

**Rating Action: Moody's changes the outlook on the IBEC's rating to positive; affirms Baa3 rating**

---

03 Sep 2021

London, 03 September 2021 -- Moody's Investors Service ("Moody's") has today changed the outlook on the International Bank for Economic Co-operation's (IBEC) rating to positive from stable and has affirmed IBEC's Baa3 long-term foreign currency issuer rating.

The decision to assign a positive outlook on the Baa3 rating is driven by:

1. IBEC's strengthening liquid asset buffer and ongoing diversification of funding sources which, if sustained, would improve resilience to liquidity shocks; and
2. Moody's expectation that IBEC's leverage will remain favourable relative to peers through its next growth phase, while ongoing diversification of the loan portfolio is reducing concentration risks.

Moody's affirmation of IBEC's Baa3 issuer rating balances its relatively strong capital position with the Bank's weak, but gradually improving, development asset credit quality and the risks to IBEC's asset performance from a challenging operating environment. The affirmation also reflects IBEC's low strength of member support given the absence of formal callable capital. The decision to affirm the rating also takes into account that the recent improvements to IBEC's liquidity buffer and funding structure are still at a relatively early stage.

Moody's will use the 12-18 month outlook period, and possibly going slightly beyond 18 months, to assess the extent to which the recent improvements in IBEC's liquidity buffer are sustained and the quality of IBEC's funding further improves. The outlook period will also help to confirm that leverage will remain moderate relative to peers over the next phase of the institution's development, while concentration risks further reduce.

#### RATINGS RATIONALE

##### RATIONALE FOR THE POSITIVE OUTLOOK

##### FIRST DRIVER: STRENGTHENING LIQUID ASSET BUFFER AND ONGOING DIVERSIFICATION OF FUNDING SOURCES

The first and main driver of the decision to assign a positive outlook is that the amount of high quality liquid assets which would be available in a stress scenario, albeit still limited relative to most other multilateral development banks (MDBs), has materially increased since the assignment of the rating in early 2020, while continued efforts to diversify funding sources are leading to a gradual improvement in IBEC's quality and structure of funding. If sustained, these improvements will help to improve IBEC's resilience to liquidity and funding shocks.

Treasury assets have risen in line with the growth in total assets, and continue to fully cover IBEC's short-term and currently maturing long-term debt. Importantly, IBEC's high quality liquid asset buffer has more than doubled from €28 million at the end of 2019 to €69 million at the end of 2020. As a result, Moody's assessment of the availability of unencumbered high quality liquid resources that would be available in a stress scenario and with minimal loss has improved notably. Based on Moody's definition, IBEC's cash and short-term bank deposits as well as securities rated A2 or higher at the end of 2020 cover a more manageable 31% of projected net cash outflows over the subsequent 18 months, compared with around 12% at the end of 2018. The credit quality of IBEC's overall treasury portfolio is also continuing to gradually improve, benefitting from an increasing share of European Union (EU, Aaa stable) issuers.

Moody's expectation that the improvements to the liquid asset buffer will be sustained over the medium term is supported by IBEC's relatively prudent, albeit still developing, liquidity risk-management framework. In particular, IBEC's liquidity risk management is focused on ensuring its liquidity coverage and net stable funding ratios remain above their internal risk triggers, alongside structural limits on the holdings of non-investment grade securities as well as an internal survival horizon requirement which ensures IBEC maintains sufficient liquidity over a 90-day window to cover contractual and planned outflows under the assumption of a 30%

haircut to liquidity.

Furthermore, IBEC's ongoing efforts to diversify its funding sources is helping to improve the quality and structure of its funding. In particular, the Bank is continuing to gradually establish a track record of market issuances after tapping the Russian bond market in October 2019 and June 2020. IBEC's bond issuance on Bulgaria's (Baa1 stable) capital market in June 2021, its first entry into the EU capital market, attracted a notable share of longer-term investors such as pension funds, and the Bank's strategy aims to further diversify its sources of long-term funding through bond issuances in other EU member states. IBEC is also benefitting from a broadening in its banking relationships and was able to access long-term bank funding during the pandemic to support its financing needs. The conclusion of a project specific financing arrangement with Eximbank of Russia (Ba1 long-term deposit rating, stable) for a term of 11 years is a further sign of the institution's improving ability to attract longer-term funding.

The diversification of funding has supported a gradual lengthening in the maturity of IBEC's funding structure, with long-term borrowings (greater than one year) accounting for around 50% of total funding as at end June 2021, up markedly since the end of 2018 when funding was predominantly on a short term basis.

Finally, IBEC's liquidity management continues to benefit from a naturally high asset turnover implicit in its focus on trade finance. These comparatively short maturities provide scope for the Bank to rapidly deal with liquidity shocks by adjusting planned lending disbursements. IBEC further benefits from access to a range of credit and repo arrangements across a number of lenders, including indicative limits from P-1 rated banks, which, while on a relatively short term basis, proved to be broadly reliable through the pandemic. Furthermore, IBEC's role as trustee of the International Fund for Technological Development may also provide the Bank, in agreement with Russia's (Baa3 stable) Ministry of Finance, with temporary access to unutilised liquidity within the fund, which can serve as an additional source of liquidity when needed.

#### SECOND DRIVER: LEVERAGE WILL REMAIN FAVOURABLE RELATIVE TO PEERS WHILE ONGOING PORTFOLIO DIVERSIFICATION IS REDUCING CONCENTRATION RISKS

The second driver supporting the positive outlook is Moody's expectation that IBEC's leverage will remain favourable relative to peers through the institution's next growth phase and continue to support the Bank's relatively strong capital position. Furthermore, the continuing diversification of the loan portfolio is helping to reduce concentration risks.

IBEC has seen a rapid expansion in its business activities and lending portfolio since its relaunch in 2018, with a correspondingly marked rise in Moody's definition of leverage to around 246% at the end of 2020, up from around 196% in 2019, albeit still remaining moderate relative to peers. The Bank's new five-year strategy, adopted in late 2020 and covering through to 2025, provides greater visibility around IBEC's next development phase, with plans for a marked further increase in the Bank's loan and documentary portfolio, to reach €728 million by 2025 from €418 million at the end of 2020. The emphasis will be to grow IBEC's trade finance and settlement operations, alongside a significant role for direct and syndicated lending.

That said, the pace of asset growth will moderate relative to 2019-2020 which will help maintain leverage at a favourable level compared to peers. Moody's forecasts leverage will rise to around 290% by end-2023, still below the median for Baa-rated peers and significantly lower than the leverage ratios of other MDBs with a similar trade finance focus such as African Export-Import Bank (Afrexim, Baa1 stable) and Eastern and Southern African Trade and Development Bank (TDB, Baa3 negative). According to IBEC's own estimates, the Bank's capital adequacy ratio is expected to fall to around 35% by 2025, still above the internal limit of 25%.

The continuing diversification of IBEC's loan portfolio will also support a gradual improvement in credit quality indicators, helping to mitigate the risks stemming from the Bank's weak weighted average borrower rating. Notably, both geographical and sectoral diversification have improved alongside the rapid expansion of the Bank's operations. Russia's share in the total loan and guarantees portfolio has more than halved since 2018, although Russia is still expected to remain one of IBEC's largest markets of operation. Furthermore, according to Moody's estimates, the Bank's top 10 exposures accounted for 57% of total development related assets on a gross basis at the end of 2020, down from 88% in 2018, and Moody's expects concentration risks in the portfolio will continue to decline during the next phase of IBEC's development.

Moreover, Moody's expects IBEC's improved risk management practices, which have been gradually enhanced since the institution's relaunch and tested to some extent by the disruptions engendered by the pandemic, will support the Bank in managing the risks to leverage and asset quality associated with the

continued expansion of its loan portfolio. These enhancements include improvements to the procedure for controlling transaction limits, the implementation of new internal rating models, and the development of risk appetite parameters to guide the implementation of its strategy.

#### RATIONALE FOR AFFIRMING THE Baa3 RATING

The decision to affirm IBEC's issuer rating balances its relatively strong capital position with the Bank's weak, but gradually improving, development asset credit quality. In particular, the credit quality of IBEC's loan portfolio remains low, with a weighted average borrower rating of B1 at the end of 2020.

Furthermore, IBEC's asset performance will face risks from a challenging operating environment amid the still developing risk management framework and the relatively small overall number of borrowers. IBEC is exposed to the risk of a deteriorating operating environment in Belarus (B3 stable) amid the country's heightened political instability given that, while declining, the share of Belarus in total loans and guarantees still remains sizeable at around 10% as at end 2020 and relatively concentrated in a few counterparties. There is also the potential for the pandemic to have a delayed impact on borrower quality given the imposition of loan payment moratoriums by many countries in IBEC's territories. Moody's expects these pressures will likely push IBEC's non-performing asset ratio in the coming years above the current level of 1.7% of development related assets as at end 2020.

Furthermore, the rating affirmation reflects that the strength of member support remains low, with the absence of formal callable capital remaining a key weakness in IBEC's credit profile, albeit one that does not preclude a potential upgrade to a Baa2 rating. The support from shareholders for the relaunch of the institution in 2018, including agreeing to write-off the entire amount of legacy non-performing loans, and the approval of a further material expansion of the asset base (albeit with no additional capital) as part of IBEC's new development strategy, demonstrates a degree of commitment by the member states to the institution. That said, IBEC's shareholders are under no contractual obligation to fulfil a capital call in line with their shareholding, which weighs on Moody's overall assessment of the strength of member support.

Finally, the decision to affirm the rating at this time also takes into account that the recent improvements to IBEC's high quality liquid resources are still at a relatively early stage, while IBEC's track record of market issuance and repayment is still being established.

#### ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

Notwithstanding environmental issues being material for many of IBEC's borrowers and shareholders, environmental considerations do not have a material impact on IBEC's credit profile given the Bank's portfolio diversification.

Social considerations are not material to IBEC's rating.

Governance considerations are material for IBEC given the important role played by its enhancing risk-management practices in helping to manage the challenges posed by a rapid growth in the credit portfolio as well as the difficulties posed by the pandemic to its operating environment.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

IBEC's rating would likely be upgraded if the recent increase in the amount of high quality liquid assets which would be available in a stress scenario were to be sustained, and there was continued progress in improving the quality and structure of its funding. An upgrade would also likely be conditioned on IBEC's balance sheet evolving under the new development strategy in a way which helps to enhance the credit quality of the loan portfolio and preserves the Bank's capital adequacy, in particular with leverage remaining moderate relative to peers and ongoing diversification of the loan book which helps to further reduce concentration risks. While not a prerequisite for a Baa2 rating, the introduction of a formal callable capital framework in line with industry practice would also give rise to positive rating pressure.

The positive outlook suggests a downgrade is unlikely in the near term. The outlook could be changed to stable if the recent improvements to IBEC's liquidity and funding were not sustained or if there were indications that the expansion of its balance sheet was weighing on credit metrics, including a substantially larger than expected increase in the Bank's leverage or if asset quality pressures were to rise materially above Moody's expectations.

The principal methodology used in this rating was Multilateral Development Banks and Other Supranational

Entities Methodology published in October 2020 and available at [https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1232238](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1232238) . Alternatively, please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating 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 rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody's.com](http://www.moody's.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

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

This rating is solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website [www.moody's.com](http://www.moody's.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1288435](http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1288435) .

The Global Scale Credit Rating on this Credit Rating Announcement 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.moody's.com](http://www.moody's.com).

Please see [www.moody's.com](http://www.moody's.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for additional regulatory disclosures for each credit rating.

Evan Wohlmann  
VP - Senior Credit Officer  
Sovereign Risk Group  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

Alejandro Olivo Villa  
MD - Sovereign/Sub Sovereign  
Sovereign Risk Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454



© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

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

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

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED,

REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

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

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

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

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

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

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

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

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

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

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