

Request for comments

Banks methodological cycle - August 2018

Rating-Agentur Expert RA GmbH invites market participants to provide comments on the proposed changes in the Methodology of assigning credit ratings to banks (hereinafter – Methodology). During the Methodological Committee Meeting held on the 3rd of August 2018 a disclosure policy change of the public version of the Methodology was discussed and approved by the independent members of the Advisory board which will lead to the following changes in the public version of the Methodology:

- 1) We propose to change the disclosure policy of the Agency with the regard to the public version of the Methodology of assigning credit ratings to banks towards making it more detailed and transparent.**

Rationale:

In order to be consistent with all methodological cycles already implemented, we propose to publish the full detailed version of the Methodology for banks on our web-site, as well as to include additional parts to the methodology such as “Scope of the methodology”, “Default definition”, “Key rating assumptions”, “General provisions and regulations”, “The rules for the determination of the outlook on the credit rating”.

- 2) We propose to add a note to section 5.2.6 of the Methodology saying that the score for profitability can be adjusted by the analyst by up to 0.5 notches if there is an evidence that the benchmark is not adequate for the country and the time period under consideration.**

Rationale:

Our observations showed that some benchmarks have to be adjusted to the cycle (GDP growth or growth of private credit for the last available quarterly data). This would require quantitative research on how bank indicators change over the cycle. For the current year, the Rating Service and the Review Function Officer propose to add some flexibility to the profitability factor, as some inconsistencies with regard to the factor assessment were observed in 2017/2018.

Please submit your comments to: info@raexpert.eu or compliance@raexpert.eu by the 3rd of September 2018. Your response to this consultation will be published unless confidentiality is requested.