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التاريخ : ٢٩/١٠/٢٠١٥

السادة بورصة عمان المحترمين
عمان

السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الائتماني للبنك الإسلامي الأردني من شركة التصنيف ستاندرد آند بورز.

استنادا إلى أحكام المادة (٤٣/د) من قانون الأوراق المالية رقم (٧٦) لعام ٢٠٠٢م وأحكام المادة (٨) من تعليمات إفصاح الشركات المصدرة والمعايير المحاسبية ومعايير التدقيق لسنة ٢٠٠٤م.

أرجو إعلامكم بأن شركة التصنيف العالمية ستأخذ أند بورز ومقرها باريس قد قامت بتثبيت تصنيفها الائتماني طويل وقصير الأجل لمصرفنا (BB-/Stable/B).

وتفضلوا بقبول فائق الاحترام،،

موسى شحادة
الرئيس التنفيذي / المدير العام

14022

ري/ري

يوريشية كورمان
 الدائرة الإدارية والمالية
 ألبيرسون
 ٠١ شهر ٢٠١٥
 الرقم التسلسلي: ٤٥٥٢
 رقم الملف: ١١١١
 الجهة المختصة: ٦/١ مديرية

RatingsDirect®

Jordan Islamic Bank

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Jordan Islamic Bank

SACP	bb-	+	Support	0	+	Additional Factors	0
Anchor	bb		GRE Support	0		Issuer Credit Rating BB-/Stable/B	
Business Position	Adequate	0	Group Support	0			
Capital and Earnings	Moderate	0	Sovereign Support	0			
Risk Position	Moderate	-1					
Funding	Average	0					
Liquidity	Adequate						

Major Rating Factors

Strengths:

- Leading position as the largest Islamic financial institution in Jordan and the country's third-largest bank.
- Good business resiliency to the current adverse economic conditions in Jordan.
- Good track record in terms of asset quality.

Weaknesses:

- High geographic concentration in Jordan and related credit risk, notably to public sector entities, due to the fragile domestic economy.
- Moderate capitalization under our methodology, with internal capital generation hindered by high dividend payout ratios.
- Gradually deteriorating asset quality since 2008, continuously constrained, in our view, by unfavorable economic and political conditions.

Outlook: Stable

The stable outlook on Jordan Islamic Bank (JIB) mainly reflects Standard & Poor's Ratings Services' view on Jordan (BB-/Stable/B). The lowering of our foreign currency ratings on Jordan would trigger a similar rating action on JIB.

A downgrade could also be triggered by a weakening of JIB's stand-alone credit profile (SACP) by two notches, but we believe this is unlikely in the next 12 to 18 months. A weakening of the SACP by one notch would be compensated by JIB's "moderately strategic" status to its parent group, Bahrain-based Al Baraka Banking Group B.S.C. (ABG; BB+/Stable/B), because we would factor one notch of group support into the long-term rating on the bank. Such a weakening could come from a combination of a simultaneous decline in capitalization and asset quality, owing to a further deterioration in the domestic operating environment.

A positive rating action would be contingent on a sovereign upgrade.

Rationale

The starting point for our ratings on JIB is its 'bb' anchor, which we derive from our assessment of industry and economic risks in Jordan. The ratings also reflect bank-specific factors.

Specifically, we view JIB's business position as "adequate." This acknowledges management's track record of successfully maintaining the bank's commercial entrenchment and overall financial performance, in the face of potential volatility in revenues due to risky economic conditions and related muted domestic growth prospects for private sector credit. Our assessment of JIB's capital and earnings is "moderate," reflecting our anticipation that our risk-adjusted capital (RAC) ratio before adjustments for the bank will remain at about 5.0%-5.5%, in the absence of any lowering of the sovereign ratings or our economic risk assessment.

We consider JIB's risk position to be "moderate." The bank has built up a sizable financing position toward its sovereign, and concentration and asset quality remain vulnerable to the prolonged adverse economic and geopolitical situation. Funding remains "average," but borders the high range of the domestic average. Liquidity has declined to "adequate" levels as a result of allocating excess funding to public sector financing.

We therefore assess JIB's SACP at 'bb-'.

The likelihood of extraordinary government or parent support currently has no impact on the ratings on the bank, as the SACP on JIB is already at the same level as the sovereign foreign currency rating. We consider JIB to be of "high" systemic importance in Jordan, whose support to its banking system we classify as "uncertain."

Anchor: 'bb' for banks operating in Jordan

Under our bank criteria, we use the 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 Jordan is 'bb', based on an economic risk score of '7' and an industry risk score of '7'.

Jordan's ability to buffer swings in economic cycles is limited, in our view, because its economy is small and open, and income levels are low. Accordingly, domestic banks' performance is characterized by patterns in the cost of risk experience that closely reflect the vulnerability of Jordan's growth prospects to a combination of:

- Global economic performance;
- Oil prices, given its reliance on imported energy needs;
- Foreign donors' willingness to provide financial support; and
- The political instability of its neighbors.

Recently, the political instability of the region and arrival of Syrian refugees have increased consumer demand. Furthermore, the decreasing oil price is narrowing the country's current account and fiscal deficit; but these are cyclical beneficial effects.

We anticipate that Jordanian banks will continue to generate sufficient profitability to absorb elevated costs of risk. We think that the deposit base will remain ample and resilient, despite ongoing instability and deterioration in the security environment.

On the downside, Jordan's fiscal, monetary, and external vulnerabilities at the sovereign level substantially constrain its ability to provide meaningful liquidity support to the banking system. Conversely, the country's banks have at times bridged the significant financing needs of public-sector entities, and are consequently highly exposed to the sovereign.

Table 1

Jordan Islamic Bank Key Figures

(Mil. JOD)	--Year-ended Dec. 31--				
	2014	2013	2012	2011	2010
Adjusted assets	3,551.6	3,279.4	3,020.0	2,897.7	2,603.4
Customer financing (gross)	2,293.0	2,203.9	2,107.3	1,383.0	1,267.0
Adjusted common equity	289.3	252.8	232.3	207.0	200.7
Operating revenues	140.7	132.7	117.8	94.7	81.9
Operating expenses	52.0	49.9	44.1	37.5	31.2
Core earnings	45.1	45.1	36.4	28.3	29.1

JOD--JOD-Jordanian dinar. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Business position: Leading position as Jordan's largest Islamic financier and third-largest bank

We view JIB's business position as "adequate." The bank has displayed stable market shares since 2012 in both financings and deposits, owing to a consistent strategy implemented by an experienced and stable management team. However, its business model is essentially focused on commercial banking in Jordan. Although future revenues may be volatile due to muted domestic growth prospects for private sector credit, JIB has an overall resilient depositor base and sound commercial entrenchment.

JIB had total assets of \$5 billion on Dec. 31, 2014, making it the third-largest bank in Jordan. Market shares in financing and deposits were about 10%-12% on the same date. JIB has a long track record and a well-established position as the largest domestic Islamic bank, but revenue diversification is limited, although in line with its peers. JIB focuses purely on its domestic market. Most of its financing tracks Jordan's main economic sectors, but it has a bias

toward small and midsize enterprises and government-related entities. The limited diversification is also observable on the liabilities side with most of the bank's funding—about 85%—being skewed toward retail.

Although we acknowledge JIB's consistently good asset quality, we remain cautious about the risks related to its sustained growth and potential future developments resulting from strategic choices taken in 2012, in a country that, in our view, carries high economic and industry risks. JIB decided to use part of its then strong liquidity buffer to provide financing to the public sector. Although we understand that the bank made this decision to increase revenues and profitability, we believe that doing so led to a weakening of its liquidity to a level we qualify as average. JIB's financing of public sector entities has resulted in a halving of its cash buffer, funding ratios bordering the upper end of the domestic banking system's average, and concentrated exposure to public sector entities reaching about 1.9x total adjusted capital as of Sept. 30, 2015. We understand that the bank's strategy is not to increase these lines massively in the future but it will pursue public sector financing in order to maintain adequate profitability with reasonable risk taking.

JIB's strategy further includes enhancing its risk systems and integrating with ABG, which owns 66% of the bank.

Table 2

Jordan Islamic Bank Business Position

	—Year-ended Dec. 31—				
(%)	2014	2013	2012	2011	2010
Total revenues from business line (mil. JOD)	140.7	132.7	117.8	94.7	82.3
Return on equity	16.8	18.6	16.7	14.1	15.7

JOD—Jordanian dinar.

Capital and earnings: Moderate capitalization but higher profitability than peers

We assess capital and earnings as "moderate," which is a neutral rating factor for a bank with a 'bb' anchor. This largely reflects our anticipation that our projected RAC ratio before adjustments for JIB will remain at 5.0%-5.6% over the next 12-18 months, compared with 5.3% at year-end 2014. In our view, the quality of JIB's capital is high, since it is almost entirely made up of Tier 1 capital items.

Our projections are based on the following assumptions:

- A slight increase in the net profit margin over the next 18-24 months due to a slowdown in deposit collection and stable financing to the public sector, increasing JIB's profitability. If the opportunity arises, we believe JIB could invest in sukuk in 2016 instead of renewing some of the public sector lines, allowing it to maintain profitability but increasing the bank's liquidity position.
- A 5% growth in financings, in line with the system average.
- A 10% increase in investments for 2015 followed by 5% growth in 2016.
- Stable operating expenses to operating revenues at about 37%-38% over the next 18-24 months.
- Stabilization of cost of risk at roughly 100 bps through 2015 and 2016.
- A 40% dividend payout ratio, constraining the bank's capital build.

Our projections exclude any capital strengthening, since JIB had a high regulatory capital ratio of 19.8% on June 30, 2015—up from 18.8% at June 2014—under the requirements by the Central Bank of Jordan (CBJ) pertaining to Islamic

banks. JIB's regulatory capital ratios are much higher than our RAC ratio before adjustments, because our ratio takes full stock of the high economic risk related to the bank's Jordan-focused asset mix, and therefore the higher risk weights we apply across asset classes compared with the regulator.

JIB has displayed favorable profitability metrics compared with peers over the past five years, thanks to very profitable financing toward the public sector and a low cost base. JIB's operating expenses to operating income averages 38% for the period 2010-2014, against 48% for its peers. We believe JIB will maintain its earnings profile over the next 18-24 months, arbitraging whether to increase its financing toward public sector entities or investing in sukuk securities if the opportunity arises. We acknowledge that JIB's earnings volatility remains low when compared with peers, but believe that the bank's net profit margin is highly correlated to public sector financing as it is highly profitable and represents more than 20% of the financing base. Should these lines not be renewed in the future or be replaced by less profitable placements, we believe the bank's earnings would experience a decrease.

We estimate JIB's earnings buffer to be less than 1%, which indicates that the bank's earnings are not well positioned to cover normalized losses.

Table 3

Jordan Islamic Bank Capital And Earnings

	--Year-ended Dec. 31--				
(%)	2014	2013	2012	2011	2010
Tier 1 capital ratio	N/A	N/A	N/A	N/A	11.7
S&P RAC ratio before diversification	5.4	5.3	5.6	5.5	5.6
S&P RAC ratio after diversification	2.3	4.0	4.2	4.0	4.2
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net profit income/operating revenues	80.6	81.6	76.7	68.5	69.8
Fee income/operating revenues	10.8	9.7	11.2	12.8	15.2
Market-sensitive income/operating revenues	3.5	4.1	7.1	11.3	9.2
Operating expenses/operating revenues	37.0	37.6	37.4	39.6	38.1
Preprovision operating income/average assets	2.6	2.6	2.5	2.1	2.1
Core earnings/average managed assets	1.3	1.4	1.2	1.0	1.2

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

Table 4

Jordan Islamic Bank Risk-Adjusted Capital Framework Data

(Mil. JOD)	Exposure*	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Government and central banks	1,051	0	0	1,037	99
Institutions	104	0	0	47	45
Corporate	1,184	0	0	1,923	162
Retail	1,138	0	0	1,307	115
Of which mortgage	223	0	0	143	64
Securitization	0	0	0	0	0

Table 4

Jordan Islamic Bank Risk-Adjusted Capital Framework Data (cont.)					
Other assets	168	0	0	358	213
Total credit risk	3,644	0	0	4,671	128
Market risk					
Equity in the banking book¶	43	0	0	443	1,039
Trading book market risk	--	0	--	0	--
Total market risk	--	0	--	443	--
Insurance risk					
Total insurance risk	--	--	--	0	--
Operational risk					
Total operational risk	--	0	--	264	--
(Mil. JOD)	Basel II RWA		Standard & Poor's RWA		% of Standard & Poor's RWA
Diversification adjustments					
RWA before diversification	0		5,377		100
Total adjustments to RWA	--		7,352		137
RWA after diversification	0		12,730		237
(Mil. JOD)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)	
Capital ratio					
Capital ratio before adjustments	0	0.0	289	5.4	
Capital ratio after adjustments§	0	0.0	289	2.3	

*Exposure at default. Securitisation exposure includes the securitisation 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. JOD--Jordanian Dinar. Sources: Company data as of Dec. 31, 2014, Standard & Poor's.

Risk position: Moderate, reflecting sizable public sector exposure and still vulnerable asset quality

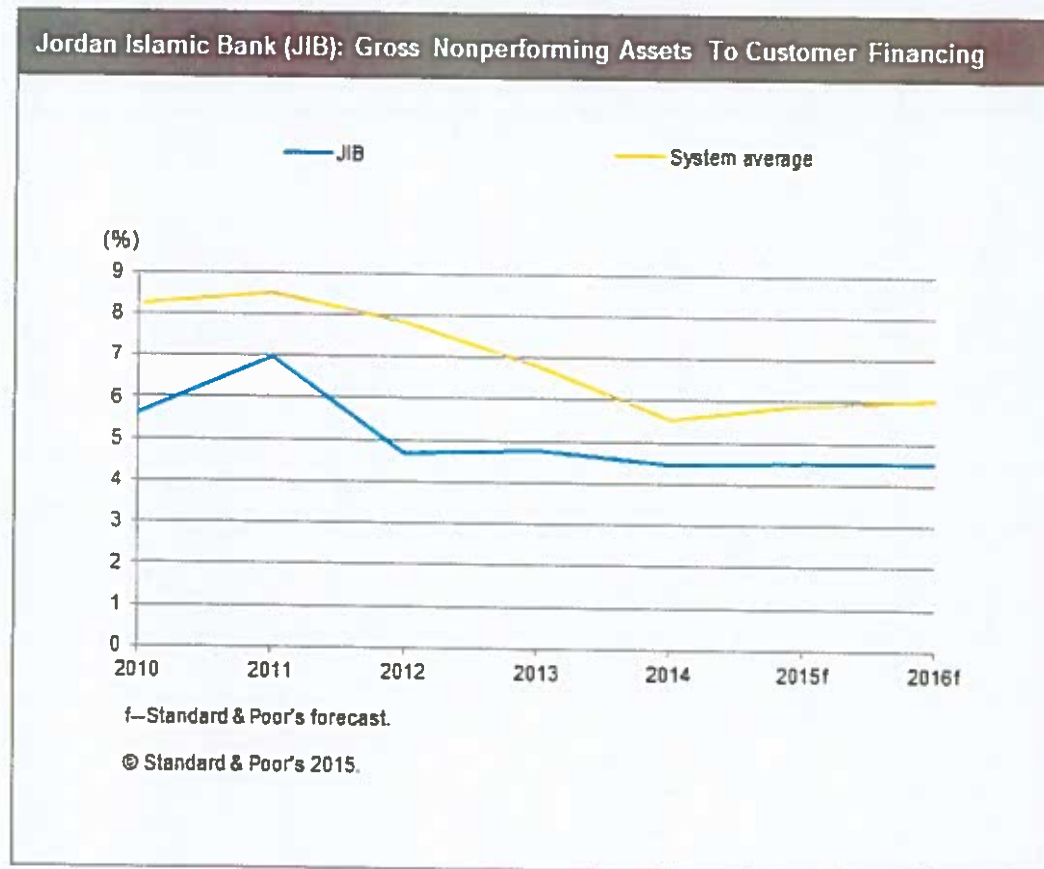
We consider the bank's risk position to be "moderate." The negative trajectory of Jordan's public sector finances weighs adversely on JIB's financial profile, notably because of the bank's materially increased and large exposure to public sector entities in Jordan. JIB's creditworthiness is more closely tied to the sovereign's creditworthiness than peer banks. The bank built up a sizable financing position toward such entities in 2012. We believe the exposure to public sector entities will continue representing around 1.9x-1.8x of total adjusted capital over the coming years, except if the bank manages to invest part of its public financing repayments in sukuk securities in 2016.

We cannot exclude higher concentration if the sovereign's external and fiscal balance position worsens further. This would trigger additional needs for financing from public sector entities, which the government is likely to raise at domestic banks, including JIB. We note, however, that this scenario seems less likely than a year ago, as foreign aid to the country has resumed.

We expect the adverse economic and political conditions to continue testing asset quality metrics in JIB's private

sector financing portfolio. We believe that JIB's cost of risk will be in line with 2014, and remain high at about 100 basis points of financing. The bank's ratio of nonperforming facilities (NPFs) to total financings has been decreasing since 2011, given the large financing extended to public sector entities, but we expect a slight pickup in NPFs over the coming three years as the geopolitical tension continues constraining trade with neighboring countries, weighing on corporates that are partly reliant on exports. We nevertheless believe that JIB will continue displaying better financing delinquency metrics than the system average, thanks to its granular business positioning that enables it to cherry pick customers.

Chart 1



Positively, thanks to JIB's sound profitability levels, coverage by provisions increased more than we expected and reached 84.5% on Dec. 31, 2014 (or in excess of 100% taking into account JIB's Investment Risk Fund, a special reserve fund that Islamic banks maintain). Although provisioning remains moderate, we expect JIB to continue its provisioning effort to maintain coverage levels slightly above the system level, where the ratio stood at 78% at year-end 2014.

The bank entered the current economic turbulence well-positioned. Its financing book to the private sector has historically shown good granularity; its business positioning enabled it to cherry pick customers; and it had a consistent record of better asset quality metrics than domestic peers. That said, we note single-name concentration is

increasing over time, as stressed operating conditions translate into a focus on existing good customers and lower new opportunities. The 20-largest performing on-balance-sheet financings, excluding public sector entities, stood at about 1x the bank's total adjusted capital at year-end 2014, which still compares well with peers on a global basis.

Table 5

Jordan Islamic Bank Risk Position

(%)	--Year-ended Dec. 31--				
	2014	2013	2012	2011	2010
Growth in customer financing	4.0	4.6	52.4	9.2	15.7
Total diversification adjustment / S&P RWA before diversification	136.7	32.0	33.7	38.6	33.2
Total managed assets/adjusted common equity (x)	12.3	13.0	13.0	14.0	13.0
New financing loss provisions/average customer financing	1.1	0.8	1.3	1.3	0.9
Gross nonperforming assets/customer financing + other real estate owned	4.5	4.8	4.7	7.0	5.7
Financing loss reserves/gross nonperforming assets	72.1	67.8	57.2	55.4	49.9

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

Funding and liquidity: Funding remains average, while liquidity has declined to adequate

We assess the bank's funding as "average" and its liquidity as "adequate." We note that JIB's funding ratios are currently slightly worse than the domestic system's average. This is due to JIB's decision to fund public sector entities to improve the overall revenue base and profitability metrics in 2012. Our base-case forecast does not include a further decline of the ratio of net financing to core customer deposits, as we believe financings toward public sector entities will be renewed and increase in line with overall financing and deposit growth. Also, like its domestic peers, JIB is wholly funded by customer deposits and has high granularity within its depositor base. Its leading market position enables it to ensure deposit growth is at least in line with that of its financing to the private sector. However, we believe that in order to increase its net profit margin, the bank will slow down its deposit collection, which should lead to stabilization of the bank's ratio of net financing to core customer deposits. Moreover, the bank's stable funding ratio at year-end 2014 amounted to 135%, which is above peer average, meaning that JIB's funding base has a very stable profile.

In 2012, JIB chose to take the higher-yielding opportunities opened-up by the government's public finance troubles by switching its excess liquidity parked at the central bank, rather than growing its deposit base. This decision boosted revenues at the expense of liquidity. JIB's cash held at the central bank decreased from 42% of assets at year-end 2012 to 22% on March 31, 2013, but has slightly picked up since then (29.4% on Dec. 31, 2014). As an Islamic bank, JIB's options to park excess liquidity are limited and reducing financing toward public entities could hamper the bank's profitability. As a result, we believe the bank's liquidity profile will remain unchanged in the next 18-24 months, except if the bank manages to invest part of the repayments in sukuk securities.

Chart 2

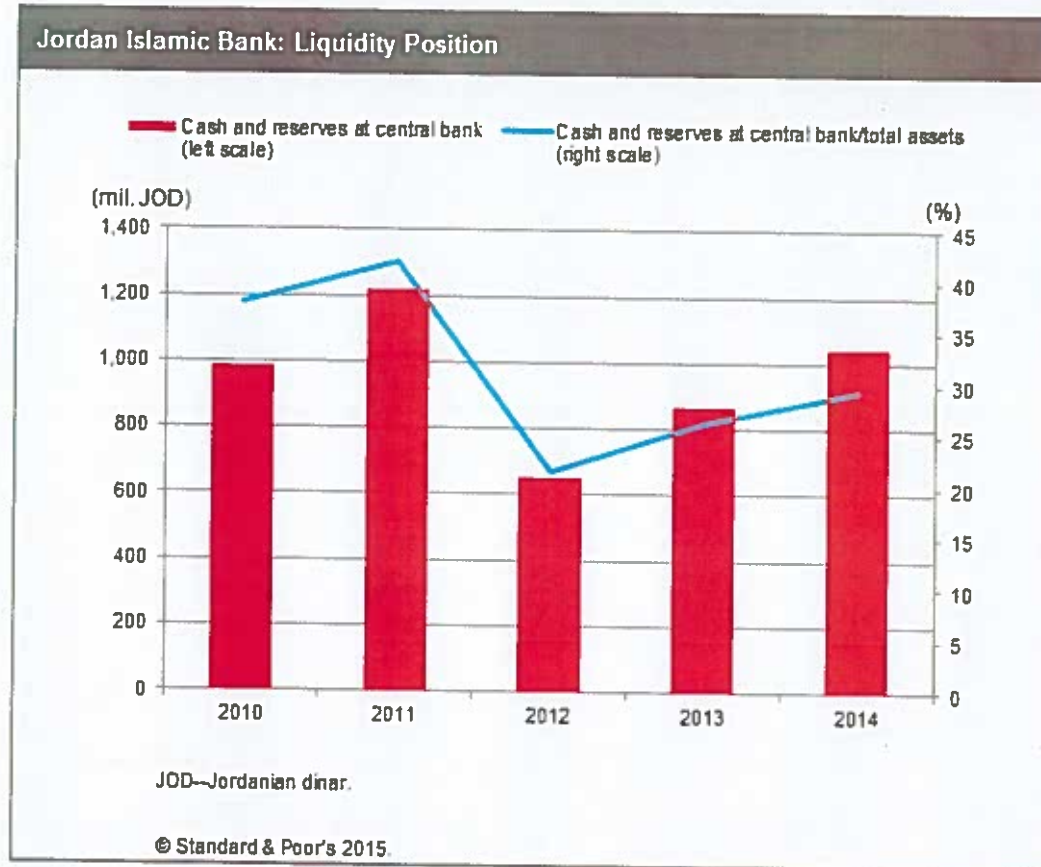


Table 6

Jordan Islamic Bank Funding And Liquidity

	--Year-ended Dec. 31--				
(%)	2014	2013	2012	2011	2010
Core deposits/funding base	99.9	99.6	99.5	99.3	98.1
Customer financing (net)/customer deposits	69.8	72.4	75.5	50.8	53.5
Long term funding ratio	99.9	99.6	99.6	99.3	98.3
Stable funding ratio	135.1	130.3	124.6	172.7	164.9
Short-term wholesale funding/funding base	0.1	0.4	0.5	0.7	1.9
Broad liquid assets/short-term wholesale funding (x)	235.9	63.9	51.4	64.5	24.5
Net broad liquid assets/short-term customer deposits	56.5	46.1	44.6	91.6	87.3
Short-term wholesale funding/total wholesale funding	100.0	100.0	100.0	100.0	100.0
Narrow liquid assets/3-month wholesale funding (x)	N/A	63.7	51.4	64.5	24.5

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

External support: No uplift to the SACP

Our assessment of the likelihood of extraordinary government or parent support currently has no impact on the ratings on the bank. This is because the bank's SACP is at the same level as the sovereign ratings and the long-term rating on

JIB is capped by the sovereign long-term rating. We consider JIB to be of "high" systemic importance in Jordan, whose support to its banking system we classify as "uncertain." With regards to its parent, JIB accounted for 21.4% of ABG's consolidated assets as of Dec. 31, 2014—down from 27.1% at year-end 2006—and we consider it to be "moderately strategic" to its parent group. While we acknowledge ABG's strong commitment toward its subsidiary, we have no clear evidence that ABG will support JIB in all scenarios.

Additional rating factors: None

No additional factors affect this rating.

Related Criteria And Research

Related Criteria

- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Group Rating Methodology, Nov. 19, 2013
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Banking Industry Country Risk Assessment: Jordan, Sept. 21, 2015

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 October 27, 2015)

Jordan Islamic Bank

Counterparty Credit Rating

BB-/Stable/B

Counterparty Credit Ratings History

13-Nov-2014

BB-/Stable/B

Ratings Detail (As Of October 27, 2015) (cont.)

28-May-2013	BB-/Negative/B
10-Feb-2011	BB/Negative/B
Sovereign Rating	
Jordan (Hashemite Kingdom of)	BB-/Stable/B
Related Entities	
Al Baraka Banking Group B.S.C.	
Issuer Credit Rating	BB+/Stable/B
Albaraka Turk Katilim Bankasi AS	
Issuer Credit Rating	BB/Negative/B
<i>Turkey National Scale</i>	trAA-/–/trA-1
Senior Unsecured	BB
Subordinated	B

*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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