

Moody's

Rating Symbols & Definitions



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Moody's Investors Service

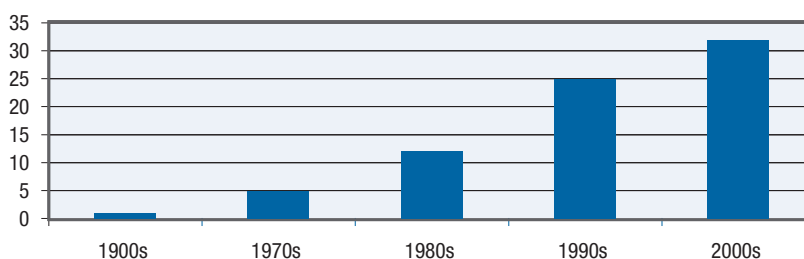
Preface

In the spirit of promoting transparency and clarity, Moody's Standing Committee on Rating Systems & Practices offers this updated reference guide which defines Moody's various symbols and rating scales.

Since John Moody devised the first bond ratings almost a century ago, Moody's rating systems have evolved in response to the increasing depth and breadth of the global capital markets. Much of the innovation in Moody's rating system is a response to market needs for clarity around the components of credit risk or to demands for finer distinctions in rating classifications.

From the original 1909 bond rating definitions, Moody's ratings have expanded to the extent that today we maintain 32 systems, with the number growing every year.¹

Rating Systems Outstanding by Decade



In its simplest terms, Moody's assigns and publishes two kinds of ratings:

1) Credit ratings and other credit signals

Moody's credit ratings are opinions of the credit quality of individual obligations or of an issuer's general creditworthiness (without respect to individual debt obligations or other specific securities). Examples include our long-term obligation ratings, syndicated loan ratings, bank deposit ratings, national scale ratings and insurance financial strength ratings. Moody's also provides auxiliary signals about credit risk through the use of Rating Outlooks and Watchlist designations (review for rating change).

1. By counting National Scale Ratings for each country as a separate system, the total exceeds 40.

2) Non-credit ratings

Moody's has implemented special rating systems to address other aspects of risk, including market risk ratings, investment manager quality ratings, servicer quality ratings, and Lloyd's syndicate volatility ratings.

Unless otherwise indicated within the definition, all rating systems are monitored, that is, surveillance is ongoing. Ratings may also be withdrawn for various reasons. Please refer to *Moody's Guidelines for the Withdrawal of Ratings*, available on moodys.com, for a list of such circumstances.

The Standing Committee on Rating Systems & Practices, one of several at Moody's that focuses on credit policy issues, is comprised of structured finance, corporate finance, public finance, financial institutions and sovereign credit analysts. The names, direct telephone numbers and e-mail addresses of the members of the Standing Committee are listed below. I invite you to contact us with your comments.

Benedicte Pfister

Chair, Standing Committee on Rating Systems & Practices

Moody's Standing Committee on Rating Systems & Practices

Benedicte Pfister - Chair+4420-7772-8629
Team Managing Director, Structured Finance Group
benedicte.pfister@moodys.com

Jack Dorer.....+1-212-553-1332
Team Managing Director, Financial Institutions Group
jack.dorer@moodys.com

Matthew Jones.....+1-415-274-1735
Senior Vice President, U.S. Public Finance
matthew.jones@moodys.com

Marie Menendez.....+1-212-553-4126
Senior Vice President
marie.menendez@moodys.com

Bart Oosterveld+1-212-553-7914
Senior Vice President, Project Finance Group
bart.oosterveld@moodys.com

David Rosa+4420-7772-5341
Senior Vice President, Structured Finance Group
david.rosa@moodys.com

Brenda Piskin.....+1-212-553-4947
Assistant Vice President, Office of the Chief Information Officer
brenda.piskin@moodys.com

Russell Solomon.....+1-212-553-4301
Senior Vice President, Corporate Finance Group
russell.solomon@moodys.com

Celina Vansetti-Hutchins+1-212-553-4845
Senior Vice President, Financial Institutions Group
celina.vansetti-hutchins@moodys.com

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Introduction

The modern bond rating industry traces its roots to the 1909 publication of *Moody's Analyses of Railroad Investments*. The “Key to the Bond Ratings,” found at the beginning of each annual volume, provided definitions for the various rating categories. It was clear that John Moody’s initial emphasis was on the investment quality or performance of securities. For example, the earliest definition for the **Aaa** rating category states:

Aaa The bonds and stocks which are given this rating are regarded as of the highest class, both as regards security and general convertibility. Practically all such issues are dependent for their prices on the current rates for money, rather than the fluctuations in earning power. In other words, their position is such that their value is not affected, or likely to be affected (except in the cases of stocks not limited as to dividends), by any normal changes in the earning capacity of the railroad itself, either for better or worse.

Any change in value for such highly rated securities was thus anticipated to result from changes in the level of interest rates, rather than from changes in the issuer’s credit quality or circumstances. Moody was in effect addressing the stability of the security’s credit spread.

Separate Meaning for Certain Sectors

Moody’s maintains two separate bond rating systems, or scales. One mapping — Moody’s Global Scale — applies to ratings assigned to nonfinancial and financial institutions, sovereigns and subsovereign issuers outside the United States, and structured finance obligations.² The Global Scale is a mapping between rating categories and relative expected loss rates across multiple horizons. Expected loss comprises an assessment of probability of default as well as expectation of loss in the event of default. It is Moody’s intention that the expected loss rate associated with a given rating symbol and time horizon be the same across obligations and issuers rated on the Global Scale. Moody’s rating methodologies, rating practices and performance monitoring systems are each designed to ensure a consistency of meaning.

2. Moody’s structured finance ratings are engineered to replicate the expected loss content of Moody’s Global Scale. The trade-off between probability of default and severity of loss given default may vary within the structured finance sector depending on asset type.

A separate rating system – Moody's US Municipal Scale – encompasses ratings assigned to state and local governments, non-profit organizations and related entities that issue debt in the U.S. tax-exempt bond market. Historical default and loss rates for obligations rated on the US Municipal Scale are significantly lower than for similarly rated corporate obligations. Municipal investors are generally risk averse and in the case of individuals, often dependent on debt service payments for income. As a result, the US Municipal Scale evolved to meet investor needs for identifying the most secure municipal investments among obligations with similar credit profiles. It is important that users of Moody's ratings understand these differences in default and loss rates when making rating comparisons between the Municipal and Global Scales.

Moreover, to meet the needs of investors in certain local jurisdictions, Moody's will assign National Scale Ratings, which are opinions of the relative creditworthiness of issuers and issues within a particular country and are not suitable for global comparisons.

Scope of Rating Definitions

The definitions in this handbook are not intended to provide a detailed view of how ratings are determined. Instead, Moody's publishes rating methodologies for each industry sector and these are designed to illustrate the factors underpinning Moody's rating opinions. We encourage readers to consult the relevant rating methodology in order to better understand how individual ratings are derived.

General Credit Ratings

Long-Term Corporate Obligation Ratings

Moody's long-term obligation ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings use Moody's Global Scale and reflect both the likelihood of default and any financial loss suffered in the event of default.

- Aaa** Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
- Aa** Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
- A** Obligations rated A are considered upper-medium grade and are subject to low credit risk.
- Baa** Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
- Ba** Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
- B** Obligations rated B are considered speculative and are subject to high credit risk.
- Caa** Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
- Ca** Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C** Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Medium-Term Note Ratings

Moody's assigns long-term ratings to individual debt securities issued from medium-term note (MTN) programs, in addition to indicating ratings to MTN programs themselves. These long-term ratings are expressed on Moody's general long-term scale. Notes issued under MTN programs with such indicated ratings are rated at issuance at the rating applicable to all *pari passu* notes issued under the same program, at the program's relevant indicated rating, provided such notes do not exhibit any of the characteristics listed below:

- Notes containing features that link interest or principal to the credit performance of any third party or parties (i.e., credit-linked notes);
- Notes allowing for negative coupons, or negative principal;
- Notes containing any provision that could obligate the investor to make any additional payments;
- Notes containing provisions that subordinate the claim.

For notes with any of these characteristics, the rating of the individual note may differ from the indicated rating of the program.

For credit-linked securities, Moody's policy is to "look through" to the credit risk of the underlying obligor. Moody's policy with respect to non-credit linked obligations is to rate the issuer's ability to meet the contract as stated, regardless of potential losses to investors as a result of non-credit developments. In other words, as long as the obligation has debt standing in the event of bankruptcy, we will assign the appropriate debt class level rating to the instrument.

Market participants must determine whether any particular note is rated, and if so, at what rating level. Moody's encourages market participants to contact Moody's Ratings Desks or visit www.moodys.com directly if they have questions regarding ratings for specific notes issued under a medium-term note program. Unrated notes issued under an MTN program may be assigned an NR (not rated) symbol.

Short-Term Ratings

Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

- P-1** Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

- P-2** Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

- P-3** Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

- NP** Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Note: Canadian issuers rated P-1 or P-2 have their short-term ratings enhanced by the senior-most long-term rating of the issuer, its guarantor or support-provider.

Short-Term vs. Long-Term Ratings

	Long-Term		Short-Term
Investment-Grade	Aaa	}	Prime-1
	Aa1		
	Aa2 Aa3		
	A1	}	Prime-2
	A2		
	A3		
	Baa1	}	Prime-3
	Baa2		
	Baa3		
Speculative-Grade	Ba1	}	Not Prime
	Ba2		
	Ba3		
	B1		
	B2		
	B3		
	Caa1		
	Caa2 Caa3		
Ca			
C			

Issuer Ratings

Issuer Ratings are opinions of the ability of entities to honor senior unsecured financial obligations and contracts. Moody's expresses Issuer Ratings on its general long-term and short-term scales.

Sector Specific

Structured Finance

Structured Finance Long-Term Ratings

Moody's ratings on long-term structured finance obligations primarily address the expected credit loss an investor might incur on or before the legal final maturity of such obligations vis-à-vis a defined promise. As such, these ratings incorporate Moody's assessment of the default probability and loss severity of the obligations. They are calibrated to Moody's Global Scale. Such obligations generally have an original maturity of one year or more, unless explicitly noted. Moody's credit ratings address only the credit risks associated with the obligations; other non-credit risks have not been addressed, but may have a significant effect on the yield to investors.

- Aaa** Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
- Aa** Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
- A** Obligations rated A are considered upper-medium grade and are subject to low credit risk.
- Baa** Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
- Ba** Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
- B** Obligations rated B are considered speculative and are subject to high credit risk.
- Caa** Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
- Ca** Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C** Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Structured Finance Issuer Ratings

Structured Finance Issuer Ratings are opinions of an entity's general financial capacity to ultimately honor its contracts and financial obligations. The opinions are founded upon an expected loss-based assessment of the credit quality of the entity's assets and also incorporate Moody's opinion of the quality of its management and its investment process and strategy. Moody's ratings symbols for Structured Finance Issuer Ratings are identical to those used to indicate the credit quality of long-term obligations. The credit quality of entities that leverage their structured finance asset portfolios is more accurately expressed via a Counterparty Rating for derivatives product companies.

Credit Default Swaps Ratings

Moody's Credit Default Swaps Ratings — expressed on the long-term scale — measure the risk posed to a credit protection provider on an expected loss basis arising from the possibility that the credit protection provider will be required to make payments in respect of credit events under the terms of the transaction. The ratings also address the potential for any unpaid premiums due to the credit protection provider, up until an early termination date, if any. The ratings do not address potential losses resulting from an early termination of the transaction, nor any market risk associated with the transaction.

Counterparty Ratings: Derivatives Product Companies

Issuer ratings assigned to derivative product companies and clearinghouses are opinions of the financial capacity of an obligor to honor its senior obligations under financial contracts, given appropriate documentation and authorizations. Moody's employs the general long-term scale for Counterparty Ratings.

Counterparty Instrument Ratings: Special Purpose Vehicles

Counterparty Instrument Ratings measure the risk posed to a counterparty on an expected loss basis arising from a special purpose vehicle's (SPV's) inability to honor its obligations under the referenced financial contract. The ratings do not address potential losses in relation to any market risk associated with the transaction. Moody's employs the general long-term scale for Counterparty Instrument Ratings.

US Municipal Ratings

Moody's US Municipal ratings are opinions of the investment quality of issuers and issues in the US municipal market. As such, these ratings incorporate Moody's assessment of the default probability and loss severity of these issuers and issues. The default and loss content for Moody's municipal long-term rating scale differs from Moody's general long-term rating scale. Historical default and loss rates for obligations rated on the US Municipal Scale are significantly lower than for similarly rated corporate obligations. It is important that users of Moody's ratings understand these differences when making rating comparisons between the Municipal and Global Scales.

US Municipal Long-Term Debt Ratings

Municipal Ratings are based upon the analysis of five primary factors related to municipal finance: market position, financial position, debt levels, governance, and covenants. Each of the factors is evaluated individually and for its effect on the other factors in the context of the municipality's ability to repay its debt.

Aaa Issuers or issues rated Aaa demonstrate the strongest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Aa Issuers or issues rated Aa demonstrate very strong creditworthiness relative to other US municipal or tax-exempt issuers or issues.

A Issuers or issues rated A present above-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Baa Issuers or issues rated Baa represent average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Ba Issuers or issues rated Ba demonstrate below-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

B Issuers or issues rated B demonstrate weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Caa Issuers or issues rated Caa demonstrate very weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Ca Issuers or issues rated Ca demonstrate extremely weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

C Issuers or issues rated C demonstrate the weakest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating category from Aa through Caa. The modifier 1 indicates that the issuer or obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

US Municipal Short-Term Debt and Demand Obligation Ratings

Short-Term Obligation Ratings

There are three rating categories for short-term municipal obligations that are considered investment grade. These ratings are designated as Municipal Investment Grade (MIG) and are divided into three levels — MIG 1 through MIG 3. In addition, those short-term obligations that are of speculative quality are designated SG, or speculative grade. MIG ratings expire at the maturity of the obligation.

- MIG 1** This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

- MIG 2** This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

- MIG 3** This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

- SG** This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

Demand Obligation Ratings

In the case of variable rate demand obligations (VRDOs), a two-component rating is assigned; a long or short-term debt rating and a demand obligation rating. The first element represents Moody's evaluation of the degree of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of the degree of risk associated with the ability to receive purchase price upon demand ("demand feature"), using a variation of the MIG rating scale, the Variable Municipal Investment Grade or VMIG rating.

When either the long- or short-term aspect of a VRDO is not rated, that piece is designated NR, e.g., Aaa/NR or NR/VMIG 1.

VMIG rating expirations are a function of each issue's specific structural or credit features.

VMIG 1 This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG 2 This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG 3 This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

SG This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

Corporate Family Ratings

Moody's Corporate Family Ratings are opinions of a corporate family's ability to honor all of its financial obligations and is assigned to a corporate family as if it had:

- a single class of debt;
- a single consolidated legal entity structure.

When assigning a rating to corporate, nonfinancial obligors, a Corporate Family Rating is generally employed for speculative grade issuers. For these nonfinancial obligors, the Corporate Family Rating normally applies to all affiliates under the management control of the entity to which it is assigned.

When rating financial institutions, Moody's generally assigns Corporate Family Ratings to a financial institution association or group, where the group may not exercise full management control, but where strong intragroup support and cohesion among individual group members may warrant a rating for the group or association. Debt and deposit ratings of the individual group members may deviate from the Corporate Family Rating.

A Corporate Family Rating does not reference an obligation or class of debt and thus does not reflect priority of claim. Moody's employs the general long-term scale for Corporate Family Ratings.

Probability of Default Ratings

A probability of default rating (PDR) is a corporate family-level opinion of the relative likelihood that any entity within a corporate family will default on one or more of its debt obligations.

- For families not in default, PDRs are expressed using Moody's long-term rating scale.
- For families in default on all of their debt obligations (such as might be the case in bankruptcy), a PDR of **D** is assigned.
- For families in default on a limited set of their debt obligations, PDRs reflect the risk of an additional default within the family and are expressed using Moody's long-term rating scale appended by the symbol **/LD**, for example, **Caa1/LD**.

A **D** or **LD** rating is not assigned until a failure to pay interest or principal extends beyond any grace period specified by the terms of the debt obligation.

A **D** or **LD** rating is not assigned for distressed exchanges until they have been completed, as opposed to simply announced.

Loss Given Default Assessments

Moody's Loss Given Default (LGD) assessments are opinions about expected loss given default on fixed income obligations expressed as a percent of principal and accrued interest at the resolution of the default.³ LGD assessments are assigned to individual loan, bond, and preferred stock issues. The firm-wide or enterprise expected LGD rate is a weighted average of the expected LGD rates on all constituent liabilities (excluding preferred stock), where the weights equal each obligation's expected share of the total liabilities at default.

The following scale is used in the assignment of LGD assessments:

Assessments	Loss range
LGD1	≥ 0% and < 10%
LGD2	≥ 10% and < 30%
LGD3	≥ 30% and < 50%
LGD4	≥ 50% and < 70%
LGD5	≥ 70% and < 90%
LGD6	≥ 90% and ≤ 100%

3. Expected LGD is the difference between value received at default resolution (either through bankruptcy resolution, distressed exchange, or outright cure) and principal outstanding and accrued interest due at resolution. An LGD assessment (or rate) is the expected LGD divided by the expected amount of principal and interest due at resolution. Equivalently, the LGD assessment is expected LGD discounted by the coupon rate back to the date the last coupon payment was made.

Covenant Quality Assessments

Moody's covenant quality assessments measure the investor protections provided by key bond covenants within an indenture. The assessments are unmonitored, point-in-time scores, but may be updated as circumstances dictate. Key covenants assessed include provisions for restricted payments, change of control, limitations on debt incurrence, negative pledges, and merger restrictions, among others.

Speculative Grade Liquidity Ratings

Moody's Speculative Grade Liquidity Ratings are opinions of an issuer's relative ability to generate cash from internal resources and the availability of external sources of committed financing, in relation to its cash obligations over the coming 12 months. Speculative Grade Liquidity Ratings will consider the likelihood that committed sources of financing will remain available. Other forms of liquidity support will be evaluated and consideration will be given to the likelihood that these sources will be available during the coming 12 months. Speculative Grade Liquidity Ratings are assigned to speculative grade issuers that are by definition Not Prime issuers.

SGL-1 Issuers rated SGL-1 possess very good liquidity. They are most likely to have the capacity to meet their obligations over the coming 12 months through internal resources without relying on external sources of committed financing.

SGL-2 Issuers rated SGL-2 possess good liquidity. They are likely to meet their obligations over the coming 12 months through internal resources but may rely on external sources of committed financing. The issuer's ability to access committed sources of financing is highly likely based on Moody's evaluation of near-term covenant compliance.

SGL-3 Issuers rated SGL-3 possess adequate liquidity. They are expected to rely on external sources of committed financing. Based on its evaluation of near-term covenant compliance, Moody's believes there is only a modest cushion, and the issuer may require covenant relief in order to maintain orderly access to funding lines.

SGL-4 Issuers rated SGL-4 possess weak liquidity. They rely on external sources of financing and the availability of that financing is, in Moody's opinion, highly uncertain.

Bank Deposit Ratings

Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations. Foreign currency deposit ratings are subject to Moody's country ceilings for foreign currency deposits. This may result in the assignment of a different (and typically lower) rating for the foreign currency deposits relative to the bank's rating for domestic currency deposits.

Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk that are relevant to the prospective payment performance of the rated bank with respect to its foreign and/or domestic currency deposit obligations. Included are factors such as intrinsic financial strength, sovereign transfer risk (for foreign currency deposits), and both implicit and explicit external support elements.

Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes that make payments to depositors, but they do recognize the potential support from schemes that may provide direct assistance to banks.

In addition to its Bank Deposit Ratings, Moody's also publishes Bank Financial Strength Ratings, which exclude certain of these external risk and support elements (i.e., sovereign risk and external support). Such ratings are intended to elaborate and explain Moody's Bank Deposit Ratings, which incorporate and reflect such elements of credit risk.

Moody's employs the general long-term and short-term rating scales for bank deposits.

US Bank Other Senior Obligation Ratings

Deposit notes and bank notes are bank obligations that are structured to be sold and traded as securities similar to corporate bonds or medium-term notes. As bank obligations, such instruments are exempt from SEC registration (if issued by a US bank or by the US branch of a foreign bank). Deposit notes have the legal status of deposits and will rank *pari passu* in liquidation with certificates of deposit and other domestic deposit obligations. Bank notes, although nominally senior, are not deposit obligations. US law provides that foreign deposits and senior unsecured obligations, including bank notes, will rank behind domestic deposit obligations of US banks in the event of liquidation.

Moody's employs the general long-term and short-term scales for Other Senior Obligations (OSOs). OSO ratings may be assigned to foreign deposits of US banks and International Banking Facility deposits, as well as to other senior non-depository obligations, including bank notes, letter-of-credit supported obligations, federal funds and financial contracts. A rating distinction between domestic deposits and OSOs will be reflected in those cases where there is a material susceptibility for impairment at a future time. Bank subordinated notes will rank behind both domestic deposits and OSOs in a failed bank liquidation.

Bank Financial Strength Ratings

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. In addition to commercial banks, Moody's BFSRs may also be assigned to other types of financial institutions such as multilateral development banks, government-sponsored financial institutions and national development financial institutions.

Unlike Moody's Bank Deposit Ratings, Bank Financial Strength Ratings do not address the probability of timely payment. Instead, Bank Financial Strength Ratings are a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group, or official institutions.

Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations.

Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Bank Financial Strength Rating Definitions

- A** Banks rated A possess superior intrinsic financial strength. Typically, they will be institutions with highly valuable and defensible business franchises, strong financial fundamentals, and a very predictable and stable operating environment.
- B** Banks rated B possess strong intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises, good financial fundamentals, and a predictable and stable operating environment.
- C** Banks rated C possess adequate intrinsic financial strength. Typically, they will be institutions with more limited but still valuable business franchises. These banks will display either acceptable financial fundamentals within a predictable and stable operating environment, or good financial fundamentals within a less predictable and stable operating environment.
- D** Banks rated D display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.
- E** Banks rated E display very modest intrinsic financial strength, with a higher likelihood of periodic outside support or an eventual need for outside assistance. Such institutions may be limited by one or more of the following factors: a weak and limited business franchise; financial fundamentals that are materially deficient in one or more respects; or a highly unpredictable or unstable operating environment.

Note: Where appropriate, a "+" modifier will be appended to ratings below the "A" category and a "-" modifier will be appended to ratings above the "E" category to distinguish those banks that fall in the higher and lower ends, respectively, of the generic rating category.

Insurance Financial Strength Ratings

Moody's Insurance Financial Strength Ratings are opinions of the ability of insurance companies to repay punctually senior policyholder claims and obligations. Specific obligations are considered unrated unless they are individually rated because the standing of a particular insurance obligation would depend on an assessment of its relative standing under those laws governing both the obligation and the insurance company.

Insurance Financial Strength Ratings, shown in connection with property/casualty groups, represent the ratings of individual companies within those groups, as displayed in Moody's insurance industry ratings list. The rating of an individual property/casualty company may be based on the benefit of its participation in an intercompany pooling agreement. Pooling agreements may or may not provide for continuation of in-force policyholder obligations by pool members in the event that the property/casualty insurer is sold to a third party or otherwise removed from the pooling agreement.

Moody's assumes in these ratings that the pooling agreement will not be modified by the members of the pool to reduce the benefits of pool participation, and that the insurer will remain in the pool. Moody's makes no representation or warranty that such pooling agreement will not be modified over time, nor does Moody's opine on the probability that the rated entity may be sold or otherwise removed from the pooling agreement.

Long-Term Insurance Financial Strength Ratings

Moody's rating symbols for Insurance Financial Strength Ratings are identical to those used to indicate the credit quality of long-term obligations. These rating gradations provide investors with a system for measuring an insurance company's ability to meet its senior policyholder claims and obligations.

Aaa Insurance companies rated Aaa offer exceptional financial security. While the credit profile of these companies is likely to change, such changes as can be visualized are most unlikely to impair their fundamentally strong position.

Aa Insurance companies rated Aa offer excellent financial security. Together with the Aaa group, they constitute what are generally known as high-grade companies. They are rated lower than Aaa companies because long-term risks appear somewhat larger.

A Insurance companies rated A offer good financial security. However, elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa Insurance companies rated Baa offer adequate financial security. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time.

Ba Insurance companies rated Ba offer questionable financial security. Often the ability of these companies to meet policyholder obligations may be very moderate and thereby not well safeguarded in the future.

B Insurance companies rated B offer poor financial security. Assurance of punctual payment of policyholder obligations over any long period of time is small.

Caa Insurance companies rated Caa offer very poor financial security. They may be in default on their policyholder obligations or there may be present elements of danger with respect to punctual payment of policyholder obligations and claims.

Ca Insurance companies rated Ca offer extremely poor financial security. Such companies are often in default on their policyholder obligations or have other marked shortcomings.

C Insurance companies rated C are the lowest-rated class of insurance company and can be regarded as having extremely poor prospects of ever offering financial security.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. Numeric modifiers are used to refer to the ranking within a group - with 1 being the highest and 3 being the lowest. However, the financial strength of companies within a generic rating symbol (Aa, for example) is broadly the same.

Short-Term Insurance Financial Strength Ratings

Short-Term Insurance Financial Strength Ratings are opinions of the ability of the insurance company to repay punctually its short-term senior policyholder claims and obligations. The ratings apply to senior policyholder obligations that mature or are payable within one year or less.

Specific obligations are considered unrated unless individually rated because the standing of a particular insurance obligation would depend on an assessment of its relative standing under those laws governing both the obligation and the insurance company.

- P-1** Insurers (or supporting institutions) rated Prime-1 have a superior ability for repayment of senior short-term policyholder claims and obligations.

- P-2** Insurers (or supporting institutions) rated Prime-2 have a strong ability for repayment of senior short-term policyholder claims and obligations.

- P-3** Insurers (or supporting institutions) rated Prime-3 have an acceptable ability for repayment of senior short-term policyholder claims and obligations.

- NP** Insurers (or supporting institutions) rated Not Prime (NP) do not fall within any of the Prime rating categories.

When ratings are supported by the credit of another entity or entities, then the name or names of such supporting entity or entities are listed within parenthesis beneath the name of the insurer, or there is a footnote referring to the name or names of the supporting entity or entities.

In assigning ratings to such insurers, Moody's evaluates the financial strength of the affiliated insurance companies, commercial banks, corporations, foreign governments, or other entities, but only as one factor in the total rating assessment. Moody's makes no representation and gives no opinion on the legal validity or enforceability of any support arrangement.

Money Market and Bond Fund Ratings

Moody's Money Market and Bond Fund Ratings are opinions of the investment quality of shares in mutual funds and similar investment vehicles which principally invest in short-term and long-term fixed income obligations, respectively. As such, these ratings incorporate Moody's assessment of a fund's published investment objectives and policies, the creditworthiness of the assets held by the fund, as well as the management characteristics of the fund. The ratings are not intended to consider the prospective performance of a fund with respect to appreciation, volatility of net asset value, or yield.

- Aaa** Money Market Funds and Bond Funds rated Aaa are judged to be of an investment quality similar to Aaa-rated fixed income obligations - that is, they are judged to be of the best quality.
-
- Aa** Money Market Funds and Bond Funds rated Aa are judged to be of an investment quality similar to Aa-rated fixed income obligations - that is, they are judged to be of high quality by all standards.
-
- A** Money Market Funds and Bond Funds rated A are judged to be of an investment quality similar to A-rated fixed income obligations - that is, they are judged to possess many favorable investment attributes and are considered as upper-medium-grade investment vehicles.
-
- Baa** Money Market Funds and Bond Funds rated Baa are judged to be of an investment quality similar to Baa-rated fixed income obligations - that is, they are considered as medium-grade investment vehicles.
-
- Ba** Money Market Funds and Bond Funds rated Ba are judged to be of an investment quality similar to Ba-rated fixed income obligations - that is, they are judged to have speculative elements.
-
- B** Money Market Funds and Bond Funds rated B are judged to be of an investment quality similar to B-rated fixed income obligations - that is, they generally lack characteristics of a desirable investment.
-
- Caa** Money Market Funds and Bond Funds rated Caa are judged to be of an investment quality similar to Caa-rated fixed income obligations - that is, they are of poor standing.
-
- Ca** Money Market Funds and Bond Funds rated Ca are judged to be of an investment quality similar to Ca-rated fixed income obligations - that is, they represent obligations that are speculative in a high degree.
-
- C** Money Market Funds and Bond Funds rated C are judged to be of an investment quality similar to C-rated fixed income obligations - that is, they are the lowest-rated class of bonds.

Note: Numerical modifiers 1, 2 and 3 may be appended to each rating classification from Aa to Caa. The modifier 1 indicates that the fund or similar investment vehicle ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the fund or similar investment vehicle ranks in the lower end of its letter rating category.

National Scale Ratings

Moody's assigns national scale ratings in certain local capital markets in which investors have found the global rating scale provides inadequate differentiation among credits or is inconsistent with a rating scale already in common use in the country.

Moody's currently maintains national scale ratings for the following countries:

- Argentina (.ar)
- Bolivia (.bo)
- Brazil (.br)
- Chile (.cl)
- Czech Republic (.cz)
- Mexico (.mx)
- Russia (.ru)
- Slovakia (.sk)
- South Africa (.za)
- Taiwan (.tw)
- Tunisia (.tn)
- Turkey (.tr)
- Ukraine (.ua)
- Uruguay (.uy)

Relative Rankings

Moody's National Scale Ratings are opinions of the relative creditworthiness of issuers and issues within a particular country. While loss expectation will be an important differentiating factor in the ultimate rating assignment, it should be noted that loss expectation associated with National Scale Ratings can be expected to be significantly higher than apparently similar rating levels on Moody's global scale.

Moody's National Scale Ratings rank issuers and issues in order of relative creditworthiness: higher ratings are associated with lower expected credit loss.

Not Globally Comparable

National Scale Ratings can be understood as a relative ranking of creditworthiness (including relevant external support) within a particular country. National Scale Ratings are not designed to be compared among countries; rather, they address relative credit risk within a given country. Use of National Scale Ratings by investors is only appropriate within that portion of a portfolio that is exposed to a given country's local market, taking into consideration the various risks implied by that country's foreign and local currency ratings.

Rating Criteria

National Scale Ratings take into account the intrinsic financial strength of the obligor, including such traditional credit factors as management quality, market position and diversity, financial flexibility, transparency, the regulatory environment, and the issuer's ability to meet its financial obligations through the course of normal local business cycles. Issuer segments subject to an abrupt decline in creditworthiness will generally be rated lower than segments less exposed. Certain external support factors may be taken into consideration, including instrument-specific guarantees and indentures, and parent company or government support (if any).

Treatment of Sovereign Risk

National Scale Ratings take into account all credit risks that bear on timely and full payment of a debt obligation, including sovereign related risks such as relative vulnerability to political developments, national monetary and fiscal policies, and, in rare cases, foreign currency convertibility and transfer risk.

Certain extreme events, such as a local currency payment system disruption, are largely extraneous to the analysis (at least as a differentiating factor) since all issuers would probably be equally affected by such a failure. In other extreme cases, such as a government rescheduling or moratorium on local or foreign currency debt obligations, issuers or issues with higher ratings should be relatively more insulated from such an event; nonetheless, in such a situation, even the highest-rated entities may be at risk of temporary default.

For this reason, the traditional concept of "investment grade" that is applied in the international markets cannot necessarily be applied even to the highest national ratings. Although national governments are often in a position to receive the highest national credit ratings, it cannot, in Moody's view, be taken for granted that a country's national government is necessarily the best credit on a domestic scale, since it is possible for a government to default on its local currency obligations while other issuers continue to perform.

National Scale Long-Term Ratings

The rating definitions are as follows, with an “n” modifier signifying the relevant country, for example, Aaa.br for Brazil, or Aaa.tw for Taiwan. Each national scale rating category (e.g. Aaa.n, Aa1.n, etc.) may represent a wide range of creditworthiness and may map to several different notches on Moody’s standard global rating scale.

Aaa.n Issuers or issues rated Aaa.n demonstrate the strongest creditworthiness relative to other domestic issuers.

Aa.n Issuers or issues rated Aa.n demonstrate very strong creditworthiness relative to other domestic issuers.

A.n Issuers or issues rated A.n present above-average creditworthiness relative to other domestic issuers.

Baa.n Issuers or issues rated Baa.n represent average creditworthiness relative to other domestic issuers.

Ba.n Issuers or issues rated Ba.n demonstrate below-average creditworthiness relative to other domestic issuers.

B.n Issuers or issues rated B.n demonstrate weak creditworthiness relative to other domestic issuers.

Caa.n Issuers or issues rated Caa.n are speculative and demonstrate very weak creditworthiness relative to other domestic issuers.

Ca.n Issuers or issues rated Ca.n are highly speculative and demonstrate extremely weak creditworthiness relative to other domestic issuers.

C.n Issuers or issues rated C.n are extremely speculative and demonstrate the weakest creditworthiness relative to other domestic issuers.

Note: Moody’s appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. National scale long-term ratings of D.ar and E.ar may also be applied to Argentinian obligations.

National Scale Short-Term Ratings

Moody's short-term national scale debt ratings are opinions of the ability of issuers in a given country, relative to other domestic issuers, to repay debt obligations that have an original maturity not exceeding one year. Moody's short-term national scale ratings are a measure of relative risk within a single market. National scale ratings in one country should not be compared with national scale ratings in another, or with Moody's global ratings. Loss expectations for a given national scale rating will generally be higher than for its global scale equivalent.

There are four categories of short-term national scale ratings, generically denoted N-1 through N-4. In each specific country, the first two letters will change to indicate the country in which the issuer is located, i.e. BR-1 through BR-4 for Brazil and TW-1 through TW-4 for Taiwan.

- N-1** Issuers rated N-1 have the strongest ability to repay short-term senior unsecured debt obligations relative to other domestic issuers.

- N-2** Issuers rated N-2 have an above average ability to repay short-term senior unsecured debt obligations relative to other domestic issuers.

- N-3** Issuers rated N-3 have an average ability to repay short-term senior unsecured debt obligations relative to other domestic issuers.

- N-4** Issuers rated N-4 have a below average ability to repay short-term senior unsecured debt obligations relative to other domestic issuers.

Note: The short-term rating symbols *P-1.za*, *P-2.za*, *P-3.za* and *NP.za* are used in South Africa. National scale short-term ratings of *AR-5* and *AR-6* may also be applied to Argentinian obligations.

Country Ceilings

Country Ceiling for Bonds and Other Foreign Currency Obligations

Moody's assigns a ceiling for foreign-currency bonds and notes to every country (or separate monetary area) in which there are rated obligors. The ceiling generally indicates the highest rating that can be assigned to a foreign-currency denominated security issued by an entity subject to the monetary sovereignty of that country or area. Ratings that pierce the country ceiling may be permitted, however, for foreign-currency denominated securities benefiting from special characteristics that are judged to give them a lower risk of government interference than is indicated by the ceiling. Such characteristics may be intrinsic to the issuer and/or related to Moody's view regarding the government's likely policy actions during a foreign currency crisis. The country ceiling for foreign-currency bonds and notes is expressed on the long-term scale.

Country Ceiling for Foreign Currency Bank Deposits

Moody's assigns a ceiling for foreign-currency bank deposits to every country (or distinct monetary area) in which there are rated bank deposits. The ceiling specifies the highest rating that can be assigned to foreign-currency denominated deposit obligations of 1) domestic and foreign branches of banks headquartered in that domicile (even if subsidiaries of foreign banks); and 2) domestic branches of foreign banks. The country ceiling for foreign-currency bank deposits is expressed on the long-term scale.

Country Ceiling for Bonds and Other Local Currency Obligations

Moody's assigns a local currency ceiling for bonds and notes to every country (or distinct monetary areas) in order to facilitate the assignment of local currency ratings to issues and/or issuers. Local currency ratings measure the credit performance of obligations denominated in the local currency and therefore exclude the transfer risk relevant for foreign-currency obligations. They are intended to be globally comparable.

The local currency country ceiling for bonds summarizes the general country-level risks (excluding foreign-currency transfer risk) that should be taken into account in assigning local currency ratings to locally domiciled obligors or locally originated structured transactions. They indicate the rating level that will generally be assigned to the financially strongest obligations in the country, with the proviso that obligations benefiting from support mechanisms based outside the country (or area) may on occasion be rated higher. The country ceiling for local currency bonds and notes is expressed on the long-term scale.

Local Currency Deposit Ceiling

Moody's Local Currency Deposit Ceiling for a country or monetary region is the highest rating that can be assigned to the local currency deposits of a bank or other deposit taking institution domiciled within that rated jurisdiction. It reflects the risk that governmental authorities might impose a freeze on all local currency bank deposits in the system in response to a systemic run on deposits or a heightened risk of such a run.

Other Non-Credit Ratings

Equity Fund Ratings

Moody's equity and balanced/mixed fund ratings are opinions of past investment performance and risk results achieved by mutual funds and investment vehicles which principally invest in common stocks and related securities or in combination of these with fixed-income securities. Equity Fund Ratings, expressed using a scale ranging between Aaa-EF and Ba-EF, incorporate Moody's quantitative assessment of historical risk-adjusted total return, manager skill and other risk measures, combined with a qualitative evaluation of the fund's objectives, policies and management characteristics relative to similarly managed funds.

The ratings are not intended to represent the prospective performance of a fund with respect to appreciation, volatility of net asset value or yield.

Aaa-EF Equity and balanced funds rated Aaa-EF demonstrate the strongest historical investment performance results and adherence to fund objectives, relative to similarly managed funds.

Aa-EF Equity and balanced funds rated Aa-EF demonstrate strong historical investment performance results and adherence to fund objectives, relative to similarly managed funds.

A-EF Equity and balanced funds rated A-EF demonstrate average historical investment performance results and adherence to fund objectives, relative to similarly managed funds.

Baa-EF Equity and balanced funds rated Baa-EF demonstrate below-average historical investment performance results and adherence to fund objectives, relative to similarly managed funds.

Ba-EF Equity and balanced funds rated Ba-EF demonstrate the weakest historical investment performance results and adherence to fund objectives, relative to similarly managed funds.

Note: Numerical modifiers 1, 2 and 3 may be appended to each rating classification from Aa to Ba (e.g., Aa3-EF). The modifier 1 indicates that the fund or similar investment vehicle ranks in the higher end of the generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the fund or similar investment vehicle ranks in the lower end of its letter rating category. In order to conform with local regulatory mandates in markets such as Argentina, the rating category D would apply to the riskiest of funds and E to funds which do not meet the minimum information requirements.

Market Risk Ratings

Moody's Mutual Fund Market Risk (MR) ratings are opinions of the relative degree of volatility of a rated fund's net asset value (NAV). In forming an opinion on the fund's future price volatility, Moody's analysts consider risk elements that may have an effect on a fund's net asset value, such as interest rate risk, prepayment and extension risk, liquidity and concentration risks, currency risk, and derivatives risk. The ratings are not intended to reflect the prospective performance of a fund with respect to price appreciation or yield.

MR1 Money Market Funds and Bond Funds rated MR1 are judged to have very low sensitivity to changing interest rates and other market conditions.

MR2 Money Market Funds and Bond Funds rated MR2 are judged to have low sensitivity to changing interest rates and other market conditions.

MR3 Money Market Funds and Bond Funds rated MR3 are judged to have moderate sensitivity to changing interest rates and other market conditions.

MR4 Money Market Funds and Bond Funds rated MR4 are judged to have high sensitivity to changing interest rates and other market conditions.

MR5 Money Market Funds and Bond Funds rated MR5 are judged to have very high sensitivity to changing interest rates and other market conditions.

Note: A "+" modifier appended to the MR1 rating category denotes constant NAV money market funds and other qualifying funds.

Investment Manager Quality Ratings

Moody's Investment Manager Quality ratings represent an assessment of the manner in which an investment manager, either at a company or a business unit level, creates, manages and monitors its investment offerings and serves its clientele. Investment managers are defined as entities whose principal activities involve the management of retail, high net worth and/or institutional assets.

The ratings incorporate Moody's assessment of an entity's investment management activities and other management characteristics, including, as applicable, the performance of its product offerings, its financial profile, and client servicing performance. The scope of Moody's assessment applies to an entity's sphere of operations and may vary somewhat from one operational unit to another.

Moody's Investment Manager Quality ratings do not indicate a company's ability to repay a fixed financial obligation, or satisfy contractual financial obligations either in its own right or any that may have been entered into through actively managed portfolios.

Also, the ratings are not intended to consider the prospective performance of a portfolio, mutual fund or other investment vehicle with respect to appreciation, volatility of net asset value, or yield.

Investment Manager Quality ratings may be assigned to investment management companies and similar entities, public housing authorities (whose principle activity involves administering US Department of Housing and Urban Development funds and managing public housing), or not-for-profit organizations whose principal activity involves administering government funds and managing low income housing.

Investment Manager Quality rating definitions are, as follows:

MQ1 Entities rated MQ1 are judged to exhibit an excellent management and control environment.

MQ2 Entities rated MQ2 are judged to exhibit a very good management and control environment.

MQ3 Entities rated MQ3 are judged to exhibit a good management and control environment.

MQ4 Entities rated MQ4 are judged to exhibit an adequate management and control environment.

MQ5 Entities rated MQ5 are judged to exhibit a poor management and control environment.

Note: A "+" modifier may be appended to the MQ1 rating category to denote the strongest management and control environment.

Servicer Quality Ratings

Moody's Servicer Quality (SQ) ratings are opinions of the ability of a servicer to prevent or mitigate losses in a securitization. SQ ratings are provided for servicers who act as the Primary Servicer (servicing the assets from beginning to end), Special Servicer (servicing only the more delinquent assets), or Master Servicer (overseeing the performance and reporting from underlying servicers). For Primary Servicers, each SQ rating is assigned to a specific asset type.

SQ ratings represent Moody's assessment of a servicer's ability to affect losses based on factors under the servicer's control. The SQ approach works by separating a servicer's performance from the credit quality of the assets being serviced. In doing this, Moody's evaluates how effective a servicer is at preventing defaults and maximizing recoveries to a transaction when defaults occur.

SQ ratings consider the operational and financial stability of a servicer as well as its ability to respond to changing market conditions. This assessment is based on the company's organizational structure, management characteristics, financial profile, operational controls and procedures as well as its strategic goals.

Moody's SQ ratings are different from traditional debt ratings, which are opinions as to the credit quality of a specific instrument. SQ ratings do not apply to a company's ability to repay a fixed financial obligation or satisfy contractual financial obligations other than, in limited circumstances, the obligation to advance on delinquent assets it services, when such amounts are believed to be recoverable.

SQ1 Strong combined servicing ability and servicing stability

SQ2 Above average combined servicing ability and servicing stability

SQ3 Average combined servicing ability and servicing stability

SQ4 Below average combined servicing ability and servicing stability

SQ5 Weak combined servicing ability and servicing stability

***Note:** Where appropriate, a "+" or "-" modifier will be appended to the SQ2, SQ3, and SQ4 rating category and a "-" modifier will be appended to the SQ1 rating category. A "+" modifier indicates the servicer ranks in the higher end of the designated rating category. A "-" modifier indicates the servicer ranks in the lower end of the designated rating category.*

Moody's also assigns National Scale Servicer Quality Ratings. National Scale Servicer Quality Ratings append a suffix of ".nn" to the ratings on the above scale in order to signify the relevant country (e.g. SQ1.ru for Russian National Scale Servicer Quality Ratings).

Hedge Fund Operations Quality Ratings

A Moody's Hedge Fund Operations Quality rating expresses an opinion of a specific fund's operations environment, given its investment strategy. The scope of the assessment includes the fund's valuation process, accounting controls, legal structure, compliance system, backgrounds of key personnel and relationships with service providers such as prime brokers, auditors and administrators.

OQ1 Hedge funds rated OQ1 are judged to have an operational infrastructure of excellent quality given their investment strategy.

OQ2 Hedge funds rated OQ2 are judged to have an operational infrastructure of very good quality given their investment strategy.

OQ3 Hedge funds rated OQ3 are judged to have an operational infrastructure of good quality given their investment strategy.

OQ4 Hedge funds rated OQ4 are judged to have an operational infrastructure of fair quality given their investment strategy.

OQ5 Hedge funds rated OQ5 are judged to have an operational infrastructure of poor quality given their investment strategy.

Note: Where appropriate, a "+" or "-" modifier will be appended to the OQ2, OQ3, and OQ4 rating category and a "-" modifier will be appended to the OQ1 rating category. A "+" modifier indicates the fund ranks in the higher end of the designated rating category. A "-" modifier indicates the fund ranks in the lower end of the designated rating category.

Real Estate Portfolio Cash Flow Volatility Ratings

Moody's Real Estate Portfolio Cash Flow Volatility Ratings represent opinions about the risks in real estate funds regarding cash flow volatility. Cash flow is defined here as Net Operating Income (NOI) generated by a portfolio. Volatility is assessed quantitatively from a property database at Moody's Japan, taking into consideration individual real estate property characteristics and portfolio diversity effects. The ratings are Japanese domestic ones and used only in the domestic market. They do not represent the risks regarding property value volatility. As assessments of an existing portfolio, they are not monitored.

CFV-1 Portfolios rated CFV-1 are judged to have the most stable NOI, with minimal cash flow volatility risk.

CFV-2 Portfolios rated CFV-2 are judged to have stable NOI, with low cash flow volatility risk.

CFV-3 Portfolios rated CFV-3 are judged to have moderate cash flow volatility risk.

CFV-4 Portfolios rated CFV-4 are judged to have substantial cash flow volatility risk.

CFV-5 Portfolios rated CFV-5 are judged to have high cash flow volatility risk.

Note: A "+" and "-" modifier may be appended to each rating classification from CFV-2 to CFV-5. The "+" modifier indicates that the portfolio ranks at the higher end of its generic rating category; and the "-" modifier indicates that it ranks at the lower end of its letter rating category. Ratings without modifiers indicate a mid-range ranking.

Common Representative Quality Ratings

Moody's Common Representative Quality (CRQ) Ratings are opinions regarding an organization's ability to represent the interests of investors, relative to other common representatives within a given country. The ratings represent Moody's assessment of a common representative's organizational structure and other management characteristics, including its human resources allocation, information technology, and operational controls and procedures.

The rating definitions are as follows, with an "nn" modifier signifying the relevant country (e.g. CRQ1.mx for Mexico). Moody's currently maintains common representative ratings for Mexico.

CRQ1.nn	Strong ability to represent interests of the trust certificate holders.
CRQ2.nn	Above-average ability to represent interests of the trust certificate holders. Common representative is judged to have "good" financial and operational stability.
CRQ3.nn	Average ability to represent interests of the trust certificate holders. Common representative is judged to have average financial and operational stability.
CRQ4.nn	Below-average ability to represent interests of the trust certificate holders, and below-average financial and operational stability.
CRQ5.nn	Weak ability to represent interests of the trust certificate holders, and weak financial and operational stability.

Note: Where appropriate, a "+" or "-" modifier will be appended to the CRQ2, CRQ3, and CRQ4 rating category and a "-" modifier will be appended to the CRQ1 rating category (e.g. CRQ1-.nn). A "+" modifier indicates the common representative ranks in the higher end of the designated rating category. A "-" modifier indicates the common representative ranks in the lower end of the designated rating category.

Trustee Quality Ratings

Moody's Trustee Quality (TQ) Ratings are opinions regarding an organization's ability to manage the entrusted assets for the benefit of investors, relative to other trustees within a given country. The ratings represent Moody's assessment of a trustee's organizational structure and other management characteristics, including its monitoring and reporting system, human resources allocation, information technology, operational controls and procedures, and master servicing capability.

The rating definitions are as follows, with an "nn" modifier signifying the relevant country (e.g. TQ1.ar for Argentina, or TQ4.mx for Mexico). Moody's currently maintains trustee quality ratings for the following countries:

- Argentina (TQ.ar)
- Brazil (TQ.br)
- Mexico (TQ.mx)

TQ1.nn Strong capability of managing entrusted assets for the benefit of the trust certificate holders.

TQ2.nn Above-average capability of managing entrusted assets for the benefit of the trust certificate holders. Trustee is judged to have "good" financial and operational stability.

TQ3.nn Average capability of managing entrusted assets for the benefit of the trust certificate holders. Trustee is judged to have average financial and operational stability.

TQ4.nn Below-average capability of managing entrusted assets for the benefit of the trust certificate holders, and below-average financial and operational stability.

TQ5.nn Weak capability of managing entrusted assets for the benefit of the trust certificate holders, and weak financial and operational stability.

Note: Where appropriate, a "+" or "-" modifier will be appended to the TQ2, TQ3, and TQ4 rating category and a "-" modifier will be appended to the TQ1 rating category (e.g. TQ1-.nn). A "+" modifier indicates the trustee ranks in the higher end of the designated rating category. A "-" modifier indicates the trustee ranks in the lower end of the designated rating category.

Lloyd's Syndicate Performance and Volatility Ratings

Moody's Lloyd's Syndicate Performance and Volatility Ratings have been developed in response to the needs of capital providers and insurance purchasers involved with the Lloyd's Market to compare the relative attraction of individual syndicates. The desire to identify those syndicates with the potential to outperform over the medium to long term is coupled with the requirement to identify syndicates with whom insurance purchasers are content to build long-term business relationships. Moody's Lloyd's Syndicate Performance and Volatility Ratings aim to address these needs.

Lloyd's Syndicate Ratings

Qualitative ratings for each syndicate, based on an assessment of both quantitative and qualitative information, indicate Moody's view of the syndicate's relative long-run potential performance based on currently known factors. The ratings are relative to the rest of the syndicates operating in the Lloyd's market. It should be stressed that the ratings do not attempt to assess the security underlying Lloyd's policies.

The syndicate rating is forward looking, only using historical data as a basis for the assessment of the syndicate's future potential. The emphasis is therefore on a given syndicate's potential future performance rather than claims-paying ability.

- A+** Lloyd's syndicates rated A+ for performance offer excellent performance and continuity characteristics, with a very high degree of likelihood that their potential future returns will significantly outperform the market average result over the cycle, and a very limited likelihood that their fundamentally strong position will be impaired.

- A** Lloyd's syndicates rated A for performance offer very good performance and continuity characteristics, with a high degree of likelihood that their potential future returns will significantly outperform the market average result over the cycle. They are rated lower than A+ because longer-term risks appear somewhat larger.

- A-** Lloyd's syndicates rated A- for performance offer good performance and continuity characteristics, with a high degree of likelihood that their potential future returns will outperform the market average result over the cycle.

- B+** Lloyd's syndicates rated B+ for performance offer above-average performance and continuity characteristics, with a good degree of likelihood that their potential future returns will outperform the market average result over the cycle.

- B** Lloyd's syndicates rated B for performance offer average performance and continuity characteristics, with the likelihood that their potential future returns will be in line with the market average result over the cycle.

- B-** Lloyd's syndicates rated B- for performance offer below average performance and continuity characteristics, with it being questionable whether their potential future returns will be in line with the market average result and the likelihood that they will perform below the market average result over the cycle and that they will offer below average continuity prospects to policyholders.

- C+** Lloyd's syndicates rated C+ for performance offer below-average performance and continuity characteristics, with a good degree of likelihood that their potential future returns will be below the market average result over the cycle and that they will offer below-average continuity prospects to policyholders.

- C** Lloyd's syndicates rated C for performance offer below-average performance and continuity characteristics, with a good degree of likelihood that their potential future returns will be significantly below the market average result over the cycle and that they will offer significantly below-average continuity prospects to policyholders.

- C-** Lloyd's syndicates rated C- for performance offer below-average performance and continuity characteristics, with a high degree of likelihood that their potential future returns will be significantly below the market average result over the cycle and that they will offer significantly below-average continuity prospects to policyholders.

Lloyd's Volatility Ratings

The volatility rating indicates Moody's view of the potential variability of a syndicate's underwriting returns over the insurance cycle based on the historical variability of pure year underwriting returns and the potential for catastrophe losses in the book currently underwritten, the ratings being relative to the rest of the syndicates operating in the Lloyd's market.

Extremely High

Lloyd's syndicates rated Extremely High for volatility demonstrate the potential for returns to vary significantly from their mean due to the nature of the book of business written. Syndicates in the Extremely High rating category include all those syndicates demonstrating potential volatility in their returns that is in excess of the six relative rating categories of Low to Very High, this category not being relative on an absolute basis to the underlying rating categories.

Very High, High, Above Average, Average, Below Average

Lloyd's syndicates rated in these categories are considered to demonstrate the potential for their returns to be respectively up to two, three, four, five and six times more variable than those syndicates in the Low rating category, due to the nature of the book of business written.

Low

Lloyd's syndicates rated Low for volatility demonstrate the lowest potential for returns to vary from their mean, relative to the other syndicates trading at Lloyd's, due to the nature of the book of business written.

Hybrid Security Baskets

In determining equity credit for a hybrid security, Moody's analyzes the instrument along three dimensions of equity: No Maturity, No Ongoing Payments, and Loss Absorption. For each of these dimensions, Moody's ranks the instrument's features as either None, Weak, Moderate, or Strong, where None represents more debt-like and Strong represents more equity-like. The equity credit assigned to the instrument – expressed in baskets from A to E – weights the rankings for each dimension depending on the credit quality of the issuer.

Classifications for Hybrid Baskets

Basket	Debt	Equity
A	100%	0
B	75%	25%
C	50%	50%
D	25%	75%
E	0%	100%

Other Rating Symbols

Expected ratings - e

To address market demand for timely information on particular types of credit ratings, Moody's has licensed to certain third parties the right to generate "Expected Ratings." Expected Ratings are designated by an "e" after the rating code, and are intended to anticipate Moody's forthcoming rating assignments based on reliable information from third party sources (such as the issuer or underwriter associated with the particular securities) or established Moody's rating practices (i.e., medium term notes are typically, but not always, assigned the same rating as the note's program rating). Expected Ratings will exist only until Moody's confirms the Expected Rating, or issues a different rating for the relevant instrument. Moody's encourages market participants to contact Moody's Ratings Desk or visit www.moodys.com if they have questions regarding Expected Ratings, or wish Moody's to confirm an Expected Rating.

Provisional Ratings - (P)

As a service to the market and at the request of an issuer, Moody's will often assign a provisional rating when the assignment of a final rating is subject to the fulfillment of contingencies but it is highly likely that the rating will become definitive after all documents are received or an obligation is issued into the market. A provisional rating is denoted by placing a (P) in front of the rating. Such ratings are typically assigned to shelf registrations under SEC rule 415 or transaction-based structures that require investor education. When a transaction uses a well-established structure and the transaction's structure and terms are not expected to change prior to sale in a manner that would affect the rating, a definitive rating may be assigned directly.

Refundeds -

Issues that are secured by escrowed funds held in trust, reinvested in direct, non-callable US government obligations or non-callable obligations unconditionally guaranteed by the US Government or Resolution Funding Corporation are identified with a # (hatch mark) symbol, e.g., #Aaa.

Withdrawn - WR

When Moody's no longer rates an obligation on which it previously maintained a rating, the symbol WR is employed. Please see Moody's Guidelines for the Withdrawal of Ratings, available on www.moodys.com.

Not Rated - NR

NR is assigned to an unrated issuer, obligation and/or program.

Not Available - NAV

An issue that Moody's has not yet rated is denoted by the NAV symbol.

Terminated Without Rating - TWR

The symbol TWR applies primarily to issues that mature or are redeemed without having been rated.

Other Rating Services

Credit Estimates

A Credit Estimate (CE) is an unpublished point-in-time opinion of the approximate credit quality of individual securities, financial contracts or issuers. A CE is not equivalent to and does not represent a traditional Moody's Credit Rating as defined in Moody's Code of Professional Conduct and is not assigned by a rating committee. Had Moody's conducted an analysis commensurate with a full Moody's Credit Rating, the result may have been significantly different. CEs are not monitored but, in certain circumstances, may be updated from time to time.

CEs are widely used in the process of assessing elements of credit risk in transactions for which a traditional Moody's credit rating is to be determined. CEs are provided in the context of granular pools (where no one obligor represents an exposure of more than 3% of the total pool), chunky pools (where individual exposures represent 3% or more of the total pool) or single-name exposures. The following are examples of analysis where CEs are used to assess the credit risk:

- unrated loans or debt instruments included in the collateral backing CDOs;
- credit exposures of financial guarantors;
- collateral included in pools of covered bonds; and
- collateral included in pools of covered bonds; and

parties to a transaction that may be expected to provide credit or operational support under certain conditions, such as with government-related institutions and project finance transactions.

CEs are typically assigned using a "desktop analysis" based on (limited) public information or information supplied by the issuer (i.e., the CDO, covered bond or project finance sponsor or the guarantor) and usually do not involve any participation from the underlying obligor.

CEs are not expressed through the use of Moody's traditional 21-point, Aaa-C alphanumeric long-term rating scale; rather, they are expressed on a simple numerical 1-21 scale. They are calibrated, however, to be broadly comparable to Moody's alphanumeric rating scale and Moody's Rating Factors, which are used in CDO analysis.

Internal Ratings

Moody's internal ratings are unpublished credit assessments assigned to certain securities and issuers where the underlying credit components are not publicly rated but need to be evaluated to support other published ratings.

Insured Ratings

An insured or wrapped rating is Moody's assessment of a particular obligation's credit quality given the credit enhancement provided by a financial guarantor. Moody's insured ratings apply a credit substitution methodology, whereby the debt rating matches the higher of (i) the guarantor's financial strength rating and (ii) any published underlying or enhanced rating on the security.

Enhanced Ratings

Enhanced Ratings only pertain to US municipal securities. An enhanced rating is Moody's published assessment of a particular obligation's credit quality absent any insurance or wrap from a financial guarantor, but reflecting the underlying issue's standalone credit quality as well as any credit support provided by a state credit enhancement program.

Underlying Ratings

An underlying rating is Moody's assessment of a particular obligation's credit quality absent any insurance or wrap from a financial guarantor or other credit enhancement.

For US municipal securities, the underlying rating will reflect the underlying issue's standalone credit quality absent any credit support provided by a state credit enhancement program.

For structured finance securities, if the underlying rating is not published, Moody's may substitute a published rating on pari passu or junior obligations within the same transaction.

Policies and Procedures

Rating Outlooks

A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Where assigned, rating outlooks fall into the following four categories: Positive (POS), Negative (NEG), Stable (STA), and Developing (DEV - contingent upon an event). In the few instances where an issuer has multiple ratings with outlooks of differing directions, an "(m)" modifier (indicating multiple, differing outlooks) will be displayed, and Moody's written research will describe any differences and provide the rationale for these differences. A RUR (Rating(s) Under Review) designation indicates that the issuer has one or more ratings under review for possible change, and thus overrides the outlook designation. When an outlook has not been assigned to an eligible entity, NOO (No Outlook) may be displayed.

Watchlist

Moody's uses the Watchlist to indicate that a rating is under review for possible change in the short-term. A rating can be placed on review for possible upgrade (UPG), on review for possible downgrade (DNG), or more rarely with direction uncertain (UNC). A credit is removed from the Watchlist when the rating is upgraded, downgraded or confirmed.

Confirmation of a Rating

A confirmation occurs when a rating is removed from Watchlist. Rating confirmations are formally entered in Moody's databases and rating action lists (rating release sheets), and are communicated via a press release.

Affirmation of a Rating

Affirmations are used to indicate other instances, outside of a formal Watchlist review, in which a rating committee has concluded that the current rating remains in force. Affirmations are communicated through a press release and may occur:

- following an informal review
- following the release of new information by the issuer
- following a major market event (such as regulatory change, a major acquisition, and/or market turbulence, etc.)
- in conjunction with an Outlook change

There may be other situations in which ratings are affirmed.

Prime 2

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