

CREDIT OPINION

16 August 2023

Update



Send Your Feedback

RATINGS

KommuneKredit

Domicile	Copenhagen, Denmark
Long Term CRR	Not Assigned
Long Term Issuer Rating	Aaa
Type	LT Issuer Rating
Outlook	Stable
Long Term Deposit	Not Assigned

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

Louise Welin +46.8.5179.1280
VP-Sr Credit Officer
louise.welin@moodys.com

Savina Joseph +357.2569.3045
Associate Analyst
savina.joseph@moodys.com

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

Carola Schuler +49.69.70730.766
MD-Banking
carola.schuler@moodys.com

CLIENT SERVICES

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

KommuneKredit

Update to credit analysis

Summary

We assign long-term senior unsecured debt and issuer ratings of Aaa to [KommuneKredit](#), a Danish municipal lender, taking into consideration the institution's close links with the Danish regional and local governments (RLGs) and, ultimately, the [Government of Denmark](#) (Aaa stable). The main drivers of the ratings include the support offered by the joint and several guarantee provided by its RLG members; the agency's close association with the central government; its public policy mandate and dominant franchise in Denmark; and its prudent financial management.

Credit strengths

- » Benefits from a joint and several guarantee provided by all Danish RLGs
- » The bank's borrowers have direct oversight by the sovereign
- » Excellent asset quality
- » Very solid capitalisation

Credit challenges

- » Some lending concentration, although mitigated by very strong asset quality
- » Low profitability, although relatively stable and linked to its public policy mandate
- » High reliance on market funding, mitigated by a very strong access

Outlook

The outlook on KommuneKredit's ratings is stable, in line with the stable outlook on the ratings of the Government of Denmark.

Factors that could lead to a downgrade

Although currently unlikely, downward pressure on KommuneKredit's ratings could arise as a result of a deterioration of the joint and several guarantee; a weakening of the institution's association with the central government or its public policy mandate; or sustained weak financial performance.

This report was republished on 17 August 2023 with corrected ratings on the front page.

Key indicators

Exhibit 1

KommuneKredit (Unconsolidated Financials) [1]

	12-22 ²	12-21 ²	12-20 ²	12-19 ²	12-18 ²	CAGR/Avg. ³
Total Assets (DKK Million)	207,731.0	243,012.0	219,675.0	227,633.0	226,609.0	(2.2) ⁴
Total Assets (USD Million)	29,812.8	37,028.7	36,110.0	34,194.5	34,713.7	(3.7) ⁴
Tangible Common Equity (DKK Million)	9,764.0	8,773.0	8,395.0	8,184.0	7,754.0	5.9 ⁴
Tangible Common Equity (USD Million)	1,401.3	1,336.8	1,380.0	1,229.4	1,187.8	4.2 ⁴
Tangible Common Equity / Risk Weighted Assets (%)	62.4	63.3	73.0	68.7	56.0	64.7 ⁵
Net Interest Margin (%)	0.2	0.2	0.2	0.2	0.2	0.2 ⁵
PPI / Average RWA (%)	8.6	3.9	2.2	4.5	3.2	4.5 ⁵
Net Income / Tangible Assets (%)	0.5	0.2	0.1	0.2	0.2	0.2 ⁵
Cost / Income Ratio (%)	13.3	23.9	34.1	18.9	20.4	22.1 ⁵
Market Funds / Tangible Banking Assets (%)	94.7	95.9	95.7	95.9	96.1	95.7 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	15.4	19.3	11.6	15.6	16.5	15.7 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of Basel III periods. [6] Simple average of periods for the latest accounting regime.

Sources: Moody's Investors Service and company filings

Profile

KommuneKredit is one of the world's oldest local government lenders. It was established in 1899 as a credit association (a membership organisation). Membership is voluntary. However, as of year-end 2022, all of the municipalities (98) and regions (5) in Denmark were members of KommuneKredit. KommuneKredit does not have any separate ownership organisation.

The main objective of KommuneKredit is to provide stable financing to the Danish local government sector, and the semi-public entities guaranteed by one or more regions or municipalities.

KommuneKredit operates under a special legislative act. The Act on KommuneKredit, as per the latest update in April 2023¹, states that "the members shall be directly, jointly and severally liable for obligations assumed by the institution". This guarantee has been safeguarding all the creditors of KommuneKredit since its establishment and has never been invoked.

Recent developments

As of March 2023, our [outlook](#) for Denmark's banking system was stable, unchanged from last year. This reflects our view that the Danish banking system will remain broadly resilient to any potential economic downturn.

We expect Danish real GDP growth to slow to 1.0% in 2023 from 3.8% in 2022 as high inflation, higher interest rates, falling house prices and increased geopolitical uncertainty impact domestic demand. Geopolitical risks stemming from Russia's invasion of Ukraine remain a source of significant uncertainty. Although higher interest rates are likely to support banks' margins and profitability, the overall operating environment is experiencing a decline.

Detailed credit considerations

The financial data in the following sections are sourced from KommuneKredit's financial statements, unless otherwise stated.

KommuneKredit benefits from a joint and several guarantee

The Danish regions and municipalities are jointly and severally liable for KommuneKredit's liabilities. A creditor can claim payment from any of them in the unlikely event that KommuneKredit cannot honour its obligations. Although the agency is not the sole public sector issuer in the Nordic region to benefit from public sector guarantees, its joint and several guarantee is unique in that it is backed by every single RLG in Denmark.

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.

High market share reflects the importance of KommuneKredit to Danish RLGs

KommuneKredit's government-related footprint is significant. Established through special legislation, the association's activities have been under the supervision of the Danish Ministry of Industry, Business and Financial Affairs until 1 July 2023, when the supervision was transferred to the Danish Financial Supervisory Authority (FSA). Lending is restricted to Danish regional and local authorities and institutions benefitting from a full guarantee from an RLG, as well as to Greenland and the Faroe Islands (backed by a guarantee from the Danish central government).

Danish RLGs have close financial cooperation with the central government in the annual budget agreements, where budgets — for the sector as a whole — need to be balanced. In addition, the central government has imposed regulations and strict controls that effectively limit RLGs from accumulating debt beyond agreed levels. The central government also has effective powers and can easily intervene in an RLG's operations to ensure prudent and balanced budgets, as well as in very rare cases of financial distress. RLGs are also prohibited by law from declaring bankruptcy.

KommuneKredit benefits from a very dominant market share in RLG financing, close to 100%. Competition is limited because the agency can offer very competitive funding costs, also supported by its long track record.

In June 2020, a political agreement was reached regarding the future structure of the waste management sector, allowing KommuneKredit to grant loans for the management of incinerable waste within the auspices of the EU state aid regulation. Recently, it was clarified that new loans may be granted only for central district heating.

Oversight by the Financial Supervisory Authority and prudent risk management

The Danish FSA supervises KommuneKredit and is responsible for approving any changes to the association's by-laws. The FSA sets limits for liquidity and pre-financing, and approves the agency's rules for the management of financial risks and the use of financial instruments.

The transition of supervisory authority was completed with effect from 1 July 2023, following the enactment of the new "Act on Credit Association for Local and Regional Authorities in Denmark". The Act enables KommuneKredit to grant loans — that will be fully guaranteed by the Danish State — to municipalities and certain municipal entities in Greenland and the Faroe Islands, which will not become members of KommuneKredit. The FSA expects KommuneKredit to implement minor changes or adjustments in its management structure, policies, controls and processes.

The total liquidity held by the agency was DKK47 billion as of year-end 2022. KommuneKredit's management board and its auditors have a legal obligation to inform the Ministry and the Danish FSA of any significant information that may prevent it from meeting its obligations.

KommuneKredit uses swaps to hedge the currency risks associated with foreign currency funding. Over and above the latest general market risk limits set by the Association, the Board of Directors has set an interest rate risk limit of 4.0% of its equity base.

KommuneKredit has signed standardised swap and collateral documentation with all its counterparties. Terms include daily valuation and collateral transfer to and from KommuneKredit, and eligible collateral is limited to mortgage bonds and government bonds.

Excellent asset quality, although there is some lending concentration

KommuneKredit has never incurred a credit loss on any of its loans in its close to 125-year history. Its creditworthiness rests on the RLG sector. The sub-sovereign sector is financially strong because Danish municipalities can increase revenue by increasing income taxes to finance their obligation to deliver services such as healthcare, social security and education. Grants from the central government provide an additional significant revenue source for the RLG sector. In addition, Danish municipalities participate in a financial redistribution system, under which revenue is spread so that all citizens, irrespective of their geographical location, are guaranteed the public services mentioned above. We expect the sector to perform well in the forthcoming economic downturn because of the RLGs' strong liquidity and the Danish government's strong track record of mitigating external shocks.

Nevertheless, KommuneKredit's loan exposures are inevitably concentrated because of the limited size of its customer base, which consists of Danish regions and municipalities of varying sizes.

As of year-end 2022, the value of lending and leasing was DKK175 billion, lower than the DKK195 billion as of year-end 2021, as a result of a DKK24.9 billion negative value adjustment despite the DKK4.8 billion increase in net lending for 2022. Overall, in 2022, the issuer added more than 700 new loans to their portfolio, totaling DKK25.1 billion. Out of the total portfolio, 55% of loans and leases were allocated for financing municipalities and regions, with the remaining taken up by companies or institutions with a guarantee by the municipalities.

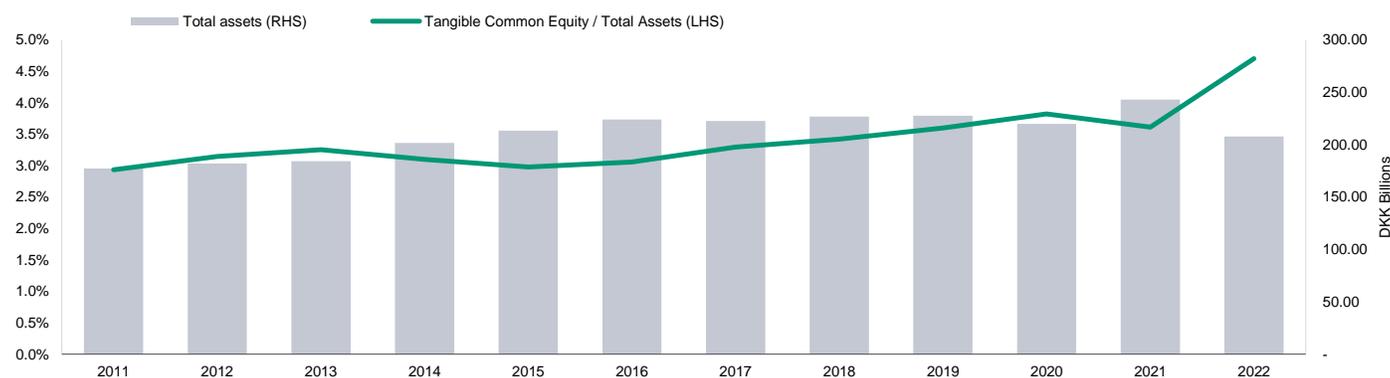
Very solid capitalisation

KommuneKredit is not required to report a Tier 1 capital ratio. However, the agency reported a capital ratio (capital base/risk-weighted assets) of 62% as of year-end 2022, mainly because of the zero risk weights assigned to its RLG lending.

KommuneKredit's leverage ratio, measured as its Moody's-adjusted tangible common equity/total assets, was 4.7% as of year-end 2022. This ratio is higher than the 1% (defined as equity/total liabilities) requirement specified in its articles of association and higher than that of other Nordic specialised lenders. KommuneKredit's leverage ratio has increased slightly to 4.7%, primarily because of a reduction in total assets due to value adjustments (see Exhibit 2), surpassing the board of directors' target of 3.0%.

Exhibit 2

Leverage has increased, while assets have contracted KommuneKredit's total assets and Moody's-calculated leverage ratio



Sources: Bank's reports, Moody's Financial Metrics

Low, although relatively stable profitability, linked to its public policy mandate

Similar to that of other specialised lenders, KommuneKredit's profitability depends primarily on the spread between its lending rates and funding costs. The agency frequently accesses international capital markets, with issuances in multiple currencies, where it benefits from favourable rates.

KommuneKredit's profitability is predictable because of its monopoly position, which support its ability to maintain stable margins. Its customer base is likely to remain unchanged in the long term because membership is limited to Danish RLGs, with all of them being members. In addition, demand for KommuneKredit's loans is likely to remain predictable as RLGs continue to invest in the infrastructure required to deliver key services as mandated by the Danish central government. The creditworthiness of its customer base is closely linked to the Aaa-rated Danish sovereign with a stable outlook.

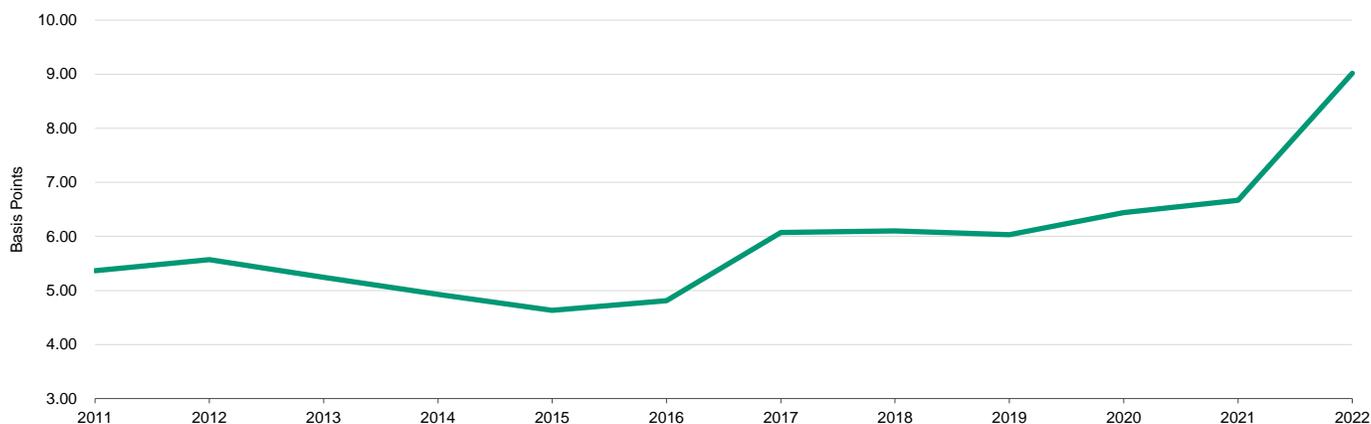
In 2018, KommuneKredit implemented a new method for fixing interest rates on new loans called the funds transfer pricing model, with the aim of aligning the interest rate on an individual loan to the costs and risks associated with the loan.

KommuneKredit's monoline business model and efficient distribution channels allow it to keep operating expenses at very manageable levels. The lender employed 97 people and reported total assets of DKK237.1 billion (around €31.9 billion) as of year-end 2022. Its operating expenses/total average assets increased to 9 basis points in 2022 (see Exhibit 3).

Exhibit 3

Operating expenses were 9 basis points of average assets for 2022

KommuneKredit's operating expenses/average total assets



Sources: Bank reports, Moody's Financial Metrics

High reliance on market funding, mitigated by a very strong access

The maturity of the agency's liabilities typically matches or exceeds the contractual maturity of its assets. More than one third of the loans have long-term economic durations despite the fact that they are short term on a contractual basis because of their call features. These loans imply some gaps, which have been reduced recently as KommuneKredit lengthened the term structure of the funding allocated to this portfolio. The risks arising from these gaps are also mitigated by a large liquidity reserve and closely managed through the monitoring of the institution's survival period under stress.

Most of the outstanding funding before currency hedging was in euros, US dollars and Danish kroner as of the end of December 2022.

As of year-end 2022, funding from credit institutions and debt securities issued stood at DKK237.1 billion, DKK 3.2 billion lower than at year-end 2021, because of the negative value adjustments of issued securities. Around €7.1 billion was raised during 2022, which is in line with KommuneKredit's strategy.

Similar to its peers, KommuneKredit has issued seven green bonds, totalling DKK22.7 billion, to fund sustainable lending across Denmark, and as of year-end 2022, the value of disbursed loans amounted to DKK22.7 billion. In February 2022, KommuneKredit launched a new Green Bond Framework consisting of six categories: energy, sustainable water and wastewater management, pollution prevention and control, green buildings, clean transportation, and climate change adaptation.

The association maintains a substantial liquidity portfolio consisting of highly rated securities with various maturities (most securities have maturities below three years, with a considerable portion maturing within one year as of December 2022), with the bulk of investments in covered bonds and government bonds. As of year-end 2022, the size of KommuneKredit's liquidity portfolio amounted to 22.4% of its tangible banking assets. The association's liquidity portfolio is comparable with that of its peers in terms of size and credit quality. However, unlike some peers, KommuneKredit does not have direct access to central bank liquidity.

ESG considerations

KommuneKredit has low exposure to environmental risks, in line with our view of the banking sector. In 2022, the issuer's Green Bond Committee approved 290 loans as being green, with total lending of just under DKK9 billion. The majority of the approved green loans were granted for projects in district heating and water and wastewater management, but a small part of the green loans were granted for projects within energy-saving initiatives. See our [Environmental risks heat map](#) for further information.

Because of KommuneKredit's role as one of Denmark's largest credit institutions specialising in the financing of Danish municipalities, it is susceptible to politically and socially motivated decisions, which could affect its financial profile. Its borrowers are exposed to the challenges of providing services to an ageing population, leading to increasing dependency ratios. Over time, these challenges can add pressure on municipalities' finances, although the sector's institutional framework overlying KommuneKredit's clients help manage

these risks. The framework includes municipalities' constitutional right to set local level tax rates independently, an equalisation mechanism supporting financially weaker municipalities, and the joint guarantee, where each member is liable for any outstanding obligations of KommuneKredit, with each member being proportionally required to inject capital in the event of equity dropping below 1%.

We also regard the pandemic as a social risk under our environmental, social and governance (ESG) framework, given the substantial implications for public health and safety. Other social risks in terms of customer relations or changes in consumer preferences, which are generally relevant for the banking industry, are less important for KommuneKredit, given that the institution does not engage in retail activities. See our [Social risks heat map](#) for further information.

Governance is highly relevant for KommuneKredit's creditworthiness. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven. We do not have any particular concern around KommuneKredit's corporate governance, which is regulated by law and influenced by its public ownership structure.

Ratings

Exhibit 4

Category	Moody's Rating
KOMMUNEKREDIT	
Outlook	Stable
Issuer Rating	Aaa
Bkd Senior Unsecured	Aaa
Bkd Commercial Paper	P-1
Bkd Other Short Term	(P)P-1

Source: Moody's Investors Service

Endnotes

¹ Please refer to Act 405/April 2023, namely "Act on the Credit Association for Local and Regional Authorities in Denmark.

© 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.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 1374863

CLIENT SERVICES

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