

Bank Rating Methodology

Qualitative Factors

We may adjust our initial BCA score by one or more notches if we judge any of these factors has a material bearing on the bank's overall risk profile.

1

Business diversification

Gauges a bank's sensitivity to deterioration in a single business line.

+ Positive adjustments

E.g. a one-notch increase for a firm with a diverse range of business activities that provide an overall reliable earnings stream, or the stability provided by an entrenched and state-protected franchise

- Negative adjustments

E.g. a one-notch decrease for a bank which derives more than about three-quarters of its revenues or earnings from a single business line.

2

Opacity and complexity

An institution's riskiness increases with its complexity, other things being equal.

+ Positive adjustments

None.

- Negative adjustments

E.g. a one-notch decrease (or more in extreme cases) if a bank has numerous business lines across many geographies and legal entities, significant exposure to derivatives, complex legal structure, large, complex and / or long-dated exposures to other financial institutions.

3

Corporate behavior

A bank's creditworthiness can be influenced by what we term its "corporate behavior", which can also signal other concerns.

+ Positive adjustments

E.g. sustained exemplary stewardship over time with tangible impact on the risk profile.

- Negative adjustments

One or more notch decreases considering the following factors: key man risk, insider and related party risks, strategy and management, dividend policy, and compensation policy.

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