U.S. Banks & Bank Holding Companies Methodology

Financial Institutions
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*A NRSRO Rating***

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HR Ratings publishes its Business Development Companies Methodology

HR Ratings announces that starting on January 20, 2026, the credit ratings for Business Development Companies will follow the processes established in the new criteria which can be found in the following link: https://www.hrratings.com/methodology.

Methodology

The methodology establishes the process by which HR Ratings evaluates credit worthiness of Business Development Companies (BDCs), which are institutions unique to the United States financial system. As such, they are subject to specific regulatory requirements established in the Investment Company Act of 1940. This methodology considers the characteristics of these institutions, both from a regulatory and operational perspective, to capture their ability to fully and timely meet with their payment obligations.

The rating process is mainly based on a quantitative analysis grounded on an understanding of the BDC's position in terms of its income generation capacity, its ability to constitute and maintain a stable portfolio, and the management of its funding sources. The composition and trends of the relevant accounts for the analysis of these concepts are used to generate a financial model whose main results are expressed using the categories of; i) Asset Quality (25%), ii) Profitability & Efficiency (15%), iii) Capitalization & Leverage (30%), iv) Liquidity & Funding (30%). The standard rating process considers two years of historical information (30% & 40% respectively) and the projection for the next two years (20% & 10% respectively) of a series of financial metrics in a Base Scenario and in a Stress Scenario. However, a modified timeframe of analysis is available for recently established institutions that cannot yet comply with this requirement or when historical information is not representative of the expected performance of the Entity. The result of this quantitative analysis can be modified by the addition or subtraction of qualitative notches following the concepts established in this methodology to establish a credit rating.

The assumptions that HR Ratings will use to construct its scenarios will depend on the characteristics observed for each BDC, as well as the overall macroeconomic environment assumed for each scenario. The projected Base Scenario considers the evolution that, in the view of HR Ratings, has a higher probability of occurrence, while the Stress Scenario seeks to emulate a scenario of adversity for the entity being rated considering the main risks to which its exposed.

HR Ratings may assign qualitative adjustments to the rating, in either direction, for factors that cannot be fully incorporated into the model, for example: (i) adjustments due to the portfolio's composition, (ii) liquidity position, (iii) regulatory & legal risks, (iv) franchise strength, (v) management & strategy, and/or (vi) unstable sources of income.

**** HR Ratings is a credit rating agency authorized by the National Banking and Securities Commission (CNBV) and registered by the Securities and Exchange Commission (SEC) as a Nationally Recognized Statistical Rating Organization (NRSRO) for the assets of public finance, corporates and financial institutions as described in section 3 (a) (62) (A) and (B) subsection (i), (iii) and (v) of the US Securities Exchange Act of 1934 and certified as a Credit Rating Agency (CRA) by the European Securities and Markets Authority (ESMA) and the Financial Conduct Authority (FCA).**

The ratings and/or opinions of HR Ratings are opinions regarding the credit quality and/or the asset management capacity, or relative to the performance of the tasks aimed at the fulfillment of the corporate purpose, by issuing companies and other entities or sectors, and are based on exclusively in the characteristics of the entity, issue and/or operation, regardless of any business activity between HR Ratings and the entity or issuer. The ratings and/or opinions granted are issued on behalf of HR Ratings and not of its management or technical personnel and do not constitute recommendations to buy, sell or maintain any instrument, or to carry out any type of business, investment or operation, and may be subject to updates at any time, in accordance with the rating methodologies of HR Ratings.

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