

## CREDIT OPINION

26 January 2022

### New Issue

 Rate this Research

#### RATINGS

##### Borgo AB

Domicile	Sweden
Long Term CRR	A3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa2
Type	LT Bank Deposits - Fgn 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.

#### Analyst Contacts

Niclas Boheman +46.8.5179.1281  
VP-Senior Analyst  
niclas.boheman@moody.com

Emma Jonasson +46.8.5179.1283  
Associate Analyst  
emma.jonasson@moody.com

Louise Lundberg +46.8.5179.1280  
VP-Sr Credit Officer  
louise.lundberg@moody.com

Simon James Robin +44 207 772 5347  
Ainsworth  
Associate Managing Director  
simon.ainsworth@moody.com

## Borgo AB

New issuer - Borgo AB assigned Baa2 deposit and issuer ratings

### Summary

[Borgo AB](#) (Borgo) is a Sweden-based credit market company that originates mortgages for its owner banks. Apart from originating mortgages, the company takes deposits protected under the Swedish Deposit Guarantee Scheme.

On 18 January, we assigned Borgo long-term deposit and issuer ratings of Baa2. These reflect its Baseline Credit Assessment (BCA) of baa3 and our forward looking Advanced Loss Given Failure Analysis, which results in a one-notch positive adjustment because of the volume of loss absorbing liabilities protecting depositors and other senior creditors in case of failure.

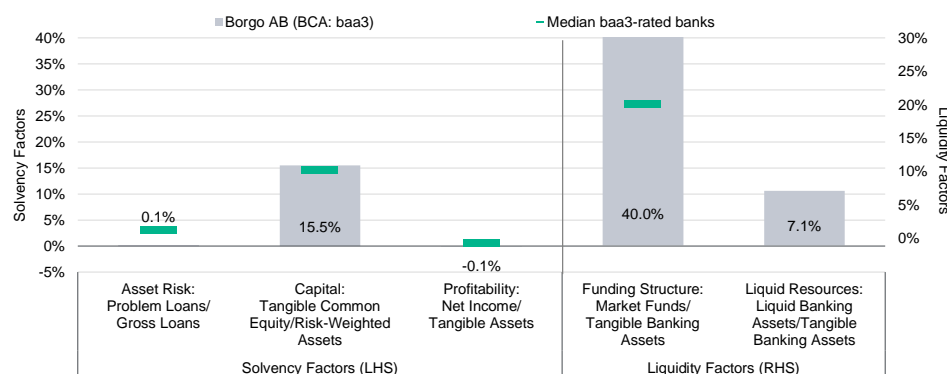
Borgo's BCA of baa3, reflects the institution's low risk assets consisting of Swedish prime mortgages and strong capitalisation balanced against low expected profitability, a high reliance on market funding and the monoline nature of the bank's operations with limited diversification in revenue.

In addition the bank's BCA incorporates a one-notch negative adjustment for corporate behaviour, reflecting Borgo's limited track record and the inherent governance challenges involved in establishing a new lender.

Exhibit 1

#### Rating scorecard - Key financial ratios

##### Pro-forma figures for Borgo



These are our expected [Banks Methodology](#) scorecard ratios based on pro forma figures for FY2022.

Source: Moody's Investors Service

## Credit strengths

- » Very strong asset quality with lending consisting of Swedish mortgages
- » Demonstrated investor backing and access to capital

## Credit challenges

- » Limited financial track record and governance risks stemming from key services being outsourced
- » Low expected profitability given the initial small scale of operations
- » Monoline business model
- » Market funding-reliant funding profile

## Rating outlook

The stable outlook on the long-term issuer and deposit ratings reflects our expectations that over the next 12-18 months, Borgo will successfully execute its strategy of transferring mortgages and covered bond issuances to its balance sheet and originating mortgages to its partner banks. Capitalisation is likely to remain strong as mortgages are originated, due to the shareholder agreements and commitments by financial investors.

## Factors that could lead to an upgrade

- » Ratings could be upgraded following a multi-year demonstrated track record of mortgage lending operations, successful issuance of covered bonds and senior unsecured debt while maintaining strong capitalisation and improving profitability,
- » Furthermore, the deposit and issuer ratings could be upgraded if there were significant issuances of additional loss-absorbing debt, giving further protection to depositors and creditors in case of failure.

## Factors that could lead to a downgrade

- » Borgo's ratings could be downgraded if its financial or risk profile weakens significantly, including a substantial decline in asset quality, a deterioration in the tangible common equity-to-risk-weighted assets ratio; recurring profitability is weaker than expected or reliance on market funding increases.
- » An unsuccessful issuance of either covered bonds or senior unsecured debt would also trigger a downgrade.

## Profile

Established in 2018, Borgo is a new Swedish credit market company. It is co-owned by ICA Banken (not rated), Ikano Bank (not rated), Söderberg & Partners (not rated), Ålandsbanken, [Sparbanken Syd](#) (baa1/baa1 Negative, baa3)<sup>1</sup> and other financial investors.

Borgo originates mortgages that partner banks can distribute to their customers, but does not distribute mortgages through its own channels.

In the second half of 2021, Borgo launched retail deposits to the public through its own website as well as launched deposit saving accounts via the deposit platform MONU. Borgo's savings accounts are covered by the Swedish Deposit Guarantee Scheme.

Since March 2021 Borgo has a covered bond license issued by the Swedish Financial Supervisory Authority (SFSA).

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.

## Detailed credit considerations

### Low risk mortgage lending based on strong industrywide underwriting standards and initial portfolio acquired from established banks

Borgo's assigned asset risk score of aa3 reflects the mortgage company's very strong asset quality, with strong underwriting standards expected to be in line with other prime mortgage lenders in Sweden, partially offset by substantial operational risks associated with being a newly established entity.

Prime Swedish mortgages are typically very low risk because of strong collateral of the loans and Swedish banks' conservative underwriting criteria along with the legal structure which results in a strong repayment culture in Sweden. This is also reflected by the historical performance with very limited credit losses on Swedish mortgages. During 2022, Borgo will acquire portfolios from Ålandsbanken and a second lender, with very low levels of nonperforming loans.

Borgo's mortgages are sold and distributed via partners. However, the credit market company maintains the key functions related to credit origination, credit management, funding, risk management and the critical aspects of customer support, as well as managing relationships with suppliers.

During the first quarter of 2022, Borgo will acquire Ålandsbanken's mortgage loan portfolio of around SEK12.5 billion, consisting of loans sold by Ålandsbanken, Söderberg & Partners, and ICA Banken and is expected to acquire additional mortgages during the year. Borgo also targets to originate SEK45 billion of new mortgages by year-end 2024. We anticipate Borgo's partners to distribute new mortgages at a combined average pace of around SEK600 million per month over the next three years. Given the institution's underwriting criteria, which are in line with the sector, we expect asset risk to remain very low and in line with the mortgage portfolios of [SBAB Bank AB's](#) (SBAB: A1/A1 Stable, baa1), [Skandiabanken AB](#) (A2 Stable, baa1), [Lansforsakringar Bank AB \(publ\)](#) (LF Bank, A1/A1 Stable, a3), or the larger Swedish banks.

Swedish mortgage lenders remained broadly unaffected throughout the uncertain economic environment caused by the pandemic due to the limited drop in economic activity and substantial government support. The weighted average problem loans-to-gross loans ratio for Swedish mortgage lenders (SBAB, LF Bank and Skandiabanken) was 0.13% for 2015-20, hitting a peak of 0.19% in 2020 due to deterioration in non-mortgage portfolios. Therefore, we anticipate Borgo's asset quality and problem loans-to-gross loans ratio to be in line with that of other Swedish mortgage lenders at around 0.1% equivalent to an initial score of aa1.

As with other newly established financial institutions, we consider that Borgo is exposed to significant operational risks, during its initial period of operations. However we believe that these are significantly mitigated by outsourcing the IT services and back-office functions to an established provider with a good track record. The outsourcing of these key functions does increase governance risk. These risks are further discussed under the ESG section below.

### Robust risk-adjusted capitalisation, but low leverage ratio

Capitalisation will initially be above 15% and is expected to remain above 14% over the next three years, due the distribution partners and financial investors commitments to Borgo. Therefore, we assign a Capital score of a2 to reflect the bank's strong capitalisation, given its business model and low risk profile. This includes a one notch negative adjustment for high nominal leverage as we estimate that tangible common equity-to-tangible assets will remain below 5%.

As Borgo's balance sheet grows, the owner banks are contractually obliged to inject further capital for the bank to increase the volumes of originated mortgages. For that reason, the low internal capital generation is not a constraint to future growth. Furthermore, financial investors have irrevocably committed capital of SEK1.3 billion up until year-end 2023 compared with the estimated requirement of SEK965 million, which means there is an additional SEK335 million in committed capital available in case of need. The partners are committed to the continued development of Borgo and will cover certain additional unforeseen project or operating costs related to the launch and initial phase of the bank through unconditional shareholders' contributions, with an aggregate amount of up to SEK50 million.

We do not expect any dividend to be paid out during the launch and initial growth phase. Raising additional capital in times of stress is assessed to be possible, given the strong commitments from the distribution partners and industrial owners.

Borgo's target is to maintain a buffer of 1.5% above the regulatory total capital requirement and a buffer of 1% above the regulatory leverage ratio requirement. Credit risk is estimated using the standardised approach.

#### **Profitability is likely to be weaker than peers because of focus on low-risk mortgages and initial low scale of activities**

Our assigned profitability score of b2 reflects our expectation of improving, but weak, profitability driven by Borgo's focus on low-risk mortgages and the initial costs associated with the establishment of the new entity. We estimate Borgo's underlying profitability, measured as net income to tangible assets, will be lower than many of its Swedish peers. However, it should be viewed in the context of Borgo's low-risk loan portfolio and its shared margins with its partners. The company is expected to have good cost control because the IT and back-office-related costs are fixed as a percentage of volumes. Revenue is based on operational costs and funding costs. As scale increases, we expect the bank's margin to improve.

Although we anticipate profitability to be weak initially, Borgo has ambitious profitability targets with a return on equity (ROE) target of 4% in 2024 and 10% in the long term beyond 2024, subsequently driven by economies of scale and lower cost of funding.

Borgo's net interest income will depend on the mortgage volumes generated by the distribution partners and its net interest margins. As net interest income will make up almost 100% of revenue, the relatively low margins for prime mortgages will only be mitigated by higher loan volumes. We expect very low credit losses because of the bank's focus on low-risk mortgage lending.

Borgo will be fully digital with no retail branch institution and will be operating with a low number of full-time employees. Similar to other small banks, Borgo will source business process operations and IT-platform through an external service provider, Ålandsbanken. Ålandsbanken has a track record of supplying IT services to other banks, including S-Pankki (not rated; one of the larger banks in Finland) and we view this as a mitigant, decreasing the operational risks involved as Borgo will use systems with demonstrated effectiveness for credit origination and treasury (among other services). Borgo, in turn, has API solutions in place to allow its partner banks to integrate the mortgage application and disbursements into their own user interfaces, restricting the need for manual intervention and supporting a slim organization with low staff costs.

Although efficiency will initially be strained by low business volumes and Borgo's cost-to-income ratio will be significantly weaker compared with Swedish peers (which report a weighted average cost-to-income ratio of around 45%), we expect Borgo to maintain its cost base (although increasing with business volumes) and increase efficiency through economies of scale and higher lending volumes in the coming years.

#### **High reliance on market funding, mitigated by the use of covered bonds**

The Funding Structure score of baa3 reflects Borgo's buildup of market funding. In general, we view significant reliance on market funding as a weakness. The high reliance on market funding is mitigated by a large share of local currency denominated covered bonds. Swedish krona-denominated covered bonds benefit from a deep local market because of a large investor base of banks, insurance companies and pension funds. Therefore, we view this debt class as a very stable source of funding, which is reflected by the upward adjustments to the Funding Structure score.

We estimate Borgo's market funding-to-tangible banking assets ratio of 40% for the full year 2022. SEK denominated covered bonds will account for more than half of the bank's long-term funding. Borgo diversifies their funding sources through deposits (accounting for roughly 20% of non-equity funding) and senior unsecured debt (accounting for roughly 10% of non-equity funding).

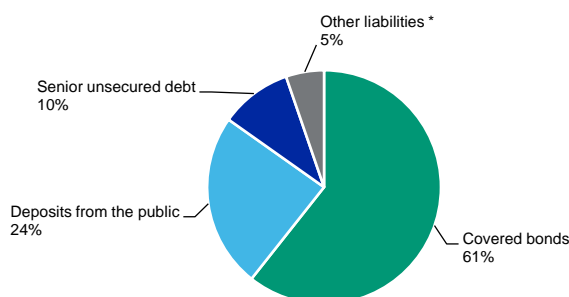
Senior unsecured debt will be issued in conjunction with the covered bonds and Borgo plans to issue senior unsecured debt to complement its other sources of funding. We apply a one-notch negative adjustment to the funding structure score because of Borgo's limited track record in capital markets.

As part of the mortgage portfolio acquisition from Ålandsbanken, an existing covered bond is to be transferred to Borgo in H1 2022. Ålandsbanken issued a new SEK Benchmark FRN Covered Bond of SEK5.5 billion with a 5-year maturity in September 2021. The initial cost of funding is assumed to exceed comparable banks, but is likely to decrease over time as Borgo builds track record and liquidity in the market.

In H2 2021, Borgo started providing retail deposits using the deposit platform MONU. The deposits are covered by the Swedish Deposit Guarantee Scheme. As of the end of November 2021, Borgo had SEK1.2 billion in deposits. Furthermore, in late December 2021 Borgo launched its own deposit savings accounts.

Exhibit 2

**Our forward-looking estimates for the breakdown of Borgo's non-equity funding**  
Pro-forma figures FY2022



\* Other liabilities include interbank liabilities and certificates of deposits

Source: Company information and Moody's Investors Service

The assigned liquidity score of ba3 reflects the expected adequate liquidity captured by the liquidity portfolio. We estimate liquid banking assets-to-tangible banking assets ratio of around 71% for the full year 2022, equivalent to a b1 liquidity score. However, we make a positive adjustment to reflect the reported liquidity reserve invested in High Quality Liquid Assets (HQLA).

### Business Diversification

Similar to that for other rated entities focused on one activity, we apply a one-notch negative adjustment to Borgo's financial profile for the lack of business diversification. This reflects the likelihood of Borgo's revenue being derived exclusively from its mortgage lending activities because the bank's business model is less diversified than that of a full-service bank, an adjustment shared with other mortgage lenders, including SBAB and Skandiabanken in Sweden.

### ESG considerations

In line with our general view for the banking sector, Borgo has a low exposure to environmental risks. See our [Environmental risk heat map](#) for further information.

The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are partly offset by sizeable technology investments and banks' track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences toward digital banking services, increasing information technology cost, ageing population concerns in several countries that lower demand for financial services or socially driven policy agendas, which may translate into regulations that weaken banks' revenue base. Overall, banks, including Borgo, face moderate social risks. See our [Social risk heat map](#) for details.

Governance is highly relevant for Borgo, as it is to all participants in the banking industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven. Borgo's governance related risks are significant, considering it is a new entity and a bank in transformation. Therefore we apply a one-notch negative adjustment for corporate behavior reflecting the bank's limited track record of operation reflecting that financial institutions with a limited history may undergo rapid evolution initially, before developing readily distinguishable and stable operating characteristics. For Borgo, risks related to governance are unusually high in the context of the ownership structure and the need to effectively oversee its outsourced services. Partly offsetting these risks is the track record of the service provider, Ålandsbanken, in providing outsourced services to other banks.

## Support and structural considerations

### Parental or Affiliate Support

The baa3 Adjusted BCA does not incorporate any affiliate support from the bank's multiple owners with changing ownership shares because of no formal support structure in place.

### Loss Given Failure analysis (LGF)

We apply our Advanced LGF analysis to Borgo because the bank is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we assume an operational resolution regime. For this analysis, we assume that equity and losses are 3% and 8%, respectively, of tangible banking assets in a failure scenario. We also assume a 10% runoff in junior wholesale deposits and a 5% runoff in preferred deposits. Moreover, we assign a 25% probability to junior deposits being preferred to senior unsecured debt. These are in line with our standard assumptions. Given the bank's focus on retail deposits, we expect the bank's junior deposits to account for 10% of total deposits, in line with other retail mortgage banks.

Under our forward-looking analysis stretching 12 months into the future, the estimated buffer of outstanding junior deposits and senior unsecured provides a loss-absorption buffer in case of failure, and our Advanced LGF analysis indicates a low loss given failure for the bank's junior deposits and issuer rating, resulting in one-notch uplift from the bank's baa3 Adjusted BCA.

### Government or Other Institutional Support

Because of the relatively small size of its banking operations, we incorporate a low probability of government support for Borgo's long-term deposit ratings.

### Borgo's CR Assessment is Aa3(cr)/P-1(cr)

The CR Assessment is three notches above the Adjusted BCA based on our view that senior obligations represented by the CR Assessment will be more likely preserved than senior unsecured debt to minimise losses, avoid disruption of critical functions and limit contagion.

### Borgo's CRRs are Aa3/P-1

The long-term CRR is three notches above Borgo's Adjusted BCA of baa3, reflecting extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities.

## Ratings

Exhibit 3

Category	Moody's Rating
<b>BORGO AB</b>	
Outlook	Stable
Counterparty Risk Rating	A3/P-2
Bank Deposits	Baa2/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Issuer Rating	Baa2
ST Issuer Rating	P-2

Source: Moody's Investors Service

## Endnotes

<sup>1</sup> The ratings shown in this report are the bank's long-term deposit/senior unsecured (issuer) debt rating and Baseline Credit Assessment.

© 2022 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's.com](http://www.moody's.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 JPY100,000 to approximately JPY550,000,000.

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

REPORT NUMBER 1314000



## CLIENT SERVICES

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