

RatingsDirect®

Volkswagen Bank GmbH

Primary Credit Analyst:

Harm Semder, Frankfurt +49 69 33999 158; harm.semder@spglobal.com

Secondary Contacts:

Heiko Verhaag, CFA, FRM, Frankfurt +49 69 33999 215; heiko.verhaag@spglobal.com

Benjamin Heinrich, CFA, FRM, Frankfurt +49 69 33999 167; benjamin.heinrich@spglobal.com

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Rating Score Snapshot

Issuer Credit Rating
 BBB+/Stable/A-2

SACP: **bbb+** → Support: **0** → Additional factors: **0**

Anchor	bbb+		ALAC support	0	<table border="1"> <tr> <th colspan="2">Issuer credit rating</th> </tr> <tr> <td colspan="2" style="text-align: center;">BBB+/Stable/A-2</td> </tr> </table>	Issuer credit rating		BBB+/Stable/A-2	
Issuer credit rating									
BBB+/Stable/A-2									
Business position	Moderate	-1	GRE support	0					
Capital and earnings	Very strong	+2	Group support	0					
Risk position	Adequate	0	Sovereign support	0					
Funding	Moderate	-1							
Liquidity	Adequate								
CRA adjustment	0								

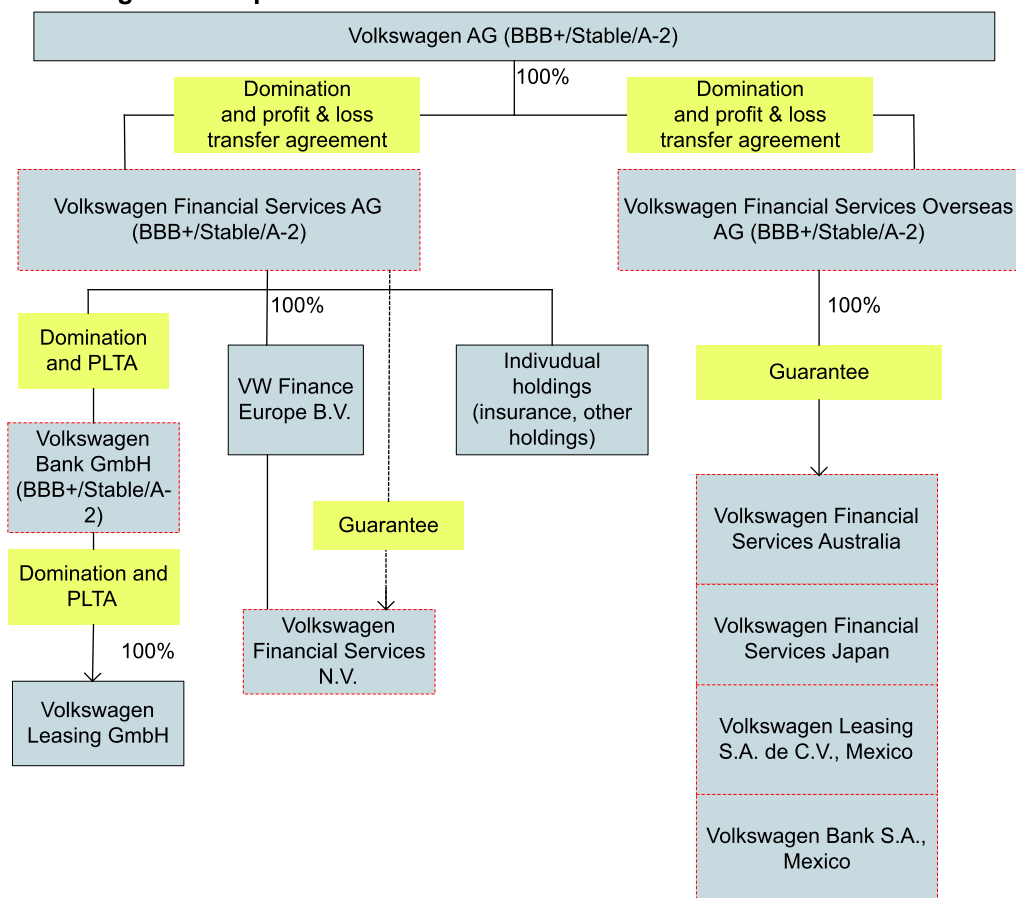
ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Very strong capitalization and solid earnings base.	Monoline business model with dependence on the parent's auto sales and brand reputation.
Deep integration into Volkswagen AG's (VW's) captive finance value chain, with clear strategic objectives.	Concentrated exposure and volatility in the car finance and leasing business.
	Increased dependence on wholesale funding markets.

Volkswagen Bank GmbH's (VW Bank's) integral role in and businesses support for VW's mobility strategy are reinforced by the latter's reorganization. VW completed the reorganization of its captive finance entities on July 1, 2024, streamlining new nonoperating holding company Volkswagen Financial Services AG (VWFS Europe) with its largest core subsidiary, VW Bank, for its European captive finance business. Renamed nonoperating holding company Volkswagen Financial Services Overseas AG (VWFS Overseas; before July 1, 2024, known as Volkswagen Financial Services AG) is conducting international non-European businesses. We consider VW Bank and its financial services affiliates integral to the group's strategy--the ability to provide financial services and generate income through related services helps to promote the sale of VW's products, supports VW dealers, and strengthens customer relationships (for more information, see "VW's Captive Finance Entities Affirmed At 'BBB+/A-2' After Reorganization; New Entity Rated; Outlook Stable," published July 1, 2024, on RatingsDirect).

VW's reorganized captive finance entities

Source: S&P Global Ratings.

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VW Bank's business position as Europe's leading captive finance bank strengthened. It now consolidates the group's European leasing business, which we see positively with regard to the bank's scale and revenue diversification. VW anticipates its mobility strategy will push solid growth in its financial services business due to changing customer preferences. We expect new business growth in leasing to outpace lending growth. VW Bank is by far VWFS Europe's largest operating entity, with activity in 10 countries and whose assets (pro forma the 2024 consolidation) almost doubled to an estimated €130 billion at year-end 2023. We anticipate that the leasing business has become the business' dominant segment, followed by retail financing and dealer financing. We note the sound financial prospects of VW Bank's strong regional European business diversity. Moreover, we think the leasing business promotes sales of electric vehicles, which are a clear focus for the automaker.

Regulatory supervision and oversight are strengthened for VW Bank and VWFS Europe. Both are supervised by the European Central Bank and subject to consolidated regulatory capital requirements. We expect both subgroups to maintain sufficient strong capital cushions and think they have strong financial flexibility to manage increases in capital requirements at individual entities following VW's group restructuring and capital allocations within the group. For

example, individual entities may take steps to retain more capital, such as increasing earnings retention, or VW may provide a capital injection. We also assume that VWFS Europe and VW Bank will build a sizable capital buffer to cover the likely increase in residual value risk from the concerted move toward leasing. We understand VW Bank and the Single Resolution Board are in discussions regarding the group's resolution strategy and potential minimum requirement for its own funds and eligible liabilities (MREL).

VW Bank expects to maintain very strong capitalization, which we view as its main rating strength. We think the bank will maintain very strong capitalization and good earnings generation, reflecting also its commitment to sustain high capital ratios in its EU banking business. Despite the leasing business' greater volatility, we expect solid earnings on enlarged business opportunities. Accordingly, we project VW Bank will maintain its very strong capitalization, as indicated by its S&P Global Ratings risk-adjusted capitalization (RAC) ratio remaining above 15%. Considering that local GAAP results under Handelsgesetzbuch (HGB; the German commercial code) will be distributed to VWFS Europe based on the domination and profit-and-loss transfer agreement, we expect relatively stable equity under IFRS. We also think that, in case of additional capital needs, VW will support VW Bank's business growth in its groupwide capital allocation.

VW Bank's expected maintenance of sound asset quality and prudent risk management balance its auto sector concentration. We think risks from the bank's domestic and European auto loans, dealer financings, and enlarged residual value risk from leasing business are well managed and adequately captured in our RAC ratio. We also take into account that VW Bank's auto loans are highly collateralized, and see its loss experience as in line with peers'. Generally, we think the risks that the bank assumes show low complexity.

VW Bank's combined funding and liquidity is a somewhat negative in our rating assessment. Specifically, we assess the bank's funding profile as slightly negative and its liquidity position as in line with peers. VW Bank continues to manage well its funding and liquidity position. However, we think its integration of VW Leasing has temporarily weakened its funding profile by making it more dependent on wholesale markets. We estimate that the bank's large customer deposits share material diluted to 45%-50% of its funding base due to consolidation of primarily wholesale funded leasing business, down from about a 79% deposit share of VW Bank's funding at year-end 2023 (before the reorganization). Over the next few years, we will monitor VW Bank's plans to substantially expand its deposit business to fund its expected strong growth in the leasing business. Growth in line with management's expectations could prompt us to revise upward our stand-alone funding assessment for the bank. Generally, we consider VW Bank's direct bank customer deposits somewhat more price-sensitive and less stable than those of large retail banks. However, VW Bank's granular deposit and customer base, largely covered by the statutory deposit protection scheme, has in our view proven robust, underlining its deposit franchise. We further expect that the bank would have access to funding from its parent in the event of financial distress.

Outlook

The stable outlook indicates that we expect the bank to remain key to VW's value proposition. In addition, we expect VW Bank to smoothly integrate VW Leasing and maintain sound financial and funding profiles, supported by very strong capitalization, over the next two years.

Downside scenario

We view a downgrade of VW Bank as unlikely as long as VW maintains its credit strength. We would only consider downgrading VW Bank if its strategic relevance to the group had weakened so that we no longer considered it a core part of VWFS Europe, and we also revised down its stand-alone credit profile (SACP). Because we classify the bank as an insulated entity, we would not downgrade it solely because we had taken a similar rating action on the parent.

Upside scenario

We would consider an upgrade to VW Bank if VW's credit profile improved, increasing its capacity to provide extraordinary support to VWFS Europe--and, therefore, to VW Bank. Although we consider such a scenario unlikely, we could also upgrade the bank if more efficient operations significantly strengthened its risk-adjusted profitability and it increased the proportion of stable relationship deposits in its overall funding profile.

Key Metrics

Volkswagen Bank GmbH--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	2022a	2023a	2024f*	2025f*	2026f*
Growth in operating revenue	(3.9)	3.0	N/A	N/A	N/A
Growth in customer loans	5.2	6.0	N/A	N/A	N/A
Growth in total assets	(8.5)	17.7	N/A	N/A	N/A
Net interest income/average earning assets (NIM)	2.6	2.8	N/A	N/A	N/A
Cost to income ratio	47.0	45.9	N/A	N/A	N/A
Return on average common equity	4.2	5.8	N/A	N/A	N/A
Return on assets	0.7	1.0	N/A	N/A	N/A
New loan loss provisions/average customer loans	0.3	0.3	N/A	N/A	N/A
Gross nonperforming assets/customer loans	2.4	2.4	N/A	N/A	N/A
Net charge-offs/average customer loans	0.1	0.1	N/A	N/A	N/A
Risk-adjusted capital ratio	21.4	21.8	N/A	N/A	N/A

Note: All figures are S&P Global Ratings-adjusted. *On July 1, 2024, Volkswagen Bank's ultimate parent, VW, reorganized its financial services entities and VW Bank now owns a leasing entity, Volkswagen Leasing GmbH. In light of this reorganization, we are revising key forecasts for this bank. NIM--Net interest margin. a--Actual. f--Forecast. N/A--Not applicable.

Support: Credit Strength Is In Line With The Parent's

We expect VW Bank to remain a significant earnings contributor to its direct parent VWFS Europe, and its captive finance operations are integral to VW's sales strategy. We therefore view VW Bank as having a core strategic importance to VW's business model, indicating our expectation of likely group support from the ultimate parent under any foreseeable circumstances. We see the rating on VW as a floor for our rating on VW Bank as long as the bank remains a core subsidiary.

At the same time, we consider VW Bank somewhat insulated from its corporate parent, making it potentially eligible for a rating above that on the parent if its SACP justifies this, which is currently not the case. This reflects VW Bank's regulatory status as a bank, its independent operational setup, and its funding independence from the parent, despite some intercompany funding. Regulatory restrictions regarding liquidity, capital, and funding could prevent VW Bank from supporting the group to an extent that would jeopardize the bank's creditworthiness.

Environmental, Social, And Governance (ESG)

ESG credit factors have an overall neutral influence on our credit rating analysis of VW Bank. In our view, the bank's concentrated activities in car financing expose it to environmental risks to a somewhat larger extent than other banking peers. In particular, we see VW Bank as more exposed to carbon dioxide regulations for automakers in the EU and the secular shift to electric vehicles. Nevertheless, the bank plays a key role in promoting the sales of electric vehicles and, through this, reduces the negative environmental impact of VW's fleet.

Key Statistics

Table 1

Volkswagen Bank GmbH--Key figures					
	--Year ended Dec. 31--				
(Mil. €)	2023	2022	2021	2020	2019
Adjusted assets	72,073	61,221	67,247	66,908	68,406
Customer loans (gross)	54,756	51,678	49,119	54,154	58,038
Adjusted common equity	10,473	9,425	9,925	9,116	8,976
Operating revenue	1,720	1,670	1,737	1,747	1,710
Noninterest expense	789	785	808	763	793
Core earnings	640	462	779	603	555

Table 2

Volkswagen Bank GmbH--Business position					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Total revenue from business line (mil. €)	1,720	1,670	1,737	1,844	1,713
Commercial banking/total revenue from business line	24.3	18.6	15.5	13.1	15.8

Table 2

Volkswagen Bank GmbH--Business position (cont.)					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Retail banking/total revenue from business line	68.0	68.4	71.6	69.6	75.3
Commercial and retail banking/total revenue from business line	92.3	87.0	87.0	82.7	91.1
Insurance activities/total revenue from business line	4.1	5.0	5.7	6.5	7.8
Other revenue/total revenue from business line	3.6	8.0	7.3	10.8	1.1
Return on average common equity	5.8	4.2	7.4	6.6	5.0

Table 3

Volkswagen Bank GmbH--Capital and earnings					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Tier 1 capital ratio	17.5	18.3	19.0	18.1	15.6
S&P Global Ratings' RAC ratio before diversification	21.8	21.4	22.5	17.3	17.5
S&P Global Ratings' RAC ratio after diversification	20.7	20.3	22.6	17.5	17.7
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenue	92.2	87.0	87.0	87.3	91.3
Fee income/operating revenues	3.7	6.2	6.7	6.0	0.0
Market-sensitive income/operating revenue	(0.1)	(0.1)	(1.2)	0.3	(0.2)
Cost to income ratio	45.9	47.0	46.5	43.7	46.4
Preprovision operating income/average assets	1.4	1.4	1.4	1.5	1.2
Core earnings/average managed assets	1.0	0.7	1.2	0.9	0.7

RAC-Risk-adjusted capital.

Table 4

Volkswagen Bank GmbH--Risk-adjusted capital framework data						
(Mil. €)	EAD(1)	Basel III RWA (2)	Average Basel III RW (%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)	
Government and central banks	16,162	2,838	18	704	4	
Of which regional governments and local authorities	882	0	0	32	4	
Institutions and CCPs	1,391	225	16	375	27	
Corporate	22,113	20,088	91	16,049	73	
Retail	31,794	23,763	75	18,393	58	
Of which mortgage	0	0	0	0	0	
Securitization (3)	522	188	36	261	50	
Other assets(4)	4,364	3,441	79	7,871	180	
Of which deferred tax assets	1,130	--	--	4,237	4	
Of which amount of over (-) or under (+) capitalization of insurance subsidiaries	0	--	--	0	0	
Total credit risk	76,346	50,541	66	43,653	57	
Total credit valuation adjustment	--	50	--	0	--	
Equity in the banking book	22	22	100	185	841	

Table 4

Volkswagen Bank GmbH--Risk-adjusted capital framework data (cont.)					
Trading book market risk	--	0	--	0	--
Total market risk	--	22	--	185	--
Total operational risk	--	3,550	--	4,190	--
RWA before diversification	--	54,725	--	48,028	100
Single name (on corporate portfolio) (5)	--	--	--	5,159	32
Sector (on corporate portfolio)	--	--	--	1,060	5
Geographic	--	--	--	(639)	(1)
Business and risk type	--	--	--	(2,992)	(6)
Total diversification/ concentration adjustments	--	--	--	2,589	5
RWA after diversification	--	54,725	--	50,617	105
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio before adjustments		9,601	17.5	10,473	21.8
Capital ratio after adjustments (6)		9,601	17.5	10,473	20.7

Footnotes: (1) EAD: Exposure At Default (2) RWA: Risk-Weighted Assets (3) Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework (4) Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE (5) For Public-Sector Funding Agencies, the single name adjustment is calculated on the regional government and local authorities portfolio (6) For Tier 1 ratio, adjustments are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons)

Table 5

Volkswagen Bank GmbH--Risk position					
(%)	--Year ended Dec. 31--				
	2023	2022	2021	2020	2019
Growth in customer loans	6.0	5.2	(9.3)	(6.7)	(19.2)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	5.4	5.3	(0.5)	(1.2)	(1.0)
Total managed assets/adjusted common equity (x)	6.9	6.5	6.8	7.3	7.6
New loan loss provisions/average customer loans	0.3	0.3	(0.3)	0.4	0.2
Net charge-offs/average customer loans	0.1	0.1	0.3	0.4	0.1
Gross nonperforming assets/customer loans + other real estate owned	2.4	2.4	2.4	2.6	2.3
Loan loss reserves/gross nonperforming assets	65.8	66.9	69.5	78.4	81.6

RWA--Risk-weighted assets.

Table 6

Volkswagen Bank GmbH--Funding and liquidity					
(%)	--Year ended Dec. 31--				
	2023	2022	2021	2020	2019
Core deposits/funding base	78.5	67.8	64.5	65.7	69.0
Customer loans (net)/customer deposits	116.6	157.2	140.7	149.8	148.9
Long-term funding ratio	86.1	95.0	97.2	92.3	93.9
Stable funding ratio	105.1	101.8	118.8	105.1	99.4
Short-term wholesale funding/funding base	16.6	6.1	3.4	9.2	7.2
Regulatory net stable funding ratio	118.7	137.5	137.5	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	1.6	2.4	8.4	2.1	1.7

Table 6

Volkswagen Bank GmbH--Funding and liquidity (cont.)					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Broad liquid assets/total assets	21.2	11.6	22.5	15.9	9.7
Broad liquid assets/customer deposits	33.1	21.9	44.2	30.0	17.4
Net broad liquid assets/short-term customer deposits	12.7	14.0	42.2	17.2	7.5
Regulatory liquidity coverage ratio (LCR) (%)	236.5	213.8	213.8	N/A	N/A
Short-term wholesale funding/total wholesale funding	77.0	19.1	9.5	26.9	23.2
Narrow liquid assets/3-month wholesale funding (x)	10.2	14.4	89.2	4.4	5.4

N/A--Not applicable.

Volkswagen Bank GmbH--Rating component scores	
Issuer Credit Rating	BBB+/Stable/A-2
SACP	bbb+
Anchor	bbb+
Economic risk	2
Industry risk	4
Business position	Moderate
Capital and earnings	Very strong
Risk position	Adequate
Funding	Moderate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, 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: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Bulletin: Volkswagen's Profit Warning Makes Progress On Cost Cuts More Urgent, Oct. 1, 2024
- Bulletin: Volkswagen's Restructuring Will Yield Long-Term Gains To Offset Short-Term Pain, Sept. 13, 2024
- VW's Captive Finance Entities Affirmed At 'BBB+/A-2' After Reorganization; New Entity Rated; Outlook Stable, July 1, 2024
- German Banks In 2024: Rating Resilience Despite Economic Underperformance, Jan. 24, 2024
- Volkswagen Bank GmbH, Nov. 7, 2023

Ratings Detail (As Of December 6, 2024)*

Volkswagen Bank GmbH

Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
<i>Local Currency</i>	A-2
Senior Subordinated	BBB
Senior Unsecured	BBB+
Short-Term Debt	A-2

Issuer Credit Ratings History

24-Jun-2021	BBB+/Stable/A-2
12-Oct-2015	A-/Negative/A-2
24-Sep-2015	A/Watch Neg/A-1

Sovereign Rating

Germany	AAA/Stable/A-1+
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Related Entities

Banco Volkswagen S.A.

Issuer Credit Rating	
<i>Brazil National Scale</i>	brAAA/Stable/--

Navistar Financial, S.A. de C.V. SOFOM, E.R.

Issuer Credit Rating	
<i>CaVal (Mexico) National Scale</i>	mxAA+/Stable/mxA-1+
Senior Unsecured	
<i>CaVal (Mexico) National Scale</i>	mxAA+
Short-Term Debt	
<i>CaVal (Mexico) National Scale</i>	mxA-1+

Scania AB (publ.)

Issuer Credit Rating	BBB/Stable/A-2
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Ratings Detail (As Of December 6, 2024)*(cont.)

<i>Nordic Regional Scale</i>	--/--/K-2
<i>South Africa National Scale</i>	zaAAA/--/zaA-1+
Skofin s.r.o.	
Commercial Paper	
<i>Local Currency</i>	A-2
TRATON Finance Luxembourg S.A.	
Senior Unsecured	BBB
TRATON SE	
Issuer Credit Rating	BBB/Stable/A-2
Volkswagen AG	
Issuer Credit Rating	BBB+/Stable/A-2
Volkswagen Financial Services AG	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
<i>Local Currency</i>	A-2
Senior Unsecured	BBB+
Short-Term Debt	A-2
Volkswagen Financial Services N.V.	
Commercial Paper	
<i>Local Currency</i>	A-2
Senior Unsecured	BBB+
Short-Term Debt	A-2
Volkswagen Financial Services Overseas AG	
Issuer Credit Rating	BBB+/Stable/A-2
Volkswagen Finans Sverige AB	
Issuer Credit Rating	
<i>Nordic Regional Scale</i>	--/--/K-1
Commercial Paper	
<i>Local Currency</i>	A-2
Volkswagen International Belgium S.A.	
Issuer Credit Rating	BBB+/Stable/A-2
Volkswagen Leasing S.A. de C.V.	
Senior Secured	
<i>CaVal (Mexico) National Scale</i>	mxAAA
Short-Term Debt	
<i>CaVal (Mexico) National Scale</i>	mxA-1+

*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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