

## CREDIT OPINION

15 December 2021

 Rate this Research

### RATINGS

#### Riverside Group

Domicile	United Kingdom
Long Term Rating	A2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

### Contacts

**Maylis Chapellier** +44.20.7772.1429  
Analyst  
maylis.chapellier@moodys.com

**Sam McDonald** +44.20.7772.1401  
Associate Analyst  
sam.mcdonald@moodys.com

**Sebastien Hay** +34.91.768.8222  
Senior Vice President/Manager  
sebastien.hay@moodys.com

### CLIENT SERVICES

Americas 1-212-553-1653  
Asia Pacific 852-3551-3077  
Japan 81-3-5408-4100  
EMEA 44-20-7772-5454

## Riverside Group (United Kingdom)

Update following downgrade to A2 stable

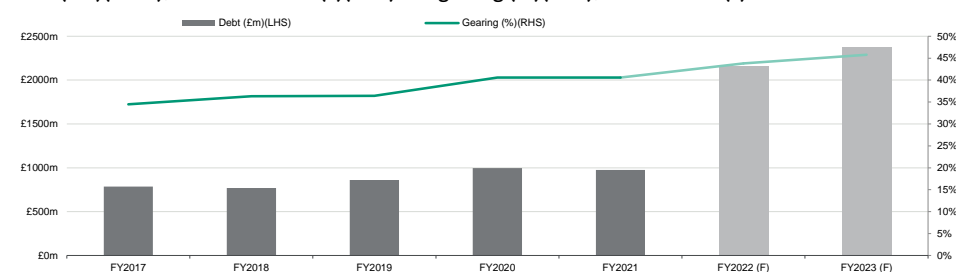
### Summary

The credit profile of [Riverside Group](#) (Riverside, A2 stable) reflects its significant market position, its stronger debt metrics than peers, solid liquidity, weaker operating performance and increased risk appetite. The rating also incorporates a strong likelihood that the government of the [United Kingdom](#) (UK, Aa3 stable) would intervene if the group were to face liquidity distress. The group is aiming to leverage its larger capacity, following its merger with One Housing Group (OHG) in December 2021, using a growth strategy partially funded by market sales.

#### Exhibit 1

#### Riverside will maintain strong debt metrics despite the jump in aggregate debt following the merger

Debt (£m)(LSHS), debt to revenue (x)(RHS) and gearing (%) (RHS), FY2017-2023(F)



F: Indicates forecast. Merger impact can be seen from fiscal 2022 onwards.

Source: Riverside, Moody's Investors Service

### Credit Strengths

- » Stronger debt metrics than peers and solid liquidity
- » Large housing association with nationwide operations and strong policies
- » Supportive institutional framework in England

### Credit Challenges

- » Lower operating margin and interest cover ratios
- » Increase in development risk and weak performance on market sales

## Rating Outlook

Riverside's stable outlook reflects its debt metrics that will remain stronger than peers, balancing the weaker operating performance. Riverside has a track record on driving efficiencies, including on previous mergers, which should ensure a smooth transition of merging the operations of the two entities together. The outlook also reflects the currently supportive operating environment for English housing associations and the strong regulatory framework.

## Factors that Could Lead to an Upgrade

An upgrade in the near term is unlikely given the downgrade but upward pressure on Riverside's ratings could result from a sustained improvement in profitability, leading to strengthened interest cover ratios as well as a decrease in risk appetite through a reduced exposure to market sales.

## Factors that Could Lead to a Downgrade

Moody's could downgrade Riverside if there is a further deterioration in operating performance and interest cover ratios, through unforeseen cost pressures or a failure to meet market sales targets, and/or a faster pace of borrowing resulting in weaker debt metrics. In addition, a weaker regulatory framework, a dilution of the overall level of support from the UK government, or a downgrade of the UK government rating could exert downward pressure on the ratings.

## Key Indicators

Exhibit 2

Riverside	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22 (F)	31-Mar-23 (F)
Units under management (no.)	52,610	52,942	56,089	58,360	58,671	76,536	77,520
Operating margin, before interest (%)	21.6	23.1	18.5	15.4	19.8	15.8	18.5
Net capital expenditure as % turnover	17.0	24.6	17.4	56.3	13.6	44.0	41.3
Social housing letting interest coverage (x times)	2.0	1.7	1.1	1.1	1.6	0.8	0.9
Cash flow volatility interest coverage (x times)	2.1	2.2	1.3	2.9	2.7	1.3	1.6
Debt to revenues (x times)	2.1	2.2	2.4	2.8	2.6	3.6	3.6
Debt to assets at cost (%)	34.5	36.3	36.4	40.6	40.6	43.8	45.8

F: Forecast. Merged entity from fiscal 2022 onwards, Riverside as standalone entity in prior years.

Source: Riverside, Moody's Investors Service

## Detailed Credit Considerations

On 1 December 2021, Moody's downgraded Riverside's rating to A2 from A1. The downgrade reflected the impact of the merger with OHG, a housing association with a weaker credit profile in Moody's view, as well as the increased risk appetite stemming from the ambitious development programme and increased market sales exposure which is expected to result from the joined entity. The merger between Riverside and OHG completed on 1 December 2021.

Riverside's rating combines (1) its baseline credit assessment (BCA) of a3, and (2) a strong likelihood of extraordinary support coming from the UK government in the event that Riverside faced acute liquidity stress.

## Baseline Credit Assessment

### Stronger debt metrics than peers and solid liquidity

Riverside's debt to revenues will remain one of the lowest of Moody's-rated peers over the next three years, despite an increase in borrowing and the merger with OHG. The low debt metrics provide the association with financial flexibility, as the balance sheet is capable of supporting additional borrowing if required. Debt to revenues stood at a low 2.6x in fiscal 2021 compared to a rated peer median of 4.3x. Following the integration of OHG into the group (fiscal 2022), it will increase but remains stronger than peers, averaging 3.5x over the next three years.

Debt is increasing to fund growth, but this rise will be relatively manageable due to the size of the new entity. Debt prior to the merger was £975 million at fiscal year end 2021, down from £997 million in fiscal 2020. From fiscal 2022, and with the larger organisation,

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

debt is expected to increase to around £2.1 billion and to grow further to £2.4 billion by fiscal 2024. Despite this, gearing (debt to assets at cost) will remain moderately stronger relative to peers, averaging 45% over the next three years compared to the rated peer median of 48% (fiscal 2021).

Riverside's liquidity position will remain solid. As of June 2021, the group held immediately-available liquidity of £294 million, sufficient to cover 1.8x Riverside's standalone forecasted two-year cash need (Riverside's and OHG's combined available liquidity in fiscal 2021 would cover 1.3x the merged entity's two-year cash need). Over the next three years, we expect liquidity cover to average 1.3x for the merged entity.

Besides, we expect that the group's unencumbered asset position will increase to around £1.2 billion in fiscal 2022 thanks to the addition of OHG's housing stock, enough to cover the £481 million in required debt funding over the next five years.

### Large housing association with nationwide operations and strong policies

Riverside will become the UK's fourth largest HA in fiscal 2022 with 76,500 units under management thanks to the addition of OHG. The large size affords the organisation increased political influence and a favourable position when competing for development opportunities with smaller housing associations. This was recently illustrated in September 2021 when Riverside was selected as a strategic partner for Homes England, thereby securing additional funding (£81 million to build 1,530 units) that will limit debt growth going forward, a credit positive. Similarly, OHG and Riverside will both receive grants from the Greater London Authority for their London-based schemes (respectively £42 million and £19 million). The organisation is politically engaged with dedicated public policy staff in order to ensure its views are heard.

The newly merged entity operates nationwide across 179 local authorities (England and Scotland). There was a concentration of stock in the North of England where social housing rents are much closer to market rents compared to the South of England. The integration of OHG into the Group, which is predominantly focused in London, is expected to bring in higher average rents and a younger stock profile for Riverside.

In addition to its scale, Riverside's credit quality is supported by its strong policies. As part of the merger, OHG will adopt Riverside's more stringent financial and treasury policies from the outset. We view Riverside's sophisticated and tailored policies, stress-tests and tiered mitigations as stronger compared to peers. In response to the coronavirus pandemic, Riverside identified a number of potential mitigating actions to minimise the impact, including a campaign on rent arrears ('Let's Talk Rent Campaign'), maintaining rent and service charge arrears at 4.4%. The housing association successfully reduced its headline social housing cost per unit to £4,344 from £4,959 the year before. This resulted in a strengthening of the operating margin in fiscal 2021, despite the pandemic.

Riverside's strong financial policies are balanced by the increased risk appetite following the merger. The larger entity will have a more complex group structure than pre-merger, as well as looking to leverage its scale with a more ambitious development programme. We capture this increasing risk in Riverside's baa score for financial management. However the group retains its 'a' score for investment and debt management as it is still able to comfortably meet its funding needs over the next five years, benefitting from low refinancing risk over the near-term and is also underpinned by Riverside's strong treasury policies.

### Supportive institutional framework in England

The sector's credit quality will continue to benefit from the strong regulatory framework governing English HAs. The regulator maintains strong oversight through quarterly returns, long-term business plans, annual reviews, and by undertaking biennial In-Depth Assessments (IDAs) for large and complex HAs. In response to the pandemic, the regulator adapted some aspects of its oversight temporarily, for example, extending its liquidity monitoring, briefly pausing the programme of IDAs and delaying regulatory submissions to reduce the operational burden on HAs. The regulator has a strong track record of intervention in cases of mismanagement or financial stress with powers to provide financial assistance and/or make manager appointments where there has been a breach of regulatory standards.

The operating environment for English HAs has improved under more supportive policies for social rent increases and capital grant. Following four years of social rent reductions, HAs now benefit from a return to inflation-linked rent increases from April 2020 for five years. In addition, the government has committed to increased capital grant on more flexible terms for new social housing.

Counterbalancing the improvements, we expect policy to drive increased borrowing and development risk in the sector as it responds to the government's objective to deliver a significant increase in the construction of new homes.

### Lower operating margin and interest cover ratios

Despite the planned and achieved efficiencies, Riverside's operating margin is expected to remain weak relative to peers, a key credit challenge. Riverside's operating margin increased to 20% in fiscal 2021 from 15% in fiscal 2020, compared to a rated peer median of 25%. We expect this metric to remain weak over the next three years, averaging just 18% for the merged entity. Riverside prudently only forecasted savings stemming from the merger from fiscal 2024 onwards, of circa £7.5 million per annum, a level we deem reasonable and prudent.

Riverside's lower operating margin is a result of both structural and temporary factors. Structural drivers of its lower profitability include its comparatively lower rents (in average £10 per week below peers as of fiscal 2021, pre-merger) and its relatively high proportion of lower margin care and support housing and services. Temporary drivers of the exceptionally low margins in fiscal 2019 and 2020 include spend on its business transformation strategy, poor performance on market sales, and the exit costs from the multi-employer pension schemes.

Many of Riverside's peers have divested away from care and support activities, but Riverside and OHG view care and support as integral to their social mission. Care and support activities tend to display lower margins than social housing lettings due to the labour-intensive nature of the work. We note that Riverside improved its performance on supported housing lettings (representing 29% of turnover in fiscal 2021), decreasing the operating deficit to -6% from -10% the year before, despite the impact of the pandemic. The merger with OHG provides an additional challenge for Riverside going forwards due to OHG's similar exposure and underperformance on its own care business in recent years. OHG also faces high fire safety remedial costs which may add additional downwards pressure on Riverside's margins over the near-term.

The weaker profitability underpins weaker interest cover ratios than peers. The group's social housing lettings interest cover (SHLIC) reached 1.6x in fiscal 2021, from 1.1x in fiscal 2020, the increase driven by the improvement in margins. The group's SHLIC is expected to remain weak at just 0.9x over the next three years, remaining significantly lower than peers (rated peer median of 1.4x in fiscal 2021 and expected at 1.5x over the next three years).

### Increase in development risk and weak performance on market sales

In line with peers, Riverside is increasing its development programme and is targeting approximately to build 7,400 new homes between fiscal 2022 and 2026. This is up from its pre-merger target of 6,000, following the grant funding from Homes England and Greater London Authority. From fiscal 2027, 42% more units are targeted for development than compared to Riverside's and OHG's standalone business plans, as Riverside aims to leverage its increased development capacity. We view the group's development risk as manageable given the strong balance sheet, liquidity, and management of Riverside.

The development programme targets an average of 1,300 units per annum, including 36% of social housing, 20% shared ownership and 19% outright sales over the next five years. Net capital expenditure to revenues is expected to increase to an average of 35% over the next three years, up from 14% in fiscal 2021 (for Riverside standalone, or an estimated combined 8%), which is in line with the rated peer median.

Riverside will increase its market sales exposure to high (we define high as 20-30% of turnover) in order to utilise surpluses to fund growth. Market sales, which includes first tranche shared ownership and outright sales, will rise to 20% of turnover over the next five years from 9% in fiscal 2021. Market sales are expected to fund 50% of the 5-year development programme. A failure to meet the targeted amount of market sales could imply faster and higher debt increases than the adequate levels currently projected, which would be credit negative.

Riverside has underperformed on its market sales margins compared to peers, a negative given the upcoming increased exposure. Riverside's margin on market sales was only 1% in fiscal 2021, down from 2% in fiscal 2020, and very weak compared to a rated peer median of 15%. Similarly, OHG have also had very weak performance on its sales over the past three years, having made significant losses. OHG's margin on market sales averaged 6% between fiscal 2019 and 2021. Management is focused on improving profitability

of market sales with expected margins of between 11%-17% over the next three years, supported by the current positive market dynamics.

### Extraordinary Support Considerations

The strong level of extraordinary support factored into the rating reflects the wide-ranging powers of redress available to the regulator in cases of financial distress, with the possibility of a facilitated merger or a transfer of engagements. Recent history has shown that the UK government (Aa3 stable) is willing to support the sector, as housing remains a politically and economically sensitive issue. The strong support assumption also factors increasing exposure to non-core social housing activities in the sector, that add complexity to HA operations, and the weakening of the sovereign's financial resilience, making an extraordinary intervention slightly more challenging. In addition, our assessment that there is a very high default dependence between Riverside and the UK government reflects their strong financial and operational linkages.

### ESG considerations

#### How environmental, social and governance risks inform our credit analysis of Riverside

Moody's takes account of the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of Riverside, the materiality of ESG to its credit profile is as follows:

Environmental considerations are material to the group's credit profile. Although the impact of physical climate risks such as water shortages and flood risk are unlikely to be material to HAs' credit profiles as they are managed by government authorities, energy efficiency and decarbonisation more broadly are becoming an increasingly acute priority for HAs with a target of all homes obtaining an energy performance certificate (EPC) of C or above by 2035 in England. We expect this to require material levels of capital expenditure - which would either divert cash flows away from development programmes or increase debt levels. Riverside has included achieving EPC C for all its properties by 2030 in its combined business plan.

Social risks are material to HAs' credit profiles. In particular, the sector is exposed to risks stemming from socially-driven policy agendas affecting social rents, benefits and capital grants in addition to the impact of demographic trends on demand which are captured in our assessment of the operating environment. We view the coronavirus pandemic as a social risk under our ESG framework given its impact on health and safety. HAs are also impacted by customer relations and product quality. The Grenfell fire tragedy in June 2017 has encouraged higher health and safety standards with many HAs planning on increasing spending on the quality of their existing stock.

Governance considerations are also material to HAs' credit profiles and are captured in our assessment of governance and management. In general, housing association governance is strong with multi-year strategies supported by detailed forecasts, conservative liquidity policies, and robust risk management including stress testing.

Further details are provided in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing ESG Risks](#).

## Rating Methodology and Scorecard Factors

The assigned BCA of a3 is one notch below the scorecard-suggested BCA of a2 for fiscal 2021 as it reflects the pre-merger position.

The methodologies used in this rating were [European Social Housing Providers](#), published in April 2018, and [Government Related Issuers](#), published in February 2020.

Exhibit 3

### Riverside's 2021 scorecard (pre-merger)

Riverside			
Baseline Credit Assessment	Sub-factor Weighting	Value	Score
<b>Factor 1: Institutional Framework</b>			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
<b>Factor 2: Market Position</b>			
Units Under Management	10%	58,671	a
<b>Factor 3: Financial Performance</b>			
Operating Margin	5%	19.8%	baa
Social Housing Letting Interest Coverage	10%	1.6x	a
Cash-Flow Volatility Interest Coverage	10%	2.7x	a
<b>Factor 4: Debt and Liquidity</b>			
Debt to Revenue	5%	2.6x	a
Debt to Assets	10%	40.6%	ba
Liquidity Coverage	10%	1.8x	a
<b>Factor 5: Management and Governance</b>			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	a	a
<b>Suggested BCA</b>			<b>a2</b>

Source: Riverside, Moody's Investors Service

## Ratings

Exhibit 5

Category	Moody's Rating
<b>RIVERSIDE GROUP</b>	
Outlook	Stable
Baseline Credit Assessment	a3
Issuer Rating -Dom Curr	A2
<b>RIVERSIDE FINANCE PLC</b>	
Outlook	Stable
Senior Secured -Dom Curr	A2

Source: Moody's Investors Service

© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJJK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454