Rating Action: Moody's has taken rating actions on 64 sub-sovereign entities after UK's sovereign action

25 Oct 2022

London, October 25, 2022 -- Moody's Investors Service ("Moody's") has today taken rating actions on 64 sub-sovereign entities (and 41 special purpose vehicles (SPVs)) covering the following sectors: (1) local authorities, (2) universities, (3) housing associations and public sector pool program; (4) mass transit and (5) non-profits.

The rating action follows Moody's rating action taken on the Government of the United Kingdom (UK's) sovereign bond rating on 21 October 2022. The outlook on the UK was changed to negative from stable and rating affirmed. For further information on the sovereign rating action, please refer to Moody's press release published on 21 October 2022: https://www.moodys.com/research/--PR_469280.

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL470503 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

RATIONALE FOR CHANGING OUTLOOKS TO NEGATIVE FROM STABLE AND RATING AFFIRMATIONS FOR SIX LOCAL AUTHORITIES

Moody's has changed the outlooks to negative from stable and affirmed long-term ratings for six local authorities: Aberdeen City Council (Aberdeen), Cornwall Council (Cornwall), Lancashire County Council (Lancashire), London Borough of Sutton (Sutton), North London Waste Authority, and Warrington Borough Council (Warrington). At the same time, the A1 backed senior unsecured ratings for the UK Municipal Bonds Agency Finance Company DAC, which has issued debt guaranteed by Lancashire County Council, was affirmed; with no outlook, and the senior unsecured debt rating of Sutton's special purpose vehicle (SPV) – european primary placement facility – was also affirmed at Aa3 with no outlook.

The negative outlooks reflect the weakening national economic and fiscal environment which will lead to lower revenue collection and higher spending pressures for local authorities. Slower economic growth will result in lower income from business rates tax receipts, fees, sales, and rents, including rents on commercial property. Simultaneously a weaker economy will drive higher demand for services, especially housing and children's social care. The negative outlook also reflects policy uncertainty and a risk that local authority government funding is reduced in real terms in the government's efforts to reduce its fiscal deficit.

The affirmation of ratings reflects the strengths of the sector, including very low liquidity risk due to the availability of finance from the Public Works Loan Board and the strong institutional framework which enforces balanced budgets and includes monitoring and oversight by the Department of Levelling Up, Housing and Communities.

The Baseline Credit Assessments (BCAs) for these six local authorities were also affirmed.

RATIONALE FOR MAINTAINING THE NEGATIVE OUTLOOK AND RATING DOWNGRADE OF GUILDFORD BOROUGH COUNCIL

The downgrade of the long-term issuer rating to A1 from Aa3 for Guildford Borough Council (Guildford) reflects idiosyncratic credit risks which make it more vulnerable to a weakening economy and weaker debt affordability, notably Moody's expectation that its debt will rise and reserves will fall over the medium term to fund its large capital programme. In addition, Guildford is more exposed to interest rate and refinancing risk owing to its treasury strategy of holding a high level of short-term debt which will need to be refinanced and will materially increase interest payments. Guildford's BCA was also downgraded to a3 from a2.

The negative outlook was maintained, reflecting the weakening national economic and fiscal environment, which will lead to lower revenue collection and higher spending pressures for local authorities.

Final ratings for local authorities incorporate potential uplift provided by Moody's assessment of a high likelihood of support from the UK government, as per the application of Moody's Joint Default Analysis (JDA).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS FOR LOCAL AUTHORITIES

The overall impact of ESG risks on ratings is neutral to low (CIS 2) for most LAs.

In general, the local authority sector has a neutral to low exposure to environmental risks. North London Waste Authority's moderately negative E issuer profile score reflects its exposure to carbon transition and waste and pollution risks.

The main social risks facing the sector relate to demographic risks – predominantly due to ageing populations and rising deprivation levels which can increase service demand, and therefore costs, for LAs – risks around the lack of provision of affordable housing, which can increase homelessness and in turn increases costs for LAs that have the statutory responsibility to provide housing, and labour and income risks reflecting service pressures for LAs with high levels of unemployment.

Governance quality in the sector is good. Standards of governance are generally high, with governance of capital finance directed by the sector's Prudential Code, designed to ensure capital plans are affordable, prudent and sustainable. However, in recent years some LAs have increased their risk appetite, particularly in relation to acquisitions or leases on commercial property and other commercial assets which has raised risk and significantly increased debt levels – this has increased risk levels for LAs which have undertaken these activities – including Warrington.

PUBLICATION OF RATING ACTIONS ON LOCAL AUTHORITIES

The change to a negative outlook from stable and affirmation of the UK's sovereign issuer and bond rating on 21 October 2022 prompted the publication of this credit rating action on Aberdeen City Council (Aberdeen), Cornwall Council (Cornwall), Guildford Borough Council (Guildford), Lancashire County Council (Lancashire), London Borough of Sutton (Sutton) and Warrington Borough Council (Warrington) on a date that deviates from the previously scheduled release date in the sovereign release calendar, published on www.moodys.com.

Economic Indicators

The specific economic indicators, as required by EU regulation, are not available for Aberdeen, Cornwall, Lancashire, Sutton, Guildford and Warrington. The following national economic indicators are relevant to the sovereign rating, which was used as an input to this credit rating action.

Sovereign Issuer: United Kingdom, Government of

GDP per capita (PPP basis, US$): 50,523 (2021) (also known as Per Capita Income)

Real GDP growth (% change): 7.5% (2021) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 5.4% (2021)

Gen. Gov. Financial Balance/GDP: -8% (2021) (also known as Fiscal Balance)

Current Account Balance/GDP: -2.6% (2021) (also known as External Balance)

External debt/GDP: 303.5% (2021)

Economic resiliency: a1

Default history: No default events (on bonds or loans) have been recorded since 1983.

SUMMARY OF MINUTES FROM RATING COMMITTEE

On 20 October 2022, a rating committee was called to discuss the rating of Aberdeen City Council, Cornwall Council, Lancashire County Council, London Borough of Sutton and Warrington Borough Council. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have materially decreased. The issuer's fiscal or financial strength, including its debt profile, has materially decreased. The systemic risk in which the issuer operates has materially increased.

SUMMARY OF MINUTES FROM RATING COMMITTEE FOR GUILDFORD BOROUGH COUNCIL

On 20 October 2022, a rating committee was called to discuss the rating of the Guildford Borough Council. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have materially decreased. The issuer's governance and/or management, have materially decreased. The issuer's fiscal or financial strength, including its debt profile, has materially decreased. The systemic risk in which the issuer operates has materially increased.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

WHAT COULD MOVE THE RATINGS UP/DOWN FOR CORNWALL AND SUTTON

An upgrade is unlikely as these local authorities are rated at the same level as the UK sovereign and lack the fiscal autonomy or strength to warrant a rating above the sovereign.

One or a combination of the following could result in downward pressure on the ratings: a material increase in debt levels beyond that currently anticipated; an inability to achieve balanced

budgets without material depletion of usable reserves; increasing risk exposure or weak performance of commercial investments; or a downgrade of the UK sovereign rating or a weakening of the UK's strong institutional framework for local authorities.

WHAT COULD MOVE THE RATINGS UP/DOWN FOR ABERDEEN, GUILDFORD, LANCASHIRE, NORTH LONDON WASTE AUTHORITY, WARRINGTON

Upward pressure on the ratings could be driven by material reductions in projected debt levels, material improvement in operating performance, reduction in risk levels in capital programmes and material improvements in reserves levels.

One or a combination of the following could result in downward pressure on the ratings: a material increase in debt levels beyond that currently anticipated; an inability to achieve balanced budgets without material depletion of usable reserves; increasing risk exposure or weak performance of commercial investments; or a downgrade of the UK sovereign rating or a weakening of the UK's strong institutional framework for local authorities.

WHAT COULD CHANGE THE RATING UP/DOWN FOR UK MUNICIPAL BONDS AGENCY FINANCE COMPANY DAC

The guaranteed senior unsecured debt rating of UK Municipal Bonds Agency Finance Company DAC is linked to the rating of Lancashire. Any change in Lancashire's rating would translate to a rating change on the bonds.

RATIONALE FOR CHANGING OUTLOOKS TO NEGATIVE FROM STABLE AND RATING AFFIRMATIONS FOR DE MONTFORT UNIVERSITY AND KEELE UNIVERSITY

Moody's has changed the outlooks to negative from stable and affirmed long-term ratings for De Montfort (De Montfort) University and Keele University (Keele).

The change in outlook for De Montfort and Keele reflects their risk to the weakening economic climate due to their limited revenue flexibility. Both universities are more reliant than other UK-rated peers on domestic student enrolment, whose tuition fees which have fallen substantially in real terms due to several years of tuition freezes. Simultaneously, upward pressure due to inflation on costs for staffing, building maintenance and energy will add downward pressure to margins over the next couple of years.

The affirmation of the ratings reflects supportive factors including continued high domestic demand for higher education and a rising university-age population in England, low debt compared to international peers, and minimal interest rate and refinancing risk with most debt in the sector long-dated and fixed.

The BCAs of a3 were affirmed for De Montfort and Keele. The final ratings of A1 incorporate a two-notch uplift from the BCAs based on Moody's assessment of a high likelihood of extraordinary support from the UK government.

RATIONALE FOR MAINTAINING STABLE OUTLOOKS AND RATING AFFIRMATIONS FOR CARDIFF, LEEDS, LIVERPOOL, AND MANCHESTER

Moody's has affirmed the ratings of Cardiff University (Cardiff), University of Leeds (Leeds), The University of Liverpool (Liverpool) and The University of Manchester (Manchester). Outlooks were maintained at stable.

The stable outlooks for Cardiff, Leeds, Liverpool and Manchester reflect their relative resilience to a weakening national economy. Their credit quality benefits from broad factors that mitigate the impacts from a weakening economy including continued high student demand, from both domestic and international sources, diverse income, and strong balance sheets with high levels of cash and investments.

The affirmation of the ratings reflects these universities' track record through other economic shocks, namely Brexit and the pandemic, both of which had a relatively muted impact. These universities will maintain a significant exposure to international students, however, demand remains very high underpinned by a supportive policy environment for increasing international student demand. Lastly, these institutions are not exposed to risks of weaker debt affordability given most of their debt is long-term, fixed rate and most do not plan to increase debt over the next few years.

The BCAs of a2 were affirmed for Cardiff, Leeds, Liverpool, and Manchester. The final ratings of A1 incorporate a one-notch uplift from the BCAs based on Moody's assessment of a high likelihood of extraordinary support from the UK government.

RATIONALE FOR CHANGING OUTLOOK TO STABLE FROM POSITIVE AND RATING AFFIRMATION FOR UNIVERSITY OF SOUTHAMPTON

Moody's has changed the outlook to stable from positive and affirmed the A1 long-term rating for University of Southampton (Southampton).

The change in outlook to stable from positive reflects Moody's view that Southampton's financial performance is unlikely to improve materially over the medium term, in light of high inflation, rising interest rates and the tuition fee freeze. However, it is expected to transition through the period of weak economic growth with minimal downward pressure on its key metrics.

The BCA of a2 was affirmed for Southampton. The final rating of A1 incorporates a one-notch uplift from the BCA based on Moody's assessment of a high likelihood of extraordinary support from the UK government.

RATIONALE FOR CHANGING OUTLOOKS TO NEGATIVE FROM STABLE AND RATING AFFIRMATIONS FOR UNIVERSITY OF CAMBRIDGE, UNIVERSITY OF OXFORD AND UNIVERSITY COLLEGE LONDON

Moody's has changed the outlooks to negative from stable and affirmed long-term ratings for University of Cambridge (Cambridge), University of Oxford (Oxford), and University College London (UCL).

For Cambridge and Oxford, maintaining the ratings and BCAs at two notches higher than the sovereign reflects both universities' exceptionally strong standalone credit profiles including their extraordinary market positions among the best universities in the world, diverse and global revenues which provide some resilience to a weaker UK economic outlook, and very strong balance sheets with high levels of cash and investments.

The outlook change to negative for Cambridge and Oxford reflects Moody's view that although these universities' credit quality is less vulnerable to adverse domestic dynamics including a weaker UK economy, their credit quality is influenced by UK government through policy, including on tuition fees and immigration, teaching funding, domestic research funding and priorities, and regulation. Their roles as public universities also make them susceptible to public scrutiny on social issues such as widening access and participation to students from lower socioeconomic

backgrounds.

For UCL, the outlook change to negative reflects the negative outlook on the UK sovereign rating, as in Moody's opinion UCL is unlikely to be rated above the sovereign. The affirmation of the Aa3 rating and a1 BCA reflects UCL's underlying strengths which will provide resilience to the challenging macro-economic conditions including its high student demand, both domestic and international, diverse income and strong balance sheet. Although UCL's revenue is highly diversified, its income sources are directly or indirectly linked to the UK government through regulations on fees and student visas for tuition fee income and student-linked income; economic growth and trade partnerships for research income; and government grants.

UCL's final rating of Aa3 incorporates a one-notch uplift from the BCA based on Moody's assessment of a high likelihood of support from the UK government.

ESG CONSIDERATIONS FOR UNIVERSITIES

The overall impact of ESG risks on ratings is moderately negative (CIS 3) for most universities.

Universities have limited exposure to environmental risks. The primary climate risk affecting UK universities is water shortage and flood risk but these risks are managed by county and national authorities and therefore the cost will not fall on universities.

UK universities are exposed to social risks including changes in demographics including population trends, socially-driven government policy, changing student preferences and labour relations. Shifting government policy on tuition fees and immigration which can impact student demand and university income. Labour relations are another area of risk, including staff pay rises and high pension liabilities driven by its highly-skilled, unionised workforce. Given their exceptional market positions, Moody's view Cambridge and Oxford as less vulnerable to social risks.

Governance risks are limited. UK universities benefit from the regulatory framework governing the sector under the Office for Students which monitors financial viability.

WHAT COULD CHANGE THE RATINGS UP/DOWN FOR DE MONTFORT AND KEELE

Rating upgrades are unlikely given the negative outlooks.

Downward pressure could arise from further deterioration of the creditworthiness of the UK sovereign, lower government support or a dilution of support for the higher education sector. Downward pressure could also arise from slowing or declining operating revenue as a result of lower student demand and enrolments, debt growing more quickly than forecasts, or weaker liquidity.

WHAT COULD CHANGE THE RATINGS UP/DOWN FOR CARDIFF, LEEDS, LIVERPOOL, MANCHESTER AND SOUTHAMPTON

Upward pressure on the rating could result from a strengthening of government oversight, support or increased funding for the higher education sector. An upgrade of the UK sovereign rating, although unlikely given the negative outlook, could also exert positive pressure on the ratings.

Downward pressure could arise from slowing or declining operating revenue as a result of lower student demand and enrolments, debt growing more quickly than forecasts, or weaker liquidity.

Downward pressure could also result from lower government support or a dilution of support for the higher education sector.

WHAT COULD CHANGE THE RATINGS UP/DOWN FOR CAMBRIDGE, OXFORD AND UCL

Rating upgrades are unlikely given the negative outlooks. The negative outlooks could be stabilised by an improvement in the creditworthiness of the UK sovereign, combined with maintained strong credit profiles.

For Cambridge and Oxford, downward pressure could arise if they were further deterioration of the creditworthiness of the UK sovereign. It could also arise if there were a material deterioration in market position affecting the ability to recruit high calibre students and staff; a significant deterioration in wealth and liquidity or a significant increase in debt beyond current business plan forecasts.

For UCL, downward pressure could arise if the UK sovereign rating is downgraded. In addition, one or a combination of the following trends would put downward pressure on the rating: the inability to achieve revenue growth targets due to lower student demand, especially for international students, or due to inability to secure research funding; a failure to successfully conclude its significant capital plan; a significant increase in borrowing.

RATIONALE FOR CHANGING OUTLOOKS TO NEGATIVE FROM STABLE AND RATING AFFIRMATIONS FOR HOUSING ASSOCIATIONS

Moody's has changed the outlooks to negative from stable and affirmed the ratings for 40 housing associations (HAs) and 38 special purpose vehicles (SPVs).

The change in outlook to negative from stable reflects the sector's high exposure to weakening economic conditions including high inflation, the risk of a housing market downturn and rising interest rates. A potential ceiling on social rent increases in England and Wales combined with high cost inflation, especially for repairs and maintenance, will result in lower operating margins and interest coverage ratios. Affordability for tenants will be constrained which may lead to higher arrears and bad debts, which led us to move the risk category score for demographic and societal trends from 3 to 4 for all HAs. With a likely housing market downturn over the next two years, HAs with high exposure to market sales are unlikely to achieve forecasted income, leading to lower surpluses.

HAs have substantial and ongoing capital spending needs due to required investment in existing stock - for quality standards, fire and building safety and decarbonization - and construction of new homes. Although they receive capital grants, the majority of capital spending is funded through debt, which will be more expensive given sharply rising interest rates and tightening financing conditions, further weighing on interest coverage ratios.

Finally, the potential ceiling on social rent increases in England and Wales is negative for the sector because it will result in cost growth outpacing social rent growth. The policy volatility indicates a weaker operating environment for English HAs, whose credit quality had benefitted from a five-year agreement for inflation-linked social rent increases.

The affirmations reflect underlying sector strengths, including high demand for social housing, a track record of proactive cost control, effective oversight by the regulator, and generally high liquidity and high proportion of long-dated fixed rate debt.

BCAs for HAs were affirmed. Final ratings incorporate an uplift based on Moody's assessment of

a strong likelihood of extraordinary support from the UK government.

RATIONALE FOR MAINTAINING THE NEGATIVE OUTLOOK AND RATING AFFIRMATION FOR SOUTHERN HOUSING GROUP LIMITED

Moody's has affirmed the A3 ratings and baa2 BCA and maintained the negative outlook for Southern Housing Group Limited (Southern). The affirmation of the ratings reflects its large size and strong balance sheet, but relatively weaker operating performance and increasing debt, as well as development and market sales risk. The maintenance of the negative outlook reflects similar considerations for the housing association sector including high exposure to weakening economic conditions including high inflation, a housing market downturn, and rising interest rates. It also reflects the view that improvements in operating performance may be challenging given the current economic climate, which along with higher debt and development risk will weigh on key metrics, including interest coverage ratios and gearing (debt to assets at cost).

The final rating of A3 incorporates a two-notch uplift from the BCA based on Moody's assessment of a strong likelihood of extraordinary support from the UK government.

RATIONALE FOR CHANGING THE OUTLOOK TO STABLE FROM POSITIVE AND RATING AFFIRMATION FOR WALSALL HOUSING GROUP LIMITED

Moody's has affirmed the A3 rating and baa1 BCA of Walsall Housing Group Limited (Walsall), the A3 senior secured debt rating of WHG Treasury plc and changed the outlook for both entities to stable from positive, reflecting our expectation that Walsall would continue to strengthen its balance sheet whilst maintaining interest coverage ratios at a stronger level than peers. In line with the other rated HAs, Walsall will be impacted by higher inflation, higher interest rates and weaker economic growth. Although the negative operating environment will impact Walsall, we expect its gearing to continue to decrease thanks to the HA's strong financial management, moderate exposure to market sales and moderate development ambitions compared to peers.

The final rating of A3 incorporates a one-notch uplift from the BCA based on Moody's assessment of a strong likelihood of extraordinary support from the UK government.

RATIONALE FOR DOWNGRADE OF PLACES FOR PEOPLE'S SHORT-TERM RATINGS

The short-term ratings for Places for People Homes Limited and Places for People Capital Markets PLC have been downgraded to (P)P-2 from (P)P-1. The downgrade reflects the negative outlook on the issuer rating and liquidity pressure in light of heightened economic risk, including high cost inflation and rising interest rates, for Places for People.

ESG CONSIDERATIONS FOR HOUSING ASSOCIATIONS

The overall impact of ESG risks on ratings varies for rated housing associations. For a majority, the impact is neutral to low (CIS 2), but there are some with a moderately negative (CIS 3) impact.

Environmental risks are low to moderate for the sector. HAs are primarily exposed to carbon transition risk from the legislative requirement to improve the energy efficiency of the existing housing stock, leading to increased expenditure.

Social considerations have a moderate to highly negative impact on the sector's credit profile. This mainly reflects exposure to risks from responsible production and demographic and societal trends. Responsible production risks include the requirement to improve the safety of

the existing housing stock, which will increase expenditure. Demographic and societal trend risks reflect the vulnerability of the sector to government policy which controls rent setting as well as to affordability challenges. Those with higher scores for social risks typically have higher costs for building and fire safety due to the nature of their housing stock.

Governance risks are low to moderate. Governance in the sector is generally fit for purpose, with good oversight of business risks, strong financial planning and risk management processes, detailed reporting and simple organizational structures. The regulatory framework also supports good governance.

WHAT COULD CHANGE THE RATINGS UP/DOWN

Rating upgrades are unlikely given the negative outlooks. The negative outlooks could be stabilised if the HAs are able to maintain relatively stable financial metrics over the medium term. This could be driven by operating performance improving more than presently anticipated, including the ability to contain cost pressures, and reductions in development plans leading to lower debt levels than previously anticipated.

The ratings could be downgraded as a result of one or a combination of the following: a significant sustained weakening in operating margins and interest coverage ratios; material increases in debt levels beyond that currently anticipated; significant deteriorations in liquidity; significant scaling up in market sales exposure beyond what is planned; or any weakening of the regulatory framework or dilution of the overall level of support from the UK government. A downgrade of the UK sovereign rating would also place downward pressure on the ratings.

WHAT COULD CHANGE THE RATINGS UP/DOWN FOR WALSALL

Positive pressure could result from a marked improvement in debt metrics, with a maintained good operating performance despite meeting the nationwide retrofitting ambitions.

Negative pressures could arise from one or a combination of the following: a weakening in financial performance metrics, including interest coverage ratios at levels close to or below 1x, a ramp-up in risk appetite, including higher exposure to market sales than the moderate level currently projected or an increase in indebtedness, including gearing sustained at levels above 60%. In addition, a weaker regulatory framework or dilution of overall support from the UK government for the sector could also exert negative pressure on the ratings.

RATIONALE FOR CHANGING OUTLOOK TO NEGATIVE FROM STABLE AND RATING AFFIRMATION FOR BLEND FUNDING PLC

Moody's has affirmed the ratings and changed the outlook to negative from stable for bLEND Funding plc (bLEND), a debt aggregator for UK housing associations. The change in outlook reflects Moody's view that the credit quality of the underlying participants of the pool will be under pressure for the same reasons as highlighted above for the wider housing association sector.

The affirmation of the ratings reflects underlying strengths of the UK housing association sector; the presence of a liquidity reserve which provides a structural enhancement to the pool; and the strong management of the pool program by The Housing Finance Corporation (THFC).

ESG CONSIDERATIONS

The ESG considerations for bLEND are the same as for the wider housing association sector and

are detailed above. In addition, bLEND's significant sector experience and strong management of the pool, both in terms of vetting applicants and monitoring credit quality, are incorporated into the governance considerations.

WHAT COULD CHANGE THE RATINGS UP/DOWN

A rating upgrade is unlikely given the negative outlook. The negative outlook could be stabilised as a result of one or a combination of the following: a relatively stable credit quality of the underlying pool participants over the medium term; or a change in the pool composition that results in a stronger borrowing pool.

The ratings could be downgraded as a result of one or a combination of the following: a sustained weakening of the credit quality of the underlying pool participants; a change in the pool composition that results in a weaker borrowing pool; and a weakening in the management and monitoring of pool participants by the issuer. A downgrade of the UK sovereign rating would also place downward pressure on the ratings.

RATIONALE FOR CHANGING OUTLOOK TO NEGATIVE FROM STABLE AND RATING AFFIRMATION FOR PRS FINANCE PLC

The affirmation of the rating for the senior secured debt ratings of PRS Finance plc, guaranteed secured bond programme and the change of outlook to negative from stable reflects the negative outlook on the UK sovereign rating, as the rating is based solely on the unconditional and irrevocable guarantee provided by the UK's Secretary of State for Levelling Up, Housing and Communities. As such, any movement in the UK sovereign rating will affect PRS Finance's rating.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS FOR PRS FINANCE

Moody's considers that ESG considerations reflect those of its guarantor, the Government of the United Kingdom. ESG considerations are not material to PRS Finance's rating, which is based on the guarantee.

WHAT COULD CHANGE THE RATINGS UP/DOWN

The guaranteed senior debt rating is linked to that of the UK. Any change in the rating of the Government of the United Kingdom would be expected to translate into a rating change on the bonds.

RATIONALE FOR MAINTAINING THE STABLE OUTLOOK AND RATING AFFIRMATION FOR TRANSPORT FOR LONDON

Moody's has affirmed the long-term Baa1 ratings for Transport for London (TfL) and its Prime-2 (P-2) short-term ratings. Its BCA of baa3 and the long-term EMTN programme rating of (P)Baa1 were also affirmed. The outlook was maintained at stable.

The affirmation and stable outlook reflects Moody's view that TfL's strengthening operating performance and protections under multi-year government funding agreements will partially mitigate risks posed by a weakening economic and fiscal outlook. Passenger income, TfL's main source of revenue, has improved substantially from pandemic lows and will continue to grow, topped up by government if ridership is lower than expected. The funding agreement includes additional income to compensate for high inflation, although staff costs could be higher than expected depending on negotiations over pay rises, conditions and pensions.

In addition, TfL's minimal medium-term borrowing need, strong access to liquidity and low interest rate and refinancing risk support the affirmation of the rating and stable outlook. As of October 2022, over 90% of TfL's debt is at fixed rates and it has minimal refinancing requirement with less than 2% of its debt maturing in the next two years.

The final ratings of Baa1 incorporate a two-notch uplift from the BCA based on Moody's assessment of a strong likelihood of extraordinary support from the UK government.

ESG CONSIDERATIONS

TfL has exposure to environmental risks driven by its pivotal role in the Mayor's target to make London a net zero carbon city by 2030. TfL must expand road user charging to reduce pollution, fully upgrade the bus fleet, and move to fully renewable energy to power all rail services by 2030 all of which will require material resource.

Social risks include ridership trends, policy volatility and human capital risks. Passenger numbers will remain permanently lower post-pandemic due to the shift to hybrid working. Fare increases are political and unpredictable. TfL's unionised workforce will make expected changes to staff pay, conditions and pensions challenging.

TfL's governance is strong with a clear strategy, supported by detailed budgets and business plans, and a high degree of transparency. However, government control and oversight has increased significantly under extraordinary funding agreements. TfL must adhere to numerous conditions hindering TfL's ability to plan and manage their business.

WHAT COULD CHANGE THE RATINGS UP/DOWN

TfL's credit profile would improve with prospects of sustained outperformance on passenger and other income combined with effective cost control driving a return to sustainable operating surpluses. Delivery of key revenue-generating capital projects on time and within budget would also be supportive.

Downward pressure would arise from weaker than expected operating performance with multi-year deficits, higher than forecasted staff costs, or evidence that reduced quality of services was adversely impacting demand. A deterioration in government support would also be negative. Lastly, a material increase in debt or reduction in liquidity would also exert negative pressure on the rating.

RATIONALE FOR CHANGING OUTLOOK TO NEGATIVE FROM STABLE AND RATING AFFIRMATION FOR CHURCH COMMISSIONERS

The negative outlook on The Church Commissioners for England's (Church Commissioners) Aa1 ratings reflects Moody's view that the Church Commissioners has some institutional linkages to the UK sovereign – although these are not material on a day-to-day basis – that limit the space between the UK and the Church Commissioners's ratings. It also reflects the weaker economic growth outlook and elevated inflation in the UK, which may negatively impact on the Church Commissioners's asset values, particularly its real assets which are located in the UK, and could also lead to cost pressures for the Church Commissioners with regards to their distributions to the rest of the Church.

The rating affirmation reflects the Church Commissioners's very strong credit profile supported by its large investment portfolio, high levels of liquidity, low debt levels and significant autonomy over its distributions, which provide a significant level of resilience to high inflation and rising

interest rates.

ESG CONSIDERATIONS

Environmental considerations are not material to the Church Commissioners's credit profile.

Social considerations are material to the Church Commissioners's credit profile. The Church Commissioners, in its role as a funder of the broader Church, has many demands on its resources.

Governance considerations are material to the Church Commissioners's credit profile. Governance and financial management standards are very high, with highly experienced personnel on the Board of Governors, Board Committees and sub-groups, and Investment team, in addition to detailed processes and policies governing investments.

WHAT COULD CHANGE THE RATINGS UP/DOWN

An upgrade could result from an upgrade of the UK sovereign's rating. Given the two-notch gap between the Church Commissioners's rating and the UK sovereign rating, and the presence of some linkages between the two entities, an upgrade of the former independently of the latter is unlikely.

A downgrade could result from a downgrade of the UK sovereign's rating, a material deterioration in the value of the endowment and/or a significant increase in endowment distributions above expected levels, a material deterioration in liquidity, changes in its statutory obligations and/or signs of weakening governance.

RATIONALE FOR MAINTAINING THE STABLE OUTLOOK AND RATING AFFIRMATION FOR WELLCOME TRUST

Moody's has affirmed the long-term ratings and maintained the stable outlooks for Wellcome Trust Limited (The) (in its capacity as trustee for the Wellcome Trust ("Wellcome")) and Wellcome Trust Finance plc reflecting Moody's view that Wellcome's credit profile remains strong and resilient to the risks facing the UK sovereign.

Wellcome's credit quality is supported by its very high level of spendable cash and investments, low leverage, high degree of spending flexibility when awarding grants and extremely strong liquidity position. We consider Wellcome to have very limited exposure to the credit profile of the UK sovereign. A substantial majority of its cash flows (over 80%) are derived from outside of the UK, it has no reliance on domestic funding sources or other ties to the UK sovereign. It is able to maintain its global profile in the event of sovereign distress and is insulated from any liquidity stress specific to the UK.

ESG CONSIDERATIONS

Environmental considerations are not material to Wellcome's credit profile. Its operations have limited exposure to environmental risk, and its investment portfolio is well-diversified minimising the materiality of the impact of any environmental risks on its assets.

Social considerations are material to Wellcome Trust's credit profile. Social trends affect its decisions on provisions of grant funding and Wellcome has supported many charitable activities in the field of health, although they do not materially affect its investment portfolio or policy which is the main driver of its credit profile.

Governance considerations are material to Wellcome Trust's credit profile. Wellcome Trust demonstrates very strong risk management and liquidity practices and its monitoring of, and controls on, its investment activities and strategies are robust and forward-looking. In addition, the high level of market volatility is expected to have a moderate impact on the value of Wellcome's investment portfolio, however its exceptionally high liquidity levels and robust risk management approach will mitigate credit impacts.

WHAT COULD CHANGE THE RATINGS DOWN

Downward pressure on the rating could result from: a significant and sustained deterioration in the value of its investment assets, a significant increase in leverage, an increase in exposure to the UK sovereign environment through an increase in investment assets domiciled in the UK or allocated in sterling or a change in the UK sovereign ceiling.

PRINCIPAL METHODOLOGIES

The principal methodologies used in rating London & Quadrant Housing Trust, L&Q Group, Midland Heart, Midland Heart Capital plc, Stonewater Limited, Stonewater Funding plc, Great Places Housing Group, Saffron Housing Trust, Saffron Housing Finance Plc, B3 Living Limited, The Guinness Partnership Ltd., Grand Union Housing Group, Grand Union Group Funding plc., Cottsway Housing Association Limited, Radius Housing Association Limited, Onward Group Limited, Onward Homes Limited, Places for People Homes Limited, Places for People Capital Markets PLC, Places for People Treasury plc, Sanctuary Housing Association, Sanctuary Capital Plc, Clarion Housing Group Limited, Affinity Sutton Capital Markets plc, Circle Anglia Social Housing 2 Plc, Circle Anglia Social Housing Plc, Clarion Funding plc, Sovereign Housing Association, Sovereign Housing Capital, PLC, Optivo, Optivo Finance plc, Poplar HARCA, Poplar HARCA Capital plc, Southern Housing Group Limited, Flagship Housing Group Limited, Flagship Finance Plc, Moat Homes, Moat Homes Finance Plc, Saxon Weald, Saxon Weald Capital plc, Longhurst Group Ltd, Libra (Longhurst Group) Treasury No 2 plc, Libra (Longhurst Group) Treasury Plc, Bromford Housing Group Limited, Hightown Housing Association Limited, Notting Hill Housing Trust, GenFinance II Plc, Peabody Trust, Peabody Capital No 2 plc, Peabody Capital Plc, Citizen Housing Group Limited, Citizen Treasury Plc, LiveWest Homes Limited, LiveWest Treasury Plc, Alliance Homes Group, Yorkshire Housing Limited, Yorkshire Housing Finance plc, Hastoe Housing Association, Hastoe Capital Plc, Abri Group Limited, Radian Capital Plc, Yarlington Treasury Services PLC, Riverside Group, Riverside Finance Plc, Together Housing Group, Together Housing Finance Plc, Newlon Housing Trust, Walsall Housing Group Ltd, WHG Treasury plc, ClwydAlyn Housing Limited, PenArian Housing Finance Plc, Paragon Asra Housing Ltd, Paragon Treasury Plc, Connexus Homes Limited, Herefordshire Capital Plc, Jigsaw Homes Group Limited, Jigsaw Funding plc, Beyond Housing Limited, Orbit Group Limited and Orbit Capital Plc were European Social Housing Providers published in April 2018 and available at https://ratings.moodys.com/api/rmc-documents/64685, and Government-Related Issuers Methodology published in February 2020 and available at https://ratings.moodys.com/api/rmc-documents/64864. The principal methodology used in rating Lancashire County Council, Cornwall Council, Guildford Borough Council, Warrington Borough Council, Aberdeen City Council, London Borough of Sutton, european primary placement facility and North London Waste Authority was Regional and Local Governments published in January 2018 and available at https://ratings.moodys.com/api/rmc-documents/66129. The principal methodologies used in rating University of Leeds, De Montfort University, University of Cambridge, Cardiff University, The University of Liverpool, The University of Manchester, University College London, University of Oxford, University of Southampton and Keele University were Higher Education Methodology published in August 2021 and available at https://ratings.moodys.com/api/rmc-documents/72158, and Government-Related Issuers Methodology published in February 2020 and available at https://ratings.moodys.com/api/rmc-documents/64864. The principal

methodologies used in rating Transport for London were Mass Transit Enterprises Methodology published in December 2017 and available at https://ratings.moodys.com/api/rmc-documents/64385, and Government-Related Issuers Methodology published in February 2020 and available at https://ratings.moodys.com/api/rmc-documents/64864. The principal methodology used in rating Wellcome Trust Limited (The), Wellcome Trust Finance Plc and The Church Commissioners for England was Nonprofit Organizations (Other Than Healthcare and Higher Education) published in May 2019 and available at https://ratings.moodys.com/api/rmc-documents/61538. The principal methodology used in rating PRS Finance plc and UK Municipal Bonds Agency Finance Company DAC was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at https://ratings.moodys.com/api/rmc-documents/386295. The principal methodology used in rating bLEND Funding plc was Public Sector Pool Programs and Financings Methodology published in April 2020 and available at https://ratings.moodys.com/api/rmc-documents/66017. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

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