

CREDIT OPINION

12 October 2022

Update



Send Your Feedback

RATINGS

Pohjola Insurance Ltd

Domicile	HELSINKI, Finland
Long Term Rating	A2
Type	Insurance Financial Strength
Outlook	Stable

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

Contacts

Irina Dimitrova +49.69.86790.2106
Analyst
irina.dimitrova@moody's.com

Christian Badorff +49.69.70730.961
VP-Sr Credit Officer
christian.badorff@moody's.com

Simon James Robin +44.20.7772.5347
Ainsworth
Associate Managing Director
simon.ainsworth@moody's.com

CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

Pohjola Insurance Ltd

Update following rating affirmation

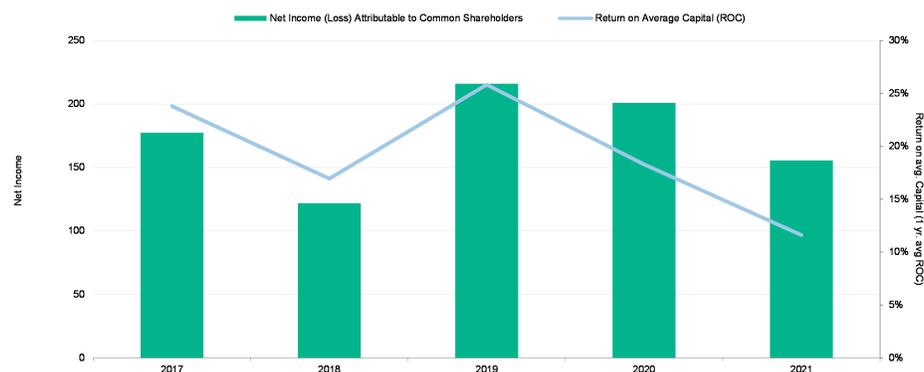
Summary

The A2 insurance financial strength rating (IFSR) on Pohjola Insurance Ltd (Pohjola) reflects its strong position in the Finnish property-casualty sector, as well as its good financial fundamentals with consistent profitability, enhanced capital adequacy and limited financial leverage relative to the overall rating level. These strengths are partly offset by Pohjola's relative lack of brand reach and geographic diversification outside of Finland, a relatively high proportion of longer tailed commercial business for which claims reserves are susceptible to changes in longevity experience and in discounting rates, as well as a high proportion of high risk assets. The rating also reflects the issuer's strong integration into the [OP Financial Group](#), in terms of both business and capital management.

On 27 September 2022, Moody's affirmed the IFSR of Pohjola at A2 with stable outlook. The rating affirmation reflects both the strengthening of Pohjola's standalone credit profile, which we now consider to be in line with an A2 IFSR and the benefits associated with its ownership by the larger OP Financial Group (OPFG). The improvement of Pohjola's standalone profile is mainly driven by the insurer's strong earnings and strengthened capital base, which have fortified its ability to withstand market stresses potentially associated with its still high exposure to risky assets.

Exhibit 1

Net income and return on capital (1 yr. avg.)



Sources: Moody's Investors Service and company filings

Credit strengths

- » Strong market position in Finland
- » Strong profitability but sensitive to market movements
- » Solid capitalisation
- » Relatively low leverage and strong earnings coverage
- » Strong integration into the larger OP Financial Group

Credit challenges

- » Lack of geographic diversification beyond the domestic Finnish market
- » High exposure to equity risk with potential for earnings volatility
- » Elevated product risk with reserves susceptible to interest rate movements

Rating outlook

The stable outlook for Pohjola reflects our expectation that the company will retain its leading market position as well as strong profitability and capital adequacy. It also reflects the expectation that Pohjola will remain highly integrated into the larger OPFG, having access to financial support by the group.

Factors that could lead to an upgrade

Upward pressure on Pohjola's ratings could result from an upgrade of OP Financial Group's ratings; or a significant strengthening of Pohjola's standalone credit profile as reflected in:

- » meaningful strengthening of its business profile via geographic diversification and product risk profile improvement;
- » Solvency II ratio consistently above 200%; and
- » sustained improvement in profitability with no material deterioration in asset quality.

Factors that could lead to a downgrade

Conversely, downward pressure on Pohjola's ratings could arise from a downgrade of the ratings of OPFG or lower degree of integration within the broader group. At the same time, a significant weakening of Pohjola's standalone credit profile could also result in downward pressure, as reflected in:

- » material weakening of market position;
- » decline in capital adequacy, including Solvency II capital coverage falling to levels below 130% over a sustained period of time; and
- » meaningful deterioration in underwriting performance reflecting a combined ratio close to 100% over a sustained period of time.

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

Key indicators

Exhibit 2

Pohjola Insurance Ltd

Pohjola Insurance Ltd [1][2]	2021	2020	2019	2018	2017
As Reported (Euro Millions)					
Total Assets	5,099	4,794	4,218	4,039	4,048
Total Shareholders' Equity	958	802	530	312	370
Net Income (Loss) Attributable to Common Shareholders	156	201	217	122	178
Gross Premiums Written	1,625	1,507	1,339	1,337	1,280
Net Premiums Written	1,570	1,458	1,298	1,298	1,241
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity	102.4%	119.0%	150.9%	168.3%	158.4%
Reinsurance Recoverable % Shareholders' Equity	14.5%	13.9%	16.0%	20.5%	16.7%
Goodwill & Intangibles % Shareholders' Equity	8.3%	10.6%	13.6%	17.9%	17.7%
Gross Underwriting Leverage	3.9x	4.6x	5.9x	8.2x	7.4x
Return on Average Capital (ROC)	11.6%	18.3%	25.8%	16.9%	23.8%
Sharpe Ratio of ROC (5 yr.)	340.0%	555.0%	NA	NA	NA
Adv. (Fav.) Loss Dev. % Beg. Reserves	0.0%	0.4%	2.8%	0.3%	2.2%
Adjusted Financial Leverage	11.2%	12.8%	19.7%	20.1%	18.8%
Total Leverage	11.2%	12.8%	19.7%	20.1%	18.8%
Earnings Coverage	12.2x	16.5x	16.2x	10.7x	20.0x
Cash Flow Coverage	NA	NA	NA	NA	NA

[1] Information based on LOCAL GAAP financial statements as of the fiscal year ended 12/31/2021. [2] Certain items may have been relabeled and/or reclassified for global consistency.

Sources: Moody's Investors Service and company filings

Profile

Pohjola is part of the Finnish cooperative banking group OP Financial Group (OPFG), a leading cooperative financial conglomerate on its domestic market. In 2021, Pohjola's shares have been transferred from the direct ownership of [OP Corporate Bank plc](#) (Aa3/Aa3 stable, a3¹) to OP Cooperative, which is the central cooperative of OPFG. Pohjola represents the main non-life insurance legal entity of the group, providing a wide range of non-life insurance services for personal, corporate and institutional clients. Through OP Life Assurance Company Ltd, OPFG also offers life insurance products to the group's customers.

Detailed credit considerations

Moody's rates Pohjola A2 for insurance financial strength which is in line with the adjusted score indicated by our rating scorecard. The scorecard and associated text below are based on Pohjola Insurance Ltd on an unconsolidated basis unless otherwise stated.

Insurance financial strength rating

The key factors currently influencing the rating and outlook are:

Market Position, Brand and Distribution: Market leadership in Finnish non-life market and very strong Pohjola brand

Pohjola forms part of Finland's leading financial services group, OPFG, and it benefits from and supports the group's strong market position, based on full integration into the group's customer management approach. Whereas cross-selling between the bank's and insurance operations has been increasing, there remains significant potential.

Pohjola is continuously improving and expanding its service and product offering, with a strong focus on online and mobile communication channels, as well as its underwriting and claims management capabilities. Over 2021, digital sales have further and materially increased.

Pohjola is the leading insurer in the Finnish non-life sector, which is moderately sized compared to other European sectors, with a market share of 32.4% (2021). In a stagnating Finnish non-life market, Pohjola has been able to continuously grow its top-line over past years, reflecting exposure growth and rate increases. For 2021, the company reported gross premiums written of €1.6 billion in 2021 or a 7.8% growth from 2020.

Product Risk and Diversification: Good diversification by line of business but limited geographic diversification

Pohjola's book of business is well diversified by non-life lines of business and by customer groups. Commercial business, with a higher frequency of large losses and longer-tail, accounts for about 44% of total business, rendering Pohjola's product risk moderately high. Over the past years, Pohjola has gradually increased the share of private customers in its portfolio.

Longer-tail lines of business - motor third party liability and workers' compensation - for which claims reserves are discounted, make these lines susceptible to declines in interest rates reducing discounting rates as well. However, we believe the downside risk of further reductions in the discount rate have reduced given the current rising interest rate environment.

Pohjola is operating solely in Finland and therefore has limited geographic diversification.

Asset Quality: Elevated high risk assets exposure partially offset by enhanced capital base and low intangibles

Moody's considers Pohjola overall asset quality to be good, reflecting elevated exposure to risky assets partially offset by low intangibles.

The high risk asset ratio of Pohjola has considerably improved over the recent years, decreasing to 102.4% in 2021 from 168.3% in 2018 which was driven by the strong increase in shareholder's equity. At the same time, Pohjola's exposure to asset risk has gradually increased reflecting higher equity and illiquid assets exposure, as well as higher proportion of Baa-rated and non-rated debt in its fixed income portfolio.

Pohjola, similar to some Nordic peers, follows an asset-liability management approach in the way that it aims for ordinary investment returns on bonds to cover return requirements of liabilities. On an asset allocation basis, at year-end (YE) 2021 fixed income investments accounted for 74%, equity and alternative investments for 16% and property investments for 11% of total invested assets. Credit risk is limited, with 54% of the fixed income portfolio rated at least A and with below investment grade or non-rated investments accounting for 8%.

In 2020, Pohjola announced it would strengthen its Solvency II ratio as part of its long-term target (see capital adequacy section below) and increase its risky asset exposure going forward. At this point, there hasn't been any significant change in the investment mix and we believe there will be no material negative effect of this on our assessment of asset quality.

At year-end 2021, goodwill/intangibles and reinsurance recoverables in relation to shareholders' equity remain low at 8.3% and 14.5% respectively.

Capital Adequacy: Strong Solvency II ratio based on capital management by the group

Pohjola's Solvency II ratio is managed on the group basis and has significantly improved over the recent years. In 2020, the Solvency II ratio target of Pohjola was raised to 170% by the end of 2023, from 120% previously, which we consider as credit positive. The targeted strengthening is to enable it to take on more asset risk to support its earnings base and at the same time increase the carrier's resilience to stress. Pohjola was a strong payer of dividends to the parent company until 2018, with high payout ratios, but did not pay a dividend in 2019 and in 2020. In 2021, Pohjola resumed dividend payments and distributed €100 million to its parent. The company targets a payout ratio of 70% of net profit, which we consider as more moderate than in the past.

Pohjola was able to meet the new target level at YE2021, when the Solvency II ratio improved to 174% from 158% at YE2020. During H1 2022, the Solvency II ratio strengthened further to 215%, benefiting from both increase in own funds and decline in Solvency Capital Requirements (SCR). Going forward, Moody's expects Pohjola's Solvency II ratio to remain closer to the 170% target, considering potential upstreaming of dividends to the group.

The company's Solvency II ratio is relatively resilient, with its main sensitivity to falling equity markets and moderate sensitivity to interest rate movements and credit spreads. As is common for Nordic insurers with high equity exposure, the negative effect of moderately falling equity markets is largely offset by the symmetrical adjustment, which under Solvency II reduces the equity charge in case of falling equity markets, but this effect tapers off with more material equity stresses.

Profitability: Very good historic profitability although sensitive to market volatility

Pohjola's 2017-2021 five-year average return on capital (excluding fair value gains/losses not through profit and loss) is a very strong at 19.3%. The one-year average return on capital was 11.6% in FY2021, decreasing from 18.3% in FY2020 largely driven by the meaningful increase in the capital base.

Earnings are exposed to financial market volatility, mainly reflecting the exposure to equity and alternative investments. In 2021, the company's investment return has benefitted from benign financial markets as shown by the increase of net return on insurance investments at fair value to €222 million from €25 million in 2020.

Overall in 2021, total reported underwriting profitability has significantly improved from 2020, benefitting from lower claims frequencies especially in motor, worker's compensation and travel due to pandemic related lockdown restrictions. In addition, a change in mortality model improved the technical result by €42 million. As a result, the combined ratio improved to 85.5% from 87.8% in 2020.

In H1 2022, Pohjola's profit was affected by significant market volatility resulting in a strong deterioration in investment income with net return on investments at fair value decreasing to €33 million from €134 million in H1 2021. The underwriting result was affected by higher motor claims and medical treatment expenses as frequencies climb back to pre-pandemic levels, as well as an exceptional number of large claims. During Q2 2022, Pohjola increased its liability discount rate to 1.2% from 0.85%, which improved its net insurance income by €96 million. IFRS operating combined ratio (excluding the impact of changes in discounting factors) deteriorated to 91.8% in H1 2022 from 86.2% in H1 2021 driven by the increase in claims expenditures. Overall, Pohjola reported IFRS earnings before tax of €171 million, up from €166 million in H1 2021.

Going forward, we expect Pohjola will be able to maintain the strength of its underwriting performance, despite pressure from increasing claims frequency, claims inflation and lower economic growth. The expense ratio will likely continue to be inflated by the significant investments Pohjola is undertaking to further digitalize its business model, the tangible benefit of which will not show immediately. As far as investment returns are concerned, these are largely a consequence of equity market performance, however a further rise in interest rates would benefit Pohjola's earnings given the relatively short duration of its investment portfolio, but also through potential further rise in the discount rate for its liabilities.

Reserve Adequacy: No material reserve releases on a normalized basis paired with high sensitivity to changes in discounting factors

For the period 2017-2021, Pohjola reported a weighted average reserve strengthening of 0.6% of initial claims reserves, based on IFRS reserve triangle. Reserves for annuities, which account for almost half of total technical reserves, are long-tail and sensitive to changes in longevity experience and in discounting rates, the latter of which are driven mainly by changes in interest rates. Excluding these effects, run-off results have been close to 2% in 2017-2021.

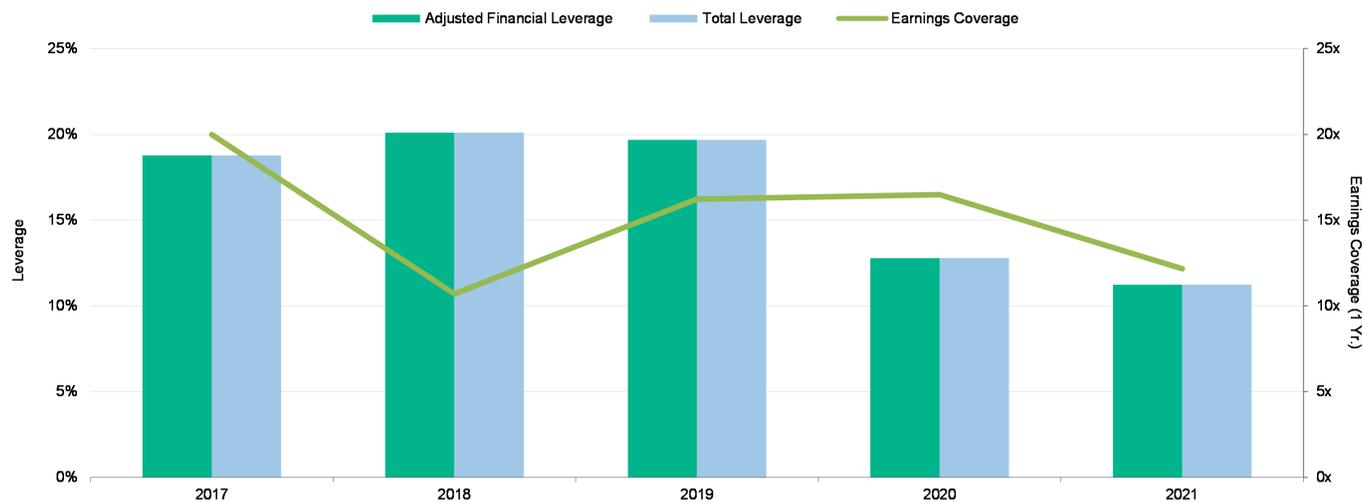
The rise in claims inflation, if sustained, could put pressure on Pohjola's reserve adequacy. However, a further rise in interest rates and respective increase in discount rate for insurance liabilities would help to offset potential negative effects. In Q2 2022, Pohjola increased the discounting rate to 1.2% from 0.85%, after a series of decreases over the recent years.

Financial flexibility: Low leverage, insurer benefits from the group's access to funding

Financial leverage is low at 11.2% at YE 2021, slightly down from 12.8% in YE 2020, reflecting an increase in shareholders' equity. Earnings coverage is strong with 5 year average earnings coverage for FY2021 of 15.1x, reflecting strong earnings and moderate interest expenses.

On a stand-alone basis, Pohjola's access to external 3rd party funding is limited, also when compared to some Nordic peers which are either publicly listed or issue debt more frequently. However, Pohjola is part of the capital and funding management of the larger OPFG, which is a regular issuer.

Exhibit 3
Financial Leverage



Sources: Moody's Investors Service and company filings

Environmental, Social and Governance Considerations

Environmental

Like its P&C insurance peers, Pohjola is exposed to the economic consequences of climate change, primarily through the unpredictable effect of climate change on the frequency and severity of weather-related catastrophic events, such as floods, storms, drought and wildfires. Pohjola's exposure to environmental risks is mainly through property coverage throughout the Nordics, where climate change can result in increased claims frequency and amounts from natural catastrophe events, such as storm, hailstorms, torrential rain and drought. The ability to re-underwrite exposures on an annual basis is a mitigating factor.

Social

Like its P&C peers, Pohjola's social risks arise primarily from underwritten exposures to a wide range of liability claims against individuals and corporations.

Governance

Like all other corporate credits, the credit quality of Pohjola is influenced by a wide range of governance-related issues, relating to financial, managerial, ownership or other factors, all of which can be exacerbated by regulatory oversight and intervention. However, Moody's believes Pohjola and the larger OPFG to have adequate corporate governance and risk management in place.

Rating methodology and scorecard factors

Exhibit 4

Pohjola Insurance Ltd

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	ScoreAdj	Score
Business Profile								A	A
Market Position, Brand and Distribution (25%)								Aa	A
-Relative Market Share Ratio			X						
-Underwriting Expenses % Net Premiums Written	19.2%								
Product Focus and Diversification (10%)								A	Baa
-Product Risk			X						
-P&C Insurance Product Diversification		X							
-Geographic Diversification						X			
Financial Profile								Aa	A
Asset Quality (10%)								Aa	A
-High Risk Assets % Shareholders' Equity				102.4%					
-Reinsurance Recoverable % Shareholders' Equity	14.5%								
-Goodwill & Intangibles % Shareholders' Equity	8.3%								
Capital Adequacy (15%)								A	A
-Gross Underwriting Leverage			3.9x						
Profitability (15%)								Aa	A
-Return on Capital (5 yr. avg.)	19.3%								
-Sharpe Ratio of ROC (5 yr.)	340.0%								
Reserve Adequacy (10%)								A	A
-Adv. (Fav.) Loss Dev. % Beg. Reserves (5 yr. wtd. avg.)			0.6%						
Financial Flexibility (15%)								Aa	A
-Adjusted Financial Leverage	11.2%								
-Total Leverage	11.2%								
-Earnings Coverage (5 yr. avg.)	15.1x								
-Cash Flow Coverage (5 yr. avg.)									
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								Aa3	A2

[1] Information based on LOCAL GAAP financial statements as of fiscal year ended 12/31/2021. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.

Source: Moody's Investors Service

Ratings

Exhibit 5

Category	Moody's Rating
POHJOLA INSURANCE LTD	
Rating Outlook	STA
Insurance Financial Strength	A2
OP CORPORATE BANK PLC	
Rating Outlook	STA
Senior Unsecured	Aa3
Senior Unsecured MTN	(P)Aa3
Subordinate	Baa1
Commercial Paper	P-1
LT Issuer Rating	Aa3
LT Bank Deposits	Aa3

Source: Moody's Investors Service

Endnotes

1 The ratings shown are OP Corporate Bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment.

© 2022 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.moody's.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 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

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

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

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

REPORT NUMBER 1330711

CLIENT SERVICES

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