

Nykredit Realkredit A/S

Primary Credit Analyst:

Niklas Dahlstrom, Stockholm +46 84405358; niklas.dahlstrom@spglobal.com

Secondary Contact:

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

Table Of Contents

Ratings Score Snapshot

Credit Highlights

Outlook

Key Metrics

Environmental, Social, And Governance (ESG)

Issue Ratings

Resolution Counterparty Ratings (RCRs)

Key Statistics

Related Criteria

Related Research

Nykredit Realkredit A/S

Ratings Score Snapshot

Global Scale Ratings

Issuer Credit Rating

A+/Stable/A-1

Resolution Counterparty Rating

AA-/--/A-1+

SACP: a-

Support: +2

Additional factors: 0

Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

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

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+

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

Dominant and cost-efficient franchise in the Danish mortgage banking sector.

Strong risk-adjusted capitalization and substantial additional loss-absorbing capacity (ALAC).

Highly collateralized loan book and good asset quality.

Key risks

High concentration in the Danish real estate markets.

Significant reliance on wholesale funding.

Dependency on partner banks for distribution.

The Totalkredit alliance will continue to underpin Nykredit Realkredit A/S's (Nykredit) position as Denmark's premier mortgage provider. With total assets of Danish krone (DKK) 1.8 trillion (€241 billion) and a 45.6% share of the Danish mortgage market, we expect Nykredit will remain Denmark's largest mortgage provider. We anticipate Nykredit will continue to benefit from its partnership with 41 domestic banks through its subsidiary Totalkredit. This has enabled its high-above-market-average growth in new lending and provides a very cost-efficient business model as indicated by its 30% cost-to-income ratio in first-quarter 2025. Other banking services via Nykredit Bank, including wealth management services, complement the mortgage offering. Nykredit is one of Denmark's three largest asset managers, managing DKK475 billion (€64 billion) as of first-quarter 2025 including the Sparinvest partnership.

The profit-sharing model, funded by majority owner Forenet Kredit, was renegotiated in 2024 and extended to 2028. In our view, this will continue to support customer loyalty and enhance the institution's competitiveness and service offering.

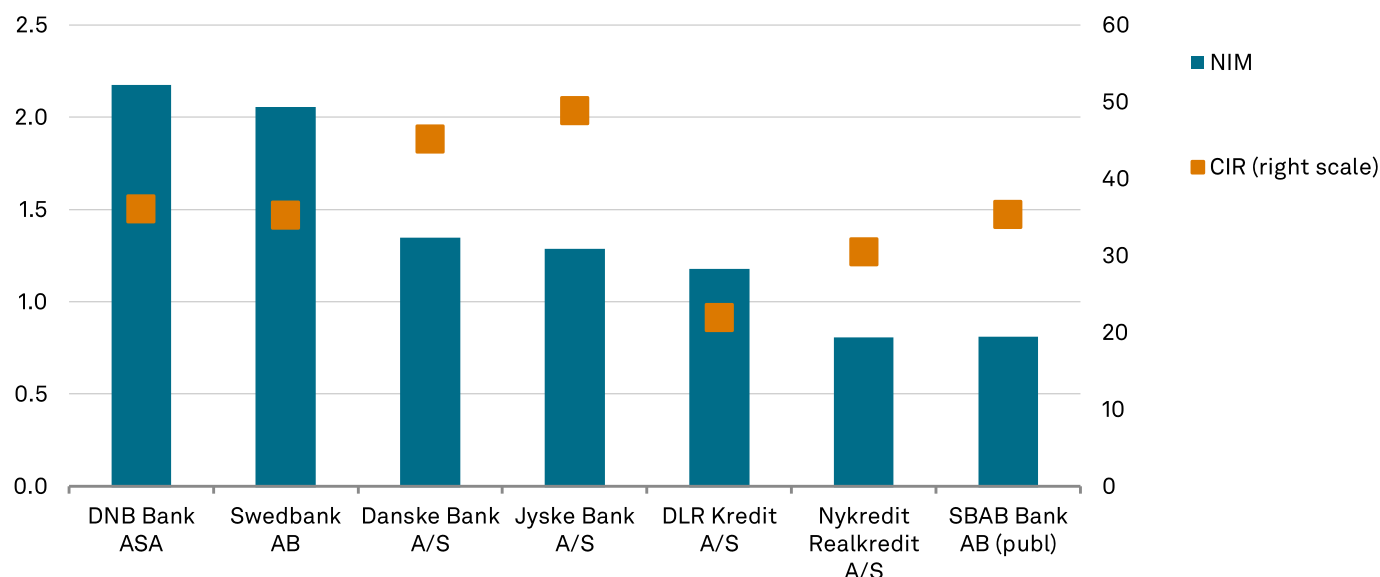
The Spar Nord acquisition has expanded Nykredit's commercial banking footprint. On May 28, 2025, Nykredit announced the completion of the acquisition of Spar Nord. We estimate that the acquisition will increase Nykredit's bank lending volumes by about 60%, diversify its position in rural Denmark, and lift its market share in domestic bank lending to an estimated 13%, from 8% as of year-end 2024. Since Spar Nord is already a partner bank in the Totalkredit alliance, we expect the merger will have a limited impact on the group's total lending volumes. Similarly, considering the historic partnership and Nykredit's longstanding ownership of a minority stake in Spar Nord, we see only moderate integration risk from the transaction.

We expect the acquisition will boost earnings and compensate for declining interest rates. We forecast net income of DKK11.8 billion-DKK13.7 billion over 2025-2027, compared with DKK11.6 billion (€1.55 billion) in 2024, supported by organic loan growth of 4%-6% and DKK1.5 billion-DKK2.0 billion in additional profits from the acquisition. We expect this will be partly counterbalanced by income pressure from declining interest rates. Moreover, we believe Nykredit will realize cost synergies from the acquisition further out in our forecast horizon. Altogether, this results in a projected annual return on average equity of 11%-12%, from 11.6% in first-quarter 2025, and cost-to-income of 32%-36% (30.5% as of first-quarter 2025).

Chart 1

Nykredit's high cost efficiency partly balance its low-margin business focus

Net interest margin and cost to income (%)



Data as of March 31, 2025. Source: S&P Global Ratings.

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We expect capitalization will remain a rating strength despite a manageable decline due to the acquisition. We forecast Nykredit's risk-adjusted capital (RAC) ratio at 11.3%-12.3% over 2025-2027, from 13.7% as of Dec. 31, 2024. This includes new capital generation of DKK5.5 billion-DKK6.5 billion annually (assuming dividends of 50% of net income) and growth in risk-weighted assets (RWAs) of about 14%-15% in 2025, and 4%-5% in 2026-2027.

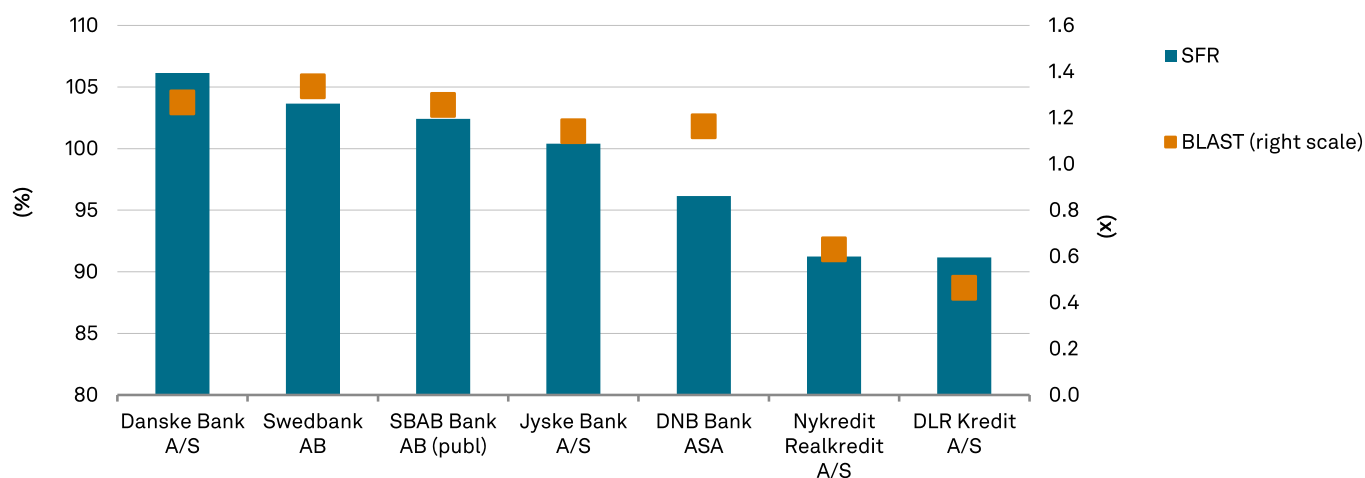
Similarly, we estimate that Nykredit's high 20.7% regulatory common equity tier 1 (CET1) ratio as of March 31, 2025, will dilute by 300bps-400bps at the closing of the Spar Nord acquisition, but remain comfortably above the 13.3% CET regulatory minimum requirement. Moreover, our qualitative assessment of Nykredit's capital position is further supported by the capital reserve of DKK23.2 billion (as of year-end 2024) at majority shareholder Forenet Kredit, which is explicitly earmarked to support the banking group.

Our base case assumes sustained asset quality owing to strongly performing domestic labor markets combined with declining interest rates. While tail risk from geopolitical and global macroeconomic uncertainty persists, we see limited pressures on Nykredit's asset quality in our base-case scenario. Over 2025-2027, we forecast Nykredit's nonperforming assets ratio at 1.2%-1.5%, compared to 1.15% as of March 31, 2025. Consequently, we project cost of risk will remain contained at 1-3 bps annually over the same period, from an annualized 2 bps as of first-quarter 2025. The Danish economy's continued strong performance and historically low domestic unemployment supports our view. In our opinion, Nykredit mitigates its inherent concentration risk by very high collateralization, with mortgage loans accounting for 93% of total loans and an average loan-to-value of 54.2% as of first-quarter 2025. We continue to view Nykredit's asset quality as highly correlated with, and benefitting from, the resilient Danish economy and balanced growth in real domestic housing prices. We also expect that Nykredit will continue to manage well its riskier exposures to sectors within commercial real estate and agriculture.

The deep and well-functioning domestic covered bond market will continue to support Nykredit's funding profile, in our view. Nykredit's matched funding profile is based on the Danish balance principle, which--coupled with the supportive characteristics of the Danish covered bond market--mitigates the bank's significant dependence on wholesale funding. This dependence results in funding and liquidity metrics that are weaker than those of international peers, as reflected in the stable funding ratio of 91% as year-end 2024. This funding structure also weighs on our one-year liquidity metric, measuring broad liquid assets to short-term funding, which stood at 0.63x as of Dec. 31, 2024. However, this is predominantly driven by the Danish structure in which mortgage lending is funded via covered bonds, which we consider more stable than unsecured market funding. As of year-end 2024, covered bonds accounted for 93% of Nykredit's total wholesale funding and close to 97% of total bonds maturing in 2025. We anticipate that the Danish covered bond market, as a key investment target for Danish pension funds, will continue to perform amid financial turmoil, as was demonstrated during the pandemic in 2020 and the financial turbulence at the start of 2022 and in 2023.

Chart 2

Nykredit's higher use of wholesale funding results in weaker funding and liquidity metrics compared to peers



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

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We anticipate that the long-term issuer credit rating on Nykredit will continue to include two notches of additional loss-absorbing capacity (ALAC) uplift. To support the acquisition and to maintain a buffer against the Danish debt buffer requirement of 8% of total liabilities and own funds, Nykredit has issued DKK11.2 billion in senior nonpreferred debt, and a tier 2 instrument of DKK5.6 billion in first-quarter 2025. This brings the ALAC buffer to an aggregated DKK68 billion (€9.2 billion), equivalent to 9.7% of S&P Global Ratings RWA as of year-end 2024—comfortably above our 6% threshold for two notches of rating uplift.

Outlook

The stable outlook reflects our expectation that Nykredit will sustain a sound financial profile, with strong capitalization and a substantial ALAC buffer, over the next two years. In our base case, we expect Nykredit will effectively integrate Spar Nord with a manageable capital impact and that improved earnings capacity following the merger will support long-term capital generation.

Downside scenario

We could lower the rating if Nykredit's RAC ratio declined and stayed below 10% or if ALAC buffers fell below our 6% threshold, reducing the protection that this buffer provides to senior unsecured creditors. We could also take a negative rating action if substantial execution risks emerge following the Spar Nord acquisition.

Upside scenario

We consider an upgrade unlikely at this stage given the group's concentrated business model. A future upgrade would likely be supported by Nykredit's RAC ratio exceeding 15% but would also depend also on its overall creditworthiness being on par with that of higher-rated European peers.

Key Metrics

Nykredit Realkredit A/S--Key ratios and forecasts

	--Fiscal year ended 00. 31 --				
(%)	2023a	2024a	2025f	2026f	2027f
Growth in operating revenue	15.2	5.2	14.8-15.6	4.1-4.3	3.3-3.5
Growth in customer loans	5.0	5.3	8.8-9.3	4.9-5.1	4.9-5.1
Growth in total assets	5.1	5.4	8.2-8.6	4.5-4.7	4.2-4.4
Net interest income/average earning assets (NIM)	1.0	0.9	0.8-0.9	0.8-0.9	0.8-0.9
Cost to income ratio	32.0	32.3	36.1-36.8	32.0-32.7	31.6-32.2
Return on average common equity	11.4	11.7	11.0-11.6	11.5-12.1	11.3-11.9
Return on assets	0.7	0.7	0.6-0.7	0.6-0.7	0.6-0.7
New loan loss provisions/average customer loans	0.0	0.0	0.0-0.0	0.0-0.1	0.0-0.1
Gross nonperforming assets/customer loans	1.1	1.2	1.2-1.4	1.3-1.4	1.3-1.5
Net charge-offs/average customer loans	0.0	0.0	0.0-0.0	0.0-0.0	0.0-0.0
Risk-adjusted capital ratio	13.4	13.7	11.0-12.0	11.3-12.3	11.3-12.3

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Environmental, Social, And Governance (ESG)

Overall, environmental, social, and governance factors have a neutral impact on our credit rating analysis of Nykredit. Being primarily owned by its customers, environmental and social factors are central to the group's value proposition,

with the aim to enhance the bank's profile as a mutual, responsible, and sustainable financial provider.

In 2024, Nykredit published an updated Climate Transition Plan outlining specific carbon reduction targets and initiatives across various sectors. Nykredit has launched several green products to private, business, agricultural, and investment customers, including green home and car loans, as well as tools for energy optimization. As of year-end 2024, the group had issued a total of DKK36.6 billion in green mortgage bonds and DKK1.7 billion in green senior nonpreferred bonds and tier 2 capital instruments under its green bond framework.

ESG risks are embedded in Nykredit's risk management framework. As of March 31, 2025, provisions for ESG risks stood at DKK1.3 billion. Apart from agriculture, the bank has limited exposure to sectors that are vulnerable to climate transition risks.

We consider governance is in line with best practices and are a neutral factor for Nykredit. We see that the group has independent board members (four out of 15 board members), with relevant experience and an effective influence on decision-making.

Issue Ratings

We rate Nykredit's senior nonpreferred debt 'BBB+', one notch below the bank's stand-alone credit profile (SACP). This reflects the debt's contractual subordination to senior preferred notes.

We rate Nykredit's nondeferrable subordinated debt instruments 'BBB', two notches below the bank's SACP. The rating reflects our view of the debt's contractual subordination as a Tier 2 instrument and the fact that the Bank Recovery And Resolution Directive is equivalent to a contractual write-down clause.

We rate Nykredit's additional Tier 1 instruments with a going-concern trigger 'BB+', four notches lower than the bank's SACP, reflecting our deduction of:

- One notch for contractual subordination;
- Two notches for the instruments' status as Tier 1 regulatory capital; and
- One notch because the instruments allow for the full or partial temporary write-down of the principal amount.

Resolution Counterparty Ratings (RCRs)

We assign RCRs of 'AA-/A-1+' to Nykredit, one notch above the long-term issuer credit rating. The RCRs relate to certain senior liabilities that we consider to be explicitly protected from default in an effective bail-in resolution process.

Key Statistics

Table 1

Nykredit Realkredit A/S--Key figures					
--Fiscal year end Dec. 31--					
(Mil. DKK)	2025*	2024	2023	2022	2021
Adjusted assets	1,786,195	1,761,486	1,675,109	1,596,974	1,671,268
Customer loans (gross)	1,551,583	1,536,659	1,458,691	1,388,597	1,466,970
Adjusted common equity	94,259	91,294	84,826	81,627	79,716
Operating revenues	5,480	21,529	20,461	17,754	16,825
Noninterest expenses	1,669	6,956	6,555	6,320	6,207
Core earnings	3,001	11,733	10,892	9,454	8,870

*As of March 31, 2025. DKK--Danish krone.

Table 2

Nykredit Realkredit A/S--Business position					
--Fiscal year end Dec. 31--					
(%)	2025*	2024	2023	2022	2021
Total revenues from business line (currency in millions)	5,480.0	21,529.0	20,461.0	17,754.0	16,528.0
Commercial banking/total revenues from business line	21.2	22.2	21.8	18.5	18.5
Retail banking/total revenues from business line	57.0	59.7	62.1	62.2	59.9
Commercial & retail banking/total revenues from business line	78.2	81.9	83.9	80.7	78.5
Asset management/total revenues from business line	11.3	10.7	10.8	10.9	10.8
Other revenues/total revenues from business line	10.5	7.4	5.2	8.5	10.7
Return on average common equity	11.6	11.7	11.4	10.3	10.0

*As of March 31, 2025.

Table 3

Nykredit Realkredit A/S--Capital and earnings					
--Fiscal year end Dec. 31--					
(%)	2025*	2024	2023	2022	2021
Tier 1 capital ratio	21.5	21.3	21.2	20.4	21.5
S&P Global Ratings' RAC ratio before diversification	N/A	13.7	13.4	13.3	13.2
S&P Global Ratings' RAC ratio after diversification	N/A	11.8	11.1	11.5	11.0
Adjusted common equity/total adjusted capital	96.1	96.0	95.8	95.6	95.5
Net interest income/operating revenues	61.8	70.5	76.9	68.7	67.1
Fee income/operating revenues	2.5	1.4	0.7	0.5	1.0
Market-sensitive income/operating revenues	21.4	19.5	15.1	21.8	21.3
Cost to income ratio	30.5	32.3	32.0	35.6	36.9
Preprovision operating income/average assets	0.9	0.8	0.8	0.7	0.6
Core earnings/average managed assets	0.7	0.7	0.7	0.6	0.5

*As of March 31, 2025. RAC--Risk-adjusted capital. N/A--Not applicable.

Table 4

Nykredit Realkredit A/S--Risk-adjusted capital framework data					
(DKK 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	191,488,720	0	0	3,900,262	2
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	54,765,908	6,276,725	11	9,991,908	18
Corporate	434,636,770	134,938,200	31	272,477,647	63
Retail	1,136,250,902	159,429,125	14	276,458,889	24
Of which mortgage	1,107,191,671	149,287,250	13	257,227,000	23
Securitization§	0	0	0	0	0
Other assets†	3,838,218	45,391,063	1,183	4,109,711	107
Total credit risk	1,820,980,519	346,035,113	19	566,938,416	31
Credit valuation adjustment					
Total credit valuation adjustment	--	392,113	--	0	--
Market Risk					
Equity in the banking book	4,542,266	32,132,550	707	37,001,736	815
Trading book market risk	--	26,414,013	--	46,636,054	--
Total market risk	--	58,546,563	--	83,637,790	--
Operational risk					
Total operational risk	--	37,326,388	--	44,868,450	--
(DKK 000s)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings' RWA
Diversification adjustments					
RWA before diversification	--	477,452,400	--	840,675,027	100
Total Diversification/ Concentration Adjustments	--	--	--	145,230,371	21
RWA after diversification	--	477,452,400	--	840,142,947	121
(DKK 000s)	Tier 1 capital		Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)
Capital ratio					
Capital ratio before adjustments	101,150,784		21.2	98,060,973	13.7
Capital ratio after adjustments‡	101,150,784		21.3	98,060,973	11.3

*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 holdings in financial institutions.

‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. DKK -- Danish krone. Sources: Company data as of Dec. 31 2024, S&P Global Ratings.

Table 5

Nykredit Realkredit A/S--Risk position					
(%)	--Fiscal year end Dec. 31--				
	2025*	2024	2023	2022	2021
Growth in customer loans	1.0	5.3	5.0	(5.3)	2.4

Table 5

Nykredit Realkredit A/S--Risk position (cont.)					
	--Fiscal year end Dec. 31--				
(%)	2025*	2024	2023	2022	2021
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	15.5	20.2	15.9	19.2
Total managed assets/adjusted common equity (x)	19.1	19.4	19.8	19.6	21.0
New loan loss provisions/average customer loans	0.0	(0.0)	(0.0)	0.0	0.0
Net charge-offs/average customer loans	(0.0)	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	1.2	1.2	1.1	1.2	1.5
Loan loss reserves/gross nonperforming assets	46.6	46.1	55.0	53.0	41.0

*As of March 31, 2025. RWA--Risk-weighted asset. N/A--Not applicable.

Table 6

Nykredit Realkredit A/S--Funding and liquidity					
	--Fiscal year end Dec. 31--				
(%)	2025*	2024	2023	2022	2021
Core deposits/funding base	7.6	7.6	7.7	7.7	6.4
Customer loans (net)/customer deposits	1,224.8	1,226.7	1,210.1	1,213.8	1,456.6
Long-term funding ratio	81.8	82.1	83.5	83.8	85.3
Stable funding ratio	91.1	91.2	93.0	93.6	94.9
Short-term wholesale funding/funding base	19.3	19.1	17.5	17.3	15.6
Regulatory net stable funding ratio	148.0	142.3	146.7	149.0	157.0
Broad liquid assets/short-term wholesale funding (x)	0.6	0.6	0.7	0.7	0.7
Broad liquid assets/total assets	11.2	11.1	11.4	11.5	10.3
Broad liquid assets/customer deposits	160.2	157.3	159.5	162.5	172.5
Net broad liquid assets/short-term customer deposits	(90.2)	(92.4)	(66.5)	(61.7)	(70.7)
Regulatory liquidity coverage ratio (%)	503.0	454.0	310.2	283.0	591.0
Short-term wholesale funding/total wholesale funding	20.9	20.6	18.9	18.6	16.6
Narrow liquid assets/3-month wholesale funding (x)	2.2	2.1	2.7	2.0	2.0

*As of March 31, 2025.

Nykredit Realkredit A/S--Rating component scores	
Issuer Credit Rating	A+ / Stable / A-1
SACP	a-
Anchor	bbb+
Economic risk	2
Industry risk	4
Business position	Adequate
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+2

Nykredit Realkredit A/S--Rating component scores (cont.)

Issuer Credit Rating	A+ / Stable / A-1
ALAC support	+2
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

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- 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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: April 2025, April 28, 2025
- Banking Industry Country Risk Assessment: Denmark, March 27, 2025
- The Top Trends Shaping European Bank Ratings In 2025, Jan. 27, 2025
- Nordic Banking Outlook 2025: Ample Resilience Amid Linger Uncertainty, Jan. 24, 2025
- Research Update: Denmark-Based Nykredit Realkredit 'A+ / A-1' Ratings Affirmed On Contemplated Acquisition Of Spar Nord; Outlook Stable, Dec. 18, 2024

Ratings Detail (As Of June 11, 2025)***Nykredit Realkredit A/S**

Issuer Credit Rating	A+ / Stable / A-1
Resolution Counterparty Rating	AA- / -- / A-1+
Junior Subordinated	BB+
Senior Secured	AA / Stable
Senior Secured	AAA / Stable
Senior Subordinated	BBB+

Ratings Detail (As Of June 11, 2025)*(cont.)

Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB
Issuer Credit Ratings History	
05-Nov-2019	A+/Stable/A-1
13-Jul-2018	A/Positive/A-1
08-Jul-2016	A/Stable/A-1
Sovereign Rating	
Denmark	AAA/Stable/A-1+
Related Entities	
Nykredit Bank A/S	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Certificate Of Deposit	
<i>Local Currency</i>	A-1
Senior Subordinated	BBB+
Senior Unsecured	A+
Subordinated	BBB

*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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