MARC

Solutions
Beyond Risk

DEFINITIVE

RATING GUIDE

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INTRODUCTION

Incorporated in October 1995, MARC is a domestic credit rating institution. MARC's rating coverage includes Corporate Finance, Financial Institutions and Insurance, Structured Finance, Public Finance, and Infrastructure and Project Finance. MARC publishes independent assessments of the creditworthiness of securities and issuers, providing investors with an independent and credible source of opinion and research.

MARC is recognised both as an External Credit Assessment Institution under Basel II and as a bond rating agency by Bank Negara Malaysia and Securities Commission of Malaysia respectively.

MARC generally adopts practices and procedures for Domestic Credit Rating Agencies based on the guidance on the Code of Conduct Fundamentals provided by the International Organisation of Securities Commissions (IOSCO) and the Association of Credit Rating Agencies in Asia (ACRAA). Departures from the IOSCO Code of Conduct Fundamentals, none of which should affect the integrity of the ratings process, are disclosed on MARC's website.

This guide has been prepared with the objective of making our practices, process and policies that govern the conduct of our ratings transparent to the marketplace.

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RATINGS AND RATINGS PROCESS

Understanding MARC's ratings

MARC's credit ratings represent opinions on the relative credit quality of an entity or individual securities or financial obligations. Ratings of individual securities or obligations are an assessment of the likelihood of non-payment or default in accordance with the rated instrument's documentation. In addition, ratings for structured, project finance and individual corporate obligations on a long-term scale consider the ranking or contractual position of an individual security or tranche relative to other rated and unrated obligations of the transaction or issuer. The ratings on individual obligations issued by a single issuer may, therefore, differ.

Credit ratings are assigned following a detailed analysis of qualitative and quantitative information believed to be relevant to the credit quality of the rated entity or obligation. The information relied on in assigning the ratings typically include public and confidentially provided information from the rated entity and its advisers and other parties. MARC's credit opinions may incorporate confidential non-public information communicated by the rated entity or its agent without specifically disclosing it in the rating rationale.

MARC's credit ratings are forward-looking and incorporate an assessment of the most likely scenario for the rated entity's or transaction's future performance. However, MARC also recognises the potential for changes in credit quality arising from material unanticipated events and deviations from expected trends. Regular surveillance by MARC and additional reviews as and when material developments occur ensure that the published ratings continue to reflect the most current opinion of credit quality.

MARC's credit ratings are assigned by a rating committee and not by individual analysts; it is the agency's intention that the assigned ratings should reflect MARC's collective knowledge, experience and judgement, and be consistent with externally communicated rating criteria and methodologies.

Ratings may be affirmed, raised or lowered and/or placed on MARCWatch during the course of MARC's ongoing rating surveillance. Ratings may also be suspended or withdrawn in situations where the rating agency determines that it no longer has sufficient information to support a current assessment of the entity or obligation.

MARC employs a common set of long-term ('AAA' through 'D') and short-term ('MARC-1' through 'D') grades for its conventional and Islamic capital market instrument ratings to provide ratings comparability; the ratings on Islamic capital market instruments are differentiated from conventional debt securities through suffixes primarily to draw the attention of investors to the rated instrument's use of Shariah-based modes of financing. The aforementioned primary rating scales are used for all corporate, project and structured finance obligations.

Types of ratings

MARC provides both issue and issuer credit ratings. Issuer and issue credit ratings use identical symbols and similar definitions. The key methodologies used for assignment of its ratings are published and available on its web site at www.marc.com.my.

1. MARC's Long-Term Conventional Debt and Sukuk Ratings

MARC's long-term debt ratings are assigned to specific debt instruments such as bonds and sukuk. Medium-term note programmes are assigned long-term ratings. In addition to credit risk, long-term issue credit ratings take into account the protection afforded by, and priority ranking of the rated obligation relative to other obligations of the entity in the event of corporate insolvency, reconstruction, or other arrangement under corporate insolvency law.

2. MARC's Short-Term Conventional Debt and Sukuk Ratings

Short-term ratings are assigned to obligations with an original maturity of no more than 365 days, including commercial papers. Short-term ratings on the financial obligations of a corporate issuer focus on the capacity of the issuer or supporting entity to meet its financial commitments as they come due. The analytical approach that MARC uses for rating short-term instruments is broadly similar to that used to assign long-term credit ratings. Generally, a linkage exists between MARC's short-term and long-term credit ratings. For further information regarding the relationship between MARC's long-term and short-term ratings, please refer to the section on 'Linkage Between Long-Term and Short-Term Ratings'.

3. Issuer Credit Ratings and Corporate Credit Rating

MARC's issuer credit ratings provide an opinion on the issuer's overall financial capacity to meet its senior unsecured financial obligations rather than the vulnerability of any specific financial obligation to non-payment. Issuer credit ratings may be assigned to entities in a number of sectors, including financial and non-financial companies and sovereigns. MARC's corporate credit ratings also measure a corporate entity's overall capacity for timely repayment of its financial obligations.

Unlike issuer credit ratings which are assigned to entities who are active debt issuers or who are planning to issue debt in the domestic public debt market, corporate credit ratings are usually assigned to entities which do not have immediate plans to issue debt in the domestic public debt market but desire an independent assessment of their relative creditworthiness compared to other domestic entities rated by MARC on the same scale. The rated entity can elect to disclose its corporate credit rating publicly, disclose the rating to a select group of stakeholders or maintain the corporate credit rating as a private rating.

4. Structured finance and project finance ratings

MARC also assigns long-term and short-term ratings to structured finance and project finance obligations. Project finance obligations are rated on the conventional debt or sukuk rating scales. Structured finance obligations, meanwhile, are typically rated on the structured financing rating scale or the sukuk rating scale.

Structured finance ratings are assigned to individual classes or tranches of securities in an asset-backed securities (ABS) transaction and not to an issuer or a debt programme. An ABS transaction entails the pooling of assets and the subsequent sale to investors of securities which represent claims on cash flows backed by these pools.

The transaction's underlying collateral asset pool is legally separated from the balance sheet of the transaction's originator and the issuer is typically a single-purpose bankruptcy remote entity. Several classes or tranches of securities with different risk profiles may be issued. While the rating symbols for structured finance ratings are identical to those used to indicate corporate debt ratings, historical ratings transition and default rates of structured finance bonds may be dissimilar to that of corporate bonds of the same rating. The default frequency and default severity of structured finance obligations varies with the sub sector of structured finance to which it belongs; for example, the default performance of Residential Mortgage Backed Securities (RMBS) is by far superior to that of Collateralised Loan Obligations (CLOs). In higher rating categories, ratings transition matrices and default performance of RMBS often compare favourably to corporate entities with the same rating.

Apart from ABS, structured finance ratings are also assigned to corporate obligations which are 'structured' to some extent and are neither straightforward secured nor unsecured obligations. Typically issued through special purpose vehicles, these transactions are structured to qualify for higher ratings rather than the corporate ratings of the underlying borrower, for example, by way of structural enhancements which may take the form of liquidity support, assignment of revenues, etc. MARC's rating approach for such obligations incorporates elements of both structured finance and corporate rating methodologies.

5. Financial institution ratings

Financial institution ratings are typically assigned to banks: commercial banks, investment banks, Islamic banks and development financial institutions. They may also be assigned to other types of financial service entities such as government-sponsored credit guarantee entities, leasing companies and credit card companies as warranted by circumstances.

These ratings address the creditworthiness of financial institutions, and in certain instances incorporate systemic support. Financial institution ratings assigned to banks address aspects of their financial risk profile, chiefly asset quality, risk-adjusted capital adequacy, earnings capacity, liquidity and funding stability, in addition to the defensibility of their business model and the quality of management. MARC’s longstanding approach has been to derive the bank’s senior unsecured debt rating directly from its financial institution rating.

6. Insurer financial strength ratings

MARC’s Insurer Financial Strength (IFS) ratings provide assessments of the financial strength of an insurer in relation to its ability to meet policyholder claims and senior obligations. These ratings may be assigned to general insurers, life insurers, composite insurers, reinsurers and financial guarantee insurers. MARC’s analytical focus is on key determinants of an insurer’s credit profile: its competitive positioning, risk exposures pertaining to its business lines (including catastrophe risk and concentration of exposures), underwriting capabilities and underwriting appetite, investment risk tolerance, reinsurance protection, capital strength, liquidity and financial flexibility.

7. Sovereign issuer credit ratings

Sovereign issuer ratings are intended to be assessments of the ability and willingness of a sovereign government to repay its debt obligations in a full and timely manner. These ratings are assigned to sovereign governments on a domestic rating scale, providing an indication of their creditworthiness relative to other domestic and foreign issuers in MARC's rating universe.

MARC's rating methodology for sovereign issuers takes into account, amongst others, a country’s economic strength and prospects, the sustainability of its fiscal position, debt and contingent liabilities management, monetary and exchange rate management, the resilience of the country's financial sector and the country's political, institutional and social stability. No single factor has an overriding effect on MARC's assessment. Instead, the eventual rating is a result of an interaction of multiple factors, where some factors, depending on the unique circumstances surrounding each sovereign, can gain prominence over other factors.

Cyclicality and Rating Time Horizons

MARC's credit ratings are generally intended to be 'through-the-cycle' rather than 'point-in-time' assessments. However, the agency is mindful that a lower rating is often warranted for marginal investment grade and speculative grade credits in the short term, notwithstanding the long-run risk profile of the rated entity where events, changes in the operating environment or issuer-specific conditions present a material threat to default risk. An example of this application would be where premature withdrawal of a company's credit lines poses a heightened risk of default with respect to a forthcoming payment obligation on a rated debt. The issuer's near-term vulnerability to default would have to weigh heavily on its rating in order for MARC's credit ratings to reflect its most current assessment of the likelihood for timely payment. For this reason, the ratings of high investment grade credits are based on longer time horizons of three to five years, which is coincidentally the period of greatest visibility for an entity's prospects. The ratings of marginal investment grade and speculative grade credits are based on shorter time horizons of one to two years given their higher susceptibility to ordinary fluctuations of the business cycle and adverse conditions.

Experience has shown that a sudden deterioration in creditworthiness of corporate entities will often be preceded by developments such as changes in long-term industry fundamentals, sudden industry downturn, heightened competition or aggressive debt-funded expansion, all of which have predictable consequences for their credit metrics. Changes in long-term industry fundamentals can also put entities on a path of decline, as witnessed in the domestic auto-part makers sector between 2007 and 2009 and the oilfield services industry in 2016-2017.

The rating time horizon for structured finance can be generally regarded as the legal maturity of the rated obligation. In common with corporate ratings, changes in the transaction's operating context and performance over time will, however, necessitate rating changes.

Linkage between Long- and Short-Term Ratings

MARC holds the view that a rated entity's short-term credit profile cannot be divorced from its intermediate-to-long term credit strength. Short-term obligations are usually issued under programmes with longer tenures and the issuer's ability to refinance or roll over short-term instruments would be largely influenced by its longer-term credit profile. The table below provides broad guidance to the linkage between MARC's short-term and long-term ratings.

Credit Quality	Long-Term	Short-Term			
Strongest	AAA	MARC-1			
Very Strong	AA+	MARC-1			
	AA	MARC-1			
	AA-	MARC-1			
Strong	A+	MARC-1	MARC-2		
	A	MARC-1	MARC-2		
	A-		MARC-2		
Adequate	BBB+		MARC-2	MARC-3	
	BBB			MARC-3	
	BBB-			MARC-3	
Speculative	BB+				MARC-4
	BB				MARC-4
	BB-				MARC-4
Highly Speculative	B+				MARC-4
	B				MARC-4
	B-				MARC-4
	C				MARC-4

Exception or non-standard mapping

The linkage indicated is not rigid as MARC avoids a mechanistic approach to mapping. The exception mappings apply to circumstances in which the entity has stronger or weaker liquidity than typically observed for rated entities with similar long-term ratings. The reason for this is that balance sheet liquidity, cash flow generation and the ability to access short-term funding from the financial markets may vary significantly from one issuer to another and may be influenced by the issuer's business and/or industry. The short-term liquidity considerations for a bank, for example, would differ significantly from that of a corporate entity belonging to the industrials sector.

Rating Process

Ratings are typically assigned upon request by a prospective issuer ('solicited rating'). A credit rating may be assigned to a particular debt issue ('issue credit ratings'), or it may indicate the overall ability of the entity to meet its obligations ('issuer' and 'financial strength' ratings).

MARC maintains public information ratings[1] on a very limited number of entities, comprising mostly banks. These entities provide external credit support for outstanding debt issues rated by the rating agency. MARC currently refrains from assigning any new public information ratings for the aforementioned purpose. The typical sequence of steps to obtain a full credit rating, beginning with a formal rating mandate through to the public release of the rating is outlined below. The rating usually takes four to six weeks depending on the operational breadth or complexity of the rated entity or the transaction. A tighter schedule may be accommodated for repeat issuers.

[1] Contains analysis of an issuer based on its published financial information and any additional information in the public domain. However, such ratings do not reflect interaction with the issuer's management and are therefore based on less comprehensive information when compared to a full rating mandate.

Request for a credit rating

The rating process usually proceeds with a request from the prospective client for a formal proposal to perform a rating. When accepted by the client, a mandate or engagement letter is signed to formalise the relationship between the two parties. The business and marketing activities of MARC are separated from rating activities to lessen the potential for conflicts of interest. MARC and its employees do not, as a matter of policy, provide any assurance or guarantee to an entity, obligor, underwriter, originator, or arranger about rating outcomes in respect to a particular entity, issuer or issue so as not to impair the integrity of the credit rating process.

The request for the credit rating should be made well enough in advance of the targeted financial close of the debt issue to provide sufficient time for the rating process.

Information requests by the analytical team

Once MARC has been engaged, an analytical team will be assigned to perform the credit rating. A minimum of two analysts with related credit knowledge of the client's industry or industries, a primary or lead analyst and a secondary or back-up analyst, will be assigned to the analytical team. If the credit rating concerns a project or structured transaction, analysts with relevant experience from past project or structured transaction ratings will be assigned to evaluate the credit. MARC's rating analysts work within specific rating groups to provide continuity and to facilitate deeper knowledge-building over time.

The analytical team will then make request(s) for information pertinent to the rating. This may entail fairly extensive preparation and disclosure of key financial data and information by the client. Drafts of documents are acceptable at this stage. Prompt attention to requests for information will facilitate the rating process.

- **Meeting with management**

After reviewing the information given to MARC, the analytical team will arrange to meet with the client's management. A facility tour may be requested along with the meeting, where applicable. MARC typically provides an outline of the agenda to the client before the meeting to ensure that its key focus areas are addressed by appropriate members of the client's management. Short, formal presentations by management or their advisors are particularly useful to stimulate thoughtful discussion on matters pertinent to the rating.

- **Draft rating report is produced**

Following the interviews with management, the analytical team will prepare a report for the deliberation of the rating committee.

- **Rating committee decides on rating**

A rating committee will be convened to discuss the analytical team's recommendation and the key factors supporting the rating. The rating committee ultimately decides on the rating to be assigned. For further information regarding MARC's Rating Committee, please refer to the section on 'Rating Committee'.

- **Notification of rating**

The client is then notified of the rating and the major rating considerations. At this juncture, the client may accept the rating or appeal by presenting meaningful new or additional information if it considers MARC's credit opinion to be insufficiently well-informed. For further information regarding the appeal process, please refer to 'Appeal Process'.

Dissemination of rating

Once the rating is accepted and the client chooses to make it public, a draft rating report will be made available to the client for its review of factual accuracy, misrepresentations and inadvertent disclosure of any confidential or commercially sensitive information. The time between a committee decision and publication is purposefully limited to avert premature and inappropriate disclosure of information to the marketplace.

The rating will then be disseminated to the public through the news media and MARC's publicly accessible website. Unaccepted ratings are not published. The client can also elect to keep the rating private or decide on selected release to certain parties. MARC will only disclose private ratings to parties designated by the client.

MARC will also distribute final rating reports through its website. MARC may provide pre-sale reports on certain transactions directly to the issuer or its investment banker. Unlike post-closing reports, the pre-sale reports are not published on MARC's website.

Pre-sale reports are based on information and certain terms and conditions of issuance provided to MARC as of a given date which will be indicated on the pre-sale report. Final ratings on the transaction may differ from the preliminary ratings conveyed in the pre-sale report as a result of subsequent changes in information including the transaction structure.

Rating is kept under surveillance

After the rating has been published, it progresses into the surveillance phase during which MARC will monitor the credit quality of the entity or instrument on an ongoing basis. To ensure appropriate continuity, MARC will plan for at least one analyst who is involved in the initial rating exercise to maintain continual contact with the client and be involved in the subsequent formal review of the rating.

It is incumbent on MARC's clients to revert on draft reports in respect of subsequent rating actions on published credit ratings within five working days. To avoid delays in the dissemination of its credit rating actions and to ensure compliance with best practices, MARC considers inaction on the part of the client as equivalent to no comments on the draft report.

Limitations of MARC's credit ratings

MARC assigns credit ratings on a national scale; as such, its ratings are not intended to be internationally comparable. The agency's credit ratings provide relative measures of credit risk of entities and obligations in the context of the domestic market, as opposed to conveying specific default probabilities.

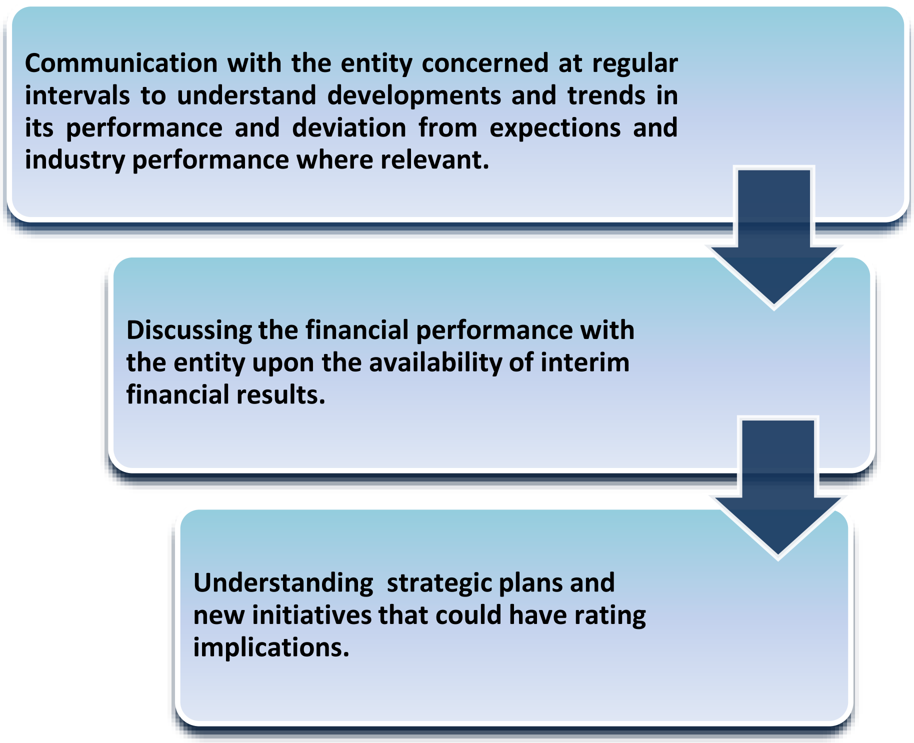
MARC's credit ratings on obligations or instruments do not address any risks other than credit risk, including the liquidity of the rated security and the likelihood of a change in its market value, and the severity of loss should the obligation or issuer default. Accordingly, MARC's ratings should not be relied on as a proxy for risks not measured by credit ratings (i.e. market and/or liquidity risk) or as recommendations to buy, sell or hold securities.

MARC relies on information provided by the rated entity or issuer and its advisers as well as the work of third parties such as audited financial statements, legal opinions, valuation reports, actuarial reports and engineering reports in assigning its ratings. Ultimately, MARC's ability to assign and maintain objective and predictive ratings is subject to the availability of sufficient timely, accurate and complete public and/or non-public information.

Ratings surveillance and review

MARC maintains surveillance on all published ratings until withdrawal of the ratings. All credit ratings in the MARC universe are reviewed at least once a year to facilitate appropriate and timely rating actions. The objective of rating surveillance is to ensure that all published ratings continue to reflect MARC's most current assessment of the rated credit.

Steps in the rating surveillance process for issuers and specific debt obligations include:



Changes in the rating are predicated on a divergence between actual performance and previous expectations that are deemed likely to continue. The performance of the rated entity, project or transaction and current developments are continually monitored.

For its structured finance ratings, MARC's rating surveillance process looks at the performance of the actual current portfolio collateral and transaction through a review of servicer reports and discussion with the servicer/trustee and originator. In its surveillance process for asset-backed securities, MARC continually assesses whether the existing ratings maintained on a rated transaction remain consistent with the quality of the securitised assets and available credit enhancement. Key rating assumptions and modeling parameters for a rated transaction may be changed during the surveillance process in response to the review of surveillance data. In instances where key model input changes occur, MARC's cash flow model would be re-run to ascertain the need for a rating change.

Rating Committee

MARC's credit ratings are determined by a rating committee comprising internal and external members who meet the eligibility criteria outlined in the Securities Commission's Guidelines and possess the requisite experience to assess the credits. External members are individuals from outside MARC who are neither employees nor directors of MARC. The external appointments allow rating decisions to benefit from broader thinking and expertise. The membership of the committee and members' credentials are disclosed on MARC's web site and its annual report. Balanced committee decision-making and consistent application of approved rating methodologies and criteria eliminate bias or subjectivity on the part of individuals participating in the rating decision.

MARC's Rating Committee has the responsibility to:

- assign, affirm and revise the ratings;
- assign and revise the rating outlook;
- suspend and withdraw the ratings and rating outlook;
- place and resolve ratings on MARCWatch;
- approve new and revised rating methodology;
- assess the overall rating performance of the agency in terms of rating accuracy and analytical rigour; and
- reflect on its own performance and conduct a self-assessment of its effectiveness on a regular basis, at least annually.

The appointment and terms of service of the Rating Committee, which comprises both external and internal members, are subject to the regulatory provisions set out in the Securities Commission's Guidelines. The external members are bound by the same Code of Conduct and confidentiality rules as internal members. Each member shall have one vote at any Rating Committee meeting. All rating decisions require a simple majority vote, i.e. votes from at least half plus one of the total number of members present. The Chair shall have a casting vote in the event of a tie on votes. The quorum for the proceedings of the Rating Committee shall be three members of which at least two must be external members.

The rating process is further strengthened through the Management Rating Committee, which is tasked with the responsibility of reviewing the recommendation by the analytical teams before they are formally tabled to the Rating Committee. The objective of the Management Rating Committee is to provide assurance to the Rating Committee on the adequacy and objectivity of the analytical process for credit ratings. It also aims to reinforce ownership of quality within existing rating portfolios.

The Management Rating Committee also review and evaluate the comprehensiveness and objectivity of the assessment and analytical approach taken by analytical teams to ensure that MARC's credit ratings criteria, policies and procedures are consistently executed, and that ratings are comparable across the firm.

Both the Rating Committee and Management Rating Committee meet as needed, as rating actions are recommended by analytical teams with respect to new and existing credits. The Rating Committee may confer virtually by telephone conference or email on urgent issues. A physical or email circular resolution approved by two-thirds of the committee members shall be held as valid.

For the purposes of the Rating Committee, an employee or external committee member would be regarded as conflicted and thus unqualified to participate and/or vote on the rating of any particular entity or obligation if he/she or his/her family members:

- has any financial interest which results from holding of securities or derivatives of the rated entity, other than holdings in diversified collective investment schemes;

- has any financial interest which results from holdings of securities or derivatives of any entity related to a rated entity, the ownership of which may cause or be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes;

- has had recent employment or other significant business relationship with the rated entity that may cause or be perceived as causing a conflict of interest;

- has a non-financial interest which results from the current employment of an immediate relation i.e. family member at the rated entity; or

- has any other past or continuing relationship with the rated entity or any related entity thereof that may cause or be perceived as causing a conflict of interest.

As a matter of policy, MARC's Compliance, Governance and Risk Management Department is responsible to establish and maintain an up-to-date Conflicts of Interest Register which records all conflicts of interest disclosures by MARC's analytical personnel and members of the Rating Committee. Rating Committee proceedings are intended to ensure consistency with internally and externally communicated rating policies and rating methodologies. MARC's approach has been to inform the relevant entity or issuer of the decision reached by the Rating Committee as soon as practicable.

Appeal Process

MARC's approach to the rating process has always been to ensure that rated entities and their intermediaries are sufficiently aware of the key analytical components of its rating process and issues that may ultimately affect the rating outcome at the onset of a rating engagement. The interactive rating process which follows a rating engagement is intended to provide the rated entity with adequate opportunity to address potential rating concerns so that the rating eventually assigned is and is perceived to be sound and fair.

- **First-time ratings**

The rated entity will be informed of the rating(s) assigned by the rating committee. In the event the rated entity has fundamental disagreements over the assigned rating and decides to appeal against the rating, any request for the rating committee to reconsider the rating should be accompanied with the submission of relevant new and material additional information. While the rating committee may or may not decide to modify the assigned initial rating after discussing the merits of the case, the appeal process ensures that any new or fresh perspectives which an appeal may bring are given due consideration.

▪ Reviewed ratings

All appeals against a subsequent rating action must be made in writing to MARC and the written request for further consideration must be accompanied with additional information. After receiving the request to reconsider the rating committee's decision, the analytical team and other senior analytical members will decide whether the additional information provides sufficient grounds for a rating appeal. To prevent misuse of the appeal process to delay a negative rating action following the rating committee's formal review of the credit, the prescribed time limit for a rated entity to lodge an appeal is 7-working days after MARC's communication of its rating action. MARC reserves the right to decline the appeal request.

Dependence on third parties

In the course of assigning its ratings, MARC often relies on third-party information and certification such as audited annual accounts, along with reports and representations from bankers, solicitors, valuers, actuaries and other professionals. MARC does not audit, validate or verify such information, and therefore cannot guarantee the completeness or accuracy of the information on which its ratings are based. If any such information eventually proves to be materially false and misleading, the rating associated with that information may no longer be appropriate and could warrant a revision of the rating.

RATING PRACTICES

MARCWatch and Rating Outlooks

MarcWatch

Credit ratings are placed on MARCWatch to signal the increased possibility of a rating change when additional information is needed to take a rating action. MARCWatch placements are usually triggered by events such as mergers, acquisitions, major divestments, regulatory developments or unanticipated operating developments. MARC also places ratings on MARCWatch when there is a material deviation from an expected trend which could result in an abrupt change in creditworthiness.

MARC may change a rating and place or maintain the revised rating on MARCWatch when an event or situation may result in further change in the rating over the near term. An example of this application of MARCWatch would be where MARC downgrades the rating of an issuer based on its preliminary financial results but there are continuing concerns that final audited results could differ materially as a result of adjustments or changes in accounting estimates. Accordingly, the MARCWatch placement conveys that MARC’s assessment of the issuer’s creditworthiness could be subject to further change as new information becomes available.

Ratings are placed on MARCWatch when there is a substantial likelihood of a rating change in the near term, usually within 90 days. MARCWatch placements may, however, be extended beyond 90 days until the triggering event or development is resolved. As a matter of policy, MARC does not entertain appeals against MARCWatch placements. A MARCWatch placement does not mean a rating change is inevitable. MARC may revise its ratings without placing them beforehand on MARCWatch. MARC does not usually provide any indication of the magnitude of the potential rating change unless disclosed in the MARCWatch announcement.

MARCWatch designations may be positive, which indicates that the rating may be upgraded, or negative, which indicates that the rating may be downgraded. A 'developing' designation is used where rating implications are less clear and the rating could be upgraded, downgraded or affirmed. The conditions under which current ratings may be affirmed or revised will be outlined in the agency's MARCWatch announcement. MARCWatch designations can be revised as warranted by circumstances. The guidance given to analysts is a 'developing' designation can be revised to 'negative' or 'positive' where the rating implications of an event have become clearer.

Rating Outlooks

Rating outlooks are assigned as an ongoing component of all long-term ratings, where appropriate, to provide insight into the potential for rating change and the likely direction of the change without being a necessary precursor to a rating change. Compared to MARCWatch placements, outlooks have a longer time horizon, i.e. typically from six months up to two years, and incorporate trends and/or risks affecting the long-term rating prognosis of the issuer or issue.

A 'positive' outlook indicates a rating may be raised; a 'negative' outlook indicates a rating may be lowered. A 'stable' outlook is usually assigned when ratings are not likely to be changed within the next year. A 'developing' outlook on a rating means that a rating may be raised, lowered or maintained over a one- or two-year period. A 'positive' or 'negative' outlook may or may not precede a rating change; a rating change can occur even when the outlook is stable as a result of unanticipated circumstances. As a matter of policy, MARC will provide clarity on conditions which will cause a rating change and/or outlook revision in its published analysis of a rated entity or issue.

Rating Withdrawals and Suspension

Ideally, issue ratings should not be withdrawn until the rated instrument has been redeemed in full. Nevertheless, MARC's experience to date has shown that some issuers will seek to convert their outstanding publicly traded debt securities into non-publicly traded instruments that do not require a mandatory rating in order to forestall a rating downgrade. In these situations, MARC would normally be requested to withdraw its rating on the instrument. To counter withdrawal requests which are motivated by the issuer or rated entity's desire to avoid an imminent downgrade, MARC intends to make every effort to ensure that the level of the rating at withdrawal reflects its current assessment, going forward.

MARC reserves the right, at its sole discretion, to withdraw or suspend a credit rating at any time. In determining the timing of the withdrawal or suspension, MARC will have due regard to relevant regulatory requirements.

All withdrawals and suspensions are publicly announced and/or published on MARC's website, including that of obligations repaid in full on schedule. The reason for the withdrawal will be disclosed in its rating withdrawal announcement as a matter of policy.

Treatment of default

Generally MARC recognises any of the following instances as a default:

- Failure of an issuer or obligor to make a required interest or principal payment on schedule or to meet payment obligations in full based on the contractual payment schedule;

- Failure to make an immediate repayment of the rated obligation following an acceleration of the obligation by debt holders which, in turn, is preceded by the occurrence of a predetermined trigger event; and

- When the issuer/obligor is placed under receivership, liquidation or is being wound up voluntarily or otherwise, prior to a missed payment on rated debt obligations. Missed payment on the rated obligation will usually precede these other events.

Bond indentures in Malaysia do not specify grace periods; hence default usually occurs on contractual payment dates. MARC's policy in instances of missed payment is to revise the rating to 'D' irrespective of the extent of default (amount wise) or the period of default. A single day's delay would be regarded as 'default' for rating purposes.

It is common for issuers to seek an extension of significant debt maturities or an exchange of the debt with another financial instrument which does not require a rating in the face of liquidity pressure. MARC makes a distinction between distressed debt extensions and exchanges from opportunistic restructuring of debt. The primary factor which MARC considers in making this distinction is whether the extension or exchange offer represents an attempt on the part of a financially distressed issuer to avoid payment default.

Where holders of a rated instrument have consented to a revision in the terms of repayment of the instrument sufficiently in advance of a forthcoming redemption date, MARC would assess repayment of the instrument based on the revised repayment schedule and the factors leading to the rescheduling of the instrument. Distressed corporate obligations will typically be rated along the continuum of the 'B' to 'C' rating categories.

A default by an issuer on another unrated instrument would result in the downgrade of the rated instrument to 'near default' status given the heightened risk of similar disruption of debt servicing on the instrument. If default appears to be imminent for the rated instrument, the rating on the obligation may be taken to 'C' until actual payment default occurs.

MARC is mindful that a strict adherence to its default definition is fundamental to preserving the integrity of its default statistics. MARC publishes a default and transition study annually on its web site to provide transparency on the performance of its credit ratings. The methodology for computing its default rates is clearly described in the study to aid the reader's understanding.

Unsolicited Ratings

Unsolicited ratings refer to ratings assigned by a credit rating agency in the absence of a rating contract or mandate and without the full participation of issuers in the rating process. The very limited unsolicited rating coverage that MARC currently maintains was initiated to support ratings on obligations relying on support mechanisms such as bank guarantees, parent company guarantees and state government guarantees. The unsolicited rating coverage is initiated on a no-fee basis. While MARC is not directly compensated for the unsolicited credit rating, it receives rating fees from the supported entity which is issuing the debt.

There is usually no significant difference in the analytical process or criteria used for unsolicited ratings. However, unlike a solicited rating in which MARC has access to private information, information for an unsolicited rating is mostly sourced from the public domain. Accordingly, an unsolicited rating can only be assigned or maintained if there is sufficient public information to support MARC's rating opinion.

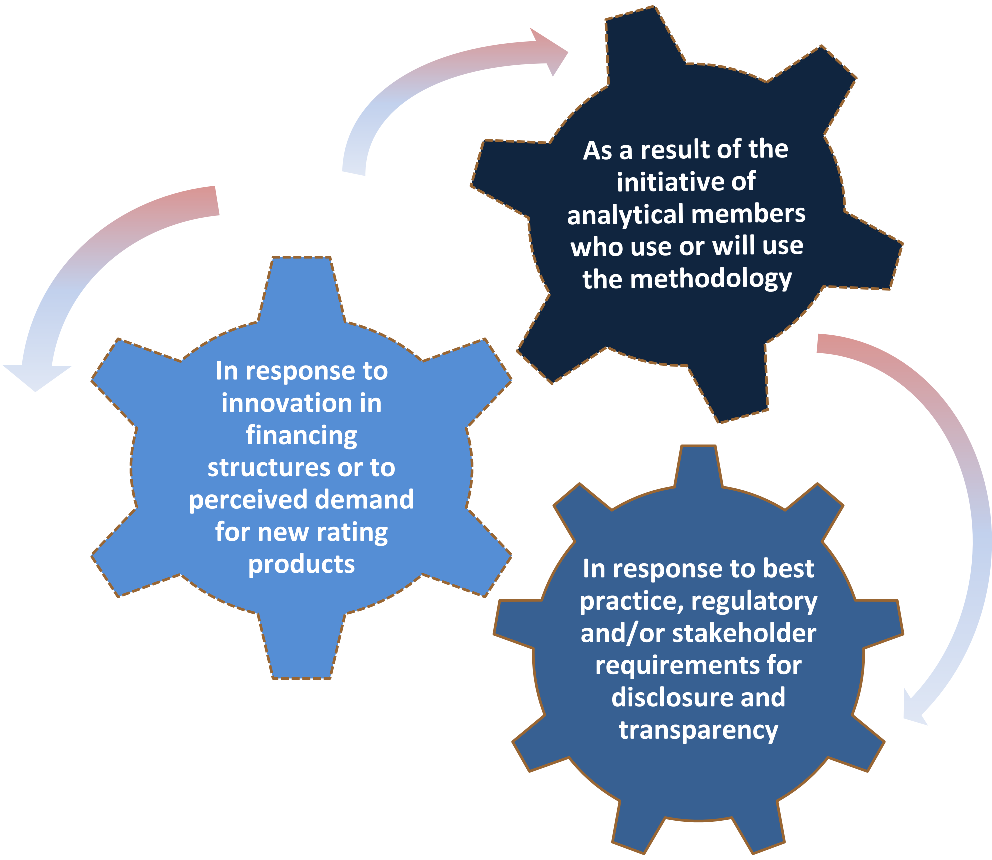
Participation by the rated entity may be limited or absent. Participation is desirable but generally optional where there is sufficient publicly disclosed financial and non-financial information to form an opinion. If MARC's internal threshold for information is not met, the rating agency will withdraw the unsolicited rating. In instances where MARC has been formally mandated to rate an issue that is supported by a parent company corporate guarantee, the parent entity will be given the opportunity to review the bases of MARC's unsolicited rating opinion. The parent entity may elect to provide further confidential information to MARC which may or may not influence the ultimate rating. MARC identifies unsolicited ratings as public information ratings in its rating reports and press releases.

Unsolicited ratings are reviewed annually or on an interim basis as in solicited ratings if a major event that affects an issuer's credit quality occurs. All reports and press releases regarding unsolicited ratings which subsequently become solicited ratings should indicate the change in the solicitation status of the ratings.

Methodology Development and Review

MARC publishes key rating methodology and criteria used for the assignment of its credit ratings to enhance the transparency of its rating process.

In MARC, a new or revised rating methodology originates in one of three ways:



In MARC, rating methodologies are developed within the analytical groups as well as by members of a methodology and criteria unit. The latter is mostly responsible for the development and updating of rating methodologies which have broad application ('common methodology'). The various analytical groups are responsible for the development and updating of the specific rating methodology used in their issue and/or entity ratings. On a regular basis, all current methodologies will be reviewed once per calendar year and/or after any material changes in macroeconomic or financial market conditions. Either the methodology will be approved with no changes or an update will be recommended.

A review of an existing methodology covers financial models, assumptions that underlie the models and weights assigned to key rating parameters. It also extends to an analysis of interrelationships between key assumptions that underlie the credit rating methodology and the volatility of ratings over time, and the effect of macroeconomic factors on key assumptions of the reviewed credit rating methodology. Systematic rating errors highlighted during the credit ratings surveillance process will also be incorporated in rating methodologies and rectified.

MARC believes that this highly participative methodology development approach ensures that the analytical personnel who are well-versed with the issues and current trends develop practical and meaningful methodologies which are implemented consistently.

When a new or substantially revised methodology is proposed, it undergoes a two-level review process, first at the Sub-Committee level and subsequently by the Rating Committee. A separate criteria committee has not been established to undertake the review function. A draft of the methodology is circulated to sub-committee members prior to the methodology presentation and discussion. The methodology is then updated or amended based on group consensus and presented to the Rating Committee for further review. The Rating Committee reviews and approves new and updates to existing methodologies. The Rating Committee has the ultimate responsibility for decisions to amend, withdraw or suspend a rating methodology and associated ratings.

By using rating committee members as methodology reviewers, MARC ensures that the review of existing credit rating methodologies is performed by persons who have appropriate experience as well as knowledge on the performance of ratings utilising the methodology.

MARC's minimum requirements pertaining to rating methodology documentation are as follows - for each rating methodology and where relevant, the rating agency requires a description of the approach for determining and assigning importance to qualitative and quantitative factors within the methodology, including related weights where they exist, and their respective impact on final ratings.

The new or revised methodologies may be disseminated without delay or after a 60-day public comment period to incorporate market feedback prior to implementing changes to methodologies. Ratings related to a revised methodology will be subjected to review to assess the impact on existing ratings.

Record Retention

MARC routinely creates and maintains various types of information and documentation in the course of effectively discharging its function as a credit rating agency. Rating-related corporate records include research material, correspondences with the client and third parties, minutes of meetings with clients and intermediaries, draft credit analysis reports, comments, press releases and legal documents and other information relating to the rated transaction or issue provided by the rated entity or issuer and its intermediaries. The retention, storage and destruction of MARC’s paper and electronic records are governed by a company-wide information policy. Adherence to the policy ensures legal compliance, and also to accomplish other objectives such as preserving intellectual property and cost management.

MARC’s record retention procedures and practices provide for the following:

- Record retention periods that are consistent with governing regulatory requirements and applicable law;

- Maintenance of rating files or folders which contain multiple types of documents necessary for a coherent record for a period of not less than seven years after the final rating action on the rated entity or issuer;

- Maintenance of rating records in a manner which protects their integrity, confidentiality and security. Access to paper records, as well as read, write and edit access to electronic records is restricted to authorised personnel;

- Centralised record keeping to facilitate orderly storage, tracking and retrieval of original documents, files and archived material onsite and offsite;

- Local and offsite data backup procedures which ensure that critical information is protected and may be restored as needed; and

- The destruction of records, subject to authorisation, only after the retention period for a record has expired. The destruction of records will be suspended upon notice of a legal, regulatory, or other proceeding in which such records may be required.

RATING POLICIES

Analytical Independence and Avoidance of Conflicts of Interest

Recent years have witnessed increased public scrutiny over the independence of credit rating agencies and the conflicts of interest that they face, in particular analyst conflicts of interest. Accordingly, MARC has adopted practices and procedures based on the guidance provided by the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies and the ACRAA Code of Conduct Fundamentals for Domestic Credit Rating Agencies to address analyst conflicts of interest which could potentially affect the impartiality of its credit ratings.

Potential conflicts of interest or the appearance of conflicts typically arise when analytical personnel are: (i) subject to any material influence (external or internal) that inhibits their ability to produce an impartial assessment of the rated subject matter; or (ii) perform non-rating functions that could contribute to the appearance of conflicts. MARC's practices and procedures are, accordingly, designed to promote analytical independence and address situations where the interests or activities of the rating agency or analytical personnel may raise concerns about potential conflicts of interest.

MARC, as a matter of policy, will not refrain from taking a rating action because of the potential effect of the action on the agency, the rated entity or issuer, an investor or other market participant. MARC will also take all necessary steps to ensure that any future ancillary businesses that the agency may engage in do not influence its credit ratings. The agency or its related entity will not offer advisory and structuring services or any other ancillary services to a rating client which could reasonably present a conflict of interest. In addition, any future ancillary business will also be separated, operationally and legally, from the rating process to insulate MARC's analytical personnel from other business relationships with the rated entity that could impair their independence.

MARC also prevents inappropriate influence by issuers or rated entities and their intermediaries over the content of its rating reports and the timing of the dissemination of rating actions. Issuers and their intermediaries are not permitted to review the draft rating report before publication other than for the purpose of verifying the factual accuracy of information in the reports and identifying confidential or commercially sensitive information that may need to be removed. Editorial control is retained by MARC.

MARC implements the practice of making disclosures of factors that may affect or be perceived to affect the independence of its rating actions in its rating communication. Appropriate disclosure is made of shareholder relationships when it rates securities issued by its shareholders. In instances where any issuer or originator contributes more than 10% of its revenue, disclosure of the fact will be made in the agency’s rating communication. MARC's Compliance and Risk Management Department will establish and maintain an up-to-date 'Conflicts of Interest' Register which will record all conflicts of interest disclosures by MARC's analytical personnel and members of its rating committee. The information in the Register may be made available to users of MARC's rating reports upon request.

MARC’s analytical personnel are compensated in a manner designed to promote their independence; their compensation is not linked to revenues derived from clients that they rate. MARC maintains functional separation of business development and ratings and prohibits analytical personnel from participating in discussions regarding fees or payments for ratings with clients of MARC and the solicitation of business. All MARC staff who participate directly or indirectly in the credit rating process, whether as an analyst or rating committee member, are also prohibited from accepting gifts, including entertainment exceeding RM150 or its equivalent in foreign currency from anyone with whom MARC does business.

While it is common for issuers to structure financing transactions to achieve a certain target rating based on MARC's rating criteria, the agency avoids providing recommendations about the corporate or legal structure and other aspects of the financing transaction to protect its analytical independence.

Analytical personnel and employee members of the rating committee are required to refrain from participating in the determination of a credit rating of any rated entity if that person has had recent employment, business or other relationship with the rated entity or related entity. The potential for conflict will be eliminated, where possible, by excluding non-employee members of the rating committee who have a declared potential conflict of interest from the relevant rating committee proceedings and the distribution list for the relevant rating report or rating material.

In the event that a conflicted non-employee rating committee member's participation in rating committee proceedings is required to achieve the quorum for the rating committee meeting, the member's conflict of interest disclosure and the basis of the conflict will be recorded in the minutes of the meeting and in MARC's Conflicts of Interest Register.

Potential conflicts of interest that may arise when analytical personnel or their immediate family members and employee members of the rating committee have personal financial interests in any entity rated by MARC or its subsidiaries or affiliates are addressed by way of implementing personal trading and investment restrictions. Non-employee rating committee members are required to observe a "blackout period" during which no transactions involving the purchase or sales of the securities of a rated entity or its related entities may be conducted. The "blackout" period begins on the day the external member receives a report or other rating-related material for the committee's deliberation and ends on the day a public release of the corresponding rating announcement is made.

Outside of blackout period trading prohibitions, non-employee rating committee members who come into possession of material non-public information of an entity as a result of rating committee proceedings are required to abstain from any transaction in the securities of that entity or its related entities until such information has been publicly made known.

Analyst Rotation

MARC's general approach to analyst rotation seeks to balance the rating agency's desire to maintain and improve the analytical quality of its ratings by ensuring appropriately skilled and experienced analysts perform rating surveillance and the need to promote analyst independence.

The objective of rotation requirements is to mitigate the risk of impaired objectivity and bias as a result of relationships developing between the analyst and the rated entity over significant periods of time.

To prevent situations in which analyst rotation might adversely impact the quality of ratings, the rotation requirements are limited to primary or lead review analysts, i.e. analysts which are assigned the primary responsibilities for assigning a given initial rating and monitoring it. The lead analyst has a material analytical role in the analytical team’s preparation of the credit analysis report for the rating committee's deliberation.

The rotation requirements do not apply to every person that is involved in the review of credit ratings. The head of the analytical grouping to which the rating in question belongs is not required to rotate unless that person has been the assigned lead analyst for the rating concerned.

The rotation requirements which apply to lead analysts under MARC's analyst rotation policy are: (i) a 'time-out rule'; and (ii) a two (2) year time-out period. The time-out rule provides that an analyst who has played the role of lead analyst in the rating of an entity or a debt or financial obligation or other financial instrument for three successive years cannot continue in that role.

A time-out period of two years from the date such person ceases to be lead analyst must be completed before the analyst resumes his or her involvement in the rating of the relevant entity or a debt or financial obligation or other financial instrument in the role of lead analyst.

Confidentiality

Any non-public information submitted by a rated entity or an issuer for the purposes of arriving at its rating or ratings shall be kept confidential and not be used for any purpose other than for the rating exercise, as documented in rating agreements.

Apart from ensuring that any non-public competitive or potentially market-sensitive information provided to the agency is not disclosed to third parties, MARC also ensures that such information is not included in ratings reports without the prior consent of the issuer or rated entity.

In instances where a rating has been assigned and the client has not accepted the rating or has decided to keep it as a private rating, the rating engagement remains confidential and will only be disclosed to regulators, if warranted by circumstances.

All client records and submitted information will be kept securely. MARC's security measures involve information policies and procedures to protect against loss and the unauthorised access, destruction, use or disclosure of the data. Our technical security measures to prevent unauthorised access include the storage of data on secure servers or computers which are accessible only to authorised personnel.

Access to information shared by a rated entity or issuer is limited to individuals who directly and indirectly participate in its rating process. Members of MARC's board of directors will not have privileged access to the confidential information of a rated entity or issuer unless they are part of MARC's rating committee.

MARC will not share confidential information or data obtained during the rating exercise with third parties unless required by law. Only the Chief Executive Officer and the Compliance Officer (only in the CEO's absence) are authorised to receive or comply with requests from law enforcement officers. MARC will not make client records available to any government agency unless a subpoena, warrant, court order or other investigatory document is issued and is in proper form.

All MARC employees and rating committee members who have access to confidential information are required to maintain confidentiality of such information at all times and even after termination of employment or association with MARC. All analytical personnel and rating committee members are bound by MARC's code of conduct to maintain the confidentiality of privileged information and to use such information for the sole purpose of assigning credit ratings. This policy helps prevent intentional or inadvertent disclosure of confidential issuer information and information regarding forthcoming rating changes to third parties by analytical personnel.

ANNEX

ANNEX 1: STANDARD RATING ACTIONS

ASSIGN
'Assign' is typically used in the context of an initial rating assessment from MARC.

AFFIRMED
The rating is unchanged following a review.

CONFIRMED
No rating action is deemed necessary after a review of changes to the terms and conditions of the rated security.

DOWNGRADE
The rating is lowered following a review.

MARCWATCH MAINTAINED
The rating remains on active watch status pending the outcome of a specific event. In situations where ratings remain on MARCWatch for more than 90 days, MARC will publish interim updates of the situation.

MARCWATCH STATUS REVISED
The status of the watch is changed following a reassessment of the likely rating implications of an event.

PLACED ON MARCWATCH
The rating is under review or observation for a possible near-term revision, usually within 90 days, in response to an event or deviation from an expected trend. That review can be either for upgrade, downgrade or the direction may be uncertain, in which case a 'developing' designation is used.

REMOVED FROM MARCWATCH
The rating is no longer under watch status.

REVISED OUTLOOK
The rating outlook has changed.

UPGRADE
The rating has been raised following a review.

SUSPENDED

The rating is suspended due to the lack of timely and reliable information to maintain surveillance on the rating. The suspension will remain in effect until reliable information is once again available.

WITHDRAWN

The rating has been withdrawn and analytical coverage of the issue or entity/issuer has been discontinued.

RATING DEFINITION AND SCALES

CORPORATE DEBT RATINGS

LONG-TERM RATINGS

MARC's Long-Term Ratings are assigned to debt issues with maturities of more than one year. These debt ratings specifically assess the likelihood of timely repayment of principal and payment of interest over the term to maturity of such debts.

Investment Grade

AAA	Indicates that the ability to repay principal and pay interest on a timely basis is extremely high.
AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited incremental risk compared to issues rated in the highest category.
A	Indicates that the ability to repay principal and pay interest is strong. These issues could be more vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BBB	The lowest investment grade category; indicates an adequate capacity to repay principal and pay interest. More vulnerable to adverse developments, both internal and external, than obligations with higher ratings.

Non-Investment Grade

BB	While not investment grade, this rating suggests that the likelihood of default is considerably lower than for lower-rated issues. However, there are significant uncertainties that could affect the ability to adequately service debt obligations.
B	Indicates a higher degree of uncertainty, and therefore greater likelihood of default. Adverse developments could negatively affect repayment of principal and payment of interest on a timely basis.
C	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
D	Payment in default.

Note: Long-Term Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories. Bank-guaranteed issues will carry a suffix (bg), corporate-guaranteed issues (cg), issues guaranteed by a financial guarantee insurer (FGI) (fg), and all other support (s) when such guarantees or support give favourable effect to the assigned rating.

SHORT-TERM RATINGS

MARC's Short-Term Ratings are assigned to specific debt instruments with original maturities of one year or less, and are intended to assess the likelihood of timely repayment of principal and payment of interest.

Investment Grade

MARC–1	The highest category; indicates a very high likelihood that principal and interest will be paid on a timely basis.
MARC–2	While the degree of safety regarding timely repayment of principal and payment of interest is strong, the relative degree of safety is not as high as issues rated MARC-1.
MARC–3	The lowest investment grade category; indicates that while the obligation is more susceptible to adverse developments, both internal and external, the capacity to service principal and interest on a timely basis is considered adequate.

Non-Investment Grade

MARC–4	The lowest category; regarded as non-investment grade and therefore uncertain in terms of capacity to service principal and interest.
D	Payment in default.

Note: Short-Term Ratings will also carry a suffix (bg) for bank-guaranteed issues, (cg) for corporate-guaranteed issues, (fg) for FGI-guaranteed issues, and (s) for all other support when such guarantees or support give favourable effect to the assigned rating.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the Corporate Debt Rating over the intermediate term (typically over a one- to two-year period). The Rating Outlook may either be:

POSITIVE	which indicates that a rating may be raised;
NEGATIVE	which indicates that a rating may be lowered;
STABLE	which indicates that a rating is likely to remain unchanged; or
DEVELOPING	which indicates that a rating may be raised, lowered or remain unchanged.

STRUCTURED FINANCE RATINGS

LONG-TERM RATINGS

MARC's Long-Term Ratings are assigned to debt issues with maturities of more than one year. These debt ratings specifically assess the likelihood of timely repayment of principal and payment of interest over the term to maturity of such debts.

Investment Grade

AAA	Indicates that the ability to repay principal and pay interest on a timely basis is extremely high.
AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited incremental risk compared to issues rated in the highest category.
A	Indicates the ability to repay principal and pay interest is strong. These issues could be more vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BBB	The lowest investment grade category; indicates an adequate capacity to repay principal and pay interest. More vulnerable to adverse developments, both internal and external, than obligations with higher ratings.

Non-Investment Grade

BB	While not investment grade, this rating suggests that the likelihood of default is considerably lower than for lower-rated issues. However, there are significant uncertainties that could affect the ability to adequately service debt obligations.
B	Indicates a higher degree of uncertainty, and therefore greater likelihood of default. Adverse developments could negatively affect repayment of principal and payment of interest on a timely basis.
C	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
D	Payment in default.

Note: Long-Term Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories. Bank-guaranteed issues will carry a suffix (bg), corporate-guaranteed issues (cg), issues guaranteed by a financial guarantee insurer (FGI) (fg), and all other support an (s) when such guarantees or support give favourable effect to the assigned rating.

SHORT-TERM RATINGS

MARC's Short-Term Ratings are assigned to specific debt instruments with original maturities of one year or less, and are intended to assess the likelihood of timely repayment of principal and payment of interest.

Investment Grade

MARC–1	The highest category; indicates a very high likelihood that principal and interest will be paid on a timely basis.
MARC–2	While the degree of safety regarding timely repayment of principal and payment of interest is strong, the relative degree of safety is not as high as issues rated MARC-1.
MARC–3	The lowest investment grade category; indicates that while the obligation is more susceptible to adverse developments, both internal and external, the capacity to service principal and interest on a timely basis is considered adequate.

Non-Investment Grade

MARC–4	The lowest category; regarded as non-investment grade and therefore uncertain in terms of capacity to service principal and interest.
D	Payment in default.

Note: Short-Term Ratings will also carry a suffix (bg) for bank-guaranteed issues, (cg) for corporate-guaranteed issues, (fg) for FGI-guaranteed issues, and (s) for all other support when such guarantees or support give favourable effect to the assigned rating.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the Structured Finance Rating over the intermediate term (typically over a one- to two-year period). The Rating Outlook may either be:

POSITIVE	which indicates that a rating may be raised;
NEGATIVE	which indicates that a rating may be lowered;
STABLE	which indicates that a rating is likely to remain unchanged; or
DEVELOPING	which indicates that a rating may be raised, lowered or remain unchanged.

FINANCIAL INSTITUTION RATINGS

LONG-TERM RATINGS

Financial Institutions ratings are applied to all financial institutions excluding insurance companies.

AAA An institution rated AAA has an exceptionally strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse developments in the economy, and in business and other external conditions. These institutions typically possess a strong balance sheet and superior earnings record.

AA An institution rated AA has a very strong capacity to meet its financial commitments, and is generally in a position to withstand adverse developments in the economy, and in business and other external conditions. These institutions typically possess a good track record and have no readily apparent weaknesses.

A An institution rated A has a strong capacity to meet its financial commitments but is somewhat more susceptible to adverse developments in the economy, and to business and other external conditions than institutions in higher-rated categories. Some minor weaknesses may exist, but these are moderated by other positive factors.

BBB An institution rated BBB has adequate capacity to meet its financial commitments. While some shortcomings are apparent, the institution is generally in a position to resolve these within an acceptable timeframe. However, adverse developments in the economy and in business and other external conditions are likely to weaken its capacity to meet its financial commitments.

BB An institution rated BB exhibits some obvious weaknesses in its operating practices and key financial indicators. The institution's financial performance has typically fallen below peer group standards. Although currently able to meet its financial commitments, the institution's financial capacity over the medium and longer terms is vulnerable to adverse developments in the economy, and in business and other external conditions.

B An institution rated B exhibits fundamental weaknesses in its operating practices and key financial indicators. Although currently able to meet its financial commitments, the institution's future financial capacity is regarded as weak and more vulnerable to adverse developments in the economy, and in business and other external conditions than that of institutions rated BB.

C An institution rated C has several immediate problems of a serious nature. The institution's ability to arrest further deterioration in its overall condition is doubtful and its capacity to meet its financial commitments is uncertain, without some form of strong external support.

D An institution rated D requires sustained external support without which its continued viability is in doubt. The rating indicates that the institution is likely to default on its financial commitments or that a default may have already occurred.

Note: Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories.

SHORT-TERM RATINGS

MARC's Short-Term Ratings reflect the institution's capacity to meet its financial commitments due within one year.

MARC-1 An institution rated MARC-1 has a superior capacity to meet its financial commitments in a timely manner. Adverse developments in the economy, and in business and other external conditions are likely to have a negligible impact on the institution's capacity to meet its financial obligations.

MARC- 2 An institution rated MARC-2 has a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat susceptible to adverse developments in the economy, and in business and other external conditions.

MARC- 3 An institution rated MARC-3 has an adequate capacity to meet its financial commitments in a timely manner. However, the institution's capacity to meet its financial obligations is more likely to be weakened by adverse changes in the economy, and in business and other external conditions than higher-rated institutions.

MARC-4 An institution rated MARC-4 has an inadequate capacity to meet its financial commitments in a timely manner. The rating indicates that the institution is likely to default on its financial commitments, without some form of strong external support. A default may have already occurred.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the entity's rating over the intermediate term (typically over a one- to two-year period). The Rating Outlook may either be:

POSITIVE	which indicates that a rating may be raised;
NEGATIVE	which indicates that a rating may be lowered;
STABLE	which indicates that a rating is likely to remain unchanged; or
DEVELOPING	which indicates that a rating may be raised, lowered or remain unchanged.

INSURER FINANCIAL STRENGTH RATINGS

SECURE RANGE

AAA An institution rated AAA has an exceptionally strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse developments in the economy, and in business and other external conditions. These institutions typically possess a strong balance sheet and superior earnings record.

AA Insurance companies rated AA possess a very strong ability to meet their policyholder obligations. Their overall risk profile, while low, is not quite as favourable as for insurance companies in the highest rating category.

A Insurance companies rated A possess strong ability to meet their policyholder obligations but are somewhat more susceptible to adverse changes in economic and underwriting conditions than companies in higher-rated categories.

BBB Insurance companies rated BBB possess an adequate ability to meet their policyholder obligations. However, adverse changes in economic and underwriting conditions over time could affect their claims-paying ability.

SECURE RANGE

BB Insurance companies rated BB exhibit some weaknesses in their operating profile and/or financial condition. Currently able to meet their policyholder obligations, but claims-paying ability is regarded as marginal and cannot be assured over a long period of time. Such companies are vulnerable to adverse changes in economic and underwriting conditions.

B Insurance companies rated B exhibit fundamental weaknesses in their operating profile and/or financial condition. Currently able to meet their policyholder obligations, but claims-paying ability is regarded as weak. Such companies have limited capacity to withstand adverse changes in economic and underwriting conditions.

C Insurance companies rated C possess a very weak ability to meet their policyholder obligations. The continued capacity of these companies to meet their policyholder obligations is poor and highly dependent on favourable economic and underwriting conditions.

D Insurance companies rated D possess an inadequate ability to meet their policyholder obligations. Such companies require periodic external support or regulatory intervention, without which their continued viability is in doubt. The rating indicates that a default may have already occurred, or there is a high likelihood of default on their policyholder obligations.

Note: Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the entity's rating over the intermediate term (typically over a one- to two-year period). The Rating Outlook may either be:

POSITIVE which indicates that a rating may be raised;
NEGATIVE which indicates that a rating may be lowered;
STABLE which indicates that a rating is likely to remain unchanged; or
DEVELOPING which indicates that a rating may be raised, lowered or remain unchanged.

ISSUER RATINGS

MARC's Issuer Ratings are opinions of the ability of issuers to make timely payment on their debt obligations. Issuer Ratings take into account the probability that the issuer will receive support from third parties such as its owners, authorities or external entity or entities.

LONG-TERM RATINGS

MARC's Long-term Ratings specifically assess the issuer's capacity for timely repayment of principal and payment of interest with respect to long-term obligations with an original maturity in excess of one year.

Prime

AAA Indicates that capacity to repay principal and pay interest on a timely basis is extremely high.

AA Indicates a very strong capacity to repay principal and pay interest on a timely basis, with limited incremental risk compared to issuers rated in the highest category.

A Indicates a strong capacity to repay principal and pay interest. Issuers in this rating category are more vulnerable to adverse developments, both internal and external, than issuers with higher ratings.

BBB Indicates an adequate capacity to repay principal and pay interest. Issuers in this rating category are more vulnerable to adverse developments, both internal and external, than issuers with higher ratings.

Not Prime

BB While not investment grade, this rating suggests that likelihood of default is considerably lower than for lower-rated issues. However, there are significant uncertainties that could affect the ability to adequately service debt obligations.

B Indicates a higher degree of uncertainty, and therefore greater likelihood of default. Adverse developments could negatively affect repayment of principal and payment of interest on a timely basis.

C High likelihood of default, with little capacity to address further adverse changes in financial circumstances.

Note: Long-Term Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories.

SHORT-TERM RATINGS

MARC's Short-Term Ratings assess the issuer's capacity for timely repayment of principal and payment of interest with respect to short-term obligations with an original maturity not exceeding one year.

Prime

MARC–1 The highest category; indicates a very strong capacity for repayment of short-term obligations on a timely basis.

MARC–2 While the degree of safety regarding timely repayment of principal and payment of interest is strong, the issuer's capacity for repayment of short-term obligations is not as high as issuers rated MARC-1.

MARC–3 The lowest prime category; indicates that while the issuer is more susceptible to adverse developments, both internal and external, its capacity to service short-term obligations on a timely basis is considered adequate.

Not Prime

MARC–4 The lowest category; regarded as not prime and therefore possessing uncertain capacity to service short-term obligations.

DEFAULT RATINGS

SD Selective payment default on an obligation.

D General payment default or imminent default preceded by entry into debt restructuring, receivership, liquidation or other winding-up procedure.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the rating over the intermediate term (typically over a one- to two-year period). The Rating Outlook may either be:

POSITIVE which indicates that a rating may be raised;

NEGATIVE which indicates that a rating may be lowered;

STABLE which indicates that a rating is likely to remain unchanged; or

DEVELOPING which indicates that a rating may be raised, lowered or remain unchanged.

CORPORATE CREDIT RATINGS

INVESTMENT GRADE

AAA Corporates rated AAA are viewed as exceptionally strong credits. Typically, they are entities with strong financial fundamentals, above-average competitive position and operate in a stable environment.

AA Corporates rated AA are viewed as very strong credits. Typically, they are entities with good financial fundamentals and have no readily apparent weaknesses. Their overall risk profile, while low, is not quite as favourable as corporates in the highest rating category.

A Corporates rated A are viewed as strong credits but are somewhat more susceptible to adverse changes in circumstances and economic conditions than corporates in higher-rated categories.

BBB Corporates rated BBB are sound credits and normally exhibit adequate capacity to meet obligations. However, adverse changes in circumstances and economic conditions are more likely to lead to a weakened financial capacity.

NON-INVESTMENT GRADE

BB Corporates rated BB are questionable credits with some obvious weaknesses in their financial fundamentals and/or operating environment. While these corporates currently possess the capacity to meet their financial obligations, their financial capacity is vulnerable to adverse changes in circumstances and economic conditions.

B Corporates rated B have marked weaknesses in their financial fundamentals and/or operating environment. These corporates have limited capacity to withstand adverse changes in circumstances and economic conditions.

C Corporates rated C are very weak credits. The continued capacity of these corporates to meet their financial obligations is poor and highly dependent on favourable circumstances and economic conditions.

D Corporates rated D are inferior credits. These corporates require periodic external support, without which their continued viability is in doubt. The rating indicates that a default may have already occurred or there is a high likelihood of default.

Note: Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the Corporate Credit Rating over the intermediate term (typically over a one- to two-year period). The Rating Outlook may either be:

POSITIVE which indicates that a rating may be raised;
NEGATIVE which indicates that a rating may be lowered;
STABLE which indicates that a rating is likely to remain unchanged; or
DEVELOPING which indicates that a rating may be raised, lowered or remain unchanged.

ISLAMIC CAPITAL MARKET INSTRUMENT RATINGS (NON-FIXED INCOME OBLIGATIONS)

MARC's Islamic Investment Quality Ratings are assigned to non-fixed income Islamic capital market instruments with maturities of more than one year. These ratings assess the general investment quality of the instrument issued under the various Islamic financing contract(s) and are not intended to address the probability of timely payment.

INVESTMENT GRADE

AAA$_{iq}$ Instruments rated AAA$_{iq}$ are judged to be of the best investment quality, similar to that of AAA-rated fixed income Islamic capital market instruments. Assurance of returns and maintenance of terms of the issue over a long period of time is excellent.

AA$_{iq}$ Instruments rated AA$_{iq}$ are judged to be of the high investment quality, that is, similar to that of AA-rated fixed income Islamic capital market instruments. Assurance of returns and maintenance of terms of the issue over a long period of time is high.

A$_{iq}$ Instruments rated A$_{iq}$ are judged to be of the upper-medium grade investment quality, that is, similar to that of A-rated fixed income Islamic capital market instruments. Assurance of returns and maintenance of terms of the issue over a long period of time is good.

BBB$_{iq}$ Instruments rated BBB$_{iq}$ are judged to be of medium grade investment quality, that is, similar to that of BBB-rated fixed income Islamic capital market instruments. Assurance of returns and maintenance of terms of the issue over a long period of time is moderate.

INVESTMENT GRADE

BB$_{iq}$ Instruments rated BB$_{iq}$ are judged to be of speculative investment quality, that is, similar to that of BB-rated fixed income Islamic capital market instruments. Assurance of returns and maintenance of terms of the issue over a long period of time may be limited.

B$_{iq}$ Instruments rated B$_{iq}$ are judged to be of poor investment quality, that is, similar to that of B-rated fixed income Islamic capital market instruments. Assurance of returns and maintenance of terms of the issue over a long period of time may be questionable.

C$_{iq}$ Instruments rated B$_{iq}$ are the lowest rated class of instruments. The issuer may already be or is expected to be in breach of its covenants under financing covenants.

Note: Long-Term Ratings from AA$_{iq}$ to B$_{iq}$ may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories. Bank-guaranteed issues will carry a suffix (bg), corporate-guaranteed issues (cg) and all other supports the suffix (cg) when such guarantees or support give favourable effect to the assigned rating.

ISLAMIC FINANCIAL INSTITUTION GOVERNANCE RATINGS

RATING DEFINITION

GR-1 The IFI has very good corporate governance processes and practices overall. An IFI rated GR-1 offers its counterparties, customers and investors the highest protection against potential governance-related losses and/or diminished sustainable value creation.

GR-2 The IFI has good corporate governance processes and practices overall. There are a few weaknesses in the rating dimensions in MARC's opinion. An IFI rated GR-2 offers its counterparties, customers and investors a high level of protection against potential governance-related losses and/or diminished sustainable value creation.

GR-3 The IFI has satisfactory corporate governance processes and practices overall. There are meaningful weaknesses in several rating dimensions and a fair amount of corrective action that has been or is being taken to address identified weaknesses. An IFI rated GR-3 offers its counterparties, customers and investors moderate protection against potential governance-related losses and/or diminished sustainable value creation.

GR-4 The IFI has weak corporate governance processes and practices overall. There are significant weaknesses in most rating dimensions in MARC's opinion and little or no corrective action that has been or is being taken to address identified weaknesses. An IFI rated GR-4 offers its counterparties, customers and investors insufficients protection against potential governance-related losses and/or diminished sustainable value creation.

GR-5 The IFI has very weak corporate governance processes and practices overall. There are significant weaknesses in a number of rating dimensions in MARC's opinion and the corrective action that has been or is being taken to address identified weaknesses is inadequate or ineffective. An IFI rated GR-5 offers its counterparties, customers and investors marginal protection against potential governance-related losses and/or diminished sustainable value creation.

SOVEREIGN ISSUER CREDIT RATINGS

LONG-TERM RATINGS

AAA A sovereign rated AAA has an exceptionally strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse domestic and external developments. These sovereigns have strong economies and fiscal finances.

AA A sovereign rated AA has a very strong capacity to meet its financial commitments, and is generally in a position to withstand adverse domestic and external developments. These sovereigns typically possess good track records and have no readily apparent weaknesses.

A A sovereign rated A has a strong capacity to meet its financial commitments but is somewhat more susceptible to adverse domestic or external developments in the economy than sovereigns in higher-rated categories. Some minor weaknesses may exist, but these are moderated by other positive factors.

BBB A sovereign rated BBB has an adequate capacity to meet its financial commitments. While some shortcomings are apparent, the sovereign is generally in a position to resolve these within an acceptable timeframe. However, adverse domestic and external developments are likely to weaken its capacity to meet its financial commitments.

BB A sovereign rated BB exhibits some obvious weaknesses in its economy and fiscal management practices. The sovereign's economic prospects or fiscal performance has typically fallen below peer-group standards. Although currently able to meet its financial commitments, the sovereign's financial capacity over the medium and longer terms is vulnerable to adverse domestic and external developments.

B A sovereign rated B exhibits fundamental weaknesses in its economy and key fiscal management practices. Although currently able to meet its financial commitments, the sovereign's future financial capacity is regarded as weak and more vulnerable to adverse domestic and external developments than that of sovereign rated BB.

C A sovereign rated C has several immediate problems of a serious nature. The sovereign's ability to arrest further deterioration in its overall condition is doubtful and its capacity to meet its financial commitments is uncertain without sufficient and immediate external assistance or a rescheduling of its liabilities.

D A sovereign rated D defaulted on one or more of its obligations.

Note: Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories.

SHORT-TERM RATINGS

MARC's Short-term Ratings reflect the sovereign's capacity to meet its financial commitments due within one year.

MARC-1 A sovereign rated MARC-1 has a superior capacity to meet its financial commitments in a timely manner. Adverse domestic or external developments are likely to have a negligible impact on the sovereign's capacity to meet its financial obligations.

MARC- 2 A sovereign rated MARC-2 has a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat susceptible to adverse domestic or external developments.

MARC- 3 A sovereign rated MARC-3 has an adequate capacity to meet its financial commitments in a timely manner. However, the sovereign's capacity to meet its financial obligations is more likely to be weakened by adverse changes in the economy or its external environment than higher-rated sovereigns.

MARC-4 A sovereign rated MARC-4 has an inadequate capacity to meet its financial commitments in a timely manner. The rating indicates that the sovereign is likely to default on its financial commitments without some form of strong external support. A default may have already occurred.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the entity's rating over the intermediate term (typically over a one-to two-year period). The Rating Outlook may either be:

POSITIVE which indicates that a rating may be raised;
NEGATIVE which indicates that a rating may be lowered;
STABLE which indicates that a rating is likely to remain unchanged; or
DEVELOPING which indicates that a rating may be raised, lowered or remain unchanged.

COUNTERPARTY CREDIT RATINGS

LONG-TERM RATINGS

Counterparty ratings are opinions of the ability of counterparties to honour senior obligations under financial contracts such as obligations under currency swaps, interest rate swaps, third party credit guarantees or partial guarantees, liquidity facilities and similar products, given appropriate documentation and authorisation.

AAA	A counterparty rated AAA has an exceptionally strong capacity to meet its obligations under financial contracts and has the least risk of an impairment of its creditworthiness relative to other counterparties.
AA	A counterparty rated AA has a very strong capacity to meet its obligations under financial contracts but is rated lower than a AAA counterparty because its long-term risks are higher than AAA counterparties.
A	A counterparty rated A has a strong capacity to meet its obligations under financial contracts, but shortcomings may be present to suggest a susceptibility to impairment in its creditworthiness sometime in the future.
BBB	A counterparty rated BBB has adequate capacity to meet its obligations under financial contracts, but some shortcomings are present to suggest higher risk of susceptibility to impairment in its creditworthiness in the event of adverse changes in its operating environment and/or entity-specific circumstances.
BB	A counterparty rated BB has somewhat uncertain capacity to meet its obligations under financial contracts and moderately high susceptibility to impairment in its creditworthiness in the event of adverse changes in its operating environment and/or entity-specific circumstances.
B	A counterparty rated B has uncertain capacity to meet its obligations under financial contracts and high susceptibility to impairment in its creditworthiness in the event of adverse changes in its operating environment and/or entity-specific circumstances.
C	A counterparty rated B has highly uncertain capacity to meet its obligations under financial contracts and is at risk of defaulting on its obligations.

Note: Long-Term Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories.

SHORT-TERM RATINGS

MARC's Short-Term Ratings reflect the counterparty's capacity to meet its short-term obligations not exceeding a year under financial contracts.

MARC-1	Very strong capacity to meet its obligations under financial contracts.
MARC-2	Strong capacity to meet its obligations under financial contracts.
MARC-3	Adequate capacity to meet its obligations under financial contracts.
MARC-4	Speculative capacity to meet its obligations under financial contracts.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of a counterparty's rating over the intermediate term (typically over a one-to two-year period). The Rating Outlook may either be:

POSITIVE	which indicates that a rating may be raised;
NEGATIVE	which indicates that a rating may be lowered;
STABLE	which indicates that a rating is likely to remain unchanged; or
DEVELOPING	which indicates that a rating may be raised, lowered or remain unchanged.

SUKUK RATING SYMBOLS & DEFINITIONS

LONG-TERM RATINGS

MARC's Long-Term Ratings are assigned to sukuk issuances with maturities of more than one year. These ratings specifically assess the likelihood of timely payment of the instrument issued under the various Islamic financing contract(s).

Investment Grade

AAA$_{IS}$	Extremely strong ability to make payment on the instrument issued under the Islamic financing contract(s).
AA$_{IS}$	Very strong ability to make payment on the instrument issued under the Islamic financing contract(s). Risk is slight with degree of certainty for timely payment marginally lower than for instruments accorded the highest rating.
A$_{IS}$	Strong ability to make payment on the instrument issued under the Islamic financing contract(s). However, risks are greater in periods of business and economic stress than for instruments with higher ratings.
BBB$_{IS}$	Adequate ability to make payment on the instrument issued under the Islamic financing contract(s). Vulnerable to moderately adverse developments, both internal and external.

Non-Investment Grade

BB$_{IS}$	Uncertainties exist that could affect the ability to make timely payment on the instrument issued under the Islamic financing contract(s).
B$_{IS}$	Significant uncertainty exists as to timely payment on the instrument issued under the Islamic financing contract(s). Slight adverse developments could impair ability to make timely payment.
C$_{IS}$	Possesses a substantial risk of default, with little capacity to address further negative changes in financial circumstances.
D$_{IS}$	Failed to make scheduled payment on the instrument issued under the Islamic financing contract(s).

Note: Long-term Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories. Bank-guaranteed issues will carry a suffix (bg), corporate-guaranteed issues (cg), issues guaranteed by a financial guarantee insurer (FGI) (fg), and all other support (s) when such guarantees or support give favourable effect to the assigned rating.

SHORT-TERM RATINGS

MARC's Short-Term Ratings are assigned to sukuk issuances with original maturities of one year or less, and are intended to assess the likelihood of timely payment of the instrument issued under the various Islamic financing contract(s).

Investment Grade

MARC-1$_{IS}$	Extremely strong capacity to make timely payment on the instrument issued under the Islamic financing contract(s).
MARC-2$_{IS}$	Strong capacity to make timely payment on the instrument issued under the Islamic financing contract(s). Timeliness of payment is slightly susceptible to adverse changes in operating circumstances and economic conditions.
MARC-3$_{IS}$	Adequate capacity to make timely payment on the instrument issued under the Islamic financing contract(s). Moderately adverse changes in operating environment and economic conditions may weaken financial capacity to make timely payment.

Non-Investment Grade

MARC-4$_{IS}$	Vulnerable to non-payment of instrument issued under the Islamic financing contract(s). Capacity to make payment on the instrument is dependent upon favourable business, financial and economic conditions.
D$_{IS}$	Failed to make scheduled payment on the instrument issued under the Islamic financing contract(s).

Note: Ratings will also carry a suffix (bg) for bank-guaranteed issues, (cg) for corporate-guaranteed issues, (fg) for FGI-guaranteed issues, and (s) for all other supports when such guarantees or supports give favourable effect to the assigned rating.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the rating on the sukuk over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be:

POSITIVE	which indicates that a rating may be raised;
NEGATIVE	which indicates that a rating may be lowered;
STABLE	which indicates that a rating is likely to remain unchanged; or
DEVELOPING	which indicates that a rating may be raised, lowered or remain unchanged.

INTRINSIC CREDIT STRENGTH AND FINANCIAL INSTITUTION RATINGS

Intrinsic Credit Strength Ratings (ICSR) and Financial Institution Ratings (FIR) may be assigned to commercial banks, investment banks, universal banks and specialised financial institutions. ICSRs are assigned on the same long-term rating scale as FIR, but ICSRs carry a (*ND*) suffix to denote "non-domestic" and do not capture external support that financial institutions may be able to rely on to avoid failure and default. ICSRs represent internationally comparable assessments of the intrinsic financial strength of financial institutions whilst FIRs address relative creditworthiness strictly within the national context.

LONG-TERM RATINGS

MARC's Long-Term Ratings are assigned to sukuk issuances with maturities of more than one year. These ratings specifically assess the likelihood of timely payment of the instrument issued under the various Islamic financing contract(s).

AAA An institution rated AAA has an exceptionally strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse developments in the economy, and in business and other external conditions. These institutions typically possess a strong balance sheet and superior earnings record.

AA An institution rated AA has a very strong capacity to meet its financial commitments, and is generally in a position to withstand adverse developments in the economy, and in business and other external conditions. These institutions typically possess a good track record and have no readily apparent weaknesses.

A An institution rated A has a strong capacity to meet its financial commitments but is somewhat more susceptible to adverse developments in the economy, and to business and other external conditions than institutions in higher-rated categories. Some minor weaknesses may exist, but these are moderated by other positive factors.

BBB An institution rated BBB has adequate capacity to meet its financial commitments. While some shortcomings are apparent, the institution is generally in a position to resolve these within an acceptable timeframe. However, adverse developments in the economy and in business and other external conditions are likely to weaken its capacity to meet its financial commitments.

BB An institution rated BB exhibits some obvious weaknesses in its operating practices and key financial indicators. The institution's financial performance has typically fallen below peer group standards. Although currently able to meet its financial commitments, the institution's financial capacity over the medium and longer terms is vulnerable to adverse developments in the economy, and in business and other external conditions.

B An institution rated B exhibits fundamental weaknesses in its operating practices and key financial indicators. Although currently able to meet its financial commitments, the institution's future financial capacity is regarded as weak and more vulnerable to adverse developments in the economy, and in business and other external conditions than that of institutions rated BB.

C An institution rated C has several immediate problems of a serious nature. The institution's ability to arrest further deterioration in its overall condition is doubtful and its capacity to meet its financial commitments is uncertain, without some form of strong external support.

D An institution rated D requires sustained external support without which its continued viability is in doubt. The rating indicates that the institution is likely to default on its financial commitments or that a default may have already occurred.

Note: Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories.

LONG-TERM RATINGS

MARC's Short-Term FIR are domestically comparable assessments of the short-term credit quality of financial institutions. They represent MARC's opinion on the institution's capacity to meet its financial commitments due within one year.

MARC-1 An institution rated MARC-1 has a superior capacity to meet its financial commitments in a timely manner. Adverse developments in the economy, and in business and other external conditions are likely to have a negligible impact on the institution's capacity to meet its financial obligations.

MARC-2 An institution rated MARC-2 has a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat susceptible to adverse developments in the economy, and in business and other external conditions.

MARC-3 An institution rated MARC-3 has an adequate capacity to meet its financial commitments in a timely manner. However, the institution's capacity to meet its financial obligations is more likely to be weakened by adverse changes in the economy, and in business and other external conditions than higher-rated institutions.

MARC-4 An institution rated MARC-4 has an inadequate capacity to meet its financial commitments in a timely manner. The rating indicates that the institution is likely to default on its financial commitments, without some form of strong external support. A default may have already occurred.

RATING OUTLOOK

MARC's Rating Outlook assesses the potential direction of the rating on the sukuk over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be:

POSITIVE which indicates that a rating may be raised;
NEGATIVE which indicates that a rating may be lowered;
STABLE which indicates that a rating is likely to remain unchanged; or
DEVELOPING which indicates that a rating may be raised, lowered or remain unchanged.

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