

This report does not constitute a rating action.

The aim of this newsletter is to provide a periodic update of selected commentaries and rating actions from S&P Global Ratings related to real estate. This edition covers the period from March 25, 2024, to 12:00 p.m. BST on April 8, 2024.

If you have comments or feedback on this edition, please [click here](#).

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Research Highlights

Global

Global Covered Bond Insights Q2 2024: Strong Start To The Year For Issuance (March 27, 2024)

Practice: Structured Finance

Segment: Commercial, Residential

The main driver behind strong covered bonds issuance is the retreat of central bank liquidity schemes, according to our latest global covered bond insights report. Issuance started the year on a robust footing, with broadly similar volumes compared to the same period in 2023.

[Click here to access the report »](#)

North America

North America Triple-Net Lease ABS Newsletter March 2024 (March 28, 2024)

Practice: Structured Finance

Segment: Commercial

We have published our inaugural North America triple-net lease asset-backed securities (ABS) newsletter in which we discuss rating performance and credit trends, as well as our 2024 outlook for the sector.

North American triple-net lease transactions consist of pools of commercial real estate properties rented out using triple-net or modified triple-net lease agreements. Under a triple-net lease, the tenant makes lease payments, pays real estate taxes, and insures and maintains the leased asset. The special-purpose entity (SPE) that issues the related notes holds a fee-simple title to the leased properties directly, or through wholly owned subsidiaries that are also SPEs. Performance of these transactions depends on two key sources of cash to repay the notes: lease payments and the sale proceeds of the underlying real estate.

[Click here to access the report »](#)

U.S. CMBS Overall Delinquency Rate Declined By 4 Bps To 4.4% In March 2024; Multifamily Had The Highest Increase (March 28, 2024)

Practice: Structured Finance

Segment: Commercial

In this report, we provides our observations and analyses of the U.S. private-label CMBS universe, which totaled \$717.0 billion as of March 2024. The overall U.S. CMBS delinquency (DQ) rate decreased by 4 bps month over month to 4.4% in March 2024. The rate increased 161 bps from a year earlier, which is a 56.0% year-over-year increase by DQ balance. By dollar amount, total delinquencies decreased to \$31.2 billion, representing a net month-over-month decrease of \$1.4 million and a net year-over-year increase of \$11.2 billion.

[Click here to access the report »](#)

U.S. Structured Finance Chart Book: March 2024 (March 26, 2024)

Practice: Structured Finance

Segment: Commercial, Residential

We have published our latest U.S. Structured Finance Chart Book. The report includes a roundup of the latest new issuance and credit developments that we have observed across structured finance sectors, along with data on issuance drivers, recent rating actions, and underlying performance indicators.

[Click here to access the report »](#)

Some U.S. Regional Banks Could Face Higher Risk If Commercial Real Estate Asset Quality Worsens (March 26, 2024)

Practice: Financial Institutions

Segment: Commercial

Commercial real estate (CRE) sectors, such as office, multifamily, retail, hotel, and industrial, have widely experienced falling prices, driven largely by the sharp rise in interest rates in 2023 and certain dynamics specific to each asset class. The impact of declining CRE prices on some regional banks' creditworthiness has come into further focus. Credit quality metrics, such as delinquencies and charge-offs--although rising--are still relatively benign for most banks. But criticized CRE loans have picked up and are high at some banks, particularly as more CRE loans reach maturity .

We examined how potential CRE stress could affect earnings in the event of greater CRE deterioration than our base case, which calls for a gradual increase in charge-offs over many quarters. Viewed from this lens, the banks with the highest exposure to CRE could face a strain on profits if they had to quickly build significantly higher allowances to withstand unexpected CRE deterioration in their portfolios. That could meaningfully hit those banks' quarterly earnings, and sensitivities to market confidence could lead to both customer and depositor attrition.

[Click here to access the report »](#)

Europe, Middle East, Africa

Bulletin: Vonovia's Disposals, Rental Growth, And Funding Access Mitigate Credit Pressure From Yield Expansion (April 4, 2024)

Practice: Corporates

Segment: Residential

Despite asset devaluations, S&P Global Ratings anticipates that German real estate company Vonovia should be able to reduce leverage as it planned because of its strong rental fundamentals and successful asset disposals.

[Click here to access the report »](#)

EMEA ABS And RMBS Counterparty Monitor Q1 2024 (April 4, 2024)

Practice: Structured Finance

Segment: Residential

We have published our EMEA ABS And RMBS Counterparty Monitor Q1 2024. The report increases the transparency of exposures to financial counterparties in European asset-backed securities (ABS) and residential mortgage-backed securities (RMBS) transactions, with summaries of the counterparties supporting the ratings on publicly rated ABS and RMBS transactions.

[Click here to access the report »](#)

EMEA Structured Finance Chart Book: March 2024 (March 28, 2024)

Practice: Structured Finance

Segment: Commercial, Residential

We have published our latest EMEA Structured Finance Chart Book. The report includes a roundup of the latest new issuance and credit developments that we have observed across structured finance sectors, along with data on issuance drivers, recent rating actions, and underlying performance indicators.

[Click here to access the report »](#)

Bulletin: Aedas Homes' Proposed Partial Buyback Of Senior Notes Will Help It Rein In Leverage (March 27, 2024)

Practice: Corporates

Segment: Residential

We view the partial tender offer by Spanish residential real estate developer Aedas Homes S.A. as opportunistic treasury management. The company has announced a tender offer of up to €50 million, while reserving the right to accept a higher or lower amount, on its outstanding €325 million green bond maturing in August 2026. It intends to buy back the senior notes using the cash available on its balance sheet. If completed, the transaction will reduce the company's gross debt, and thus reduce leverage.

The group's creditworthiness is underpinned by the resilience of demand for new housing in Spain, despite higher interest rates. In addition, Aedas Homes' future cash flow generation is highly visible because of the high proportion of units it presells. As of Dec. 31, 2023, it had presold 95% of the units due to be delivered within the fiscal year ending March 31, 2024, and 57% of those due to complete in fiscal 2024.

[Click here to access the report »](#)

Asia-Pacific

Indonesian Developers Could Opt For Debt Restructuring, Tender Offers As Maturity Wall Looms (April 8, 2024)

Practice: Corporates

Segment: Commercial, Residential

A key driver of Indonesian property developers' creditworthiness in 2024 will be their ability to refinance well ahead of maturity. Obstacles remain as a 2025 maturity wall approaches. Offshore funding conditions continue to be selective, and heightened borrowing costs have forced developers to turn to domestic banks to meet refinancing needs. This trend will likely endure, but domestic banks are unlikely to fully satisfy the refinancing needs. For 2025, offshore bond maturities alone stand at about US\$710 million, or Indonesian rupiah 11 trillion.

[Click here to access the report »](#)

Bulletin: Bank of China (Hong Kong)'s Strong Profits To Cushion Property Strains (April 2, 2024)

Practice: Financial Institutions

Segment: Commercial, Residential

Bank of China (Hong Kong) Ltd. (BOCHK) can handle strain on its asset quality emanating from the property sector. The bank's strong profitability and capitalization can act as a cushion against such pressure, in our view. Profitability will likely remain resilient, supported by strong margins, with interest rates remaining elevated.

BOCHK faces lingering pressure from its property loan book amid continued stress in the mainland Chinese real estate sector. The bank's nonperforming loan (NPL) ratio was 1.04% at end-2023, deteriorating from 0.53% at end-2022. That said, the bank's NPL ratio was well below the industry average of 1.56%.

[Click here to access the report »](#)

Bulletin: China Construction Bank Can Preserve Asset Quality (April 2, 2024)

Practice: Financial Institutions

Segment: Commercial, Residential

China Construction Bank Corp. (CCB) has sufficiently prudent risk management to protect its asset quality this year. We project CCB's nonperforming asset ratio will inch up to 4.48% in 2024 from 2023's 4.40%. The deterioration is attributable to problematic property loans and higher reported special-mention (SML) and nonperforming (NPL) loan ratios following the implementation of new asset classification rules.

At the end of 2023, the bank's reported NPL ratio was unchanged at 1.37%, from end-June 2023. For the same period, the SML ratio slipped to 2.44% from 2.50%. The improvements were driven by lower NPL ratios for the manufacturing and leasing & commercial services sectors. The real estate sector stood in contrast. For the second half of 2023, the sector's NPL ratio rose 88 basis points to 5.64%. Still, property loans remained a small portion of total loans, at 3.6% as of end-2023. This followed 10.8% loan growth during the year.

[Click here to access the report »](#)

Bulletin: Bank of China's Portfolio Diversity To Add Resilience (April 2, 2024)

Practice: Financial Institutions

Segment: Commercial, Residential

Bank of China Ltd.'s (BOC) operating performance is likely to be resilient over the next one to two years. The megabank's diversified portfolio and adequate risk management will help it withstand the effects of China's slowing growth, property market strains, and geopolitical tensions, in our view.

The NPL ratio for BOC's corporate loans to the mainland property sector fell to 5.51%, from 7.23% a year earlier. The bank's 89% provision for NPLs and SMLs should strengthen its cushion against losses from asset-quality strains.

[Click here to access the report »](#)

Bulletin: Agricultural Bank of China Can Withstand China's Subdued Economic Recovery (April 1, 2024)

Practice: Financial Institutions

Segment: Commercial, Residential

China's subdued economic outlook won't undermine the operating performance of Agricultural Bank of China Ltd. (ABC) this year. In our view, the bank will continue to benefit from its established franchise, and strong funding and liquidity.

ABC's asset quality pressures are likely to linger, even though the bank's reported metrics are satisfactory. This is because authorities have directed megabanks and some of the larger joint-stock banks to inject liquidity into the real estate sector, including into property development projects under a so-called "white list." We believe such lending could pose additional risks to ABC.

[Click here to access the report »](#)

Credit FAQ: What Are The Credit Implications Of China's Various Programs To Support Growth? (March 28, 2024)

Practice: Cross-practice

Segment: Commercial, Residential

China is rolling out incentives to spark consumer spending in goods ranging from air conditioners, to cars to new houses. The various programs are designed to lift the hardest-hit sectors and meet an "around 5%" economic growth target set at the government's recent "Two Sessions" planning event. We view these programs as expanded versions of or new twists to existing policies.

In this FAQ, we look at the potential scope and credit implications for property sentiment, banks, local-government financing vehicles, industrials, and other areas. We believe some sectors will be clear beneficiaries of these programs. For others, the situation could have downsides, including higher debt or exposure to riskier assets.

[Click here to access the report »](#)

Bulletin: China Jinmao To Ride Out Property Turmoil With Support From State-Owned Parent (March 28, 2024)

Practice: Corporates

Segment: Commercial, Residential

Capital support from its central state-owned enterprise parent will bolster China Jinmao's ability to maintain a decent liquidity buffer amid the property downcycle. Ultimate parent Sinochem Holdings Corp. Ltd. this month announced a plan to increase its

stake in China Jinmao by around 2 percentage points, from 37%, over the next 12 months. This increase is the maximum allowed before Hong Kong's stock exchange considers the transaction a general offer.

We expect China Jinmao's continued access to funding will cushion the company from lackluster property sales. While credit in the sector remains tight and selective, the company raised RMB18.8 billion through its three-year onshore medium-term notes (RMB5 billion), commercial mortgage backed securities (RMB10 billion), onshore bonds, and free-trade zone bonds (RMB3.8 billion) in 2023. These had coupon rates of 3.2%-4%. Ample cash of more than RMB30 billion and a strong issuing track record, coupled with unused onshore quotas of RMB18.3 billion (medium-term notes RMB10 billion; corporate bonds RMB8.3 billion) and investment property valued at more than RMB38 billion, will provide a buffer for upcoming maturities. As of end-2023, China Jinmao had short-term debt of about RMB23.8 billion.

[Click here to access the report »](#)

Bulletin: ICBC Can Navigate Prolonged Property Market Weakness (March 28, 2024)

Practice: Financial Institutions

Segment: Commercial, Residential

Industrial and Commercial Bank of China Ltd. (ICBC) has tools at hand to soften asset quality strains from prolonged property market weakness. Exposure to property development loans has fallen in recent years to only 2.9% of ICBC's total loan book at the end of 2023, versus about 6% on average for the banking sector in China.

Weak home sales will continue to weigh on the quality of loans in China. ICBC's (A/Stable/A-1) nonperforming loans (NPLs) in the real estate sector declined in 2023. But NPLs in the construction sector increased, suggesting some spillover risk to other sectors. The bank's overall NPL ratio was 1.36% at the end of 2023, down 2 basis points from a year ago. ICBC's diversified loan book and adequate credit risk management will help it manage risks. The bank will likely remain cautious in underwriting property development loans. This is despite the government's "white list" mechanism to step up funding to property projects. The bank's property development loans only grew by 5.2% in 2023, much slower than the 12.4% overall loan growth.

[Click here to access the report »](#)

Bulletin: Pakuwon Has Financial Flexibility To Support Expansion (March 28, 2024)

Practice: Corporates

Segment: Commercial, Residential

Pakuwon Jati Tbk. PT has sound funding to cover its expansion plans. The property company's robust recurring cash flow from its investment portfolio and large cash holdings should support development activities and temper risks associated with expansion into new cities.

[Click here to access the report »](#)

China Securitization: ABS And RMBS Tracker February 2024 (March 28, 2024)

Practice: Structured Finance

Segment: Residential

China ABS And RMBS Tracker is a monthly report that tracks the performance of the China ABS and RMBS rated by S&P Global Ratings.

[Click here to access the report »](#)

China LGFVs' Bigger Housing Role: Risk Control Matters (March 27, 2024)

Practice: Cross-practice

Segment: Residential

Some of China's local government financing vehicles (LGFVs) will step up their policy-related investments in land and housing as part of the Three Major Projects initiative. This could raise risks for some LGFVS, but also offers some potential rewards.

LGFVs deployed in the Three Major Projects endeavor will need to borrow and invest more in land and housing, somewhat impeding efforts to eventually deleverage the sector. Still, these projects could be more cash-generating than LGFVs' traditional development-related projects. This would, to some extent, fit with the reform path aimed at gradually making the sector more self-sufficient and less leveraged.

[Click here to access the report »](#)

Credit FAQ: Will China's 'White List' Boost Housing Sentiment? (March 26, 2024)

Practice: Cross-practice

Segment: Residential

China's city governments are moving rapidly to identify property projects eligible for fast-track funding and related support. Some 6,000 projects have been queued up since the central government announced a coordination mechanism and "white list" scheme on Jan. 5, 2024. So is this a bailout for developers? The short answer is no.

Instead, we believe the policy is aimed at rebuilding homebuyer confidence. Indeed, projects don't have to be distressed to make the white list. The aim, in our view, is to reduce uncertainty on deliveries. The vast majority of China's new-home purchase are on a pre-sales basis, so such uncertainty can be damaging to the market.

Housing and financial authorities are working together on this scheme, with one group of officials vetting the white list, and the other coordinating with banks on lending to the projects. Key questions include banks and governments' due diligence, project selection, and speed of execution. And ultimately--whether authorities can get the market moving without transferring market risks from developers to governments and banks.

[Click here to access the report »](#)

Hong Kong Retail Property: Can The Resilience Last? (March 26, 2024)

Practice: Corporates

Segment: Commercial

These days for Hong Kong property firms, one out of three subsectors showing improvement isn't bad. Office rents are declining on weak occupancy levels. Home prices continue to ebb. Hong Kong's retail property market, however, has shown some recent strength in leasing rates. We are not hugely confident that this resilience will last. The Hong Kong economy is going through a structural change with low volumes of capital market activity, a shift in the visitors coming to the city to low-spending day-trippers, and a diversion of residents to Shenzhen for spending on essentials.

[Click here to access the report »](#)

Bulletin: CK Asset Can Withstand Operational Challenges (March 26, 2024)

Practice: Corporates

Segment: Commercial

CK Asset Holdings Ltd. has sufficient financial strength to endure the resistance its different business segments face. We expect CK Asset's (A/Stable/--) property development business (which contributed 27% to adjusted EBITDA in 2023) to continue to be suppressed in the coming year.

[Click here to access the report »](#)

Asset Price Risks: Income And Residential Property Values Diverge For Australian RMBS And Covered Bonds (March 25, 2024)

Practice: Structured Finance

Segment: Residential

Australian property prices have increasingly diverged from income growth. A long-standing tension between supply and demand is the main cause. We believe the prospect of lower rates will only exacerbate this tension given the relative inelasticity of supply; it takes time to bring more housing online. Imbalances between incomes and property prices create economic imbalances. These risks can make households more exposed to property price corrections by increasing the magnitude of market value declines in more stressful economic periods. This in turn can feed through to related securitized assets, such as residential mortgage-backed securities (RMBS).

[Click here to access the report »](#)

Selected Rating Actions

Non-Financial Corporations

- [Australian Prime Property Fund Commercial Downgraded To 'BBB+' On Debt-Funded Growth; Outlook Stable](#), April 5, 2024
- [CEE Office Player Globalworth 'BB+' Rating Affirmed On Announced Exchange Offer; Outlook Negative](#), March 28, 2024
- [Icade Outlook Revised To Negative On Residential Market Correction, Pressure On Office Valuation; Affirmed At 'BBB+', March 28, 2024](#)
- [Samhallsbyggnadsbolaget Ratings Raised To 'CCC' On Completion Of Tender Offer; Outlook Negative](#), March 28, 2024
- [TAG Immobilien AG Outlook Revised To Stable On Prudent Financial Policy And Moderate Leverage; 'BBB-' Rating Affirmed](#), March 28, 2024
- [Swedish Real Estate Company SBB Downgraded To 'SD' After Accepting Below-Par Tender Offer](#), March 27, 2024
- [CBL & Associates Properties Inc. Downgraded To 'B-' On Short Weighted-Average Debt Maturity, Outlook Stable](#), March 27, 2024
- [Merlin Properties Upgraded To 'BBB+' On Sustained Lower Leverage And Expanding Cash Flow Base; Outlook Stable](#), March 26, 2024

- [KB Home Upgraded To 'BB+' From 'BB' On Strong Operating Momentum; Outlook Stable; Unsecured Debt Rating Raised](#), March 25, 2024

Financial Institutions

- [Outlooks On Five U.S. Regional Banks Revised To Negative From Stable On Commercial Real Estate Risks; Ratings Affirmed](#), March 26, 2024

International Public Finance

- [U.K. Social Housing Provider Anchor Hanover Group 'A+' Rating Affirmed; Outlook Stable](#), March 27, 2024
- [U.K.-Based Housing Association Incommunities Group Ltd. 'A' Rating Affirmed; Outlook Remains Negative](#), March 25, 2024
- [U.K.-Based Thrive Homes Ltd.'s Rating Affirmed At 'A+'; Outlook Stable](#), March 25, 2024

Structured Finance – CMBS

- [Nine Ratings Lowered On Five U.S. CMBS Transactions Due to Interest Shortfalls, Principal Losses; Two IO Ratings Lowered](#), April 5, 2024
- [Four Ratings On COMM 2016-667M Mortgage Trust Lowered And Two Affirmed](#), April 5, 2024
- [K-Star Asset Management LLC AVERAGE Commercial Mortgage Loan Special Servicer Ranking Affirmed; Ranking Outlook Stable](#), April 2, 2024
- [Various Rating Actions Taken On One Market Plaza Trust 2017-1MKT](#), March 26, 2024
- [Greystone Servicing Co. LLC STRONG Commercial Mortgage Loan Primary And Special Servicer Rankings Affirmed](#), March 26, 2024
- [Three GS Mortgage Securities Corp. Trust 2017-485L Ratings Lowered And Two Affirmed](#), March 25, 2024

Structured Finance – RMBS

- [Various Rating Actions Taken On Eight Classes From Seven U.S. RMBS Transactions](#), April 3, 2024
- [Various Rating Actions Taken On 64 Classes From Seven U.S. RMBS Transactions](#), March 28, 2024
- [Various Rating Actions Taken On 51 Classes From 25 U.S. RMBS Transactions](#), March 28, 2024
- [Stratton Mortgage Funding 2020-1 PLC U.K. RMBS Ratings Lowered On Two Classes; Four Classes Affirmed](#), March 27, 2024

- [SBS Oreti Trust No.2 Class 1 Notes Rating Affirmed](#), March 27, 2024
- [Sestante Finance Series 3 Rating Raised On Italian RMBS Class A Notes: Class B And C Ratings Affirmed](#), March 26, 2024
- [Shamrock Residential 2023-1 DAC Ratings Lowered On Class F-Dfrd And G-Dfrd Irish RMBS Notes: Other Classes Affirmed](#), March 26, 2024
- [Genesis Mortgage Funding 2022-1 U.K. RMBS Notes Upgraded: Two Classes Affirmed](#), March 25, 2024
- [Grosvenor Square RMBS 2023-1 PLC Class D-Dfrd To F-Dfrd Ratings Lowered, XS2-Dfrd Rating Raised; Other Classes Affirmed](#), March 25, 2024

Covered Bonds

- [Transaction Update: Oberbank AG \(Mortgage Covered Bond Program\)](#), April 8, 2024
- [Transaction Update: DNB Boligkreditt AS \(Legislation-Enabled Mortgage Covered Bonds\)](#), April 3, 2024

Webinars And Events

Upcoming Events

- [The Credit Implications Of China's Initiatives To Support Growth](#), April 11, 2024
- [China LGFVs' Bigger Housing Role: Risk Control Matters](#), April 16, 2024
- [European Structured Finance Conference 2024](#), Sept. 5, 2024

Webinar Replays

- [Request For Comment: Proposed Expansion Of The Global RMBS Methodology To Include Australia, New Zealand & Singapore](#), March 26, 2024
- [Bracing Through A Downturn: Buffers And Strategies Of Hong Kong Developers And Office Landlords](#), March 18, 2024

Previous Edition Of Real Estate Digest

- [Real Estate Digest](#), March 25, 2024

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