

CREDIT OPINION

28 December 2023

Update



Send Your Feedback

RATINGS

Coastline Credit Union Limited

Domicile	Australia
Long Term CRR	Baa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

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

Analyst Contacts

Tanya Tang +61.2.9270.8123
Analyst
tanya.tang@moodys.com

Letitia Wong +61.2.9270.8128
Lead Ratings Associate
letitia.wong@moodys.com

Patrick Winsbury +61.2.9270.8183
Associate Managing Director
patrick.winsbury@moodys.com

CLIENT SERVICES

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

Coastline Credit Union Limited

Update to credit analysis

Summary

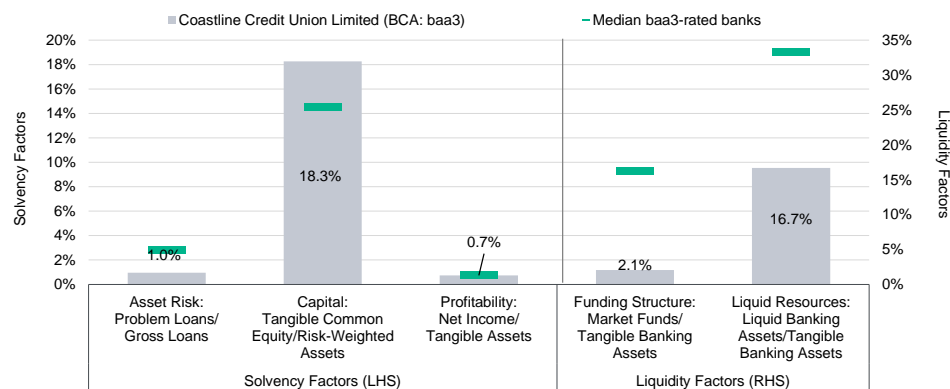
Coastline Credit Union Limited's (CCU) Baa3 long-term issuer rating reflects its focus on owner-occupier home loans with principal and interest repayments, providing a buffer against assets risks that may arise from an inflationary operating environment. CCU's geographic concentration in a compact region, coupled with its business lending, further contributes to these asset risks.

Following the implementation of revised capital rules¹, CCU enjoys a significantly higher core capital ratio. It plans to maintain a capital ratio that is notably higher than previous levels, even while accommodating credit growth and earnings pressures.

Its funding profile, which is centered on retail funding and complemented by short-term debt, is expected to remain stable for the next 12-18 months.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics™

Credit strengths

- » Conservative underwriting of low-risk assets as a strategy to buffer against asset risks
- » Strong capitalization as a safeguard against its credit losses

Credit challenges

- » The inflationary environment, geographic concentration, and business lending contribute to asset risks
- » Intensive competition and increased investments weaken the robust profit margin and earnings

Rating outlook

The stable outlook reflects our expectation that CCU will manage its credit risks over the next 12-18 months by maintaining prudent underwriting, and keep a strong capital level.

Factors that could lead to an upgrade

We could upgrade the bank's ratings if risks in the Australian housing sector subside, such as a significant decline in household debt, or a notable improvement in CCU's credit profile. This would be indicated by a reduced geographic concentration, maintenance of its conservative underwriting - including keeping its nonperforming loan/gross loans ratio largely steady and well below 1% - and a tangible common equity (TCE) ratio that remains comfortably above 15%.

Factors that could lead to a downgrade

We would downgrade CCU's ratings

- » commercial and personal loans increase to more than 20% of total loans, geographic concentration increases or its nonperforming loan ratio rises above 1.5% for an extended period
- » TCE ratio falls below 13%
- » market funds/tangible banking assets rises to 30%, with substantial short-term funding component
- » liquid asset coverage of unsecured wholesale debt maturities weakens to less than 100%

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Key Indicators

Exhibit 2

Coastline Credit Union Limited (Consolidated Financials) [1]

	06-23 ²	06-22 ²	06-21 ²	06-20 ²	06-19 ²	CAGR/Avg. ³
Total Assets (AUD Million)	818.4	797.9	718.1	623.9	538.0	11.1 ⁴
Total Assets (USD Million)	544.8	548.7	539.1	429.5	377.5	9.6 ⁴
Tangible Common Equity (AUD Million)	59.3	52.6	46.9	42.1	39.1	10.9 ⁴
Tangible Common Equity (USD Million)	39.4	36.2	35.2	29.0	27.5	9.5 ⁴
Problem Loans / Gross Loans (%)	1.0	0.2	0.3	1.2	0.6	0.7 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	18.3	14.2	14.1	14.5	14.6	15.1 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.7	3.0	3.4	14.4	6.6	7.6 ⁵
Net Interest Margin (%)	2.8	2.7	2.5	2.4	2.5	2.6 ⁵
PPI / Average RWA (%)	2.6	2.3	2.1	1.7	1.8	2.1 ⁶
Net Income / Tangible Assets (%)	0.8	0.7	0.7	0.5	0.6	0.7 ⁵
Cost / Income Ratio (%)	65.7	64.8	66.8	71.6	70.4	67.9 ⁵
Market Funds / Tangible Banking Assets (%)	2.1	6.8	10.9	7.7	6.8	6.9 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	16.7	16.4	16.0	18.7	15.5	16.6 ⁵
Gross Loans / Due to Customers (%)	91.9	96.2	101.6	95.1	98.1	96.6 ⁵

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

Sources: Moody's Investors Service and company filings

Profile

CCU is a mutually owned authorized deposit-taking institution (ADI), with total assets of \$818 million as of June 2023. Its loan book is primarily composed of Australian residential mortgages, which made up 86% of total loans as of June 2023. This is complemented by small and medium-sized enterprises (SME) loans (10%), and a minimal amount is allocated to personal loans and reverse mortgages. The credit union focuses on the mid-north coastal region of Australia, particularly Port Macquarie-Hastings, Taree and Kempsey, while seeking opportunities in surrounding areas. Its distribution channels comprise a branch network, online platforms and brokers.

Detailed credit considerations

Conservative underwriting of low-risk assets as a strategy to buffer against asset risks

High inflation and interest rates, coupled with geographic concentration in a compact region, have adversely impacted CCU's asset quality and escalated its problem loan ratio to 1%, a figure higher than many other small mutual ADIs. Additionally, a significant portion of the credit union's outstanding fixed-rate loans could face a repayment shock when they are repriced from historically low rates to higher mortgage rates in 2024.

That said, any further rise in problem loans is likely to be moderated and remain within the expected range for the current rating, thanks to the country's robust employment conditions, despite the anticipation of a gradual increase in the unemployment rate from its current low level. Arrears will also be contained by the mortgage borrowers' accumulated loan prepayments. Moreover, the bank applies conservative underwriting standards, requiring a minimum serviceability buffer of 3 percent. This buffer is applied above the actual housing loan interest rate when assessing a borrower's repayment capacity at origination. As of 30 June 2023, 98% of the credit union's mortgages were principal and interest (P&I), approximately 80% were owner-occupied, and a negligible proportion were mortgages with a higher than 80% loan-to-value ratio. In the realm of SME loans, CCU capitalizes on its local market experience and focuses on loans with LVRs below 80%.

These considerations have been factored into the Asset Risk and Business Diversification sections of our scorecard.

Strong capitalization despite earnings pressures

The credit union's Common Equity Tier 1 (CET1) capital ratio was around 13%, and its TCE ratio was within the 14%-14.5% range, before the revised capital rules were implemented in January 2023. Both ratios were at the low end of the range for the peer group.

The revised bank capital framework boosted the credit union's CET1 ratio and TCE ratio to approximately 17% and 18% respectively in 2023. Moreover, CCU plans to maintain both ratios above 16%, a level more in line with the peer average. We nevertheless apply a downward adjustment to the Capital section in the scorecard, because the credit union relies on retained earnings to accumulate core capital, and its ability to raise additional core capital from the markets has not been tested.

To manage this desired capital ratio, CCU will balance credit growth and margin preservation, while its margin and net income may weaken somewhat from the current robust levels due to competition for quality loans and retail deposits, as well as more IT and operating investment to support business growth.

Ample liquidity to cover modest wholesale funding

Over recent years, CCU has largely matched its deposit and loan growth, resulting in a lower than 10% market funds to tangible assets ratio. The credit union could modestly increase the proportion of market funds as competition might cause deposit outflows. It can continue to rely on short-term wholesale deposits as it has not yet accessed long-term unsecured markets.

Its retail deposits mainly come from households, and about 70% of these are small-denomination accounts that are insured by the Financial Claims Scheme (FCS)², which supports granularity. About 60% of the bank's deposits are at-call deposits, including mortgage-linked offset accounts, transaction accounts, and long-term customer bonus-rate savings accounts. This suggests funding stability. The baa1 score assigned in our scorecard reflects our evaluation of the diversity and stability of the bank's funding.

CCU reported an adequate Minimum Liquidity Holding (MLH) ratio of 16% as of June 2023 and liquid assets to tangible assets ratio of 17%, relative to its large deposit base and small amount of wholesale debt. It has access to emergency liquidity from the Credit Union Financial Support System Limited (CUFSS), mitigating the impact of a lack of internal residential mortgage-backed securities (RBMS)³.

CCU's rating is supported by Australia's Strong+ macro profile

Australia's [Strong+](#) macro profile reflects the country's robust economic strength, institutions and governance strength, and low susceptibility to event risk. Our stance remains unchanged despite our baseline scenario suggests real GDP growth of 1.5% in 2023 and 1.3% in 2024, as higher interest rates constrain growth, before improving to 2% in 2025. Alongside this, we foresee a small uptick in the unemployment rate, rising from a very low level of less than 4%-4.5% in 2025. High levels of household debt remain a key economic vulnerability. As an indicator, household debt relative to income were high at 186.7% as of June 2023. High interest rates add to households' debt burden and reduce repayment buffers built by borrowers.

Despite this, the projected unemployment rate is considered strong by historical measures, and the banks' focus on low LVRs on home loans and small business loans, which are typically secured by residential properties, should provide buffers against asset-quality risk. National average house prices underwent a 9.1% drop from April 2022 to February 2023, but they have rebounded from the February trough.

Australian banks' very strong pricing power has historically been supported by the high level of concentration in the banking sector. Higher interest rate has also helped improve banks' net interest margins. However, banks continue to repay the cheap funding provided by RBA and compete for retail deposits, and they accommodate customer preference for term deposits over at-call deposits. These factors could constrain further net interest margin gains from 2024 onwards.

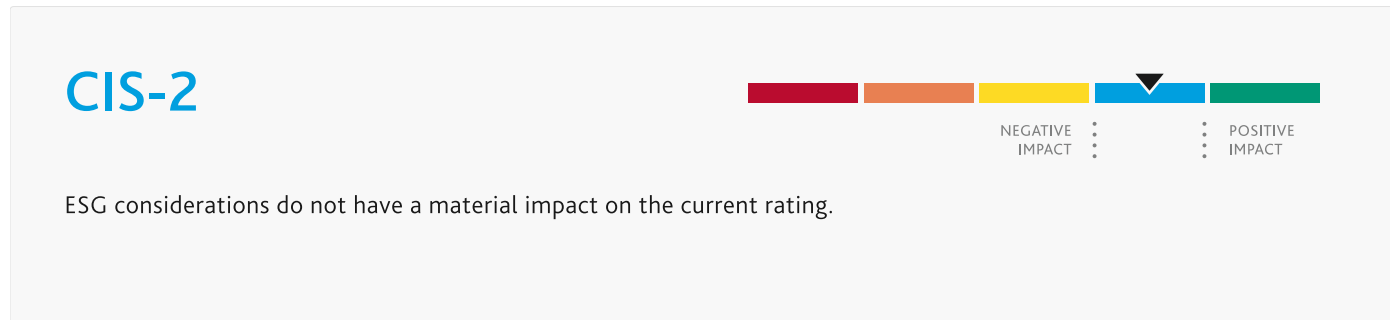
Australia's structural reliance on external financing remains a key vulnerability. However, Australian banks have been extending the term structure of their wholesale market funding for a number of years and are pre-funding upcoming maturities well in advance.

ESG considerations

Coastline Credit Union Limited's ESG credit impact score is CIS-2

Exhibit 3

ESG credit impact score



Source: Moody's Investors Service

CCU's CIS-2 indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 4

ESG issuer profile scores



Source: Moody's Investors Service

Environmental

CCU faces low environmental risks. The credit union's lower-than-industry-average environmental risk is driven by its limited exposure to carbon transition risks because its loan book is concentrated in Australian residential mortgages, with limited exposures to commercial loans. It has a large loan exposure to New South Wales, which face natural disasters captured under physical climate risk such as cyclones and floods that could damage homes. Nevertheless, this risk is largely mitigated by insurance cover and a track record of government assistance.

Social

CCU is exposed to high industrywide social risks from customer relations (regulatory risk, litigation exposure and high compliance standards). A significant factor driving the assigned social risk score is the fact that banks typically hold large amounts of personal data, which makes data security and customer privacy protection important to them, and this importance has increased since the implementation of digitalization. In addition, Australia banking system is subject to a high level of scrutiny and accountability that heightens social risks from customer relations. As a mutual banking institution, the credit union is run for the benefit of the members and is focused on supporting the community from which its membership base is drawn. No incidences of mis-selling, misrepresentation or unfair customer treatment have been reported. Ongoing investment in technology will support the credit union in meeting the rising digital expectations of customers and strengthen data privacy. We see these attributes as positively offsetting the credit union's social risk exposure, and they are recognized in our "low governance risk" assessment.

Governance

CCU faces low governance risks. The credit union's risk management policies and procedures are commensurate with its risk appetite, evident by its track record of strong asset quality and balance sheet strength, as well as its management of social risks. As a mutual, the credit union has a relatively simple organizational structure reflecting its domestic and retail-oriented franchise.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis

We apply a simple notching approach, known as Basic LGF, for Australian ADIs. When applying Basic LGF, we assume that banks not subject to an Operational Resolution Regime (ORR), which we expect to be resolved through bail-out, bankruptcy or ad hoc resolution measures.

The Preliminary Rating Assessment (PRA) represents our view of the expected loss of a given instrument without government support. The PRAs of CCU Bank's long-term deposit and senior unsecured debt are at the same level as its Adjusted BCA.

Government support considerations

We do not incorporate government support into rating for CCU, based on our assessment of the bank's systemic importance.

Counterparty Risk (CR) Assessment

CCU's CRA are Baa2(cr)/P-2(cr)

CCU's CRA does not benefit from government support and is therefore positioned one notch above its Adjusted BCA and consequently above the PRA of senior unsecured debt obligations. This reflects our view that the probability of default on obligations that the CR Assessment represents is lower than that for senior unsecured debt. We believe that senior obligations that the CRA represents are more likely to be preserved to limit contagion, minimize losses and avoid disruption to critical functions

Counterparty Risk Ratings (CRRs)

CCU's CRRs Baa2/P-2

CCU's long-term CRRs are positioned one notch above its Adjusted BCA and does not benefit from government support, in line with our support assumptions on senior unsecured debt.

Rating methodology and scorecard factors

Exhibit 5

Coastline Credit Union Limited

Macro Factors							
Weighted Macro Profile		Strong +	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	1.0%	aa2	↔	a2	Quality of assets	Sector concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	18.3%	aa2	↔	aa3	Access to capital		
Profitability							
Net Income / Tangible Assets	0.7%	baa2	↔	baa2	Return on assets		
Combined Solvency Score		aa3		a2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	2.1%	aa1	↔	baa1	Extent of market funding reliance	Expected trend	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	16.7%	baa2	↔	baa2	Stock of liquid assets		
Combined Liquidity Score		a1		baa1			
Financial Profile				a3			
Qualitative Adjustments				Adjustment			
Business Diversification				-3			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				-3			
Sovereign or Affiliate constraint				Aaa			
BCA Scorecard-indicated Outcome - Range				baa2 - ba1			
Assigned BCA				baa3			
Affiliate Support notching				0			
Adjusted BCA				baa3			

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 6

Category	Moody's Rating
COASTLINE CREDIT UNION LIMITED	
Outlook	Stable
Counterparty Risk Rating	Baa2/P-2
Bank Deposits	Baa3/P-3
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)
Issuer Rating	Baa3
ST Issuer Rating	P-3

Source: Moody's Investors Service

Endnotes

- The Australian Prudential Regulation Authority's new bank capital framework designed to embed "unquestionably strong" levels of capital and align Australian standards with the internationally agreed Basel III requirements was effective on 1 January 2023. This framework increases capital requirement for higher lending risk and decreases it for lower risks, among other things. This initiative benefits many mutual ADIs because of their lower-risk mortgage lending focus.

- 2 The FCS is an Australian government scheme that provides protection to deposit-holders with Australian incorporated banks, building societies and credit unions, and general insurance policyholders and claimants in the unlikely event that one of these financial institutions fails. The FCS is a government backed safety net for deposits of up to \$250,000 per account holder per authorized deposit-taking institution (ADI). It also covers most general insurance policies for claims up to \$5,000, eligible if they fulfil certain criteria. The FCS was established in 2008 and is administrated by the Australian Prudential regulation Authority (APRA). The government provides the initial funding to remove doubts regarding the sufficiency of FCS funding. Any shortfalls after liquidation would be recouped by an industry levy.
- 3 Internal RMBS is repo-eligible with the Reserve Bank of Australia (RBA) if liquidity needs arise.

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

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

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

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

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

REPORT NUMBER 1387906

CLIENT SERVICES

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