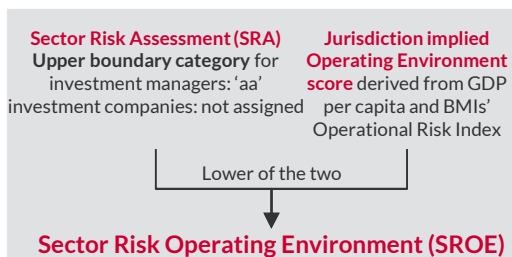


Criteria Essentials – Investment Manager Ratings

Non-Bank Financial Institutions (NBFI)

Scan QR code or visit
<https://www.fitchratings.com/criteria/non-bank-financial-institutions> to
view detailed NBFIR Rating Criteria



7 Key Rating Drivers (KRDs)

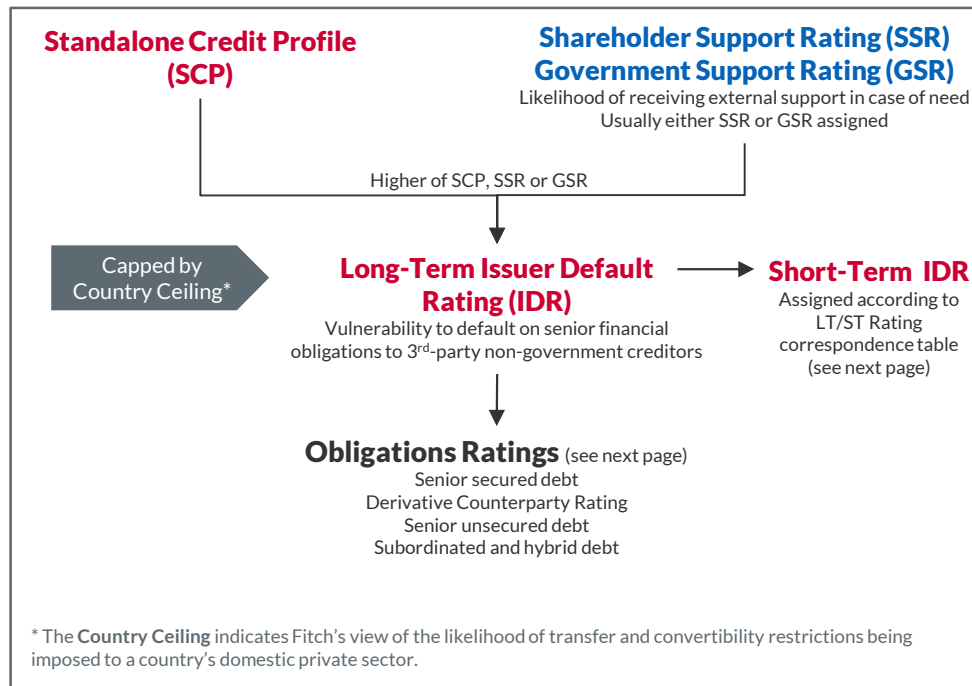
- Implied KRD scores on a 'aaa' scale derived from core metrics, except for Management & Strategy and Risk Profile which are qualitative
- Benchmarks and attributes specific to business model
- KRD weights depend on balance-sheet (B/S) usage

| | | KRD weights | |
|---|--|----------------|---------------|
| | KRDs | High B/S usage | Low B/S usage |
| 1 | Business Profile Assets under management (AUM), Fee assets under management Or total (or net) assets | 25% | 25% |
| 2 | Management & Strategy | 10% | 10% |
| 3 | Risk Profile | 10% | 10% |
| 4 | Asset Performance/Quality | 10% | 5% |
| 5 | Earnings & Profitability | 10% | 10% |
| 6 | Capitalisation & Leverage | 15% | 20% |
| 7 | Funding, Liquidity & Coverage | 20% | 20% |

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)



Financial KRDs and Benchmark Ranges

| | Traditional and Alternative Investment Managers | | | | | | | Investment Companies | | | | | | |
|-------------------------------|---|------|------|-----|------|------|-------------|---|--|-------|------|------|------|-------------|
| Asset Performance/Quality | Net client flows/beginning (F)AUM (a) | >10 | >5 | >-5 | >-10 | >-25 | ≤-25 | Important attributes | Asset performance and liquidity, portfolio concentration and weighted-average credit quality | | | | | |
| Earnings & Profitability | (F)EBITDA/fee income (a) | >50 | >30 | >20 | >10 | >0 | ≤0 | | | | | | | |
| Capitalisation & Leverage | Gross debt/adjusted (F)EBITDA (b) | | | | | | | Gross debt/tangible equity (b) | <0.15 | <0.35 | <0.5 | <1 | <1.5 | ≥1.5 or <0 |
| | Traditional investment managers | <0.5 | <1.5 | <3 | <5 | <7 | ≥7 or <0 | | | | | | | |
| | Alternative investment managers | <1 | <2.5 | <4 | <6 | <8 | ≥8 or <0 | | | | | | | |
| Funding, Liquidity & Coverage | (F)EBITDA/interest expense (a) | | | | | | | 1-year upstream dividend and interest income coverage of | | | | | | |
| | Traditional investment managers | >15 | >10 | >6 | >3 | >1 | ≤1 | • 1-year holdco interest expense (c) | >10 | >6 | >3.5 | >2.5 | >1 | ≤1 |
| | Alternative investment managers | >12 | >8 | >4 | >2 | >1 | ≤1 | • 2-year holdco operating and interest expenses and dividends (c) | >1 | >1 | >1 | >0 | >0 | ≤0 |
| | Implied KRD score | aa | a | bbb | bb | b | ccc & below | Implied KRD score | aa | a | bbb | bb | b | ccc & below |

(a): %, 4-year average; (b): latest; (c): 4-year average

- 1** 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

Criteria Essentials – Investment Manager Ratings
Non-Bank Financial Institutions (NBFI)

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Senior Secured Long-Term Debt

- 1 **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

- 1 **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 3rd-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+ | A | A- | BBB+ | BBB | BBB- | BB+ to B- | CCC+ to C | |
|--|---------------|-----|-----|-----|------|------|------|-----------|-----------|---|
| ST Rating | Lower option | F1+ | F1 | F1 | F2 | F2 | F3 | F3 | B | C |
| | Higher option | | F1+ | F1+ | F1 | F1 | F2 | | | |
| Min Funding, Liquidity & Coverage score to assign higher ST option | | aa- | aa- | a | a | bbb+ | | | | |

1 **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.

2 **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

2 **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* | | | | | | |
|--|---|-------------------|---------------|-------------------|--------------------|-------------------|
| | Corporate Hybrids Treatment and Notching Criteria | | 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