



## Key Rating Factors for GRE Support

- Responsibility to support**
1. Decision-making and oversight
  2. Precedents of support
- Incentives to support**
3. Preservation of government policy role
  4. Contagion risk

## Support Factor Scoring

- Each factor assessed either: Very Strong, Strong, or n.a. (Not Strong Enough) - see next page for attributes
- Only Very Strong, Strong contribute to score
- Incentives factors weigh twice responsibility ones

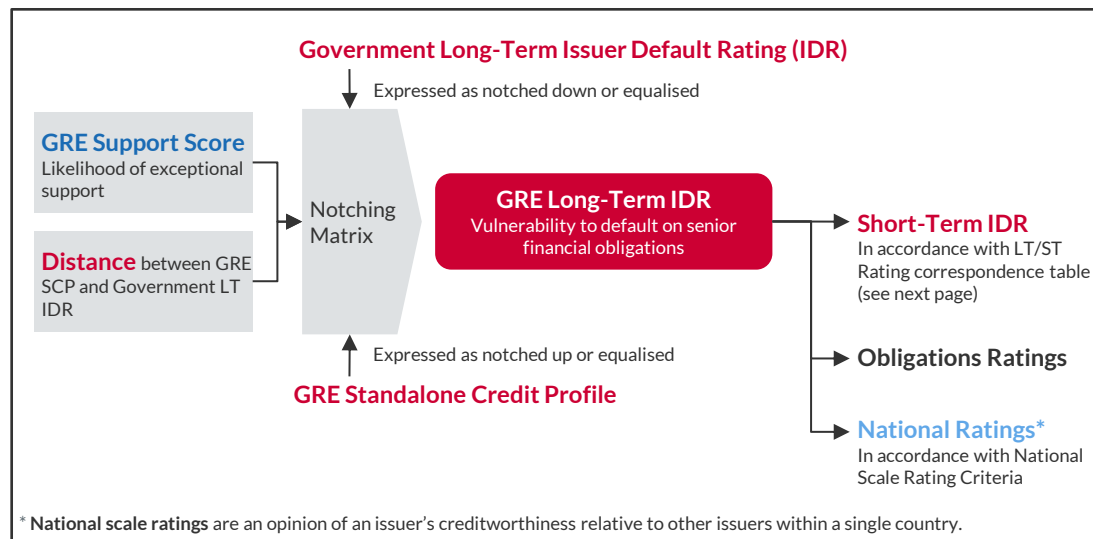
## Factor Scoring and GRE Support Score Derivation

Responsibility Factors	2 V Strong	1 V Strong	1 Strong	1 V Strong	2 Strong	1 Strong	2 n.a.
Incentive Factors	2 V Strong	60	55	52.5	50	45	40
2 V Strong	60	55	52.5	50	45	40	
1 V Strong, 1 Strong	50	45	42.5	40	35	30	
1 V Strong	45	40	37.5	35	30	25	
2 Strong	40	35	32.5	30	25	20	
1 Strong	30	25	22.5	20	15	10	
2 n.a.	20	15	12.5	10	5	0	

GRE Support Score

## GRE Support Categories

GRE Support Score Range	Support Category
Min	Max
45	60
35	42.5
30	32.5
20	25
15	15
12.5	12.5
0	10
	G – Virtually no expectations



\* National scale ratings are an opinion of an issuer's creditworthiness relative to other issuers within a single country.

## Notching Matrix Guideline for GRE Issuer Default Rating

Distance b/w GRE SCP and govt IDR	GRE Support Category						
	A	B	C	D	E	F	G
Rating expressed as top-down from govt IDR Notches down from government IDR:	Rating expressed as bottom-up from GRE SCP Notches up from GRE SCP:	Standalone or capped					
>0	SCP or 0	SCP or 0	SCP or 0	SCP or 0	SCP or 0	SCP or 0	SCP or 0
0	0	0	0	SCP	SCP	SCP	SCP
-1	0	0	0	0/+1	SCP	SCP	SCP
-2	0	0	0	+1	SCP	SCP	SCP
-3	0	0	-1	+1	SCP	SCP	SCP
-4	0	-1	-2	+1	SCP	SCP	SCP
-5	0	-1	-2	+2	+1	SCP	SCP
-6	0	-1	-2	+3	+2	+1	SCP
-7	0	-1	-2	+4	+2	+1	SCP
-8	0	-1	-2	+4	+3	+1	SCP
-9	0	-1	-2	+5	+3	+1	SCP
-10	0	-2	-3	+5	+3	+1	SCP
-11	-1	-2	-4	+5	+3	+1	SCP
-12	-1	-3	-4	+5	+3	+1	SCP
-13	-2	-3	-5	+5	+3	+1	SCP
-14	-2	-3	-5	+5	+3	+1	SCP
-15	-2	-3	-5	+5	+3	+1	SCP

## GRE Rating Criteria

- A cross-sector criteria applied to entities for which a national, regional or local government has sufficient control over the entity for a parent/ subsidiary relationship to be present.
- Applied in conjunction with relevant master criteria (see next page)

## Distance between GRE Standalone Credit Profile and Government IDR

- Government IDR:** captures its ability and capacity to support the GRE
- GRE standalone credit profile (SCP):**
  - Captures the GRE's capacity to meet its financial obligations
  - Assigned under the relevant rating criteria depending on the GRE's mission, assuming no exceptional support (see next page)

## Specific Situations

- If the GRE cannot be delinked from the government, it is equalised or notched down from the government IDR based on its support score:

GRE Support Category	A	B	C	D	E, F, G
Notch down from govt IDR	0	-1	-2	-3	n.a.

- Single factors leading to equalisation of GRE rating with government IDR:

- The government sustainably guarantees more than 75% of the GRE debt, or
- The GRE legal status is equivalent to a government guarantee

- GRE rating may be higher than government IDR if GRE SCP > govt IDR and govt has limited access to GRE cash or assets.

# Criteria Essentials – Government-Related Entity (GRE) Ratings (2/2)

Scan QR code or visit  
<https://www.fitchratings.com/criteria/international-public-finance> to view  
detailed GRE Rating Criteria



## Key Risk Factors to Support – Attributes Assessment

		Strong Attributes	Very Strong Attributes (On top of Strong)
Responsibility to Support	Decision-making and oversight	Government exercises decision-making power over the GRE covering its operational activities, financial performance, funding structure and investment plans	Evidence of tighter control by the government: it defines key aspects of the GRE operations and investments and monitors the implementation of such decisions
		Evidence of ongoing government oversight	
	Precedents of support	Past support meaningful to maintain or improve its financial profile	Consistent past support to maintain a sufficiently strong financial profile
		Conditional fiscal resources	Unconditional (or statutory) fiscal funding
		Easing of debt financing	Repeated debt assumptions / the Government provides most debt facilities
		Liability transfer provision	Liability transfer precedents
Incentives to Support	Preservation of government policy role	Provision of key public service /Sovereignty matter / key economic activity	Immediate impact of the default on the core responsibility of the government with limited/no substitutes
		Other meaningful political implications	High profile core government entity; deep political crisis in case of default
		Valuable assets with net benefit to rescue	Valuable key assets with net benefit to rescue
	Contagion risk	GRE has (or is expected to have) incurred debt	GRE is a reference issuer / the GRE receives high level of funding from MDB
		High-profile GRE; Likely disruptions	High profile core government entity; default leads to major disruption
		No episode contradicting contagion assumption	No episode contradicting contagion assumption

## Supporting Government Identification

- 1 Typically, the supporting government is the national, regional or local government with direct or indirect majority economic or control authority over the entity
- 2 For multi-owned GREs, a weighted average of the credit profile of these governments is used in lieu of an IDR of the supporting government, based on their controlling stakes and/or funding involvement in the GRE.
- 3 For system or wide public-sector models, where systemic support is strong, but direct support from an entity or group of entities is not clearly identifiable, GRE support category is capped at D and GRE rating expressed as bottom-up from government IDR.
- 4 Looking through the immediate government owner is possible when effective control over the GRE rests with a different level of government than that nominally owning

## Rating Approach for Subsidiaries of GREs

- 1 Financing Vehicles: IDR typically equalised with the IDR of the relevant entity within the group
- 2 GRE subsidiaries with strong links to government: GRE criteria apply using government IDR as reference (ie 'looking through' the GRE parent)
- 3 All other cases: the Parent and Subsidiary Linkage Rating Criteria apply

## Criteria Used to Derive GRE Standalone Credit Profile

Depending on the GRE mission

### Public-mission GREs

- Public Policy Revenue-Supported Entities Rating Criteria or
- U.S. Public Sector, Revenue-Supported Entities Rating Criteria

### GRE with a primary corporate commercial mission

- Corporate Rating Criteria

### Commercial infrastructure GRE

- Infrastructure and Project Finance Rating Criteria

### Certain types of financial GREs

- Non-Bank Financial Institution Rating Criteria

## Derivation of Short-Term IDRs (typically applicable for instruments with initial maturity ≤13 months)

### Correspondence table between Long- and Short-Term Ratings

Long-Term Rating		AAA to AA-	A+	A	A-	BBB+	BBB	BBB-	BB+ to B-	CCC+ to C	RD/D
ST Rating	Lower option	F1+	F1	F1	F2	F2	F3	F3	B	C	C/RD/D
	Higher option		F1+	F1+	F1	F1	F2				

- If the GRE LT IDR is equalised with the government IDR, the GRE ST IDR is also equalised.
- If the GRE LT IDR is expressed as top-down from government IDR, the higher of the two ST options apply, capped at the government ST IDR.
- If the GRE LT IDR is expressed as bottom-up from GRE SCP or using a standalone basis, the GRE ST IDR option is chosen using the rationale outlined by the relevant criteria used for SCP assessment.