

## Client Notification:

Over the past quarter, we have received comments and suggestions from our clients, rated entities, and internal sources about the new domestic bank and savings & loan rating model. We appreciate the support our users have shown, and the thoughtful observations provided. We are very pleased with the improved predictive power of our model, and feel that our ratings are among the best and most accurate in the industry. However, our goal is to continue to refine and enhance the model based on our research and input from our users, to provide even stronger ratings. Because of this, we have made several changes to the rating model as follows:

- Return on assets will be annualized
- Enforcement actions will be given greater consideration during the rating process
- Nonperforming assets will be calculated using the traditional Texas Ratio
- The residential real estate loans-to-total loans and leases ratio was removed from the model

These changes have been thoroughly tested to ensure that the resultant ratings are powerful and predictive while allowing greater comparability between time periods and data sources.

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