

Criteria Essentials – Finance and Leasing Company Ratings
Non-Bank Financial Institutions (NBFI)

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



Sector Risk Assessment (SRA)
Upper boundary category for
finance and leasing companies:
'a' to 'bbb' depending on the
sub-sector

**Jurisdiction implied
Operating Environment
score** derived from GDP
per capita and BMIs'
Operational Risk Index

Lower of the two

Sector Risk Operating Environment (SROE)

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

KRDs	KRD weights	
	High B/S usage	Low B/S usage
1 Business Profile Total net operating income	25%	25%
2 Management & Strategy	10%	10%
3 Risk Profile	10%	10%
4 Asset 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)

Standalone Credit Profile (SCP)

**Shareholder Support Rating (SSR)
Government Support Rating (GSR)**

Likelihood of receiving external support in case of need
Usually either SSR or GSR assigned

Higher of SCP, SSR or GSR

Capped by
Country Ceiling*

**Long-Term Issuer Default
Rating (IDR)**

Vulnerability to default on senior financial
obligations to 3rd-party non-government creditors

Short-Term IDR

Assigned according to
LT/ST Rating
correspondence table
(see next page)

Obligations Ratings (see next page)

Senior secured debt
Derivative Counterparty Rating
Senior unsecured debt
Subordinated and hybrid debt

* The Country Ceiling indicates Fitch's view of the likelihood of transfer and convertibility restrictions being imposed to a country's domestic private sector.

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

Financial KRDs and Benchmark Ranges

	Asset Quality						Earnings & Profitability**						Capitalisation & Leverage						Funding, Liquidity & Coverage							
SROE Score	Impaired loans/gross loans (a)						High B/S usage: Pre-tax income/average assets (a)						High B/S usage: Gross debt/tangible equity (b)						SROE Score	High B/S usage: Unsecured debt/total debt (a)						
aa & above	≤1	≤3	≤6	≤14	≤25	≤25	>4	>3	>2	>1	>0	≤0	<1	<3	<5	<8	<25	≥25 or <0	bbb & above	100	100	>35	>10	>0	0	
a	≤0.25		≤2	≤5	≤12	≤20	>5	>3.5	>2.5	>1	>0	≤0	<0.8	<3	<5	<7.5	<22.5	≥22.5 or <0	bb	=100 >50 >20 ≤20						
bbb			≤0.5	≤4	≤10	≤17.5	>17.5	>6	>4	>1	>0	≤0			<0.75	<4	<7	<20	≥20 or <0	b	>95 >25 ≤25					
bb				≤0.75	≤5	≤15	>15			>6	>2	>0	≤0			<0.6	<5.5	<17.5	≥17.5 or <0	ccc & below	>95 ≤95					
b				≤1	≤12.5	>12.5				>7	>0	≤0				<0.5	<12.5	≥12.5 or <0	Liquid assets + undrawn committed facilities/ST funding (a)							
ccc & below					≤1	>1				>7	≤7					<0.5	≥0.5 or <0		a & above	>3.5	>2	>1	>0.75	>0.35	≤0.35	
							Low B/S usage: EBITDA/total revenues (a)						Low B/S usage: Gross debt/EBITDA (b)						bbb			>2	>1	>0.75	>0.35	≤0.35
ALL							>50	>30	>20	>10	>0	≤0	<0.5	<1.5	<2.5	<3.5	<5	≥5 or <0	bb			>2.5		>1	>0.4	≤0.4
Implied KRD score	aa	a	bbb	bb	b	ccc & below	aa	a	bbb	bb	b	ccc & below	aa	a	bbb	bb	b	ccc & below	b			>3		>0.5	≤0.5	
																			ccc & below					>3	≤3	
																					Low B/S usage: EBITDA/interest expense (a)					
																			ALL	>15	>10	>6	>3	>1	≤1	
	Implied KRD score	aa	a	bbb	bb	b	ccc & below																			

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

**Specific 'Earning & Profitability' KRD and benchmark values apply for Aircraft Lessors and Debt Purchasers/Collectors

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

**Specific 'Earning & Profitability' KRD and benchmark values apply for Aircraft Lessors and Debt Purchasers/Collectors

Criteria Essentials – Finance and Leasing Company Ratings
Non-Bank Financial Institutions (NBFI)

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



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	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

	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