MOODY'S
INVESTORS SERVICE

CREDIT OPINION
8 December 2023

Update

Send Your Feedback

RATINGS

Peabody Trust

Domicile	London, 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

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

Peabody Trust (United Kingdom)

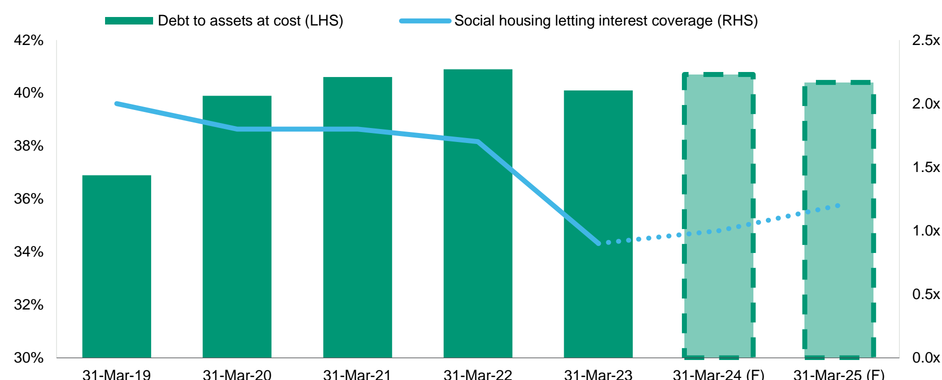
Update to credit analysis

Summary

The credit profile of Peabody Trust (Peabody, A3 stable) reflects the entity's scale as one of the largest housing associations in the UK, its strong debt metrics and its solid liquidity. The credit profile also reflects a weak profitability and interest coverage and risks from a high exposure to market sales. Peabody benefits from the strong regulatory framework governing English housing associations and our assessment that there is a strong likelihood that the government of the United Kingdom (Aa3 stable) would intervene in the event that Peabody faced acute liquidity stress.

Exhibit 1

Peabody's interest coverage is expected to remain below historical levels
Debt to assets at cost and social housing letting interest coverage, fiscals 2019 to 2025



Fiscals 2024 and 2025 are forecasted figures based on Peabody's latest business plan.
Source: Peabody and Moody's Investors Service

Credit Strengths

» Large housing association with robust debt metrics

» High stock of unencumbered assets and solid liquidity

» Supportive institutional framework in England

Credit Challenges

» Weak profitability and interest coverage metrics

» High exposure to market sales expected to continue

Rating Outlook

The stable outlook reflects the expected gradual reduction in inflation and associated cost pressures as well as the proactive actions taken by Peabody to mitigate the adverse effects of the weaker operating environment, thereby limiting development risk.

Factors that Could Lead to an Upgrade

Upward pressure on the ratings could result from a significant improvement in operating performance, a reduction in the exposure to market sales or a significant increase in government support for the sector, especially significantly higher levels of capital grants.

Factors that Could Lead to a Downgrade

Downward pressure on the ratings could result from a prolonged weakening in operating performance, debt growing quicker than forecasts, weaker liquidity or a scaling up in market sales exposure beyond current expectations. Lower government support for the sector or a dilution of the regulatory framework could also lead to downward pressure on the ratings.

Key Indicators

Exhibit 2

Peabody Trust

	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24 (F)	31-Mar-25 (F)
Units under management (no.)	55,869	65,588	66,257	66,916	105,531	108,405	109,261
Operating margin, before interest (%)	26.4	23.7	22.9	20.0	16.7	21.1	24.3
Net capital expenditure as % turnover	52.4	39.6	51.0	58.9	28.2	42.2	34.7
Social housing letting interest coverage (x times)	2.0	1.8	1.8	1.7	0.9	1.0	1.2
Cash flow volatility interest coverage (x times)	(1.5)	3.0	(1.3)	(0.5)	1.6	0.7	1.5
Debt to revenue (x times)	3.9	4.2	4.6	4.7	4.1	4.3	4.2
Debt to assets at cost (%)	36.9	39.9	40.6	40.9	40.1	40.7	40.4

Fiscals 2024 and 2025 are forecasted figures based on Peabody's business plan.
Source: Peabody and Moody's Investors Service

Detailed Rating Considerations

Peabody's A3 ratings combine: (1) its Baseline Credit Assessment (BCA) of baa2; and (2) a strong likelihood of extraordinary support coming from the UK government in the event that Peabody faced acute liquidity stress.

Baseline Credit Assessment

Large housing association with robust debt metrics

Peabody has a track record of growing both organically and inorganically, including through various mergers and acquisitions. Its latest merger was with Catalyst Housing Association in April 2022. Peabody now manages over 105,000 units in London and the surrounding Home Counties, making it one of the largest housing associations in the UK. This substantial scale provides Peabody with a strong market position, greater political influence than smaller peers and a larger balance sheet that provides resilience.

Peabody's debt metrics have historically been robust. Gearing (debt to assets at cost) was 40% in fiscal 2023, a slight decrease from 41% in fiscal 2022 and significantly below the A3-rated peer median of 51%. We expect gearing to remain low, averaging 39% over the next five years, given the significant reductions in the group's development programme in response to a challenging operating environment. The group anticipates its debt to remain fairly stable in the next five years, with the development programme primarily funded by fixed asset disposals and market sale receipts.

Similarly, we expect Peabody's debt to revenue to improve in the medium term. The metric fell to 4.1x in fiscal 2023, down from 4.7x in fiscal 2022, outperforming previous forecasts due to higher market sales revenue than expected and a slower debt growth owing to a slowdown in the development programme. This compares favourably with the A3-rated peer median of 4.4x in fiscal 2023. We forecast the ratio to peak at 4.3x in fiscal 2024, due to lower market sales, before declining from fiscal 2025.

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

However, the strengthening of these debt metrics is contingent on the realisation of planned revenues from fixed asset sales. Peabody plans to generate an annual average of £240 million from the disposal of fixed assets over the next five years, which includes non-core assets. If these disposals do not proceed as planned, Peabody will face either increased borrowing requirements or further reductions in its development programme.

High stock of unencumbered assets and solid liquidity

Peabody has over 29,000 unencumbered properties as of September 2023, coupled with an additional 14,000 properties either in the charging process or already charged to security trusts. This provides the organisation with substantial capacity to support its future borrowing needs. The estimated borrowing capacity of these unencumbered assets is approximately £4 billion, considerably above the group's small net funding requirements over the next five years.

The group's liquidity position remains solid, supported by strong liquidity policies. As of September 2023, Peabody's liquidity amounted to £1 billion (£68 million in cash and £933 million in immediately-available, undrawn, secured facilities), sufficient to cover 1.2x the projected two-year cash needs. This is significantly lower than the 2.2x reported in the previous year due to drawings on existing facilities, which have also resulted in increased refinancing risk with 30% of debt maturing within the next five years. Nevertheless, Peabody's liquidity coverage ratio is broadly in line with A3-rated peers. We note that the group's liquidity position is further strengthened by £380 million in extended, available undrawn facilities, which include a fully secured £100 million 2048 retained bond and £280 million in uncommitted shelf facilities. Its liquidity policy stipulates a requirement to maintain cash and committed facilities to cover 18 months of contracted expenditure, rising to three years including uncommitted facilities. The liquidity policy mitigates the sales risk associated with the development programme by excluding sales income from the calculation.

Supportive institutional framework in England

The sector's credit quality will continue to benefit from the strong institutional framework governing English housing associations reflected in an Operating Environment score of a3 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

The regulator maintains strong oversight through quarterly returns, long-term business plans and annual reviews and by undertaking biennial In-Depth Assessments for large and complex housing associations. 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 housing associations remains supportive. Demand for social housing remains very high and the government has committed to increased capital grants on more flexible terms for new social housing. English housing associations retain some expenditure flexibility and have a track record of reducing costs to mitigate lower income.

However, due to high rates of inflation, the government had intervened on social rent policy with a 7% ceiling on social rent increases, which was implemented from April 2023 for one year. The ceiling of 7% will likely result in an adverse differential between rental income and cost growth, driving lower margins and interest coverage. The intervention introduces policy volatility to the sector as the ceiling supersedes the allowable increase of consumer price inflation plus 1% under the current rent standard, which is in place until March 2025.

Weak profitability and interest coverage metrics

Peabody has a weak operating margin relative to peers, at 17% in fiscal 2023, a decline from 20% in fiscal 2022. The reduction is attributed to a lower margin on social housing lettings due to elevated inflation and a high level of maintenance works, including building and fire safety, coupled with an increased proportion of turnover generated from sales, which carry lower margins. Peabody expects its operating margin to recover to an average of 23% over the next three years, supported by a gradual reduction in inflation. However, this will still remain below the anticipated A3-rated peer median of 26% for the same period.

Peabody's social housing letting interest coverage (SHLIC) is projected to remain low in the medium term. SHLIC amounted to 0.9x in fiscal 2023, a significant drop from 1.7x in fiscal 2022 and below the A3-rated peer median of 1.1x. This is a result of the decreasing margin on social housing lettings combined with higher interest costs, as approximately a fifth of the group's debt is subject to variable

interest rates. Nevertheless, the ratio is forecasted to improve to an average of 1.1x over the next three years, supported by a return to inflation-linked rent increases and a slower growth in interest costs due to limited funding needs.

Peabody is presently implementing cost-reduction initiatives to support margins. On top of the full realisation of the merger efficiencies by fiscal 2025, Peabody plans to achieve additional cost savings, ranging from 1% to 2% of total costs annually from fiscal 2026. Potential avenues for cost savings include improving service charge recovery and simplifying the group structure through back-office consolidation, digital transformation and repair improvements.

High exposure to market sales expected to continue

Peabody's strategic focus incorporates a significant exposure to the cyclical housing market. In fiscal 2023, market sales, inclusive of joint ventures, accounted for 34% of total revenue (25% outright sales and 9% first tranche shared ownership sales), a significant increase from 23% in fiscal 2022. Going forward, Peabody's reliance on market sales is expected to decline to an average of 21% over the next three years following the reduction in the development programme. Peabody's development pipeline remains consistent with its mixed tenure strategy, with 50% allocated to general needs, affordable housing and supported housing, 31% to shared ownership and 18% to outright sales. Despite the reduction, the level of market sales exposure remains high and exposes the group to downturns in the housing market. As of September 2023, the group reported a market sales margin of 17%.

The exposure to market sales also increases the volatility in operating cash flows, as reflected in Peabody's cash flow volatility interest coverage (CVIC) ratio. In fiscal 2023, Peabody's CVIC was 1.6x, a marked increase from -0.5x in fiscal 2022, driven by higher market sales and a slowdown in market sale developments. However, we anticipate it to drop once again to 0.7x in fiscal 2024 due to reduced market sale receipts and higher interest costs, before rebounding to 1.5x in fiscal 2025, provided market sale proceeds are realised as planned.

Peabody has entered into joint venture agreements with commercial land developers in order to mitigate some of the risks associated with market sale schemes. We estimate that joint ventures will account for 28% of total market sale revenues over the next three years. A significant joint venture is the Thamesmead Waterfront joint venture with Lendlease, which aims to develop 11,500 homes as part of the larger, 30-year Thamesmead development in southeast London, now five years underway. While the joint venture schemes offer some risk mitigation and the advantage of leveraging partner expertise, they also introduce potential risks associated with the partners.

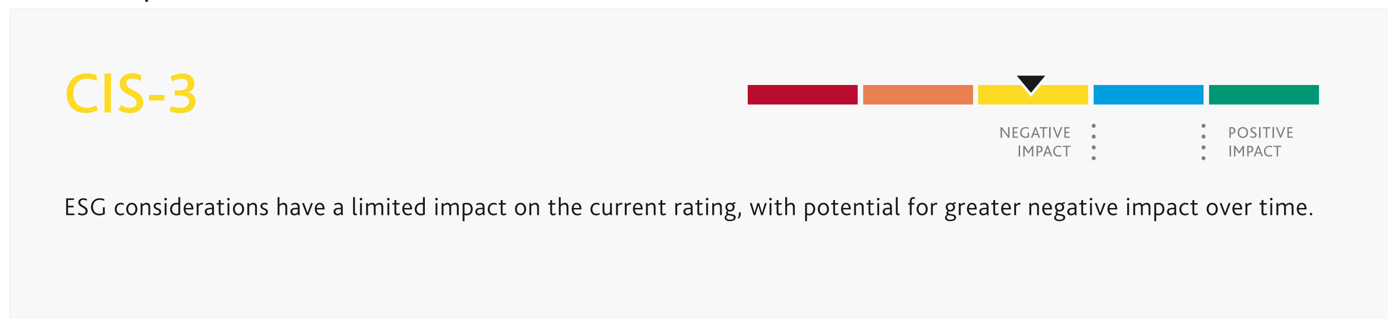
Extraordinary Support Considerations

The strong level of extraordinary support factored into the ratings reflects the wide-ranging powers available to the regulator in cases of financial distress, with the possibility of a facilitated merger or a transfer of engagements. However, the process can be protracted and is reliant on housing associations agreeing to merge, which could be more challenging in a weaker operating environment. Recent history has shown that the UK government is willing to support the sector, as housing remains a politically and economically sensitive issue. The strong support assumption also factors in increasing exposure to non-core social housing activities in the sector, that add complexity to housing association operations, and the weakening of the sovereign's financial resilience, making an extraordinary intervention slightly more challenging. In addition, our assessment that there is a very high default dependence between Peabody and the UK government reflects their strong financial and operational linkages.

ESG considerations

Peabody Trust's ESG credit impact score is CIS-3

Exhibit 3
ESG credit impact score



Source: Moody's Investors Service

Peabody's **CIS-3** reflects our view that ESG risks have a limited impact on its ratings, with potential for greater negative impact over time. In particular, expenditure requirements related to carbon transition and building and safety will weaken margins and increase financing needs, as well as affordability constraints for low-income tenants, which have led to government-imposed sub-inflationary rent caps.

Exhibit 4
ESG issuer profile scores

Source: Moody's Investors Service

Environmental

Peabody has a material exposure to environmental risks (**E-3**), relating to a significant proportion of its stock requiring retrofit to meet energy efficiency standards by 2035 (carbon transition risks), leading to increased expenditure.

Social

Peabody is highly exposed to social risks (**S-4**) through sector-wide legislative requirements to improve the safety of existing housing stock (responsible production risks) for which Peabody has considerable expenditure requirements, which will weigh on its margins and interest coverage over the medium term. Peabody is also affected by cost of living or affordability pressures on social tenants (demographic and societal trends), which led to the UK government capping social rent increases below inflation in fiscal 2024 in England, which will also have a negative impact on margins.

Governance

Peabody has limited governance risks (**G-2**). Its governance is fit for purpose, with strong financial management policies and processes, detailed reporting and a somewhat more complicated organisational structure due to significant joint ventures, but we consider this mitigated by the group's strong management and governance practices. The regulatory framework also supports good governance in the sector.

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 baa2 is close to the scorecard-indicated BCA.

The methodologies used in this rating were European Social Housing Providers, published in April 2018, and Government-Related Issuers, published in February 2020.

Exhibit 5

Fiscal 2023 scorecard

Peabody Trust			
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%	105,531	aa
Factor 3: Financial Performance			
Operating Margin	5%	16.7%	baa
Social Housing Letting Interest Coverage	10%	0.9x	ba
Cash Flow Volatility Interest Coverage	10%	1.6x	baa
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	4.1x	ba
Debt to Assets	10%	40.1%	ba
Liquidity Coverage	10%	1.2x	a
Factor 5: Management and Governance			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	baa	baa
Scorecard - Indicated BCA Outcome			**baa1**
Assigned BCA			**baa2**

Source: Peabody and Moody's Investors Service

Ratings

Exhibit 6

Category	Moody's Rating
PEABODY TRUST	
Outlook	Stable
Baseline Credit Assessment	baa2
Issuer Rating -Dom Curr	A3
PEABODY CAPITAL NO 2 PLC	
Outlook	Stable
Senior Secured -Dom Curr	A3
PEABODY CAPITAL PLC	
Outlook	Stable
Senior Secured -Dom Curr	A3

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.moodys.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 657AFSL 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 1387061

CLIENT SERVICES

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

Moody's
INVESTORS SERVICE