

## CREDIT OPINION

1 November 2023

Update



Send Your Feedback

### RATINGS

#### Aberdeen City Council

Domicile	Aberdeen, 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

Giulia Calcabrini +44.20.7772.5620  
Analyst  
giulia.calcabrini@moodys.com

James Boachie-Yiadom +44.20.7772.5298  
Ratings Associate  
james.boachieyiadom@moodys.com

Sebastien Hay +34.91.768.8222  
Associate Managing Director  
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 (United Kingdom)

Update following downgrade to A2 stable

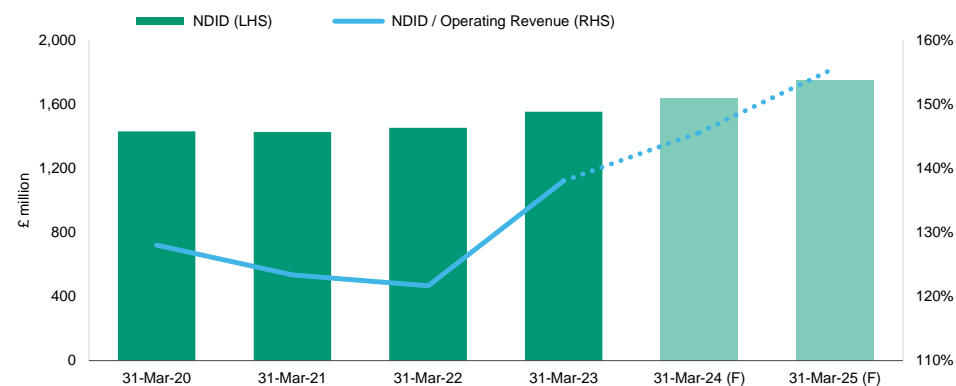
## Summary

The credit profile of [Aberdeen City Council](#) (Aberdeen, A2 stable) reflects a strong institutional framework, albeit with limited fiscal flexibility, a wealthy local economy and a strong track record of operating performance, balanced by a high debt burden to finance the capital programme and project risks from The Event Complex Aberdeen (TECA) development. Aberdeen's credit profile benefits from our assumption of a high likelihood that the government of the [United Kingdom](#) (UK, Aa3 stable) would intervene in the event that Aberdeen were to face acute liquidity stress.

Exhibit 1

### Aberdeen's debt level is expected to continue rising in future years

Net Direct and Indirect Debt (NDID) and NDID as a % of operating revenues, fiscals 2020 to 2025 (F)



Fiscals 2024 and 2025 are forecasted figures based on Aberdeen's latest medium-term financial plan.

Source: Aberdeen, Moody's Investors Service

## Credit strengths

- » Strong institutional framework for Scottish local authorities, but limited fiscal flexibility
- » Wealthy local economy, with some concentration in oil and gas industries
- » Track record of balanced financial performance, but significant medium-term pressures

## Credit challenges

- » Debt has increased in level and complexity in recent years
- » Exposure to key project risks associated with the development of TECA

## Rating outlook

The stable outlook reflects our view that, despite the weakened fiscal flexibility, Aberdeen has a good level of financial resilience. It has decent budgetary buffers in the form of usable reserves to offset any budget deficits that emerge over the medium term and moderate debt levels. It also reflects the stable outlook on the UK sovereign rating.

## Factors that could lead to an upgrade

Upward pressure on the ratings could emerge if the sector's funding settlement aligns with service demand and cost inflation, thereby supporting strong operating performance over the medium term, there is a sustained improvement in fiscal flexibility and debt metrics improve. An upgrade of the UK sovereign rating could also result in upward pressure on the ratings.

## Factors that could lead to a downgrade

Downward pressure on the ratings could result from a sustained deterioration in operating performance and a material depletion of unringfenced usable reserves or a material increase in debt levels. A downgrade of the UK sovereign rating or a sustained weakening of the UK's institutional framework and extraordinary support mechanisms for local authorities could also lead to downward pressure on the rating.

## Key indicators

Exhibit 2

Aberdeen City Council						
	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24 (F)	31-Mar-25 (F)
Net Direct and Indirect Debt / Operating Revenue (%)	128.0	123.4	121.7	138.1	145.6	155.7
Interest Payments / Operating Revenue (%)	4.8	3.9	4.1	5.4	5.7	6.1
Gross Operating Balance / Operating Revenue (%)	(0.1)	3.1	2.9	(0.3)	(1.2)	(3.8)
Capital Financial Surplus (Requirement) / Total Revenue (%)	(10.2)	(0.1)	(8.9)	(11.8)	(7.4)	(10.1)
Intergovernmental Transfers / Operating Revenue (%)	50.1	49.5	43.4	47.3	46.9	46.4
Short-Term Direct Debt / Direct Debt (%)	14.8	16.6	15.7	20.1	24.5	29.7
GDP per capita as % of National Average	144.5	137.2	134.9	134.9	134.9	134.9
Usable Reserves / Operating Revenue (%)	5.4	8.6	11.2	13.8	10.5	6.7

Fiscals 2024 and 2025 are forecasted figures based on Aberdeen's latest medium-term financial plan.

Source: Aberdeen, Office for National Statistics (ONS), Moody's Investors Service

## Detailed credit considerations

On 25 October 2023, Moody's downgraded the ratings and changed the outlook to stable from negative for Aberdeen. This followed Moody's change in outlook of the Government of the United Kingdom's Aa3 rating to stable from negative on 20 October 2023. The downgrade reflects our view that, while policy predictability has been restored at the sovereign level, the fiscal flexibility of local authorities in Scotland has materially deteriorated.

Aberdeen's ratings combine: (1) a Baseline Credit Assessment (BCA) of baa1; and (2) a high likelihood of extraordinary support from the UK government in the event that Aberdeen faced acute liquidity stress.

## Baseline credit assessment

### Strong institutional framework for Scottish local authorities, but limited fiscal flexibility

In Scotland, local government funding is a devolved responsibility. The UK sovereign provides the Scottish government with a block grant, currently constituting approximately 85% of the total budget. A block grant is then distributed by the Scottish government to local authorities in Scotland in the form of a general revenue grant, non-domestic rates income (business rates) and a general capital grant. For Aberdeen, this grant makes up about 50% of its gross expenditure. This funding structure implies that Aberdeen is less vulnerable to business closures compared to English local authorities, as non-domestic rates income serves as a balancing figure within

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

its grant calculation, scaling up or down based on its grant allocation. This provides Aberdeen with some degree of insulation against economic downturns. Council taxes, fees, charges, trading and investment income are the primary sources of non-block grant revenue for Scottish local authorities, similar to their English counterparts. Scottish local authorities, like those in England, must prepare an annual balanced budget and any failure to meet this requirement means the government must be notified by the council's designated financial officer (Section 95 officer).

We consider that fiscal flexibility in the sector in Scotland has deteriorated materially due to the consistently high expenditure pressures and funding levels that do not keep pace with both cost inflation and demand.

However, those pressures are partly offset by Aberdeen's strong internal governance and scrutiny, 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 (reported quarterly to the Finance and Resources Committee). Aberdeen, like other local authorities, manages several partnerships with other public bodies to deliver its social mandate. Moreover, Aberdeen owns shares in various entities and subsidiaries to support the delivery of its objectives. Aberdeen finances all of these, so their funding and saving plans are incorporated in Aberdeen's medium-term financial plan. None of these entities or subsidiaries carry any debt on their balance sheets.

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

Aberdeen is located in the north east of Scotland, with a population of over 212,000. Aberdeen is wealthy compared with the rest of the UK and Scotland. Gross Domestic Product (GDP) per capita in Aberdeen City was £45,491 in 2021, or 135% of the UK average. The city has a highly skilled labour force, with approximately 54% of working age people having qualifications at NVQ4 and above compared with the Scottish and UK averages of 47% and 40%, respectively.

The oil and gas sector remains the primary driver of employment in Aberdeen's economy through direct employment on offshore rigs and indirectly through the supply chain. An analysis by Scottish government estimates that the energy sector as a whole represents around 44% of the city's employment. The energy sector also plays an outsized role in the GVA generated by Aberdeen, with GVA/per head (employment) in this sector almost four times that in life sciences and financial and business services.

The oil and gas sector is expected to remain robust over the next two years, following on from the cyclical highs of 2022. This is a credit positive for Aberdeen, given its concentration in the sector. However, significant concentration to this sector introduces volatility to the city's economic performance. Aberdeen's climate change plan, which aims to meet a net carbon zero target by 2045, includes extensive investment in clean energy infrastructure. Development of renewable energy infrastructure such as wind farms and hydrogen buses will require significant investment but will help steer the city towards its carbon transition goals target and introduce some diversification to the city's energy sector. In addition, as an export-led economy, it is exposed to geographical tensions. For instance, the Russia-Ukraine conflict has led to increased export volumes to the bloc as the EU aims to diversify its energy supplies away from Russia. Despite the recent positive performance in one of Aberdeen's key sectors, we expect the challenges looming from Brexit to weigh on trade in the longer term.

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 Scottish local authority sector.

### **Track record of balanced financial performance, but significant medium-term pressures**

Aberdeen generated a £3.7 million deficit on its General Fund and Housing Revenue Account (HRA) balance in fiscal 2023, resulting in a negative gross operating balance (GOB) of 0.3%, down from a positive GOB of 2.9% in fiscal 2022. In line with other local authorities, the fall in the operating performance in fiscal 2023 was largely driven by the continued impact of high inflation on the council's expenditure. In general, its budgetary performance and budgetary control is strong, however, Aberdeen faces pressures from elevated inflation over the near term and from increasing demand for services over the medium term, which will push up Aberdeen's spending. Aberdeen has forecasted to break-even on its general fund deficit and a £0.5 million HRA surplus. This leaves a net surplus of £0.5 million for fiscal 2024.

In fiscal 2023, the level of useable reserves to operating revenue increased marginally to 13.8% from 11.2% in fiscal 2022. However, non-earmarked General Fund reserves still remain relatively low at £12 million, equivalent to less than 1.0% of operating revenue, though are viewed to be reasonable given the council's size and the significant funding from the Scottish government. However, reserve balances are expected to reduce over the medium term to reflect usage of the capital fund, with government grants and contributions expected to return to historic levels whilst earmarked reserves are used to offset budget gaps.

The HRA, similar to that in England, is ring fenced and primarily funded through rental income. Aberdeen currently has around 22,500 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 (Housing [Scotland] Act 1987).

### **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 burden rose to 138% of gross operating revenues at fiscal year ended 31 March 2023. This was due to additional long-term borrowing, as some capital spending plans reconvened following coronavirus restrictions. Aberdeen's debt includes direct debt of £1.4 billion, £126 million in Public Private Partnerships (PPP) liabilities and £56 million of finance leases. Its direct debt is predominantly split between borrowing from the Public Works Loan Board (PWL, a statutory body of the UK government, 39%), the bond issuance and premium (33%) and the remainder in 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. As capital spending resumes, borrowing is expected to increase, pushing up the debt level at a modest rate over the medium term.

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, and investments are currently held and planned to be held in highly rated money market funds. [Clydesdale Bank PLC](#) (LT Bank Deposits, A3 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, one of these being the pension liability of £19.5 million. Aberdeen is involved in two PPPs, including 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 in fiscal 2023 was £126 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 £56 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 were available in the first few years of the development to protect the council against a shortfall in rental income as rental agreements were signed with tenants.

### **Exposure to key project risks associated with the development of TECA**

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

The project is intended to bolster 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 Hilton Hotels and [Marriott International, Inc.](#) (Baa2 stable) brands. Construction risk is now materially lower, as the majority of the programme is now complete, including the anaerobic digestion plant.

However, Aberdeen remains exposed to revenue risk in the operations phase. The council's cash flow is expected to be affected by the capital programme in fiscal 2024, due to the higher operating costs resulting from high inflation. Though activity was interrupted by coronavirus restrictions over the last two fiscal years, 120 large events are expected to have taken place in 2022. The ambition is to have an additional 4.5 million visitors, resulting in a £63 million net GVA to the Scottish economy. Over the medium to long term (2024-2028), the lingering 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**

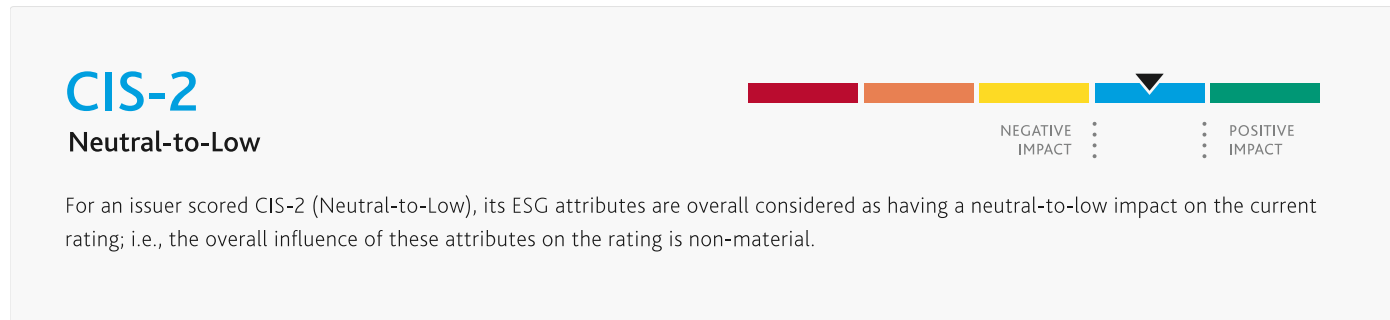
We consider Aberdeen to have a high likelihood of extraordinary support from the central government in the event of extreme financial stress. The UK government has regularly intervened when councils indicated a failure to balance budgets, providing mechanisms such as the ability to increase council tax by a higher amount than the rest of the sector and providing the ability to fund operating deficits through capital sources, including borrowing. We also expect that the PWLB would have the ability to act as lender of last resort in the event of severe liquidity stress in the sector.

## ESG considerations

### Aberdeen City Council's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3

#### ESG Credit Impact Score

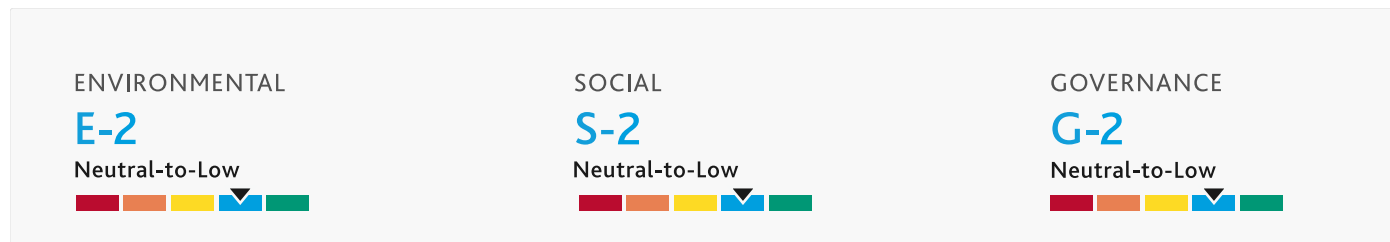


Source: Moody's Investors Service

Aberdeen's **CIS-2** indicates that ESG risks have a limited impact on its ratings. Environmental risks are low and its main exposure to social risks relates to housing risks, due to housing shortages and unaffordability in Aberdeen, which increases housing expenditure. However, its strong governance mitigates the impact of these risks on its ratings.

Exhibit 4

#### ESG Issuer Profile Scores



Source: Moody's Investors Service

### Environmental

Aberdeen has limited exposure to environmental risks (**E-2**), which reflects a generally low exposure across most categories. However, there is a significant exposure to carbon transition risks due to the city's substantial reliance on the oil and gas sector and Scotland's net zero targets. This will require the city to make investments and adjustments over time to accommodate the transition. Beyond carbon transition, the other primary environmental risk pertains to physical climate risks. However, the responsibility for managing these risks typically falls under regional or national bodies.

### Social

Aberdeen has limited exposure to social risks (**S-2**), reflecting a generally low exposure across most categories. The one exception relates to housing, where Aberdeen is assessed to have a material exposure to risks due to the city's housing shortages and unaffordability. The lack of affordable housing directly impacts local authorities because of their statutory responsibility to supply housing for residents, consequently leading to increased expenditure pressures.

### Governance

Aberdeen has limited governance risks (**G-2**), reflecting its strong track record of budgetary management and high levels of transparency. However, these strengths are offset by a weakened institutional framework, characterised by limited fiscal flexibility, and increased debt and revenue risks due to investments in significant projects, such as a new conference and exhibition centre and a mixed-use town centre development. The coronavirus pandemic has impacted these projects, leading to prolonged revenue recovery

periods. As the owner of both sites, Aberdeen bears the responsibility for all revenue losses associated with these projects, although they constitute a relatively minor portion of their net budget.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The assigned BCA of baa1 is one-notch below the suggested BCA. The suggested BCA of a3 reflects: (1) an idiosyncratic risk score of 4 (presented below) on a 1 to 9 scale, where 1 represents the strongest relative credit quality and 9 the weakest; and (2) a systemic risk score of Aa3, as reflected in the sovereign bond rating for the UK.

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

Exhibit 5

### Fiscal 2023 scorecard

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Total	Factor Weighting	Total
<b>Factor 1: Economic Fundamentals</b>				<b>2.20</b>	<b>20%</b>	<b>0.44</b>
Economic Strength [1]	1	135.21%	70%			
Economic Volatility	5		30%			
<b>Factor 2: Institutional Framework</b>				<b>4</b>	<b>20%</b>	<b>0.80</b>
Legislative Background	1		50%			
Financial Flexibility	7		50%			
<b>Factor 3: Financial Position</b>				<b>4.50</b>	<b>30%</b>	<b>1.35</b>
Operating Margin [2]	5	1.08%	12.5%			
Interest Burden [3]	5	4.81%	12.5%			
Liquidity	1		25%			
Debt Burden [4]	7	138.05%	25%			
Debt Structure [5]	5	20.07%	25%			
<b>Factor 4: Governance and Management</b>				<b>5</b>	<b>30%</b>	<b>1.50</b>
Risk Controls and Financial Management	1					
Investment and Debt Management	5					
Transparency and Disclosure	1					
<b>Idiosyncratic Risk Assessment</b>						<b>4.09 (4)</b>
<b>Systemic Risk Assessment</b>						<b>Aa3</b>
<b>Suggested BCA</b>						<b>a3</b>
<b>Assigned BCA</b>						<b>baa1</b>

[1] Local GDP per capita as % of national GDP per capita.

[2] Gross operating balance/operating revenue.

[3] Interest payments/operating revenue.

[4] Net direct and indirect debt/operating revenue.

[5] Short-term direct debt/total direct debt.

Source: Aberdeen, Moody's Investors Service

## Ratings

Exhibit 6

Category	Moody's Rating
<b>ABERDEEN CITY COUNCIL</b>	
Outlook	Stable
Baseline Credit Assessment	baa1
Issuer Rating -Dom Curr	A2
Senior Unsecured -Dom Curr	A2

Source: Moody's Investors Service



© 2023 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 credit 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, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - 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 JPY100,000 to approximately JPY550,000,000.

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

REPORT NUMBER 1384604

## CLIENT SERVICES

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