

## CREDIT OPINION

18 January 2021

 Rate this Research

### RATINGS

#### Aberdeen City Council

Domicile	Aberdeen, United Kingdom
Long Term Rating	A1
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

**Weronika Migula-Gawron** +44.207.772.8673  
 Associate Analyst  
 weronika.migula-gawron@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

# Aberdeen City Council

## Update to credit analysis

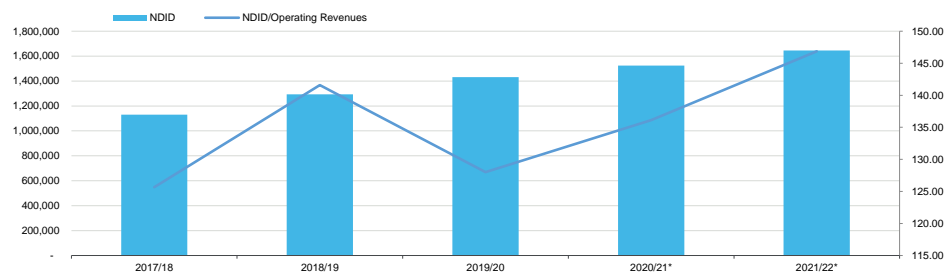
### Summary

The credit profile of [Aberdeen City Council](#) (Aberdeen, A1 stable) reflects a strong institutional framework, a strong track record of operating performance and a wealthy local economy, in addition to a high debt burden to finance their capital programme and key project risk from the development of The Event Complex Aberdeen (TECA). The credit profile also reflects a high likelihood that the government of the [United Kingdom](#) (UK, Aa3 stable) would intervene in the event of acute liquidity stress.

#### Exhibit 1

**Aberdeen's debt levels have increased steadily over recent years to fund its capital programme, however should moderate over the medium term**

Net Direct and Indirect Debt (£000s), Net Direct and Indirect Debt as % of operating revenues



\* denotes a projection based on Aberdeen's medium term financial plan.  
 Source: Issuer, Moody's Investor Services

### Credit strengths

- » Strong institutional framework for Scottish local authorities
- » Wealthy local economy, with some concentration in oil and gas industries
- » Decent financial performance but significant medium term pressures

### Credit challenges

- » Debt has increased in size and complexity in recent years
- » Implementation of ambitious savings programme to reduce projected operating deficits
- » Exposure to key project risks associated with the development of The Event Complex Aberdeen (TECA)

## Rating outlook

Aberdeen's stable outlook reflects the stable outlook on the UK sovereign in addition to our view that rated local authorities have sufficient budgetary buffers, in the form of usable reserves and budgetary flexibility, to be able to offset the medium term credit impacts of the coronavirus pandemic.

## Factors that could lead to an upgrade

A significant reduction in debt levels, a reduction of the risks associated with its ambitious capital programme and a strengthening of its reserves balance would exert positive pressure on the rating. An upgrade of the UK sovereign rating would also put upwards pressure on the rating.

## Factors that could lead to a downgrade

Factors that could lead to a downgrade include a failure to realise projected revenues from its capital programme, worsening financial performance and a material increase in debt levels. In addition, a downgrade of the sovereign rating, a change in the relationship between Scotland and the UK or a dilution of the regulatory and institutional framework for Scottish local authorities could also exert downward pressure on the rating.

## Key indicators

Exhibit 2

	2016/17	2017/18	2018/19	2019/20	2020/21F	2021/22F
Net Direct and Indirect Debt / Operating Revenue (%)	124.6	125.7	141.6	128.0	136.1	146.9
Interest Payments / Operating Revenue (%)	3.5	5.1	5.5	4.8	5.1	5.5
Gross Operating Balance / Operating Revenue (%)	(1.4)	(2.4)	(0.9)	0.1	(0.6)	(1.2)
Capital Financial Surplus (Requirement) / Total Revenue (%)	(35.9)	(20.5)	(23.4)	(27.8)	(16.0)	(18.4)
Intergovernmental Transfers / Operating Revenue (%)	49.7	47.6	48.9	50.1	50.0	50.0
Short-Term Direct Debt / Direct Debt (%)	7.7	7.3	15.6	14.8	13.9	12.8
GDP per capita as % of National Average [1]	146.0	148.3	148.3	148.3	148.3	148.3
Usable Reserves / Operating Revenue (%)	10.0	7.3	6.4	5.4	4.7	3.5

[1] Gross value-added figures for Aberdeen and Aberdeenshire as a percentage of the UK average (source: Office for National Statistics, "ONS").  
Source: Issuer, Moody's Investors Service

## Detailed credit considerations

The credit profile of Aberdeen, as expressed by the A1 stable rating, reflects (1) a Baseline Credit Assessment (BCA) of a3, and (2) a high likelihood of extraordinary support from the UK government in the event that the entity faces acute liquidity stress.

### Baseline credit assessment

#### Strong institutional framework for Scottish local authorities

The institutional framework for UK local authorities (LAs) is mature and highly developed, underpinned by a number of key pieces of legislation. The UK LA system is one of the most centralised in Europe and, as such, the rating of LAs are significantly driven by the sovereign rating and central government policy.

In Scotland, the responsibility for funding is devolved, with the Scottish government being allocated a block grant from the UK sovereign, which currently amounts to some 85% of the total budget. The Scottish government then allocates a block grant to Scottish LAs in the form of a general revenue grant, non-domestic rates income (business rates) and a general capital grant, this represents around 50% of Aberdeen's gross budget. This also means that Aberdeen is less exposed to business closures than LAs in England - as non-domestic rates income acts as a balancing figure within its grant calculation and will scale up and down depending on its grant allocation. This will insulate Aberdeen to some extent from the economic downturn expected over the medium term. As in England,

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.

Scottish LAs' main sources of non-block grant revenue are council taxes, fees, charges, trading and investment income. Similar to English LAs, Scottish LAs have to prepare an annual balanced budget and any failure to meet this requirement means the government must be notified by the designated financial officer (Section 95 officer) at the council.

Aberdeen's internal governance and scrutiny is strong, supported by recent assessments from the Accounts Commission. The financial planning process includes a strategic review, underpinned by a medium-term financial plan, a corporate risk register and monitoring of the financial position (which is reported quarterly to the City Growth and Resources Committee). Similar to other LAs, Aberdeen manages a number of partnerships with other public bodies to deliver its social mandate. In addition to this, Aberdeen holds shares in a number of entities and subsidiaries to support the delivery of its objectives. All are financed by Aberdeen, so their funding and savings plans are considered in Aberdeen's medium-term financial plan. None have any debt on their balance sheets.

### **Wealthy local economy, with some concentration in oil and gas industries**

Aberdeen is located in the north east of Scotland, with a population of 229,000. Aberdeen is wealthy compared with the rest of the UK and Scotland. Gross value added per capita in Aberdeen City and Aberdeenshire was £40,667 in 2017 or 148% of the UK average of £27,430. As of June 2020, its employment rate of 78.6% was higher than both the Scottish (74.2%) and UK level (75.9%). It also has a highly skilled labour force, with approximately 55% of working age people having qualifications at NVQ4 and above compared with the Scottish and UK averages of 45.3% and 40.3% respectively.

The oil and gas sector remains the primary driver of employment in the Aberdeen's economy through direct employment on offshore rigs and indirectly in the supply chain. An analysis by Scottish government estimates that the energy sector as a whole represents around 36,000 of the Aberdeen region's employment (11% of the total). The energy sector also plays an outsize role in the GVA generated by Aberdeen, with GVA/per head of employment at £160,000 within the energy sector compared with £60,000 for life sciences and financial and business services.

The coronavirus pandemic led to a significant decline in the oil price to around \$18 per barrel during April 2020, although by January 2021 it had risen to around \$50 per barrel. Aberdeen's concentration in this sector means that the fall in oil price will have a direct impact on the Aberdeen region's economic performance, reducing GVA in 2021 and into 2022. In Scotland as a whole, GDP fell by 24% between February and April 2020, and over 2020 the reduction is estimated at 10%, Aberdeen may have a steeper decline based on its economic concentration in the oil and gas industry.

In addition, as an export-led economy Aberdeen is particularly exposed to Brexit. The trade deal agreed at the end of 2020 limits some of the uncertainty for the oil and gas sector, however we expect some disruption to continue as the sector transitions to the new arrangements.

While the results of the Brexit referendum initially brought renewed impetus to the arguments for a second Scottish Independence referendum, we view this as currently having little bearing on the strong ties between the UK government, the Scottish government and in turn the LA sector.

### **Decent track record of financial performance, but significant pressures over the medium term**

Aberdeen generated a £1.6 million budget surplus on its general fund in FY2020, increasing its usable reserves balance by a net £1.3 million. In general, its budgetary performance and budgetary control is strong however over the medium term it faces large pressures from the impacts of the coronavirus pandemic, on both spending and revenues. Before the pandemic, Aberdeen had identified around £34 million of savings to be required in FY2021 as part of its balanced budget. In June, an additional £26 million gap was identified due to the impacts of the pandemic on spending and revenues. A net £5 million deficit is currently estimated. Included in this is an estimated loss of £4 million income from the TECA project, related to a loss of projected income from the concession agreement with the conference centre operator and surpluses from the two hotels and energy centre on the site. Aberdeen expects to meet the deficit by identifying further expenditure savings, rather than using its reserve balances.

Aberdeen had £60 million of usable reserves as of FYE2020, with just over £35 million in its general fund balance. Its usable reserves level is relatively slim compared to other Moody's rated local authorities, at just 5% of total gross operating revenues. We expect

Aberdeen's usable reserves to remain at this level over the medium term, as the council has committed to balancing budgets through organisational re-design, including digitisation of processes and some services and staffing restructures.

The Housing Revenue Account (HRA), similar to that in England, is ring fenced and primarily funded through rents. Aberdeen currently has around 22,000 council houses, which are covered by a 30-year HRA business plan. As is the case in England, in Scotland, the HRA cannot subsidise the general fund or vice versa (Housing (Scotland) Act 1987). We consider the consolidated position of the council - including the HRA revenue and debt which adds around £202 million of debt.

### **Debt has increased in level and complexity in recent years**

Aberdeen issued a £370 million index-linked bond in November 2016, maturing in 2054. The bond was intended to support the development of its ambitious capital programme, in particular, financing TECA. The bond is index-linked on the capital repayments - this increases the council's inflation-related risk as a limited proportion of Aberdeen's revenue is index-linked and raises the risk of a potential mismatch between revenue and indexation on the capital.

Aberdeen's debt levels are moderately high at 128% of gross operating revenues. This includes direct debt of £1.2 billion, £135 million in PPP liabilities and £58 million of finance leases. Its direct debt is predominantly split between the borrowing from the Public Works Loan Board (PWLb) (41%), the Bond issuance and premium (37%) with the remainder market debt and temporary loans. There is no use of derivatives, although it continues to have some legacy Lender Option Borrower Option (LOBO) loans, however these are all at fixed rates.

We expect debt to stay fairly stable as a proportion of gross operating revenues over the medium term as Aberdeen's capital programme over the next five years is currently quite modest at £675 million (£424 million relating to the General Fund and £251 million related to the HRA), funded by around £320 million of borrowing with the remainder funded by grants and revenues.

Aberdeen's treasury policy is straightforward, reflecting the uncomplicated debt and treasury arrangements. The investment policy is risk averse, with an approved counterparty list with the highest-rated entities maintained and adhered to, investments are currently held and planned to be held in highly rated money market funds. [Clydesdale Bank plc \(LT Bank Deposits, Baa1 stable\)](#) is responsible for day-to-day banking facilities and offers an overdraft facility of £1.5 million.

Aberdeen also has a number of other existing indirect obligations, the largest of these being the pensions fund, which is showing an actuarial deficit of £310 million. A 19-year recovery plan has been agreed with the trustee to make up the difference. Aberdeen is involved in two Public Private Partnerships (PPP). These include a 30-year PPP contract for the construction, maintenance and operation of 10 schools. The scheme came into operation between May 2009 and April 2011. The other PPP is for another school, Lochside, which came into operation in August 2018 and is for 28 years. The liability value of the PPPs at FYE2020 is £135 million. Aberdeen also has a finance lease for the commercial development at Marischal Square in Aberdeen City Centre which completed in November 2017, for a duration of 35 years. This consists of a hotel, retail and office premises. The discounted present value of the minimum lease payments is £58 million, and this has been consolidated into Aberdeen's net debt and indirect debt. Aberdeen City Council will be liable for the annual rental stream from the asset and carries the revenue risk should the project not be successful. Contingency amounts from the deal are available in the first few years of the development, to protect the council against a shortfall in rental income as rental agreements are signed with tenants.

### **Key project risk associated with TECA**

TECA is the cornerstone of Aberdeen's capital programme. The project comprises a new 12,500 capacity seated/standing arena, exhibition and conference centre, two hotels, car parking facilities and an energy centre and anaerobic digestion plant. Construction started in July 2016 and is now operational as of summer 2019. The total gross construction cost was £425 million.

The project is intended to consolidate Aberdeen's ability to compete globally with other cities in the energy sector, as well as support the diversification of Aberdeen's economy through leisure and business tourism. We view the TECA development and Aberdeen's borrowing to finance it as demonstrating the council's higher risk appetite than a typical local authority, although the project is intended to boost Aberdeen's long-term economic performance.

TECA is operated by ASM Global which has considerable experience running other major event and conference venues in the UK and globally, and hotel franchise agreements with RBH Hospitality Management, under the [Hilton Hotels Corporation](#) (unrated) and [Marriott International, Inc \(Baa3 negative\)](#) brands. Construction risk is now materially lower, as the majority of the programme is now complete, including the energy centre.

However, Aberdeen remains exposed to significant revenue risk in operation phase. The coronavirus pandemic has effectively closed the venue for the majority of 2020, although both of the hotels on the site were operational for part of the year. As mentioned previously, a net surplus of £4 million was expected in FY2021 and this is now expected to be close to zero. It is uncertain whether it will be able to open in FY2022 and, if not, a similar loss can be expected in this fiscal year. Over the medium to long term, the impacts of the pandemic on the events and conference industry may result in a shift in demand for TECA's services, resulting in the local authority having to reconsider the focus of the site.

### Extraordinary support considerations

We consider Aberdeen to have a high likelihood of extraordinary support from the UK government, reflecting our assessment of the reputation risk to the state were a local government's financing to fail within such a tightly designed and monitored system, in addition to the Public Works Loan Board's stated intention to act as a lender of last resort.

## ESG considerations

### How environmental, social and governance risks inform our credit analysis of Aberdeen City Council

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 Aberdeen City Council, the materiality of ESG to its credit profile is as follows:

Environmental considerations are not material to local authority credit profiles. Main exposures relate to water shortages and flood risk. Fluvial flooding is the most frequent extreme weather event, though flood risk is managed by regional and national authorities, and therefore the financial burden of adapting to increased flood risk will not fall materially on local authorities.

Social considerations are material to local authority credit profiles. These include the risks related to the coronavirus pandemic and the measures put in place to contain it. The most significant financial impacts on upper tier and unitary local authorities come from the increased costs of provision of adult and children's social care and housing provision over the course of the outbreak and beyond. All local authorities will suffer reductions in local revenues from business rates and council taxes, sales, fees and charges as a result of the associated economic contraction. The total financial pressure is estimated at around 11% of the gross sector budget in FY2021, although we expect financial impacts to persist for a number of years.

Governance considerations are material for local authority credit profiles. Governance standards in the sector are high, with governance of capital finance directed by the sector's Prudential Code, which is designed to ensure capital plans are affordable, prudent and sustainable. Data transparency is very high, with all material spending decisions published on websites, along with budgets, capital plans, policies, and accounts.

Further details are provided in the "Baseline credit assessment" 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 in line with the scorecard-indicated BCA. The matrix-generated BCA of a3 reflects (1) an Idiosyncratic Risk score of 4 (presented below) on a scale of 1 to 9, where 1 represents the strongest relative credit quality and 9 the weakest; and (2) a Systemic Risk score of Aa3, as reflected by the sovereign bond rating for the UK.

For details about our rating approach, please refer to our [Regional and Local Governments](#) rating methodology, published 16 January 2018.

Exhibit 3

31 March 2020

Baseline Credit Assessment	Score	Value	Sub-factor Weighting	Sub- factor Total	Factor Weighting	Total
<b>Scorecard</b>						
<b>Factor 1: Economic Fundamentals</b>						
Economic strength	1	148.26	70%	2.2	20%	0.44
Economic volatility	5		30%			
<b>Factor 2: Institutional Framework</b>						
Legislative background	1		50%	3.0	20%	0.60
Financial flexibility	5		50%			
<b>Factor 3: Financial Performance and Debt Profile</b>						
Gross operating balance / operating revenues (%)	7	-0.5	12.50%	4.5	30%	1.35
Interest payments / operating revenues (%)	7	5.0	12.50%			
Liquidity	1		25%			
Net direct and indirect debt / operating revenues (%)	7	128.0	25%			
Short-term direct debt / total direct debt (%)	3	14.8	25%			
<b>Factor 4: Governance and Management</b>						
Risk controls and financial management	1			5.0	30%	1.50
Investment and debt management	5					
Transparency and disclosure	1					
<b>Idiosyncratic Risk Assessment</b>						<b>3.89 (4)</b>
<b>Systemic Risk Assessment</b>						<b>Aa3</b>
<b>Suggested BCA</b>						<b>a3</b>

Source: Issuer, Moody's Investors Service

## Ratings

Exhibit 4

Category	Moody's Rating
<b>ABERDEEN CITY COUNCIL</b>	
Outlook	Stable
Issuer Rating -Dom Curr	A1
Senior Unsecured -Dom Curr	A1

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. ("MJKK") 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 MJKK. 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. MJKK 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.

MJKK 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 MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

MJKK 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