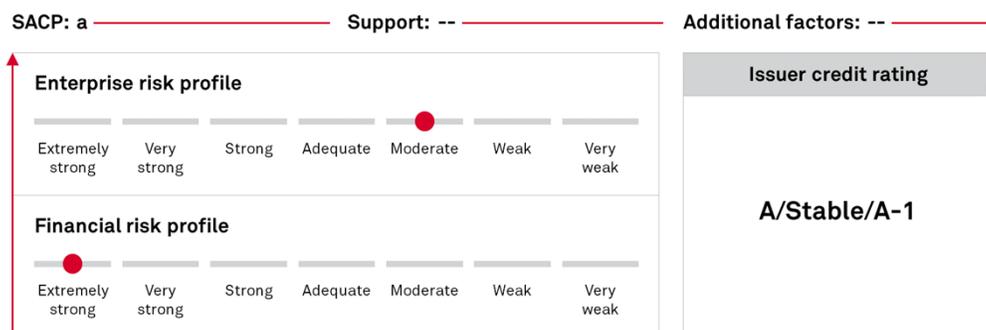


East African Development Bank

February 18, 2026

This report does not constitute a rating action.

Ratings Score Snapshot



SACP--Stand-alone credit profile.

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Overview

Enterprise risk profile

Unique mandate focusing on small and midsize enterprises (SME) supported by its concentrated ownership by sovereigns with low creditworthiness.

-- The East African Development Bank has a long track-record serving a market gap, financing SMEs in member countries of the East African Community (EAC).

-- Despite significant improvements to the governance structure, the concentrated nature of the sovereign owners, who are also all borrowers, could result in an agency challenge in an extreme scenario.

-- Owners have been supportive with six capital increases since inception and have always stayed current on their loans.

Financial risk profile

Solid balance sheet with robust capital and liquidity metrics reflecting a conservative strategy.

-- Extremely strong capitalization supported by a risk-adjusted capital (RAC) ratio of 56.5% and a pristine track record of preferential creditor treatment.

-- Conservative funding and liquidity policies where liquid assets are covering the limited borrowings by a significant margin

-- Low arrears of less than 1% of total loans despite exposure to high-risk sectors in countries with low creditworthiness.

The East African Development Bank (EADB) is targeting significant portfolio growth under its 2024-2028 plan after various years of uneven growth.

The bank expects to increase its loan book by about 3.0x during the five-year plan. While continuing its focus on SMEs through partner financial institutions, most of the expected growth will come from a ramp-up of the portfolio to

state-owned enterprises. S&P Global Ratings thinks that this growth will be managed prudently within existing risk-frameworks and be supported primarily by net income growth, some additional borrowings and a smaller continued reduction of the treasury portfolio.

Burundi is set to join as a new member of the EADB and a further capital injection is being discussed. After paying the first installment and depositing its instrument of accession, Burundi will become the fifth sovereign shareholder of the bank. While it was expected in 2025, the payment has been delayed and it will take time before their capital contribution reaches the level of other shareholders, and capital support from the existing shareholders is being discussed although the planned loan expansion is not contingent on such support.

The bank's very low arrears at 0.89%, all derived from the private sector, as of year-end 2024 are set to increase gradually as it takes on more risk. The level of nonperforming loans (NPLs) is very low compared with peers. We expect the arrears ratio to increase somewhat over the next couple of years but remain contained.

We anticipate that the capital position will stay extremely strong with an RAC ratio comfortably above 23%. Our updated criteria supported an increase to 56.5% as of end-June 2025, but we expect a decrease following an expected loan growth.

Outlook

The stable outlook reflects our view that the EADB will deliver on its policy mandate by increasing its footprint in member countries, while maintaining a robust financial profile. We anticipate that all sovereign member states will continue providing the EADB with preferential creditor treatment, as granted by the charter, and that NPLs to the private sector will remain contained. We expect that the bank's risk management and governance will continue strengthening and serve to uphold sound banking principles.

Downside scenario

We could downgrade the bank if it does not execute its policy mandate by increasing purpose-related assets, which could suggest that its relevance was deteriorating. In addition, although unlikely, protracted arrears on any member's loan could result in a mult notch downgrade. A significant drop in capital or liquidity could also put pressure on our assessment of the EADB's financial risk profile and could lead to a negative rating action.

Upside scenario

We could upgrade the bank should it take significant steps to expand its operations, thereby deepening involvement in all member sovereign states. In addition, we could consider a positive rating action should the EADB's shareholder base increase, especially through the addition of nonborrowing members with higher creditworthiness, which could balance the bank's concentrated nature.

Enterprise Risk Profile

Policy Importance: EADB has a unique mandate focusing on SMEs in EAC member countries, servicing a market gap. The EADB was established in 1967 as a key institution of the EAC, the three founding members of the EAC--Kenya, Uganda, and Tanzania--were also the founding shareholders of the bank. The bank was founded by treaty and enjoys special privileges, such as tax exemption, and other immunities. The EADB's focus has traditionally been on supplying

financing through direct channels, but also via partner banks, to the SME sector in primarily rural areas of member states.

In 2024, it embarked on a new strategic plan, which expanded its scope to include financing solutions for infrastructure and regional development, where it would finance sovereigns or state-owned enterprises in projects that benefit the SME sector. We think that it fills a market gap for lending to primarily SMEs in rural areas, with longer tenors than banking systems in member countries can offer, and at smaller loan sizes than other multilateral lending institutions (MLIs) provide. The SME sectors in member countries employ most of the population and are seen by shareholders as vital to enable growth and increased specialization for a more prosperous and inclusive economy.

We think that the EADB has successfully delivered on its mandate, which has been recognized by shareholders. Although its loan book is small compared with that of other MLIs, we think that it reaches a large share of SMEs and, by its own estimates, its lending has created more than 60,000 jobs over the past five years and has helped enable low-cost housing and schools in member states. We expect the bank's footprint will increase as it implements its 2024-2028 strategy where lending to state-owned enterprises (SOEs) and sovereigns will outgrow the private sector and represent about 60% of the balance sheet.

Loan growth started to pick up in 2025 after declining for two consecutive years. The growth is in line with the expectations set in the five-year strategic plan where it expects the loan book to increase 3x reaching over \$400 million during 2025-2028. The bank also plans to have a more equal geographical split of its loan book with loans to SOEs and sovereigns taking a larger chunk in the portfolio. However, Tanzania will remain the biggest exposure for the foreseeable future. The new loans to SOEs will be focusing on projects that will benefit the SME sector development such as the construction of the new high-speed railroad in Tanzania that will benefit trade and interconnectedness in the country and will also later extend to Rwanda and Burundi. The drop in loan book volume in 2022-2023 was mostly because of lower activity in Kenya and some legacy write-offs. The EADB has conservatively approached using its balance sheet during the COVID-19 years, for fear of elevated losses.

The bank applies sound principles in its lending decisions and part of these are its environmental and social policies dictating what projects it can undertake. The EADB's policies comply with the 2012 International Finance Corp.'s performance standards on environmental and social sustainability, the bank has targeted improving agricultural production, building schools, supporting water projects, financing affordable housing projects, and financing electric trains in Tanzania. While not as advanced in its reporting as peers, we think that the bank is focusing on responsible lending and the development of the local communities.

The bank has received six recapitalizations by sovereign shareholders and Rwanda became a member in 2008, supporting its growth ambitions. We recognize that, although member states have been supportive throughout the bank's history, they have limited resources to finance any significant capital increases. Coupled with delays on agreed recapitalization programs in the past and long installment periods, we believe this is a constraint for our assessment. Nevertheless, the EADB is contemplating a fourth capital increase and expects Burundi to join as its fifth sovereign shareholder once it has deposited its instrument of accession and paid the first installment. Beyond sovereign shareholders, the African Development Bank (AfDB; AAA/Stable/A-1+) owns 7.7% of the shares and has supported both paid-in and callable capital increases over the years. In addition, several commercial banks have a small, combined stake of just below 0.5%. We think that this helps balance ownership and provides for a good collaboration in member states.

East African Development Bank

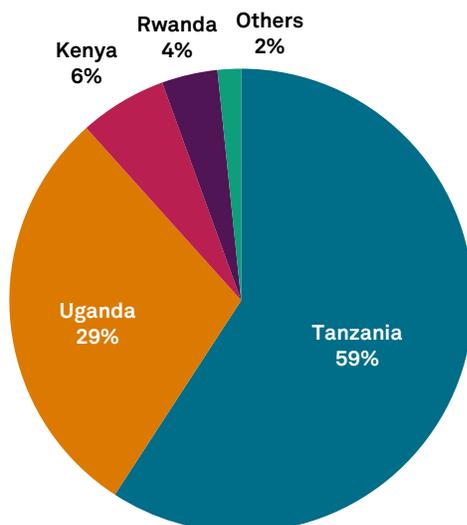
The EADB also works extensively with other development finance institutions such as Kreditanstalt für Wiederaufbau (KfW), European Investment Bank, Opec Fund for International Development, Arab Bank for Economic Development in Africa, and Development Bank of Southern Africa, to develop its operations, and receives direct funding from some of them. The EADB has a dedicated facility in Uganda, the Rural Finance Enhancement Program, set up by KfW and the Ugandan Ministry of Finance, which it can use to finance farmers directly or through partner banks. A similar facility is also available in Kenya.

The EADB was granted preferred creditor treatment by charter in 2012, but shareholders have always been current on their loans, indicating a pristine track record.

Although sovereign lending has not been the EADB's mainstay product, no loan to a member state has ever been in arrears, despite several challenging economic periods when some shareholders defaulted to other creditors. We think that this indicates member states' strong commitment to the bank, and we expect this key feature to continue as sovereign and SOE lending increases under the EADB's new strategy.

Five largest country exposures (unweighted) as of end-Dec. 2024

Percentage of purpose-related assets + guarantees



Data taken from Dec 2024 financial statement. Source: S&P Global Ratings. Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

Governance and management expertise: We think that the EADB's concentrated nature and its sovereign borrowers' low ranking in governance indicators could create an agency challenge in an extreme situation.

The bank has undergone a significant overhaul of its governance standards and risk management in the past 15 years. This followed a period of turbulence, in which loans to politically exposed persons went into nonaccrual and triggered a reshuffling of the bank's management team. This situation unfolded despite the charter explicitly prohibiting any loans to be granted for political purposes. We think that the bank has since taken actions to prevent this from recurring and has established protocols and policies to deal with these situations. Even though significant improvements have been made, and we view the bank as having a conservative risk appetite and balance-sheet management, we think that the concentrated nature of its shareholder base could, in an extreme scenario, potentially create an agency challenge, posing a risk to good governance.

The EADB's sovereign shareholders hold a combined 92% stake in the bank--the remaining stake is held by the AfDB and other private shareholders.

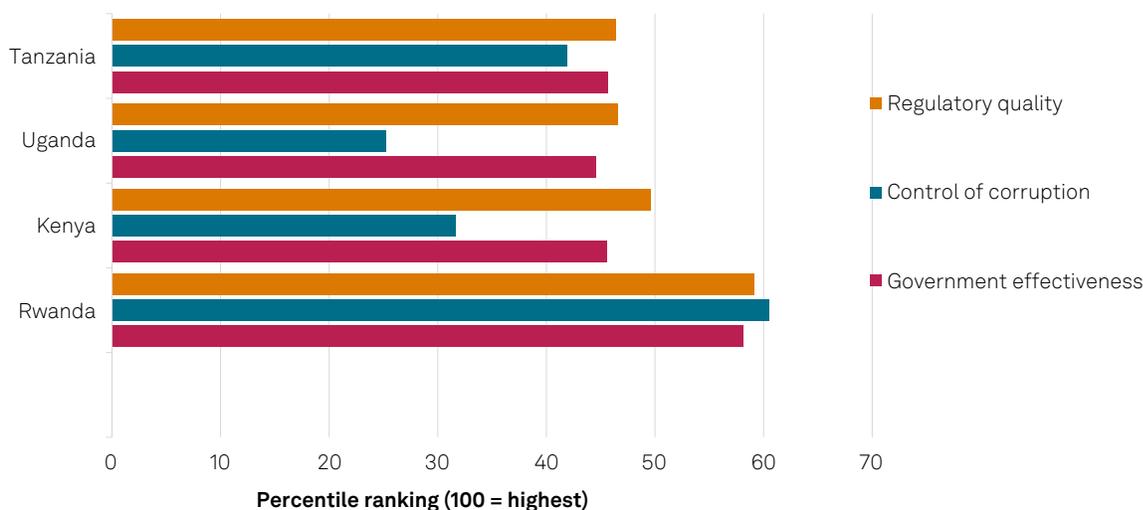
In addition, the EADB relies on an external advisory panel, which comprises seasoned high-level professionals in the development

finance field. We think that the insights from the expert panel and the fact that the AfDB owns nearly 8% of the shares, can act as a counterbalance and represent some best practice governance established by industry leading peers.

In our view, the bank's management team is experienced and capable. The EADB had been led by Vivienne Yeda for 17 years, until Ms. Yeda's planned retirement at the end of 2024 when Benard Mono took over as acting director general. The bank expects the appointment of a new permanent leader to be announced in the first half of 2026. In our opinion, Ms. Yeda was instrumental in leading the change in the bank to its current state and we expect the current interim director general (and, later, the incoming director general) to maintain the bank's strategic path. The rest of the top executive team remains the same and we do not expect operations to be disturbed by the transition to a new leader. EADB has just over 50 full-time employees, and we do not consider it to be exposed to any significant key-person risks. Information sharing is well established at the bank and staff know about the duties of their co-workers. In our view, the team has been cleaning up legacy problems, in line with the shareholders' directives, and is now ready to expand the bank's activities.

The EADB's five largest shareholders

Selected World Bank governance indicators



World Bank governance indicator data as of end-December 2024. Source: S&P Global Ratings. Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

Financial Risk Profile

Capital adequacy: The EADB has a robust balance sheet and an extremely strong capital ratio.

The EADB's RAC ratio increased to 56.5% as of June 30, 2025, and rating parameters as of Feb. 5, 2026, from 47% in Dec. 30, 2023, in large part reflecting changes introduced under our revised criteria "[Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology](#)," Oct. 13, 2025. While loan assets have been growing during 2025, and we expect them to continue in line with the strategic plan, our reduction in risk-weighted assets on sovereigns and the reducing concentration charge more than offset the larger portfolio, resulting in a higher capital ratio compared with year-end 2023. The bank continues to demonstrate an

East African Development Bank

extremely strong capital position and equity is the main source of financing the balance sheet, standing at 69% of total assets. We think that, although business expansion under its ongoing strategy will reduce the high capital ratio, we expect the capital ratio to remain comfortably above 23%, our threshold for an extremely strong capital assessment. The bank's net income has been relatively stable over the past five years with an average return on equity of about 3%; however, we expect income to decrease as the loan book expands mostly on the SOE and sovereign side where margins are narrower. Expenses are also expected to grow, putting some pressure on returns. Still, considering the bank's very large equity base, this is a competitive return compared with peers, in our view.

We anticipate that NPLs, which are at a historical low of 0.9% as of June 30, 2025, and entirely related to private sector exposure, will increase gradually but remain contained and lower than of many peers. NPLs spiked in 2018 at 9%, measured against total loans including sovereign loans, and has been shrinking significantly since then, even though the loan book has also decreased. Currently, only one private entity remains in arrears, but the exposure is well covered by collateral. With the ramping up expected in the upcoming years, we expect that more loans will enter into nonperforming status and the ratio will approximate that of peers.

The EADB is among the most concentrated MLIs we rate. Its exposure to Tanzania corresponds to almost two-thirds of the portfolio. While we expect concentration to remain higher than for other better diversified peers, it should reduce over the next couple of years. To mitigate the concentration risk, the EADB has an exposure limit of 25% of the equity base for any individual sovereign and 15% for private sector entities. More importantly, it has also a policy to purchase credit insurance covering at least 50% of loans larger than \$10 million. The Tanzania exposure is therefore covered 50% by insurance from the African Trade Insurance and Development Agency (A/Stable/--).

East African Development Bank--Risk-Adjusted Capital Framework Data: June 2025

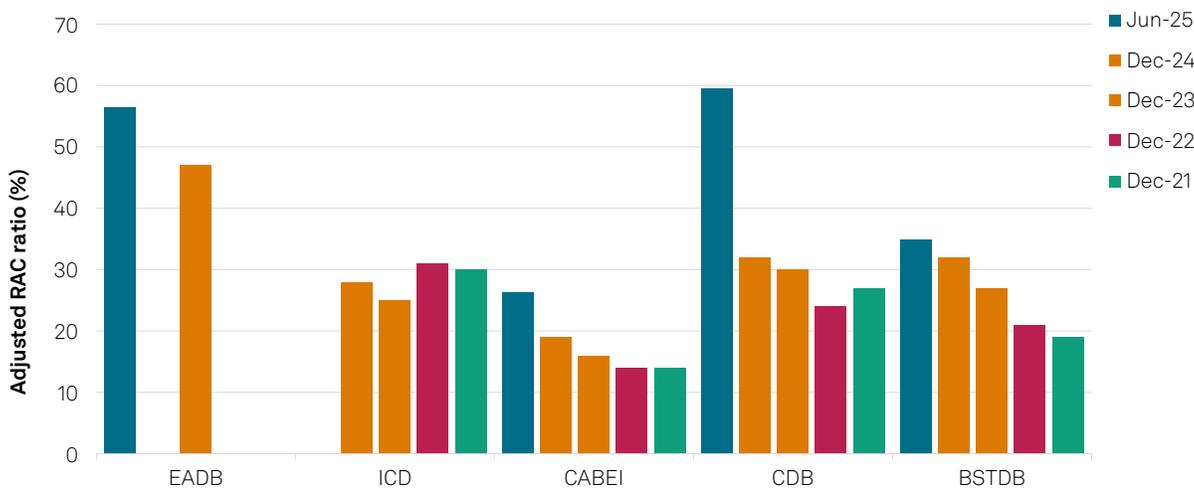
Mil. USD	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Government and central banks	335	77	23
Institutions	33	8	23
Corporate	105	186	177
Retail			
Securitization			
Other assets			
Total credit risk	473	271	57
Market risk			
Equity in the banking book	0	1	177
Trading book market risk			
Total market risk	0	1	
Operational risk			
Total operational risk		42	
Risk transfer mechanisms			
Risk transfer mechanisms RWA			
RWA before MLI Adjustments		313	100

East African Development Bank--Risk-Adjusted Capital Framework Data: June 2025

Mil. USD	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
MLI adjustments			
Single name (on corporate exposures)		15	8
Sector (on corporate portfolio)		2	1
Geographic		-0	-0
Preferred creditor treatment (on sovereign exposures)		-43	-55
Preferential treatment (on FI and corporate exposures)		-1	-1
Single name (on sovereign exposures)		350	452
Total MLI adjustments		323	103
RWA after MLI adjustments		636	203
	Total adjusted capital		S&P Global Ratings RAC ratio (%)
Capital ratio before adjustments		359	114,7
Capital ratio after adjustments		359	56,5

MLI--Multilateral lending institutions. RW--Risk weight. RWA--Risk-weighted assets.

Risk-adjusted capital (RAC) ratio -- Peer comparison



RAC ratios computed as per updated criteria from Oct 2025 except BSTDB and ICD. ICD--Islamic Corporation for the Development of the Private Sector. CABEL--Central American Bank for Economic Integration. CDB--Caribbean Development Bank. BSTDB--Black Sea Trade and Development Bank. Source: S&P Global Ratings.

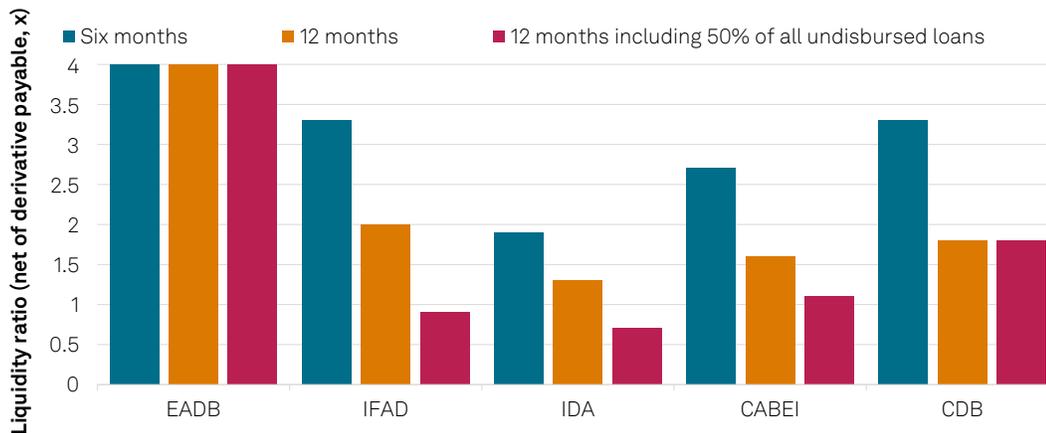
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Funding: The EADB has a limited amount of borrowing, and funding comes mainly from other MLIs and development financial institutions (DFIs). We regard funding as neutral to our ratings

because we think the EADB's significant paid-in capital base is counterbalanced by the bank's lack of access to the wholesale market. The EADB's borrowing is in the form of facilities provided by other MLIs and DFIs with tenors of up to 12 years, but about six years on average. As the conversion of liquid investments into loans in 2025 has reached its conclusion, we expect borrowing to ramp up over the next three years and the EADB is set to launch a new medium term note program for issuance in local currencies supporting local currency loans. Although the EADB has issued bonds in local currency markets in the past and plan to do so again, we do not expect issuance on international markets in the coming years.

Liquidity: Coverage of liabilities is very robust and comprises deposits with mainly nonregional highly rated banks. The EADB keeps all its liquid assets in the form of deposits with several banks. Based on data as of Sept. 30, 2025, and incorporating our liquidity haircuts, our liquidity coverage ratios for the EADB (including scheduled loan disbursements) are greater than 100x for six months and 12 months. This indicates no maturities in the next two years and compares very favorably with peers. Although we expect these ratios may decline in the next few years, we expect them to remain very high. Because the EADB has recently increased sovereign lending, it typically has no substantial undisbursed loan commitments. Coupled with the very strong ratios, we think that the bank can survive an extreme stress scenario without market access for 12 months and without withdrawing any principal resources from borrowing members.

Liquidity stress test ratios -- Peer comparison



IFAD--International Fund For Agricultural Development. IDA--The International Development Association. All data as of end-June 2025, except for IDA, which is as of end-June 2024. IDA fiscal year-end is June. EADB ratios are above 100. Source: S&P Global Ratings.

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Extraordinary Shareholder Support

The AfDB provides a very small amount of eligible callable capital. The EADB's sovereign shareholders are rated below the institution's stand-alone credit profile of 'a', and therefore it does not benefit from eligible callable capital except for the \$14 million (1% of the total callable capital) provided by the AfDB.

East African Development Bank--Selected indicators

	2024	2023	2022	2021	2020
ENTERPRISE PROFILE					
Policy importance					
Total purpose-related exposure (loans, equity, etc.) (mil. USD)*	131	116	135	167	133
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	60,0	54,0	38,0	30,0	0
Private-sector loans/purpose-related exposures (%)	40,0	46,0	62,0	70,0	100
Gross loan growth (%)	12,2	(13,6)	(19,1)	25,2	(12,5)
Preferred creditor treatment ratio (%)	-	-	-	-	-
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)	92,0	91,5	91,5	91,5	91,5
Concentration of top two shareholders (%)	46,6	47,0	47,0	47,0	47
Eligible callable capital (mil. USD)	14	14	14	14	14
FINANCIAL RISK PROFILE					
Capital and earnings					
RAC ratio (%)	56,5	47,3	N/A	N/A	N/A
Net interest income/average net loans (%)	17,0	16,1	10,7	10,2	10,0
Net income/average shareholders' equity (%)	3,3	4,2	2,7	2,8	2,33
Impaired loans and advances/total loans (%)	0,89	0,88	3,86	3,24	5,96
Liquidity ratios					
Liquid assets/adjusted total assets (%)	68,1	67,5	62,1	50,9	57,0
Liquid assets/gross debt (%)	264,0	271,6	271,8	234,5	284,2
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivate payables) (x)	>100	25,2	N/A	N/A	N/A
12 months (net derivate payables) (x)	>100	12,0	N/A	N/A	N/A
12 months (net derivate payables) including 50% of all undisbursed loans (x)	>100	13,3	N/A	N/A	N/A
Funding ratios					
Gross debt/adjusted total assets (%)	25,8	24,8	22,9	21,7	20
Short-term debt (by remaining maturity)/gross debt (%)	40,4	39,0	45,7	N/A	N/A
Static funding gap (with planned disbursements)					
12 months (net derivate payables) (x)	>100	18,0	N/A	N/A	N/A
Summary balance sheet					
Total assets (mil. USD)	506	454	416	390	376
Total liabilities (mil. USD)	157	132	112	106	97
Shareholders' equity (mil. USD)	349	322	303	284	279

* Not including committed disbursements. RAC ratio for 2024 is as of June 30, 2025. Liquidity coverage ratios and static funding gap ratios for 2024 are as of June 30, 2025. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital. N.A.--Not available.

East African Development Bank--Peer comparison

	East African Development Bank	Islamic Corporation for the Development of the Private Sector	Central American Bank for Economic Integration	Caribbean Development Bank	Black Sea Trade and Development Bank
Issuer credit ratings	A/Stable/A-1	A/Stable/--	AA+/Stable/A-1+	AA+/Stable/A-1+	BBB/Stable/A-2
Total purpose-related exposure (mil. USD)	131	1 294	11 808	1 482	1 538
Preferred creditor treatment ratio (%)	0	N.A.	0	0	N.A.
Risk adjusted capital ratio (%)	57	28	26	60	35
Liquidity ratio 12 months (net derivative payables; %)	>100	1,9	1,6	1,8	1,5
Funding gap 12 months (net derivative payables; %)	>100	1,5	1,8	2,8	4,9

Source: S&P Global Ratings.
For EADB, CABEI, CDB and BSTDB, PRE and PCT as of Dec 2024 and all other data as of end-June 2025. For ICD all data as of Dec 2024.

Rating Component Scores

Enterprise Risk Profile	Extremely strong	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Policy Importance	Very strong	Strong	Adequate	Moderate	Weak		
Governance and Management	Strong		Adequate		Weak		
Financial Risk Profile	Extremely strong	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Capital Adequacy	Extremely strong	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Funding and Liquidity	Very strong	Strong	Adequate	Moderate	Weak	Very weak	

Related Criteria

- [Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [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

- [Supranationals Special Edition 2025](#), Oct. 22, 2025
- [What's Behind The Proposed Criteria Change For Multilateral Lending Institutions And Other Supranational Institutions?](#), June 25, 2025

Ratings Detail (as of February 18, 2026)*

East African Development Bank

Issuer Credit Rating

<i>Foreign Currency</i>	A/Stable/A-1
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Issuer Credit Ratings History

19-Dec-2024	<i>Foreign Currency</i>	A/Stable/A-1
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*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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