

PRESS RELEASE:

FINANCIAL INSTITUTIONS' RATING CRITERIA

London, Lisbon 21 July 2021 - ARC Ratings has published its new Financial Institutions' Rating Criteria. This report had previously been published in draft form for public consultation however no comments were received.

The Financial Institution's Rating Criteria can be accessed via this link, www.arcratings.com.

ARC's Criteria for Financial Institutions has been developed as a comprehensive analytical approach for assigning credit ratings. The analysis starts with an overview of the macro factors affecting the operational and economic environment in which the entity (or group) operates, and then progresses to the particularities of the credit risk profile, finishing with an assessment of the possibility of support from an identified external support provider. This analysis will lead to the assignment of the Issuer Credit Rating (ICR).

The analytical framework for Financial Institutions (FIs) is built on two pillars; one related to an analysis of the Stand-Alone assessment of the entity that includes four analytical building blocks: (i) Operational & Economic Environment, (ii) Financial Profile, (iii) Business Profile and (iv) Governance & Risk Management, and one related to any potential for external support referred to as External Support Assessment. The combination of the Stand-Alone assessment and the External Support assessment results in the ICR.

This Criteria is applicable to institutions with different business models, with and without a banking licence, and in both regulated and unregulated industries. The definition of 'financial institution' is broad and includes banks, global broker-dealers, mortgage lenders, fintech companies, providers of consumer finance, trust banks, credit unions, building societies, custody banks and multilateral/development banks.

ARC only assigns International Scale ratings, which incorporate all sovereign risk and currency conversion issues, and are thus directly comparable across all countries. Certain markets may be characterised by inherent limitations that impose a country ceiling on the ratings that can be accorded to entities that operate in these markets.

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