Private Credit Rating Model and Methodology

MFR Credit Ratings

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Abbreviations

AML	Anti-Money Laundering
CAR	Capital Adequacy Ratio
CEO	Chief Executive Officer
ESG	Environmental, Social and Governance
FSR	Financial Strength Rating
GNI	Gross National Income
LCR	Liquidity Coverage Ratio
MFR CR	MFR Credit Ratings S.r.l
NOP	Net Open Position
NPL	Non-performing Loans
OPEX	Operating Expense

1. Scope

This document aims to provide an overview of the main areas of analysis and rating factors on which MFR CR bases its credit rating.

MFR CR adopts this model and methodology for the production of private credit ratings and rating outlooks of financial institutions and financial instruments issued by financial institutions.

The financial institutions to which this model and methodology may be applied are:

- Cooperative and commercial banks with a strong focus on SME lending and microfinance (e.g., GABV member banks, ethical banks, microfinance banks);
- Other small and medium-sized commercial banks willing to strengthen their market positioning and branding in the sustainable and impact finance sector;
- Non-Banking Financial Institutions with a strong focus on SME lending and microfinance; and
- Credit unions and financial cooperatives.

The financial instruments to which this model and methodology may be applied are:

- Secured debt,
- Unsecured debt,
- Subordinated debt,
- Preferred debt.

MFR CR does not rate structured finance instruments.

The rating areas, factors, sub-factors and related weights are established based in MFR CR expertise, as generally applicable to all the rated entities belonging to MFR CR's target, however, the analytical team may decide to vary them according to the specific entity and/or circumstances.

2. Key definitions

MFR CR's credit rating is an opinion on the creditworthiness of a financial institution (issuer) or a financial instrument (issue) and is issued using an established and defined ranking system of rating categories. MFR CR's opinion on the credit quality is based on a thorough analysis of the risk profile and the capacity of repayment of financial obligations of the rated entity. MFR CR's credit rating is based on a methodology which relies on a data-driven, risk-based and forward-looking approach. Please refer to *Annex 1* for the full list of key definitions and applicable credit rating scales.

A local currency credit rating refers to the likelihood of repayment of financial obligations in local currency, while a foreign currency credit rating considers also the transfer and convertibility risks, which address any regulatory or market restrictions to the conversion of local currency into foreign currency or to make capital transfers among different countries.

MFR CR's credit ratings do not reflect the risk associated to significant and unforeseeable events such as a sudden and unexpected deterioration of financial markets' conditions or the regulatory risk, or frauds, litigations and other institutional failures which cannot be predicted.

Credit rating measures a rated entity's creditworthiness, which reflects the rated entity's ability to avoid defaults in the repayment of financial obligations. For MFR CR, a default is the non-fulfilment of any type of financial liabilities within the specified repayment schedule in a full amount, or in accordance with contractual terms and conditions. This includes the following types of default events:

i. The rated entity has filed under any applicable bankruptcy, insolvency, or other similar legal proceedings.
ii. A distressed exchange in which the rated entity offers new or restructured contractual terms that results in less favorable terms of the debt obligation.
iii. Regulatory decisions/actions taken by the market supervisor (e.g., withdrawal of license).

Long-term credit ratings are generally accompanied by an outlook, which identifies the expected trend of a credit rating. It includes:

- Stable (STA), the rating grade is not likely to change.
- Positive (POS), probable upgrade of the rating grade.
- Negative (NEG), probable downgrade of the rating grade.
- Developing (DEV) signals an uncertain expected trend of the rating grade.

N.B. a positive or negative outlook does not mean that a change of the rating grade is inevitable.

3. Issuer credit rating

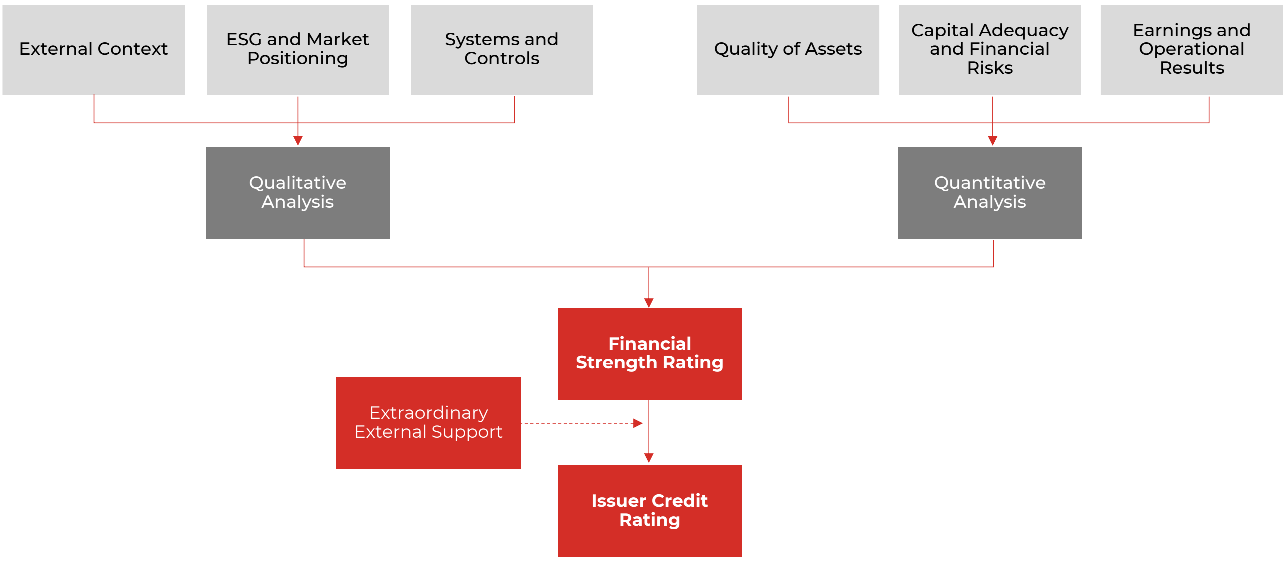
3.1 Introduction and data providers

The credit rating is an analysis based mostly on the data and information directly provided by the rated entity, which is the main data provider. MFR CR's credit rating methodology implies thorough crosschecks and verification of data received by the rated entity, ensuring very high reliability of data inputted in the rating model. While external data providers are used mostly for the assessment of the context-related risks.

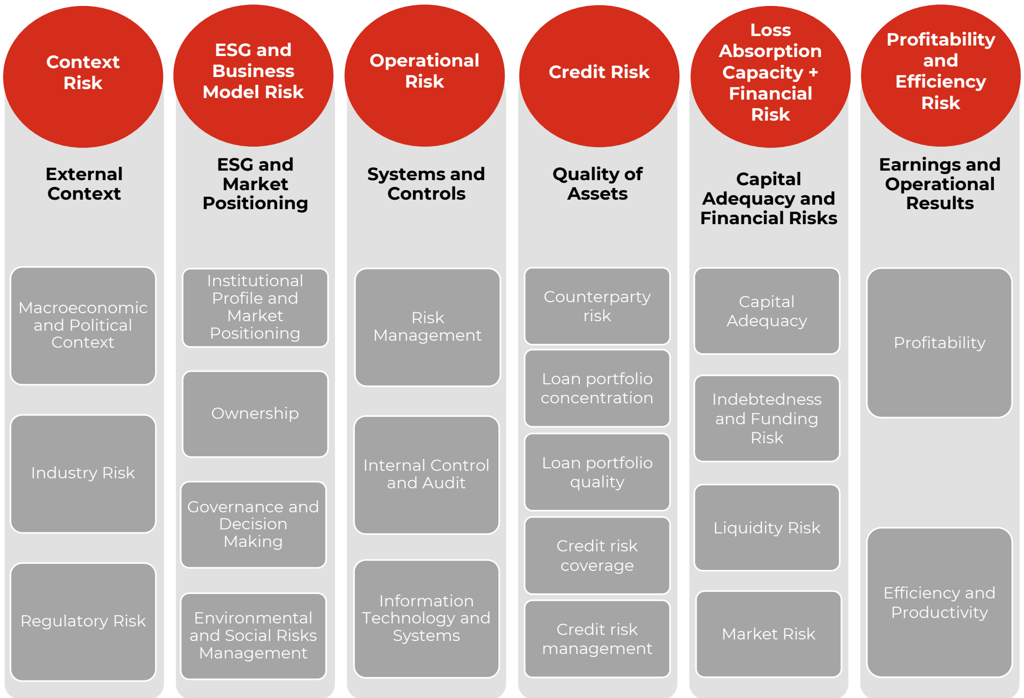
MFR CR's credit rating is composed of two parts:

a) the financial strength rating of the issuer/issue;
b) the extraordinary external support (from third parties).

The overall assessment of the financial strength of the rated entity is based on both quantitative and qualitative rating factors, which are grouped within six areas of analysis (RAs), each one with its own weight on the total score. Then, the support from third parties is analysed if there are high or medium-high risks of insolvency.



The financial strength analysis covers all the areas of main risk, as presented in the following graph.



3.2 Financial strength rating (FSR)

The FSR is based on a quantitative and qualitative analysis, including key metrics and the expert judgement of MFR CR's analytical personnel. The quantitative analysis focuses on measuring the performance and quantitative risk profile of the rated entity. The qualitative analysis embraces those aspects which can directly affect the rated entity's creditworthiness (i.e., governance and strategic risks, operational and technological risk, staff related risks, reputational risk, etc.).

For the quantitative indicators, the score is automatically generated based on pre-established thresholds. While for the qualitative indicators, the assignment of the score is based on the expert judgement of the analytical personnel, within ranges of the pre-established scoring standards.

The score assigned to each rating factor is represented by the weighted average of the scores assigned at subfactor level.

The following table presents the Rating Areas (RAs) and their assigned weights.

Rating area	**Weight**
External Context	8.0%
ESG and Market Positioning	26.6%
Systems and Controls	9.6%
Quality of Assets	20.4%
Capital Adequacy and Financial Risks	22.8%
Earnings and Operational Results	12.6%
Total	**100.0%**

3.2.1 External context

Macroeconomic and Political Context

The analysis is mostly based on the sovereign rating grade, but it also takes into account past and forecasted economic growth, macroeconomic stability in terms of inflation, interest and exchange rates and the risk of social conflicts and wars in the country of operations. This rating factor ensures that the context in which the rated entity operates is deeply analysed to have a broad overview of the context and to generate, in case of high risky countries, a negative impact on the capital adequacy.

Industry Risk

The analysis is based on the level of competition in the areas of operations and the target market. Other aspects which are also analysed include client over-indebtedness risk in urban and rural areas, the efficiency of the available credit risk infrastructure (credit bureaus), the average loan book quality in the financial sector and in the market niche where the rated entity operates.

Regulatory Risk

The analysis is based on the legal, regulatory and supervisory framework applicable to the rated entity and it includes considerations on the quality and effectiveness of the specific country regulatory and supervisory framework applicable to the typology of financial institution to be rated, the lobbying capacity of the entity's industry, and the specific risk of regulatory and fiscal fines for the rated entity.

3.2.2 ESG and Market Positioning

Institutional Profile and Market Positioning

This section provides information to briefly present the financial institution, including history, type, and legal form. The market positioning of the rated entity is analysed in terms of geographical outreach, market share, loan portfolio volumes, brand recognition, business model, product diversification and quality.

Ownership

The analysis is based on the quality, stability and commitment of the rated entity's ownership structure, including its financial capacity to support in case of economic contingency. Among the aspects assessed, there are the identity of the owners, focusing on shareholders' diversification, their historical stability and potential/expected changes in the near term, as well as the past and estimated financial support. If applicable, analysis of consequences related to the belonging of the rated entity to a financial group/holding and analysis of consequences related to the existence of subsidiaries or affiliates of the rated entity are also carried out.

Governance and Decision Making

The analysis is based on the composition and structure of the governance bodies, the technical competences and skills of the Board members, their ability to provide strategic guidance and supervision to the management team and the level of formalization of the governance processes. Other factors included in the analysis refer to the Board Committees and the Board capacity to determine, update and monitor the risk appetite of the rated entity. Quality, leadership, and strategic planning capacity of the CEO and the top management team are also assessed, as well as the effectiveness of the decision-making and the existence of management-level committees. Other aspects included in the analysis refer to top management turnover, key person risk and the existence of a formalised succession plan.

Environmental and Social Risks Management

The analysis is based on the management of social and environmental risks within the institution with a focus on the strategy, policies and tools in place. Level of awareness, skills, expertise of the management team and the Board regarding environmental and social risks management are analysed. Main risks in terms of client protection are also assessed. The analysis includes some Human Resources-related aspects and risks such as understaffing, low formalization of policies and procedures, high staff turnover, low staff remuneration comparing with peers, among others.

3.2.3 Systems and Controls

Risk Management

The analysis is based on the effectiveness of the risk management framework and governance, the expertise in risk management at management and Board level, the existence and proper functioning of a dedicated risk management position or department, risk management policies, monitoring tools and structured reporting.

Internal Control and Audit

The analysis is based on the exposure of the rated entity to operational risks and is based on the assessment of the general level of formalization, internal control structure, measurement systems of the operational risks, segregation of duties, preventive controls, compliance with AML regulation. The analysis of the internal audit department, including effectiveness of the audits, reporting, and follow-up is included. The audited financial statements are also assessed, in terms of availability, unqualified opinions, reputation of the audit company.

Information Technology and Systems

The analysis is based on the assessment of the technological risk, by focussing on the management information systems, including the core banking system, its adequacy to institutional needs, data security, back-ups, Disaster Recovery Plan (DRP), reporting capacity and quality of information.

3.2.4 Quality of Assets

Counterparty Risk

The analysis is based on the assessment of the quality of financial assets, financial investments and equity participations, including availability of internal guidelines and risks management capacity. It includes, among others, the assessment of diversification by type of counterparties and by geographical region, as well as the counterparties' risk profile. The qualitative analysis comprises the adequacy of the portfolio management policies, tools and limits, including off-balance-sheet exposures, derivatives, etc. Regarding the equity participations, the analysis focusses only on relevant investments, highlighting the risk profile of each counterparty.

Loan Portfolio Concentration

The loan portfolio concentration risks are analysed by geographic area, economic sector and (groups of) borrowers. Loan book concentration in few top borrowers entails risks which increase for those financial institutions which largely focus on retail lending and microcredit operations and do not present specific expertise to work with medium and large size enterprises.

Loan Portfolio Quality

The loan portfolio quality analysis is based on NPLs, restructured/forborne loans, write-offs, loan portfolio under moratorium and NPL sales. It includes trends and benchmarking analysis. Main drivers behind recent trends are also identified. The historical growth rate of the loan portfolio is also taken into account to better interpret the evolution of quality metrics. If applicable, the quality of the loan portfolio under moratorium or in process of normalization is analysed and compared with the remaining portion of the loan book.

Credit Risk Coverage

The credit risk coverage is based on NPL coverage ratios and collateralization. Benchmarking analysis is also carried out, if available. In case of unregulated or partly regulated rated entities, MFR CR can apply negative adjustments to the loan loss provision expenses if the loan loss reserve is clearly below international standards (based on the Expected Credit Loss methodology). If the NPL is extremely low and the loan loss reserve represents a very small portion of the gross loan portfolio, MFR CR can apply negative adjustments to the assigned score.

Credit Risk Management

A qualitative analysis is also performed on the quality and effectiveness of the credit risk monitoring, credit appraisal and loan approval, debt recovery. The assessment includes the degree of formalization of all credit processes, the compliance with national or international technical guidelines, the adoption of internal thresholds to limit exposure to risky sectors, the efficacy of early warning systems, the inclusion of ESG parameters in the repayment capacity analysis of loan applicants, etc.

3.2.5 Capital Adequacy and Financial Risks

Capital Adequacy

The analysis is based on the capacity of the rated entity to absorb financial unexpected losses, through metrics (CAR, Tier 1, etc.) reported by the rated entity to the regulatory body or calculated according to MFR CR's proprietary methodology. The assessment of the capital adequacy ratios is complemented by the analysis of the compliance with regulatory requirements, investors' covenants and internal thresholds. If reliable data are available, a projected CAR is also included in the assessment, as well as capitalisation strategies, dividend policies and overall capacity to increase capital. A financial institution whose shareholders have not supported and will likely not support capital adequacy through fresh capital injections is penalized. Additionally, if the rated entity operates in a risky country there is a penalty applied to the score assigned to capital adequacy.

Indebtedness and Funding Risk

The analysis is based on the structure of the funding liabilities, concentration risks, growth rate of deposits from the public, stability and lenders' profiles, covenants follow up. If available, the Net Stable Funding Ratio is also taken into account.

Liquidity Risk

The analysis is based on core liquidity ratios, including the Liquidity Coverage Ratio (LCR). Benchmark analysis is carried out as well. The qualitative analysis includes the effectiveness and formalization of the liquidity contingency plan and internal systems for liquidity risk monitoring. The projected cashflows and the corresponding stress testing based on key variables are also assessed.

Market Risks

The analysis usually focusses on the foreign currency risk and the interest rate risk, but it does not exclude other types of financial risks for banking and trading book instruments. The foreign exchange risk assessment is based on short/long positions by each foreign currency and exchange rates variations in the operating environment. Mitigating measures for hedging the on-balance NOP are well analysed. The interest rate risk assessment is based on potential loss as a result of an unexpected change in the absolute level of interest rates. Internal interest rate measurements for capital allocation purposes are also taken into account, if available. For all the market risks, a qualitative analysis of internal limits and tools and of the effectiveness of the mitigation strategies in place is also conducted.

3.2.6 Earnings and Operational Results

Profitability

The analysis is based on the financial and operational results obtained by the rated entity in the last period of analysis and previous periods. Main ratios refer to profitability and to its main drivers: net interest margin, loan portfolio yield, financial income ratio, other operating revenues, cost of funds, loan loss provision expenses, operating expenses. The Operational Self-Sufficiency (OSS), which measures profitability results depurated by extraordinary revenues and expenses, and the adequacy of the loan loss reserve are also reflected. Those rated entities which do not adequately provision the credit risk associated to the loan portfolio are penalized. Benchmark analysis is carried out, if available, and insights on profitability outlooks are provided.

Efficiency and Productivity

Indicators such as OPEX, cost income and staff productivity are analysed to provide an opinion on the operational efficiency of the rated entity. The average disbursed loan on GNI per capita rewards those financial institutions which mostly provide low average disbursed loan amounts. Benchmark analysis is carried out as well, if available.

3.3 Manual calibration

The manual calibration component, which can imply a maximum one notch up or one notch down, is expected to be used only in exceptional cases, such as:

- the rated entity is facing an exceptional event which affects the score of one or more rating factors, but the corresponding subfactors and/or parameters and/or weights do not fully and properly reflect that exceptional event; and/or
- the rated entity presents some exceptional features which affect the score of one or more rating factors, but the corresponding subfactors and/or parameters and/or weights do not fully and properly reflect those exceptional features of the rated entity.

3.4 Extraordinary External support

If the financial strength rating shows a high or medium-high risk of insolvency, meaning the assigned rating grade stands at non-investment grade, there is an additional analysis on the extraordinary measures implemented or to be implemented from third parties to support the rated entity. This supplementary assessment can determine the increase of the final credit rating grade, through the notching-up of the financial strength rating.

Third parties are affiliate parties or the government or other third parties. The support is assessed in terms of availability to avoid or prevent a default and the extent of the positive impact on the rated entity's creditworthiness in the very short term. The analysis focusses on the effective and proven commitment and capacity of the third party to support.

Affiliate's extraordinary support in case of contingency is assessed also through the degree of correlation or dependence of the rated entity from the affiliate/parent company. This analysis is based on shareholders agreements, parental policies, regulatory requirements, group's strategic planning, among other factors.

State or supranational support is taken into consideration if there is clear evidence and/or a public announcement which confirms the engagement. State support is usually, but not exclusively, provided to financial institutions which are fully or partly owned by the State or whose activities fulfil a public sector mandate. Governments may provide support to a specific financial institution in serious difficulties also to preserve the financial stability of local markets and to protect depositors' savings and confidence towards the financial sector. Other types of public support refer to governmental funding facilities or quantitative easing policies.

4. Issue credit rating

The credit rating of a debt instrument issued by a financial institution is largely based on the issuer rating. Senior uncollateralized financial instruments usually receive the same rating grade and outlook of the issuer rating, while a notch-down approach is usually applied to subordinated debt.

The whole rating analysis is complemented by additional assessment of the instrument's features including, among others, its type, seniority, currency, collaterals and covenants. Projected cash-flows, based on a realistic scenario and a stressed scenario, are included. The financial projections are analysed focussing on the projected profitability, capital adequacy and loan book quality.

Additionally, the analysis covers the regulatory framework and restrictions, the nature and effectiveness of the collaterals, the compliance of covenants at the issuer level, the consistency between the issue volume and characteristics with the size and growth rate of the issuer's loan book, the adequacy of the credit risk coverage of the NPLs.

Annex 1 - Key Rating Definitions and Scales

Credit rating

MFR CR's credit rating is an opinion on the creditworthiness of a financial institution (issuer) or a financial instrument (issue) and is issued using an established and defined ranking system of rating categories. MFR CR's opinion on the credit quality is based on a thorough analysis of the risk profile and the capacity of repayment of financial obligations of the rated entity. MFR CR's credit rating is based on a methodology which relies on a data-driven, risk-based and forward-looking approach.

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Default

Credit rating measures a rated entity's creditworthiness, which reflects the rated entity's ability to avoid defaults in the repayment of financial obligations. For MFR CR, a default is the non-fulfilment of any type of financial liabilities within the specified repayment schedule in a full amount, or in accordance with contractual terms and conditions. This includes the following types of default events:

i. The rated entity has filed under any applicable bankruptcy, insolvency, or other similar legal proceedings.
ii. A distressed exchange in which the rated entity offers new or restructured contractual terms that results in less favorable terms of the debt obligation.
iii. Regulatory decisions/actions taken by the market supervisor (e.g., withdrawal of license).

Rating scales

The rating scales are established and defined ranking systems of rating categories. Each rating category has a unique rating definition and includes three rating grades, except for the highest rating categories and the two lowest ones which comprise only one rating grade, instead of three. A rating grade is a letter or combination of letters, including modifiers if applicable, and represents the final output of a credit rating.

The rating scales adopted by MFR CR for the credit ratings differentiate between long-term and short-term ratings:

a) Rating scale for the issuer (obligor);
   a1) long-term
   a2) short-term

b) Rating scale for the issue (financial instrument);
   b1) long-term
   b2) short-term

Long-term scales

Long-term rating scales are used for issuers and financial instruments with a residual maturity longer than one year. The following two tables represent the long-term global rating scales for issuer and issue, respectively.

Long-term global scale – Issuer

Grade	Definition	Scoring
AAA	Exceptionally strong credit quality and risk management. The capacity to meet the financial commitments is not expected to be affected by a foreseeable deterioration of the economic conditions.	90%-100%
AA	Very strong credit quality and risk management. The capacity to meet the financial commitments may be marginally affected by a deterioration of the economic conditions.	80%-90%
A	Strong credit quality and risk management. The capacity to meet the financial commitments may be affected by a deterioration of the economic conditions.	70%-80%
BBB	Good credit quality and risk management. The capacity to meet the financial commitments may be affected by a deterioration of the economic conditions.	60%-70%
BB	Adequate credit quality and risk management. However, the capacity to meet the financial commitments may be significantly affected by a deterioration of the economic conditions.	50%-60%
B	Moderate credit quality and risk management. The capacity to meet the financial commitments is vulnerable to a deterioration of the economic conditions.	40%-50%
CCC	Modest credit quality and risk management. The capacity to meet the financial commitments is highly vulnerable to a deterioration of the economic conditions.	30%-40%
CC	Weak credit quality and risk management. The issuer/issue displays uncertainty in honoring its financial commitments.	20%-30%
C	Exceptionally weak credit quality. An issuer/issue whose payment capacity has been irrevocably impaired and which is near default.	10%-20%
D	Defaulted. The issuer/issue has payment delays, has been declared insolvent or is currently undergoing insolvency proceedings.	0%-10%
Modifiers	The modifiers "+" or "-" may be assigned to a rating to indicate relative status within a main rating category. The modifiers cannot be assigned to "AAA" or below "CC" grades.	

Long-term global scale - Issue

Grade	Definition	Scoring
AAA	Exceptionally strong credit quality under the agreed terms and maturities, which would not be affected by possible changes in the issuer, in the sector or in the economy.	90%-100%
AA	Very strong credit quality under the agreed terms and maturities, which would not be affected by possible changes in the issuer, in the sector or in the economy.	80%-90%
A	Strong credit quality under the agreed terms and maturities, which may be affected by a deterioration in the issuer, in the sector or in the economy.	70%-80%
BBB	Good credit quality under the agreed terms and maturities, which may be affected by a deterioration in the issuer, in the sector or in the economy.	60%-70%
BB	Adequate credit quality under the agreed terms and maturities, which is susceptible to weakening in the event of possible changes in the issuer, in the sector to which it belongs or in the economy, and may incur delays in the payment of principal and interest.	50%-60%
B	Moderate capacity to meet financial commitments under the agreed terms and maturities, which is highly variable and susceptible to weakening in the event of possible changes in the issuer, in the sector to which it belongs or in the economy and could result in the loss of principal and interest.	40%-50%
CCC	Limited capacity to meet financial commitments on the agreed terms and maturities, with a medium-high risk of loss of principal and interest.	30%-40%
CC	Very limited capacity to meet financial commitments on the agreed terms and maturities, with a high risk of loss of principal and interest.	20%-30%
C	Very limited capacity to meet financial commitments on the agreed terms and maturities, with a very high risk of loss of principal and interest.	10%-20%
D	Defaulted. The issuer/issue has payment delays, has been declared insolvent or is currently undergoing insolvency proceedings.	0%-10%
Modifiers	The modifiers "+" or "-" may be assigned to a rating to indicate relative status within a main rating category. The modifiers cannot be assigned to "AAA" or below "CC" grades.	

Short-term scales

Short-term rating scales are used for financial instruments with a residual maturity equal or shorter than one year. The credit rating issued only on the short-term is not accompanied by an outlook.

The following table represents the short-term global rating scale for both issuer and issue.

Short-term global scale – Issuer and Issue

Grade	Definition	Score
N-1	The issuer/issue has excellent capacity to repay short-term debt obligations.	80%-100%
N-2	The issuer/issue has good capacity to repay short-term debt obligations.	60%-80%
N-3	The issuer/issue has moderate to adequate capacity to repay short-term obligations. However, the issuer faces ongoing uncertainties that could affect that capacity.	40%-60%
N-4	The issuer/issue has weak to moderate capacity to repay short-term obligations and is currently vulnerable to nonpayment.	10%-40%
SD/D	SD (Selective default): The issuer/issue has failed to service one or more financial obligations but the issuer continues to meet other financial obligations. D (Default): The issuer/issue has defaulted on all, or nearly all, of its financial obligations.	0%-10%

Outlook

A Rating Outlook identifies the expected trend of a credit rating and indicates the direction a rating grade is likely to move to, over a one-year or two-year period. In other terms, the rated entity has not yet reached the creditworthiness level required for a rating action, but a clear trend towards a rating action has been identified.

Rating outlooks are assigned only for long-term credit ratings. All rating grades except D are accompanied by a rating outlook.

The assigned rating outlook can be one of the following:

- Stable (STA)
- Positive (POS)
- Negative (NEG)
- Developing (DEV)

A stable outlook indicates that the rating grade is not likely to change. However, it does not exclude a change of the rating grade, which can be raised or lowered without a prior revision to the outlook.

A positive and negative outlook indicate a probable upgrade and downgrade of the assigned rating grade respectively. Yet, a positive or negative outlook does not mean that a change of the rating grade is inevitable.

A developing outlook signals an uncertain expected trend of the rating grade. A developing outlook is transformed into stable, or positive or negative, depending on the outcome of one or more events which occurred or will likely occur in the very short-term.

Credit watch

A credit watch is assigned by MFR CR if the credit rating cannot be fully defined at a certain moment. MFR CR may consider using the credit watch if some unexpected internal/external events are likely to impact the credit profile of the issuer (or issue) or if the insufficient information provided by the rated entity may alter the rating process and outcome.

The impact of specific events on the credit profile cannot be accurately assessed at the point when they occur, and additional information may be necessary to fully evaluate their impact on rated entities or issues. After issuing a credit watch, the final rating grade can be assigned only after an additional monitoring is held in the short-term.

Some examples of such events are potential mergers or radical changes in the regulatory framework. If a credit watch is issued on an outstanding credit rating, the credit watch indicates that there is a probability of change in ratings assigned and also indicates the likely direction of change. A positive or negative credit watch indicates that the rating could stay at its present level or potentially be upgraded or downgraded. A developing credit watch indicates that the rating grade may be raised, lowered, or affirmed and that the decision depends on the outcome of one or more events in the very short-term.

Rating actions

MFR CR takes a Rating Action each time MFR CR issues a new credit rating and/or rating outlook or intervenes on an existing credit rating and/or rating outlook by taking a decision aimed at affirming, changing or discontinuing a credit rating and/or rating outlook, except where the decision to affirm a rating is taken by the analytical personnel without a RC meeting. Refer to Credit Ratings Issuance and Monitoring Policy and Procedures for further details on the rating process.

The complete set of Rating Actions which MFR CR may potentially take are the following:

- Rating Assignment:
  A rating is assigned to an issuer/issue which is not currently rated by MFR CR.

- Rating Publication:
  A rating grade and outlook and all mandatory disclosures are made public. This action includes both entities (or financial instruments) rated for the first time and entities (or financial instruments) on which private ratings previously assigned are now published.

- Rating Affirmation:
  The rating has been reviewed with no change in rating grade. Ratings affirmations may also include an affirmation of an outlook when an outlook is used.

- Rating Upgrade:
  The rating grade has been raised in the rating scale.

- Rating Downgrade:
  The rating grade has been lowered in the rating scale.

- Rating Suspension:
  The rating has been temporarily suspended due to incompliance with regulatory requirements and restrictions on potential conflicts of interest.

- Rating Withdrawal:
  The rating has been withdrawn and the issuer/issue is no longer rated by MFR CR. This type of action is accompanied by a communication including the current credit rating

and outlook, the details motivating the withdrawal and, when possible, the likely direction of any rating movement in case it has been maintained.

- Outlook Assignment:
  The rating outlook has been assigned.

- Outlook Change:
  The rating outlook has been modified.

- Credit Watch Assignment:
  The rating has been placed on credit watch.

- Under Criteria Observation:
  When MFR CR published new or revised criteria (change of existing rating model and methodology) which may have an impact on the existing credit rating and/or rating outlook, but this impact has not been yet quantified. This rating action identifies the beginning of a period during which the new or revised criteria are applied to the existing rating. During this period, which cannot last more than six months, the existing credit rating and/or rating outlook remains valid. If MFR CR believes that the rating will likely change, the Credit Watch is assigned.

Rating status

The following rating status are identified:

a) Current
   - Current Assigned
     A rating grade and/or outlook has been assigned.
   - Current Reviewed
     A rating grade and/or outlook has been reviewed generating a rating action.

b) Withdrawn
   A rating grade (and outlook, if applicable) has been withdrawn and the issuer/issue is no longer rated by MFR CR.

c) Credit Watch
   The rating has been placed on credit watch.

d) Under Criteria Observation
   A rating grade (and outlook, if applicable) has been placed in under criteria observation if published new or revised rating model criteria may have an impact on the existing credit rating (and/or rating outlook if applicable), but this impact has not been yet quantified.

Rating withdrawal

Given that credit ratings issued by MFR CR remain property of MFR CR at all times, MFR CR has full discretion to determine if and when to withdraw a credit rating.

MFR CR does not withdraw credit ratings simply in response to a request from an issuer. However, it may be appropriate for MFR CR to withdraw the credit rating following such a request if there are other reasons for withdrawal, such as a lack of information, or regulatory constraints.

MFR CR can withdraw a credit rating at any time and for any reason, including, but not limited to the following cases:

a) If the rating validity has contractually expired;

b) if the RE defaults, enters bankruptcy, is liquidated or restructures its debt;
c) if the RE becomes the subject of a corporate reorganization, including acquisitions and mergers;
d) if the RE no longer exists;
e) if the quality of information available for assigning a credit is deemed unsatisfactory, insufficient, or raises questions as to whether MFR CR can provide an appropriately informed credit rating;
f) when the credit rating methodology used to assign the credit rating is no longer applicable;
g) where there is a regulatory mandate to withdraw;
h) where certain conflicts of interest conditions arise;
i) commercial reasons.