



**И.о. Председателя Правления
АО "Казахстанская фондовая биржа"
г-же Хорошевской Н.Ю.**

Уважаемая Наталья Юрьевна!

Настоящим АО ДБ «Альфа-Банк» сообщает о подтверждении Рейтинговым агентством Standard & Poor's долгосрочного рейтинга дефолта эмитента (РДЭ) в иностранной валюте на уровне «В+» с прогнозом «Негативный».

С уважением,

Заместитель Председателя Правления Альфа-Банк



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RatingsDirect®

JSC SB Alfa-Bank

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JSC SB Alfa-Bank

SACP	b		+	Support	+1	+	Additional Factors	0
Anchor	bb-			ALAC Support	0		Issuer Credit Rating <div style="background-color: yellow; padding: 10px; text-align: center;"> B+ / Negative / B </div>	
Business Position	Moderate	-1		GRE Support	0			
Capital and Earnings	Moderate	0		Group Support	+1			
Risk Position	Moderate	-1		Sovereign Support	0			
Funding	Average	0						
Liquidity	Adequate							

Major Rating Factors

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • Support from Alfa Group banking arm with its ultimate parent ABH Holdings S.A. (ABHH) • Consistently sound profitability compared with local peers over the past five years. 	<ul style="list-style-type: none"> • Highly unpredictable operating environment. • Small domestic customer franchise concentrated in corporate banking. • Deteriorating asset quality in 2015. • High individual concentrations in the lending portfolio.

Outlook: Negative

The negative outlook on Kazakhstan-based JSC SB Alfa-Bank (ABK) reflects Standard & Poor's Ratings Services' expectation that the bank's capitalization and profitability may come under increased pressure over the next 12 months from the negative trends in the economy and banking sector, which we believe will persist in 2016.

We could lower the ratings in the next 12 months if the economic slowdown and increased industry risks have a significantly adverse effect on ABK's earnings and capital, leading to our risk-adjusted capital (RAC) ratio before diversification falling below 5%. Such a fall could be the result of deterioration in ABK's currently solid profitability, in the absence of any capital increases.

We would consider revising the outlook to stable if operating conditions for the Kazakh banking sector as a whole stabilize, notably with stable industry and economic risk trends. For an outlook revision to stable, we would also need to see ABK maintaining its current level of creditworthiness and continued support from ABHH group.

Rationale

Our ratings on ABK reflect its anchor of 'bb-' for a commercial bank operating in Kazakhstan. Our ratings also reflect ABK's "moderate" business position, due to the bank's narrow market share; "moderate" capital and earnings, because of good profitability and limited growth; "moderate" risk position, reflecting manageable risks arising from foreign currency lending and high single-name concentrations; "average" funding; and "adequate" liquidity, due to the bank's solid base of liquid assets and relatively stable funding base.

The stand-alone credit profile (SACP) is 'b'. The long-term counterparty credit rating factors in one notch of uplift above the SACP to reflect our view of ABK's "moderately strategic" importance to the Alfa Group banking arm with its ultimate parent ABH Holdings S.A., and the associated possibility of support from immediate Russian parent Alfa-Bank OJSC or any other group member.

Anchor: 'bb-' for a commercial bank operating in Kazakhstan

Under our bank criteria, we use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for a commercial bank operating only in Kazakhstan is 'bb-'. A BICRA analysis for a country covers rated and unrated financial institutions that take deposits, extend credit, or engage in both activities. BICRA scores range from '1' to '10', with the lowest-risk banking systems scored in group '1' and the highest-risk systems in group '10'. Our economic risk and industry risk scores on Kazakhstan's banking sector are both '8'.

In our view, economic risks have increased in Kazakhstan, reflecting markedly falling wealth as measured by GDP per capita in U.S. dollars. This falling wealth is due to a slowdown in macroeconomic growth to 1.5% in 2015 and 2.0% in 2016, as per our estimates, given the economy's heavy dependence on hydrocarbons and a sharply depreciated Kazakhstani tenge (KZT). In our opinion, Kazakhstan's economy has been in a correction phase since 2011, during which banks' nonperforming and restructured loans and credit costs remained the highest among peers in other countries. We forecast that midsize and small banks, which have exhibited rapid loan growth over the past few years, will face sharply increasing credit costs and nonperforming loans (NPLs) in 2015-2016, revealing maturing credit portfolios in the weaker macroeconomic environment. Our view of extremely high credit risk in Kazakhstan factors in the banks' aggressive underwriting standards and the country's weak payment culture and rule of law.

Banking industry risks remain elevated in Kazakhstan, namely because of the banking system's weakened funding profile. We anticipate that pressure on tenge funding and a high asset-liability mismatch in foreign currencies will persist over the next 18 months. This is because of the high level of deposit dollarization, especially retail term deposits, which is unlikely to reduce materially in the rest of 2015-2016. We also expect to see a lower savings rate and higher deposit volatility by state companies and corporate and retail depositors. We believe Kazakhstan's banking regulators lack independence and can be subject to political interference. The system's low risk-adjusted profitability is likely to decrease further in the next two years, hit by narrowing margins and rising credit and funding costs.

Table 1

JSC SB Alfa-Bank Key Figures					
	--Year-ended Dec. 31--				
(Mil. KZT)	2015*	2014	2013	2012	2011
Adjusted assets	282,202.3	246,048.4	167,511.9	130,813.6	98,786.1
Customer loans (gross)	159,149.9	164,058.3	124,804.9	87,959.3	51,255.5
Adjusted common equity	30,712.3	26,975.6	23,832.9	19,551.3	12,224.0
Operating revenues	17,390.2	17,225.2	11,209.0	8,212.8	5,243.2
Noninterest expenses	5,048.1	6,471.0	4,340.6	3,049.7	2,188.7
Core earnings	4,523.1	4,588.8	4,639.0	2,952.7	2,791.0

*Data as of Sept. 30. KZT--Kazakhstani tenge.

Business position: Small bank with narrow market share and low expansion targets

Our assessment of ABK's business position as "moderate" reflects our view that it has a small domestic franchise concentrated in corporate banking. Nevertheless, we recognize that despite potential funding support from the ABHH group, ABK benefits from the operational, managerial, and product support from its immediate parent OJSC Alfa-Bank, and from its ultimate parent ABHH, as well as the strong "Alfa Bank" brand name. With total assets of KZT298 billion (\$0.97 billion) as of Dec. 1, 2015, ABK has a market share of about 1.3%, and is the 16th largest bank of 35 commercial banks operating in Kazakhstan.

Historically, ABK has been a corporate bank with a limited customer base. However, in 2013, ABK started to actively develop consumer lending, capitalizing on Alfa-Bank's retail experience, which we view positively for ABK's risk diversification and wider margins. The share of retail loans increased to 19% of total loans as of Dec. 1, 2015, from 13% a year earlier. However, the growth of ABK's retail banking activity has missed the original targets. Despite recent expansion, ABK's distribution network of full service branches or smaller offices in 16 cities and towns in Kazakhstan still lags midsize Kazakh banks.

We believe that Alfa-Bank's expertise could help ABK augment its retail business sustainably, but we see associated risks. Many Kazakh banks have targeted the consumer finance segment, which has been the fastest-growing lending segment in Kazakhstan over the past four years. To address the expanding bubble, which started on Jan. 1, 2014, the Kazakh banking regulator capped growth in unsecured consumer lending in Kazakhstan to a maximum of 30% per year for any bank from year-end 2013. This curtailed ABK's growth ambitions and the bank started to offer consumer loans secured by real estate and autos more actively (14% and 39% of total retail loans as of Sept. 30, 2015). We see limited risks in such products and expect the bank's retail portfolio to perform better than the portfolios of its peers. The structure of ABK's retail portfolio will be approximately the same in the coming year.

Table 2

JSC SB Alfa-Bank Business Position					
	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
Total revenues from business line (mil. KZT)	17,390.2	17,225.2	11,209.0	8,212.8	5,243.2
Commercial & retail banking/total revenues from business line	N.A.	85.1	103.5	111.4	107.4
Return on equity	19.4	17.1	20.3	17.6	23.7

Table 2**JSC SB Alfa-Bank Business Position (cont.)**

*Data as of Sept. 30. KZT--Kazakhstani tenge. N.A.--Not available.

Capital and earnings: Good earnings capacity and limited growth are the main factors driving our capital assessment

Our assessment of ABK's capital and earnings is "moderate," which reflects stable high internal capital generation and no external capital injections expected within the coming two years.

We project that ABK's RAC ratio will stay in the range of 5.5%-6.5% until year-end 2016. Our RAC projection for 2016 includes the following assumptions:

- Asset growth of 6% in 2016;
- No shareholder capital injections;
- 20% dividend pay-out ratio in line with 2014;
- Annual net profits of about KZT5.5 billion in 2016; and
- Taking into account the actual cost of risk of approximately 5.9% for the first nine months of 2015, affected by deterioration in the economy, we expect a cost of risk of about 4.5% in 2016 because most problem loans were already covered by provisions in 2015 (121% coverage as of the first nine months of 2015), and because we understand that the bank will strengthen its underwriting standards in 2016, leading to slower development in a shrinking market.

The bank currently meets all regulatory requirements for capital adequacy and reported according to local standards a Tier 1 ratio of 11.4% and total capital adequacy ratio of 14.3% on Dec. 1, 2015.

ABK's profitability compares well to that of its peers, with a return on assets of 2.9% and a return on equity of 26% for the first 11 months of 2015. Over that period, the bank's net interest margin (NIM) of about 6.2% was slightly better than the sector average. This was because of the shorter maturity schedule of the bank's loan portfolio, which allows it to manage interest-rate risk more effectively than its peers. However, we project that the NIM will decrease before the end of 2016 on the back of expected higher repo and open-market foreign-exchange swap rates. The increase in these rates is driven by the lack of tenge liquidity, and further aggravated by the uncertainty regarding the prolongation of foreign-exchange swaps with the National Bank of Kazakhstan. The cost-to-income ratio improved to 30% in the first nine months 2015, from 38% in 2014, and we expect it to stay at broadly the same level in 2016-2017. The improvement is due to the bank's focus on remote distribution channels, as well as a general slowdown in the sector, which leads to lower staff expenses.

Table 3**JSC SB Alfa-Bank Capital And Earnings**

	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
S&P RAC ratio before diversification	N.M.	5.8	7.2	8.2	8.7
S&P RAC ratio after diversification	N.M.	4.4	5.1	5.3	5.8
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	52.2	66.6	73.8	71.7	66.3
Fee income/operating revenues	15.1	17.8	19.7	22.5	27.1

Table 3

JSC SB Alfa-Bank Capital And Earnings (cont.)					
Market-sensitive income/operating revenues	32.9	14.0	6.0	5.8	5.7
Noninterest expenses/operating revenues	29.0	37.6	38.7	37.1	41.7
Preprovision operating income/average assets	6.2	5.2	4.6	4.5	3.5
Core earnings/average managed assets	2.3	2.2	3.1	2.6	3.2

*Data as of Sept. 30. RAC--Risk-adjusted capital. N.M.--Not meaningful.

Table 4

JSC SB Alfa-Bank Risk-Adjusted Capital Framework Data			
(Mil. KZT)	Exposure*	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk			
Government and central banks	39,754	9,248	23
Institutions	21,309	7,401	35
Corporate	195,546	308,394	158
Retail	28,669	46,585	162
Of which mortgage	1,029	772	75
Securitization	0	0	0
Other assets	24,445	58,938	241
Total credit risk	309,723	430,567	139
Market risk			
Equity in the banking book¶	0	0	0
Trading book market risk	--	0	--
Total market risk	--	0	--
Insurance risk			
Total insurance risk	--	0	--
Operational risk			
Total operational risk	--	32,297	--
(Mil. KZT)		Standard & Poor's RWA	% of Standard & Poor's RWA
Diversification adjustments			
RWA before diversification		462,864	100
Total adjustments to RWA		148,673	32
RWA after diversification		611,537	132
(Mil. KZT)		Total adjusted capital	Standard & Poor's RAC ratio (%)
Capital ratio			
Capital ratio before adjustments		26,976	5.8
Capital ratio after adjustments§		26,976	4.4

*Exposure at default. Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. ¶Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. §Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. KZT--Kazakhstan tenge. Sources: Company data as of Dec. 31, 2014, Standard & Poor's.

Risk position: Strong risk management capacity, balancing high single-name concentrations and foreign currency risk

Our "moderate" assessment of ABK's risk position reflects high single-name concentrations, persistent but manageable foreign-exchange risk in the loan portfolio, and good risk-management practices.

We believe that ABK will manage to keep the proportion of NPLs of 90 or more days overdue lower than 10% in 2015-2016, thanks to solid underwriting standards and conservative credit and growth policies. The percentage of NPLs of 90+ days overdue was approximately 5.5% at Dec. 1, 2015, broadly in line with 5.0% at the beginning of 2015. However, as of the first nine months of 2015 this ratio was 9.6%. Basically, decline to the current levels was due to the write-offs. Asset quality in the consumer lending portfolio remains good, with NPLs of more than 90 days overdue only 2.5% as of Dec. 1, 2015, which compares favorably to peers. This share might moderately increase to up to 3.5% in the coming two years, driven by the weak economic conditions.

We expect some further manageable deterioration of the asset quality of some corporate borrowers with loans in foreign currencies (21% of total loans as of Dec. 1, 2015, which is slightly lower than peers) in the next 12 months due to the devaluation of tenge. A mitigating factor is that the majority of corporate borrowers with loans in foreign currencies are exporters who would partially benefit from tenge devaluation. Retail loans in foreign currencies form approximately 1% of total loans as of Dec. 1, 2015.

Positively, provisions fully cover NPLs as of Dec. 1, 2015. We expect that the bank will further increase its provision coverage from approximately 150% as of Dec. 1, 2015, in line with its conservative practices in the past. According to the bank's internal policies, collective provisioning is 3%.

We view positively ABK's very low 2% share of lending to the risky construction and real estate sector as of Sept. 30, 2015, which is significantly lower than the system average of 20%. Lending to wholesale trade dominates corporate lending, accounting for 37% of total loans as of Sept. 30, 2015, a level higher than that of peers. The bank has high single-name loan concentrations: the top 20 loans accounted for about 46% of total loans and 2.6x total adjusted capital, which is in line with regional peers, but higher than global peers. These concentrations reflect the bank's limited customer base. We expect no significant changes in single-name concentrations.

We view ABK's risk-management capacity as being better than other midsize Kazakh banks. The bank's enterprise risk management was developed with the expertise of Alfa-Bank. We view ABK's management as professional and experienced. Positively, the bank emphasizes quality over quantity in new loans disbursement and has a slightly lower acceptance rate (30%-45% in 2015) in consumer loans than its competitors. Therefore we expect flat growth of loans of approximately 8% in nominal terms in 2016.

ABK has foreign-exchange swaps of approximately 13.5% and 1% of total assets with the National Bank of Kazakhstan and Kazakhstan Stock Exchange, respectively, as of December 2015. The bank uses these swaps to fill the gap between foreign-exchange assets and liabilities to minimize the risk arising from currency mismatches, which is common practice for the Kazakh market. This practice poses potential risks due to the high sensitivity of stock exchange foreign-exchange swap rates to market loss of confidence, and we have already observed high volatility in these rates.

Table 5

JSC SB Alfa-Bank Risk Position					
	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
Growth in customer loans	(4.0)	31.5	41.9	71.6	63.0
Total diversification adjustment / S&P RWA before diversification	N.M.	32.1	41.4	53.7	49.9
Total managed assets/adjusted common equity (x)	9.2	9.2	7.0	6.7	8.1
New loan loss provisions/average customer loans	5.9	3.4	1.2	2.3	(0.3)
Net charge-offs/average customer loans	(0.1)	(1.6)	(2.0)	(1.4)	(4.0)
Gross nonperforming assets/customer loans + other real estate owned	9.6	6.3	1.2	0.6	1.5
Loan loss reserves/gross nonperforming assets	121.4	89.8	288.3	786.1	316.7

*Data as of Sept. 30. RWA--Risk-weighted assets. N.M.--Not meaningful.

Funding and liquidity: Funding mainly by customer deposits, with a solid base of liquid assets

We consider ABK's funding profile to be "average" as in our view it does not differ materially from local peers. We assess ABK's liquidity as "adequate," reflecting a solid base of liquid assets.

Customer deposits accounted for 85% of total funding as of Sept. 30, 2015. The bank's deposit concentrations are in line with those of domestic peers, with the top-20 depositors accounting for 53% of total deposits as of June 30, 2015. The share of retail deposits in total deposits was 22% on the same date. The loan-to-deposit ratio of 65.6% on Sept. 30, 2015, compares favorably with peers. The bank's stable funding ratio of 119%-138% over the past four years supports this assessment. The cumulative liquidity gaps are positive for all time horizons, with assets systematically exceeding liabilities in all periods of maturity, which compares favorably with the local banks.

The net broad liquid assets-to-short-term customer deposits ratio of 29.1x at year-end 2014 and 34.4x as of Sept. 30, 2015, which is in line with peers, reflects ABK's adequate liquidity cushion. Broad liquid assets accounted for 26.4% of total assets at Sept. 30, 2015.

Table 6

JSC SB Alfa-Bank Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
Core deposits/funding base	86.7	89.6	91.9	84.3	78.8
Customer loans (net)/customer deposits	65.9	79.8	92.4	91.5	73.2
Long term funding ratio	95.1	96.4	96.7	91.2	86.9
Stable funding ratio	138.4	120.3	115.5	122.6	130.5
Short-term wholesale funding/funding base	5.5	4.0	3.9	10.5	15.1
Broad liquid assets/short-term wholesale funding (x)	5.5	6.4	6.0	3.3	2.8
Net broad liquid assets/short-term customer deposits	34.4	29.1	28.3	34.4	38.7
Short-term wholesale funding/total wholesale funding	41.5	38.8	47.6	66.4	71.1
Narrow liquid assets/3-month wholesale funding (x)	8.5	9.9	107.7	3.4	2.8

*Data as of Sept. 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

External support: "Moderately strategic" to ABHH group

ABK's ultimate parent is ABH Holdings S.A., the Luxembourg holding company of the Alfa Group banking arm. The ratings on ABK reflect our view of its "moderately strategic" status to ABHH group and the possibility that ABK could receive financial support in case of need.

We see that ABHH group is supportive toward its subsidiaries, evident from the capital support it has provided to Alfa-Bank Ukraine, Alfa-Bank Belarus, and Amsterdam Trade Bank over the past four years. We note that while ABK makes a fairly small contribution to group earnings in absolute terms, it demonstrates strong profitability, indicating its stronger operational performance in relation to other ABHH subsidiaries. It also has substantial managerial, operational, and risk management links with Alfa-Bank (Russia) and has benefitted from a capital increase and a buyout of NPLs in past. The ongoing credit line of \$80 million can be used as source of extraordinary support.

Additional rating factors: None

No additional factors affect this rating.

Related Criteria And Research

- Standard & Poor's National And Regional Scale Mapping Tables, Jan. 19, 2016
- National And Regional Scale Ratings, Sept. 22, 2014
- Group Rating Methodology, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Commercial Paper I: Banks, March 23, 2004

Anchor Matrix										
Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of January 29, 2016)**JSC SB Alfa-Bank**

Counterparty Credit Rating	B+/Negative/B
<i>Kazakhstan National Scale</i>	kzBBB-/--/--

Counterparty Credit Ratings History

26-Feb-2015		B+/Negative/B
03-May-2013		B+/Stable/B
26-Feb-2015	<i>Kazakhstan National Scale</i>	kzBBB-/--/--
23-Jan-2012		kzBBB/--/--

Sovereign Rating

Kazakhstan (Republic of)	BBB/Negative/A-2
<i>Kazakhstan National Scale</i>	kzAA+/--/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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