

Article Title: Guidance | General Criteria: Group Rating Methodology Data: (EDITOR'S NOTE: —On Nov. 9, 2022, we republished this guidance document. See the "Revisions And Updates" section for details.) OVERVIEW AND SCOPE 1. This article provides additional information and guidance relating to the analytical application of our "Group Rating Methodology" criteria. This article is intended to be read in conjunction with those criteria. For an explanation of guidance documents, please see the description at the end of this article. Key Publication Information Original publication date: July 1, 2019 This article is related to "Group Rating Methodology," published July 1, 2019. We may revise this guidance from time to time. GUIDANCE Extraordinary Support In The Group Credit Profile 2. Table 1 gives examples of how we determine uplift for group support when the group credit profile (GCP) includes extraordinary support. In the example, the group stand-alone credit profile (group SACP) is 'bbb+', and we determine there is a high likelihood of potential extraordinary government support to the group from an 'A+' rated sovereign (both local and foreign currency). Under our bank criteria, we determine the potential GCP is 'a', which includes two notches of uplift for potential extraordinary government support. The GCP is 'a' as the relevant sovereign rating of 'a+' does not constrain the GCP below the potential GCP. Table 1 Determining Uplift For Group Support--GCP Includes Extraordinary Support FINANCIAL INSTITUTIONS GROUP BANK ENTITY A BANK ENTITY B INSURANCE ENTITY C ASSET MANAGEMENT ENTITY D GROUP ANALYSIS Group SACP 'bbb+' Extraordinary support +2 notches Potential GCP 'a' Relevant sovereign rating \* 'a+' Passes sovereign stress test N.A. Impact of sovereign constraint 0 GCP 'a' ENTITY ANALYSIS SACP N.A. 'bbb' 'bbb-' 'a-' Group status Core Strategically important Strategically important Strategically important Relevant reference point for group support uplift GCP GCP Group SACP Group SACP Uplift for group support N.A. +2 notches +1 notch 0 Potential ICR 'a' 'a-' 'bbb' 'a-' Relevant sovereign rating \* 'a+' 'a+' 'a+' 'a+' Passes sovereign stress test N.A. N.A. N.A. N.A. Impact of sovereign constraint 0 0 0 0 Issuer credit rating 'A' 'A-' 'BBB' 'A-' N.A.--Not applicable. \*The relevant sovereign rating is in lowercase to indicate that it is being used as a component of the determination of GCPs and ICRs and is determined in accordance with "Ratings Above the Sovereign" criteria. 3. The financial institution (FI) group in the example has four group members comprising a bank with core group status and three subsidiaries assessed as strategically important. In the case of bank A and bank B the reference point for determining uplift for group support is the GCP of 'a' because we expect extraordinary government support in the GCP would extend to the bank entities. As a core group member, the issuer credit rating (ICR) on bank A is 'A', equal to the GCP. The ICR on bank B, a strategically important group member, is 'A-' because we cap the uplift for group support at one notch below the GCP. For the insurance and asset management entities, the relevant reference point for determining potential uplift for group support is the group SACP of 'bbb+' because we expect extraordinary government support in the GCP is not likely to extend to these entities. The ICR of strategically important insurance subsidiary C is 'BBB' because we cap the uplift for group support at one notch below the group SACP. Given the SACP of asset management subsidiary D is higher than the group SACP, the ICR is 'A-' since we do not constrain the ICR at the level of the group SACP. Had the SACP of subsidiary D been above the GCP, we would need to determine that it is an insulated entity for subsidiary D's ICR to exceed the GCP. 4. The approach laid out in the example applies if the expected extraordinary support in the GCP was from additional loss-absorbing capacity (ALAC) rather than from government support. If we determine that ALAC support in the GCP extends to the banking entities, the relevant reference point for determining any uplift for group support is the GCP. If we determine the ALAC support in the GCP is unlikely to extend to the insurance and asset management entities, the relevant reference point for determining any uplift for group support is the group SACP. Impact Of Sovereign Constraint On GCP 5. Consider an example where the potential GCP is 'a-' and the relevant sovereign rating is 'bbb'. The GCP would be 'bbb' (assuming the group does not pass the sovereign stress test) because the GCP is the lower of the potential GCP ('a-') or the relevant sovereign rating ('bbb'). We determine the relevant sovereign rating by applying "Ratings Above the Sovereign" criteria and consider, at a group level, the relevant foreign currency sovereign rating, the sovereign stress test (if relevant), the maximum rating differential above the relevant sovereign rating, and any transfer and convertibility constraints that are relevant for the group's local currency ratings (for example, cross-default clauses). Determining The Potential ICR 6. The potential ICR includes any adjustment defined in sector criteria to determine the ICR. In our analysis of insulated

entities, the SACP plus the potential for government support or ALAC includes any adjustment defined in sector criteria to determine the ICR. Impact Of Sovereign Constraint On ICR 7. A financial institution group might provide a bank group member with hybrid capital instruments that can absorb losses of the entity at or near nonviability in a way that reduces the risk of the entity defaulting, according to our definitions, on its senior unsecured obligations (we generally refer to such instruments as group internal loss absorbing capacity). In applying our Group Rating Methodology (GRM), we consider such instruments to be ALAC support for the entity instead of extraordinary group support, if the entity and the instruments otherwise meet the conditions detailed in our ALAC criteria. We generally consider such ALAC instruments in determining whether the entity passes the sovereign stress test, if we assume that the entity's host regulator would enforce loss absorption by these instruments in a sovereign default scenario. Identifying The Group And Its Members 8. To determine the identity of the group parent for purposes of conducting GRM analysis, we assess both the existence of control along with our judgment as to the relevance of the entity to the group's overall credit quality. 9. As a result, the group parent can be, but is not necessarily, the ultimate holding entity in the group structure. Any number of holding companies above the group parent may have been established for a variety of purposes (for example, tax considerations, regulatory requirements, or prefabricated platforms for future equity partners). If they do not hold material liabilities or operating assets (directly or indirectly), we may consider them inconsequential to the group's overall creditworthiness. As such, we may exclude these holding companies from our group analysis. 10. There are several types of owners that may control an entity we are rating but that we may not recognize as group parents because of our judgment as to their irrelevance to the group's overall creditworthiness. For example, we generally do not consider natural persons who directly hold controlling shares in an entity to be group parents. However, natural persons or families may control their businesses through one or more holding companies. Such holding structures may include several successive layers of holding corporations, the relevance of which to the group's overall creditworthiness we will assess as described above. 11. There may be other structural holding variations where a person or family holds controlling shares through a holding vehicle that may itself hold other minority or controlling shares in other companies with meaningful business operations. Such family-owned holding companies would not qualify as "family firms" because we expect "family firms" to be devoid of (directly or indirectly held) material assets or liabilities--with the exception of the controlling shares in the rated company. Alternatively, such family-owned holding vehicles may not have other material direct or indirect business activities, but may carry a meaningful level of debt or other liabilities. Where structural holding variations exist and we view them as material or meaningful, as described above, we may consider such holding companies to be relevant to the group's overall creditworthiness and, as a result, they could qualify as group parents because of their potential relevance to the credit risk of the entity. 12. Our consideration of nonprofit organizations (including nongovernmental organizations [NGOs]), cooperative organizations, certain funds (for example, those that do not have asset management fees as a key component of their business model), and investment holding companies as potential group parents depends on our view of both their control and relevance to the group's overall credit quality. When we expect such parents to play an active role in the group, including during times of credit stress, we may consider them a group parent. For example, the determination of whether to define nonprofit organizations (including NGOs) and cooperative organizations as the group parent largely depends on their role, which includes charter mandates, track record, and relevant local regulations. 13. We may consider a mutual or cooperative group in the regulated financial services sector as a group even in the absence of a group parent or equity shareholdings between entities. For example, there may be legal, contractual, regulatory, or governance considerations that lead us to conclude that control is present and the entities collectively form the economic equivalent of a group. An example of such a group is a cooperative where all the entities in the group enter into a joint and several guarantee, the regulator and tax authorities view the entities as a single group, and there is a central body that exercises control such that we conclude that the entities form a group for purposes of defining the group and group members. Identifying The Group And Its Members--BNDES 14. We consider an entity a group member and include it in the GCP where it is part of an "economic group" owing to "cross-default" clauses on borrowings from Brazil's Banco Nacional de Desenvolvimento Economico e Social (BNDES). Identifying The Group And Its

Members--Subgroups 15. We may determine there are two or more entities within a group that have common characteristics, or features, that are sufficiently unique or distinct from the larger group that warrants an evaluation of this group of entities as a separate group (also referred to as a subgroup). 16. The inclusion of entities within a subgroup is notional and can be separate from how a company operates or reports, and may change over time. Notionally grouping entities through the determination of a subgroup could, for example, be based on entities' location in a particular country. 17. Classification and recognition of group support for a subgroup will reflect our evaluation of the likelihood of the subgroup benefiting from extraordinary group support, similar to our evaluation of group entities. For example, we may capture a number of legal entities in a particular country that, while small relative to the larger group, are expected to receive support. Collectively, the entities may provide diversification and growth prospects within a larger group supporting a subgroup assessment. 18. A complex group can have more than one GCP where we determine a subgroup analysis is analytically relevant. For example, a subgroup analysis may be analytically relevant where there are material liabilities at the intermediate holding company of a subgroup. For an entity that is part of a subgroup, we may also consider (i) the extent of insulation of the entity from the subgroup, and (ii) whether group support would flow directly to the entity from the wider group or through the subgroup. The Group SACP And GCP--Extraordinary Support 19. Potential sources of extraordinary external support to a group include ALAC support or support coming from a government. To determine the GCP of a subgroup, we also consider support from the wider group as a form of extraordinary external support. Similarly, the potential sources of extraordinary negative intervention can also emanate from a government or from a wider group (in the case of subgroups). The Group SACP And GCP--Cross-Sector Groups 20. We could derive the group SACP using more than one sector rating methodology if we determine that no single sector rating methodology adequately captures our view of overall creditworthiness. We may combine the SACPs derived from various sector rating methodologies to determine a preliminary group SACP. We could modify this preliminary group SACP to reflect our holistic view of credit quality. This would include taking into consideration factors such as diversification, other group debt, and other positive or negative credit factors that may not be reflected in the underlying SACPs. 21. For instance, suppose there is a group parent that owns one corporate entity and one insurance entity where we believe no single sector rating methodology will result in a group SACP that reflects our view of overall creditworthiness. If, in this case, the individual SACPs are 'bb' and 'a', respectively, and we consider both to have equal influence on the overall creditworthiness of the group, we could average the SACPs resulting in a group SACP of 'bbb'. We could then adjust this according to our analytic judgment to derive the group SACP. For example, we may view diversification benefits as sufficient to raise the group SACP to 'bbb+'. 22. Alternatively, if we determine that the two entities above do not equally influence the overall creditworthiness of the group, but their influence comprises 75% and 25%, respectively, this would suggest a group SACP of one to two notches (representing the weighted average of the six-notch differential) above the 'bb' SACP. This would indicate a group SACP of 'bb+' or 'bbb-'. We may further adjust our result on the basis of analytic judgment to determine the group SACP. Government-Related Entities 23. There can be specific circumstances where we may choose to apply our Government Related Entities (GRE) methodology, rather than a combination of GRE and GRM, when analyzing an entity classified as a GRE (see the "Rating GRE Subsidiaries" section in our GRE criteria.) For instance, this may occur when a GRE is ultimately owned by the government through a holding company or asset management company, and we believe that the GRE is controlled by the government. In such circumstances, we may not view the holding company or asset management company as a group parent because we don't view it as relevant to the analysis. Assigning The Issuer Credit Rating 24. Consider the following example that illustrates the potential ICR outcomes where we determine the SACP of a group member is 'bb' and the relevant reference point for determining uplift for group support is the 'aa-' GCP. Table 2 Potential ICRs

| GROUP STATUS            | POTENTIAL ICR      | Core GCP           |
|-------------------------|--------------------|--------------------|
| 'aa-' Highly strategic  | GCP -1 or GCP -2   | 'a+' or 'a'        |
| Strategically important | SACP +3 or SACP +4 | 'bbb' or 'bbb+'    |
| Moderately strategic    | SACP +1            | 'bb+' Nonstrategic |

'bb' 25. In this example, the one-notch adjustment to determine the potential ICR is applicable since we have determined an SACP and the gap between the potential ICRs based on group status assessments of highly strategic ('a+') and strategically important ('bbb') is at least three

notches (in this case there is a four-notch gap). 26. We may apply the one-notch adjustment to better capture our holistic view of potential extraordinary group support. If we assess the group member as highly strategic, we may determine the potential ICR is 'a+' or apply a negative one-notch adjustment such that the potential ICR is 'a'. If we assess the group member as strategically important, we may determine the potential ICR is 'bbb' or apply a positive one-notch adjustment such that the potential ICR is 'bbb+'.

**Group Status Of Individual Members--Potential Sale Of An Entity** 27. We may include uplift for group support, even if there is the potential for the sale of the entity, if we have sufficient information to believe the entity would be sold to a group that would be supportive of the entity's current creditworthiness. For example, if a leasing company were for sale and it was responsible for financing a significant portion of transportation assets in a given country, we could maintain the existing group status if we believe that the creditworthiness of the entity would be no lower following a sale. This underscores that we consider the impact of the potential sale on the entity's creditworthiness to the extent possible.

**Group Status Of Individual Members--Determining An SACP** 28. Determining an SACP is necessary for group members that have strategically important, moderately strategic, or nonstrategic group status. Determining an SACP is not typically necessary for core or highly strategic group members. However, assessing an SACP for a core or highly strategic group member can be required or analytically relevant in situations such as: In the event that group status diminishes; To determine the group SACP of a diverse group; When the group member is insulated; When the SACP (or the SACP + ALAC uplift) is above the group SACP and the group SACP is the relevant reference point for group support uplift; When rating hybrid instruments that are issued by the group member and we determine group support in the ICR does not benefit the hybrid instrument; When uplift for group support is limited by sovereign-related risk but the entity is likely to pass the sovereign stress test; or In the case of highly strategic group members that are eligible for a one-notch adjustment to the potential ICR (as described in table 1 and paragraph 42 of the criteria) to better reflect our holistic view of potential extraordinary group support.

**Group Status Of Individual Members--Core Entities** 29. A core group entity generally either constitutes a significant proportion of the consolidated group or is integrated with the group. An integrated group entity refers to an entity that depends on the rest of the group for its administrative and operational activities and its infrastructure. These operational factors render it highly likely to benefit from group support if required. Examples can include booking or cost centers, captive insurers, captive financing operations, and group entities that exist solely to issue debt or carry on treasury operations on behalf of a group.

30. While a core group entity has typically been operating for about five years or more, there may be cases where a core group member has a shorter operating history because, for example, it has been established to serve an important customer segment or to comply with regulatory or tax requirements.

**Financing Subsidiaries--Financial Institution Group** 31. When a financing subsidiary of a financial institution group is wholly owned but its sole activity is to raise debt on behalf of the holding company, it is typically assigned a rating as if it were a holding company. This may be the case, for example, for financing subsidiaries of banking groups where we determine the support flowing to the operating company and reflected in the GCP does not support to the same extent obligations associated with the financing subsidiary.

**Financing Subsidiaries--Insurance Group** 32. We generally do not assess the group status of a financing subsidiary of an insurance group as core. However, we may assign core group status to a financing subsidiary of an insurance group where all of the following apply: It plays an integral role in issuing hybrid instruments that qualify as regulatory capital for the insurer; Its sole activity is to raise such capital for the insurer. For example, there is a clear written irrevocable commitment to stand behind the hybrid instruments of the financing subsidiary, thus reducing the importance of the legal separation of the entities; It is wholly-owned by the operating insurance company; It shares a related corporate name; and Issuance by the entity is motivated by regulations in the relevant jurisdiction.

**Investment Holding Companies** 33. We may consider some investment holding companies (IHCs) (as defined in our article "Methodology: Investment Holding Companies") as group parents while we may determine that others are not group parents. This will depend on both the existence of control as well as our judgment as to the relevance of the entity to the group's overall credit quality. For example, IHCs that own a noncontrolling equity stake cannot be group parents because they do not have control, as defined in GRM criteria.

34. Where we determine that an IHC is a group parent, the group status of its investee companies cannot be any higher than moderately

strategic, given the nature of the strategic and financing relationship between IHCs and their investee companies (see "Other Rating Considerations" section in "Methodology: Investment Holding Companies").

**Project Developers 35.** Where we determine that a project development company is a group parent (as defined in "Methodology for Rating Project Developers"), the group status of its group members is typically classified as nonstrategic or moderately strategic to the developer.

**Insulated Entities--Minority Shareholders 36.** The presence of significant minority shareholders can place meaningful limitations on the group's control of an entity. These limitations support the insulation of the entity from the rest of the group and contribute to a potential ICR on the entity that is two notches above the GCP. Many jurisdictions have specific regulations in place to protect the rights of minority shareholders vis-à-vis the ruling majority. Examples of effective rights that limit the control of a majority shareholder include the requirement to attain a majority vote from the minority shareholders, in order to undertake any material changes in the entity's financial or business policies, or to file for voluntary bankruptcy. Even without targeted favorable legislative treatment, an organized minority block with adequate board representation often has sufficient power to prevent dividend payments and to influence decision-making effectively. Such minority shareholders would be unaffiliated with the majority shareholder and would have an active interest and role in corporate governance and the rights to ensure that the entity is adequately capitalized to conduct its business operations with a long-term view.

**Insulated Entities--Structural Safeguards 37.** To determine whether we expect a regulator to act to protect the credit quality of an entity, we may look to publicly stated policies.

**Insulated Entities--Banks 38.** We do not apply our typical insulation analysis, as per paragraphs 65-67 of the criteria, if paragraph 70 of the criteria applies to determine insulation. In addition, we consider the impact of the insulation on the group SACP (see paragraphs 27 and 28 of the criteria).

**Holding Companies of Corporate Groups--Notching 39.** As stated in paragraph 71 of the criteria, the ICR on holding companies of corporate groups and nonregulated nonbank financial institutions is typically the same as the GCP. However, we may rate a holding company below the GCP if we believe that tight regulatory oversight of its operating subsidiaries increases the credit risk of the holding company, vis-à-vis that of their regulated operating subsidiaries. This may happen, for example, in the regulated utilities, regulated transportation infrastructure, and regulated nonbank financial institutions sectors. In these sectors, there can be significant regulatory constraints on the upstreaming of funds sources to the holding company, at a time when such holding company may be heavily reliant on dividends and other distributions from its regulated operating subsidiaries to meet its obligations. In such instances, to differentiate the credit risk of the holding level from that of the regulated operating level, the ICR on the holding company may be: One notch lower than the GCP if the GCP is 'bbb-' or higher; or Up to two notches lower than the GCP if the GCP is 'bb+' or lower.

**Holding Companies--Insurance Standard Notching 40.** To determine the ICRs on holding companies of insurance groups, we consider potential regulatory restrictions to payments. Where we think the regulation of insurance companies results in a higher likelihood of constraints on the movement of cash flows to the holding company, we consider potential regulatory restrictions to payments as high--for example, in the U.S. and Israel. For other jurisdictions, we typically consider regulatory restrictions to payments as low.

**Holding Companies--Narrower Notching 41.** In determining whether to apply narrower than standard notching for a holding company, we typically assume holding companies of financial institution groups will not retain significant unencumbered cash as their primary role is to lend or invest cash to generate earnings. For holding companies of insurance groups, we typically expect more than one of the characteristics in paragraph 75 of the criteria to be sustainably present in order to narrow the notching. In determining whether to eliminate the notching for insurance groups and prudentially regulated financial institution groups, we typically expect the holding company to generate sufficient cash flows from its own business activities or from unregulated operating subsidiaries and we consider the regulatory environment. For example, in the U.S., elimination would be unlikely.

**42.** For some financial institutions, for example those that are rated speculative-grade and whose anchors (see the relevant respective frameworks) are low and already reflect a weak regulatory environment, we may narrow the gap (number of rating notches) between the holding company ICR and the GCP from the standard notching because the assumption of regulatory restrictions to payments typically reflected in the standard gap does not apply.

**Holding Companies Of Prudentially Regulated Financial Services**

Groups--Liquidity 43. For holding companies of financial services groups, we typically include committed undrawn capacity of liquidity facilities available for general corporate purposes when considering the available liquidity resources. We do not include uncommitted facilities, facilities that require encumbrance, or revolvers. Holding Companies Of Prudentially Regulated Financial Services Groups--Financial Institutions 44. For financial institutions, high double leverage can create elevated liquidity risks for the holding company that may lead us to apply wider than standard notching. In the absence of offsetting liquidity at the holding company, we may consider double leverage as high if, for example, it exceeds 120%. Alternatively, if we view net income as particularly germane to our assessment of the group, we may consider if the nominal amount of double leverage exceeds two years' net income of the group, which would also indicate high double leverage. Holding Companies Of Prudentially Regulated Financial Services Groups--Intermediate Holding Companies 45. Treatment of intermediate holding companies depends on the role and nature of constraints on the transfer of cash flow across the group. Consider an insurance subgroup headed by an intermediate holding company that is part of a prudentially regulated financial institution group. The GCP is 'a-' and the ICR of the holding company is 'BBB+'. We determine the insurance subgroup is core to the group and its group members are core to the subgroup. The ICRs on the insurance operating entities are 'A-'. The ICR of the intermediate holding company is 'BBB+', because we apply the same notching that we apply to the holding company of the group. Furthermore, we determine there are no additional considerations to widen or narrow the notching. 46. Consider another example, an insurance subgroup that is part of a corporate group. We determine the group status of the insurance subgroup is nonstrategic, and it is eligible for three notches of insulation from the group. The GCP is 'bbb', the ICR on the holding company is 'BBB', and the insurance subgroup GCP is 'a'. The ICRs on the insurance operating entities are 'A' because we have determined that they are core to the subgroup. Although the ICR of the holding company is at the same level as the GCP, we conclude that wider notching applies to the intermediate holding company to reflect risks relating to cash flows from its regulated operating entities on which it is reliant. We set the ICR of the insurance intermediate holding company at 'BBB' because we conclude that potential regulatory restrictions to payment are high and determine in this case to widen the holding company notching to three notches, in line with the standard notching for holding companies of insurance groups. Rating Group Entities Above The Sovereign 47. We may assign ratings to group members above the relevant sovereign rating when specific factors lessen the expected influence of sovereign risk. We apply GRM to determine whether uplift for group support can result in an ICR on a group member being higher than the relevant sovereign rating. 48. We apply the transfer and convertibility (T&C;) test in ratings above the sovereign criteria to determine whether to assign a foreign currency ICR on a group member above the T&C; assessment. As a result, uplift for group support does not result in a group member's foreign currency ICR being higher than the T&C; for the relevant sovereign. 49. When considering whether uplift for group support can result in the rating of a financial institutions core group member exceeding the sovereign in which the group member operates, we consider the willingness and ability of the parent to support the group member such that it will pay its financial obligations on a full and timely basis. We also consider the likelihood of the group member remaining core in case of major stress in the country of domicile of the group member. When considering the ability of the group to support the group member during the stress associated with a sovereign default, we consider the size of the group member relative to the group, the rating differential between the GCP and the relevant sovereign foreign currency rating for the group member, and the extent of financial resources available at the group. We typically rate a core group member no more than one notch above the relevant sovereign rating. However, we may rate a core group member two notches above the relevant sovereign rating on the basis of group support when the group parent and core group member are based in countries that operate under a single regulatory and supervisory framework, are expected to remain part of a single monetary union, and where we consider that the risks of introduction of a deposit freeze or other controls will not affect the parent's ability to support full and timely payment of financial obligations by the group member. 50. Table 3 lists five examples of how sovereign constraints can affect the ICR on group members. Table 3 The Effects Of Sovereign Constraints On Group Member ICRs

| ENTITY A | ENTITY B  | ENTITY C  | ENTITY D  | ENTITY E | Sector |
|----------|-----------|-----------|-----------|----------|--------|
| Bank     | Corporate | Insurance | Corporate | Bank     | Group  |
| SACP     | 'a'       | 'a'       | 'a'       | 'a'      | 'a'    |
| GCP      | 'a'       | 'a'       | 'a'       | 'a'      | 'a'    |
| SACP     | 'bbb'     |           |           |          |        |

'bbb+' 'bbb' 'bbb' 'bbb' Group status Strategically important Strategically important Core Highly strategic  
 Strategically important Uplift for group support +2 notches +1 notch +3 notches +2 notches +2 notches  
 Potential ICR 'a-' 'a-' 'a' 'a-' 'a-' Relevant sovereign rating \* 'bbb' 'bbb' 'bbb' 'bbb' 'bbb' Passes sovereign  
 stress test N.A. Yes N.A. N.A. Yes Impact of sovereign constraint -2 notches -1 notch 0 -2 notches -1  
 notch ICR 'BBB' 'BBB+' 'A' 'BBB' 'BBB+' N.A.--Not applicable. \* The relevant sovereign rating is in  
 lowercase to indicate that it is being used as a component of the determination of GCPs and ICRs and  
 is determined in accordance with "Ratings Above the Sovereign" criteria. 51. Entity A. The potential ICR  
 is 'a-' (SACP + 3 notches, but capped at one notch below the GCP), and the ICR is 'BBB' as the group  
 member's ICR is the lower of the potential ICR ('a-') and the relevant sovereign rating, which in this  
 case is the foreign currency sovereign rating ('bbb'). Uplift for group support does not result in the ICR  
 on the group member being higher than the relevant sovereign rating for a strategically important group  
 member. 52. Entity B. In this case, the entity passes the sovereign stress test and the maximum rating  
 differential above the sovereign foreign currency rating is limited to two notches (in this example, the  
 corporate operates in a sector where we view sensitivity to country risk as high). The potential ICR is  
 'a-' and the ICR is 'BBB+' as the potential ICR on the group member (excluding uplift for group support)  
 is 'bbb+', which is above the relevant foreign currency sovereign rating for the group member, and the  
 group member passes the appropriate sovereign stress test. Ratings uplift for group support does not  
 result in the ICR assigned to the group member being higher than the relevant sovereign rating for a  
 strategically important group member. 53. Entity C. The potential ICR is 'a' (equal to the GCP). As a  
 core group member, uplift for group support can result in the ICR on a group member being higher than  
 the relevant sovereign rating. We determine the group is willing and able to support the group member  
 during the stress associated with a sovereign default. The ICR is 'A' as the ICR on the group member is  
 the lower of the potential ICR ('a') or three notches above the relevant sovereign foreign currency rating  
 (i.e. 'a' which is 3 notches above 'bbb'). 54. Entity D. The potential ICR is 'a-' (i.e., GCP - 1 notch). As a  
 highly strategic group member, uplift for group support can result in the ICR on the group member  
 being higher than the relevant sovereign rating. However, we determine that the group is willing but  
 unable to support the group member during the stress associated with a sovereign default. The ICR is  
 'BBB' as the ICR on the group member is the lower of the potential ICR ('a-') or the relevant sovereign  
 foreign currency rating ('bbb'). 55. Entity E. The GCP includes uplift for ALAC support and we expect  
 the extraordinary support in the GCP to extend indirectly through the group to the entity. We also  
 determine the entity is eligible for one notch of extraordinary ALAC support based on group internal  
 loss-absorbing capacity provided from the group parent. The two notches of uplift for group support  
 represent the greatest source of extraordinary support (before considering any relevant sovereign  
 constraints), therefore the potential ICR on the bank is 'a-'. As a strategically important entity, uplift for  
 group support does not result in the ICR on the group member being higher than the relevant sovereign  
 rating ('bbb'). However, we determine that including the ALAC instruments would enable the entity to  
 pass the sovereign stress test. The ICR is 'BBB+' as the group member's potential ICR (but excluding  
 uplift for group support) is 'bbb+' (SACP of 'bbb' + one notch of uplift for ALAC support), which is itself  
 higher than the relevant foreign currency sovereign rating for the group member, and the group  
 member passes the appropriate sovereign stress test. In this case, uplift for ALAC support is the  
 highest source of extraordinary support, after considering any relevant sovereign constraints.

REVISIONS AND UPDATES We originally published this article on July 1, 2019. On Jan. 27, 2021, we  
 republished this article to clarify our guidance on "Identifying the group and its members." More  
 specifically, in paragraphs 9-11, we clarified our definition of "family firms." In paragraph 12, we clarified  
 that certain funds may also be viewed as a group parent. And in paragraph 39, we clarified our  
 approach to the standard notching for insurance holding companies. On Nov. 9, 2022, we republished  
 this article to add our guidance on the application of paragraph 71 of the criteria. Specifically, in  
 paragraph 39, we clarified the effect of tight regulatory oversight on the assessment of a holding  
 company rating with respect to the GCP. As a result, we renumbered the subsequent paragraphs in the  
 guidance article. Related Criteria Group Rating Methodology, July 1, 2019 Related Research Criteria  
 And Guidance: Understanding The Difference, Dec. 15, 2017