EXPLORING BANK CYBERSECURITY RISK - FAQS

Why has Fitch collaborated with SecurityScorecard?
Fitch is collaborating with SecurityScorecard (SSC) to explore new ways to consider rated entities' exposure to cyber risk. The collaboration allows Fitch to more proactively assess common cyber vulnerabilities and exposures. SecurityScorecard is a leading cybersecurity risk assessment firm that provides an “outside-in” view of an entity’s cyber hygiene.

How does SecurityScorecard assess public and private entities?
SecurityScorecard is able to assess any entity with an IP address using non-intrusive active and passive methods to gather proprietary and third-party data. This data is distilled into 10 subfactor scores that gets weighted into determining an overall risk score. SecurityScorecard’s methodology and guiding principles can be found via SecurityScorecard's TrustPortal.

What do SecurityScorecard scores mean?
SecurityScorecard scores measure the point-in-time cybersecurity posture of any organization in the world from an “outside-in” perspective across 10 risk factor groups mimicking a hacker’s approach. SecurityScorecard scores an entity on a 0–100 point scale that translates into five letter grades. Entities with an ‘F’ have a 7.7x higher likelihood of a cyber breach compared to entities with a grade of ‘A’.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Score</th>
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<tbody>
<tr>
<td>A</td>
<td>&gt;90</td>
</tr>
<tr>
<td>B</td>
<td>80–89</td>
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<tr>
<td>C</td>
<td>70–79</td>
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<tr>
<td>D</td>
<td>60–69</td>
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<tr>
<td>F</td>
<td>&lt;60</td>
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Why has Fitch focused its cyber risk analysis on banks?
Financial institutions are amongst the most highly targeted industries for cyber crime because banks have a wealth of personally identifiable information (PII) customer data which can be monetized by hackers.

How does Fitch intend to use SecurityScorecard scores in its credit rating analysis? Could cyber risk scores lead to credit rating changes?
Fitch intends to leverage SecurityScorecard’s data to engage in thoughtful and targeted discussions with rated entities on cyber risk. Cyber risk scores can help inform Fitch’s opinion on general operational risk controls which is a component in our bank rating criteria. It is unlikely, however, that cyber risk scores, in isolation, could lead to a rating action.

What have been key learnings from this initiative so far?
Fitch’s analysis of cyber scores indicates modest positive correlation with standalone credit ratings; banks in developed markets tend to score higher and have less variance than banks in emerging markets; and financial size, as measured by assets or operating income, do not lead to better cybersecurity scores.

Are there next steps in terms of Fitch’s cyber risk initiative?
Fitch will continue to study SecurityScorecard's data and how these can inform our analysis of an institution’s cybersecurity vulnerability and plans to publish further insights based on cybersecurity scores such as the evolution of scores over time or impact of digital footprints on scores. Moreover, Fitch intends to explore the expansion of cybersecurity scores to other sectors such as financial services and corporates.

What is the relationship between Fitch and SecurityScorecard?
Fitch is a subscriber to SecurityScorecard’s data and analysis. In addition, an affiliate of Fitch’s parent company is an investor in SecurityScorecard.

How can I get more information or provide feedback to Fitch on this subject?
We welcome market feedback on our cybersecurity initiative and comments may be sent to the following e-mail: cyber.risk@fitchratings.com.