

RatingsDirect®

Allianz SE

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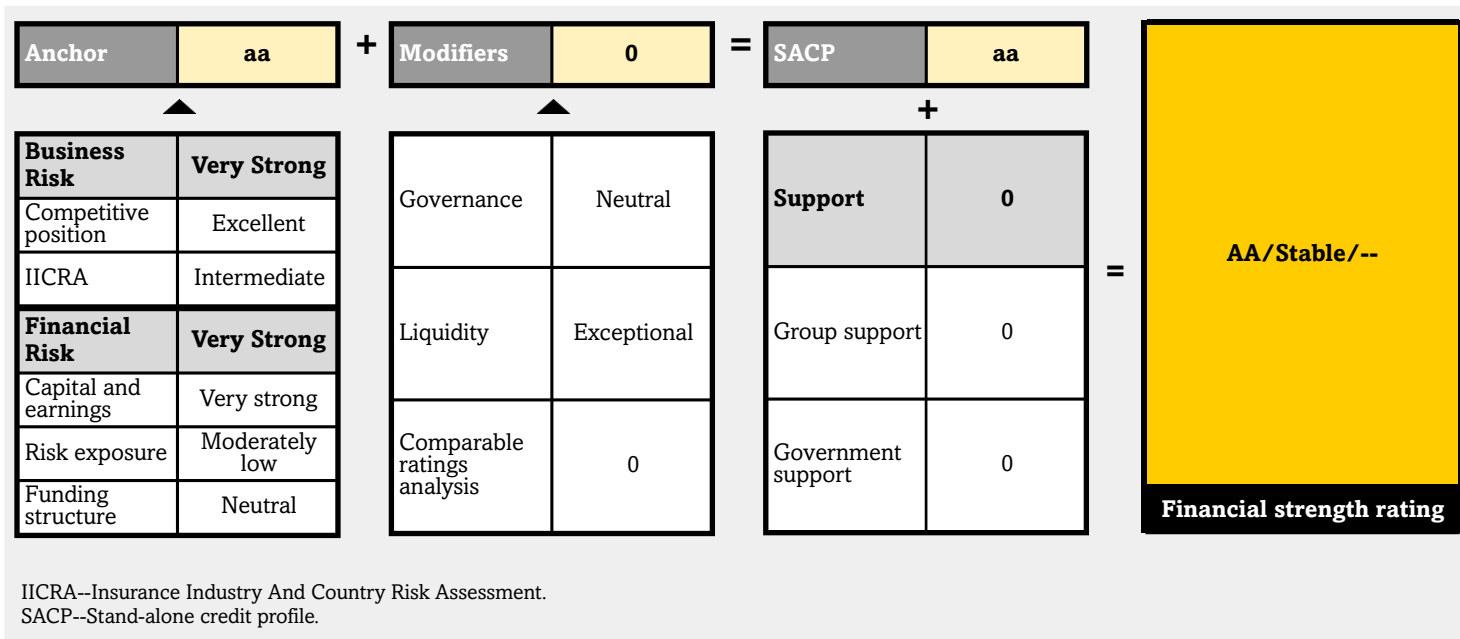
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Allianz SE



Credit Highlights

Overview	
Key strengths	Key risks
A top global insurer with an excellent brand.	Potential material strain on capital and profitability due to ongoing U.S. investigations related to Structured Alpha Funds.
Capacity and willingness to maintain very strong capitalization based on our risk-based capital model.	Impact on investment results of geopolitical uncertainties and capital market volatility.
Profitable asset management on top of already diversified insurance income streams.	Still-meaningful exposure to the Italian economy.

S&P Global Ratings expects Allianz will maintain its standing as a leading global insurance group. Allianz has an outstanding brand that enjoys leading positions in several markets around the globe. The company also benefits from healthy diversification across business lines and sectors, including Allianz Global Corporate & Specialty (AGCS) and trade-credit insurance, via Allianz Trade. Allianz's asset management business remains a significant earnings contributor despite the ongoing Structured Alpha Funds investigations.

We anticipate Allianz will continue to generate sound profits, although its claim provision for Structured Alpha Funds may be insufficient. We consider Allianz's diversified earnings streams, supported by its asset-management business (including PIMCO), to be a key rating strength compared with other global insurance groups. This was evident in its strong operating results for 2021. Nonetheless, we note that net income was hampered by an extraordinary claim provision linked to Allianz Global Investors' Structured Alpha Funds, and we understand there is a risk of additional claim provisions, which could in our view materially weaken earnings and capital.

We expect Allianz's capitalization will remain very strong. Capital adequacy, as per our risk-based capital model, is likely to remain in the very strong range over the next two-to-three years, underpinned by Allianz's robust earnings capacity. We acknowledge the group's commitment to maintain its capitalization and its ability to issue hybrid capital

when needed.

Outlook: Stable

The stable outlook is based on our expectation that the group's capitalization will remain in the 'AA' range over the next two years, according to our risk-based model. We also expect that, over the next two years, Allianz will maintain its excellent brand and reputation and continue to benefit from robust and diverse income streams provided by its various global business activities.

Downside scenario

We could lower the ratings within the next 24 months if, contrary to our expectations, Allianz's capitalization, according to our capital model, drops sustainably below the 'AA' level. This could happen, for example, if it became necessary to book additional provisions associated with the investigation into Allianz Global Investors' Structured Alpha Funds, or if the Russia-Ukraine conflict prompted substantial macroeconomic turbulence, which resulted in material investment impairments. We might also consider lowering the ratings if the group's earnings and, in particular the contribution from asset-management earnings, substantially weakened for a prolonged period.

Upside scenario

We regard an upgrade as a remote possibility, mainly because the group's capitalization is clearly deficient relative to the 'AAA' confidence level.

Key Assumptions

- As per our preliminary forecasts reflecting the Russia-Ukraine conflict, we forecast GDP of 3.3% in the eurozone for 2022 and 2.6% for 2023. For the U.S., we expect real GDP to contract about 0.7% in 2022 and 0.4% in 2023.
- Inflation to remain high at 5.0% for Eurozone and 6.0% for U.S. for 2022 as the prices rises sharply due to oil and gas supply chain disruptions.
- Despite our expectation of increasing rates, with eurozone 10-year government bond yields of about 0.9% and 1.3% in 2022 and 2023 respectively, we believe that structurally low interest rates remain a key risk for European insurers. This is similar to our view of the U.S., where we expect the U.S. 10-year Treasury rate to increase to about 2.1% in 2022 and 2.5% in 2023.

Allianz SE--Key Metrics

(Mil. €)	2024f	2023f	2022f	2021	2020	2019	2018	2017
Gross premiums written	>90,000	>88,500	>87,000	86,063	82,986	82,919	77,824	77,345
Net premiums written	>82,000	>81,000	>80,000	78,497	76,234	77,372	72,683	72,433
Net income (excluding minority interest)	~8,000	~8,000	~8,000	6,610	6,807	7,914	7,462	6,803
Return on shareholders' equity (%)†	~9	~9	~9	8.4	8.8	11.8	11.6	10.4

Allianz SE--Key Metrics (cont.)

(Mil. €)	2024f	2023f	2022f	2021	2020	2019	2018	2017
P/C net combined ratio (%) ^{*†}	93-96	93-96	93-96	94.7	96.9	96.4	94.5	96.2
Net investment yield (%)	~2	~2	~2	2.4	2.5	2.7	2.5	2.9
Return on revenue (%)	>10	>10	>10	9.3	9.8	11.3	11.6	11.0
Return on assets (%)	~1.0	~1.0	~1.0	0.9	1.0	1.2	1.3	1.2
Fixed-charge coverage (x)	>9	>9	>9	10.7	10.5	11.0	10.4	9.7
Financial leverage (%) [§]	<40	<40	<40	32.1	30.5	30.0	33.9	28.0
Financial obligations to EBITDA	~3	~3	~3	3.7	3.4	2.8	2.8	2.9
S&P Global Ratings' capital adequacy	Very strong	Very strong	Very strong	Very strong	Strong	Very strong	Very strong	Extremely strong

f--S&P Global Ratings forecast. P/C--Property/casualty. *Includes premium refunds. §Calculation changed as per 2018 following the criteria update of the insurance rating methodology as per July 1, 2019. Wording for capital adequacy scores for 2018 and earlier based on insurance criteria which was superseded in July 2019. S&P Global Ratings capital adequacy is an estimate for the year 2019. †Calculated according to S&P Global Ratings definitions.

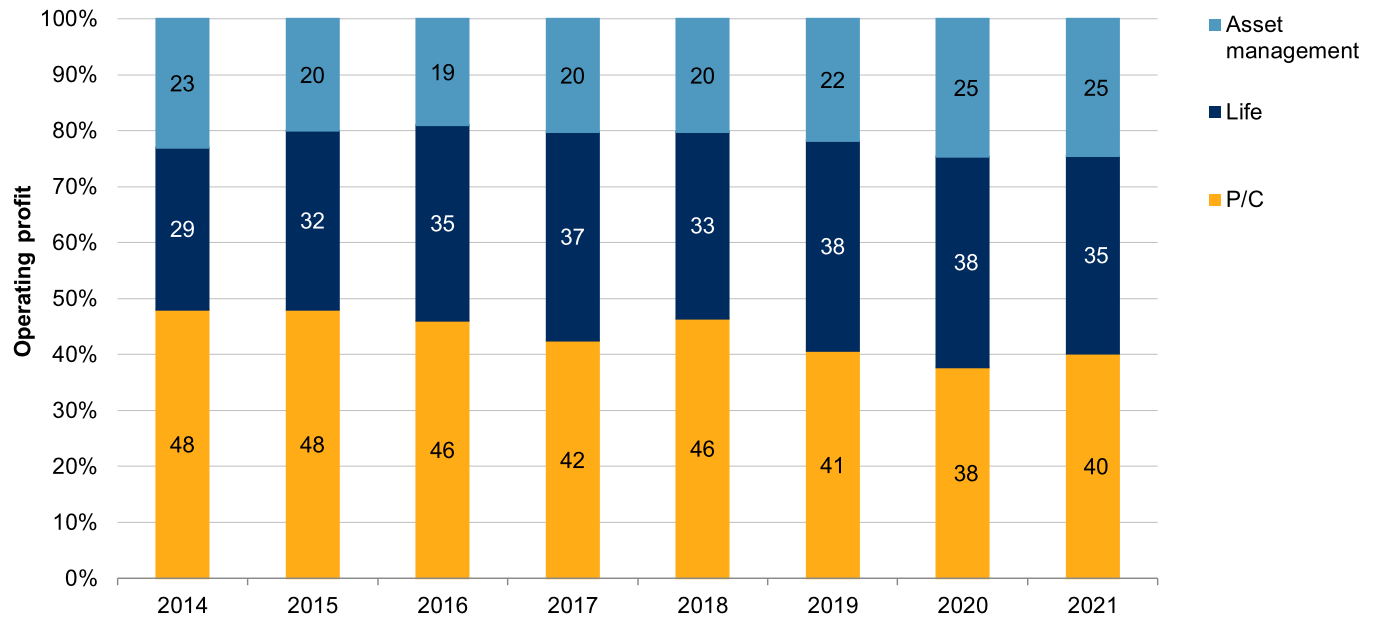
Business Risk Profile: Very Strong

Allianz has a widely recognized reputation as a leading global multi-line insurer, a broad international footprint, and strong market positions in key European insurance markets, including Germany, France, and Italy. The rebranding of Euler Hermes group to Allianz Trade demonstrates the attractiveness of the Allianz brand (see "Euler Hermes' Rebranding To Allianz Trade Will Improve Ties To Allianz," published March 28, 2022, on RatingsDirect).

Allianz benefits from a diversified insurance businesses, including property and casualty (P/C) and life and health, which supports robust revenue and earnings. The company also has stable non-insurance income from its asset management business, mainly through PIMCO, a top 10 global asset manager (see charts 1 and 2).

Chart 1

Asset Management Is An Important Earnings Contributor At Allianz



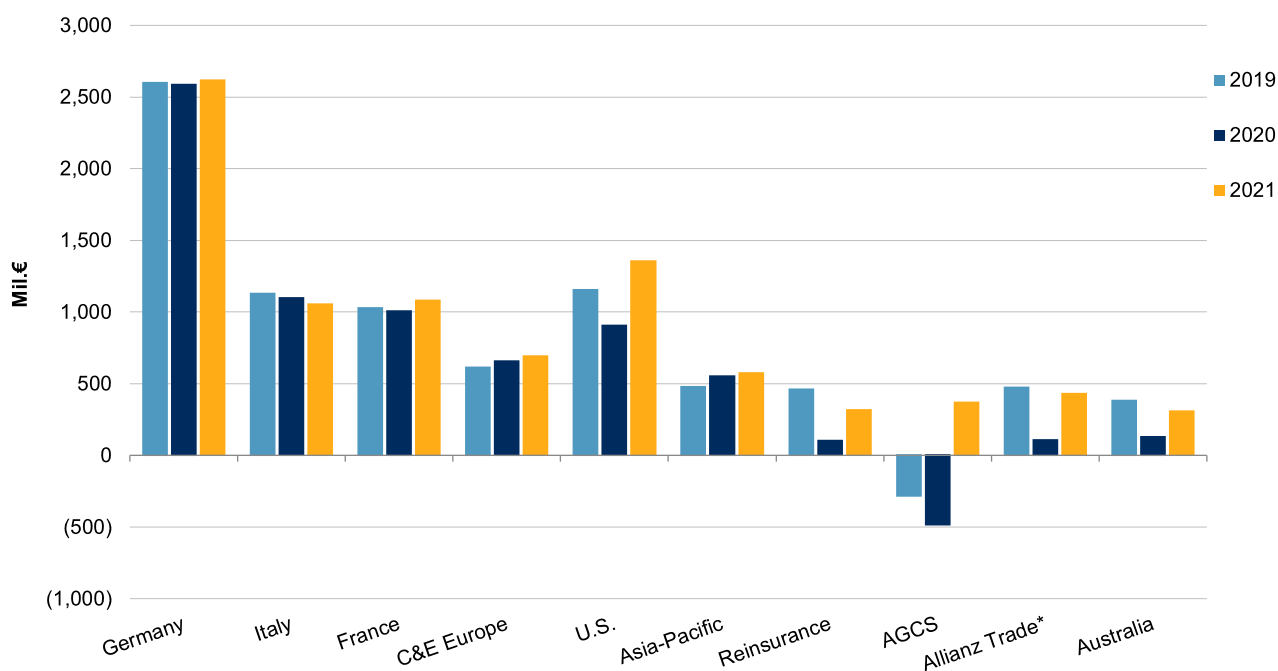
P/C--Property/Casualty. Source: S&P Global Ratings and company reports.

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We acknowledge in particular AGCS's continued recovery, which was evident in its combined ratio of 97.5% in 2021, which improved from 115.5% in 2020. We expect this positive trend will continue and AGCS will post profitable underwriting results in 2022, in line with our expectations and those of Allianz.

Chart 2

Allianz's Diversified Income Streams (Operating Profit P/C And Life/Health) Offset Weak AGCS Results



*Euler Hermes rebranded to Allianz Trade. P/C--Property/casualty. AGCS--Allianz Global Corporate & Specialty. C&E--Central and eastern.
 Source: S&P Global Ratings and company reports.
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Financial Risk Profile: Very Strong

In line with our expectations, Allianz's capital adequacy, as measured by our risk-based capital model, has recovered to the very strong range by year-end 2021.

The recovery is based on solid underlying results across all segments, supported by material realization of previously unrealized investment gains (see "Allianz's Strong Headline Results Overshadowed By Structured Alpha Funds Provisioning," published Feb. 18, 2022). We acknowledge the group's significant earnings capacity, which was demonstrated by its record-high operating profit of €13.4 billion in 2021.

Allianz's results for 2021 were overshadowed by a €2.8 billion, net of tax, provision against a claim arising from the potential settlement of the U.S. Department of Justice's investigation into Allianz Global Investors' Structured Alpha Funds. It remains uncertain whether the provision will be sufficient to cover the final settlement. Although we believe that Allianz has resources to conserve or restore capital should the settlement, including a potential fine, prove materially higher than provisioned, we might reconsider our view of the group's capital and earnings and our ratings.

We continue to base our capitalization expectations on a forecast annual net income of about €8.0 billion, a return on

equity of about 9%, a combined ratio (loss and expense) of 93%-96%, and an annual dividend payout of €4.0 billion-€4.5 billion.

From our perspective the group remains exposed to interest rate risk because its back-book is dominated by guaranteed products. Nevertheless, we acknowledge Allianz's clear focus on capital-light savings products, as well as its protection and unit-linked business, which mitigates this risk. The group also actively manages its back-book. For example, in 2021 Allianz offloaded the market and insurance risk of a significant portfolio of life business at its US and Swiss entities via a reinsurance operation.

We regard Allianz' asset mix as balanced, with a focus on investment-grade bonds. Its portfolio consists of about 83% fixed-income investments and 12% equity. Allianz reported alternative investments of €212.1 billion. We view most of the alternative investment portfolio as rather higher risk, meaning it could lead to volatility in investment results.

The group's investment in Italian government bonds, worth about €19.2 billion, has remained stable. We consider this exposure to market and credit risk to be a potential source of volatility and a possible constraint on the group's credit quality.

Allianz has a track record of accessing the capital markets, as demonstrated through its hybrid debt issuance last year. We forecast that the group's leverage ratio will remain below 40% and its fixed-charge coverage above 9x over the next year.

Liquidity

We expect Allianz's liquidity to remain exceptional, owing to the strength of available liquidity sources, mainly premium income, and a highly liquid asset portfolio relative to liabilities.

Factors specific to the holding company

We rate Allianz in line with the core operating companies of Allianz Group. This reflects our view of Allianz's various and material business activities and income streams from reinsurance, asset management, and treasury. It also reflects ample liquidity at the holding company.

Environmental, social, and governance

ESG Credit Indicators



ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors are an overall neutral consideration in our credit rating analysis of Allianz. We believe Allianz's exposure to environmental and social risk factors are in line with the wider insurance industry and other global multiline peers, such as AIG, AXA, and Zurich. Allianz's exposure to environmental risk factors largely stems from concerns that climate change could increase the frequency and severity of claims for damage because of extreme weather.

The insurer's investment portfolio also carries some risk, because changes in climate-related policy or public opinion

could increase the volatility of asset valuations. Allianz has a sophisticated risk-management framework through which it identifies, models, and controls risk. Overall, we consider the group well protected against extreme natural catastrophe events, as it demonstrated in 2017 when it reported limited losses following hurricanes Harvey, Maria, and Irma. Natural catastrophe losses after reinsurance were less than €400 million, while its overall claims stood at €31 billion. Shareholder equity was €65 billion in 2017.

Allianz offers a wide range of life insurance products, including savings products and annuities. We regard the group's exposure to social factors as comparable with that of other life insurance companies. For example, demographic developments are causing an increase in longevity, a trend that will increase insurance liabilities.

While we view Allianz's governance in general as sound, we will closely follow the outcome of the current investigations into the group's U.S. investment business. We will monitor to what extent the findings could affect the group's wider governance practices, and how governance in respective entities has been strengthened. In general, we regard the group's clear internal processes and a deeply embedded culture of risk management as beneficial.

Accounting considerations

Allianz prepares its consolidated financial statements under International Financial Reporting Standards. In assessing the group's capital adequacy, we adjust reported shareholders' equity, mainly for:

- Credit for life value-in-force business;
- Inclusion of free and unallocated policyholder bonus reserves in life insurance; and
- Risk capital requirements for quantitative credit for the group's economic capital model.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: A New Level Of Enterprise Risk Management Analysis: Methodology For Assessing Insurers' Economic Capital Models, Jan. 24, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- Allianz Global Corporate & Specialty SE, March 30, 2022
- Euler Hermes' Rebranding To Allianz Trade Will Improve Ties To Allianz, March 28, 2022
- Allianz's Strong Headline Results Overshadowed By Structured Alpha Funds Provisioning, Feb 18, 2022
- Allianz SE, Oct 29, 2021

Appendix

Allianz SE--Credit Metrics History					
(Mil. €)	2021	2020	2019	2018	2017
S&P Global Ratings' capital adequacy	Strong	Strong	Very strong	Very strong	Extremely strong
Total invested assets	978,237.0	938,076.0	897,343.3	796,165.0	792,644.0
Total shareholder equity	84,222.0	84,594.0	77,364.4	63,679.0	68,602.0
Gross premiums written	86,063.0	82,986.0	82,919.0	77,824.0	77,345.0
Net premiums written	78,497.0	76,234.0	77,372.0	72,683.0	72,433.0
Net premiums earned	77,656.0	75,714.2	75,914.3	71,472.0	71,426.0
Reinsurance utilization (%)	8.8	8.1	6.7	6.6	6.4
EBIT	9,988.0	10,282.0	11,781.1	11,276.4	10,884.1
Net income (attributable to all shareholders)	6,610.0	6,806.7	7,914.0	7,461.9	6,803.0
Return on revenue (%)	9.3	9.8	11.3	11.6	11.0
Return on assets (including investment gains/losses) (%)	0.9	1.0	1.2	1.3	1.2
Return on shareholders' equity (reported) (%)	8.4	8.8	11.8	11.6	10.4
P/C: net combined ratio (%)	94.7	96.9	96.4	94.5	96.2
P/C: net expense ratio (%)	26.9	26.8	27.5	28.0	28.7
P/C: return on revenue (%)	10.0	7.9	8.5	10.8	9.0
Life: Net expense ratio (%)	29.2	28.6	25.6	23.7	26.7
Net investment yield (%)	2.4	2.5	2.7	2.5	2.9
Net investment yield including investment gains/(losses) (%)	3.4	3.1	3.4	2.9	3.7
EBITDA fixed-charge coverage (x)	10.7	10.5	11.0	10.4	9.7
EBIT fixed-charge coverage (x)	10.4	10.2	10.8	10.1	9.5
Financial obligations/EBITDA adjusted (x)	3.7	3.4	2.8	2.8	2.9
Financial leverage including pension deficit as debt (%)	32.1	30.5	30.0	33.9	32.0

Wording for capital adequacy scores for 2018 and earlier based on insurance criteria which was superseded in July 2019. P/C--Property and casualty.

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of April 27, 2022)*

Operating Company Covered By This Report

Allianz SE

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

AA/Stable/A-1+

Commercial Paper

Local Currency

A-1+

Junior Subordinated

A

Junior Subordinated

A+

Related Entities

AGCS Marine Insurance Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Allianz Australia Insurance Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Allianz Banque

Issuer Credit Rating

AA-/Stable/A-1+

Commercial Paper

Local Currency

A-1+

Senior Unsecured

AA-

Allianz Elementar Lebensversicherungs AG

Financial Strength Rating

Local Currency

AA/Stable/--

Ratings Detail (As Of April 27, 2022)*(cont.)

Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Elementar Versicherungs - AG	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Fire and Marine Insurance Japan Ltd.	
Financial Strength Rating	
<i>Local Currency</i>	AA/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Negative/--
Allianz France	
Issuer Credit Rating	
<i>Local Currency</i>	A+/Stable/A-1
Junior Subordinated	BBB+
Allianz Global Corporate and Specialty South Africa Ltd.	
Financial Strength Rating	
<i>Local Currency</i>	BB+/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	BB+/Stable/--
<i>South Africa National Scale</i>	zaAAA/--/--
Allianz Global Corporate & Specialty SE	
Financial Strength Rating	
<i>Local Currency</i>	AA/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Negative/--
Allianz Global Risks U.S. Insurance Co.	
Financial Strength Rating	
<i>Local Currency</i>	AA/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Negative/--
Allianz IARD	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Insurance PLC	
Financial Strength Rating	
<i>Local Currency</i>	AA-/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA-/Stable/--

Ratings Detail (As Of April 27, 2022)*(cont.)

Allianz Lebensversicherungs AG

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz Life Insurance Co. of New York

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz Life Insurance Co. of North America

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz PLC

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Allianz Private Krankenversicherungs - AG

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz Re Dublin DAC

Financial Strength Rating

Local Currency

AA/Stable/--

Allianz Reinsurance America Inc.

Financial Strength Rating

Local Currency

AA-/Stable/--

Allianz Risk Transfer AG

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/A-1+

Financial Enhancement Rating

Local Currency

AA/--/--

Allianz Risk Transfer (Bermuda) Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Ratings Detail (As Of April 27, 2022)*(cont.)

Financial Enhancement Rating	
<i>Local Currency</i>	AA-/--/--
Allianz SpA	
Financial Strength Rating	
<i>Local Currency</i>	A/Positive/--
Issuer Credit Rating	
<i>Local Currency</i>	A/Positive/--
Allianz Suisse Lebensversicherungs - Gesellschaft	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Suisse Versicherungs - Gesellschaft	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Underwriters Insurance Co.	
Financial Strength Rating	
<i>Local Currency</i>	AA/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Negative/--
Allianz Versicherungs AG	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Vie	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
American Automobile Insurance Co.	
Financial Strength Rating	
<i>Local Currency</i>	AA/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Negative/--
Chicago Insurance Co.	
Financial Strength Rating	
<i>Local Currency</i>	AA/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Negative/--

Ratings Detail (As Of April 27, 2022)*(cont.)

Euler Hermes North America Insurance Co.

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

AA/Stable/--

Euler Hermes Reinsurance AG

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

AA/Stable/--

Euler Hermes S.A.

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

AA/Stable/A-1+

Fairmead Insurance Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Fireman's Fund Insurance Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Highway Insurance Co. Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Interstate Fire & Casualty Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Liverpool Victoria Insurance Co. Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

National Surety Corp.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Domicile

Germany

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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