FitchRatings

Criteria Essentials - Securities Firm Ratings Non-Bank Financial Institutions (NBFI)





7 Key Rating Drivers (KRDs)

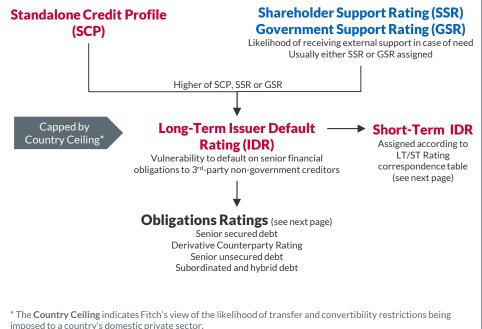
- Implied KRD scores on a 'aaa' scale derived from core metrics, except for Management & Strategy and Risk Profile which are qualitative
- Benchmarks and attributes specific to business model
- KRD weights depend on balance-sheet (B/S) usage

KRD weights	
KRDs High B/S Low E usage usage usage	
1 Business Profile Total net operating income 25% 25%	6
2 Management & Strategy 10% 109	6
3 Risk Profile 10% 109	ó
4 Asset Quality 10% 5%	
S Earnings & Profitability 10% 109	ó
6 Capitalisation & Leverage 15% 20%	6
7 Funding, Liquidity & Coverage 20% 20%	ó

Implied Standalone Credit Profile derived from weighted KRD scores

 Complementary metrics and analytical judgment inform adjustments to implied KRDs and SCP

Standalone Credit Profile (SCP)



Where support is analytically relevant

Shareholder's Long-Term IDR (or SCP/Viability Rating in some instances)

- Ability to support: regulation, relative size, country risks
- Propensity to support: subsidiary role and relevance, reputational risk, integration, support record, subsidiary performance and prospects, legal commitments

Assigned to subsidiaries ('core' to 'of limited importance')

Shareholder Support Rating (SSR)

Government Support Rating (GSR)

Government ability and propensity to support policy or systemically important NBFIs

Sovereign's Long-Term IDR

2

Where support is modest: Up to 3-notch uplift applied to SCP to derive IDR, provided source of support is stronger than the SCP

Financial KRDs and Benchmark Ranges

			Asse	et Qua	lity			Ear	nings &	k Profi	tability	/				ation	& Lev	erage			•	dity & 0	Covera	ge
SROE Score	Impa	aired lo	ans/gr	oss loa	ans (a)		High B/S usage: Operating profit/average equity (a) High B/S usage: (Tangible assets – reverse repo – sec borrowed)/tangible equity (b)			•	High B/S usage: Liquid assets + undrawn committed facilities/ ST funding (a)					ed								
aa & above	≤1	≤3	≤6	≤14	≤25	>25	>20	>10	>5	>3	>0	≤0	<5	<10	<15	<20	<30	≥30 or <0	>3.5	>2	>1	>0.75	>0.35	≤0.35
a	≤0.2	5 ≤2	≤5	≤12	≤20	>20	>25	>15	>5	>3	>0	≤0	<2.5	<10	<15	<20	<30	≥30 or <0	>3.5	>2	>1	>0.75	>0.35	≤0.35
bbb		≤0.5	≤4	≤10	≤17.5	>17.5		>15	>10	>3	>0	≤0		<5	<10	<15	<25	≥25 or <0		>2	>1	>0.75	>0.35	≤0.35
bb			≤0.75	5 ≤ 5	≤15	>15			>15	>10	>0	≤0			<5	<12	<20	≥20 or <0			>2.5	>1	>0.4	≤0.4
b				≤1	≤12.5	>12.5				>15	>0	≤0				<7	<15	≥15 or <0				>3	>0.5	≤0.5
ccc & below	,				≤1	>1					>20	≤20					<7	≥7 or <0					>3	≤3
								B/S usa DA/gr	_	erating	incom	ie (a)		B/S us s debt	sage: t/EBIT	DA (b)			3/S usa; DA/inte		(pense ((a)	
ALL							>50	>30	>20	>10	>0	≤0	< 0.5	< 1.5	<2.5	<3.5	<5	≥5 or <0	>15	>10	>6	>3	>1	≤1
Implied KRD score	aa	а	bbb	bb	b	ccc & below	aa	а	bbb	bb	b	ccc & below	aa	а	bbb	bb	b	ccc & below	aa	а	bbb	bb	b	ccc & below

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Scan QR code or visit https://www.fitchratings.com/criter ia/non-bank-financial-institutions.to view detailed NBFI Rating Criteria



Senior Secured Long-Term Debt

- Baseline approach: +1 from the LT IDR (equalised with LT IDR if below average recovery prospects)
- 2 If issuer rated BB+ to BB-: 0 to +3 from LT IDR, but capped at BBB- based on recovery prospects
- 3 If issuer rated B+ or below: -3 to +3 from LT IDR based on recovery prospects and a Recovery Rating assigned as outlined below

Senior Unsecured Long-Term Debt and Derivative Counterparty Rating

- Baseline approach: Equalised with LT IDR (-1 from LT IDR if below average recovery prospects)
- 2 If issuer rated B+ or below: -3 to +3 from LT IDR based on recovery prospects and a Recovery Rating assigned as outlined below

Recovery Rating (RR)

Assigned to securities where the issuing entity's IDR is B+ or below based on bespoke recovery analysis

- · Liquidation or going concern enterprise value determined and allocated based on priority of claims
- Country constraints to RR may apply (see Country-Specific Treatment of Recovery Criteria)
- Security's RR drives the applied notching from IDR to derive security's rating

Recovery Rating Scale and Securities Notching

Recovery Rating	Recovery Prospects Given Default	Typical Historical Recoveries (%)	Notching of Securities Rating from IDR
RR1	Outstanding (first-lien debt only)	91-100	+3
RR2	Superior	71-90	+2
RR3	Good	51-70	+1
RR4	Average	31-50	0
RR5	Below average	11-30	-1
RR6	Poor	0-10	-2/-3

Issue Rating: Measures the overall level of credit risk of the issue, including an assessment of the likelihood of default/non-performance and (long-term ratings only) of potential loss severity for creditors.

Derivative Counterparty Rating: Measures the NBFI's vulnerability to default on derivative contracts to 3^{rd} -party non-government counterparties.

Senior Unsecured Short-Term Debt (Initial maturity < 13 months)

Correspondence table between Long- and Short-Term Ratings

Long-Term Rating		AAA to AA-	A+	Α	A-	BBB+	BBB	BBB-	BB+ to B-	CCC+ to
ST Rating	Lower option	F1+			F2	F2	F3	F3	В	С
	Higher option		F1+	F1+			F2			
Min Funding, Liquidity & Coverage score to assign higher ST option			aa-	aa-	а	a	bbb+			

If equivalent LT obligation rating notched up from LT IDR

Derived from equivalent LT obligation rating and applying the LT/ST Rating correspondence table

Funding, Liquidity & Coverage score is the primary determinant to assigning the higher of the two ST rating options.

Otherwise Equalised with Short-Term IDR

Subordinated and Hybrid Debt

1 Issuer subject to a prudential capital framework

Apply either Bank or Insurance Rating Criteria as relevant

- No prudential capital framework
 - For issuers rated BB- and above: apply Corporate Hybrids Treatment and Notching Criteria
 - For issuers rated B+ or below: apply bespoke recovery approach and assign RR

Typical Subordinated and Hybrid Securities Notching*

		brids Treatment	Bank	Criteria	Insurance Criteria		
	Notching	Equity credit (%)	Notching	Equity credit (%)	Notching	Equity credit (%)	
Subordinated (cumulative)	-1	0	-2	0	-1 or -2	0	
Deeply Subordinated/AT1 (non-cumulative)	-2 or -3	100**	-4	100	-2 or-3	100**	

^{*}Typical notching relative to IDR (or Viability Rating for banks); **50% equity credit if coupon is cumulative

This document is a summary of, and complementary material to, our current Non-Bank Financial Institutions Rating Criteria report available on Fitch Ratings' public website. It does not replace our criteria and should be used in conjunction with it.