

Regulatory Story

[Go to market news section](#)**Motability Operations Group PLC** - 43FF S&P RATINGS ACTION

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Motability Operations Group PLC
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Motability Operations Group plc

Motability Operations Group plc (the "Company") today announces that as a result of the Board of the Company's decision to reduce the Company's capital reserves level, S&P Global Ratings Europe Limited, UK Branch has downgraded the Company's senior, unsecured long term debt rating from A+ to A (stable outlook). Moody's France SAS has confirmed it will maintain its A1 rating (stable outlook).

Under the Company's capital policy, capital is targeted to a position at least 15 percent above the minimum capital requirement (calculated at a 99.99% confidence level). In FY 2017/18, the minimum capital requirement plus fifteen percent was calculated at £2,327,500,000, whilst actual reported capital reserves stood at £2,547,500,000. The Board determined this headroom above the minimum policy position as appropriate given the economic environment, and associated risks, at that time.

In line with National Audit Office recommendations, the Motability charity engaged Oliver Wyman to conduct an external review to examine the capital modelling methodology, applied risk appetite and confidence levels of the Company, and to benchmark its capital reserve levels against near-comparable companies (the "Review").

The Review has confirmed the appropriateness of the Company's economic capital approach and supports the application of a 99.99% confidence level (or one in ten thousand loss event), given its unique risk profile. The Review is supportive of the Company's general approach, however the Review noted that the judgement underpinning the calculation of a number of individual risk components could be adjusted to be less conservative (while remaining consistent with the 99.99% assumption).

In refreshing and updating the Company's economic capital model this year, the Board has taken the Review into consideration. Following this exercise, and having recalibrated the statistical and/or scenario based modelling within various risk factors and having taken into consideration all potential ramifications of a reduced capital level, the Board resolved to reduce the capital reserve level by £150,000,000 below the FY 2017/18 policy position of £2,327,500,000 (a level which is consistent with the Board's revised

assessment of the 99.99% requirement whilst also retaining 15% headroom in line with existing policy).

In order to achieve the reduction of the capital reserve level, the Company will, subject to availability of sufficient liquidity and a successful debt capital market issuance, make a donation to the Motability charity of an amount that will not exceed the amount required by the Company to reduce the capital reserve position to the revised capital baseline position, which is an amount of £370,000,000 below the reported FY 2017/18 capital position of £2,547,500,000. The timing of the donation will be determined by the Board later this financial year.

In order to deliver the reduction of the capital reserves level, the Company will record a loss for the financial year ending 30 September 2019. The Board considered this would not impact the Company's ability to meet its actual and contingent liabilities, including any additional liabilities incurred as a result of a debt capital market issuance, or result in it becoming insolvent on either a balance sheet or cash flow basis.

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