
MARC

MALAYSIAN RATING CORPORATION BERHAD

RATING SYMBOLS AND DEFINITIONS

**SOLUTIONS
BEYOND RISK**

CONTENTS

CORPORATE DEBT RATINGS	2
STRUCTURED FINANCE RATINGS	3
FINANCIAL INSTITUTION RATINGS	4
INSURER FINANCIAL STRENGTH RATINGS ISLAMIC	5
ISSUER RATINGS	6
CORPORATE CREDIT RATINGS	7
ISLAMIC CAPITAL MARKET INSTRUMENT RATINGS (NON-FIXED INCOME OBLIGATIONS)	8
ISLAMIC FINANCIAL INSTITUTION GOVERNANCE RATINGS	9
SOVEREIGN ISSUER CREDIT RATINGS	10
COUNTERPARTY CREDIT RATINGS	11
SUKUK RATING SYMBOLS & DEFINITIONS	12
INTRINSIC CREDIT STRENGTH AND FINANCIAL INSTITUTION RATING	13

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 C_{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 insufficient 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.