

CREDIT OPINION

25 November 2021

 Rate this Research

RATINGS

Yorkshire Housing Limited

Domicile	United Kingdom
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

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

Contacts

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

Csaba Szontagh +44.20.7772.8738
 Associate Analyst
 csaba.szontagh@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

Yorkshire Housing Limited (United Kingdom)

Update to credit analysis

Summary

The credit profile of [Yorkshire Housing Limited](#) (Yorkshire, A3 stable) reflects its stable and strong debt metrics as well as its solid liquidity. The credit profile also takes into account the deteriorated margins, the scale-up in Yorkshire's development programme and the very high exposure to market sales. Yorkshire benefits from the strong regulatory framework governing English housing associations, and our assessment that there is a strong likelihood of the government of the [United Kingdom](#) (Aa3 stable) intervening in the event of Yorkshire facing acute liquidity stress.

Exhibit 1

Debt to revenues are expected to remain stable at 4.0x over the next two years, as debt increases in line with revenues, subject to completion of market sales



F : Forecast.

Source: Yorkshire, Moody's Investors Service

Credit strengths

- » Debt metrics expected to remain in line with peer medians, despite increasing debt
- » Simple corporate structure that facilitates management and control
- » Supportive institutional framework

Credit challenges

- » Historically strong operating performance has deteriorated in recent years
- » Increase in market sales activity, with lower margins
- » Weakening liquidity levels, although remaining adequate

Rating outlook

The stable outlook on Yorkshire Housing Limited's rating reflects its adequate liquidity levels, and the stable operating environment for UK housing associations.

Factors that could lead to an upgrade

Upwards pressure on the rating could result from a structural improvement of interest coverage ratios above peers; and/or debt falling consistently below 3.5x revenue and 45% of assets.

Factors that could lead to a downgrade

Downwards pressure on the rating could result from: a sustained increase in debt above 5.0x of turnover and gearing above 60%, further deterioration of profitability and interest cover ratios; and an increased risk appetite, through higher market sales exposure or increased development risk. In addition, a weaker regulatory framework or a dilution of the overall level of support from the UK government could also exert downward pressure on the rating.

Key indicators

Exhibit 2

Yorkshire Housing Limited							
	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22 (F)	31-Mar-23 (F)
Units under management (no.)	16,248	16,316	16,416	16,840	17,173	17,989	18,406
Operating margin, before interest (%)	36.1	30.6	29.1	21.7	20.8	17.2	18.2
Net capital expenditure as % turnover	20.0	26.1	39.6	67.5	31.6	52.1	23.0
Social housing letting interest coverage (x times)	1.6	1.7	1.4	1.0	0.9	1.0*	1.0
Cash flow volatility interest coverage (x times)	2.4	1.4	1.0	0.9	1.4	1.6*	2.1
Debt to revenues (x times)	3.5	4.5	4.0	4.9	4.0	4.3	3.7
Debt to assets at cost (%)	43.6	44.1	45.8	47.7	48.8	50.5	50.4

F : Forecast. * we adjusted breakage costs for fiscal 2022

Source: Yorkshire, Moody's Investors Service

Detailed credit considerations

The credit profile of Yorkshire, as expressed in an A3 rating, combines (1) its Baseline Credit Assessment (BCA) of baa1, and (2) a strong likelihood of extraordinary support coming from the UK government.

Baseline Credit Assessment

Debt metrics expected to remain in line with A3 peer medians, despite increasing debt levels

Total debt will average £600 million over the next three years, an increase from the £571 million reached in fiscal 2021. The increase is driven by the ramp up in Yorkshire's capital programme, with net capex to increase to 53% of turnover in fiscal 2022 from 32% in fiscal 2021.

However, subject to completion of market sales, we expect the increase in debt to remain in line with the increase in revenues. Debt to revenues is expected to average 4.0x from fiscal 2022 to fiscal 2024, stronger than the expected A3 peer median of 4.5x over the same period. Gearing is expected to be around 51% over this period, compared to an expected A3 peer median of 53% over the same period.

As of September 2021, Yorkshire's debt presents limited interest rate risk, with 15% of drawn debt on variable rates. The medium-term refinancing risk is also limited with only 7% of outstanding debt due within five years. Yorkshire's main refinancing peak is in fiscal 2045, with its £200 million bond maturing in October 2044, representing 34% of drawn debt.

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.com for the most updated credit rating action information and rating history.

Yorkshire started to simplify its debt portfolio to 1/ reduce the number of lenders, 2/ reduce its interest charge, 3/ align covenants and 4/ improve its security position. The refinancing exercises undertaken in fiscal 2022 will generate breakage costs of nearly £35 million but carve-outs have been secured on all covenants and they will decrease interest payments going forward, a credit positive.

Yorkshire has an additional borrowing capacity of £166 million based on its existing asset stock. This compares poorly with the issuer's net funding needs for the next five years (£256 million). However the refinancing exercise is expected to improve Yorkshire's security position. Upon completion, Yorkshire will not require further funding until fiscal 2026.

Simple corporate structure that facilitates strong management and control

Yorkshire has one dormant and two active subsidiaries. Yorkshire Housing Finance is the group's financing vehicle. The other active subsidiary, trading as Space Property, has been serving as the commercial arm of the business since 2002. It owns some market rent properties and undertakes all sales activities of Yorkshire, including outright sales. Yorkshire's board has full control over Space Property's activities and strategy. We believe that the simplicity of the group structure facilitates strong management and control of the organisation's strategy and business plan.

Yorkshire's strengthened its board in fiscal years 2021 and 2022, bringing in expertise on commercial activities, asset management and investment as well as IT transformation and digital innovation. The added skills are in line with Yorkshire's development and investment plan, a credit positive. Yorkshire recently enhanced its governance and financial performance reporting frameworks, including stress-testing and mitigation plans, following recommendations from the regulator. As a result, the HA returned to a G1 rating on governance (G1/V2 from G2/V2).

Since 2005, Yorkshire has been involved in a private finance initiative project, which includes a contract to regenerate and improve 1,500 homes in Swarcliffe, Leeds. It is a non-recourse private finance initiative, meaning that Yorkshire's only exposure is via its initial equity investment and a subordinated loan.

Supportive institutional framework

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

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

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

Historically strong operating performance has deteriorated in recent years

Yorkshire's operating margin remained low for the second year, and is expected to decrease further, averaging 18% over the next three years, driven by increased costs in Yorkshire's programme to improve customer service experience and tenant safety. The operating margin for social housing is expected to be around 21% over the next three years, reflecting Yorkshire's increased spending on the quality of existing stock.

Yorkshire's operating margin reduced from historically stronger levels of 30%-36% between fiscal 2017-2019 to 21% in fiscal 2021, below the A3 peer median of 25%. The deteriorated performance is linked to an increase in voids, linked to the pandemic and an increase in management costs to resolve issues around data and processes.

Due to the increase in market sales activity, operating performance will be increasingly driven by performance on its market sales programme which can typically be more volatile. We note the prudent assumptions in the business plan, with total market sales margin to average 14% over the next three years, versus 19% achieved in fiscal 2021.

The reduction in profitability has led to social housing lettings interest coverage (SHLIC) dropping to 0.9x in fiscal 2021, well below peers (A3 peer median of 1.3x). Over the next three years, SHLIC is projected to improve above 1.0x (excluding the impact of the refinancing in fiscal 2022), thanks to the reduction of interest payments, as a result of the refinancing exercises, as well as a relatively stable debt.

Cash flow volatility interest coverage increased to 1.4x in fiscal 2021 from 0.9x in fiscal 2020. It is expected to return to 2.0x over the next three years, supported by next stronger cash generations, broadly in line with expected A3 peer median of 1.7x in fiscal 2021.

Increase in market sales activity increases Yorkshire's risk levels

Yorkshire's exposure to market sales risk is very high (that we define as >30% of turnover) as of fiscal 2021, with market sales representing 34% of turnover. The exposure will remain at very high, with market sales averaging at 31% of turnover over the next three years.

Out of the 3,400 homes that Yorkshire plans to develop over the next 5 years, 41% of units will be for market sales, half of these will be affordable rented units, with the remainder being market rent and intermediate properties. We note that tenure split is indicative and will vary depending on opportunities that are available, a mitigant against a market downturn.

Mitigating some of the risk is the strength of the Yorkshire property market, despite the pandemic the housing market has remained very strong with housing prices showing a 10.2% increase in the year to March 2021. Demand for Yorkshire's units remained strong, with no new homes unreserved over 6 months, as of August 2021.

Weakening liquidity levels as development ramps up

As of October 2021, immediately available liquidity consisted of £45 million of cash and £75 million of undrawn secured facilities available within 48 hours. This provides around 1.1x liquidity coverage in terms of net capital commitments for the next two years. This is moderately weaker than the A3 peer median of 1.3x. Yorkshire also has additional cash deposits of £9 million that are available with one month's notice and £68 million secured liquidity facilities available in 5 days, which lift Yorkshire's liquidity coverage to 1.8x, providing an additional buffer.

We expect Yorkshire's adequate liquidity coverage to decrease as its capital plan progresses. Yorkshire plans to develop 8,000 homes by 2030, with around 1,200 units have already been delivered against that objective by year end fiscal 2021, an ambitious plan as the remaining units to develop represent 40% of Yorkshire's existing plan. However, around 4,500 units remain aspirational at this stage and dependent on future economic circumstances, providing flexibility and mitigating the development risk. We note that part of the development plan will be funded through grants, that Yorkshire had secured through its Strategic Partnership with Homes England, a credit positive. Yorkshire's capital spending plan also includes an environment programme to reduce its units' carbon footprint and reach an energy performance criteria (EPC) of C by 2035.

The ambitious development programme is reflected in scaled up net capital spending levels, which are expected to average 48% of turnover over the next five years, compared with 32% in fiscal 2021.

Mitigating some of the risk we note that Yorkshire's liquidity guidelines state that at a minimum, sufficient facilities should be in place to cover contractual capital spending for the next 18 months, and this is currently met. Yorkshire only enters into new commitments once funding has been made available. We also note that the HA is currently in process to extend some its liquidity facilities and secure additional ones.

Extraordinary support considerations

We assess that Yorkshire Housing Limited will receive a strong level of extraordinary support, reflected by the wide-ranging powers of redress available to the regulator in cases of financial distress, with the possibility of a facilitated merger or a transfer of engagements. Recent history has shown that the UK government is willing to support the sector because housing remains a politically and economically sensitive issue. The strong support assumption also factors in the increasing exposure to non-core social housing activities in the sector, that add complexity to HA operations, and the weakening of the sovereign's financial resilience, making an extraordinary intervention slightly more difficult. In addition, our assessment that there is a very high default dependence between Yorkshire and the UK government reflects their strong financial and operational links.

ESG considerations

How environmental, social and governance risks inform our credit analysis of Yorkshire Housing

We take into account the impact of environmental, social and governance factors when assessing sub-sovereign issuers' economic and financial strength. In the case of Yorkshire Housing, the materiality of environmental, social and governance considerations to its credit profile are as follows:

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

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

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

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

Rating methodology and scorecard factors

The assigned BCA of baa1 is one notch above the scorecard-indicated BCA for fiscal 2021.

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

Exhibit 3

Yorkshire, fiscal 2021 scorecard

Yorkshire Housing Limited			
Baseline Credit Assessment	Sub-factor Weighting	Value	Score
Factor 1: Institutional Framework			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
Factor 2: Market Position			
Units Under Management	10%	17,173	baa
Factor 3: Financial Performance			
Operating Margin	5%	20.8%	baa
Social Housing Letting Interest Coverage	10%	0.9x	b
Cash-Flow Volatility Interest Coverage	10%	1.4x	baa
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	4.0x	ba
Debt to Assets	10%	48.8%	ba
Liquidity Coverage	10%	1.1x	a
Factor 5: Management and Governance			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	baa	baa
Suggested BCA			baa2

Source: Yorkshire, Moody's Investors Service

Ratings

Exhibit 4

Category	Moody's Rating
YORKSHIRE HOUSING LIMITED	
Outlook	Stable
Issuer Rating -Dom Curr	A3
YORKSHIRE HOUSING FINANCE PLC	
Outlook	Stable
Senior Secured -Dom Curr	A3

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 under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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

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

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

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

CLIENT SERVICES

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