

How We Assess Holistic Adjustment in FI Ratings

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According to our financial institution (“FI”) rating criteria, we typically determine the stand-alone credit profile (“SACP”) based on our assessment of an institution’s anchor, a starting point, and then incorporate its own characteristics compared with the anchor. The entity-specific factors that we may use to adjust from the anchor include business position, capital & earnings, risk position, and funding & liquidity. We then determine the issuer credit rating (“ICR”) based on the SACP and our assessment of potential group or government influence in times of stress.

The result of the analysis of the four entity-specific factors (business position, capital & earnings, risk position and funding & liquidity) typically forms a financial institution's preliminary SACP. We may then adjust the preliminary SACP to arrive at the entity’s final SACP. This adjustment, if applied, typically reflects our view of a financial institution's specific creditworthiness relative to peers. We typically call this adjustment “Comparable Ratings Analysis (CRA) Adjustment” or holistic adjustment.

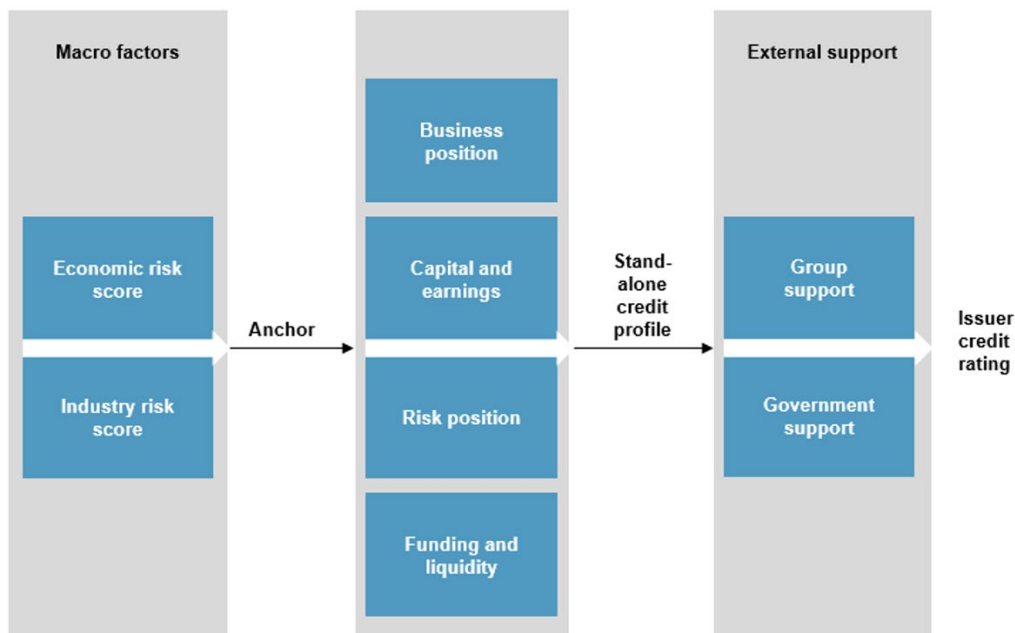
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Note: After assessing the issuer’s entity-specific factors, a holistic assessment may be applied to evaluate its credit characteristics in aggregate and versus peers before arriving at SACP.

Source: S&P Global (China) Ratings.

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We may apply the CRA adjustment in either direction to arrive at the SACP, capturing a more holistic view of creditworthiness. Typically, the CRA adjustment is only one notch because the preliminary SACP should have already been a relatively reasonable assessment of an issuer's stand-alone credit quality. But in rare cases, the CRA adjustment can be more than one notch for extraordinary situations.

Our CRA adjustment incorporates additional credit factors, which may be transitional or more structural elements of an FI's creditworthiness, that the criteria do not separately identify. In addition, we incorporate existing credit factors not fully captured in the other SACP factors, which may be informed by peer analysis.

The CRA peer analysis assesses an FI's relative credit standing among FIs with similar SACPs (that is, the same or one notch higher or lower). For example, if an FI has an SACP of 'a_{spc}-', we compare it with FIs with SACPs of 'a_{spc}', 'a_{spc}-', and 'bbb_{spc}+'.

An example of a CRA adjustment based on credit factors not fully captured in the assessments of the other SACP factors could be an FI for which we decide to apply a one-notch positive adjustment because we believe that several SACP factors are close to a higher assessment, without material offsetting negative factors, such that the cumulative effect is representative of a higher SACP.

We don't make an adjustment to the SACP for potential external support or negative intervention if it is extraordinary, but we can make an adjustment when such support or negative intervention is ongoing--if it has not already been reflected in the SACP factors. This SACP may include ongoing support but typically does not include extraordinary support.

Appendix: Related Methodologies

- [S&P Global \(China\) Ratings Financial Institutions Methodology](#)
- [Understanding S&P Global \(China\) Ratings Financial Institutions Methodology](#)

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