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Ratings

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Research Update:

South Africa Foreign And Local Currency Ratings Affirmed At 'BB' And 'BB+'; Outlook Stable

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Ratings:
Foreign Currency: BB/Stable/B
Local Currency: BB+/Stable/B

For further details see ratings list.

Overview

- Despite upward revisions, South Africa's economic growth remains tentative, and the government's debt burden continues on a rising path.
- After the recent political transition, authorities are pursuing key economic and social reforms, but we consider the economic and social challenges the country faces as considerable.
- We are therefore affirming our foreign currency ratings at 'BB/B', our local currency ratings at 'BB+/B', and our national scale ratings at 'zaAA+/zaA-1+'.
- The outlook is stable.

Rating Action

On May 25, 2018, S&P Global Ratings affirmed its 'BB/B' long- and short-term foreign currency sovereign credit ratings and its 'BB+/B' long- and short-term local currency sovereign credit ratings on South Africa. The outlook is stable. The Transfer and Convertibility (T&C) assessment is 'BBB-'.

We also affirmed the 'zaAA+/zaA-1+' long- and short-term South Africa national scale ratings.

Outlook

The stable outlook reflects our view that economic growth will pick up modestly over the next year, while government debt will remain above 50% of GDP. The outlook also reflects our view that the government will pursue economic and social reforms.

We could lower the ratings if we were to observe fiscal deterioration, for example, due to higher expenditure pressures or weaker economic performance. We could also consider lowering the ratings if the rule of law, property rights, or enforcement of contracts were to weaken, undermining the investment and economic outlook.

We could raise the ratings if economic growth or fiscal outcomes strengthen in a significant and sustained manner compared with our current projections. Ratings upside could also arise if the risks of a deterioration in external funding sources were to subside, and external imbalances declined. We could also take a positive rating action if policymakers were to introduce structural economic reforms that delivered improved competitiveness and employment.

Rationale

Our ratings on South Africa are constrained by the weak pace of economic growth, particularly on a per capita basis, as well as its large fiscal debt burden and sizable contingent liabilities.

The ratings are supported by the country's monetary flexibility, large domestic financial sector, and deep capital markets, alongside moderate external debt, with very low levels of external debt denominated in foreign currency.

Institutional and Economic Profile: Political transition and policy proposals could support the economy, but structural impediments remain high

- South Africa's economic growth, on a per capita basis, is below that of emerging market peers.
- The recent political transition and policy proposals could support firmer economic growth and stabilizing public finances over the medium term.

Since Cyril Ramaphosa's election as African National Congress (ANC) leader in December 2017 and appointment as the country's President in February 2018, business and investor confidence have strengthened. We anticipate a pick-up in private-sector fixed investment, while lower inflation could boost households' disposable income, resulting in higher household consumption. We now estimate economic growth to average at least 2% over 2018-2021, which is still below 1% per capita. We estimate that among the 20 major emerging markets, only Qatar will show slower per capita growth in 2018 (see: Sovereign Risk Indicators, published April 10, 2018, also available at spratings.com/sri). We estimate South Africa's GDP per capita at US$7,200 in 2018.

While the policy framework remains broadly the same as previous ANC administrations, there seems to be renewed impetus to the reform agenda. The new leadership is working on measures to enhance governance at state-owned enterprises (SOEs), reviewing weak SOEs' balance sheets to enhance financial sustainability. The government has also expressed its willingness to promote private-sector investment by removing policy uncertainty, improving competitiveness in economic sectors, and announcing fiscal measures to stabilize public finances.

In our view, South Africa faces significant challenges in light of high levels of poverty, unemployment, and economic inequality, which break along racial lines. Consequently, a political debate has ensued to pursue possible land reform without compensation. At its December 2017 conference, the ANC adopted a resolution to explore options of land redistribution to correct historical imbalances. A motion has since been adopted by parliament and a committee set up to gather public opinion on the process and establish if it can be done within the current constitution, or requires an amendment to allow compulsory acquisition of land without compensation. It is still too early to tell how the process will unfold, but we expect that rule of law, property rights, and enforcement of contracts will remain in place and will not significantly hamper investment in South Africa. Our view reflects our consideration of the checks and balances embedded within South Africa's institutional framework, which includes a constitutionally independent judiciary.

Flexibility and Performance Profile: Monetary flexibility remains a strength, but the government's debt burden is sizable

- South Africa's fiscal position is still weak, with a large debt burden and sizable contingent liabilities.
- We consider South Africa's monetary flexibility, the freely floating exchange rate, and the country's deep financial markets to be credit strengths.
- South Africa's financial sector is profitable and well capitalized, although reliant on short-term funding.

South Africa's current account deficit has been at its lowest in recent years, with both 2016 and 2017 outcomes below 3% of GDP. In the upcoming period, metals and mining commodity prices will likely be flatter (see "Metals Stay Strong: S&P Global Ratings Raises its Price Assumptions For Metals Again," published March 8, 2018, on RatingsDirect), although oil prices are relatively higher this year and trending downward in the next few years (see "S&P Global Ratings Raises 2018 Brent And WTI Oil Price Assumptions And 2019 Brent Price Assumptions," published May 7, 2018), which has squeezed the trade surplus. Thus, we expect current account deficit to be slightly higher, averaging 3.2% of GDP over 2018-2021. The size of the current account deficit is relatively low by historical standards; it has been funded predominantly via volatile portfolio inflows. Foreign investors hold nearly US$20 billion in government local currency debt. Such flows can be susceptible to changes in foreign investor sentiment, and interest rates in the U.S. are forecast to rise.

South Africa's external debt, net of liquid assets, is low, below 40% of current account receipts while gross external financing needs are large, above 100% of current account receipts plus useable reserves. The large external financing needs reflect the short-term external debt of the financial sector--predominantly trade finance facilities and deposits from multinational companies--at an estimated 7% of GDP. South Africa's overall net international investment position moved from a net liability to a net external asset position in 2015. However, this does not guard against possible large-scale capital outflows--particularly from South Africa's large equity and government bond markets. Nevertheless, we consider the depth of local capital markets and the flexible exchange rate regime to be key rating strengths that should help cushion the impact.

We consider South Africa's fiscal position weak. However, the government is taking steps to reduce fiscal deficits and the pace of debt accumulation. The February 2018 budget measures include raising the value-added tax (VAT) rate to 15% from 14% and making nominal reductions in some expenditure items, while simultaneously attempting to accommodate new policy priorities in funding free higher education for no- or low-income earners. We estimate that the annual change in net general government debt will average 4.5% of GDP per year over 2018-2021. As a consequence, we project that net general government debt to GDP will increase to around 52% net of liquid assets by the fiscal year ending March 2021. Debt-servicing costs, measured by the ratio of interest to revenues, will remain close to 12% of revenues. South Africa's public finances still face risks from higher public-sector wage agreements than budgeted, and potential unbudgeted support to SOEs with weak balance sheets, which are not included in the current fiscal framework.

South Africa's government debt is overwhelmingly denominated in rand, with only 10% in foreign currency (see: table 3 in "Sovereign Debt 2018: Global Borrowing To Remain Steady At US$7.4 trillion," published Feb. 22, 2018). This shields public debt from exchange rate shocks. Nevertheless, a significant portion of South Africa's central government debt is external, as nonresidents hold close to 40% of the government's rand-denominated debt (as of Feb. 28, 2018), up from 37% a year ago. While the high presence of international investors in South Africa's debt markets helps improve liquidity and can lower the government's cost of funding, it also means the economy is vulnerable to global investor sentiment.

We view contingent liabilities as sizable. This reflects the increased risk that nonfinancial public enterprises (NFPEs) could require further extraordinary government support than currently provisioned. In addition, plans to improve the underlying financial position of NFPEs with weak balance sheets may not be implemented in a comprehensive and timely manner. We estimate overall public-sector debt at 70% of GDP in 2018 (including central and local government, and debt of public sector companies).

The South African Reserve Bank (SARB; the central bank) is operationally independent, in our opinion, with transparent and credible policies. The repurchase rate is the bank's most important monetary policy instrument. The SARB targets inflation between 3% and 6%. Inflation is currently low at around 3.8%, as of March 2018, partly thanks to recent exchange rate appreciation (due to lower pass through to inflation), and lower food inflation with stable agricultural production following a drought in early 2017. The central bank even eased the policy rate by 25 basis points in its March 2018 monetary policy committee meeting. We see higher inflation risks stemming from the effects of the VAT increase, rising oil prices, and a slightly weaker exchange rate in the event of a faster pace in the normalization of monetary policy in the U.S. However, we expect inflation to remain within the target range for the rest of our forecast period through 2021.

We think the financial sector is profitable and well capitalized. However, banks continue to rely on concentrated short- and medium-term wholesale funding from nonbank financial institutions, since retail savings are low and contractual savings tend to be dominated by professional money managers (see "Banking Industry Country Risk Assessment: South Africa," published July 19, 2017).

Key Statistics

Table 1

South Africa Selected Indicators

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
ECONOMIC INDICATORS (%)										
Nominal GDP (bil. ZAR)	3,254	3,540	3,805	4,051	4,350	4,652	5,012	5,392	5,817	6,278
Nominal GDP (bil. $)	396	367	351	318	296	349	415	433	451	472
GDP per capita ($000s)	7.6	6.9	6.5	5.8	5.3	6.2	7.2	7.4	7.6	7.8
Real GDP growth	2.2	2.5	1.8	1.3	0.6	1.3	2.0	2.1	2.3	2.3

Table 1

South Africa Selected Indicators (cont.)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Real GDP per capita growth	0.7	1.0	0.3	(0.3)	(1.0)	(0.3)	0.4	0.5	0.6	0.7
Real investment growth	2.6	7.2	0.7	3.4	(4.1)	0.4	1.7	2.2	3.0	3.0
Investment/GDP	20.2	21.2	20.7	21.2	19.1	18.3	20.0	20.1	20.2	20.3
Savings/GDP	15.1	15.4	15.7	16.6	16.4	15.8	17.0	16.9	16.9	17.0
Exports/GDP	29.7	31.0	31.5	30.2	30.7	29.8	26.0	25.9	26.2	26.5
Real exports growth	0.8	4.0	3.6	2.8	1.0	(0.1)	3.3	3.3	3.5	3.5
Unemployment rate	24.9	24.7	25.1	25.4	26.7	27.5	27.4	27.3	26.9	26.4
EXTERNAL INDICATORS (%)										
Current account balance/GDP	(5.1)	(5.8)	(5.1)	(4.6)	(2.8)	(2.5)	(3.0)	(3.2)	(3.3)	(3.3)
Current account balance/CARs	(16.4)	(17.6)	(15.1)	(14.1)	(8.5)	(7.8)	(10.7)	(11.6)	(11.7)	(11.8)
CARs/GDP	31.2	32.8	33.6	32.6	32.7	31.5	27.7	27.5	27.8	28.0
Trade balance/GDP	(1.1)	(2.0)	(1.4)	(1.1)	0.8	1.5	0.5	0.4	0.3	0.3
Net FDI/GDP	0.4	0.5	(0.5)	(1.3)	(0.8)	(1.7)	(0.4)	(0.4)	(0.4)	(0.4)
Net portfolio equity inflow/GDP	0.1	1.3	2.9	3.1	3.1	1.6	1.0	1.0	1.0	1.0
Gross external financing needs/CARs plus usable reserves	104.5	109.4	107.0	110.9	105.2	104.1	104.2	105.8	106.6	107.1
Narrow net external debt/CARs	21.5	19.0	26.4	22.1	37.4	35.1	37.3	37.9	38.9	38.2
Narrow net external debt/CAPs	18.4	16.1	22.9	19.3	34.4	32.5	33.7	34.0	34.8	34.2
Net external liabilities/CARs	42.7	11.1	20.2	(40.7)	(25.0)	(20.3)	(13.8)	(8.4)	(2.9)	1.9
Net external liabilities/CAPs	36.7	9.4	17.5	(35.7)	(23.0)	(18.8)	(12.5)	(7.5)	(2.6)	1.7
Short-term external debt by remaining maturity/CARs	29.4	37.8	37.0	49.4	46.5	40.9	39.6	39.3	38.1	36.6
Usable reserves/CAPs (months)	4.1	4.3	4.4	5.0	5.2	4.8	4.8	4.6	4.4	4.1
Usable reserves (mil. $)	50,688	49,696	49,094	45,891	47,187	50,748	50,847	50,847	50,982	51,218
FISCAL INDICATORS (%, General government)										
Balance/GDP	(4.2)	(3.8)	(3.7)	(3.7)	(3.6)	(4.2)	(3.5)	(3.6)	(3.5)	(3.5)
Change in net debt/GDP	5.9	6.2	5.5	5.7	4.3	5.2	4.6	4.6	4.5	4.5
Primary balance/GDP	(1.5)	(1.0)	(0.7)	(0.5)	(0.2)	(0.7)	0	0.1	0.1	0.2
Revenues/GDP	27.9	28.5	28.8	30.0	29.6	29.2	29.7	29.7	29.7	29.7
Expenditures/GDP	32.1	32.3	32.5	33.7	33.1	33.4	33.3	33.3	33.2	33.2
Interest/revenues	9.7	10.0	10.5	10.6	11.4	12.0	12.1	12.3	12.4	12.5
Debt/GDP	42.0	44.8	47.3	49.8	51.3	53.6	54.4	55.1	55.6	56.1
Debt/revenues	150.5	157.2	164.2	166.1	173.7	183.5	183.3	185.7	187.4	188.7
Net debt/GDP	36.3	39.6	42.3	45.4	46.6	48.8	49.8	50.9	51.7	52.4
Liquid assets/GDP	5.7	5.2	5.0	4.4	4.7	4.8	4.6	4.3	3.9	3.7
MONETARY INDICATORS (%)										
CPI growth	5.7	5.7	6.2	4.5	6.3	5.3	5.0	5.3	5.4	5.4

Table 1

South Africa Selected Indicators (cont.)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GDP deflator growth	5.3	6.2	5.5	5.1	6.8	5.5	5.6	5.4	5.5	5.5
Exchange rate, year-end (ZAR/$)	8.50	10.49	11.58	15.55	13.68	12.34	12.90	13.50	13.90	14.30
Banks' claims on resident non-gov't sector growth	10.6	6.0	9.0	11.0	4.5	5.9	6.0	7.0	7.0	7.0
Banks' claims on resident non-gov't sector/GDP	77.7	75.7	76.7	80.0	77.8	77.1	75.9	75.4	74.8	74.2
Foreign currency share of claims by banks on residents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	3.5	3.9	4.6	5.9	5.1	4.7	4.6	4.3	4.3	4.3
Real effective exchange rate growth	(5.3)	(10.5)	(6.2)	(0.5)	(7.1)	12.7	N/A	N/A	N/A	N/A

Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid assets held by nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. ZAR--South African rand. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. N/A--Not applicable. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

South Africa Ratings Score Snapshot

Key rating factors	
Institutional assessment	4
Economic assessment	5
External assessment	4
Fiscal assessment: flexibility and performance	5
Fiscal assessment: debt burden	5
Monetary assessment	2

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria And Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings - September 22,2014
- General Criteria: Methodology For Rating Sukuk - January 19, 2015
- Criteria - Governments - Sovereigns: Sovereign Rating Methodology - December 18,2017
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments - May 18,2009
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables - August 14,2017
- General Criteria: Use Of CreditWatch And Outlooks - September 14,2009
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07,2017

Related Research

- Sovereign Ratings History - May 7, 2018
- Sovereign Risk Indicators - April 10, 2018
- Global Sovereign Rating Trends: First-Quarter 2018 - April 11, 2018
- Sovereign Debt 2018: Global Borrowing To Remain Steady At US$7.4 Trillion, Feb. 22, 2018
- Research Update: South Africa Ratings Lowered On Weakening Economic And Fiscal Trajectory; Outlook Stable - November 24, 2017
- Research Update: South Africa National Scale Ratings Raised To 'zaAAA/zaA-1+' On Criteria Change - August 11, 2017
- Banking Industry Country Risk Assessment: South Africa - July 19, 2017
- Default, Transition, and Recovery: 2017 Annual Sovereign Default Study And Rating Transitions - May 08, 2017

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

	Rating	
	To	From
South Africa		
Sovereign Credit Rating		
Foreign Currency	BB/Stable/B	BB/Stable/B
Local Currency	BB+/Stable/B	BB+/Stable/B
South Africa National Scale	zaAA+/--/zaA-1+	zaAA+/--/zaA-1+
Transfer & Convertibility Assessment	BBB-	BBB-
Senior Unsecured		
Foreign Currency	BB	BB
Local Currency [#1]	BB+	BB+
Local Currency	BB+	BB+
South Africa National Scale	zaAA+	zaAA+
Short-Term Debt		
Foreign Currency	B	B
Republic of South Africa Sukuk No. 1 Trust		
Senior Unsecured		
Foreign Currency	BB	BB

[#1] Issuer: Development Bank of Southern Africa Ltd., Guarantor: South Africa

Regulatory Disclosures

- Primary Credit Analyst: Gardner Rusike, Associate Director
- Rating Committee Chairperson: Christian Esters
- Date initial rating assigned: Oct. 3, 1994
- Date of previous review: Nov. 24, 2017

Disclaimers

This rating has been determined by a rating committee based solely on the committee's independent evaluation of the credit risks and merits of the issuer or issue being rated in accordance with S&P Global Ratings published criteria and no part of this rating was influenced by any other business activities of S&P Global Ratings.

This credit rating is solicited. The rated entity did participate in the credit rating process. S&P Global Ratings did have access to the accounts, financial records and other relevant internal, non-public documents of the rated entity or a related third party. S&P Global Ratings has used information from sources believed to be reliable but does not guarantee the accuracy, adequacy, or completeness of any information used.

Glossary

- Consumer price index (CPI): Index of prices of a representative set of consumer goods regularly bought by a typical household.
- Current account balance: Exports of goods and services minus imports of the same plus net factor income plus official and private net transfers.
- Current account receipts (CAR): Proceeds from exports of goods and services plus factor income earned by residents from nonresidents plus official and private transfers to residents from nonresidents.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- Debt burden assessment: Reflects a sovereign's prospective debt level, as indicated by the general government debt relative to GDP (including assessment of contingent liabilities), the interest cost of the debt relative to general government revenue, and debt structure and funding access.
- Depository corporation claims: Claims from resident depository corporations (excluding those of the central bank) on the resident nongovernment sector.
- Economic assessment: Based on the analysis of economic structure and growth prospects. Reflects income levels (GDP per capita), economic growth prospects, and economic diversity and volatility.
- External assessment: Based on the analysis of external liquidity and international investment position as well as the status of a sovereign's currency in international transactions. Reflects a country's ability to obtain funds from abroad necessary to meet its public- and private-sector obligations to nonresidents.
- Fiscal performance and flexibility assessment: Reflects the sustainability of sovereign's fiscal deficits. Based on the prospective change in general government debt, calculated as a percentage of GDP, taking into account long-term trends and a government's fiscal flexibility and vulnerabilities.
- Foreign direct investment (FDI): Direct investment by nonresidents.
- GDP per capita: GDP divided by population.
- General government: Aggregate of the national, regional, and local government sectors, including social security and other defined benefit public-sector pension systems, and excluding intergovernmental transactions.
- General government debt: Debt incurred by national, regional, and local governments and central bank debt.
- General government interest: Interest payments on general government debt.
- General government liquid financial assets: General government deposits in financial institutions (unless the deposits are a source of support to the recipient institution), widely traded securities, plus minority arms-length holdings of incorporated enterprises that are widely traded plus balances of defined-benefit government-run pension plans or social security funds (or

stabilization or other freely available funds) that are held in bank deposits, widely traded securities, or other liquid forms.

- Gross domestic product (GDP): Total market value of goods and services produced by resident factors of production.
- Gross external financing needs: Current account payments plus short-term external debt at the end of the prior year, including nonresident deposits at the end of the prior year plus long-term external debt maturing within the year.
- Institutional assessment: An analysis of how a government's institutions and policymaking affect a sovereign's credit fundamentals by delivering sustainable public finances, promoting balanced economic growth, and responding to economic or political shocks. Reflects the effectiveness, stability, and predictability of the sovereign's policymaking and political institutions; transparency and accountability of institutions, data, and processes; the sovereign's debt payment culture; and security risks.
- Monetary base: Local currency in circulation plus the monetary authority's local currency liabilities to other depository corporations.
- Monetary assessment: The extent to which a sovereign's monetary authority can fulfil its mandate while supporting sustainable economic growth and attenuating major economic or financial shocks. Based on the analysis of the sovereign's ability to coordinate monetary policy with fiscal and other economic policies to support sustainable economic growth; the credibility of monetary policy, and the effectiveness of market-oriented monetary mechanisms.
- Narrow net external debt: Stock of foreign and local currency public- and private-sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial sector loans to, deposits with, or investments in nonresident entities.
- Net general government debt: General government debt minus general government liquid financial assets.
- Net external liabilities: Total public- and private-sector liabilities to nonresidents minus total external assets.
- Official reserves: Monetary authority liquid claims in foreign currency (including gold) on nonresidents.
- Real GDP per capita: Constant-price per capita GDP.
- Terms of trade: Price of goods exports relative to price of goods imports.
- Usable reserves: Official reserves minus items not readily available for foreign exchange operations and repayment of external debt.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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