

MOODY'S INVESTORS SERVICE

Credit Opinion: Pohjola Insurance Ltd

Global Credit Research - 19 May 2015

Helsinki, Finland

Ratings

Category	Moody's Rating
Rating Outlook	STA
Insurance Financial Strength	A3
OP Financial Group	
Rating Outlook	STA
Pohjola 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

Contacts

Analyst	Phone
Dominic Simpson/London	44.20.7772.5454
Laura Perez Martinez/London	
Antonello Aquino/London	

Key Indicators

Pohjola Insurance Ltd[1][2]	2014	2013	2012	2011	2010
As Reported (Euro Millions)					
Total Assets	3,454	3,205	3,054	2,847	2,820
Total Shareholder's Equity	441	392	372	256	233
Net income (loss) attributable to common shareholders	228	150	216	23	115
Gross Premiums Written	1,259	1,149	1,033	949	853
Net Premiums Written	1,205	1,093	984	895	814
Moody's Adjusted Ratios					
High Risk Assets % Shareholder's Equity	142.7%	163.1%	150.1%	180.9%	170.4%
Reinsurance Recoverable % Shareholder's Equity	16.1%	15.4%	15.7%	23.7%	16.0%
Goodwill & Intangibles % Shareholder's Equity	9.6%	10.6%	10.5%	8.5%	6.0%
Gross Underwriting Leverage	6.6x	6.5x	6.0x	6.6x	5.7x
Return on avg. Capital (1 yr. avg ROC)	35.6%	24.2%	36.7%	4.0%	20.4%
Sharpe Ratio of ROC (5 yr. avg)	181.2%	181.9%	43.5%	NA	NA
Adv./(Fav.) Loss Dev. % Beg. Reserves (1 yr. avg)	-0.1%	1.8%	0.1%	0.8%	-2.0%
Financial Leverage	9.4%	9.3%	9.3%	9.9%	9.4%
Total Leverage	9.4%	9.3%	9.3%	9.9%	9.4%
Earnings Coverage (1 yr.)	68.6x	49.3x	64.9x	6.6x	43.8x
Cash Flow Coverage (1 yr.)	NA	NA	NA	NA	NA

[1] Information based on IFRS financial statements as of Fiscal YE December 31 [2] Certain items may have been relabeled and/or reclassified for global consistency

Opinion

SUMMARY RATING RATIONALE

Moody's A3 (stable outlook) insurance financial strength rating (IFSR) on Pohjola Insurance Ltd (PIL) reflects Pohjola's strong non-life market position in Finland, as well as its good financial fundamentals with consistent profitability and low financial leverage. These strengths are off-set by its relative lack of brand reach and geographic diversification, a relatively high proportion of high risk assets in recent years, and a relatively low target Solvency II ratio. The A3 IFSR of PIL, which represents the vast majority of Pohjola's non-life insurance business, receives no uplift as a result of its ownership by the Finnish cooperative banking group, OP Financial Group, given the a3 BCA of the banking operation.

The vast majority of PNLI is accounted for by PIL which is a separate legal entity to the other smaller Non-Life operation, A-Insurance Ltd, which provides insurance for commercial truckers and taxi service branches, although all employees are employed by Pohjola. Since it has acquired the minority shares in Pohjola Bank, which currently owns PIL, OP Cooperative intends transferring ownership of the Non-life Insurance and Asset Management segments of Pohjola Group directly to itself in the future. As part of the re-organisation process, starting from 1 January 2015, OP-Pohjola Group has been renamed as OP Financial Group. In the future, the Banking, Non-Life insurance and Wealth Management businesses will all come under the OP brand. The new management system is founded on three business segments: Banking, Non-life Insurance and Wealth Management. As part of the reorganization of the banking activities the Group decided to abandon the plan to merge the two banking operations, Pohjola Bank plc and Helsinki OP Bank Plc. Helsinki OP Bank Plc will be converted from a limited liability company to a cooperative bank during 2016. At the same time Pohjola Bank plc will be renamed OP Corporate Bank. Pohjola Insurance will become OP Insurance in the future.

At the end 2014, PNLI's business, which is almost exclusively conducted in Finland, was split, in terms of net earned premiums, 52% private customers, 43% corporate customers, with the remaining 5% from the Baltic States.

On 15 May 2015, PIL's IFSR was affirmed with a stable outlook. Prior to that in May 2012, the IFSR was downgraded to A3 with a stable outlook assigned, driven primarily by the wider downgrade of the OP Financial Group (please see relevant press release for further details).

Credit Strengths

- Strong market position in Finland
- Very good profitability, with relatively low combined ratio, although reliance on realised gains
- Low financial leverage
- Importance to OP Financial Group in light of cross-selling opportunities.

Credit Challenges

- At least 90% of premiums come from a single country, namely Finland.
- Relatively high proportion of high risk assets has been a feature of recent years
- Relatively low target Solvency II ratio, with meaningful dividend payments to parent a recent feature

Rating Outlook

The rating outlook is stable.

What to Watch for:

- Potential for market value losses on the investment portfolio due to the relatively higher risk investment portfolio
- Seasonality of losses (particularly in Q1 due to winter related claims)
- Transfer of ownership of PIL to OP Cooperative from Pohjola Bank

- Potential for reserve volatility with PNLI's reserves vulnerable to longevity risk and a lowering of the discount rate
- Profitability and investment portfolio mix trends against the background of very low interest rates

What Could Change the Rating - Up

in the medium term, positive rating pressure could arise from the following:

- An upgrade of OP Financial's BCA
- A material reduction in high risk assets
- Meaningful geographic and product line diversification without sacrificing profitability

What Could Change the Rating - Down

Negative pressure could arise from:

- A downgrading of OP Financial's BCA
- Material weakening of market position.
- Failure to produce a combined ratio, on a cross-cycle and IFRS basis, of below 95%.
- A weakening of capital adequacy

Notching Considerations

Not applicable.

DETAILED RATING CONSIDERATIONS

Moody's rates PIL A3 for insurance financial strength which is consistent with the adjusted rating indicated by the Moody's insurance financial strength rating scorecard. The scorecard and associated text below are based on Pohjola Insurance Limited 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: A - LARGE MARKET SHARE BUT CONCENTRATION IN RELATIVELY SMALL MARKET (FINLAND)

With its strong market position in Finland, in which it is currently the largest non-life player with around a 32% market share at YE2014, PNLI's relative market share metric (of which PIL is the vast majority) remains very good. Whilst the OP Financial Group connection helps to enhance its customer base and to consolidate its market position, Moody's believes that a challenge for Pohjola will be to increase its market share meaningfully without compromising profitability. Notwithstanding its strong market position, Pohjola operates almost exclusively in the relatively small Finnish market which means it lacks the franchise strength and brand reach which characterises a number of other European P&C operations including some Nordic peers. Overall, we consider the market position, brand and distribution to be consistent with an A rated company.

Product risk and Diversification: Baa - COMMERCIAL ACCOUNT AND LIABILITY ORIENTATION, AND CONCENTRATION IN FINLAND

With a Commercial account (46%) and Liability orientation (54%), Moody's views the portfolio as potentially more volatile than, for example, some of its Nordic peers. Product diversification is considered good with four distinct lines of business - Motor, Workers Compensation, Accident and Health and Property- producing at least 10% of premium each. However, this is off-set by the concentration in Finland, which itself is highly concentrated, and in three business lines - Statutory Workers' Compensation, Property and Motor which together account for 69% of gross written premiums. Overall, we consider the product focus and diversification to be consistent with a Baa rated company.

Asset Quality: A - HIGH RISK ASSETS SOMEWHAT PRESSURISE ASSET QUALITY

Moody's considers PIL's overall asset quality to be good, albeit high risk assets remain elevated at PIL. At YE 2014, goodwill/intangibles and reinsurance recoverables only represented around 10%/16%, respectively, of equity. However, the proportion of high risk assets to equity remains significant, particularly at the PIL level, at 143% as at YE 2014 (YE13: 163%), albeit that this is the lowest figure for 5 years. Within PIL's high risk assets, the largest holdings are equities (44%), not rated/non investment grade fixed income securities (20%), real estate (19%) and investments in associates (18%).

Furthermore, at the PNLI level Moody's notes the historically high equities concentration in the Finnish market, and the meaningful exposure to financials in the corporate bond portfolio. More positively, we note that as at the end of 2014, the overall direct exposure to sovereign debt in peripheral countries had further reduced, and equities exposure has been reducing. Notwithstanding this recent improvement, invested asset risk remains higher than for most of PIL's Nordic insurance peers. However, at the PNLI level, invested asset risk (as a % of Solvency Capital) was somewhat stronger (albeit still significant) at approximately 98% as at YE2014 (111% at YE2013).

Capital Adequacy: Baa - RELATIVELY LOW TARGET SOLVENCY II RATIO, WITH MEANINGFUL DIVIDEND PAYMENTS TO PARENT A RECENT FEATURE

PNLI is targeting a solvency ratio of 120% on a Solvency II basis by the end of 2015 which Moody's views as relatively low. At YE14, the estimated ratio, excluding the effect of transition provisions, reduced below the target to 117% (YE13: 125%) impacted by lower interest rates and a higher dividend payment, and at Q1 2015 the ratio declined further to 109%. Meaningful dividend payments to its parent have been a recent feature for PIL representing around 79% and 87% of 2014 and 2013 net income respectively, in contrast to capital injections provided to PNLI during 2008.

PIL's gross underwriting leverage (GUL) remains relatively high at around 6.6x (YE13: 6.5x), although reduces to around 4.7x if the difference between fair value and carrying amount of investments is added to equity. This difference is reflected in PNLI's other reported solvency ratio (solvency capital as a % of net earned premium) which increased slightly to 75% (73%). In Q1 2015, the solvency ratio improved further to 82%.

Moody's also considers PIL's business to be higher risk than some of its Nordic peers in view of the liability and commercial account orientation, although notes that PIL has consistently delivered bottom-line profits and has meaningful reinsurance cover.

Profitability: A - VERY GOOD PROFITABILITY AND UNDERWRITING PERFORMANCE, ALTHOUGH RELATIVELY LOW SHARPE RATIO

PIL's 2014 five year average return on capital (excluding fair value gains/losses) is an excellent 24% although this is off-set by a relatively low Sharpe ratio (181%), which considers volatility, in the Baa range. Investment gains and losses have caused meaningful levels of volatility in net income, for example in 2011 and 2012; the ROC in 2011 was a low 4% impacted by fair value investment losses. Furthermore, the underwriting environment for Nordic P&C players in recent years has been very favourable. Notwithstanding this, PNLI's recent underwriting performance has been very good with at YE14 a reported operating combined ratio of 84.7% (2013: 86.9%), although this excludes the unwinding of discount and changes in technical bases; the overall combined ratio improved slightly to 91% (91.6%). At Q1 2015 the operating combined ratio improved to 87.2% (89.3% at Q1 2014), and including the unwinding of discount and charges in technical bases the overall combined ratio improved to 88.8% (91% at Q1 2014). At YE14, PIL reported a slightly improved overall combined ratio of 93.2% (2013: 93.5%) which reduces to 90.1% (89.8%) excluding the unwinding of discount.

At YE14, PNLI reported improved earnings before tax of Eur 223m (YE 13: Eur 166m), benefiting from higher investment income and a slightly higher technical result notwithstanding a Eur 62m (YE13: Eur 38m) charge as a result of reducing the discount rate for pension liabilities from 2.8% to 2.5% (YE13: from 3.0% to 2.8%). At Q1 2015, PNLI reported earnings before tax of EUR70m (EUR62m at Q1 2014), driven by a further improvement in the combined ratio and a positive investment result. Profitability was negatively impacted by a EUR17m charge as a result of the further reduction of the discount rate for pension liabilities to 2.4% (average at end-March) from 2.5%. OP Financial Group changed the valuation model for non-life insurance liability in Q1 2015 in such a way that it takes account of a change in the discount rate as one continuously updated variable of an accounting estimate.

Overall, Moody's considers profitability to be consistent with an A rated company, and going forward, Moody's expects Pohjola to continue to benefit from the relatively stable market conditions in Finland, and its underwriting performance to remain good.

Reserve Adequacy: A - RELATIVELY PREDICTABLE RESERVING ALTHOUGH EXPOSURE TO LONGER-TAIL LINES OF BUSINESS

The reserve adequacy metric is good, driven by a small net reserve deterioration on a weighted average basis of 0.5% of opening net reserves over the last five years, based on IFRS reserve triangles for the 2005-2014 accident years. We note that in 2014 claims development was positive with a reserve release of Eur 1m. However, Moody's notes the presence of longer-tail lines which presents the challenge of associated reserving risk. Moody's also notes that there were methodological changes in the reserving process during 2010 which affected the 2009 vs. 2010 comparative figures. As has been seen in recent years, PNLI's reserves are vulnerable to longevity risk and a lowering of the discount rate, the former for example negatively impacting the 2010 combined ratio by 3% points. In light of the low interest rate environment, we expect further discount rate reductions following the progressive reductions from 3.0% to 2.8%, 2.8% to 2.5% and 2.5% to 2.4% in 2013, 2014 and Q1 2015 respectively which led to Eur 38m, Eur 62m and Eur 17m pre-tax charges.

Financial Flexibility: A - EXCELLENT METRICS BUT ACCESS TO CAPITAL MARKETS MORE RESTRICTED THAN LISTED PEERS

Overall financial flexibility is considered good. Financial leverage remained low at around 9% at YE14, with earnings coverage consequently excellent. However, Moody's notes that a Eur 50m internal subordinated loan was issued during 2008 to improve the solvency position and that on a stand-alone basis, none of the Pohjola non-life companies are listed in their own right. Therefore, access to capital is not viewed as comparable to larger European players.

Other considerations

Nature and Terms of Implicit Support

The A3 IFSR of PIL receives no uplift as a result of its ownership by OP Financial Group, given the a3 BCA of the banking operation. The adjusted a3 BCA of Pohjola Bank (including cooperative support) and the a3 BCA of OP Cooperative, which is intended to directly own Pohjola's non-life business in the future, are used as a reference point for the maximum rating of PIL. The integration to-date of Pohjola's non-life business into Pohjola Bank and OP Financial Group has been successful and well-managed. However, OP Financial Group's support mechanism in which all the member banks provide each other with joint and several guarantees providing immediate and direct support in case of distress, does not cover, by law, insurance operations.

Rating Factors

Pohjola Insurance Ltd[1][2]

Financial Strength Rating Scorecard	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adjusted Score
Business Profile									
Market Position and Brand (25%)								A	Baa
- Relative Market Share Ratio									
- Underwriting Expense Ratio % Net Premiums Written	15.5%		X					Aa	A
Product Focus and Diversification (10%)								A	Baa
- Product Risk									
- P&C Insurance Product Diversification		X	X						
- Geographic Diversification							X		
Financial Profile									
Asset Quality (10%)								A	A
- High Risk Assets % Shareholder's Equity									
- Reinsurance Recoverable % Shareholder's Equity	16.1%			142.7%				Aa	A

- Goodwill & Intangibles % Shareholder's Equity	9.6%							
Capital Adequacy (15%)				6.6x			Baa	Baa
- Gross Underwriting Leverage								
Profitability (15%)			24.2%				A	A
- Return on Capital (5 yr. avg)				181.2%				
- Sharpe Ratio of ROC (5 yr. avg)								
Reserve Adequacy (10%)			0.5%				A	A
- Adv./(Fav.) Loss Dev. % Beg. Reserves (5 yr. wtd avg)								
Financial Flexibility (15%)		9.4%					Aaa	A
- Financial Leverage		9.4%						
- Total Leverage		46.7x						
- Earnings Coverage (5 yr. avg)								
- Cash Flow Coverage (5 yr. avg)								
Operating Environment							Aaa - A	Aaa - A
Aggregate Profile							A1	A3

[1] Information based on IFRS financial statements as of Fiscal YE December 31 [2] The Scorecard rating is an important component of the company's published rating, reflecting the stand-alone financial strength before other considerations (discussed above) are incorporated into the analysis

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on <http://www.moodys.com> for the most updated credit rating action information and rating history.



© 2015 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 INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. 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. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S 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. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S 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 AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY 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.

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 the Moody's 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 SUCH RATING OR 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 rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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 clients. It would be dangerous for “retail clients” to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

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 rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

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