

Credit Rating Report

Queen's University

Morningstar DBRS

April 30, 2025

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Credit Ratings

Debt	Credit Rating	Credit Rating Action	Trend
Issuer Rating	AA	Confirmed	Stable
Senior Unsecured Debt	AA	Confirmed	Stable

Credit Rating Update

DBRS Limited (Morningstar DBRS) confirmed the Issuer Rating and Senior Unsecured Debt credit rating of Queen's University (the University or Queen's) at AA. Both trends are Stable. The credit ratings reflect the University's strong academic profile, resilient student demand, and effective management practices, which have translated into a consistently strong balance sheet over many years. The credit profile is further supported by the University's advancement capabilities, resulting in one of the largest endowments among rated public universities we rate (the largest per full-time equivalent student (FTE)), which could help mitigate some of the impacts of a difficult operating environment.

For the year ended April 30, 2024, the University reported a consolidated surplus of \$76.2 million (up from a surplus of \$15.6 million in the prior year). For 2024–25, the University is projecting an operating deficit of \$40.8 million. However, the University budgets investment income conservatively, which leaves room for outperformance if returns are favourable in any given year. Despite concerns related to international student mobility, domestic demand for the University's programs is strong, with Queen's projecting average annual FTE enrolment growth of 1.4% between F2025 and F2027. We draw comfort from the University's significant financial flexibility to respond to near-term pressures without jeopardizing its long-term outlook. The University's credit profile continues to benefit from (1) strong ongoing demand, (2) prudent financial management, (3) a robust balance of expendable resources, and (4) a responsive budget model that allows faculties and shared service units to respond to changing financial circumstances.

As at April 30, 2024, the University's total debt was \$377.1 million, or \$12,063 per FTE. In the absence of material new borrowing, we estimate the debt-per-FTE ratio will decline to \$11,100 by 2026–27.

A positive credit rating action could stem from a combination of a material decline in debt and improvement in one or more critical rating factors. A negative credit rating action could result from considerably reduced balance sheet flexibility arising from a sustained deterioration in operating results.

Financial Information

	For the year ended April 30				
	2024	2023	2022	2021	2020
Consolidated operating result (Morningstar DBRS-adjusted, \$ millions)	76.2	15.6	(3.3)	144.8	35.7
Surplus (deficit) to revenue (five-year rolling average; %)	4.8	5.5	6.8	8.8	7.1
Debt per FTE (\$)	12,063	12,177	12,149	12,680	13,905
Expendable resources to debt (x)	2.2	2.0	2.0	2.0	1.6
Interest coverage ratio (x)	7.5	3.9	2.4	10.0	4.1

Issuer Description

Established in 1841, Queen's is in Kingston, Ontario, a census metropolitan area of more than 174,000 residents, located between Toronto and Montréal. The University has a long history of academic excellence and a comprehensive program offering, with student enrolment of more than 31,000 FTEs.

Credit Rating Considerations

Strengths

1. Academic profile

Queen's is one of Canada's leading universities with a long history of academic excellence dating back to the 1840s. The University performs strongly in domestic university rankings and is well-positioned in international rankings (in the 200 to 300 range globally) for a midsized Canadian university. The strength of the University's academic profile results in consistently strong student demand with some programs (particularly medicine and health sciences) ranking well in the *Times Higher Education* World University Rankings 2025.

2. Financial flexibility

Queen's benefits from a relatively strong balance sheet and a large pool of internal reserves, which provides financial flexibility to endure a difficult operating environment. It has one of the strongest liquidity positions (expendable resources were 216.3% of the University's total debt as at April 30, 2024) among the universities we rate.

3. Financial management practices

The University has a multiyear planning process, and its decentralized, activity-based budget model supports healthy operating results. The budget model places greater autonomy and responsibility with faculties and shared service units, and it encourages units to generate revenue, constrain expenses, and set aside reserves. This contributes to departmental reserves that could be used to offset broader operating pressures, if needed.

4. Fundraising and endowment

The University has a well-established fundraising program and large alumni base, which are instrumental in its donation and endowment campaigns. Queen's endowment is among the largest in Canada and provides significant funding for student aid and other university priorities.

Challenges

1. Constrained policy environment and limited control of revenue

Canadian universities have limited control over their main revenue sources: tuition fees and government grants. In recent years, Ontario implemented changes to the tuition fee framework for domestic students in regulated programs, limiting domestic tuition growth and freezing operating grants. Further, the cap on study permits for international students will further pressure tuition revenues for many Canadian public universities.

2. Cost pressures

Canadian universities' expense bases are largely fixed and growing in the forms of tenured faculty, unionized support staff, externally mandated student aid requirements, and large infrastructure footprints. Recent inflationary conditions have worsened inherent cost pressures—such as negotiated wage settlements, competitive salaries for top researchers, and benefits costs—while outpacing provincially controlled revenue growth for many universities.

3. Pension and postemployment benefit liabilities

The funding status of pension plans is sensitive to changing market conditions, which can result in balance sheet volatility and give rise to large special payments. Although the transition to the University Pension Plan Ontario eliminates solvency contribution requirements and is generally viewed as positive for the operating budget, the University remains responsible for addressing any past service liability.

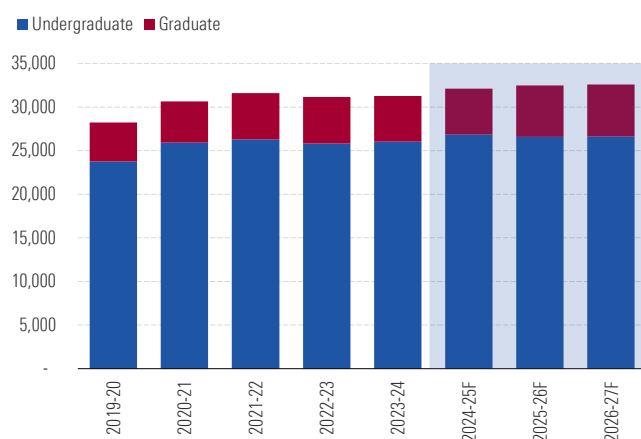
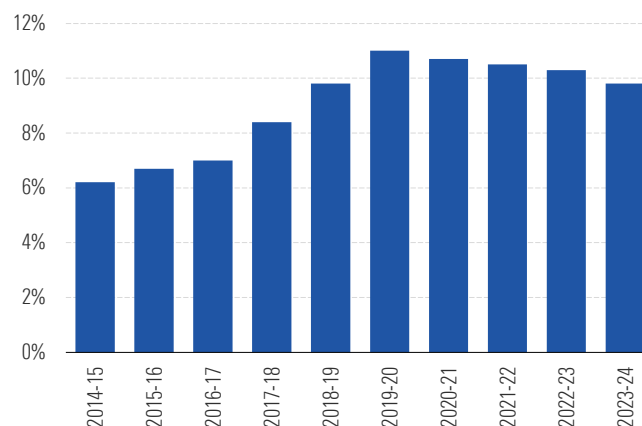
4. Deferred maintenance

The University has considerable deferred maintenance needs, currently estimated at \$543.9 million, which equates to a facilities condition index (FCI) of 0.14. An FCI greater than 0.15 signals that capital assets/stock are in poor condition. Aside from older buildings, the University's FCI is also influenced by the large quantity of buildings, and, as a result, refurbishing or decommissioning one building does not greatly influence the overall FCI as it may for other institutions with a limited number of larger buildings. Deferred maintenance funding has continued to rise in recent years.

Operating Performance

For the year ended April 30, 2024, the University reported a consolidated surplus of \$76.2 million (up from a surplus of \$15.6 million in the prior year). The improved operating performance largely stemmed from notably favourable investment income totalling \$141.6 million (+67.8% year-over-year (YOY)). The University maintained spending control, with expenses rising a modest 1.7% YOY.

For 2024–25, the University is projecting an operating deficit of \$40.8 million. The University budgets investment income conservatively, which leaves room for outperformance if returns are favourable in any given year. Within the ancillary budget, the University is forecasting a \$2.0 million surplus—with residence services on track to eliminate the accumulated operating deficit by fiscal year-end 2024–25.

Exhibit 1 Enrolment (FTEs)**Exhibit 2** International Students (as a Share of Total Headcount)

F = forecast.

Sources: Queen's and Morningstar DBRS.

The University will present its 2025–26 budget for the board's approval in May 2025. We understand that the University will use existing reserves to offset any unanticipated revenue shortfalls and balance the budget.

Through the medium term, Queen's expects average annual FTE enrolment growth of 1.4%. We believe that student demand for Queen's programs remains healthy, although the recent cap on international study permits could present challenges at least through the near term. The Ontario Universities' Application Centre indicated in-province domestic, undergraduate applications to the University in April 2025 were up 6.3% from the same period a year ago, while all other applications (including out-of-province and international) were down 10%.

Over the medium term, the budget assumes stable provincial operating grants under the new Strategic Mandate Agreement (SMA4). On April 22, 2025, the Province announced that the new five-year SMAs will include additional funding to support enrolment in science, technology, engineering, and mathematics (STEM) programs, which should provide some upside.

The budget includes reasonable levels of compensation growth, and the University does not anticipate major concerns or budget uncertainty from bargaining discussions ongoing or upcoming in 2025.

Capital Plan

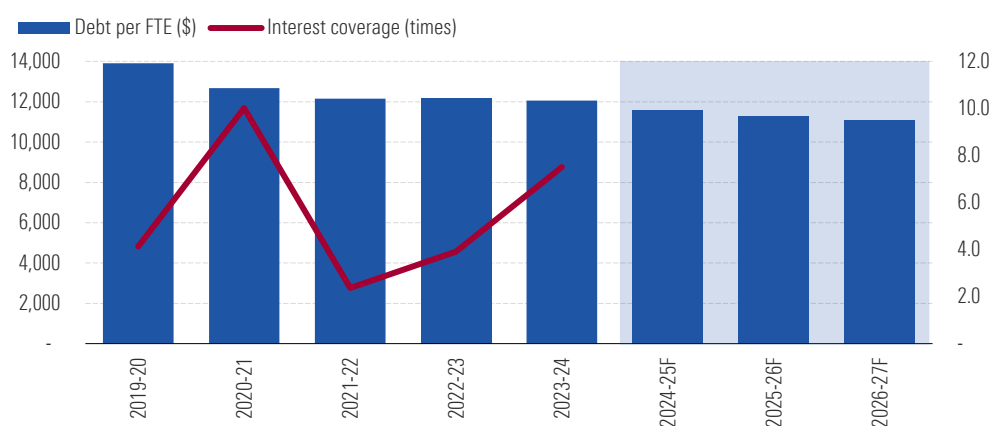
The University's current capital approval policy requires board approval for projects estimated to cost more than \$5.0 million. Capital spending totalled \$89.9 million for the year ended April 30, 2024 (up from \$63.6 million in the prior year).

Major capital projects currently under way include the following:

- **John Deutsch University Centre:** Revitalization of one of the central hubs of student activity, providing a more inclusive and accessible space to improve the student experience. Funded by student levies, donations, and University reserves, this project is nearing completion.
- **Agnes Reimagined:** Renovation and expansion of the University's existing art centre, scheduled to be completed by fall 2026. This project is primarily donor-funded.

Debt and Liquidity

Exhibit 3 Debt per FTE and Interest Coverage



Sources: Queen's and Morningstar DBRS.

As at April 30, 2024, the University's total debt was \$377.1 million. On a per FTE basis, the debt burden has steadily declined for the past five years to \$12,063 (from \$12,177 per FTE in the prior year).

The University's long-term debt comprises four series of long-dated debentures with maturities between 2033 and 2060 and an amortizing bank loan maturing in 2031. Interest coverage is strong at 7.5 times (x), an increase from 3.9x in F2023. Queen's has established a voluntary sinking fund to accumulate funds to repay the \$340.0 million in debentures. As at April 30, 2024, the sinking fund had a balance of \$121.5 million. The sinking fund is not explicitly required by the bonds' indenture and is not held by a trustee. As such, we present debt on a gross basis with the sinking fund assets included in our measure of expendable resources.

We assess financial flexibility using expendable resources, which include unrestricted net assets, most internally restricted net assets, and internally restricted endowments. On April 30, 2024, the University's expendable resources totalled \$815.7 million, with the ratio of expendable resources-to-debt strong at 216.3%.

Debt Outlook

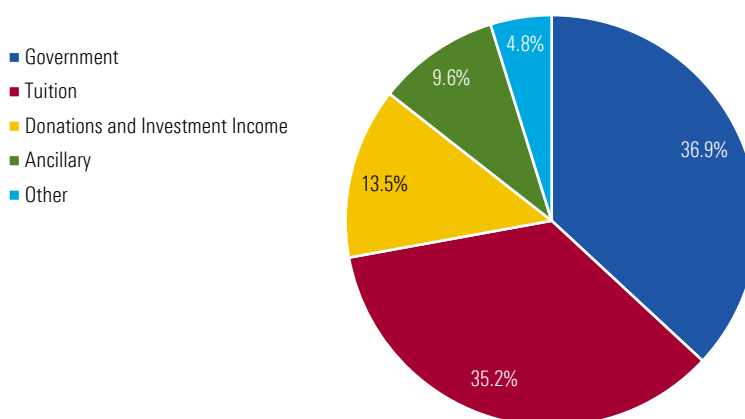
Queen's does not anticipate significant new external borrowing through the near term. Incorporating moderate enrolment growth projections, debt per FTE is expected to be approximately \$11,592 at April

30, 2025, and to decline to approximately \$11,100 by F2027. The University's credit profile benefits from a track record of healthy fundraising outcomes and considerable existing balance sheet flexibility that could support transfers to fund capital needs, potentially precluding the need for material new debt.

University Funding in Ontario

Ontario universities generally have three major revenue sources for their core teaching and research activities: (1) government grants, (2) student fees, and (3) donations and investment income. For Queen's, these accounted for more than 85% of total revenues in 2023–24. This is comparable with other universities we rate.

Exhibit 4 Revenue Breakdown (2023–24)



Sources: Queen's and Morningstar DBRS.

Government Funding (Provincial and Federal, 36.9%)

Government funding includes operating grants, research grants, and contracts as well as capital grants. Operating grants are the most important and stable revenue source.

In 2025–26, the Province and universities will sign new SMAs establishing performance-based funding targets, with funding consequences if the University does not meet negotiated performance targets.

Research and capital grants are another important source of funding. The federal government typically provides 65% to 75% of all public research funding, whereas the Province provides some capital funding.

Student Fees (35.2%)

Domestic tuition fees have remained frozen in recent years, following a 10% reduction in 2019–20. Starting in 2023–24, the Province has allowed universities certain exemptions, such as tuition fee increases of up to 5% for out-of-province students and fee increases in limited eligible programs.

International student fees are not regulated by the Province and may provide some offset to revenue declines from the current domestic tuition freeze.

Donations and Investment Income (13.5%)

Donations and investment income recognized as revenue on the statement of operations averaged more than 9.0% of total revenues over the last five years at Queen's. The University has a well-established fundraising operation and a large alumni base, which provide considerable expendable donations and endowed contributions. In 2023–24, Queen's received \$20.7 million in donations and a further \$33.9 million in endowed contributions.

As at April 30, 2024, the market value of Queen's endowment funds totalled \$1.6 billion, or \$51,080 per FTE. This is the highest level of endowments per FTE among universities we rate. The endowments support the University's operating budget and provide ongoing support for student assistance programs.

Environmental, Social, and Governance Factors**Environmental Factors**

There were no Environmental factors that had a relevant or significant effect on the credit analysis. The University is not considered materially vulnerable to climate and weather risks (the only applicable subfactor for public universities under our criteria) but continues to pursue alternative forms of generating energy (i.e., reducing current utility costs of roughly \$18.0 million per year), while implementing major infrastructure upgrades and retrofits aligned with its target to achieve carbon neutrality by 2040. Queen's periodically publishes its Climate Action Plan and progress on targets identified therein and remains a signatory to multiple climate initiatives within Canada and globally.

Social Factors

There were no Social factors that had a relevant or significant effect on the credit analysis. Public universities operate under a social responsibility to provide quality education to student communities while maintaining synergistic relationships with employee groups and the broader community. The University has a strong academic profile for a midsized university and healthy ongoing student demand for its programs. While we have not identified any significant financial risks associated with Human Capital and Human Rights, we acknowledge that wages and labour relations have grown more contentious in recent years with modest potential implications for budget planning.

Governance Factors

There were no Governance factors that had a relevant or significant effect on the credit analysis. We have not identified any concerns related to board and audit independence, or other significant governance failures at the University.

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S) *	
Environmental		Overall:	N N
Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N
Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	N	N
Land Impact and Biodiversity	Is there a financial risk to the issuer due to the loss of biodiversity and/or the mitigation of such loss, including land conversion and rehabilitation?	N	N
Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by physical and/or transition risks under key IPCC climate scenarios?	N	N
Climate and Weather Risks:		N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		Overall:	N N
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services pose a financial or regulatory risk to the issuer?	N	N
	Do changes in consumer behaviour or secular social trends pose a financial or regulatory risk to the issuer?	N	N
	Social Impact of Products and Services:	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N
	Do violations of rights create a potential liability that can negatively affect the issuer's financial wellbeing or reputation?	N	N
	Human Capital and Human Rights:	N	N
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N
Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		Overall:	N N
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could affect the issuer's financial position or its reputation?	N	N
	Bribery, Corruption, and Political Risks:	N	N
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure allow for appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Does the board and/or management lack a formal framework to assess climate related financial risks to the issuer?	N	N
	Corporate / Transaction Governance:	N	N
Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
Consolidated ESG Criteria Output:		N	N

* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.

A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

Statement of Operations (Adjusted)

(\$ thousands)	For the year ended April 30				
	2024	2023	2022	2021	2020
Revenues					
Student fees	424,261	429,723	429,267	402,762	396,553
Government grants for operations	223,748	212,099	210,166	207,862	208,916
Other grants and contracts	221,185	219,014	215,506	221,980	198,844
Sales of service and products (ancillary operations)	115,770	115,955	86,566	45,532	96,496
Investment income	141,584	84,392	12,810	161,717	50,714
Donations	20,674	16,070	7,932	11,644	19,204
Amortization of deferred capital contributions	25,821	25,332	25,315	25,472	25,471
Other revenue	31,995	23,197	21,244	18,323	22,557
Total Revenues	1,205,038	1,125,782	1,008,806	1,095,292	1,018,755
Expenses					
Salaries and benefits	634,383	601,197	571,381	528,922	526,355
Supplies and services	172,511	172,088	162,211	158,144	178,248
Student aid	95,459	95,084	90,321	85,989	68,500
Amortization	51,021	51,500	45,764	45,379	46,151
Utilities, taxes, and insurance	26,640	30,655	24,213	18,853	15,054
Interest	16,963	17,121	17,262	17,385	13,963
Other expense	131,833	142,533	100,939	95,823	134,772
Total Expenses	1,128,810	1,110,178	1,012,091	950,495	983,043
Consolidated Operating Surplus (Deficit), As Reported	76,228	15,604	(3,285)	144,797	35,712
Capital expenditures	89,948	63,626	91,371	37,641	26,521

Statement of Financial Position (Adjusted)

(\$ thousands)	As at April 30				
Assets	2024	2023	2022	2021	2020
Cash	189,044	96,842	118,185	165,607	142,513
Receivables	48,430	54,315	55,427	46,320	40,915
Deferred and prepaid expenses	6,808	7,385	7,111	7,252	8,216
Short-term investments	290,695	208,002	204,918	214,732	240,542
Long-term investments	2,159,408	2,147,060	2,065,081	2,058,396	1,666,524
Capital assets	1,000,522	961,595	949,469	903,862	911,600
Other assets	1	1	1	1	1
Total Assets	3,694,908	3,475,200	3,400,192	3,396,170	3,010,311
Liabilities and Net Assets					
Liabilities					
Payables, accrued liabilities, and deferred revenue	517,003	505,469	485,446	484,655	432,466
Deferred capital contributions	404,569	408,590	411,885	424,318	434,964
Employee future benefit obligations	128,797	124,287	95,788	108,295	132,420
Debt	377,087	379,533	384,072	388,468	392,727
Total Liabilities	1,427,456	1,417,879	1,377,191	1,405,736	1,392,577
Net Assets					
Unrestricted net assets ¹	2,359	3,313	(18,390)	(11,486)	(12,988)
Internally restricted net assets	405,505	389,623	433,170	410,633	279,551
Endowment — internally restricted	278,998	259,992	258,000	261,758	221,223
Endowment — externally restricted	1,317,768	1,188,199	1,149,026	1,131,950	920,129
Equity in capital assets	262,822	216,194	201,195	197,579	209,819
Total Net Assets	2,267,452	2,057,321	2,023,001	1,990,434	1,617,734
Total Liabilities and Net Assets	3,694,908	3,475,200	3,400,192	3,396,170	3,010,311
Contingencies and Commitments					
Capital commitments	41,883	78,730	36,174	62,285	2,602
Letters of credit	2,285	2,285	1,580	1,711	2,780
	44,168	81,015	37,754	63,996	5,382

¹ Previously, the University included internal capital project financing in the unrestricted deficit. These amounts are now reflected in internally restricted net assets.

Calculation of Free Cash Flow (Adjusted)

(\$ thousands)	For the year ended April 30				
	2024	2023	2022	2021	2020
Consolidated operating balance, adjusted	76,228	15,604	(3,285)	144,797	35,712
Amortization	51,021	51,500	45,764	45,379	46,151
Other noncash adjustments ¹	(16,780)	(17,290)	(18,846)	(33,425)	(38,117)
Cash Flow From Operations	110,469	49,814	23,633	156,751	43,746
Change in working capital and other	17,697	20,460	(8,549)	47,394	50,958
Operating Cash Flow After Working Capital	128,166	70,274	15,084	204,145	94,704
Net capital expenditures ²	(68,148)	(41,589)	(78,489)	(22,815)	(5,353)
Free Cash Flow	60,018	28,685	(63,405)	181,330	89,351

¹ Includes unrealized gains and losses on investments (excluding the externally restricted endowments).

² Gross capital expenditures less contributions restricted for capital purposes.

Summary Statistics (Adjusted)

	For the year ended April 30				
	2024	2023	2022	2021	2020
Total Enrolment (FTEs)	31,260	31,168	31,613	30,637	28,244
Undergraduate (%)	83	83	83	85	84
Graduate (%)	17	17	17	15	16
Annual change (%)	0.3	(1.4)	3.2	8.5	3.0
Enrolment (FTE)					
Domestic (%)	90.2	89.7	89.5	89.3	89.0
International (%)	9.8	10.3	10.5	10.7	11.0
Total Staff (FTE)¹	4,991	5,020	5,020	4,890	5,443
Faculty	1,962	1,919	1,919	1,870	1,546
Operating Results					
Surplus (deficit; \$ millions)	76.2	15.6	(3.3)	144.8	35.7
- As % of revenues	6.3	1.4	(0.3)	13.2	3.5
- As % of revenues (five-year rolling average)	4.8	5.5	6.8	8.8	7.1
Revenue Mix					
Government (%)	36.9	38.3	42.2	39.2	40.0
Student fees (%)	35.2	38.2	43.0	36.8	38.9
Ancillary (%)	9.6	10.3	8.2	4.2	9.5
Donations and investment income (%)	13.5	8.9	2.1	15.8	6.9
Other (%)	4.8	4.3	4.6	4.0	4.7
Debt and Liquidity					
Total debt (\$ millions)	377.1	379.5	384.1	388.5	392.7
- Per FTE student (\$)	12,063	12,177	12,149	12,680	13,905
Interest costs as share of total expense (%)	1.5	1.5	1.7	1.8	1.4
Interest coverage ratio (x)	7.5	3.9	2.4	10.0	4.1
Expendable resources (\$ millions)	815.7	777.2	768.6	769.2	620.2
As a share of debt (%)	216.3	204.8	200.1	198.0	157.9
Endowments					
Total market value (\$ millions)	1,596.8	1,448.2	1,407.0	1,393.7	1,141.4
Per FTE student (\$)	51,080	46,464	44,508	45,492	40,410
Annual change (%)	10.3	2.9	1.0	22.1	(1.0)

Payout ratio: Long-term target of 4.0%, based on formula of 70% of prior year's payout plus inflation and 30% on the most recent calendar year's ending market value.

¹ FTE excludes teaching assistants and sessional lecturers.

Credit Rating History

Issuer	Debt	Current	2024	2023	2022	2021	2020
Queen's University	Issuer Rating	AA	AA	AA	AA	AA	AA
Queen's University	Senior Unsecured Debt	AA	AA	AA	AA	AA	AA

Related Research

- [Critical Rating Factors and Financial Risk Assessment Factors - Rating Public Universities](#), January 27, 2025.
- [Morningstar DBRS Canadian University Peer Comparison Table](#), January 27, 2025.
- [Ontario Universities: Rising Domestic Applications Provide Little Relief to Universities Facing Financial Challenges](#), January 29, 2025.
- [Falling International Enrolment Exacerbates Financial Challenges for Canadian Universities](#), September 26, 2024.
- [Rating Public Universities](#), September 6, 2024.

Previous Report

- Queen's University: Rating Report, May 1, 2024.

Note:
All figures are in Canadian dollars unless otherwise noted.

About Morningstar DBRS

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We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

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