

Thurgauer Kantonalbank

June 17, 2025

This report does not constitute a rating action.

Ratings Score Snapshot

SACP: a+

Support: +2

Additional factors: 0

Anchor	a-	
Business position	Adequate	0
Capital and earnings	Very Strong	2
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	0
GRE support	2
Group support	0
Sovereign support	0

Issuer credit rating
AA/Stable/A-1+

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ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Extremely high likelihood of support from the Canton of Thurgau.	Concentration risks from its lending focus on mortgages in its home canton.
Very strong capitalization.	Limited growth opportunities in its home market.
Loan book dominated by granular and collateralized mortgage lending operations.	

We expect that Thurgauer Kantonalbank (TKB) would receive extraordinary support, if ever needed, from its cantonal owner. We think that TKB will maintain its integral link with and very important role for the Canton of Thurgau, supported by full ownership and a statutory cantonal guarantee.

Capitalization remains a key rating strength and provides buffers against tail risks, in our view. TKB’s risk-adjusted capital (RAC) ratio stood at 28.3% as of Dec. 31, 2024, which is among the highest of commercial banks worldwide, and we expect it to remain stable at these levels over the next 24 months.

We expect TKB to maintain its strong asset quality. In our view, TKB’s prudent lending policy, coupled with the exceptional resilience of Swiss households and corporates, will offset risks resulting from the bank’s relatively small size and concentration in local mortgages.

At about 50%, the strong market share in the home canton contributes to revenue resilience. The bank aims to diversify its operations and reduce the dependence on interest income from retail mortgages by expanding its asset management offering. However, we consider it unlikely that this will materially change the group’s overall business profile over the medium term.

Outlook

The stable outlook on TKB reflects our expectation that the bank’s government-related entity (GRE)-status, entailing an extremely high likelihood of support from the Canton of Thurgau, will remain unchanged over the next 24 months. Our ratings on TKB are sensitive to our assessment of the owner’s ability and willingness to support the bank. The rating is not sensitive to the deterioration of the bank’s stand-alone credit profile (SACP), as we expect that GRE support would protect the current rating level.

Downside scenario

A weakening of the role for or the link with the Canton of Thurgau would lead us to revise down our assessment of the bank’s GRE support. If this scenario were to occur, we would expect TKB’s existing obligations to be grandfathered. However, this scenario is unlikely over the next 24 months.

Upside scenario

We are unlikely to upgrade TKB, considering the already very high rating level and the bank’s small size and concentrated business model. All else remaining equal, we could raise our ratings

on TKB if we considered the canton's creditworthiness had strengthened, leading to an increased ability to support the bank during times of financial stress.

Key Metrics

Thurgauer Kantonalbank key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	2023a	2024a	2025f	2026f	2027f
Growth in operating revenue	15.3	-1.5	(0.8)-(1.2)	0.2-0.6	(0.2)-0.2
Growth in customer loans	3.4	5.9	2.5-3.5	3.0-4.0	3.5-4.5
Net interest income/average earning assets (NIM)	1.09	1.06	0.95-1.05	0.90-1.00	0.90-1.00
Cost-to-income ratio	45.2	47.0	47.0-50.0	47.0-50.0	49.0-52.0
Return on average common equity	6.04	5.71	5.00-5.50	4.75-5.25	4.75-5.25
New loan loss provisions/average customer loans	0.05	0.04	0.00-0.05	0.00-0.05	0.00-0.05
Gross nonperforming assets/customer loans	0.60	0.68	0.60-0.70	0.55-0.65	0.50-0.60
Risk-adjusted capital ratio	30.9	28.3	29.0-30.0	29.0-30.0	29.0-30.0

All figures include S&P Global Ratings' adjustments. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' For Banks Solely Operating In Switzerland

Our anchor for banks operating mainly in Switzerland, like TKB, is 'a-'. We consider the trend for economic and industry risk in Switzerland to be stable.

The Swiss private sector has proven its resilience against multiple external stress scenarios. We expect banks to maintain their strong asset quality and prudent underwriting standards, and for the superior financial strength of Swiss households and corporations to continue amid a difficult global economic outlook. We anticipate the country's GDP to expand by 1.2% in 2025. Overall, we see limited risks to Swiss banks' mortgage exposures as real estate price are supported by structural factors such as immigration, the scarcity of building land, and higher commodity prices.

Our view of industry risk in Switzerland encompasses the stability of the country's multitiered banking system government-guaranteed credit institutions viewed as safe havens. Proposals by the regulator and parliament could strengthen banks' corporate governance, supervision, and access to liquidity during crises. In our view, tech disruption poses a moderate risk for the Swiss market. A lack of economies of scale in retail banking makes the country less attractive for international competitors. Swiss customers generally do not demand pure online retail banking products, and digital banks have yet to establish themselves as full alternatives to traditional banks, in our view.

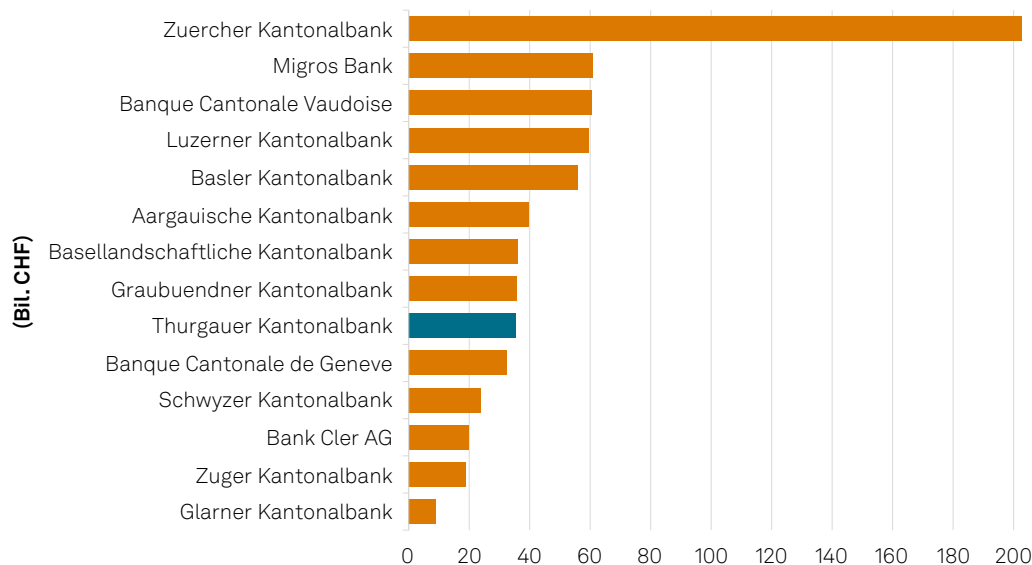
Business Position: Solid Franchise In Home Canton Balances Concentration Risks

We consider TKB's business position to be on par with its domestically focused peers. It is a midsized cantonal bank with Swiss franc (CHF) 35 billion total assets (see chart below) and has a

very strong market position with retail and small and midsize enterprise clients in its home canton of Thurgau with a particular focus on retail housing loans and some presence also in neighboring regions. In our view, TKB’s local focus allows for a stable and long-standing customer base. We expect Swiss clients will remain fairly sticky and conservative, at least in the medium term, allowing the bank to develop its digital offering and user experience in line with market standards.

TKB is a midsize cantonal bank

Total assets (reported)



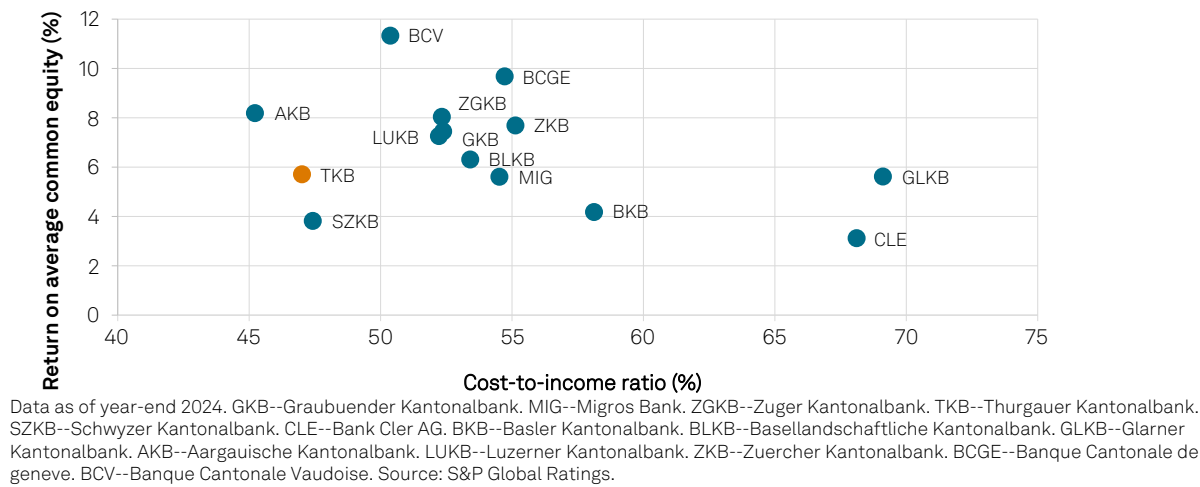
Data as of year-end 2024. Source: S&P Global Ratings.

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TKB’s business model exposes the bank to geographic and business concentration risks, in line with similar-sized cantonal bank peers in the relatively small Swiss economy. However, we see these risks being largely mitigated by the overall resilience and wealth of the Swiss economy and the private sector. While we recognize efforts to diversify sources of revenue, e.g., through targeted asset management acquisitions, we do not expect any meaningful changes to the revenue split in the medium term. Net interest income accounted for about 69% of operating revenues in 2024, while assets under management--the bank’s primary source of fee income--increased by 1.4% in 2024 to CHF26.5 billion.

TKB’s profitability and cost efficiency metrics compare well with peers: Its cost-to-income ratio stood at 47% and return on average common equity (ROE) at 5.7% as of year-end 2024 (see chart below). While we expect a moderate deterioration as net interest margins are being pressured by the ongoing monetary policy rate cuts, we expect the bank’s net income to remain adequate in the context of its low risk business profile and cantonal ownership. Relatively low ROE also needs to be seen in the light of the very high equity base, which is almost twice the average of the banking sector.

TKB operates more efficiently than most of its peers



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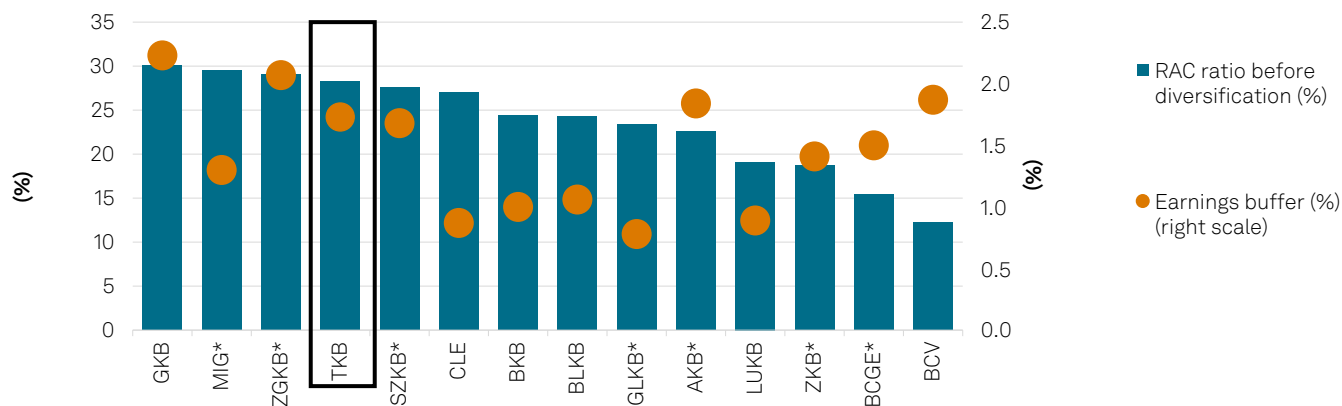
Capital And Earnings: A Key Rating Strength

We expect TKB will maintain its key rating strength from superior capitalization, based on our forecast RAC ratio of 29.0%-30.0% over the next two years, compared to 28.3% as of year-end 2024, which is among the strongest globally.

TKB's RAC ratio is significantly higher than its regulatory total capital ratio of 19.2% (compared with the requirement of 13.3%), due to the lower risk weights of retail mortgages under S&P Global Ratings' risk-adjusted capital framework compared to the regulatory approach, which account for 80% of total corporate and retail exposures.

In our view, TKB's earnings are predictable and stable and we forecast net income to remain at about CHF150 million over 2025-2027, compared with CHF158 million as of year-end 2024. We forecast the three-year average earnings buffer, which measures the capacity of a bank's earnings to cover normalized losses, will trend at about 1.5% over the medium term. This indicates a strong first line of defense against potential future losses in a potentially deteriorating economic environment and compares well with peers. Underlying these expectations is our expectation of broadly stable net income at about CHF150 million, with annual loan-book growth of 3%-4% balancing compression of net interest margins and operating cost increases of about 3% annually. We furthermore assume the bank distributes about 50% of net profits to its cantonal shareholder and participation certificate holders.

Very high capitalization and solid earnings buffers



Data as of year-end 2024. *Data as of 2024F. RAC--Risk-adjusted capital. GKB--Graubunder Kantonalbank. MIG--Migros Bank. ZGKB--Zuger Kantonalbank. TKB--Thurgauer Kantonalbank. SZKB--Schwyzer Kantonalbank. CLE--Bank Cler AG. BKB--Basler Kantonalbank. BLKB--Basellandschaftliche Kantonalbank. GLKB--Glarner Kantonalbank. AKB--Aargauische Kantonalbank. LUKB--Luzerner Kantonalbank. ZKB--Zuercher Kantonalbank. BCGE--Banque Cantonale de geneve. BCV--Banque Cantonale Vaudoise. Source: S&P Global Ratings.

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Risk Position: Regionally Concentrated Mortgage Lender

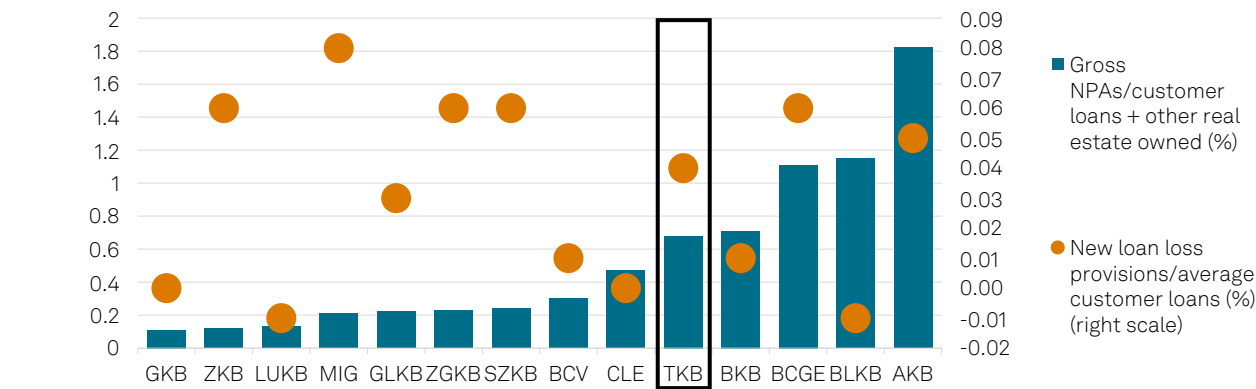
In our view, TKB’s risk position is in line with peers in Switzerland and other countries with similar economic risk. The Swiss private sector has proven its resilience in the face of multiple external shocks. Despite its inherent regional and segment concentrations, we assess the asset quality of TKB’s loan portfolio as high and well managed, based on prudent risk management and conservative lending standards.

We think that the strong Swiss labor market, tight and inelastic supply in housing, scarcity of building plots, and ongoing high demand due to steady immigration supports house prices. Given TKB’s focus on mortgage lending, a major correction could pressure its asset quality. However, we see the risk of a material price correction in the real estate market as remote in the medium term.

As with other cantonal bank peers, TKB’s nonperforming assets were very low at 0.6% and new loan loss provisions at 4 basis points (bps) as of end-2024. We expect these levels to persist, reflecting prudent underwriting standards, focusing on collateralized mortgage lending and the strong resilience of the bank’s customer base.

TKB makes negligible use of complex products, in our view. The bank’s loan book consists mainly of longer-term, fixed-rate mortgages, which are largely funded by shorter-term savings deposits. We think that this exposes the bank to interest rate risks, which are adequately hedged. Nonfinancial risks, such as cyber risks, are well-managed in our view.

TKB has sound asset quality metics



Data as of year-end 2024. NPA--Non-performing assets. GKB--Graubuender Kantonalbank. MIG--Migros Bank. ZGKB--Zuger Kantonalbank. TKB--Thurgauer Kantonalbank. SZKB--Schwyzer Kantonalbank. CLE--Bank Cler AG. BKB--Basler Kantonalbank. BLKB--Basellandschaftliche Kantonalbank. GLKB--Glarner Kantonalbank. AKB--Aargauische Kantonalbank. LUKB--Luzerner Kantonalbank. ZKB--Zuercher Kantonalbank. BCGE--Banque Cantonale de geneve. BCB--Banque Cantonale Vaudoise. Source: S&P Global Ratings.

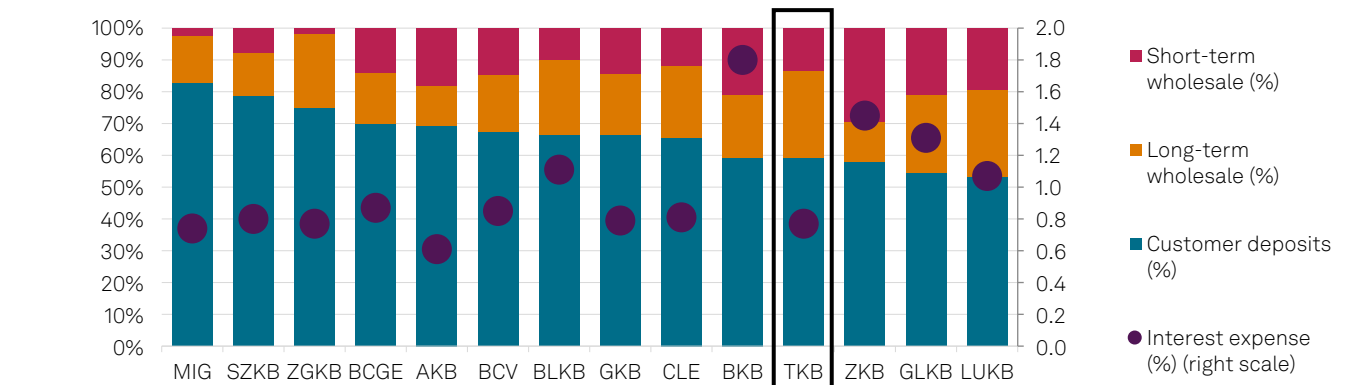
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Funding And Liquidity: Solid And In Line With Cantonal Bank Peers

Our assessment of TKB’s funding situation is aligned with most of its domestic cantonal bank peers and implicitly benefits from the statutory and explicit guarantee and ownership from the Canton of Thurgau, which supports both the stability of and lowers the cost of funding, in our view.

We consider TKB’s retail customer deposits as sticky and relatively price insensitive. While at 60%, they account for a comparatively lower share of the bank’s funding base (see chart below)-indicating the need for additional, wholesale funding--about half of this is financed through covered bonds, which we consider a stable funding source. The adequacy of its funding structure is further supported by the level of interest expenses, which, at 77 bps of its funding base, compares well with domestic peers. We expect TKB’s stable funding ratio, our main funding metric calculated as the ratio of available long-term funding relative to long-term funding needs, to remain at about 105.0%-110.0% over the two years, compared to 107.3% as of year-end 2024.

Mix of retail deposits and covered bonds keep funding costs low



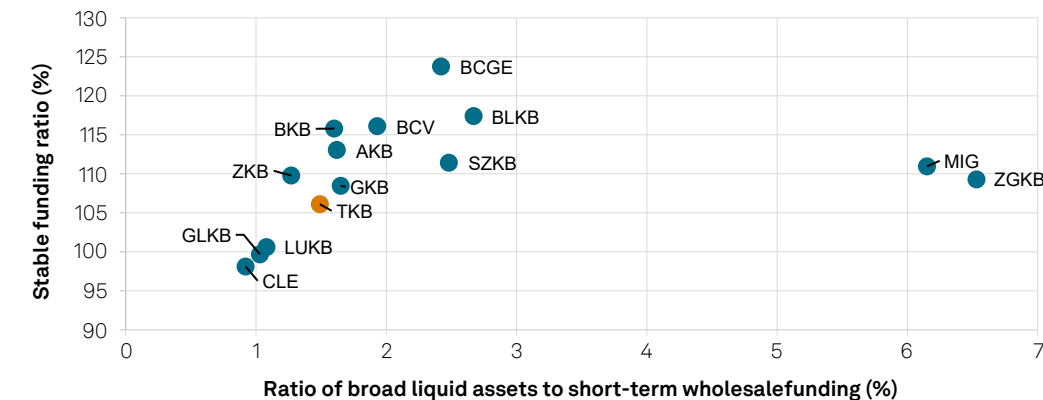
Data as of year-end 2024. GKB--Graubuender Kantonalbank. MIG--Migros Bank. ZGKB--Zuger Kantonalbank. TKB--Thurgauer Kantonalbank. SZKB--Schwyzer Kantonalbank. CLE--Bank Cler AG. BKB--Basler Kantonalbank. BLKB--Basellandschaftliche Kantonalbank. GLKB--Glarner Kantonalbank. AKB--Aargauische Kantonalbank. LUKB--Luzerner Kantonalbank. ZKB--Zuercher Kantonalbank. BCGE--Banque Cantonale de geneve. BCV--Banque Cantonale Vaudoise. Source: S&P Global Ratings.

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TKB's liquidity position is adequate in our view. Its short-term wholesale funding is comfortably covered 1.57x by broad liquid assets as of year-end 2024. Furthermore, broad liquid assets account for 19% of total assets and are thus at a level comparable to peers.

We view the bank as having proper governance in place to prevent funding concentrations and conducts appropriate liquidity stress testing. Importantly, we also reflect some intrinsic advantages from the cantonal ownership and guarantee in the bank's SACP. We note that the cantonal backbone improves availability and lowers the costs of market funding for the bank.

TKB's funding and liquidity are in line with those of peers



Data as of year-end 2024. GKB--Graubuender Kantonalbank. MIG--Migros Bank. ZGKB--Zuger Kantonalbank. TKB--Thurgauer Kantonalbank. SZKB--Schwyzer Kantonalbank. CLE--Bank Cler AG. BKB--Basler Kantonalbank. BLKB--Basellandschaftliche Kantonalbank. GLKB--Glarner Kantonalbank. AKB--Aargauische Kantonalbank. LUKB--Luzerner Kantonalbank. ZKB--Zuercher Kantonalbank. BCGE--Banque Cantonale de geneve. BCV--Banque Cantonale Vaudoise. Source: S&P Global Ratings.

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Support: Two Notches Of Uplift For GRE Support

We consider the bank to be a GRE with an extremely high likelihood of timely extraordinary support from the Canton of Thurgau in case of need. Our assessment encompasses, among other factors, the canton's long-term commitment and guarantees for senior obligations, as outlined in the underlying bank law. Given that it has operated since 1871 and has a high market

share in deposits and loans, we consider TKB to play a very important role in contributing to the development of the canton's economy. In our view, a potential default would cause significant financial stress for the canton.

Environmental, Social, And Governance

Environmental, social, and governance factors have a neutral impact on our assessment of TKB's creditworthiness. The bank plays a dominant role in serving the financial needs in the canton. Sound Swiss governance standards and TKB's cantonal ownership support the bank's governance and oversight framework. Environmental risks are broadly in line with the banking industry.

Key Statistics

Thurgauer Kantonalbank Key Figures

Mil. CHF	2024	2023	2022	2021	2020
Adjusted assets	35,421	32,795	33,276	30,123	--
Customer loans (gross)	27,005	25,500	24,670	23,322	--
Adjusted common equity	2,745	2,682	2,552	2,446	--
Operating revenues	432	439	380	374	--
Noninterest expenses	203	198	185	183	--
Core earnings	205	214	176	172	--
CHF--Swiss franc.					

Thurgauer Kantonalbank Business Position

(%)	2024	2023	2022	2021	2020
Total revenues from business line (currency in millions)	432	439	381	374	-
Return on average common equity	5.7	6.0	5.9	N/A	-

Thurgauer Kantonalbank Capital And Earnings

(%)	2024	2023	2022	2021	2020
Tier 1 capital ratio	18.8	18.9	18.5	18.4	--
S&P Global Ratings' RAC ratio before diversification	28.3	30.9	N/A	N/A	--
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	--
Net interest income/operating revenues	69.6	67.6	69.2	71.7	--
Fee income/operating revenues	18.6	17.0	18.8	18.3	--
Market-sensitive income/operating revenues	11.0	14.6	11.3	9.2	--
Cost to income ratio	47.0	45.2	48.6	48.9	--
Provision operating income/average assets	0.7	0.7	0.6	N/A	--
Core earnings/average managed assets	0.6	0.7	0.6	N/A	--

N.M.--Not meaningful. N/A--Not applicable.

Thurgauer Kantonalbank RACF data

(CHF 000s)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	6,741,087	0	0	26,532	0
Of which regional governments and local authorities	737,000	0	0	26,532	4
Institutions and CCPs	2,221,385	912,718	41	300,082	14
Corporate	1,635,121	1,325,108	81	1,225,824	75
Retail	25,101,751	11,351,469	45	6,716,797	27
Of which mortgage	20,954,930	7,659,846	37	4,228,705	20
Securitization§	0	0	0	0	0
Other assets†	118,718	0	0	106,846	90
Total credit risk	35,818,062	13,589,295	38	8,376,082	23
Credit valuation adjustment					
Total credit valuation adjustment	'--	85,079	'--	0	'--
Market Risk					
Equity in the banking book	33,705	0	0	252,788	750
Trading book market risk	'--	79,813	'--	119,719	'--
Total market risk	'--	79,813	'--	372,507	'--
Operational risk					
Total operational risk	'--	699,230	'--	967,839	'--
(CHF 000s)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification	'--	14,639,596	'--	9,716,427	100
Total Diversification/Concentration Adjustments	'--	'--	'--	2,098,985	22
RWA after diversification	'--	14,639,596	'--	11,815,412	122
S&P Global RAC ratio (%)					
(CHF 000s)	Tier 1 capital		Tier 1 ratio (%)	Total adjusted capital	
Capital ratio	S&P Global Ratings RWA		S&P Global Ratings RWA	S&P Global Ratings RWA	
Capital ratio before adjustments	2,751,000		18.8	2,745,250	
				28.3	

Thurgauer Kantonalbank RACF data

(CHF 000s)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Capital ratio after adjustments‡		2,751,000	18.8	2,745,250	23.2

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RACF--Risk-adjusted capital framework. RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CHF -- Swiss Franc. Sources: Company data as of 'Dec. 31 2024', S&P Global Ratings.

Thurgauer Kantonalbank Risk Position

(%)	2024	2023	2022	2021	2020
Growth in customer loans	5.9	3.4	5.8	N.M.	--
Total diversification adjustment/S&P Global Ratings' RWA before diversification	21.6	22.5	N/A	N/A	--
Total managed assets/adjusted common equity (x)	12.9	12.2	13.0	12.3	--
New loan loss provisions/average customer loans	0.0	0.1	0.0	N/A	--
Net charge-offs/average customer loans	0.0	0.0	N.M.	N.M.	--
Gross nonperforming assets/customer loans + other real estate owned	0.7	0.6	0.6	0.4	--
Loan loss reserves/gross nonperforming assets	35.4	37.6	36.7	54.5	--
N.M.--Not meaningful.					

Thurgauer Kantonalbank Funding And Liquidity

(%)	2024	2023	2022	2021	2020
Core deposits/funding base	59.2	62.59	61.7	66.8	--
Customer loans (net)/customer deposits	141.3	136.8	131.6	126.8	--
Long-term funding ratio	87.8	91.1	83.5	91.8	--
Stable funding ratio	107.3	110.1	104.3	110.6	--
Short-term wholesale funding/funding base	13.2	9.7	17.9	9.0	--
Regulatory net stable funding ratio	132.2	133.1	136.5	137.0	--
Broad liquid assets/short-term wholesale funding (x)	1.6	2.1	1.3	2.2	--
Broad liquid assets/total assets	18.9	18.2	20.7	17.7	--
Broad liquid assets/customer deposits	35.1	32.0	36.8	29.1	--
Net broad liquid assets/short-term customer deposits	13.0	16.9	8.0	16.2	--
Regulatory liquidity coverage ratio (LCR) (x)	168.2	140.7	136.7	157.1	--
Short-term wholesale funding/total wholesale funding	32.4	26.0	46.8	27.0	--
Narrow liquid assets/3-month wholesale funding (x)	2.3	2.6	2.1	3.2	--

Related Criteria

- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024

- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Banking Industry Country Risk Assessment: Switzerland](#), March 31, 2025

Ratings Detail (as of June 17, 2025)*

Thurgauer Kantonalbank	
Issuer Credit Rating	AA/Stable/A-1+
Issuer Credit Ratings History	
09-Jan-2025	AA/Stable/A-1+
Sovereign Rating	
Switzerland	AAA/Stable/A-1+
<small>*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.</small>	

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