MOODY'S
INVESTORS SERVICE

Rating Action: Moody's takes rating actions on seven EMEA finance companies upon application of new Finance Companies rating methodology

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Paris, December 12, 2018 -- Moody's Investors Service has today taken rating actions on seven finance companies within the EMEA region. These rating actions follow the publication of Moody's new Finance Companies rating methodology, which is now the primary methodology that Moody's uses to rate finance companies globally, except in jurisdictions where certain regulatory requirements must be fulfilled prior to the new methodology's implementation.

Among the rating actions taken today are:

- Upgrade of the Corporate Family Rating (CFR) of Ireland-based Abbey International Finance Limited (Abbey International) to Ba3 from B1 and affirmation of its local and foreign currency B1 issuer ratings. The outlook on the issuer remains Stable.

- Affirmation of the CFR of Anacap Financial Europe S.A. SICAV-RAIF (AFE, registered in Luxembourg, operating company domiciled in the UK) at B1 and the placing on review for downgrade of its B1 local currency senior secured rating. The outlook on the issuer changed to Rating under Review from Stable.

- Affirmation of the CFR of Norway-based B2Holding ASA (B2Holding) at Ba3 and the placing on review for downgrade of its local and foreign currency Ba3 issuer ratings. The outlook on the issuer changed to Rating under Review from Stable.

- Affirmation of the CFR of UK-based Cabot Financial Ltd (Cabot) at B1 and the placing on review for downgrade of Cabot Financial (Luxembourg) II S.A and Cabot Financial (Luxembourg) S.A.'s local and foreign currency B1 senior secured ratings respectively. The outlook on Cabot Financial (Luxembourg) II S.A and Cabot Financial (Luxembourg) S.A. changed to Rating under Review from Stable

- Placing on review for upgrade the ba2 Baseline Credit Assessment (BCA) (equivalent to its standalone credit profile), and placing on review for upgrade the Baa1 local currency long term issuer ratings of Latvia-based JSC Development Finance Institution Altum (Altum). The outlook on the issuer changed to Rating under Review from Stable.

- Assignment of a Ba2 CFR to Botswana-based Letshego Holdings Limited (Letshego) and affirmation of its Ba3 local and foreign currency long term issuer ratings. The outlook on the issuer remains stable.

- Upgrade of the standalone credit profile of Germany-based Siemens Bank GmbH (Siemens Bank) to baa3 from ba1 and the affirmation of its A1 local and foreign currency long term issuer ratings. The outlook on the issuer remains stable.

Moody's has also withdrawn the outlooks on Abbey International, Altum, AFE, B2Holding, Cabot, Letshego and Siemens Bank existing instrument, issuer and corporate family ratings - where applicable - for its own business reasons. The withdrawal of these outlooks has no impact on the issuer-level rating outlooks for Abbey International, Altum, AFE, B2Holding, Cabot, Letshego and Siemens Bank. Please refer to the Moody's Investors Service's Policy for Withdrawal of Credit Ratings, available on its website, www.moodys.com

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

Moody's rating actions on Altum, Letshego and Siemens Bank follow the publication of Moody's new Finance Companies rating methodology and were driven by revisions of their standalone profile, resulting from the significant changes and enhancements under the new methodology relative to Moody's previous methodology for rating these firms. These changes and enhancements for rating finance companies include the introduction of new financial ratios such as a net charge-offs ratio and a debt maturity coverage ratio, the dynamic weighting of operating environment conditions that can adversely influence firms' creditworthiness, and the incorporation of specific qualitative factors as direct notching adjustments to ratings.

The opening of a review for downgrade on AFE, B2Holding and Cabot long-term issuer or senior secured ratings was driven by the application of the loss given default framework for speculative-grade issuers, which has been introduced for the first time as part of the implementation of the new Finance Companies methodology.

The rating action on Abbey was driven by both revision of its standalone profile resulting from changes under the new methodology, and the application of the loss given default framework.

FIRM-SPECIFIC CONSIDERATIONS

Moody's specific rating considerations for the issuers affected by these rating actions is as follows:

Abbey International Finance Limited (Abbey International)

Moody's upgraded the CFR of Abbey International to Ba3 from B1 and affirmed its B1 local and foreign currency issuer ratings.

The upgrade of Abbey International's CFR reflects its (i) strong capital adequacy and liquidity; (ii) growing and profitable insurance business, providing some diversification from leasing. The company's CFR, however, is constrained by its small franchise, with high dependence on one client in its US leasing business. In addition, Abbey International's growing venture capital business entails higher risks than its larger leasing and insurance operations. Abbey International is strongly capitalized, with Tangible Common Equity-to-Tangible Managed Assets ratio of 48.5% in December 2017, a key credit strength. The company holds a solid liquidity cushion against its very low borrowings with no unsecured debt and secured loans accounting for 10% of its gross tangible assets. Abbey International's good earnings generation provides additional support to its solvency. The firm's conservative financial structure partly mitigates its weak business profile and gives it some financial flexibility for expansion. Abbey International plans to further grow its insurance and venture capital businesses, which, together with the non-US leasing, should generate most of the firm's revenues in the next few years.

The affirmation of Abbey International's B1 Issuer ratings is driven by the upgrade of its CFR to Ba3 and one notch lower issuer rating due to the structural subordination of unsecured obligations under the LGD model.

The stable outlook balances (i) the execution risk associated with any strategy change and the evolving risk profile of the firm, and (ii) the prospect that, if successful, the business would benefit from a more diversified franchise.

What could change the rating up/down

Abbey International's CFR could be upgraded if the company demonstrates a successful broadening of the leasing business away from its key relationship with its single largest client, without taking undue risks. Abbey International's issuer rating could be upgraded due to a positive change to its debt capital structure that would increase the recovery rate for senior unsecured debt classes.

Abbey International's CFR could be downgraded if the company's leasing business with the US-based client were lost, without replacement from other anchor clients; or if its risk appetite increased substantially through weaker underwriting standards in its insurance business or larger venture capital investments in startup companies. Materially increased leverage through secured borrowings could reduce the loss-absorbing capacity of the firm and exert downward pressure on the CFR and issuer ratings.

Anacap Financial Europe S.A. SICAV-RAIF (AFE)

Moody's affirmed the B1 CFR of AFE and placed on review for downgrade the B1 rating on AFE's EUR325 million backed senior secured notes.

The affirmation of the B1 CFR reflects (i) AFE's variable cost structure with limited fixed costs, resulting in strong profitability and scaling flexibility; (ii) Moody's expectations that leverage, measured as gross debt to adjusted EBITDA, will remain well below 5.0x; (iii) limited equity to provide loss absorption to creditors in an unlikely event of default; and (iv) weak underlying cash flows when excluding cash needed to maintain expected remaining collections. The CFR also takes into account AFE's high degree of supplier concentration and its small franchise compared to peers.

The review for downgrade on AFE's backed senior secured rating reflects the application of Moody's Loss Given Default for Speculative-Grade Companies and their priorities of claims and asset coverage in the company's capital stack, which could potentially lead to a one notch downgrade.

What could change the rating up/down

AFE's CFR could be upgraded because of (i) return on assets increasing and stabilising above 2%; (ii) interest coverage, defined as adjusted EBITDA to interest expense, increasing above 5.0x; (iii) expectations that leverage will remain below 3.8x; and/or (iv) material improvements in liquidity position and underlying cash flow generation.

Conversely, AFE's CFR could be downgraded if (i) return on assets drop below 1%; (ii) interest coverage falling below 3.5x; (iii) tangible common equity drops below zero absent other mitigating factors; and/or (iv) the liquidity and cash flow profile deteriorates.

The rating on AFE's senior secured notes could be downgraded because of the amount of debt considered senior to the notes, predominantly the drawings under the EUR90 million revolving credit facility.

B2Holding ASA (B2Holding)

Moody's affirmed the Ba3 CFR of B2Holding and placed on review for downgrade B2Holding's Ba3 local and foreign currency issuer ratings.

The affirmation of the Ba3 CFR reflects B2Holding's: (i) good historical and anticipated financial performance; (ii) strong capitalisation and leverage metrics compared to peers; and (iii) well-diversified portfolio of non-performing loans (NPL), comprising debt across 20 countries and spread between secured and unsecured debt; a strength despite a high proportion in countries Moody's considers to have less mature NPL markets. These strengths are balanced against: (i) risks related to the company's rapid historical growth, which Moody's expect will continue albeit at a slower pace, and the company's limited track record since its 2011 inception; (ii) fast liquidity consumption because of the rapid growth, thereby increasing funding needs beyond what the maturity schedule implies; and (iii) high revenue concentration of purchased NPLs, with only limited revenue stemming from third party collection and other sources.

The review for downgrade on B2Holding's issuer rating reflects the application of Moody's Loss Given Default for Speculative-Grade Companies and their priorities of claims and asset coverage in the company's capital stack, which could potentially lead to a one notch downgrade.

What could change the rating up/down

Moody's could upgrade B2Holding's CFR if the company successfully meets its financial targets while (i) reducing liquidity risk; and/or (ii) reducing operational- and execution risks related to its rapid expansion.

Conversely, B2Holding's CFR could be downgraded if the company's (i) liquidity position deteriorates beyond Moody's expectations, for example if the revolving credit facility is fully utilised over a prolonged period or the company is unable to reduce RCF utilisation and extend its maturity profile through new bond issuance over the next 12-18 months; (ii) capitalisation falls materially, with tangible common equity to tangible assets dropping below 15%; and/or (iii) profitability metrics falls below peers.

B2Holding's issuer rating could be downgraded because of the assumed amount of drawings under its EUR510 million revolving credit facility, which is senior to the company's senior unsecured liabilities.

Cabot Financial Ltd (Cabot)

Moody's affirmed the CFR of Cabot at B1 and placed on review for downgrade Cabot Financial (Luxembourg) II S.A and Cabot Financial (Luxembourg) S.A.'s B1 backed senior secured ratings.

The affirmation of Cabot's CFR reflects (i) the firm's competitive edge supported by its leading position in the UK debt purchasing industry; and (ii) Cabot's enhanced operating diversification, particularly in terms of sources of revenue, which the agency expects to create cost synergies and improve the firm's ability to generate stable earnings streams . The CFR remains constrained by the firm's relatively high leverage which limits financial flexibility.

Cabot's 120-month estimated remaining collections (ERC) stood at GBP2.6 billion as of end-September 2018, higher than all other UK competitors. Cabot's scale supports its ability to absorb compliance costs and investments in technological innovation, while its strong track-record of regulatory compliance is attractive to vendors facing regulatory scrutiny and conduct-related costs. Moody's expects that such a dominant franchise, combined with Cabot's track record of adequately pricing purchased portfolios, will support Cabot's cash flow generation capacity, and in turn keep its leverage metric well under 5x. As of the end of September 2018, Moody's calculates Cabot's debt at 4.2x EBITDA.

The review for downgrade on Cabot's financing vehicles senior secured ratings reflects the application of Moody's Loss Given Default for Speculative-Grade Companies and their priorities of claims and asset coverage in the company's capital stack, which could potentially lead to a one notch downgrade.

What could change the rating up/down

An expectation that Cabot's long-term strategy will lead to an improvement of its credit fundamentals -- such as at a minimum a combination of a decrease of the leverage metric (gross debt-to-adjusted EBITDA) at under 4x, and of an increase of the interest coverage (adjusted EBITDA-to-interest expense) at around or above 3x, while maintaining other financial metrics and ratios at current levels - could lead to an upgrade of Cabot's ratings.

Cabot's CFR could be downgraded due to (i) significant deterioration in profitability metrics; or (ii) a further increase in leverage or sustained decline in operating performance, leading to a debt ratio which is higher than 5x adjusted EBITDA; or (iii) a significant decline in interest coverage, with an adjusted EBITDA-to-interest expense ratio around or below 2.0x. The senior secured rating's of Cabot's funding vehicles could be downgraded due to (i) a downgrade of the B1 CFR; or (ii) further utilization of the revolving credit facility (RCF), the most senior class of debt in Cabot's liability structure, which would lower the recovery rate for more junior debt classes.

JSC Development Finance Institution Altum (Altum)

Moody's has placed on review for upgrade the Baa1 long-term issuer rating of Altum as well as the Baseline Credit Assessment (BCA) (equivalent to the standalone credit assessment for a Government Related Issuer (GRI) under the Finance Companies methodology), of ba2. The short-term issuer rating of P-2 was affirmed.

The review for upgrade reflects the potential for a higher overall assessment under the combined application of the updated Finance Companies methodology (which determines the standalone assessment or BCA) and the GRI methodology (which determines the rating uplift on the basis of support assumptions from the sovereign, Latvia (A3 stable)). Altum is a Latvian government owned development institution with a mandate to promote the growth of the Latvian economy. It is the only development institution in Latvia, and its funding profile is characterised by both state programs and EU structural funds, complemented by a small share of market funding.

The updated methodology enables an enhanced ability to reflect the unique standing and funding conditions of Altum reflecting: 1) its position in the industry, and the scope of its policy mandate to provide a distribution channel for state and EU program funds to both end-customers and other financial institutions, 2) the large share of loss coverage incorporated in the funding programmes and low refinancing risks.

What could change the rating up/down

The review for upgrade will consider the position of the company in the industry, both in terms of competition, industry stability and product risk, as well as the evaluation of key aspects of the company's financial strength. More specifically, the strengths of the issuer's market position within the scope of a quasi-public policy mandate in combination with the company's unique funding profile have the potential to lead to a higher BCA outcome. As a result, the uplift potential for the issuer rating from a likely higher BCA will also have to be re-assessed as part of the ratings review. The affirmation of the P-2 issuer rating reflects no potential for the long-term issuer rating to exceed A3 at the closure of the review.

Altum's ratings could experience downward pressure if the company's position in the industry deteriorates, for example through a state decision to alter the company's mandate with detrimental impact on its franchise and currently largely insulated competitive position, unwind programmes or funding, or sell parts of or the entire company.

Letshego Holdings Limited (Letshego)

Moody's assigned a Ba2 CFR to Letshego and affirmed its Ba3 long term issuer ratings.

The affirmation of Letshego's issuer ratings captures revisions of its standalone profile resulting from changes under the new methodology, and the application of the loss given default framework.

Letshego's Ba2 CFR reflects (1) the company's solid capitalisation and profitability, supported by its niche, low-cost, franchise, and (2) Letshego's growing diversification across regional countries, which makes the company more resilient to an adverse change in any one of its operating markets. The rating balances these strengths against Letshego's (3) narrow, albeit gradually diversifying, business model, with a high reliance on payroll deductions for loan repayment collections, (4) high exposure to foreign exchange risk, (5) elevated asset quality risks, and (6) dependence on market-sensitive wholesale funding; although actions are being taken to address this weakness.

Letshego has large solvency buffers (capitalization and profitability) that will easily absorb credit costs over the next 12 to 18 months. As of June-end 2018, Letsthego's tangible common equity to tangible managed assets ratio was robust at 38%. Additionally, Letshego exhibits strong cash generating capability with an annualized ratio of funds from operations to total debt of 22% in H1 2018. Moody's expects the company's FFO to total debt ratio to decline over time as the company raises more long-term debt but to remain at robust levels.

The stable outlook on Letshego reflects our expectation that the company's financial fundamentals will remain relatively stable over the next 12 to 18 months, despite elevated credit risks from its regional and lending expansion.

What could change the rating up/down

An upgrade of the company's ratings would depend on Letshego successfully developing broader African financial services operations, while maintaining strong profitability and capitalisation, and strengthening its liquidity profile. Letshego's issuer ratings could be upgraded due to a positive change to its debt capital structure that would increase the recovery rate for senior unsecured debt classes.

Negative rating pressure could be exerted on Letshego's ratings if regional authorities in the company's main operating markets change the terms of, or impose restrictions on, the deduction (at source) of loan repayments from the wages of public-sector employees, leading to a sharp rise in bad debts and impairment costs. In addition, negative pressure could be exerted on the rating if (1) Letshego's expansion in other sub-Saharan markets, client segments and products, results in a material weakening of asset quality and profitability metrics; or (2) Letshego's capitalisation metrics were to materially weaken. Letshego's issuer ratings could be downgraded due to adverse changes to its debt capital structure that would lower the recovery rate for senior unsecured debt classes.

Siemens Bank GmbH (Siemens Bank)

Moody's upgraded the standalone credit profile of Siemens Bank to baa3 from ba1, and affirmed its A1 long term issuer ratings.

The affirmation of Siemens Bank's A1 issuer ratings reflect the upgrade of its standalone credit profile and Moody's unchanged assessment of very strong support from its parent and sole owner, Siemens Aktiengesellschaft (Siemens, A1 stable), which leads to five notches of rating uplift, from six notches previously. The outlook on Siemens Bank remains stable.

Siemens Bank's ratings reflect the bank's close integration in Siemens group, underpinned by (1) its close financial links to Siemens and its operations; (2) its high integration into Siemens' financial activities, which are coordinated by Siemens Financial Services (SFS) division; (3) its strong association with the parent as reflected by the usage of the Siemens brand; and (4) a profit and loss transfer agreement between Siemens and Siemens Bank. The bank's ratings also benefit from a track record of capital measures, illustrating Siemens' commitment to support the bank's business expansion to the benefit of the group.

The upgrade of Siemens Bank's standalone credit profile by one notch to baa3 from ba1 reflects the establishment of (1) a robust track record in developing the bank from a cash-focused entity into a lending-focused institution, which supports the financing of its parent's products for Siemens customers, thereby underpinning its strategic importance for the group; and (2) a sustained sound financial profile during the past years.

Siemens Bank's standalone assessment remains constrained by its status as a captive finance company, as well as its limited independent funding franchise. Siemens Bank's funding remains highly reliant on its parent resources which provided around 88% of total liabilities at end-September 2017. This support is reflected in Siemens Bank's long-term issuer ratings, which incorporates a very strong support assumption, while at the same time the absence of an independent funding franchise represents a ratings constraint for Siemens Bank's standalone credit profile. The rating agency further sees some risks emanating from the bank's strong lending growth and relatively unseasoned loan portfolio, including exposure to the construction phase of projects financed.

What could change the rating up/down

Upwards pressure on Siemens Bank's ratings would develop if the credit profile of its parent Siemens were to strengthen, which Moody's does not currently expect as indicated by the stable outlook on Siemens' A1 rating. An upgrade of Siemens Bank standalone credit profile would require a significant improvement of its franchise and risk position, such as establishing a diversified funding profile, a more mature and more balanced lending book, combined with improved financials.

Siemens Bank's rating would come under downwards pressure if Siemens' credit profile was to weaken. The bank could be rated lower than the parent if (1) its standalone credit profile weakens; (2) it pursues business objectives that are not fully aligned with its parent; and/or (3) parental support was to deteriorate as a result of weaker and/or shorter-dated intragroup contractual obligations, in particular the profit- and loss-sharing agreement.

LIST OF AFFECTED RATINGS

Issuer: Abbey International Finance Limited

..Upgrade:

....Long-term Corporate Family Rating, upgraded to Ba3 from B1, previously Stable debt level outlook withdrawn

..Affirmations:

....Long-term Issuer Ratings (local and foreign currency), affirmed B1, previously Stable debt level outlook withdrawn

..Outlook Action:

....Outlook remains Stable

Issuer: Anacap Financial Europe S.A. SICAV-RAIF

..Placed on Review for Downgrade:

....Backed Senior Secured Regular Bond/Debenture (local currency), currently B1

..Affirmation:

....Long-term Corporate Family Rating (local currency), affirmed B1, previously Stable debt level outlook withdrawn

..Outlook Action:

....Outlook changed to Rating under Review from Stable

Issuer: B2Holding ASA

..Placed on Review for Downgrade:

....Long-term Issuer Ratings (local and foreign currency), currently Ba3, previously Stable debt level outlook withdrawn

..Affirmation:

....Long-term Corporate Family Rating, affirmed Ba3, previously Stable debt level outlook withdrawn

..Outlook Action:

....Outlook changed to Rating under Review from Stable

Issuer: Cabot Financial Ltd

..Affirmations:

....Long-term Corporate Family Ratings (local and foreign currency), affirmed B1, previously Stable debt level outlook withdrawn

Issuer: Cabot Financial (Luxembourg) II S.A

..Placed on Review for Downgrade:

....Backed Senior Secured Regular Bond/Debenture (local currency), currently B1, previously Stable debt level outlook withdrawn

..Outlook Action:

....Outlook changed to Rating under Review from Stable

Issuer: Cabot Financial (Luxembourg) S.A

..Placed on Review for Downgrade:

....Backed Senior Secured Regular Bond/Debenture (foreign currency), currently B1, previously Stable debt level outlook withdrawn

..Outlook Action:

....Outlook changed to Rating under Review from Stable

Issuer: Letshego Holdings Limited

..Assignments:

....Corporate Family Ratings (local and foreign currency), assigned Ba2

..Affirmations:

....Short-term Issuer Ratings (local and foreign currency), affirmed NP

....Long-term Issuer Ratings (local and foreign currency), affirmed Ba3, previously Stable debt level outlook withdrawn

..Outlook Action:

....Outlook remains Stable

Issuer: JSC Development Finance Institution Altum

..Placed on Review for Upgrade:

....Long-term Issuer Rating (local currency), currently Baa1, previously Stable debt level outlook withdrawn

..Affirmation:

....Short-term Issuer Rating (local currency), affirmed P-2

..Outlook Action:

....Outlook changed to Rating under Review from Stable

Issuer: Siemens Bank GmbH

..Affirmations:

....Long-term Issuer Ratings (local and foreign currency), affirmed A1, previously Stable debt level outlook withdrawn

....Short-term Issuer Ratings (local and foreign currency), affirmed P-1

..Outlook Action:

....Outlook remains Stable

PRINCIPAL METHODOLOGIES

The principal methodologies used in rating Abbey International Finance Limited, Anacap Financial Europe S.A. SICAV-RAIF, B2Holding ASA, Cabot Financial Ltd, Cabot Financial (Luxembourg) II S.A, Cabot Financial (Luxembourg) S.A, Letshego Holdings Limited and Siemens Bank GmbH was Finance Companies published in December 2018. The principal methodologies used in rating JSC Development Finance Institution Altum were Finance Companies published in December 2018, and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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