**EXPOSURE FEE ADVICE** HONG KONG PRIVATE SECTOR CREDITS

**EXPOSURE FEE LEVEL** 

## 1 A. SOVEREIGN (e.g., Finance Ministry Guarantee): TRANSACTION RISK INCREMENT: See Public Sector Chart **B. POLITICAL ONLY COVER:** TRANSACTION RISK INCREMENT: -1 C1. BORROWERS/GUARANTORS with RATED/TRADED CROSS BORDER (HARD CURRENCY) DEBTS: TRANSACTION RISK INCREMENT: 0 1 2 3 4 5 5 5 LONG-TERM (S&P. others) AA+,AA,AA-A+,A,A-BBB+,BBB BBB-BB+,BB BB-B+,B B-Ba1.Ba2 B1.B2 В3 LONG-TERM (Moody's) Aa1 Aa2 A1 A2 A3 Baa1 Baa2 Baa3 Ba3 В С SHORT-TERM (S&P, others) A-1+ A-1 A-2 A-3 SHORT-TERM (TBW) TBW-1 TBW-2 TBW-3 TRW-4 P-1 P-2 P-3 SHORT-TERM (Moody's) SPREAD (bp) over T-YIELD < 40 70 140 250 400 600 900 1500 SPREAD (bp) over LIBOR < 10 40 90 220 370 570 870 1470 C2. BORROWERS/GUARANTORS with INTRA-COUNTRY (LOCAL CURRENCY) RATINGS: TRANSACTION RISK INCREMENT: 0 2 3 4 5 5 5 1 BB+,BB LONG-TERM (S&P, TBW) AA+,AA,AA-A+,A,A-BBB+.BBB BBB-BB-B+,B B-Aa1,Aa2 A1,A2,A3 Baa1,Baa2 Baa3 Ba1,Ba2 Ba3 B1,B2 В3 LONG-TERM (Moody's) A-1 A-3 в С SHORT-TERM (S&P, others) A-1+ A-2 SHORT-TERM (Moody's) P-1 P-2 P-3 B/C С C/D в D D/E FINANCIAL STRENGTH (Moody's) A/B Е **INTRA-COUNTRY ISSUER (TBW)** IC A/B IC в IC B/C IC С IC C/D IC D IC D/E IC Е Е INDIVIDUAL (IBCA) A/B в B/C С C/D D D/E INDIVIDUAL (Capital Intelligence) BBB+,BBB BBB-BB+,BB BB-B+,B B-AA+,AA,AA-A+,A,A-**\*TRANSACTION RISK INCREMENT:** 0 D1. TRANSACTIONS OF \$10 MILLION OR LESS - FINANCIAL INSTITUTIONS: **D2. TRANSACTIONS OF \$10 MILLION OR LESS - OTHER THAN FINANCIAL INSTITUTIONS: \*TRANSACTION RISK INCREMENT:** 1 E. UNRATED LARGEST (PROFITABLE) FINANCIAL INSTITUTION: 0 MAXIMUM TRANSACTION RISK INCREMENT: F1. UNRATED BORROWERS/GUARANTORS OTHER THAN FINANCIAL INSTITUTIONS DEBT TO TANGIBLE NET WORTH <1X <2X <3X <4X <6X >6X TRANSACTION RISK INCREMENT: >25% 2 2 ٦ 5 5 Δ OPERATING 2 ٦ 5 5 5 >20% 4 CASH FLOW 3 >15% Δ 5 5 5 5 (2-YEAR AVERAGE) TO >10% 4 5 5 5 5 5 DEBT >5% 5 5 5 5 5 5 5 5 5 5 5 5 >0% 5 <0% 5 5 5 5 5 F2. UNRATED FINANCIAL INSTITUTION BORROWERS/GUARANTORS: TRANSACTION RISK INCREMENT: 2 3 4 5 5 5 >7% SHAREHOLDER'S EQUITY TO ASSETS >5% **>**4% ~4% >8% >6% NET INCOME TO ASSETS (2-YEAR AVERAGE) >2.5% >2.0% >1.5% >1.0% >0.5% <0.5% BORROWED FUNDS TO NET LOANS <40% <60% <80% <100% <120% >120% LIQUID ASSETS TO ASSETS >20% >15% >10% <5% >25% >5% **RESERVES TO NON-PERFORMING ASSETS** >200% >175% >150% >125 >100 <100%

\* MAY NOT APPLY IF A TRANSACTION RISK INCREMENT HAS BEEN PRE-APPROVED

04/06/2007 Effective:

**EXPOSURE FEE ADVICE** HONG KONG

## **PUBLIC SECTOR CREDITS**

EXPOSURE FEE LEVEL

## A. SOVEREIGN (e.g., Finance Ministry Guarantee):

## TRANSACTION RISK INCREMENT:

1

0

B. POLITICAL ONLY COVER: TRANS			TRANSACT	ION RISK I	NT: Se	See Private Sector Chart			
C1. BORROWERS/GUARANTORS with RATED/TRADE	D CROSS BORI	DER (HARD	CURRENCY	) DEBTS:					
TRANSACTION RISK INCREMENT:	C	) 1	2	!	3	4	5	5	5
LONG-TERM (S&P, others)	AA+,AA,AA-	- A+,A,A-	BBB+,BBB	BBE	B- BB+	⊦,BB	BB-	B+,B	В-
LONG-TERM (Moody's)	Aa1,Aa2	2 A1,A2,A3	Baa1,Baa2	Baa	3 Ba1,	,Ba2	Ba3	B1,B2	B3
SHORT-TERM (S&P, others)	A-1+	· A-1	A-2	A-	3	в		С	
SHORT-TERM (TBW)	TBW-1	TBW-2	TBW-3	TBW-	4				
SHORT-TERM (Moody's)		P-1	P-2	P-	3				
SPREAD (bp) over T-YIELD <	40	) 70	140	25	0	400	600	900	1500
SPREAD (bp) over LIBOR <	10	40	90	22	0	370	570	870	1470
C2. BORROWERS/GUARANTORS with INTRA-COUNTR	RY (LOCAL CUF	RENCY) RA	TINGS:						
TRANSACTION RISK INCREMENT:	0	) 1	2		3	4	5	5	5
LONG-TERM (S&P, TBW)	AA+,AA,AA-	- A+,A,A-	BBB+,BBB	BBE	3- BB+	⊦,BB	BB-	B+,B	B-
LONG-TERM (Moody's)	Aa1,Aa2	2 A1,A2,A3	Baa1,Baa2	Baa	3 Ba1,	,Ba2	Ba3	B1,B2	B3
SHORT-TERM (S&P, others)	A-1+	- A-1	A-2	A-	3	В		С	
SHORT-TERM (Moody's)		P-1	P-2	P-	3				
FINANCIAL STRENGTH (Moody's)	A/B	B B	B/C	(	С	C/D	D	D/E	E
INTRA-COUNTRY ISSUER (TBW)	IC A/E	B IC B	IC B/C	IC	C IC	C/D IC		D/E	IC E
INDIVIDUAL (IBCA)	A/B	B B	B/C	(	С	C/D	D	D/E	E
INDIVIDUAL (Capital Intelligence)	AA+,AA,AA-	- A+,A,A-	BBB+,BBB	BBE	3- BB+	⊦,BB	BB-	B+,B	B-
D1. TRANSACTIONS OF \$10 MILLION OR LESS - FINAL	NCIAL INSTITU	TIONS:			*TRANSA	ACTION RI	SK INCRE	EMENT:	0
D2. TRANSACTIONS OF \$10 MILLION OR LESS - OTHE	ER THAN FINAN	ICIAL INSTIT	UTIONS:		*TRANSA	ACTION RI	SK INCRE	EMENT:	1
E. UNRATED LARGEST (PROFITABLE) FINANCIAL IN	STITUTION:			MAXIMUM	TRANSA	CTION RIS	SK INCRE	MENT:	1
F1. UNRATED BORROWERS/GUARANTORS OTHER T									
			5115		.0.V	.0.V			
DEBT TO TANGIBLE NET WORTH				<1X	<2X	<3X	<4X	<6X	>6X
					TRANSACTION RISK INCREMENT:				
			>25%	2	2	3	4	5	5
OPERATING CASH FLOW		:	>20%	2	3	4	5	5	5
(2-YEAR AVERAGE) TO DEBT		>15%		3	4	5	5	5	5
		2	>10%		5	5	5	5	5
			>5%	5	5	5	5	5	5
			>0%	5	5	5	5	5	5
			<0%	5	5	5	5	5	5
F2. UNRATED FINANCIAL INSTITUTION BORROWERS	GUARANTORS	<u>):</u>							
TRANSACTION RISK INCREMENT:				2	3	4	5	5	5
SHAREHOLDER'S EQUITY TO ASSETS				>8%	>7%	>6%	>5%	>4%	<4%
NET INCOME TO ASSETS (2-YEAR AVERAGE)				>2.5%	>2.0%	>1.5%	>1.0%	>0.5%	<0.5%
BORROWED FUNDS TO NET LOANS				<40%	<60%	<80%	<100%	<120%	>120%
LIQUID ASSETS TO ASSETS				>25%	>20%	>15%	>10%	>5%	<5%
RESERVES TO NON-PERFORMING ASSETS				>200%	>175%	>150%	>125%	>100%	<100%

\* MAY NOT APPLY IF A TRANSACTION ICRAS RATING HAS BEEN PRE-APPROVED

Effective: 04/06/2007