1. The Symbol, Number, or Score in the Rating Scale and the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as required by Paragraph (a)(1)(ii)(A) of SEC Rule 17g-7

Please refer to the Press Release.

2. The Version of the Procedure or Methodology Used to Determine the Credit Rating as required by Paragraph (a)(1)(ii)(B) of SEC Rule 17g-7

**Principal Methodology**

For all Credit Rating Actions except withdrawals not due to small pool factor, and Anticipated/Subsequent Credit Ratings

Please refer to the Press Release.

For Insured & Guaranteed ratings

In order to best reflect the credit risk on a fully supported security Moody’s will apply the rating that is the higher of the support provider’s rating and the published underlying rating for the issuer. For structured finance securities the rating applied will be the higher of the support provider’s rating and the published or unpublished underlying rating.

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.


For Effective ratings

In order to best reflect the credit risk on a fully supported security Moody’s will apply the rating that is the higher of the support provider’s rating and the published underlying rating for the issuer. For structured finance securities the rating applied will be the higher of the support provider’s rating and the published or unpublished underlying rating.

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.


**Procedure**

For all non-mechanical withdrawals

MIS withdraws its ratings when it no longer rates an entity, debt or financial obligation, debt issuance program, preferred share or other financial instrument for which it previously assigned a rating. If appropriate and feasible, ratings will be adjusted before the withdrawal to reflect MIS current rating opinions. Please refer to MIS Withdrawal Policy.

For all other rating actions

Not Applicable.

**Additional Information**

For all Credit Rating Actions except withdrawals not due to small pool factor

The list of the cross sector methodologies identified for a specific sector are used, when applicable, in the analytical process in conjunction with the primary methodology identified, and should be considered an integral part of the analytic approach to determining the credit rating. In cases where the topic of the cross sector methodology is also addressed in the primary methodology, the primary methodology takes precedence.

Please refer to the listing of cross sector methodologies below.
Regulatory Disclosures

- Evaluating Operating Debt Used by Insurance Companies
- Financial Statement Adjustments in the Analysis of Financial Institutions
- Assessing Affiliate Support in the Absence of a Guarantee
- Assessing the Impact of Sovereign Credit Quality on Other Ratings
- General Principles for Assessing Environmental, Social and Governance Risks Methodology
- Country Ceilings Methodology
- Loss Given Default for Speculative-Grade Companies
- Mapping National Scale Ratings from Global Scale Ratings
- Methodology for Credit-Linked Notes and Instruments Whose Rating-Relevant Terms May Change Due to Specified Events
- Minority Holding Companies Methodology
- Short-Term Ratings
- Moody’s Approach to Using Credit Estimates in Its Rating Analysis
- Hybrid Equity Credit
- Assigning Instrument Ratings for Insurers
- Financial Statement Adjustments in the Analysis of Non-Financial Corporations Methodology
- General Principles of Liquidity Risk Assessment
- Notching Corporate Instrument Ratings Based on Differences in Security and Priority of Claim
- Adjustments to Pension and OPEB Data Reported by GASB Issuers, Including US States and Local Governments Methodology
- Bankruptcy Remoteness Criteria for Special Purpose Entities in Global Structured Finance Transactions
- Global Structured Finance Data Quality Evaluation Approach
- Moody’s Approach to Assessing Counterparty Risks in Structured Finance
- Sustainable Net Cash Flow and Value for CMBS and CRE CLOs Methodology

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For all withdrawals except withdrawals due to Small Pool Factor

Not Applicable

For all Credit Rating Actions except withdrawals not due to small pool factor

Moody’s ratings are subject to change at any time due to an updated credit assessment or changes to the rating methodology. In instances where methodology revisions might result in changes to credit ratings, a Request for Comment summarizing the proposed methodology changes can be found on the rating methodologies page on www.moodys.com.

3. Main Assumptions and Principles used to Construct the Rating Methodology used to Determine the Credit Rating as required by Paragraph (a)(1)(ii)(C) of SEC Rule 17g-7

Methodology Assumptions

For all Credit Rating Actions except withdrawals

The main assumptions underlying the methodology used to determine the credit rating are:

For Corporate Finance-Resources and Basic Materials

1) Expected future trends for the relevant industry(ies) structure, competitive dynamics, supply & demand, regulatory environment, and technology are assumed to be predictive for the likelihood of default and expected loss.

2) Expectations for competitive/market position and management’s capabilities and approach to business and financial risks are assumed to be predictive for the likelihood of default and expected loss.
3) Indicators for profitability, interest coverage, and asset quality are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

4) Indicators for cash flow generation, leverage, and debt coverage are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

5) Expectations for legal, regulatory, liquidity, and financial market risks, mergers/acquisitions and recapitalization events, integrity of financial reporting, corporate governance, and the likelihood and nature of support or weakening influence from a parent, affiliate, government or financial party are assumed to be predictive for the likelihood of default/expected loss.

For Corporate Finance-Products and Services

1) Expected future trends for the relevant industry(ies) structure, competitive dynamics, supply & demand, regulatory environment, and technology are assumed to be predictive for the likelihood of default and expected loss.

2) Expectations for competitive/market position and management’s capabilities and approach to business and financial risks are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators for profitability, interest coverage, and asset quality are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

4) Indicators for cash flow generation, leverage, and debt coverage are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

5) Expectations for legal, regulatory, liquidity, and financial market risks, mergers/acquisitions and recapitalization events, integrity of financial reporting, corporate governance, and the likelihood and nature of support or weakening influence from a parent, affiliate, government or financial party are assumed to be predictive for the likelihood of default/expected loss.

For Corporate Finance-Conversion

1) Expected future trends for the relevant industry(ies) structure, competitive dynamics, supply & demand, regulatory environment, and technology are assumed to be predictive for the likelihood of default and expected loss.

2) Expectations for competitive/market position and management’s capabilities and approach to business and financial risks are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators for profitability, interest coverage, and asset quality are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

4) Indicators for cash flow generation, leverage, and debt coverage are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

5) Expectations for legal, regulatory, liquidity, and financial market risks, mergers/acquisitions and recapitalization events, integrity of financial reporting, corporate governance, and the likelihood and nature of support or weakening influence from a parent, affiliate, government or financial party are assumed to be predictive for the likelihood of default/expected loss.

For Financial Institutions-Banking

1) Expectations for the entity’s franchise value and risk positioning are assumed to be predictive for the likelihood of default and expected loss.

2) Indicators for the entity’s asset quality and related trends, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators for the entity’s profitability and related trends, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.

4) Indicators for the entity’s capital adequacy, after incorporating a stress scenario, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.

5) The entity’s liquidity profile and management of its liquidity are assumed to be predictive for the likelihood of default and expected loss.

For Financial Institutions-Insurance

1) Expectations for the entity’s franchise value and risk positioning are assumed to be predictive for the likelihood of default and expected loss.

2) Indicators for the entity’s asset quality and related trends, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.
3) Indicators for the entity’s profitability and related trends, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.

4) Indicators for the entity’s capital adequacy, after incorporating a stress scenario, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.

5) The entity’s liquidity profile and management of its liquidity are assumed to be predictive for the likelihood of default and expected loss.

For Financial Institutions-All Other

1) Expectations for the entity’s franchise value and risk positioning are assumed to be predictive for the likelihood of default and expected loss.

2) Indicators for the entity’s asset quality and related trends, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators for the entity’s profitability and related trends, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.

4) Indicators for the entity’s capital adequacy, after incorporating a stress scenario, as measured by factors described in the methodology scorecard, are assumed to be predictive for the likelihood of default and expected loss.

5) The entity’s liquidity profile and management of its liquidity are assumed to be predictive for the likelihood of default and expected loss.

For Public Project and Infrastructure Finance-General Government

1) Expected future economic trends and operating environment of the relevant sector are assumed to be predictive for the likelihood of default and expected loss.

2) Expectations for institutional framework and management’s capabilities and approach to financial risks are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators for financial position and performance are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

4) Indicators for leverage and debt coverage are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

5) Expectations for legal, regulatory, liquidity, and financial market risks, integrity and transparency of financial reporting, governance, financial performance of counterparties and the likelihood and nature of support by a government or financial party are assumed to be predictive for the likelihood of default/expected loss.

For Sovereigns

1) Expected future economic trends are assumed to be predictive for the likelihood of default and expected loss.

2) Expectations for the institutional framework and the authorities’ ability to formulate and implement effective economic and fiscal policies are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators of fiscal position and performance are assumed to be predictive for the likelihood of default and expected loss.

4) Indicators for debt burden and debt affordability are assumed to be predictive for the likelihood of default and expected loss.

5) Expectations and indicators of event risks related to domestic and geopolitical developments, government and external liquidity situation, and the banking system are assumed to be predictive for the likelihood of default/expected loss.

For Sovereigns (Supranationals)

1) Expected future economic trends affecting the environment the relevant supranational entity is operating in are assumed to be predictive for the likelihood of default and expected loss.

2) Expectations for governance and management’s capabilities and approach to financial risks are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators for liquidity position and funding are assumed to be predictive for the likelihood of default and expected loss.

4) Indicators for capital position, leverage and asset performance are assumed to be predictive for the likelihood of default and expected loss.

5) Expectations for the strength of member support are assumed to be predictive for the likelihood of default and expected loss.
For Public Project and Infrastructure Finance-Enterprises

1) Expected future trends for the relevant industry(ies) structure, competitive dynamics, supply & demand, regulatory environment, and technology are assumed to be predictive for the likelihood of default and expected loss.

2) Expectations for competitive/market position and management’s capabilities and approach to business and financial risks are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators for profitability, interest coverage, and asset quality are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

4) Indicators for cash flow generation, leverage, and debt coverage are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

5) Expectations for legal, regulatory, liquidity, and financial market risks, mergers/acquisitions and recapitalization events, integrity of financial reporting, corporate governance, and the likelihood and nature of support or weakening influence from a parent, affiliate, government or financial party are assumed to be predictive for the likelihood of default/expected loss.

For Public Project and Infrastructure Finance-Projects

1) Expected future trends for the relevant industry(ies) structure, competitive dynamics, supply & demand, regulatory environment, and technology are assumed to be predictive for the likelihood of default and expected loss.

2) Expectations for competitive/market position and management’s capabilities and approach to business and financial risks are assumed to be predictive for the likelihood of default and expected loss.

3) Indicators for profitability, interest coverage, and asset quality are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

4) Indicators for cash flow generation, leverage, and debt coverage are assumed to be predictive for the likelihood of default and expected loss, and the rating category criteria are believed to be appropriate.

5) Expectations for legal, regulatory, liquidity, and financial market risks, completion of project construction or proper operation of assets, integrity of financial reporting, and the likelihood and nature of support or weakening influence from a parent, affiliate, government or financial party are assumed to be predictive for the likelihood of default/expected loss.

For Structured Finance-Consumer Assets (Secured)

1) The expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory, tax and sovereign risk environment anticipated to prevail.

2) The expected general performance behavior (generally as expressed by factors such as the default rate, prepayment rate, any concentration of underlying assets or obligors, valuation of underlying assets to the extent applicable, yield or otherwise derived from historical experience) and related dependency of the underlying exposures from key transaction counterparties or related guarantor.

3) The expected realization value of the non-performing or otherwise disposed underlying assets, unsecured recoveries, or related guarantees. Recoveries may be affected by the time it takes to dispose of assets or collect from guarantors or underlying obligors, also costs incurred, to secure the assets, collect from obligors or enforce guarantees. The assumptions used in this deal consider the portfolio characteristics and concentrations within the pool. In case of assigned short-term ratings, our analysis may not rely on recoveries.

4) The assessment of the transaction’s relevant parties’ governance, ability and willingness to perform their obligations as contemplated in the transaction’s documents.

5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties.

For Structured Finance-Consumer Assets (Unsecured)

1) The expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory, tax and sovereign risk environment anticipated to prevail.

2) The expected general performance behavior (generally as expressed by factors such as the default rate, prepayment rate, any concentration of underlying assets or obligors, valuation of underlying assets to the extent applicable, yield or otherwise derived from historical experience) and related dependency of the underlying exposures from key transaction counterparties or related guarantor.

3) The expected realization value of the non-performing or otherwise disposed underlying assets, unsecured recoveries, or related guarantees. Recoveries may be affected by the time it takes to dispose of assets or collect from guarantors or underlying obligors, also costs incurred, to secure the assets, collect from obligors or enforce guarantees. The assumptions used in this deal consider the portfolio characteristics and concentrations within the pool. In case of assigned short-term ratings, our analysis may not rely on recoveries.
4) The assessment of the transaction’s relevant parties’ governance, ability and willingness to perform their obligations as contemplated in the transaction’s documents.

5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties.

For Structured Finance-Corporate Assets

1) The expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory, tax and sovereign risk environment anticipated to prevail.

2) The expected general performance behavior (generally as expressed by factors such as the default rate, yield or otherwise) and related dependency of the underlying exposures or related guarantor. This deal takes into account correlation of asset or operating parties performance. Where appropriate we take into account the individual risk assessments of the assets.

3) The expected realization value of the non-performing or otherwise disposed underlying assets. Recoveries may be affected by the time it takes to dispose of assets, as well as the costs incurred to secure the assets. The assumptions used in this deal consider the portfolio characteristics and concentrations within the pool. In case of assigned short-term ratings, our analysis may not rely on recoveries.

4) The assessment of the transaction’s relevant parties’ governance, ability and willingness to perform their obligations as contemplated in the transaction’s documents.

5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties.

For Structured Finance-Commercial Real Estate

1) The expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory, tax and sovereign risk environment anticipated to prevail.

2) The expected general performance behavior (generally as expressed by factors such as the historical and projected net cash flows of the underlying collateral properties, the default rate, any concentration of underlying assets or obligors, and valuation of the underlying assets) and related dependency of the underlying exposures to key transaction counterparties or related guarantors.

3) The expected realization value of the non-performing or otherwise disposed underlying assets. Recoveries may be affected by the time it takes to dispose of assets, as well as the costs incurred to secure the assets. The assumptions used in this deal consider the portfolio characteristics and concentrations within the pool.

4) The assessment of the transaction’s relevant parties’ governance, ability and willingness to perform their obligations as contemplated in the transaction’s documents.

5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties.

For Structured Finance-Covered Bonds

1) The expected operation and level of enforceability of the transaction’s legal and regulatory framework and structural mechanisms in light of the expected future legal, regulatory and sovereign risk environment anticipated to prevail.

2) The expected general performance behavior of the issuer or entities supporting the issuer (anchor entities). The financial strength of the anchor entities and expected treatment of the anchor entities in the case of insolvency as predictive of the anchor entities’ propensity to meet the transaction obligations without recourse to the cover assets.

3) The expected liquidity and realization value of the covered assets following default of the anchor entity. The performance of cover asset obligors as a function of portfolio characteristics; the level of cover assets’ exposure to interest rate and currency movements; and the cost of refinancing cover assets in a stressed environment.

4) The assessment of the transaction’s relevant parties’ governance, ability, willingness to perform their obligations and regulatory oversight as contemplated in the transaction’s legal and regulatory framework and contractual documents.

5) The assessment of the level of reliability, quality and integrity of the information provided by the transaction’s parties.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings
Regulatory Disclosures

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For Withdrawals
Not Applicable.

4. The Potential Limitations of the Credit Rating as required by Paragraph (a)(1)(ii)(D) of SEC Rule 17g-7

Limitations
For all Credit Rating Actions except withdrawals

Credit ratings are Moody's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities rated by Moody's. 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. Credit ratings do not address any other risk, including but not limited to: market liquidity risk, market value risk, or price volatility. Credit ratings are not statements of current or historical fact. Credit ratings do not constitute investment or financial advice, and credit ratings are not recommendations to purchase, sell, or hold particular securities. Credit ratings do not comment on the suitability of an investment for any particular investor. Moody's issues its credit ratings with the expectation and understanding that each investor will make its own study and evaluation of each security that is under consideration for purchase, holding, or sale.

For Withdrawals
Not Applicable.

5. Information on the Uncertainty of the Credit Rating as required by Paragraph (a)(1)(ii)(E) of SEC Rule 17g-7

Uncertainty
For all Credit Rating Actions except withdrawals due to inadequate information

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating. 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.

If the Credit Rating Action was based on limited historical data

The credit rating action was based on limited historical data.

If limitations were provided in the press release

For more information on factors that may have been considered for the rating, please see the press release(s).

If, in addition to limited historical data, limitations were provided in the press release

See the accompanying press release for more information regarding limitations relevant to the credit rating.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For withdrawals due to inadequate information
Not Applicable.
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Regulatory Disclosures

6. Whether and to What Extent the NRSRO Used Due Diligence of a Third Party in Taking the Rating Action as required by Paragraph (a)(1)(ii)(F) of SEC Rule 17g-7

Due Diligence

For all Credit Rating Actions except mechanical withdrawals\(^1\)\(^2\)

Received and Took Into Account

Moody's took into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the “Due Diligence Assessment(s)”) in a credit rating action and used the Due Diligence Assessment(s) in preparing the rating, to the extent described in the relevant methodologies.

The due diligence reports tab of the issuer page on www.moodys.com includes the SEC Form(s) ABS Due Diligence-15E provided by third parties to Moody’s or other summary(ies) of the Due Diligence Assessment(s), if applicable.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody’s. While Moody’s uses Due Diligence Assessment(s) only to the extent that Moody’s believes them to be reliable for purposes of the intended use, Moody’s does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

Not Received or Did Not Take Into Account

Moody’s either did not receive or did not take into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the “Due Diligence Assessment(s)”) in a credit rating action.

The due diligence reports tab of the issuer page on www.moodys.com includes the SEC Form(s) ABS Due Diligence-15E provided by third parties to Moody’s or other summary(ies) of the Due Diligence Assessment(s), if applicable.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody’s. While Moody’s uses Due Diligence Assessment(s) only to the extent that Moody’s believes them to be reliable for purposes of the intended use, Moody’s does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

For mechanical withdrawals

The due diligence reports tab of the issuer page on www.moodys.com includes the SEC Form ABS Due Diligence-15E provided by third parties to Moody’s or other summary of the Due Diligence Assessment(s), if applicable.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody’s. While Moody’s uses Due Diligence Assessment(s) only to the extent that Moody’s believes them to be reliable for purposes of the intended use, Moody’s does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

\(^1\) For SEC Exchange Act-ABS transactions only. This disclosure is not applicable for SEC Exchange-Act ABS transactions where: a) The obligor or issuer of the rated transaction is not a U.S. Person; and b) Moody’s has a reasonable basis to conclude that any security issued under the rated transaction will only be offered and sold outside of the United States. Furthermore, the disclosure is not applicable if the rating is issued by a Moody’s entity that is not registered as an NRSRO under the SEC. As used herein, the term “U.S. Person” has the meaning specified in Rule 902 with the Securities Exchange Act of 1934.

\(^2\) A mechanical withdrawal does not require a decision by a Rating Committee to withdraw the Credit Rating. A mechanical withdrawal occurs when: (1) the rated obligation is no longer outstanding, (2) the Credit Rating is a public point in time Rating, (3) the Credit Rating is a provisional Rating, (4) the Credit Rating is withdrawn due to a small pool factor or (5) the Credit Rating is withdrawn on a structured finance security because its principal balance has been fully written down and the Credit Rating is already at “C”.

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7. How Servicer or Remittance Reports were Used, and with What Frequency, to Conduct Surveillance of the Credit Rating as required by Paragraph (a)(1)(ii)(G) of SEC Rule 17g-7

Surveillance Reports

*For all Credit Rating Actions except initial assignment of rating and withdrawals*

*If only servicer reports were considered*
In conducting surveillance of a credit, Moody’s considered performance data contained in servicer reports. Moody’s obtains servicer reports on transactions on a periodic basis, at least annually.

*If only remittance reports were considered*
In conducting surveillance of a credit, Moody’s considered performance data contained in remittance reports. Moody’s obtains remittance reports on transactions on a periodic basis, at least annually.

*If both servicer and remittance reports were considered*
In conducting surveillance of a credit, Moody's considered performance data contained in servicer and remittance reports. Moody’s obtains servicer and remittance reports on transactions on a periodic basis, at least annually.

*If neither servicer nor remittance reports were considered*
The surveillance of a rating does not rely on the use of servicer or remittance reports.

*For initial assignment of ratings and withdrawals*
Not applicable.

*For Insured & Guaranteed ratings*
The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

*For Effective ratings*
The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

8. A Description of the Types of Data About Any Obligor, Issuer, Security, or Money Market that were Relied Upon for the Purpose of Determining the Credit Rating as required by Paragraph (a)(1)(ii)(H) of SEC Rule 17-g7

Sources and Types of Information

*For all Credit Rating Actions except withdrawals*

Information sources typically used, which may or may not have been used to prepare the rating are the following:

» Parties involved in the rating
» Parties not involved in the rating
» Public information
» Confidential and proprietary Moody’s information

Information types typically used, which may or may not have been used to prepare the rating include the following:

» Financial data
» Economic and demographic data
» Debt documentations
» Legislation, by-laws and legal documents
» Operating data
» Asset portfolio data
» Historical performance data
» Third party valuation data
For withdrawals

Not applicable.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

9. A Statement Containing an Overall Assessment of the Quality of Information Available and Considered in Determining the Credit Rating as required by Paragraph (a)(1)(ii)(I) of SEC Rule 17g-7

Quality of Information

For all Credit Rating Actions except review actions and withdrawals due to inadequate information

Moody's adopts all necessary measures so that the information it uses in assigning a 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. The information available and considered in determining the credit rating is of appropriate quality relative to that available for similar obligors, securities or money market instruments.

For review actions, if the quality of information is considered satisfactory

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing this review and of appropriate quality relative to that available for similar rated entities, obligations or credits.

For review actions, if the quality of information is not considered satisfactory

Moody's consider the quality of information available on the rated entity, obligation or credit may not be satisfactory for the purposes of maintaining a rating and of lesser quality relative to that available for similar rated entities, obligations or credits.

For withdrawals due to inadequate information

Moody's considers that the information available on the rated entity, obligation or credit is insufficient or otherwise inadequate for the purposes of maintaining a rating and is of lesser quality relative to that available for similar rated entities, obligations or credits. Please refer to the Moody’s Investors Service’s Policy for Withdrawal of Credit Ratings, available on its website, www.moodys.com.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

10. Information Relating to Conflicts of Interest as required by Paragraph (a)(1)(ii)(J) of SEC Rule 17g-7

Paid Status
For all Credit Rating Actions except mechanical withdrawals

**If Paid Status is “Paid Issuer”**

Moody’s was paid to determine the credit rating by the obligor being rated or the issuer, underwriter, depositor, or sponsor of the security or money market instrument being rated.

**If Paid Status is “Paid Non-Issuer”**

Moody’s was paid to determine the credit rating by a person other than the obligor being rated or the issuer, underwriter, depositor, or sponsor of the security or money market instrument being rated.

**If Paid Status is “Unpaid”**

Moody’s was not paid to determine the credit rating.

**If Paid Status is “Not Applicable”**

Disclosure of paid status is provided for those issuers and entities (1) whose initial credit ratings were assigned on or after June 8, 2015, or (2) whose credit ratings were assigned prior to that date pursuant to auto-renewing or ongoing rating engagements for frequent issuers.

**For Mechanical Withdrawals**

Not Applicable.

**For Effective Ratings**

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

**If Paid Status is “Paid Issuer” or “Paid Non-Issuer”**

If the Paying Entity paid for Other Services:

Moody’s also was paid for services other than determining a credit rating in the most recently ended fiscal year by the person that paid Moody’s to determine the credit rating.

If the Paying Entity did not pay for Other Services:

Moody’s was not paid for services other than determining a credit rating in the most recently ended fiscal year by the person that paid Moody’s to determine the credit rating.

**Credit Rating Action Due to Look-back Review**

For all Credit Rating Actions except initial assignment of ratings and mechanical withdrawals

**If the Credit Rating Action resulted from a look-back review**

The credit rating action resulted from a look-back review conducted pursuant to Paragraph (c) of SEC Rule 17g-8. For more information, see the press release announcing the credit rating action.

**If the Credit Rating Action did not result from a look-back review**

The credit rating action did not result from a look-back review conducted pursuant to Paragraph (c) of SEC Rule 17g-8.

**For Mechanical Withdrawals and initial assignment of ratings**

Not Applicable.

**11. An Explanation or Measure of the Potential Volatility of the Credit Rating as required by Paragraph (a)(1)(ii)(K) of SEC Rule 17g-7**

**Volatility**

For all credit rating actions except withdrawals

For Corporate Finance-Resources and Basic Materials
1) An entity's competitive position is expected to be stable over the 18 – 24 month rating horizon and generally will not lead to rating volatility. Unexpected changes in technology, regulation, market participants or consumer preferences that negatively (or positively) impact an entity’s competitive position within its market, may lead to multiple notch ratings changes during the course of the ratings horizon.

2) Operating strategy effectiveness is typically evidenced by an entity's performance metrics over the medium to long term, typically beyond the rating horizon, and generally will not lead to rating volatility. Changes in performance metrics during the 18-24 month rating horizon will not generally lead to high degrees of rating volatility (more than 1 rating notch). Sustained improvement or deterioration in performance metrics beyond Moody’s expectations could lead to multi-notch rating changes.

3) Rating levels are highly sensitive to financial strategy. Material changes to financial strategy which increase or decrease financial risk and liquidity may change the entity’s ability to weather financial and business cycles. A change in appetite for financial risk may lead to multi-notch downward rating changes. Changes in financial strategy which reduce risk are likely to lead to single notch upward rating changes during the rating horizon.

4) Rating levels can be sensitive to changes in assumptions about an entity’s financial position. Metrics that measure financial position tend to vary within a range of expected levels during the course of an 18 – 24 month rating horizon, and modest variances are not expected to lead to multi-notch rating changes. Large, unexpected changes to assumptions regarding financial position, including measures related to financial leverage, liquidity, and resources available to meet financial obligations, may trigger multi-notch rating changes over the ratings horizon.

5) Rating levels can be greatly impacted by changes in governance structure. Corporate governance is expected to be stable during and beyond the rating horizon, and therefore not cause volatility in ratings. Material changes in governance, ownership structure, or support to or from other entities are likely to lead to multi-notch rating changes.

For Corporate Finance-Products and Services

1) An entity's competitive position is expected to be stable over the 18 – 24 month rating horizon and generally will not lead to rating volatility. Unexpected changes in technology, regulation, market participants or consumer preferences that negatively (or positively) impact an entity’s competitive position within its market, may lead to multiple notch ratings changes during the course of the ratings horizon.

2) Operating strategy effectiveness is typically evidenced by an entity's performance metrics over the medium to long term, typically beyond the rating horizon, and generally will not lead to rating volatility. Changes in performance metrics during the 18-24 month rating horizon will not generally lead to high degrees of rating volatility (more than 1 rating notch). Sustained improvement or deterioration in performance metrics beyond Moody’s expectations could lead to multi-notch rating changes.

3) Rating levels are highly sensitive to financial strategy. Material changes to financial strategy which increase or decrease financial risk and liquidity may change the entity’s ability to weather financial and business cycles. A change in appetite for financial risk may lead to multi-notch downward rating changes. Changes in financial strategy which reduce risk are likely to lead to single notch upward rating changes during the rating horizon.

4) Rating levels can be sensitive to changes in assumptions about an entity’s financial position. Metrics that measure financial position tend to vary within a range of expected levels during the course of an 18 – 24 month rating horizon, and modest variances are not expected to lead to multi-notch rating changes. Large, unexpected changes to assumptions regarding financial position, including measures related to financial leverage, liquidity, and resources available to meet financial obligations, may trigger multi-notch rating changes over the ratings horizon.

5) Rating levels can be greatly impacted by changes in governance structure. Corporate governance is expected to be stable during and beyond the rating horizon, and therefore not cause volatility in ratings. Material changes in governance, ownership structure, or support to or from other entities are likely to lead to multi-notch rating changes.
multi-notch downward rating changes. Changes in financial strategy which reduce risk are likely to lead to single notch upward rating changes during the rating horizon.

4) Rating levels can be sensitive to changes in assumptions about an entity’s financial position. Metrics that measure financial position tend to vary within a range of expected levels during the course of an 18 – 24 month rating horizon, and modest variances are not expected to lead to multi-notch rating changes. Large, unexpected changes to assumptions regarding financial position, including measures related to financial leverage, liquidity, and resources available to meet financial obligations, may trigger multi-notch rating changes over the ratings horizon.

5) Rating levels can be greatly impacted by changes in governance structure. Corporate governance is expected to be stable during and beyond the rating horizon, and therefore not cause volatility in ratings. Material changes in governance, ownership structure, or support to or from other entities are likely to lead to multi-notch rating changes.

**For Financial Institutions-Banking**

1) Franchise values generally are expected to remain stable over extended periods of time and will not lead to high degrees of rating volatility. Risk positioning is also expected to remain relatively stable over time and generally will not lead to rating volatility. However, indicators of significant shifts in risk appetite or risk management failures could result in a higher degree of ratings volatility, generally to the downside. For example, indicators that a bank is not managing its risks conservatively could lead to a multi-notch downgrade.

2) Indicators of asset quality and related trends typically remain stable when examined over the course of a credit cycle. Changes will not generally lead to high degrees of rating volatility (change of more than 1 rating notch within 12 months). Unexpected changes in indicators and trends or prolonged improvement/deterioration could lead to multi-notch rating changes. For example, a bank reports materially higher credit losses stemming from a deterioration in its CRE investments. Moody’s expects the weakness in asset quality to continue for several quarters.

3) Rating levels are less impacted by short-term changes in profitability as compared to enduring shifts in levels of profitability which can lead to positive/negative rating changes, but will generally not trigger multi-notch rating changes over the ratings horizon. For example, an acquisition by a bank that increases its profitability could lead to a rating upgrade.

4) Rating levels are highly sensitive to capital levels. Material declines in capital are likely to lead to multi-notch negative rating changes. For example, a debt financed acquisition might result in a multi-notch downgrade. Increases in capital levels are more likely to lead to positive rating changes over the ratings horizon. For example, a bank that maintained a higher capital ratio for a year at levels that Moody’s expects to continue for the foreseeable future might be upgraded a notch.

5) Rating levels are highly sensitive to liquidity profile and management of liquidity. Material deterioration of liquidity or aggressive liquidity management are likely to lead to multi-notch negative rating changes. For example, a bank that relies on the wholesale capital markets for funding could be downgraded during a period of market disruption. Strengthening of liquidity profile is more likely to lead to positive rating changes over the rating horizon. For example, a bank maintains its Liquidity Coverage Ratio and Liquid Banking Assets above a certain threshold for twelve months and is upgraded a notch.

**For Financial Institutions-Insurance**

1) Franchise values generally are expected to remain stable over extended periods of time and will not lead to high degrees of rating volatility. Risk positioning is also expected to remain relatively stable over time and generally will not lead to rating volatility. However, indicators of significant shifts in risk appetite or risk management failures could result in a higher degree of ratings volatility, generally to the downside.

2) Indicators of asset quality and related trends typically remain stable when examined over the course of a credit cycle. Changes will not generally lead to high degrees of rating volatility (change of more than 1 rating notch within 12 months). Unexpected changes in indicators and trends or prolonged improvement/deterioration could lead to multi-notch rating changes.

3) Rating levels are less impacted by short-term changes in profitability as compared to enduring shifts in levels of profitability which can lead to positive/negative rating changes, but will generally not trigger multi-notch rating changes over the ratings horizon.

4) Rating levels are highly sensitive to capital levels. Material declines in capital are likely to lead to multi-notch negative rating changes. Increases in capital levels are more likely to lead to positive rating changes over the ratings horizon.

5) Rating levels are highly sensitive to liquidity profile and management of liquidity. Material deterioration of liquidity or aggressive liquidity management are likely to lead to multi-notch negative rating changes. Strengthening of liquidity profile is more likely to lead to positive rating changes over the rating horizon.

**For Financial Institutions-All Other**

1) Franchise values generally are expected to remain stable over extended periods of time and will not lead to high degrees of rating volatility. Risk positioning is also expected to remain relatively stable over time and generally will not lead to rating volatility. However, indicators of significant shifts in risk appetite or risk management failures could result in a higher degree of ratings volatility, generally to the downside.
2) Indicators of asset quality and related trends typically remain stable when examined over the course of a credit cycle. Changes will not generally lead to high degrees of rating volatility (change of more than 1 rating notch within 12 months). Unexpected changes in indicators and trends or prolonged improvement/deterioration could lead to multi-notch rating changes.

3) Rating levels are less impacted by short-term changes in profitability as compared to enduring shifts in levels of profitability which can lead to positive/negative rating changes, but will generally not trigger multi-notch rating changes over the ratings horizon.

4) Rating levels are highly sensitive to capital levels. Material declines in capital are likely to lead to multi-notch negative rating changes. For example, a debt financed acquisition might result in a multi-notch downgrade. Increases in capital levels are more likely to lead to positive rating changes over the ratings horizon. For example, a company that maintained a higher capital ratio for a year at levels that Moody’s expects to continue for the foreseeable future might be upgraded a notch.

5) Rating levels are highly sensitive to liquidity profile and management of liquidity. Material deterioration of liquidity or aggressive liquidity management are likely to lead to multi-notch negative rating changes. Strengthening of liquidity profile is more likely to lead to positive rating changes over the rating horizon.

For Public Project and Infrastructure Finance-General Government

1) Fundamental elements to economic performance are typically based on slow-moving factors, such as demographic shifts or transformational changes to technology. Economic growth and wealth forms an important basis of the financial foundation of a government and is expected to remain stable over extended periods of time. Moderate, short-term swings in economic trends are not likely to lead to rating volatility. Unexpected/severe downgrades/shocks to economic trends are more likely to result in a higher degree of volatility to the downside or multi-notch rating changes. Sustained improvements in economic trends may generally result in upward movement in ratings by one notch.

2) The institutional framework, which is established by a set of legislative acts, and management’s capabilities and approach to financial risks tend to be stable over time. Changes to the institutional framework typically occur at a slow pace, providing ample time for an administration to adopt new policies and procedures to minimize the potential financial impacts. Jurisdictions where staff turnover is high may lead to greater volatility in the assessment of management’s abilities. Sudden unpredictable changes can lead to institutional instability. Rating levels are sensitive to the authority’s capability to formulate and implement cohesive policy. Material deterioration in the capability to effectively formulate and implement policy can lead to a multi-notch downgrade / downside rating pressure. Sustained improvements in the capability to effectively formulate and implement policy may generally result in upward movement in ratings by one notch.

3) Sustained positive / negative trends in financial position and performance, impacting a variety of financial indicators such as cash from operations and borrowing requirements, can lead to positive/negative ratings changes over the rating horizon. Changes in these financial indicators may lead to changes in debt burdens which impacts the probability of default. Short-term fluctuations, especially when not accompanied by a defining trend, would generally not impact the rating level itself and not necessarily lead to rating changes. Systemic changes in financial position and performance are more likely to result in a higher degree of volatility to the downside or multi-notch rating changes. Sustained improvements in financial position and performance may generally result in upward movement in ratings by one notch.

4) Rating levels are sensitive to leverage and debt coverage metrics. Material increase in leverage ratios are more likely to lead to negative rating pressure while improvements in debt coverage are more likely to lead to positive rating pressure. Combined severe deterioration in debt burden and debt affordability are likely to lead to a multi-notch downgrade / downgrade rating pressure. Sustained improvements in these factors may generally lead to upward movement in ratings by one-notch.

5) A rapid deterioration in political stability, government and external liquidity position, or banking system health over a short period of time are usually associated with multi-notch downward rating moves. Sustained improvements in these factors may lead to upward rating movements, usually confined to one notch.

For Sovereigns

1) Fundamental elements to economic performance are typically based on slow-moving factors, such as demographic shifts or transformational changes to technology. Economic growth and wealth forms an important basis of the financial foundation of a government and is expected to remain stable over extended periods of time. Moderate, short-term swings in economic trends are not likely to lead to rating volatility. Unexpected and severe shocks to growth or wealth, particularly ones expected to cause volatility to rise substantially in the future, could lead to single or occasionally multi-notch negative rating changes. Sustained improvements in economic trends such as improved competitiveness and long-term growth prospects could result in upward movement in ratings, usually limited to one notch.

2) The institutional framework tends to change slowly. It is generally established by a set of legislative acts, and reflects the authorities’ ability to formulate and implement policies and manage economic fiscal risks, which tend to be stable over time. Changes to the institutional framework typically occur at a slow pace, providing time for an administration to adopt new policies and procedures to minimize the potential financial impacts. However, sudden unpredictable changes that imply a rapid erosion of the authorities’ ability to formulate and implement cohesive policy could lead to single or even multi-notch negative rating changes. Sustained improvements in
the capability to effectively formulate and implement policy could result in upward movement in ratings, usually limited to one to two notches.

3) Sustained positive / negative trends in fiscal position and performance, impacting a variety of financial indicators such as government revenues and expenditures, and borrowing requirements, can lead to positive/negative ratings changes over the rating horizon. Short-term fluctuations, especially when not accompanied by a defining trend, would generally not impact the rating level itself and not necessarily lead to rating changes. However, a rapid and material deterioration in fiscal position and performance could lead to single or even multi-notch negative rating changes. Sustained improvements in fiscal position and performance may generally result in upward movement in ratings by one to two notches.

4) Debt burden and debt affordability are a function of fiscal position and performance, as well as global factors such as interest rate environment and risk appetite. Shocks to a government's fiscal performance and/or a quickly changing global environment can therefore affect these indicators. Combined severe deterioration in debt burden and debt affordability are more likely to result in a higher degree of volatility to the downside or multi-notch rating changes. Sustained improvements in these factors may generally lead to upward movement in ratings by one to two notches.

5) A rapid increase in exposure to shocks, generally associated with a sudden, sharp deterioration in political stability, government and external liquidity position, or banking system health over a short period of time are usually associated with multi-notch downward rating moves. Sustained improvements in any or a combination of these factors may lead to upward rating movements, usually confined to one notch.

For Sovereigns (Supranationals)

1) Fundamental elements to economic performance are typically based on slow moving factors, such as demographic shifts or transformational changes to technology. The operating environment is defined by the macroeconomic outlook and economic and financial linkages among borrowers. Moderate, short-term swings in economic trends are not likely to lead to rating volatility. Unexpected and severe economic shocks and changes to the operating environment, particularly ones which are expected to lead to substantially higher volatility in the future, are more likely to negatively affect borrowers and profitability, and could lead to single or occasionally multiple-notch rating changes. Sustained improvements in economic performance and the operating environment could result in upward movement in ratings, usually limited to one notch.

2) Elements of a supranational's institutional framework and management's capabilities and approach to financial risks include governance, quality of staff, and internal risk management practices, which tend to be stable over time. Changes to the institutional framework typically occur at a slow pace, providing ample time to adjust and minimize the potential financial impacts. Sudden unpredictable changes can lead to institutional instability and material deterioration in the capability to effectively manage risks and could lead to a multi-notch downgrade. Sustained improvements in the institutional framework and risk management capability could lead to positive rating movement by up to one notch.

3) A supranational's liquidity situation — with a focus on the debt service coverage and funding stability — is important in determining its shock absorption capacity, and is generally assumed to be stable over the rating horizon. However, any financial institution is vulnerable to a loss of confidence, rendering it unable to refinance maturing liabilities. A rapid deterioration in the liquidity position accompanied by a loss of access to funding could lead to a multi-notch rating downgrade. A sustained improvement in an entity's liquidity and funding position could lead to positive rating movement, though generally limited to one to two notches.

4) The resources that a supranational entity has available to absorb credit or market losses stemming from its operations, and preserve its ability to repay debt holders, are an important element of its financial fundamentals and overall creditworthiness. Capital position, leverage, and asset performance tend to be stable over the rating horizon thereby limiting rating volatility. However, a rapid and combined deterioration in these factors can lead to a multi-notch rating downgrade. A sustained improvement in an entity's capital adequacy could lead to positive rating movement, though generally limited to one to two notches.

5) The strength of members to support a supranational entity — contractually and extraordinary -- is an essential factor in evaluating its credit quality and tends to be stable over the rating horizon. Any material changes to contractual support and/or to the ability and willingness of shareholders to support a supranational entity would generally lead to rating changes of one to two notches.

For Public Project and Infrastructure Finance-Enterprises

1) An entity's competitive position is expected to be stable over the 18 – 24 month rating horizon and generally will not lead to rating volatility. Unexpected changes in technology, regulation, market participants or consumer preferences that negatively (or positively) impact an entity's competitive position within its market, may lead to multiple-notch ratings changes during the course of the ratings horizon.

2) Operating strategy effectiveness is typically evidenced by an entity's performance metrics over the medium to long term, typically beyond the rating horizon, and generally will not lead to rating volatility. Changes in performance metrics during the 18-24 month rating horizon will not generally lead to high degrees of rating volatility (more than 1 rating notch). Sustained improvement or deterioration in performance metrics beyond Moody’s expectations could lead to multi-notch rating changes.
3) Rating levels are highly sensitive to financial strategy. Material changes to financial strategy which increase or decrease financial risk and liquidity may change the entity’s ability to weather financial and business cycles. A change in appetite for financial risk may lead to multi-notch downward rating changes. Changes in financial strategy which reduce risk are likely to lead to single-notch upward rating changes during the rating horizon.

4) Rating levels can be sensitive to changes in assumptions about an entity’s financial position. Metrics that measure financial position tend to vary within a range of expected levels during the course of an 18 – 24 month rating horizon, and modest variances are not expected to lead to multi-notch rating changes. Large, unexpected changes to assumptions regarding financial position, including measures related to financial leverage, liquidity, and resources available to meet financial obligations, may trigger multi-notch rating changes over the ratings horizon.

5) Rating levels can be greatly impacted by changes in governance structure. Enterprise governance is expected to be stable during and beyond the rating horizon, and therefore not cause volatility in ratings. Material changes in governance, ownership structure, or support to or from other entities are likely to lead to multi-notch rating changes.

**For Public Project and Infrastructure Finance-Projects**

1) An entity’s competitive position is expected to be stable over the 18 – 24 month rating horizon and generally will not lead to rating volatility. Unexpected changes in technology, regulation, market participants or consumer preferences that negatively (or positively) impact an entity’s competitive position within its market, may lead to multiple notch ratings changes during the course of the ratings horizon.

2) Operating strategy effectiveness is typically evidenced by an entity’s performance metrics over the medium to long term, typically beyond the rating horizon, and generally will not lead to rating volatility. Changes in performance metrics during the 18-24 month rating horizon will not generally lead to high degrees of rating volatility (more than 1 rating notch). Sustained improvement or deterioration in performance metrics beyond Moody’s expectations could lead to multi-notch rating changes.

3) Rating levels are highly sensitive to project construction risk. Material changes to the cost for completing the project, the timing of a project’s initiation of revenue generation, or the quality of the project’s facilities to generate revenues, may increase or decrease the ability of the project entity to service debt requirements. An increase in the project’s completion costs, a delay in completion timing, or lower effectiveness of the project on completion may lead to multi-notch downward rating changes. Projects that have lower completion costs, are completed and put in revenue-generating service ahead of schedule, or are completed with greater effectiveness than anticipated initially may experience single-notch upward rating changes during the rating horizon.

4) Rating levels can be sensitive to changes in assumptions about an entity’s financial position. Metrics that measure financial position tend to vary within a range of expected levels during the course of an 18 – 24 month rating horizon, and modest variances are not expected to lead to multi-notch rating changes. Large, unexpected changes to assumptions regarding financial position, including measures related to financial leverage, liquidity, and resources available to meet financial obligations, may trigger multi-notch rating changes over the ratings horizon.

5) Rating levels can be greatly impacted by changes in governance structure. Governance of the project and its supporting entities is expected to be stable during and beyond the rating horizon, and therefore not cause volatility in ratings. Material changes in governance, ownership structure, or support to or from other entities are likely to lead to multi-notch rating changes.

**For Structured Finance-Consumer Assets (Secured)**

1) The expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory, tax and sovereign risk environment is anticipated to prevail during the life of the transaction. Changes in legal, tax, regulatory, or sovereign risk environment can result in an increase or decrease in the level of enforceability of transaction structural mechanisms the level of default probabilities, or the level or timing of recoveries leading to rating volatility.

2) Performance behavior (generally as expressed by factors such as the default rate, prepayment rate, any concentration of the obligors and/or underlying assets, valuation of underlying assets, yield or otherwise derived from historical experience) and related dependency of the underlying exposures from key transaction counterparties or related guarantor are expected to remain reasonably stable over extended period of times and not expected to lead to rating volatility. However indicators of significant shifts in the above factors on a stand-alone basis or combined, which may not have been addressed by structural mitigants, could result in higher degree of rating volatility.

3) The expected realization value and time line of realization of the non-performing or otherwise disposed underlying assets is dependent on the credit cycle, whereas the realization value of the related guarantees is expected to remain stable. If timeline and / or realization value change dramatically from our assumptions, it may have some impact on the ratings.

4) The transaction’s relevant parties’ governance, ability and willingness to perform their obligations as contemplated in the transaction’s documents are expected to remain relatively stable, and/or mitigated by the transaction's structure. Should the change in governance, ability and willingness to perform their obligation goes through changes not contemplated in the mitigating feature of the transaction structure, it may have some rating impact.
5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties is expected to be satisfactory through the course of the transaction. Significant deviation from the appropriate level in reliability, quality and integrity of the information could cause some negative rating migration or, in a worst case scenario, could lead to rating withdrawal.

For Structured Finance-Consumer Assets (Unsecured)

1) The expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory, tax and sovereign risk environment is anticipated to prevail during the life of the transaction. Changes in legal, tax, regulatory, or sovereign risk environment can result in an increase or decrease in the level of enforceability of transaction structural mechanisms, the level of default probabilities, or the level or timing of recoveries leading to rating volatility.

2) Performance behavior (generally as expressed by factors such as the default rate, prepayment rate, yield or otherwise derived from historical experience), any concentration of the obligors and related dependency of the underlying exposures from key transaction counterparties or related guarantors are expected to remain reasonably stable over extended period of times and not expected to lead to rating volatility. However indicators of significant shifts in the above factors on a stand-alone basis or combined, which may not have been addressed by structural mitigants, could result in higher degree of rating volatility.

3) The expected realization value and timing of any unsecured recoveries typically remain stable when examined over the course of a credit cycle. If timeline and/or realization value change dramatically from our assumptions, it may have some impact on the ratings.

4) The transaction’s relevant parties’ governance, ability and willingness to perform their obligations as contemplated in the transaction’s documents are expected to remain relatively stable, and/or mitigated by the transaction’s structure. Should the change in governance, ability and willingness to perform their obligation goes through changes not contemplated in the mitigating feature of the transaction structure, it may have some rating impact.

5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties is expected to be satisfactory through the course of the transaction. Significant deviation from the appropriate level in reliability, quality and integrity of the information could cause some negative rating migration or, in a worst case scenario, could lead to rating withdrawal.

For Structured Finance-Corporate Assets

1) The expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory, tax and sovereign risk environment is anticipated to prevail during the life of the transaction. Changes in legal, tax, regulatory, or sovereign risk environment can result in an increase or decrease in the level of enforceability of transaction structural mechanisms, the level of default probabilities, or the level or timing of recoveries leading to rating volatility.

2) Performance behavior (generally as expressed by factors such as the default rate, prepayment rate, yield or otherwise derived from historical experience) and related dependency of the underlying exposures from key transaction counterparties or related guarantors are expected to remain reasonably stable over extended period of times and not expected to lead to rating volatility. However indicators of significant shifts in the above factors on a stand-alone basis or combined, which may not have been addressed by structural mitigants, could result in higher degree of rating volatility.

3) The expected realization value and timing of any unsecured recoveries typically remain stable when examined over the course of a credit cycle. If timeline and/or realization value change dramatically from our assumptions, it may have some impact on the ratings.

4) The transaction’s relevant parties’ governance, ability and willingness to perform their obligations as contemplated in the transaction’s documents are expected to remain relatively stable, and/or mitigated by the transaction’s structure. Should the change in governance, ability and willingness to perform their obligation goes through changes not contemplated in the mitigating feature of the transaction structure, it may have some rating impact.

5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties is expected to be satisfactory through the course of the transaction. Significant deviation from the appropriate level in reliability, quality and integrity of the information could cause some negative rating migration or, in a worst case scenario, could lead to rating withdrawal.

For Structured Finance-Commercial Real Estate

1) The expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory, tax and sovereign risk environment is anticipated to prevail during the life of the transaction. Changes in legal, tax, regulatory, or sovereign risk environment can result in an increase or decrease in the level of enforceability of transaction structural mechanisms, the level of default probabilities, or the level or timing of recoveries leading to rating volatility.

2) Performance behavior (generally as expressed by factors such as the historical and projected net cash flows of the underlying collateral properties, the default rate, any concentration of underlying assets or obligors, and valuation of the underlying asset) and related dependency of the underlying exposures from key transaction counterparties or related guarantors are expected to remain reasonably stable over extended period of times and are not expected to lead to excessive rating volatility. However indicators of significant shifts
in the above factors on a stand-alone basis or combined, which may not have been addressed by structural mitigants, could result in higher degree of rating volatility.

3) The expected realization value and time line of realization of the non-performing or otherwise disposed underlying assets is dependent on the credit cycle. If timeline and / or realization value change dramatically from our assumptions, it may have some impact on the ratings.

4) The transaction’s relevant parties’ governance, ability and willingness to perform their obligations as contemplated in the transaction’s documents are expected to remain relatively stable, and/or mitigated by the transaction's structure. Should the change in governance, ability and willingness to perform their obligation go through changes not contemplated in the mitigating feature of the transaction structure, it may have some rating impact.

5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties is expected to be satisfactory through the course of the transaction. Significant deviation from the appropriate level in reliability, quality and integrity of the information could cause some negative rating migration or, in a worst case scenario, could lead to rating withdrawal.

For Structured Finance-Covered Bonds

1) The expected operation and level of enforceability of the transaction’s regulatory framework and structural mechanisms in light of the expected future legal, regulatory and sovereign risk environment is anticipated to broadly prevail during the life of the transaction. Changes in the regulatory, legal or sovereign risk environment can result in an increase or decrease in operational effectiveness or level of enforceability of transaction structural mechanisms, leading to rating volatility.

2) The rating volatility of covered bonds is dependent on, but expected to be lower than, the volatility of credit assessments of anchor entities. The expected treatment of the anchor entities in the case of insolvency is expected to remain relatively stable over time but could lead to rating volatility as a result of changes in resolution or insolvency regimes or the interpretation of related legal or regulatory provisions.

3) The expected liquidity and realization value of the covered assets following default of the anchor entity may vary over time but is not expected to be a leading factor in rating volatility. Expected levels of cover asset risk are seldom subject to significant shifts but if these occur a degree of ratings volatility may result, in particular if there is a material negative (or positive) impact on the likelihood of timely payment on the cover assets as a result.

4) The transaction parties’ governance, ability, willingness to perform their obligations and regulatory oversight is expected to remain relatively stable. Changes in these factors would not be expected to lead to ratings volatility unless such changes are significant, or not effectively mitigated by protective structural or regulatory features. A failure by an anchor entity to take discretionary measures to support the transaction may lead to ratings volatility.

5) The assessment of the level of reliability, quality and integrity of the information provided by the relevant parties is expected to be satisfactory through the course of the transaction. Significant deviation from the appropriate level in reliability, quality and integrity of the information could cause some negative rating migration or, in a worst case scenario, could lead to rating withdrawal.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For withdrawals

Not Applicable.

12. Information on the Content of the Credit Rating as required by Paragraph (a)(1)(ii)(L) of SEC Rule 17g-7

Rating History and Performance

For all Credit Rating Actions except initial assignment of ratings and mechanical withdrawals
The ratings tab on the issuer page on www.moodys.com includes the last rating action and the rating history. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. The Special Report dated 14 October 2011 “Links to a List of Securities That Were First Rated Before 1 January 1999” on the ratings disclosure page on our website www.moodys.com/disclosures includes further information.

For all Credit Rating Actions except withdrawals

Moody’s credit ratings are opinions of the relative credit risk of financial obligations translating into an ordinal ranking of issuers and financial obligations across asset classes and geographies. As such, no absolute probability of default nor expected loss given default is assigned to each individual credit rating. A page on our website at http://moodys.com/Pages/GuideToDefaultResearch.aspx includes a link to an index of Moody's default studies.

For mechanical withdrawals

Not Applicable.

13. Information on the Sensitivity of the Credit Rating to Assumptions as required by Paragraph (a)(1)(ii)(M) of SEC Rule 17g-7

Sensitivity to Assumptions

For all credit rating actions except withdrawals

For Corporate Finance-Resources and Basic Materials

1) Moody’s assumptions about the entity’s competitive position within its business sector are presumed to remain stable over our rating horizon (18-24 months). Factors that can affect the entity’s competitive position include changes in market share over time; disruptive pricing affecting either a) customer demand or b) the cost of supplying goods or services; new market entrants; barriers to entry of new competitors; or product substitution. If Moody’s assumptions of competitive position are inaccurate, and the entity experiences forces which are expected to lead to sustained improvement or degradation in competitive position for the longer term, this may cause ratings to move upwards or downwards, depending on the speed of change and the entity’s ability to react to the change.

There are numerous examples in which ratings changed due to large, unexpected changes in commodity prices which were expected to be sustained for a time. A large drop in prices which impacted oil and gas companies led to rating changes for many companies. The ratings impact varied among companies in the sector, and ranged from no ratings change to multiple notch downgrade, depending on the specifics of the companies.

In a specific example, ratings of a mining company were lowered by 5 notches due to a drop in the price of coal, and was subsequently raised by 2 notches when prices recovered.

2) Moody’s assumes that an entity’s business profile, which incorporates its operating strategy, will evolve slowly, and is therefore unlikely to lead to rating changes over the 18 – 24 month rating horizon. Business profile captures fundamental differences between entities in the same sector. An entity’s overall business profile incorporates expectations of volatility in sales and earnings; the perceived strength of the entity’s position in its market; and characteristics of its product offering, such as differentiation with competitive offerings and proven adoption by customers. Operating strategy encompasses decisions regarding the entity’s supply chain and distribution channels; decisions regarding outsourcing production versus operating production facilities; directing growth capital towards acquisitions rather than internal development; or divesting a stable but mature business for one which is believed to offer greater future growth at the cost of higher near-term investment.

Ratings are sensitive to differences in business profile. For example, higher levels of product, segment or geographic diversification are generally a positive factor which is likely to reduce volatility in sales and earnings. The entity’s degree of vertical integration has mixed considerations for ratings; vertical integration provides greater control over sourcing and distribution, but also creates a higher level of fixed costs which may be a burden during periods of cyclical declines.

An entity’s business profile will change slowly, generally due to strategic decisions which are executed in the long term, and therefore will rarely be the source of short term rating changes. If there is an unexpected change in business profile, such as a decision to add or divest business segments or enter new markets within a short period of time, it could result in rating changes of one or more notches to reflect the new view of risk and opportunities over the rating horizon.

As an example of impact due to change in operating strategy, ratings of a mining company were lowered by one notch to reflect an increase in execution risk based on the decision to open a new mine. Ratings were raised upon completion of the venture, reflecting the return to prior business risk levels.
As an example of change in business profile, entities engaged in oil exploration and production may shift geographic locations (concentrating on one basin and exiting another) or change focus from natural gas to oil. Rating changes may occur to reflect the risk of portfolio transformation. Similarly, during times of price disruption commodity companies may divest assets to raise cash.

3) Moody’s ratings include assumptions about financial strategy and financial policy over the next 18 – 24 months. Assumptions include management’s appetite for debt incurrence and financial leverage; planning for debt maturities; management’s decisions regarding deployment of capital; and deployment of profits (shareholder returns vs. investment in the business).

Examples of changes to financial policy may be in the form of a shift in dividend policy; a change in how to finance seasonal working capital or manage timing of payables; or decisions of how much cash to hold in reserves to soften the impact of business cycles.

Financial strategy is generally stable over the rating horizon. Unanticipated changes to a company’s financial strategy, which may be accompanied by significant changes in financial leverage or capitalization, may lead to rating changes of one or more notches upwards or downwards.

Examples of financial policy changes which are common across all industry sectors include the decision to institute a large, one-time dividend or share repurchase program which could have a downward rating impact of one or more notches. A decision to reduce dividends can also have the effect of stabilizing ratings that might otherwise go down. For example, ratings of a diversified energy company were placed on review for possible downgrade due to expectations that leverage would be sustained at higher levels in the future. Ratings were confirmed at existing levels when the company announced that dividends would be cut by 75%, which offset the negative impact of higher leverage levels.

4) Moody’s assumptions about this entity’s governance structure within its market(s) are generally stable over our rating horizon (18-24 months).

Factors affecting governance include changes in ownership or control of the entity’s operational and strategic decision making; support provided to, or received from, other corporate or government entities; the strength and independence of management; and participation in mergers, acquisitions or divestitures.

Changes to an entity’s governance are rare but could result in multi-notch rating changes as it could positively or negatively impact the entity’s future operating strategy and financial position.

A change in ownership may result in ratings being raised or lowered. For commodity companies, ratings have been raised when entities have had a change in ownership, either in whole or partially through a joint venture with a larger and more highly rated company. On the other end of the spectrum, ratings of a metals mining company were negatively impacted by a change in control. The new owner's operating and financial strategies were not in keeping with assumptions that supported previous rating levels, and increased risk at a time of pricing stress for the industry.

5) Moody’s ratings include assumptions about this entity’s financial position, as measured by financial metrics, over the next 18 – 24 months. Assumptions include the entity’s anticipated earnings levels, operating expenses, interest rates paid on debt, and cash flow generation, all of which contribute to an entity’s financial metrics.

These measures may be impacted by unanticipated expenses, changes to interest rate levels, tax changes or business decisions that change expenditure or capital levels.

Modest changes to financial metrics over short periods are typical within most companies and industries. Ratings are not generally sensitive to modest changes in financial metrics which are due to expected business cycles or economic cycles and which are not seen as affecting an entity's long term viability or business profile. However, expectations that an entity’s financial metrics are likely to change meaningfully (either positively or negatively) for a longer term could lead to rating changes of one or more notches upwards or downwards.

Examples that are common among all industries include one-time debt-funded share buybacks of significant size, which increase debt and cause leverage ratios to remain at higher levels than previously expected into the future. Rating downgrades of one or more notches are common in response to these scenarios.

For Corporate Finance-Products and Services

1) Moody’s assumptions about the entity’s competitive position within its business sector are presumed to remain stable over our rating horizon (18-24 months). Factors that can affect the entity’s competitive position include changes in market share over time; disruptive pricing affecting either a) customer demand or b) the cost of supplying goods or services; new market entrants; barriers to entry of new competitors; or product substitution. If Moody’s assumptions of competitive position are inaccurate, and the entity experiences forces which are expected to lead to sustained improvement or degradation in competitive position for the longer term, this may cause ratings to move upwards or downwards, depending on the speed of change and the entity’s ability to react to the change.

Discovery of taint in food or consumer goods has caused rapid rating changes for individual entities and entire sectors. As an example, the discovery of mad cow disease in the US in 2003 caused a shutdown in worldwide export markets for US beef processors. Several companies in the sector were downgraded as a result of the expected impact of the disruption to their business. Similarly, discovery of listeria or other taint in foodstuffs has resulted in downward ratings movement.
Over a 10-year period, the shift in sales of consumer electronics toward online channels resulted in a significant deterioration in sales at traditional “brick and mortar” retailers. A number of the latter experienced ratings downgrades due to their deteriorating competitive position, which was followed by a decline in their financial position.

Market share, a measure of competitive position, can change very quickly in apparel retailing. For example, a change in preference of women’s apparel from high priced fashion styles to less-expensive, more fashion forward ‘fast fashion’ companies resulted in lower market share and significant financial weakness for retailers of higher priced fashion apparel, accompanied in some cases by rating downgrades. Beneficiaries of the trend included discount retailers, which enjoyed an enhanced credit profile.

A long term trend may change pricing dynamics for an entire industry segment, resulting in rating changes throughout the segment. For example, railroads invested significantly in improving the reliability of the entire network. As a result, the entire industry was able to increase prices in excess of operating costs, and to a level sufficient to cover the cost of invested capital. This ultimately resulted in a steady increase in profits and cash flow, which enabled declines in leverage and led to higher ratings for a number of companies in the sector.

2) Moody’s assumes that an entity’s business profile, which incorporates its operating strategy, will evolve slowly, and is therefore unlikely to lead to rating changes over the 18 – 24 month rating horizon. Business profile captures fundamental differences between entities in the same sector. An entity’s overall business profile incorporates expectations of volatility in sales and earnings; the perceived strength of the entity’s position in its market; and characteristics of its product offering, such as differentiation with competitive offerings and proven adoption by customers. Operating strategy encompasses decisions regarding the entity’s supply chain and distribution channels; decisions regarding outsourcing production versus operating production facilities; directing growth capital towards acquisitions rather than internal development; or divesting a stable but mature business for one which is believed to offer greater future growth at the cost of higher near-term investment.

Ratings are sensitive to differences in business profile. For example, higher levels of product, segment or geographic diversification are generally a positive factor which is likely to reduce volatility in sales and earnings. The entity’s degree of vertical integration has mixed considerations for ratings; vertical integration provides greater control over sourcing and distribution, but also creates a higher level of fixed costs which may be a burden during periods of cyclical declines.

An entity’s business profile will change slowly, generally due to strategic decisions which are executed in the long term, and therefore will rarely be the source of short term rating changes. If there is an unexpected change in business profile, such as a decision to add or divest business segments or enter new markets within a short period of time, it could result in rating changes of one or more notches to reflect the new view of risk and opportunities over the rating horizon.

A change in business profile can happen rapidly with certain new product introductions. For example, a pharmaceutical company receives regulatory approval for a drug that treats a given disease, and which is seen a significantly more effective than existing drugs on the market. The business profile of company with new drug is greatly, and quickly, enhanced, creating positive rating momentum. Meanwhile, the business profile for the producer of the older drug declines, which would be expected to lead to downward rating momentum over the medium to longer term in the absence of other changes to its business structure or product line.

In another example, a restaurant company with multiple brands decided to spin-off a sizable restaurant concept. This meaningfully reduced its brand diversification and resulted in a ratings downgrade.

Longer term operating strategy impact is demonstrated by the ratings downgrades experienced by several US department store operators. Over a period of years, these companies were unable to adjust to changing consumer preferences towards different types of venues and product assortments. Sales declined meaningfully bringing down operating expectations. The companies experienced multi-notch downgrades due to declines in operating expectations over the longer term.

3) Moody’s ratings include assumptions about financial strategy and financial policy over the next 18 – 24 months. Assumptions include management’s appetite for debt incurrence and financial leverage; planning for debt maturities; management’s decisions regarding deployment of capital; and deployment of profits (shareholder returns vs. investment in the business).

Examples of changes to financial policy may be in the form of a shift in dividend policy; a change in how to finance seasonal working capital or manage timing of payables; or decisions of how much cash to hold in reserves to soften the impact of business cycles.

Financial strategy is generally stable over the rating horizon. Unanticipated changes to a company’s financial strategy, which may be accompanied by significant changes in financial leverage or capitalization, may lead to rating changes of one or more notches upwards or downwards.

Examples of financial policy changes which are common across all industry sectors include the decision to institute a large, one-time dividend or share repurchase program which could have a downward rating impact of one or more notches. A decision to reduce dividends can also have the effect of stabilizing ratings that might otherwise go down. In a specific example, a large operator of chain restaurants decided to return a sizable amount of cash to its shareholders through debt-financed share repurchases, while targeting to maintain significantly higher leverage than in the past. A multi-notch ratings downgrade followed the announcement.
Another example of financial strategy is the “rent vs. own” decision with regards to real estate made by brick and mortar retailers. Ownership of property generally lowers costs and creates financial value which helps maintain ratings through cyclical declines which might otherwise cause ratings to fail. This strategy may be insufficient to maintain ratings in the long term if a company is unable to respond to other changes in the market over a longer term. One well established electronics retailer experienced multiple ratings downgrades, and ultimately went bankrupt, despite its financial resources and relatively low-cost store base. Those strengths were not sufficient to overcome a long term decline in its sales when the company failed to develop a meaningful internet-based presence.

An example of a positive rating change occurred when a media company’s new owner committed to a less aggressive growth policy, which was expected to retain cash within the company and ultimately lead to stable or reduced leverage.

4) Moody’s assumptions about this entity’s governance structure within its market(s) are generally stable over our rating horizon (18-24 months).

Factors affecting governance include changes in ownership or control of the entity’s operational and strategic decision making; support provided to, or received from, other corporate or government entities; the strength and independence of management; and participation in mergers, acquisitions or divestitures.

Changes to an entity’s governance are rare but could result in multi-notch rating changes as it could positively or negatively impact the entity’s future operating strategy and financial position.

Governance changes are common at the time of a sale or leveraged buy-out of a company, due to a change in financial policies which are expected to be adopted by the new owners. For example, expectations are that a sale to a financial buyer will be accompanied by financial policies which are associated with a higher risk profile. These types of transactions generally result in ratings being lowered by multiple notches at the time of the transaction. Conversely, a sale to a buyer (either company or investor) or an initial public offering of stock is associated with more benign financial policies, and may lead to an upgrade of one or more notches at the time of the sale.

In a specific example, the general membership of a large agricultural cooperative dismissed its entire board of directors and attempted to sell the Coop’s business and brands to another industry player. Ratings were placed under review repeatedly as events developed, and ratings were lowered by two notches during a one-year period.

5) Moody’s ratings include assumptions about this entity’s financial position, as measured by financial metrics, over the next 18 – 24 months. Assumptions include the entity’s anticipated earnings levels, operating expenses, interest rates paid on debt, and cash flow generation, all of which contribute to an entity’s financial metrics.

These measures may be impacted by unanticipated expenses, changes to interest rate levels, tax changes or business decisions that change expenditure or capital levels.

Modest changes to financial metrics over short periods are typical within most companies and industries. Ratings are not generally sensitive to modest changes in financial metrics which are due to expected business cycles or economic cycles and which are not seen as affecting an entity’s long term viability or business profile. However, expectations that an entity’s financial metrics are likely to change meaningfully (either positively or negatively) for a longer term could lead to rating changes of one or more notches upwards or downwards.

Examples that are common among all industries include one-time debt-funded share buybacks of significant size, which increase debt and cause leverage ratios to remain at higher levels than previously expected into the future. Rating downgrades of one or more notches are common in response to these scenarios.

For Corporate Finance-Conversion

1) Moody’s assumptions about the entity’s competitive position within its business sector are presumed to remain stable over our rating horizon (18-24 months). Factors that can affect the entity’s competitive position include changes in market share over time; disruptive pricing affecting either a) customer demand or b) the cost of supplying goods or services; new market entrants; barriers to entry of new competitors; or product substitution. If Moody’s assumptions of competitive position are inaccurate, and the entity experiences forces which are expected to lead to sustained improvement or degradation in competitive position for the longer term, this may cause ratings to move upwards or downwards, depending on the speed of change and the entity’s ability to react to the change.

As an example, ratings of a manufacturer of transportation equipment were lowered by multiple notches due to concerns about the ability to sell a newly developed airplane, which was a disruptive new entrant to the market. The downgrade reflected concerns about the financial stress that would result if the company failed to achieve its expectations for sales of the new aircraft.

Foreign exchange may impact competitive position by temporarily shifting cost and pricing advantages between competitors. For example, a US-based manufacturer of high-value durables produces its products entirely in the US, but sells its products globally. One of its primary competitors manufactures its products almost exclusively in Japan. A rise in the value of the dollar relative to the yen effectively lowers the production cost of the Japanese competitor, which may then lower prices to US consumers. The US manufacturer may choose to follow suit, or risk losing sales and market share. Either outcome, if sustained for a long period, would pressure credit ratings downward.

2) Moody’s assumes that an entity’s business profile, which incorporates its operating strategy, will evolve slowly, and is therefore unlikely to lead to rating changes over the 18 – 24 month rating horizon. Business profile captures fundamental differences between entities in
the same sector. An entity’s overall business profile incorporates expectations of volatility in sales and earnings; the perceived strength of the entity’s position in its market; and characteristics of its product offering, such as differentiation with competitive offerings and proven adoption by customers. Operating strategy encompasses decisions regarding the entity’s supply chain and distribution channels; decisions regarding outsourcing production versus operating production facilities; directing growth capital towards acquisitions rather than internal development; or divesting a stable but mature business for one which is believed to offer greater future growth at the cost of higher near-term investment.

Ratings are sensitive to differences in business profile. For example, higher levels of product, segment or geographic diversification are generally a positive factor which is likely to reduce volatility in sales and earnings. The entity’s degree of vertical integration has mixed considerations for ratings; vertical integration provides greater control over sourcing and distribution, but also creates a higher level of fixed costs which may be a burden during periods of cyclical declines.

An entity’s business profile will change slowly, generally due to strategic decisions which are executed in the long term, and therefore will rarely be the source of short term rating changes. If there is an unexpected change in business profile, such as a decision to add or divest business segments or enter new markets within a short period of time, it could result in rating changes of one or more notches to reflect the new view of risk and opportunities over the rating horizon.

Multiple companies within an industry segment may shift their business profiles in response to a common set of external conditions that affects them all. An example is the strategic shifts undertaken by US defense contractors following a reduction in defense spending by the US government. Defense contractors, which provide highly specialized services to US agencies, faced revenue pressures when defense outlays were reduced. There were numerous mergers in the sector, as companies sought to broaden their offerings. Companies that merged generally took on higher debt, but their larger scale provided a competitive advantage against those competitors which maintained their existing profile. Generally, companies that merged experienced one to two notch downgrades at the time of the merger, reflecting higher financial leverage. Over the longer term, the merged companies have maintained more stable ratings profiles than their smaller competitors which could not compete as effectively.

3) Moody’s ratings include assumptions about financial strategy and financial policy over the next 18 – 24 months. Assumptions include management’s appetite for debt incurrence and financial leverage; planning for debt maturities; management’s decisions regarding deployment of capital; and deployment of profits (shareholder returns vs. investment in the business).

Examples of changes to financial policy may be in the form of a shift in dividend policy; a change in how to finance seasonal working capital or manage timing of payables; or decisions of how much cash to hold in reserves to soften the impact of business cycles.

Financial strategy is generally stable over the rating horizon. Unanticipated changes to a company’s financial strategy, which may be accompanied by significant changes in financial leverage or capitalization, may lead to rating changes of one or more notches upwards or downwards.

Examples of financial policy changes which are common across all industry sectors include the decision to institute a large, one-time dividend or share repurchase program which could have a downward rating impact of one or more notches. A decision to reduce dividends can also have the effect of stabilizing ratings that might otherwise go down. A specific example is demonstrated by the change in financial strategy of a large conglomerate whose ratings reflected expectations that it would direct its high cash flow to debt repayments, steadily reducing leverage over time. The company unexpectedly announced a significant one-time share buyback, which caused a material increase in debt and financial leverage and pressured ratings downward.

A manufacturer of capital equipment had sustainably maintained leverage well below its publicly declared “ceiling” for a number of years. Ratings were upgraded by one notch based on Moody’s determination that leverage levels were unlikely to rise in the foreseeable future. In an opposing example, a large conglomerate with traditionally conservative financial policies announced that it would embark on a long term program to make acquisitions and add leverage in a measured way over several years. Ratings were moved down based on the announcement of the new strategy, even though the impact on financial metrics was not expected to be seen until future periods. The entity was eventually downgraded by two notches in multiple steps, as its financial strategy was more clearly defined.

4) Moody’s assumptions about this entity’s governance structure within its market(s) are generally stable over our rating horizon (18-24 months).

Factors affecting governance include changes in ownership or control of the entity’s operational and strategic decision making; support provided to, or received from, other corporate or government entities; the strength and independence of management; and participation in mergers, acquisitions or divestitures.

Changes to an entity’s governance are rare but could result in multi-notch rating changes as it could positively or negatively impact the entity’s future operating strategy and financial position.

For example, a large engine maker is controlled by its founding family and also has publicly listed stock. As a result of family control, the company has been somewhat insulated from the pressures of public shareholders, and has maintained comparatively low financial leverage and reinvested relatively large amounts of its high profits into very long term investments. Ratings would be pressured downwards if family control were diminished.
5) Moody’s ratings include assumptions about this entity’s financial position, as measured by financial metrics, over the next 18 – 24 months. Assumptions include the entity’s anticipated earnings levels, operating expenses, interest rates paid on debt, and cash flow generation, all of which contribute to an entity’s financial metrics.

These measures may be impacted by unanticipated expenses, changes to interest rate levels, tax changes or business decisions that change expenditure or capital levels.

Modest changes to financial metrics over short periods are typical within most companies and industries. Ratings are not generally sensitive to modest changes in financial metrics which are due to expected business cycles or economic cycles and which are not seen as affecting an entity’s long term viability or business profile. However, expectations that an entity’s financial metrics are likely to change meaningfully (either positively or negatively) for a longer term could lead to rating changes of one or more notches upwards or downwards.

Examples that are common among all industries include one-time debt-funded share buybacks of significant size, which increase debt and cause leverage ratios to remain at higher levels than previously expected into the future. Rating downgrades of one or more notches are common in response to these scenarios.

For Financial Institutions-Banking

1) Moody’s assumptions for a bank’s franchise value is generally assumed to be stable over our rating horizon (18-24 months). Indicators of change in franchise value are unlikely to affect ratings by more than 1-2 notches over the rating horizon. A material change in a bank’s risk appetite or a risk management failure could result in multi notch rating changes, typically to the down-side, over the rating horizon. For example, the improvement in the deposit market share of a bank could lead to an upgrade. Conversely, the inability of a bank to accurately measure its risk position could lead to a multi-notch downgrade.

2) If Moody’s assumptions for a bank’s asset quality and related trends, as measured by factors described in the methodology scorecard are materially worse (better) than actual future results, this could result in multi-notch positive (negative) implications for the rating. For example, a bank reports materially higher credit losses stemming from a deterioration in its CRE investments. Moody's expects the weakness in asset quality to continue for several quarters leading to a downgrade of a notch.

3) If Moody’s assumptions for a bank’s profitability and related trends, as measured by factors described in the methodology scorecard are materially worse (better) than actual future results, this could result in positive (negative) implications for the ratings but generally will not lead to multi-notch rating changes over the ratings horizon. For example, a bank reports worse than expected earnings due to higher credit losses stemming from a deterioration in its CRE investments. Moody's expects the weakness in asset quality to continue for several quarters leading to a downgrade of a notch.

4) Moody's expects a bank's capital levels to remain stable over a 12-18 month horizon. Rating levels are sensitive to changes in capital. If capital adequacy, after incorporating a stress scenario, as measured by factors described in the methodology scorecard, is materially worse than our assumptions, it could result in multi-notch negative rating changes. For example, a bank with a large concentration of CRE loans during a period in which Moody's expectations for CRE loans to weaken could face a multi-notch downgrade. If capital adequacy is materially better than assumptions, it will generally not lead to multi notch upward rating movements.

5) Moody’s expects a bank's liquidity profile and management of liquidity to remain stable over a 12-18 month horizon. Rating levels are sensitive to changes in liquidity profile and the management of liquidity. If a bank’s liquidity profile significantly deteriorates then ratings are likely to go down by more than one notch. For example, an acquisition that is financed using the bank's alternative liquidity would materially increasing its liquidity risk. Alternatively, if a bank’s liquidity profile is better than our assumptions over the rating horizon then its rating is likely to move positively. For example, a bank that publicly commits to materially improving its Liquidity Coverage Ratio and Liquid Bank Assets reduces its liquidity risk.

For Financial Institutions-Insurance

1) Moody’s assumptions for an insurance company's franchise value is generally assumed to be stable over our rating horizon (18-24 months). Indicators of change in franchise value are unlikely to affect ratings by more than 1-2 notches over the rating horizon. A material change in an insurance company's risk appetite or a risk management failure could result in multi notch rating changes, typically to the down-side, over the rating horizon. For example, an increase in premiums written relative to competitors could lead to an upgrade. Conversely, a meaningful increase in catastrophic risk could lead to a multi-notch downgrade.

2) If Moody’s assumptions for an insurance company's asset quality and related trends, as measured by factors described in the methodology scorecard are materially worse (better) than actual future results, this could result in multi-notch positive (negative) implications for the rating. For example, an increase in high yield investments could lead to a downgrade of a notch.

3) If Moody’s assumptions for an insurance company's profitability and related trends, as measured by factors described in the methodology scorecard are materially worse (better) than actual future results, this could result in positive (negative) implications for the ratings but generally will not lead to multi-notch rating changes over the ratings horizon. For example, a reduction of tail risk for an insurance company could lead to lower volatility of earnings and lead to an upgrade of a notch.

4) Moody's expects an insurance company's capital levels to remain stable over a 12-18 month horizon. Rating levels are sensitive to changes in capital. If capital adequacy, after incorporating a stress scenario, as measured by factors described in the methodology...
scorecard, is materially worse than our assumptions, it could result in multi-notch negative rating changes. For example, an insurance company with a growing concentration of equity investments or greater exposure to catastrophic losses could result in a multi-notch downgrade. If capital adequacy is materially better than assumptions, it will generally not lead to multi-notch upward rating movements.

5) Moody's expects an insurance company's liquidity profile and management of liquidity to remain stable over a 12-18 month horizon. Rating levels are sensitive to changes in liquidity profile and the management of liquidity. If an insurance company's liquidity profile significantly deteriorates then ratings are likely to go down by more than one notch. For example, an insurance company with a growing balance of puttable liabilities could face a multi-notch downgrade. Alternatively, if an insurance company's liquidity profile is better than our assumptions over the rating horizon then its rating is likely to move positively. For example, an insurance company that is increasing its liabilities with no redemption rights could see positive ratings.

For Financial Institutions—All Other

1) Moody's assumptions for a non-bank's franchise value is generally assumed to be stable over our rating horizon (18-24 months). Indicators of change in franchise value are unlikely to affect ratings by more than 1-2 notches over the rating horizon. A material change in a non-bank's risk appetite or a risk management failure could result in multi-notch rating changes, typically to the down-side, over the rating horizon. For example, the improvement in the market position or operational diversification of a non-bank could lead to an upgrade. Conversely, deterioration in a non-bank's risk positioning could lead to a multi-notch downgrade.

2) If Moody's assumptions for a non-bank's asset quality and related trends, as measured by factors described in the methodology scorecard are materially worse (better) than actual future results, this could result in multi-notch positive (negative) implications for the rating. For example, a non-bank reports materially higher credit losses stemming from a deterioration in real estate loans. Moody's expects the weakness in asset quality to continue for several quarters leading to a downgrade of a notch.

3) If Moody's assumptions for a non-bank's profitability and related trends, as measured by factors described in the methodology scorecard are materially worse (better) than actual future results, this could result in positive (negative) implications for the ratings but generally will not lead to multi-notch rating changes over the ratings horizon. For example, a non-bank with a large concentration of sub-prime loans could face a multi-notch downgrade during periods in which Moody's expects deterioration. If capital adequacy is materially better than assumptions, it will generally not lead to multi-notch upward rating movements.

4) Moody's expects a non-bank's capital levels to remain stable over a 12-18 month horizon. Rating levels are sensitive to changes in capital. If capital adequacy, after incorporating a stress scenario, as measured by factors described in the methodology scorecard, is materially worse than our assumptions, it could result in multi-notch negative rating changes. For example, a non-bank with a large concentration of sub-prime loans could face a multi-notch downgrade during periods in which Moody's expects deterioration. If capital adequacy is materially better than assumptions, it will generally not lead to multi-notch upward rating movements.

5) Moody's expects a non-bank's liquidity profile and management of liquidity to remain stable over a 12-18 month horizon. Rating levels are sensitive to changes in liquidity profile and the management of liquidity. If a non-bank's liquidity profile significantly deteriorates then ratings are likely to go down by more than one notch. For example, the reduction of a non-bank's alternative liquidity would materially increase its liquidity risk and possibly result on a multi-notch downgrade. Alternatively, if a non-bank's liquidity profile is better than our assumptions over the rating horizon then its rating is likely to move positively. For example, a non-bank that publicly commits to materially improving its liquidity management maintaining a larger liquidity surplus might be upgraded.

For Public Project and Infrastructure Finance—General Government

1) Moody's expects economic factors and the operating environment to remain stable over a 12-18 month horizon. Ratings are sensitive to significant changes in assumptions of the future economic trends and the operating environment over an extended period of time. If economic trends are significantly weaker over a sustained period of time, ratings could face a one-notch downgrade. For example, a temporary recession followed by a return to typical growth levels would likely not result in a rating downgrade, but a permanent decline in a key sector of the economy resulting in a material decline in GDP per capita could result in a downgrade.

2) Moody's expects the institutional framework within which local and regional governments operate to be stable over the rating horizon. Changes in the institutional framework tend to be infrequent and modified on a slow pace. Ratings are sensitive to changes to these assumptions. For example, a constitutional change that allows for greater flexibility of revenue generation would result in a ratings upgrade. The sensitivity of the rating change would be relative to the change in the institutional framework.

3) Moody's assumes a local or regional government's financial position and performance metrics are stable over the 12-18 month horizon. The rating is weakly sensitive to short-term changes in these assumptions and more sensitive to changes in the multi-year trend. For example, a single year surplus matched with a moderate increase in revenue growth may not result in a rating change, while a significant deficit matched by a significant decrease in revenue, with multiple years of smaller deficits planned, could result in a multi-notch downgrade. A change in an entity's fiscal target could also result in a ratings change. For example, a focus on lower revenue growth, which threatens the recurrent achievement of balanced budgets, could result in a single notch downgrade.

4) Moody's expects assumptions for leverage and debt coverage to be stable over a 12-18 month horizon. Metrics that measure leverage and debt coverage tend to vary within a narrow range of expected levels during a 12-18 month period and modest variances are not expected to lead to multi-notch rating changes. Significant changes to these levels could result in multi-notch ratings. For example, a
doubling of an entity’s leverage within a 12 month span could result in a one or more notch downgrade. If actual results are materially different from assumptions, this could also result in multi-notch rating changes. For example, an entity’s change in debt policy which results in a material decrease in debt coverage, as opposed to an assumption of stable debt coverage, could result in a one or more notch downgrade relative to the size of the change from assumptions.

5) Moody’s assumes that the legal, regulatory and financial market risks are stable over the medium-term. Rating levels are sensitive to rapid changes in these factors. If these elements are strengthened and/or enforcement is increased, this could result in a one-notch upgrade. For example, if courts increase the enforcement of legal provisions in contracts, thereby increasing bondholder protection, this would be seen as a strengthening of the legal and regulatory framework, and may result in a one or more notch upgrade. If financial market risks deteriorate, such as a change in a Central Bank’s policy towards foreign exchange markets, for example the fixing of the exchange rate to an artificially low level compared to market fundamentals, this could result in a one or more notch downgrade.

For Sovereigns

1) Moody’s expects economic trends to remain broadly stable over the rating horizon of the next 12-18 months. Sovereign ratings are sensitive to changed assumptions for future economic trends, in particular relating to growth levels and volatility, and to wealth. Long-term economic stagnation was the underlying cause of or at least a contributing factor historically. Therefore, if Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in one or occasionally multi-notch negative implications for the rating once those outcomes are known. Examples include a sharp recession or prolonged period of economic stagnation. Conversely, if Moody’s assumptions are materially worse than actual outcomes, it could result in similarly sharp upward movements in ratings. For example, material improvements to an economy’s competitiveness would ultimately lift a country’s long-term growth prospects.

2) Moody’s expects the institutional framework and the authorities’ capabilities to formulate and implement policies and approach to financial risks to be stable over the rating horizon of the next 12-18 months. Sovereign ratings are sensitive to changed assumptions for the institutional framework and the authorities’ ability to formulate and implement policies. About one third of sovereign defaults historically were directly related to institutional and political weaknesses. Therefore, if Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in multi-notch negative implications for the rating. For example a rapid deterioration in policy credibility and effectiveness would signal weakened institutional strength. If assumptions are materially worse than actual outcomes, this could result in similarly sharp upward movements in ratings. For example, material improvements to an economy’s competitiveness would ultimately lift a country’s long-term growth prospects.

3) Moody’s expects assumptions for fiscal position and performance to be stable over the rating horizon of the next 12-18 months. Sovereign ratings are highly sensitive to changed assumptions for fiscal position and performance. More than a third of sovereign defaults historically occurred as a result of persistent external and fiscal imbalances. If Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in multi-notch negative implications for the rating. For example, a rapid deterioration in the fiscal balance and/or material and rapid changes to government finance structures would signal weakened fiscal position and performance. If assumptions are materially worse than actual outcomes, this could lead to similarly sharp positive rating movements. For example a swift and sustained strengthening in the fiscal balance and/or significant improvements in government finance structures would signal an improving fiscal position and performance.

4) Moody’s expects assumptions for debt burden and debt affordability to be stable over the rating horizon of the next 12-18 months. Sovereign ratings are highly sensitive to changed assumptions for debt burden and debt affordability. The built-up of an unsustainably high debt burden over time was a major driver of sovereign defaults historically. If Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in multi-notch negative implications for the rating. For example, a rapid increase in the debt-to-GDP ratio over a short period of time, a sharp rise in debt service payments, and/or a material increase or crystallization of contingent liabilities would signal deteriorating debt burden and affordability. If assumptions are materially worse than actual outcomes, this could lead to similarly sharp positive rating movements. For example, a swift and sustainable reduction in debt burden and debt service payments and/or a significant reduction in contingent liabilities.

5) Moody’s expects assumptions for event risks to remain stable over the rating horizon of the next 12-18 months. Sovereign ratings are sensitive to changed assumptions for event risks related to domestic and geopolitical developments, government and external liquidity situation, and the banking system. For instance, banking and currency crises featured in a number of sovereign defaults in the past. If Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in multi-notch negative implications for the rating. Examples include coup d'etats, increased exposure to geopolitical event risk, a loss of market access, banking, currency, and/or balance-of-payments crises. If assumptions are materially worse than actual outcomes, it would generally not lead to multi-notch upward rating movements. For example, while improvements in domestic or geopolitical event risk, government and external liquidity, or recovery from a banking crisis are credit-positive, the previous deterioration would have negatively affected a range of other relevant indicators.
1) Moody's expects economic trends and the operating environment entities are faced with to remain broadly stable over the rating horizon of the next 12-18 months. Supranational ratings show limited sensitivity to changed assumptions for future economic trends and the operating environment entities are faced with. For instance, only a small number of past rating actions on supranationals quoted deteriorations in the operating environment as a key driver. Therefore, if Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in negative implications for the rating, typically limited to one notch. Examples include global recessions, commodity price shocks, and/or increased correlation among key borrowers. If assumptions are materially worse than actual outcomes, it could result in upward movement in ratings, usually limited to one notch. However, improvement in the economic performance in borrower countries would for instance not automatically lead to upward rating pressure.

2) Moody's expects the institutional framework and management's capabilities and approach to financial risks to be stable over the rating horizon of the next 12-18 months. Supranational ratings are sensitive to changed assumptions regarding an entity’s institutional framework and management’s capabilities and approach to financial risks, including governance, quality of staff, and internal risk management practices. While only a small number of past rating actions on supranationals quoted deterioration in the institutional set-up as a key driver for a negative rating action, sudden changes can lead to institutional instability and material deterioration in the capability to effectively manage risks. Therefore, if Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in negative implications for the rating by one to two notches. Examples include incidents of fraud, or deteriorating risk management standards. If assumptions are materially worse than actual future results, it could result in similar upward movement in ratings, usually limited to one notch. Examples include governance, quality of staff, and/or internal risk management practices.

3) Moody's expects assumptions for an entity's liquidity situation to be stable over the rating horizon of the next 12-18 months. Supranational ratings are sensitive to changed assumptions for an entity’s liquidity situation – with a focus on the debt service coverage and funding stability. Only a small number of past rating actions on supranationals quoted a deteriorating liquidity position as key driver for a negative rating action. However, if Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in multi-notch negative implications for the rating. Examples include a significant weakening in the debt service coverage, rising borrowing costs, and/or loss of market access. If assumptions are materially worse than actual outcomes, this could lead to positive rating movement, usually limited to one notch. Examples include a significant strengthening in the debt service coverage, and/or falling borrowing costs.

4) Moody's expects assumptions for an entity's resources to absorb credit or market losses stemming from its operations, and preserve its ability to repay debt holders to be stable over the rating horizon of the next 12-18 months. Supranational ratings are highly sensitive to changed assumptions regarding the resources that a supranational entity has available to absorb credit or market losses stemming from its operations, and preserve its ability to repay debt holders. In the past most supranational rating actions quoted a combination of changes to available resources, asset quality, or leverage as key drivers. Therefore, if Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in multi-notch negative implications for the rating. Examples include a weakening capital position, significant increases in leverage, materially weakened asset quality, and/or increased portfolio concentration. If assumptions are materially worse than actual outcomes, it could result in upward movement in ratings, usually limited to one notch. Examples include a strengthening capital position, significant decreases in leverage, materially strengthened asset quality, and/or decreased portfolio concentration.

5) Moody's expects assumptions for the strength of member support to remain stable over the rating horizon of the next 12-18 months. Supranational ratings are highly sensitive to changed assumptions for the strength of member support. Changes to member support assessment were key drivers for almost all rating actions involving supranationals in the past. Therefore, if Moody’s assumptions, as measured by factors described in the methodological scorecard, are materially better than actual outcomes, this could result in multi-notch negative implications for the rating. For example, weaker-than-expected member support could stem from weakened contractual support or signs that callable capital cannot be called; signs of weakening willingness and/or ability of members to provide extraordinary support. If assumptions are materially worse than actual outcomes, this could lead to similarly sharp upward rating movements. For example, the introduction of callable capital and/or signs for increased ability and willingness of members to provide extraordinary support could qualify as material changes to member support assumptions.

For Public Project and Infrastructure Finance-Enterprises

1) Moody's assumptions about the entity’s competitive position within its business sector are presumed to remain stable over our rating horizon (18-24 months). Factors that can affect the entity’s competitive position include changes in market share over time; disruptive pricing affecting either a) customer demand or b) the cost of supplying goods or services; new market entrants; barriers to entry of new competitors; or product substitution. If Moody’s assumptions of competitive position are inaccurate, and the entity experiences forces which are expected to lead to sustained improvement or degradation in competitive position for the longer term, this may cause ratings to move upwards or downwards, depending on the speed of change and the entity’s ability to react to the change. Examples include changes in energy or commodity prices, reduced demand for a facility do to a change in service level, or less demand for an enterprise due to slowing economic conditions. Examples include a spike in the price of a commodity that a power plant relies on to generate its power or the loss of connecting passenger service at a hub airport.
2) Moody’s assumes that an entity’s business profile, which incorporates its operating strategy, will evolve slowly, and is therefore unlikely to lead to rating changes over the 18 – 24 month rating horizon. Business profile captures fundamental differences between entities in the same sector. An entity’s overall business profile incorporates expectations of volatility in revenue and earnings; the perceived strength of the entity’s position in its market; and characteristics of its product offering, such as differentiation with competitive offerings and proven adoption by customers. Operating strategy encompasses decisions regarding the entity’s supply chain and distribution channels; decisions regarding outsourcing production versus operating production facilities; directing growth capital towards acquisitions rather than internal development; or divesting a stable but mature business for one which is believed to offer greater future growth at the cost of higher near-term investment. Ratings are sensitive to differences in business profile. For example, higher levels of product, segment or geographic diversification are generally a positive factor which is likely to reduce volatility in sales and earnings. The entity’s degree of vertical integration has mixed considerations for ratings; vertical integration provides greater control over sourcing and distribution, but also creates a higher level of fixed costs which may be a burden during periods of cyclical declines. An entity’s business profile will change slowly, generally due to strategic decisions which are executed in the long term, and therefore will rarely be the source of short term rating changes. If there is an unexpected change in business profile, such as a decision to add or divest business segments or enter new markets within a short period of time, it could result in rating changes of one or more notches to reflect the new view of risk and opportunities over the rating horizon.

3) Moody’s ratings include assumptions about financial strategy and financial policy over the next 18 – 24 months. Assumptions include management’s appetite for debt incurrence and financial leverage; planning for debt maturities; management’s decisions regarding deployment of capital; and deployment of profits (shareholder returns vs. investment in the business). Examples of changes to financial policy may be in the form of a shift in dividend policy; a change in how to finance seasonal working capital or manage timing of payables; or decisions of how much cash to hold in reserves to soften the impact of business cycles. Financial strategy is generally stable over the rating horizon. Unanticipated changes to a company’s financial strategy, which may be accompanied by significant changes in financial leverage or capitalization, may lead to rating changes of one or more notches upwards or downwards.

4) Moody’s assumptions about the entity’s governance structure within its market(s) are generally stable over our rating horizon (18-24 months). Factors affecting governance include changes in ownership or control of the entity’s operational and strategic decision making; support provided to, or received from, other corporate or government entities; the strength and independence of management; and participation in mergers, acquisitions or divestitures. Changes to an entity’s governance are rare but could result in multi-notch rating changes as it could positively or negatively impact the entity’s future operating strategy and financial position. Governance changes are common at the time of a sale or leveraged buy-out of a company, due to a change in financial policies which are expected to be adopted by the new owners. For example, expectations are that a sale to a financial buyer will be accompanied by financial policies which are associated with a higher risk profile. These types of transactions generally result in ratings being lowered by multiple notches at the time of the transaction. Conversely, a sale to a buyer (either company or investor) or an initial public offering of stock is associated with more benign financial policies, and may lead to an upgrade of one or more notches at the time of the sale.

5) Moody’s ratings include assumptions about this entity’s financial position, as measured by financial metrics, over the next 18 – 24 months. Assumptions include the entity’s anticipated earnings levels, operating expenses, interest rates paid on debt, and cash flow generation, all of which contribute to an entity’s financial metrics. These measures may be impacted by unanticipated expenses, changes to interest rate levels, tax changes or business decisions that change expenditure or capital levels. Modest changes to financial metrics over short periods are typical within most companies and industries. Ratings are not generally sensitive to modest changes in financial metrics which are due to expected business cycles or economic cycles and which are not seen as affecting an entity’s long term viability or business profile. However, expectations that an entity’s financial metrics are likely to change meaningfully (either positively or negatively) for a longer term could lead to rating changes of one or more notches upwards or downwards. Examples that are common among all industries include one-time debt-funded share buybacks of significant size, which increase debt and cause leverage ratios to remain at higher levels than previously expected into the future. Rating downgrades of one or more notches are common in response to these scenarios.

For Public Project and Infrastructure Finance-Projects

1) Moody’s assumptions about the project’s competitive position within its business sector are presumed to remain stable over our rating horizon (18-24 months). Factors that can affect the entity’s competitive position include changes in market share over time; disruptive pricing affecting either a) customer demand or b) the cost of supplying goods or services; new market entrants; barriers to entry of new competitors; or product substitution. If Moody’s assumptions of competitive position are inaccurate, and the entity experiences forces which are expected to lead to sustained improvement or degradation in competitive position for the longer term, this may cause ratings to move upwards or downwards, depending on the speed of change and the entity’s ability to react to the change. Examples include changes in energy or commodity prices, reduced demand for a facility due to a change in service level, or less demand for an enterprise due to slowing economic conditions. Examples include a spike in the price of a commodity that a power plant relies on to generate its power or the increase in labor costs for a project that is providing hospital services.

2) Moody’s assumes that a project’s operating performance will evolve slowly and is therefore unlikely to lead to rating changes over the 18 – 24 month rating horizon. Operating performance captures fundamental differences between entities in the same sector. A project’s operating performance incorporates expectations of volatility in revenue and earnings; its ability to capture and retain market share; and its ability to meet contractual obligations for performance. Operating performance also encompasses decisions regarding the entity’s
supply chain and distribution channels; decisions regarding outsourcing versus self-operation; directing growth capital towards acquisitions rather than internal development; or the allocation of expenses to meet differing requirements by the off-taker. Ratings are sensitive to differences in operating performance. For example, higher levels of product, segment or geographic diversification are generally a positive factor which is likely to reduce volatility in revenue. A project’s approach to meeting operating requirements has mixed considerations for ratings; strong performance of contract agreements provides greater certainty of off-taker payments, but also creates a higher level of costs which may be a burden during periods of cyclical declines. An entity’s operating performance will typically change slowly, but can change more quickly during changing economic conditions and may sometimes be the source of short term rating changes, though they are typically limited to one or two notches.

3) Moody's ratings include assumptions about the completion of construction or asset maintenance costs over the next 18-24 months. For projects that are under initial construction Moody's makes certain assumptions about how long that construction will take and what its final costs will be. Changes to these assumptions or variance in actual performance can result in lower revenue, increased debt, or a degradation in the effectiveness of the asset to generate future revenues. Projects in operation often have major maintenance construction or periodic capital improvements for which Moody's will make similar assumptions and carry similar risks. In both cases, changes in assumptions for construction cost overruns or delays do not typically result in multi-notch rating changes. For example a healthcare facility under initial construction was placed on review twice when construction was significantly delayed and expected completion costs increased significantly.

4) Moody's assumptions about the project's governance structure within its market(s) are generally stable over our rating horizon (18-24 months). Factors affecting governance include changes in ownership or control of the entity's operational and strategic decision making; support provided to, or received from, other corporate or government entities; the strength and independence of management; and the strength of entities that provide off-taker payments such as availability payments. Changes to an entity's governance are rare but could result in multi-notch rating changes as it could positively or negatively impact the entity's future operating strategy and financial position. Governance changes for projects most commonly occur in the form of a change in the credit strength of an off-taker that provides contractual payments. These types of transactions generally result in ratings being lowered by multiple notches at the time of the transaction. Conversely, a sale to a buyer (either company or investor) or an initial public offering of stock is associated with more benign financial policies, and may lead to an upgrade of one or more notches at the time of the sale. An example was the rapid decrease in the credit strength of a government entity that provided availability payments to a ship that extracted and stored oil from underwater sources. Ratings were downgraded several notches as a result.

5) Moody's ratings include assumptions about the project's financial position, as measured by financial metrics, over the next 18 – 24 months. Assumptions include the entity’s anticipated earnings levels, operating expenses, interest rates paid on debt, and cash flow generation, all of which contribute to an entity’s financial metrics. These measures may be impacted by unanticipated expenses, changes to inflation levels, tax changes or business decisions that change expenditure or capital levels. Modest changes to financial metrics over short periods are typical within most projects. Ratings are not generally sensitive to modest changes in financial metrics which are due to expected business cycles or economic cycles and which are not seen as affecting an entity’s long term viability or business profile. However, expectations that an entity’s financial metrics are likely to change meaningfully (either positively or negatively) for a longer term could lead to rating changes of one or more notches upwards or downwards. Examples include large additional expenses for maintenance, reduced availability payments from a failure to meet contract requirements, or additional debt for project completion or expansion which increase debt and/or cause debt service coverage ratios to narrow. Rating downgrades of one or more notches may occur in response to these scenarios.

For Structured Finance-Consumer Assets (Secured)

1) Moody's assumes that the enforceability of the transaction’s structural mechanisms will remain in effect throughout the life of the transaction. If the expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory and tax environment of the transaction’s structural mechanisms was to be more limited than assumed, this could have negative implications for the rating.

For example, a legal ruling that restricts the ability of the servicer or trustee to foreclose, liquidate the assets or collect for the benefit of the transaction and severely impacts cash flows could result in a multi-notch downgrade. Material shifts in levels of sovereign risk could lead to multi-notch downgrades (upgrades) of ratings.

For example, material weakening of the sovereign credit profile could put pressure on the maximum achievable rating.

2) Moody’s expects the transaction’s performance to be in line with our baseline assumptions. If the performance behavior (generally as expressed by factors such as the default rate, prepayment rate, any concentration of the obligors and/or underlying assets, valuation of underlying assets, yield or otherwise derived from historical experience) and related dependency of the underlying exposures from key transaction counterparties or related guarantor was to be weaker (better) than Moody's assumptions, this could result in a multi-notch negative (positive) rating impact. For example, a recession causing the default rate to increase substantially could result in a multi-notch downgrade. The negative rating impact is to the extent such impact has not been mitigated by structural features. The degree of the rating migration depends on (amongst other): initial loss and volatility assumptions, the timing of the loss, and the thickness and position of the tranche in the capital structure. For example, for a structure that pays sequentially, an increase in defaults may have more impact on tranches that remain outstanding longer.
3) Moody’s expects the realization value and the time line of realization of recoveries to remain broadly unchanged for the life of the transaction. If the expected realization value and time line of realization of the non-performing or otherwise disposed underlying assets was to be weaker (better) than Moody’s assumptions, this could result in a multi-notch negative (positive) rating impact. For example, if housing values were to decrease substantially, this could result in much lower recoveries on defaulted properties, increases in losses to the trust and potentially leading to multi-notch downgrades. The negative rating impact is to the extent such impact has not been mitigated by structural features. The degree of the rating migration depends on (amongst other): deviation from initial recovery and volatility assumptions, the timing of the recovery, and the thickness and position of the tranche in the capital structure. For example, if a pool was to be concentrated to a specific region with a longer time horizon for realization of collateral value, this may result in lower recovery within a time frame, and may negatively impact ratings impact.

4) Moody’s expects the relevant parties to perform their duties and obligations pursuant to the transaction documentation. If the transaction’s relevant parties’ governance, ability and willingness to perform their obligations were to be weaker (stronger) than assumed, this could have negative (positive) implications for the rating. For example, if a swap counterparty is downgraded, and structural mitigants are not fully effective, the bond may face increased hedging risk that could lead to a negative rating action if the risk is not addressed by the issuer.

5) Moody’s expects the information provided by the relevant transaction parties to be reliable, and of acceptable level of quality and integrity. If the level of reliability, quality and integrity of the information provided by the relevant parties was to be weaker than assumed, this could have negative implications for the rating. For example if the servicer does not provide detailed and credible performance information about the transaction, this could limit our reliance on the information, resulting in more conservative assumptions being applied or even potentially leading to rating withdrawal.

For Structured Finance-Consumer Assets (Unsecured)

1) Moody’s assumes that the enforceability of the transaction’s structural mechanisms will remain in effect throughout the life of the transaction. If the expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory and tax environment of the transaction’s structural mechanisms was to be more limited than assumed, this could have negative implications for the rating. For example, a legal ruling that restricts the ability of the servicer or trustee to collect for the benefit of the transaction and severely impacts cash flows could result in a multi-notch downgrade. Material shifts in levels of sovereign risk could lead to multi-notch downgrades (upgrades) of ratings. For example, material weakening of the sovereign credit profile could put pressure on the maximum achievable rating.

2) Moody’s expects the transaction’s performance to be in line with our baseline assumptions. If the performance behavior (generally as expressed by factors such as the default rate, prepayment rate, any concentration of the obligors, yield or otherwise derived from historical experience) and related dependency of the underlying exposures from key transaction counterparties or related guarantor was to be weaker (better) than Moody’s assumptions, this could result in a multi-notch negative (positive) rating impact. For example, a recession causing the default rate to increase substantially could result in a multi-notch downgrade. The negative rating impact is to the extent such impact has not been mitigated by structural features. The degree of the rating migration depends on (amongst other): initial loss and volatility assumptions, the timing of the loss, and the thickness and position of the tranche in the capital structure. For example, for a structure that pays sequentially, an increase in defaults may have more impact on tranches that remain outstanding longer.

3) Moody’s expects the realization value and the time line of realization of recoveries to remain broadly unchanged for the life of the transaction. If the expected realization value and timing of any unsecured recoveries was to be weaker (better) than Moody’s assumptions, this could result in a multi-notch negative (positive) rating impact. For example, if due to negative economic conditions, payment rate slows down more than expected, this could reduce available cash flow, increases in losses to the trust, potentially leading to multi-notch downgrades. The negative rating impact is to the extent such impact has not been mitigated by structural features. The degree of the rating migration depends on (amongst other): deviation from initial recovery and volatility assumptions, the timing of the recovery, and the thickness and position of the tranche in the capital structure. For example, if a credit card program sponsor/servicer is under operational duress, this could result in higher volatility in asset performance, leading to negative rating impact.

4) Moody’s expects the relevant parties to perform their duties and obligations pursuant to the transaction documentation. If the transaction’s relevant parties’ governance, ability and willingness to perform their obligations were to be weaker (stronger) than assumed, this could have negative (positive) implications for the rating. For example, if a swap counterparty is downgraded, and structural mitigants are not fully effective, the bond may face increased hedging risk that could lead to a negative rating action if the risk is not addressed by the issuer.

5) Moody’s expects the information provided by the relevant transaction parties to be reliable, and of acceptable level of quality and integrity. If the level of reliability, quality and integrity of the information provided by the relevant parties was to be weaker than assumed, this could have negative implications for the rating. For example if the servicer does not provide detailed and credible performance information about the transaction, this could limit our reliance on the information, resulting in more conservative assumptions being applied or even potentially leading to rating withdrawal.

For Structured Finance-Corporate Assets
1) Moody's assumes that the enforceability of the transaction's structural mechanisms will remain in effect throughout the life of the transaction. If the expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory and tax environment of the transaction’s structural mechanisms was to be more limited than assumed, this could have negative implications for the rating. Material shifts in levels of sovereign risk could lead to multi-notch downgrades (upgrades) of ratings. For example, a legal ruling that restricts the ability of the trustee to foreclose, liquidate the assets or collect for the benefit of the transaction and severely impacts cash flows could result in a multi-notch downgrade. Material shifts in levels of sovereign risk could lead to multi-notch downgrades (upgrades) of ratings. For example, material weakening of the sovereign credit profile could put pressure on the maximum achievable rating.

2) Moody’s expects the transaction’s performance to be in line with our baseline assumptions. If the performance behavior (generally as expressed by factors such as the default rate, prepayment rate, any concentration of the obligors and/or underlying assets, valuation of underlying assets, yield or otherwise derived from historical experience) and related dependency of the underlying exposures from key transaction counterparties or related guarantors was to be weaker (better) than Moody's assumptions, this could result in a multi-notch negative (positive) rating impact. For example, a recession causing the default rate to increase substantially could result in a multi-notch downgrade. The negative rating impact is to the extent such impact has not been mitigated by structural features. The degree of the rating migration depends on (amongst other): initial loss and volatility assumptions, the timing of the loss, and the thickness and position of the tranche in the capital structure. For example, for a structure that pays sequentially, an increase in defaults may have more impact on tranches that remain outstanding longer.

3) Moody's expects the realization value and the time line of realization of recoveries to remain broadly unchanged for the life of the transaction. If the expected realization value and time line of realization of the non-performing or otherwise disposed underlying assets was to be weaker (better) than Moody's assumptions, this could result in a multi-notch negative (positive) rating impact. For example, asset values were to decrease substantially, this could result in much lower recoveries on defaulted assets, increases in losses to the trust and potentially leading to multi-notch downgrades. The negative rating impact is to the extent such impact has not been mitigated by structural features. The degree of the rating migration depends on (amongst other): deviation from initial recovery and volatility assumptions, the timing of the recovery, and the thickness and position of the tranche in the capital structure. For example, if pool was to be concentrated to a construction equipment, this may result in lower recovery during the period of prolonged economic downturn.

4) Moody's expects the relevant parties to perform their duties and obligations pursuant to the transaction documentation. If the transaction's relevant parties' governance, ability and willingness to perform their obligations were to be weaker (stronger) than assumed, this could have negative (positive) implications for the rating. For example, if a swap counterparty is downgraded, and structural mitigants are not fully effective, the bond may face increased hedging risk that could lead to a negative rating action if the risk is not addressed by the issuer.

5) Moody's expects the information provided by the relevant transaction parties to be reliable, and of acceptable level of quality and integrity. If the level of reliability, quality and integrity of the information provided by the relevant parties was to be weaker than assumed, this could have negative implications for the rating. For example if the collateral administrator does not provide detailed and credible performance information about the transaction, this could limit our reliance on the information, resulting in more conservative assumptions being applied or even potentially leading to rating withdrawal.

For Structured Finance-Commercial Real Estate

1) Moody's assumes that the enforceability of the transaction’s structural mechanisms will remain in effect throughout the life of the transaction. If the expected level of enforceability of the transaction’s structural mechanisms in light of the legal, regulatory and tax environment of the transaction’s structural mechanisms was to be more limited than assumed, this could have negative implications for the rating. Material shifts in levels of sovereign risk could lead to multi-notch downgrades (upgrades) of ratings. For example, a legal ruling that restricts the ability of the servicer or trustee to foreclose, liquidate the assets or collect for the benefit of the transaction and severely impacts cash flows could result in a multi-notch downgrade. Material shifts in levels of sovereign risk could lead to multi-notch downgrades (upgrades) of ratings. For example, material weakening of the sovereign credit profile could put pressure on the maximum achievable rating.

2) Moody’s expects the transaction’s performance to be in line with our baseline assumptions. If the performance behavior (generally as expressed by factors such as the historical and projected net cash flows of the underlying collateral properties, the default rate, any concentration of underlying assets or obligors, and valuation of the underlying asset) and related dependency of the underlying exposures from key transaction counterparties or related guarantors was to be weaker (better) than Moody's assumptions, this could result in a multi-notch negative (positive) rating impact. For example, a recession causing the default rate to increase substantially could result in a multi-notch downgrade. The negative rating impact is to the extent such impact has not been mitigated by structural features. The degree of the rating migration depends on (amongst other): initial loss and volatility assumptions, the thickness and position of the tranche in the capital structure. For example, for a structure that pays sequentially, an increase in defaults may have more impact on tranches that remain outstanding longer.

3) Moody's expects the realization value and the time line of realization of recoveries to remain broadly unchanged for the life of the transaction. If the expected realization value and time line of realization of the non-performing or otherwise disposed underlying assets was to be weaker (better) than Moody's assumptions, this could result in a multi-notch negative (positive) rating impact. For example, if values of commercial properties were to decrease substantially, this could result in much lower recoveries on defaulted properties,
 increases in losses to the trust and potentially leading to multi-notch downgrades. The negative rating impact is to the extent such impact has not been mitigated by structural features. The degree of the rating migration depends on (amongst other): deviation from initial recovery and volatility assumptions, the timing of the recovery, and the thickness and position of the tranche in the capital structure. For example, if properties were to be concentrated to a specific region with a longer time horizon for realization of collateral, this may result in lower recovery within a time frame, and may negatively impact ratings.

For Structured Finance-Covered Bonds

1) Moody’s assumes that the transaction’s legal/regulatory framework and structural mechanisms will remain enforceable throughout the life of the transaction. If the expected level of operational effectiveness or enforceability of the legal or regulatory framework or transaction structural mechanisms was to be more limited than assumed or subject to unexpected material changes, this could have negative implications for the rating, in particular if the relevant change could not be mitigated by addition of further cover assets. Material shifts in levels of sovereign risk could lead to multi-notch downgrades (upgrades) of ratings. For example, if European authorities changed the law to remove covered bonds’ exemption from write-down in resolution we might adjust our anchor entity assessments downwards, thus increasing over-collateralization necessary to support the current rating and/or leading to negative rating actions.

2) Moody’s expect the transaction’s performance to be in line with our assumptions. If the credit assessment of a transaction's anchor entity deteriorates (improves) by one or more notches this may have a zero to multi-notch rating impact on the covered bonds. The impact on the covered bonds will generally be proportionately less than the size of the movement in the credit assessment. Resolution or insolvency regimes that become significantly less (more) favorable to covered bonds could lead to downgrades (upgrades) of ratings. For example, if a swap counterparty is downgraded, and structural mitigants are not fully effective, the covered bond may face increased hedging risk that could lead to a negative rating action if the risk is not addressed by the issuer.

3) Moody’s expects the cover pool’s realization value taking into account over-collateralization to remain broadly stable and be protected by highly-rated anchor entities. Covered bond ratings have relatively low sensitivity to the expected liquidity and realization value of the covered assets after default of the anchor entity. Significant changes in expected levels of cover asset risk are typically addressed by discretionary addition of further collateral or other measures by the anchor entity. For example, a prolonged banking crisis in a country may cause a persistent increase in spread levels for bank debt, leading us to adjust our refinancing risk assumptions. This might lead to a greater amount of over-collateralization to support the same covered bond rating. However if the anchor entity declines to actively protect the value of cover assets, the rating may become increasingly sensitive to changes in the risk profile of the cover assets, especially if the credit assessment of the anchor entity also deteriorates.

4) Moody’s expects the relevant parties to perform their duties and obligations pursuant to law, regulatory requirements and, where relevant, the transaction documentation. If the transaction parties’ governance, ability, willingness to perform their obligations and regulatory oversight were to be weaker (stronger) than assumed, this could have negative (positive) implications for the rating. A failure by an anchor entity to take discretionary measures to support the transaction may have a negative impact on the rating. For example, if a swap counterparty is downgraded, and structural mitigants are not fully effective, the covered bond may face increased hedging risk that could lead to a negative rating action if the risk is not addressed by the issuer.

5) Moody’s expects the information provided by the relevant transaction parties to be reliable and of an acceptable level of quality and integrity. If the level of reliability, quality and integrity of the information provided by the relevant parties was to be weaker than assumed, this could have negative implications for the rating. For example if the servicer does not provide detailed and credible performance information about the transaction, this could limit our reliance on the information, resulting in more conservative assumptions being applied or even potentially leading to rating withdrawal.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings
The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For withdrawals
Not Applicable.


Representations and Warranties

For all Credit Rating Actions for SEC Not Exempt Credit Ratings

For transactions rated on or after September 26, 2011, the research tab of the issuer page on www.moodys.com includes the SEC Rule 17g-7 Report of R&Ws, if applicable.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For all other Ratings
Not Applicable.

15. Definitions

MIS Rating Definitions

Moody’s Rating Symbols and Definitions on the Rating Definitions page on www.moodys.com includes further information on the meaning of each rating category and the definition of default and recovery.

16. Information and Data

Due Diligence (European Union offices, UK offices, EU Endorsed ratings and UK Endorsed ratings only)

For all Credit Rating Actions, except withdrawals, where the Credit Ratings carry the (sf) indicator

Moody’s took into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the “Due Diligence Assessment(s)”) in the credit rating action and used the Due Diligence Assessment(s) in preparing the rating. This had a neutral impact on the rating.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody’s. While Moody’s uses Due Diligence Assessment(s) only to the extent that Moody’s believes them to be reliable for purposes of the intended use, Moody’s does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

or

3 Not applicable to SEC Exchange Act-ABS transactions that are rated for the first time after June 8, 2015 and which are exempt from the application of SEC Rule 17g-7. The disclosure is not applicable where (a) the obligor or issuer of the rated transaction is not a company organized or incorporated under the laws of the United States or not a person resident in the United States and (b) Moody’s believes that any security issued under the rated transaction will only be offered outside of the United States. Furthermore, the disclosure is not applicable where the rating is issued by a Moody’s entity which is not registered as an NRSRO under the SEC.
Moody's took into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the "Due Diligence Assessment(s)") in the credit rating action and used the Due Diligence Assessment(s) in preparing the rating. This had a positive impact on the rating.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody's. While Moody's uses Due Diligence Assessment(s) only to the extent that Moody's believes them to be reliable for purposes of the intended use, Moody's does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

or

Moody's took into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the "Due Diligence Assessment(s)") in the credit rating action and used the Due Diligence Assessment(s) in preparing the rating. This had a negative impact on the rating.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody's. While Moody's uses Due Diligence Assessment(s) only to the extent that Moody's believes them to be reliable for purposes of the intended use, Moody's does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

or

Moody's either did not receive or take into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the "Due Diligence Assessment(s)") in the credit rating action. This had a neutral impact on the rating.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody's. While Moody's uses Due Diligence Assessment(s) only to the extent that Moody's believes them to be reliable for purposes of the intended use, Moody's does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

or

Moody's either did not receive or take into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the "Due Diligence Assessment(s)") in the credit rating action. This had a negative impact on the rating.

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For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For all other ratings

Not Applicable.

Due Diligence (Canada, Hong Kong and Singapore offices only)

For all Credit Rating Actions, except withdrawals, where the Credit Ratings carry the (sf) indicator

Moody's took into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the "Due Diligence Assessment(s)") in the credit rating action and used the Due Diligence Assessment(s) in preparing the rating. This had a neutral impact on the rating.
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Regulatory Disclosures

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody’s. While Moody’s uses Due Diligence Assessment(s) only to the extent that Moody’s believes them to be reliable for purposes of the intended use, Moody’s does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

Moody’s took into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the “Due Diligence Assessment(s)”) in the credit rating action and used the Due Diligence Assessment(s) in preparing the rating. This had a positive impact on the rating.

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Moody’s either did not receive or take into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the “Due Diligence Assessment(s)”) in the credit rating action.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody’s. While Moody’s uses Due Diligence Assessment(s) only to the extent that Moody’s believes them to be reliable for purposes of the intended use, Moody’s does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For all other credit ratings

Not Applicable.

Information Disclosure from Rated Entity (Australia, Hong Kong and Singapore offices only)

For all Credit Rating Actions, except withdrawals, where the Credit Ratings carry the (sf) indicator

The rated entity has informed Moody’s that the issuer is publicly disclosing all relevant information about the product.

The rated entity has informed Moody’s that relevant information about the product remains non-public.

The rated entity has not informed Moody’s whether the issuer is publicly disclosing all relevant information about the product.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.
For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For all other ratings

Not Applicable.

Disclosure to Rated Entity (European Union, Hong Kong, Singapore, South Africa and UK offices and EU Endorsed and UK Endorsed ratings only)

For all Credit Rating Actions, except mechanical withdrawals

If the rating was disclosed with no amendment

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

If the rating was disclosed with amendment

The rating has been disclosed to the rated entity or its designated agent(s) and issued with amendment resulting from that disclosure.

If anticipated/subsequent rating derived from an existing Credit Rating that was issued prior to 1 January 2019

The credit rating is derived from an existing credit rating that was disclosed to the rated entity or its designated agent(s) in accordance with the notification rules in effect at the time.

If failed to disclose to the rated entity:

Moody’s attempted but was not able to disclose the draft rating action press release to the rated entity or its designated agent(s). The rating action press release was issued with no amendment.

If not applicable

Not applicable.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

Rating History and Performance (European offices and EU Endorsed ratings only)

For all Credit Rating Actions except withdrawals

The European Securities and Markets Authority (ESMA) has established a central repository (CEREP) on its website that includes historic default rates and accompanying information which may differ from Moody’s current definitions and explanations.

If not EU Offices, EU Endorsed and for withdrawals:

Not applicable.

Rating History and Performance (UK offices and UK Endorsed ratings only)

For all Credit Rating Actions except withdrawals

The Financial Conduct Authority (FCA) has established a central repository (Central Repository Statistics) on its website that includes historic default rates and accompanying information which may differ from Moody’s current definitions and explanations.

If not UK Offices, UK Endorsed and for withdrawals:
Not Applicable

Timing of Publication

For Credit Rating Actions not published on a date listed on the sovereign release calendars:

Please note that the Time of Publication disclosure does not apply to: 1) the first issuance of a Sovereign Credit Rating; or 2) newly issued Anticipated/Subsequent Sovereign Credit Ratings; or 3) the mechanical withdrawal of Sovereign Credit Ratings.

This credit rating action has been published on a date that deviates from Moody’s previously published calendars for European Union rated and United Kingdom rated Sovereign credit ratings. Moody’s has published this credit rating action outside of the previously announced schedule to provide market participants with an important update on the status of this credit rating. For further details, please review the press release associated with this credit rating action, if applicable.

For all other credit rating actions
Not Applicable.

17. Time Horizon

Time Horizon for Rating Outlook and Rating Review

For all Credit Rating Actions except withdrawals

Moody’s Rating Symbols and Definitions on the Rating Definitions page on www.moodys.com include further information on the time horizon in which a credit rating action may be expected after a review or outlook action took place.

For withdrawals
Not applicable.

18. Potential Conflicts of Interest

General Conflict Disclosure

The ratings disclosure page on www.moodys.com/disclosures includes general disclosure on potential conflicts of interests.

Unsolicited Credit Ratings

For all Credit Rating Actions, except mechanical withdrawals

If rating is unsolicited

The rating was not initiated or not maintained at the request of the rated entity. Please refer to Moody’s Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com. The rating was not initiated at the request of the rated entity.

If rating is unsolicited—Initiated by Moody’s

The rating was not initiated or not maintained at the request of the rated entity. The rating was initiated by Moody’s. Please refer to Moody’s Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

If not unsolicited, and for all mechanical withdrawals
Not Applicable.

Participating Rated Entities in Unsolicited Credit Ratings (EU and UK ratings and EU Endorsed and UK Endorsed ratings only)

For all Credit Rating Actions, except mechanical withdrawals, if applicable
Moody’s considers a rated entity or its agent(s) to be participating when it maintains an overall relationship with Moody’s. On this basis, the rated entity or its agent(s) is considered to be a participating entity. The rated entity or its agent(s) generally provides Moody’s with information for the purposes of its ratings process.

For all Credit Rating Actions, if not applicable and for all mechanical withdrawals
Not Applicable.

Non-Participating Rated Entities

If non-participating, except for mechanical withdrawals:

Moody’s considers a rated entity or its agent(s) to be participating when it maintains an overall relationship with Moody’s. On this basis, the rated entity or its agent(s) is considered to be a non-participating entity. The rated entity or its agent(s) generally does not provide Moody’s with information for the purposes of its ratings process.

For all Credit Rating Actions, if not applicable, and all mechanical withdrawals
Not Applicable.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

Ancillary Services (European Union and UK offices and EU Endorsed and UK Endorsed ratings only)

Moody’s has not provided advisory services but may have provided Ancillary or Other Permissible Service(s) to the rated entity, its related third parties and/or the party that requested the rating within the past two years (including during the most recently ended fiscal year). Please see the special report “Ancillary or other permissible services provided to entities rated by MIS’s credit rating agencies in the EU, UK or endorsed by rating agencies in the EU or UK” on the ratings disclosure page www.moodys.com/disclosures on our website for further information.

For all Credit Rating Actions, if not applicable:
Not applicable.

For Insured & Guaranteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings

The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

Rating Assessment Services (European Union and UK offices and EU Endorsed and UK Endorsed ratings only)

For all Credit Rating Actions except mechanical withdrawals, if applicable
The rated entity has received a Rating Assessment Service within the last two years preceding the Credit Rating Action.

Board Members of MIS (European Union and UK offices only)

For all Credit Rating Actions except mechanical withdrawals, if applicable:

A member of the board of directors of an MIS’s EU or UK company serves on the board of directors of the rated entity.

For all Credit Rating Actions, if not applicable
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Regulatory Disclosures

Not Applicable.

For Insured & Guarenteed ratings

The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

Shareholders and Affiliations

EU/UK Ratings and EU/UK Endorsed Ratings affected (by 1 or 2 Shareholders)

As of the date of this credit rating action, the rated entity and/or its supporting entity (where relevant) is, or has a relationship with, one or more Moody's Corporation significant shareholder(s) that is required to be disclosed under applicable credit rating agency regulation in the EU and/or the UK. The link https://www.moodys.com/disclosures/shareholders_disclosures includes MIS's shareholder disclosures, which are updated periodically.

EU/UK Ratings and EU/UK Endorsed Ratings not affected

As of the date of this credit rating action, the rated entity and/or its supporting entity (where relevant) is not, or does not have a relationship with, any Moody's Corporation significant shareholder(s) that is required to be disclosed under applicable credit rating agency regulation in the EU and/or the UK. The link https://www.moodys.com/disclosures/shareholders_disclosures includes MIS's shareholder disclosures, which are updated periodically.

If not EU/UK Rated or EU/UK Endorsed, and for all Sovereign, Sub-Sovereign, Supranational, and Structured Finance Ratings

Not Applicable.

19. Other

EU Endorsement

For EU Endorsed issuers

The Global Scale Credit Rating on this form was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

For non-EU Endorsed issuers

Not Applicable

UK Endorsement

For UK Endorsed issuers

The Global Scale Credit Rating on this form was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the Credit Rating is available on www.moodys.com.

For non-UK Endorsed issuers

Not Applicable

Supplemental Information

For all Credit Rating Actions except mechanical withdrawals and Public Finance Ratings:

Some Securities rated by Moody's benefit from support from a third party. Moody's ratings on securities that are guaranteed or insured are generally maintained at a level equal to the higher of the following: (a) the rating of the guarantor or insurer; or (b) the rating on the security without the benefit of a guarantee or insurance if such rating has been determined.
For Public Finance Ratings except mechanical withdrawals:
Some securities rated by Moody’s benefit from support from a third party. In order to best reflect the credit risk on a fully supported security Moody’s will apply the rating that is the higher of the support provider’s rating and the published underlying rating for the issuer. For structured finance securities the rating applied will be the higher of the support provider’s rating and the published or unpublished underlying rating.

For Insured & Guaranteed ratings
The disclosure form(s) for ratings of the Issuer and/or the Support Provider, as appropriate, include(s) details. Disclosure forms are available for credit ratings resulting from credit rating actions taken on or after January 14, 2013.

For Effective ratings
The disclosure form(s) for the Underlying, Enhanced, and/or Financial Guarantor ratings include(s) additional details, if available. Disclosure forms are available for all Credit Ratings resulting from Credit Rating Actions taken on or after January 14, 2013, and for select Credit Ratings resulting from Credit Rating Actions taken between December 3, 2012 and January 13, 2013.

For mechanical withdrawals
Not Applicable.

Rating Outlook and Rating Review
Regulatory disclosures contained in this form apply to the credit rating and, if applicable, the related rating outlook or rating review.

20. Attestation

Attestation

For all Credit Rating Actions and non-mechanical withdrawals except for withdrawals due to business reasons or clerical error

For all Credit Rating Actions
The Attestor attests, as a person with responsibility for the Credit Rating Action, that to the best of their knowledge:
1. No part of this Credit Rating was influenced by any other business activities;
2. The Credit Rating was based solely on the merits of the obligor, security, or money market instrument being rated; and
3. The Credit Rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

For mechanical withdrawals and non-mechanical withdrawals that do not have a rating committee
Not Applicable.

General Information Disclosures

For all Credit Rating Actions except Anticipated/Subsequent Credit Ratings
Regulatory disclosures in this form are reported “as of” the date of the credit rating action shown on the form. These disclosures are subject to correction in the event of human or mechanical error. In such cases, the date of the correction will be indicated, and the disclosures will be “as of” the date of the credit rating action. The rated entity’s page on www.moodys.com includes current information. The ratings disclosure page www.moodys.com/disclosures on our website includes further information on corrections.

For Anticipated/Subsequent Credit Ratings
For ratings issued on a program, series or category/class of debt, certain regulatory disclosures are provided in the credit rating announcement of the existing rating of the program, series or category/class of debt in accordance with Moody's practice. For ratings that are derived from a support provider’s rating certain regulatory disclosures are provided in the credit rating announcement in relation to the credit rating action on the support provider. For definitive ratings that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the ratings, certain regulatory disclosures are provided in the credit rating announcement in relation to the provisional rating assigned. The ratings tab on the issuer/entity page includes further information for the respective issuer on www.moodys.com.

For purposes of this form, disclosures for anticipated/subsequent ratings are subject to periodic review and are applied at the time of the credit rating action. These disclosures are subject to correction in the event of human or mechanical error. In such cases, the date of the correction will be indicated. The rated entity’s page on www.moodys.com includes current information. The ratings disclosure page www.moodys.com/disclosures on our website includes further information on corrections.
MOODY’S
INVESTORS SERVICE

Regulatory Disclosures

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