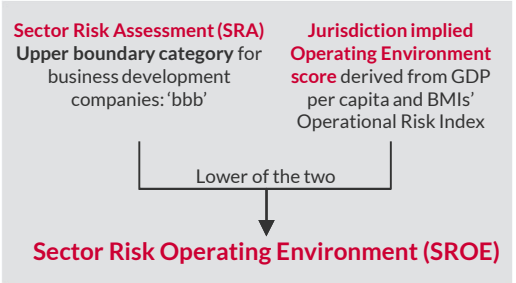


Criteria Essentials – Business Development Company Ratings
Non-Bank Financial Institutions (NBFI)

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

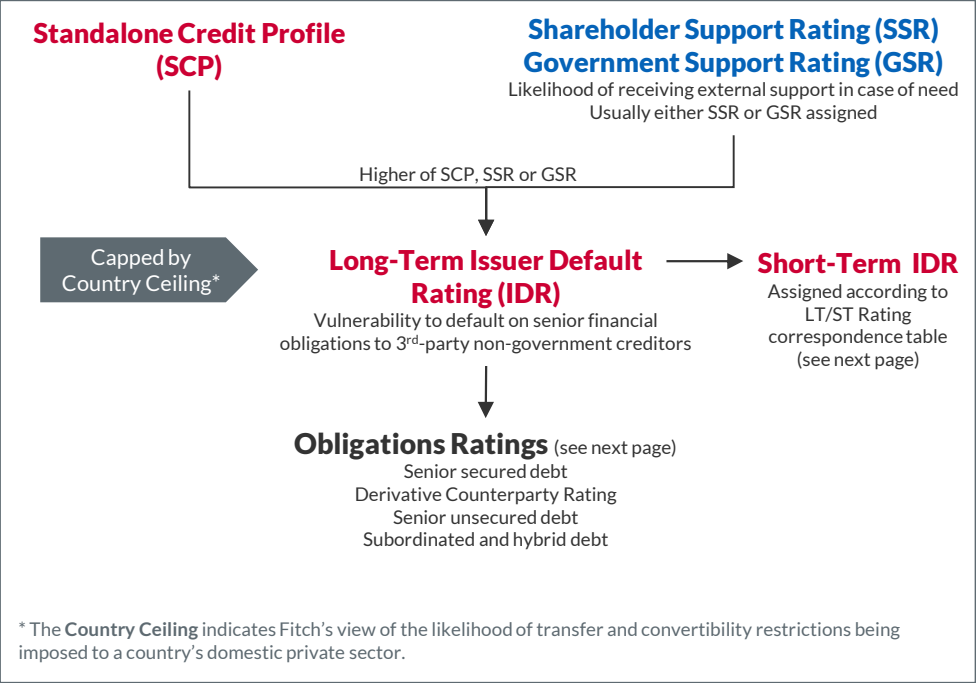


- 7 Key Rating Drivers (KRDs)**
- Implied KRD scores on a 'aaa' scale derived from core metrics, except for Management & Strategy and Risk Profile which are qualitative
 - Benchmarks and attributes specific to business model
 - KRD weights depend on balance-sheet (B/S) usage

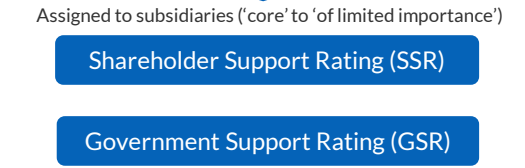
KRD weights		
KRDs	High B/S usage	Low B/S usage
1 Business Profile		
Total assets	25%	25%
2 Management & Strategy	10%	10%
3 Risk Profile	10%	10%
4 Asset Quality	10%	5%
5 Earnings & Profitability	10%	10%
6 Capitalisation & Leverage	15%	20%
7 Funding, Liquidity & Coverage	20%	20%

- 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)



- 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



- 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	Net realised gains/average portfolio, at value (a)	>5	>2	>-3	>-6	>-10	≤-10
Earnings & Profitability	Net investment income/average portfolio, at cost (a)	>5 and ≤10	>5 and ≤10	>5 and ≤10	≤5 or >10	≤5 or >10	≤5 or >10
Capitalisation & Leverage	Asset coverage cushion (b)	>60	>33	>11	>5	>0	0
	Implied debt/tangible equity at 200% asset coverage requirement (b)	<0.25	<0.5	<0.8	<0.9	<1	≥1
	Implied debt/tangible equity at 150% asset coverage requirement (b)	<0.36	<0.8	<1.45	<1.73	<2	≥2
Funding, Liquidity & Coverage	Unsecured debt/total debt (a)	100	100	>35	>10	>0	0
	Liquid assets + undrawn committed facilities/ ST funding (a)	>3.5	>2	>1	>0.75	>0.35	0
	Implied KRD score	aa	a	bbb	bb	b	ccc & below

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

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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