

PRESS RELEASE:

DRAFT: FINANCIAL INSTITUTIONS RATINGS' CRITERIA

London, Lisbon 30 June 2022 – ARC Ratings ('ARC') has published its updated Draft Financial Institutions Rating Criteria. This Criteria report is an update to the methodology previously published in July 2021. This methodology can be accessed at www.arcratings.com.

ARC welcomes feedback from market participants in respect of the methodology to be applied. We encourage interested market participants to submit their written comments on the proposed Criteria by 30 July 2022 to internalreview@arcratings.com.

The main changes proposed in this draft compared to the existing Criteria are detailed as follows:

1. We are including the possibility to adjust through notching banks that were or are subject to restructuring, intervention requested by a regulatory body or are new legal vehicles with lack of historic financial performance. We suggest adding this possibility of notching down in the section of Financial Profile, specifically in Capital a & Leverage. We propose to add this option in the Capital Management assessment, including the possibility to notch down to -1, -2 or -3.
2. We are adding a clarification of the definition used for Problem Loans, following the Guidance available and published by EBA on what concerns NPLs and Problem Loans definition.
3. We are suggesting a change in the measure used for assessing Earnings Stability. In our existing Criteria we were assessing earnings stability using ratios, however, considering the volatility that could affect earnings y-o-y, we propose to address this factor with a 5-scale qualitative assessment composed of the following levels: Very Strong, Strong, Neutral, Weak, Very Weak.

For details about the specific implementation of the changes described above, please refer to the publish Draft Financial Institutions' Ratings Criteria.

Impact on outstanding ratings

This update incorporates material changes to the existing Criteria. If the Criteria are updated as presented in this draft, ARC would expect changes to outstanding ratings. However, it is worth noting that ARC does not currently have active public ratings in the Financial Institutions' sector.

ANALYTICAL CONTACT DETAILS

ALESSANDRO PERRONE

Analyst
alessandro.perrone@arcratings.com

BUSINESS CONTACT DETAILS

RHONDA MOORE

Business Development Director
rhonda.moore@arcratings.com

Feedback from Market Participants

ARC is requesting comments on its proposed Criteria for Financial Institutions Rating's. ARC welcomes feedback from market participants in respect of the methodology to be applied. Before publishing the final Criteria, ARC intends to carefully review all feedback and comments. We encourage interested market participants to submit their written comments on the proposed Criteria by 30 July 2022 to internalreview@arcratings.com.

DISCLAIMERS

ARC Ratings, S.A. is registered as a Credit Rating Agency with the European Securities and Markets Authority (ESMA), within the scope of the Regulation (EC) N° 1060/2009 of the European Parliament and of the Council, of 16 September, and recognised as External Credit Assessment Institution (ECAI).

ARC Ratings (UK) Limited is registered as a Credit Rating Agency with the United Kingdom Financial Conduct Authority, within the scope of the Statutory Instrument N° 266/2019, of 13 February, and recognised as ECAI.

Credit Ratings assigned by ARC Ratings are independent and forward-looking opinions on the capacity and willingness of an entity or the capacity of a transaction to make all required interest and principal payments on a given obligation in a timely manner interest and principal. The meaning of each rating category is explained in www.arcratings.com. ARC's credit ratings are based on ARC's published rating criteria.

Ratings do not constitute a recommendation or offer or solicitation to buy, sell or hold any investments that may be mentioned, and are only one of the factors that investors may wish to consider. The use of any rating is entirely at the user's own risk.

In the rating process, ARC Ratings adopts procedures and methodologies aimed at ensuring transparency, credibility and independence, and also that rating classifications are not influenced by conflicts of interest.

CONTACT DETAILS

ARC Ratings (UK) Limited	ARC Ratings, S.A.
30 Churchill Place	Rua de São José
Canary Wharf	35 – 1º B
London E14 5RE	1150-321 Lisbon
UNITED KINGDOM	PORTUGAL
+44 203 927 8600	+351 21 304 11 10
arcratings_uk@arcratings.com	arcratings_eu@arcratings.com



www.arcratings.com