates represent around half of total lending, while the corporate segment at SNN only accounts for around 40% of the loan book. Commercial real estate (CRE) portfolios account for around 15% of the loan books of SNN and SMN, though this is higher in SR at over 20% of the loan portfolio. The asset quality of these portfolios benefits from relatively modest vacancy rates and increasing rents. An economic slowdown could harm the asset quality of these exposures through weakening cash flows and falling collateral values. LTVs for CRE are limited at 85%. Exposures to commercial property mostly relate to buy-to-let investments and are typically in long-term contracts with high quality tenants. The proportion of exposures to the riskier development, construction and building sectors is modest at around 3% of gross loans.

Exposure to other cyclical industries, such as fish farming and shipping, is moderate at 5%-10% for the three banks, particularly given that the majority of the shipping exposures are in practice in offshore business. Overall the Norwegian industry is highly exposed to oil price developments.

Figure 4

Loan Portfolio (Excludes Loans Transferred to S1B)

End-2013	SNN		SMN		SR	
	(NOKbn)	(%)	(NOKbn)	(%)	(NOKbn)	(%)
Agriculture/forestry	1	2	6.4	8	4.3	4
Fishing/fish farming	2.2	4	2.5	3	0.5	0
Manufacturing and mining	1.9	3	2.1	3	6.4	5
Energy/building and construction	1.7	3	3.2	4	3.1	3
Service industry	1.5	3	2.4	3	2.9	2
Shipping/offshore/oil and gas	0.7	1	5.4	7	7.3	6
Transport ^a	3.6	6	2.7	3		
CRE	8	14	12.1	15	25.7	21
Business services	2	4	3.9	5	7.5	6
Public sector	0.2	0	0.4	1	2.3	2
Other	1.2	2	2.4	3	0	0
Retail customers	33.4	58	36.8	46	59.8	50
Total	57.4	100	80.3	100	120	100

^a Transport for SR included under Shipping/Offshore/Oil and gas
Source: Banks, adjusted by Fitch

Some Single Name Concentration

Due to the regional nature of the Sparebanken’s franchises, there is some single name concentration in their loan books. However, the banks have focussed in recent years on reducing this concentration with maximum limits on exposure for a single borrower

The level of NPLs at the Sparebanken remained moderate at end-2013, with SNN having the highest impaired loans/gross loans ratio of just 1.5%. SR and SMN operate in regions where property prices have increased faster than the national average. Loan loss reserves will therefore be more sensitive to adjustments in collateral values.

Capitalisation and Leverage

Regulatory Framework Driving Improved Capitalisation

Norway's financial regulator has included SMN, SNN and SR in a proposed list for domestic banks deemed to be systemically important. The banks would therefore have to meet new regulatory requirements of 12% core capital ratio by 2016. In anticipation of this, SNN completed a rights issue of NOK750m, and SMN two hybrid Tier one issues of NOK500mn and NOK450m in 2013. In addition, the Sparebanken's reported risk-weighted capital ratios (excluding transitional floors) will benefit from the expected use of the AIRB approach.

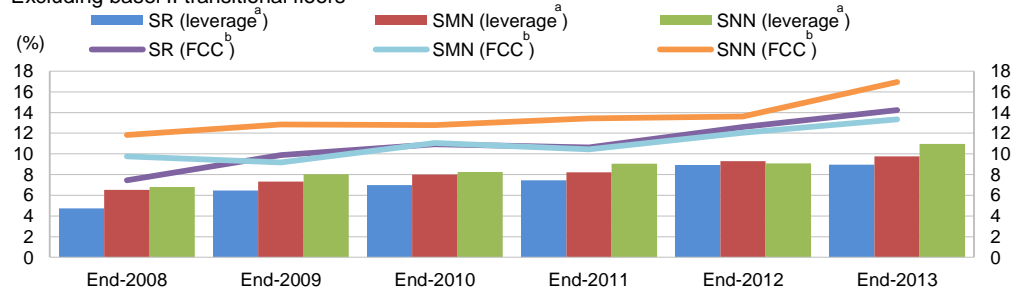
The Sparebanken's capital adequacy ratios, excluding Basel II transitional floors, compare well with those of international peers, but lag those of their larger Nordic peers, partly due to higher risk weights. Fitch core capital ratios ranged from 13% to 17% at end-2013.

Leverage is low in a European (and Nordic) context, with tangible common equity/ tangible assets generally around 9% for the Sparebanken. Modest growth, combined with internal capital generation, should maintain leverage.

Figure 5

Fitch Core Capital & Leverage

Excluding basel II transitional floors



^a Equity/total assets; ^b Fitch core capital/risk weighted assets excluding Basek II transitional floors
Source: Fitch, Bank

Funding and Liquidity

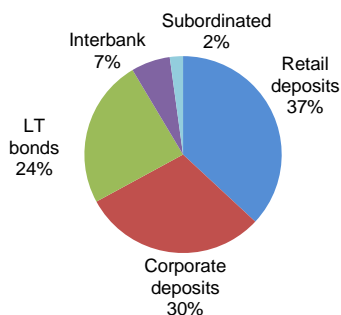
Dependence on Market Funding Makes the Sparebanken Sensitive to Investor Confidence

The Sparebanken are reliant on wholesale funding, similar to many Nordic peers. Wholesale funding markets have remained open for the Alliance banks, and Fitch expects this will continue, in particular for the issuance of covered bonds via S1B. The banks benefit from investors' perception of Norway as a relative safe haven.

Given the relatively small size of Norway's domestic covered bond market, the Alliance (in particular SR) has diversified its investor base to international markets. While international issuance provides a diversification of the investor base, international investors may be less sticky in a period of stress. Fitch believes the Sparebanken will retain significant liquidity portfolios to mitigate this risk.

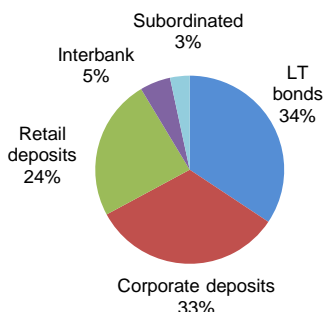
Funding profiles benefit from the banks' stable regional deposit franchises. The Sparebanken's loan/deposit ratio range from around 130% (SNN) to 165% (SR), excluding issuance done by S1B. Retail deposits account for around half of the banks' deposit bases, with the remainder relating to the corporate and public sectors; SNN has a somewhat larger retail deposit base.

Figure 6
SNN: Non-Equity Funding Mix
End-2013



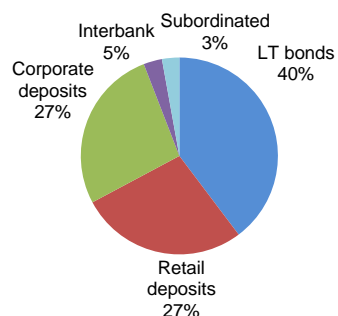
Source: Fitch, Bank

Figure 7
SMN: Non-Equity Funding Mix
End-2013



Source: Fitch, Bank

Figure 8
SR: Non-Equity Funding Mix
End-2013



Source: Fitch, Bank

Historically, loan growth has generally exceeded deposit growth for many years, resulting in the Sparebanken's dependence on market funding. A substantial part of wholesale funding is raised through the issuance of covered bonds by S1B. S1B enables the Sparebanken to access international wholesale markets and retained relatively uninterrupted access throughout the crisis. At end-2013, the Sparebanken had transferred between 25-30% of their total lending to S1B.

At end-June 2013, issuance by S1B in Norwegian krona accounted for around 40%, with euro issuance making up around one third. Issuance in dollars, which accounts for the remainder, commenced in late 2010 and has successfully broadened the investor base.

Liquidity Maintained to Withstand 12 Months without Funding Market Access

Liquidity is expected to be maintained at high levels to mitigate wholesale funding risks. The Sparebanken conduct internal stress tests and maintain sufficient liquidity to be able to continue to operate without access to wholesale markets for a period of 12 months, based on the banks' assumptions. Contingent liquidity sources include loan sales to S1B and central bank asset swap facilities. The Alliance has contingency plans for differing degrees of liquidity stress scenarios.

The banks' liquidity portfolios predominantly consist of highly rated ('AA' or higher) Nordic covered bonds and other central bank eligible assets. Basel III liquidity ratios will be sensitive to the treatment of covered bonds and public-sector deposits.

Earnings and Profitability

Improving Margins to Compensate for Higher Capital Requirements

Fitch expects the Sparebanken to maintain their profitability in 2014 compared to 2013, supported by net interest income and commission income, with ancillary businesses making a meaningful contribution. The continued low interest rate environment will continue to affect deposit margins and Fitch does not expect a significant pick-up in 2014. Improved lending margins will partly offset the pressure on net interest income (NII), supported by an industry move to compensate for higher expected capital requirements, as well as lower credit supply.

Interest income is the main source of income for the Sparebanken, driven by their focus on retail and SME customers, with commission income making a meaningful contribution. SNN continues to have the widest net interest margin (NIM), reflecting somewhat lower competition in its region, and also lower levels of wholesale funding compared to SR and SMN. Conversely a somewhat less diversified banking model, and more retail lending, has led to lower return on equity (ROE).

Figure 9
Profit Before Tax by Business Area

(NOKm)	SNN	SMN	SR
Retail banking	674	699	1,296
Corporate banking	77	746	882
Leasing a	99	51	149
Real estate agents ^a		61	42
Markets	41	-13	95
Other	288	245	-117
Profit before tax	1,179	1,788	2,347

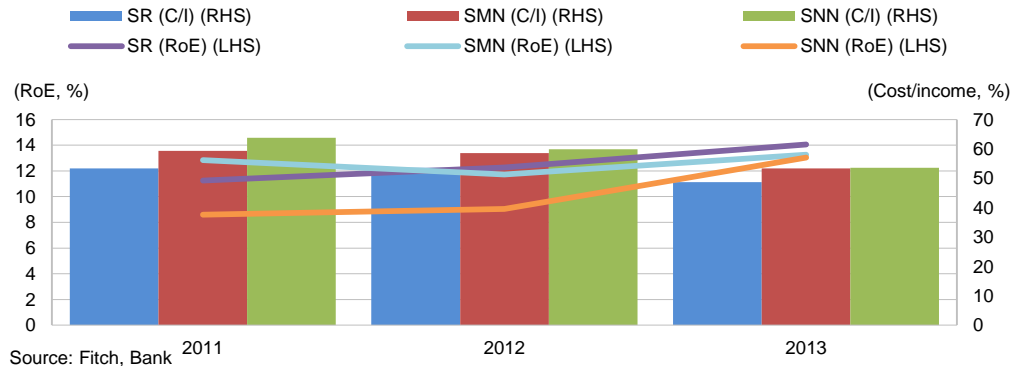
^a Reported under other for SNN
Source: Banks, adjusted by Fitch

Cost efficiency is adequate at the Sparebanken, and this remains a strong focus for management. The three banks successfully improved the respective cost/income ratios in 2013, and Fitch expects further improvements to materialise over 2014 and 2015. Commission income is increasing as a proportion of total revenues for the Sparebanken, and is a reflection of the Alliance banks' focus on cross selling and the support from the central institution.

Fitch has reclassified commission income received from S1B to interest income, and levies paid to the banks' guarantee fund as fee expense (instead of interest expense).

Figure 10

Key Performance Metrics



Support

Moderate Probability of Support from Authorities

The Sparebanken's Support Ratings and Support Rating Floors reflect Fitch's view that there is a moderate probability of support from the Norwegian authorities if required. This is driven by their strong regional franchises, but also reflecting their limited size on a national level. Fitch also believes that the Norwegian authorities' ability to provide support remains high.

The Support Ratings and Support Rating Floors are potentially sensitive to any change in Fitch's assumptions about the ability (as reflected in its ratings) or willingness of the Norwegian state to provide timely support to the bank if required. They are also sensitive to a change in Fitch's assumptions around the availability of sovereign support for banks more generally. In Fitch's view, there is a clear intention ultimately to reduce implicit state support for financial institutions in Europe. Progress in implementing resolution legislation and mechanisms may change Fitch's current view on the perceived propensity of sovereigns to provide support.

A bank resolution framework has not yet taken centre stage in Norway, although Fitch expects drafting and implementation to progress over the next few years, at least to ensure the banking authorities have a variety of tools to deal with problems in the banking sector. As part of the European Economic Area (EEA), Norway is likely to be bound to implement some European directives, although Fitch expects that it will aim to do so in the most flexible format possible. It is also likely that Norwegian banking authorities will take into consideration what is implemented in other Nordic countries, particularly in Sweden, but again providing the most flexibility possible to decide on a process of resolution.

Fitch believes support for Norwegian banks will likely reduce over time, although that ultimately support will still be highly probable for the country's largest banks. This is partly driven by Norway's strong ability to support its banks as reflected in its rating, but also the largely domestic focus of the banking sector. The Norwegian authorities have proposed, but not confirmed, a list of eight banks to be defined as domestic systemically important financial institutions. Fitch believes that while the Support Rating Floor will likely reduce for the largest banks, the justification for maintaining the wide notching to the other domestic SIFIs has reduced. For a small number of regional Norwegian banks, including the largest rated Alliance banks, existing Support Ratings and Support Rating Floors are unlikely to be affected unless Norway adopts a much less flexible approach to resolution than Fitch currently anticipates.

In March 2014, Fitch outlined its approach to incorporating support in its bank ratings in light of evolving support dynamics for banks worldwide (see *Sovereign Support for Banks*, on www.fitchratings.com).

In addition, there is a possibility of institutional support from the members of the Alliance. However, Fitch understands that no legal obligation arises from membership of the Alliance to support member banks.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2014 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.