
**METHODOLOGY
FOR EVALUATION OF A GUARANTEE FUND, MODIFIED FROM THE
METHODOLOGY FOR ASSIGNMENT OF BANK FINANCIAL
STRENGTH RATING**

Credit Rating (rating of an Issuer) is an impartial appraisal of the creditability of a company. It expresses an external, objective, and independent opinion for the capability of the Company to serve its liabilities in full, and on time.

BCRA awards short-term and long-term ratings. The short-term ratings present an opinion for the probability that the rated Company fails to meet its liabilities, within the short term (up to 12 months).

ANALYSIS OF THE OPERATING ENVIRONMENT

The general economic condition, in which the rated fund operates, is reviewed. The main trends are analyzed in the economy. We also may direct our attention at specific sectors, which have a greater impact on the rated fund.

BCRA also examines the legal framework regulating the activity of the rated companies and risks resulting from its current condition and its possible changes.

ANALYSIS OF BUSINESS RISK

Business risk comes from a number of factors.

BCRA makes a detailed analysis of the competitive position and financial strength of the main (direct or indirect) shareholders in the rated Company. A strong major shareholder can be a source of know-how and other support. BCRA assesses the ability of the major shareholder to capitalize the analyzed Company adequately.

The main point in the appraisal of business risk is the evaluation of the Company's management. The management is analyzed from the viewpoint of its competency, of the management structure created, of the practices applied, and of the existing systems for Company's management. When appraising the management, the vision of the managers for their business at present, and their forecasts for the future are also reviewed.

BCRA analyzes the mission in details, vision and strategy of the fund by determining which type of funds the rated fund refers to. Also it is analyzed, to what extent, the selected strategy by the fund shall contribute to the fund to achieve its mission.

FINANCIAL ANALYSIS

The financial state of the Company is an indicator for the overall strength of their business, as well as also a direct source of risk.

The state of the Company is analyzed in four main directions: Capital and funding, Liquidity, Guarantee portfolio, Profitability.

With reference to the specific activity of the guarantee funds, the main focus of the analysis is on, to what extent, through their activity the funds achieve the purposes set in the strategy.