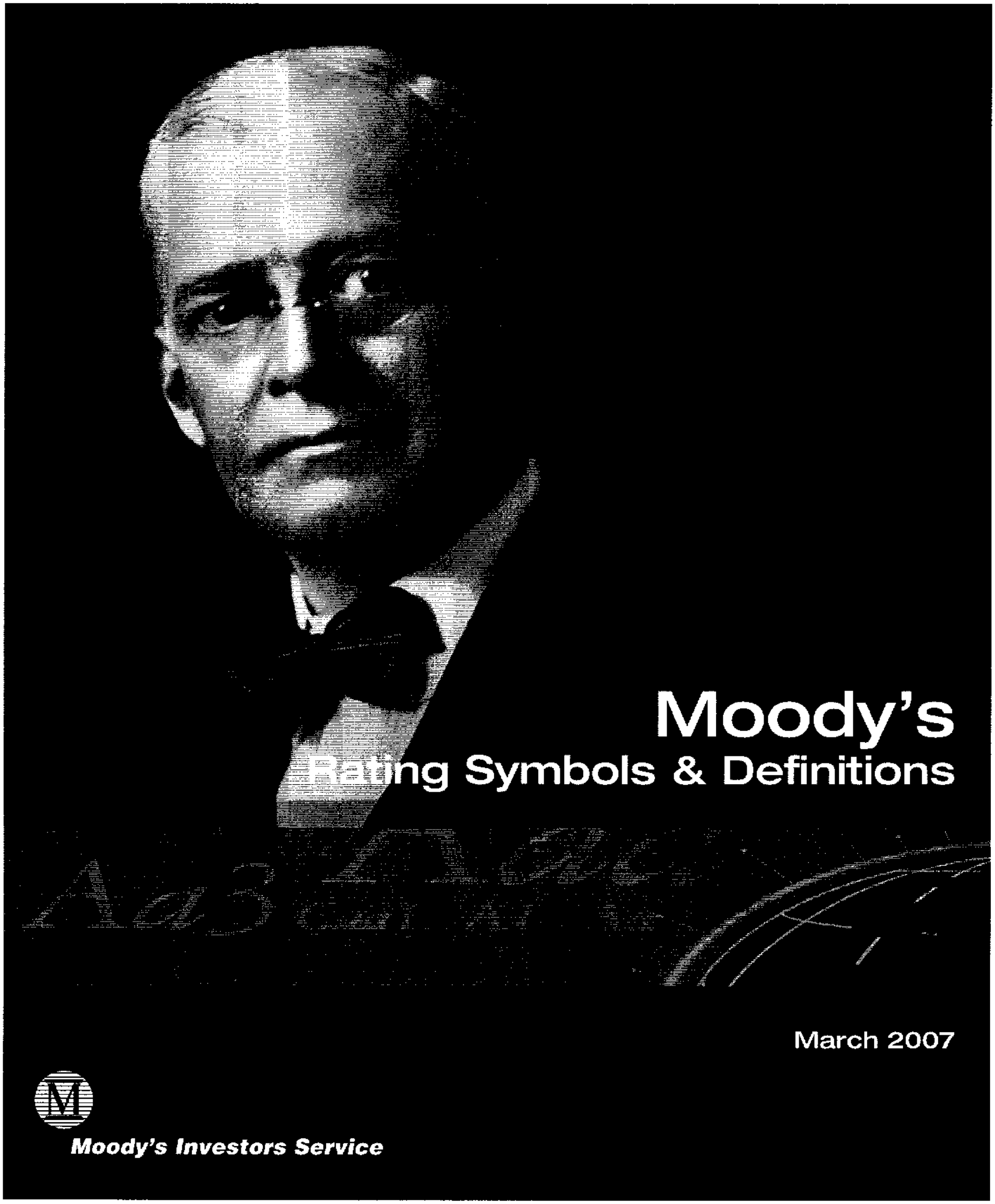
STATE OF ILLINOIS

BEFORE THE ILLINOIS COMMERCE COMMISSION

Interstate Power and Light Company and ITC Midwest LLC Joint Petition For Approval Of Sale of Utility Assets Pursuant To Section 7-102; Transfer of Franchises, Licenses, Permits or Rights to Own Pursuant to Section 7-203; Transfer of Certificates of Convenience and Necessity Pursuant to Section 8-406; Approval of the Discontinuance of Service Pursuant to 8-508; and the Granting of All Other Necessary and Appropriate Relief.	:	Docket No. 07-0246

SURREBUTTAL TESTIMONY OF EDWARD M. RAHILL

EXHIBIT EMR 9.2



Moody's
Rating Symbols & Definitions

March 2007

Moody's Investors Service

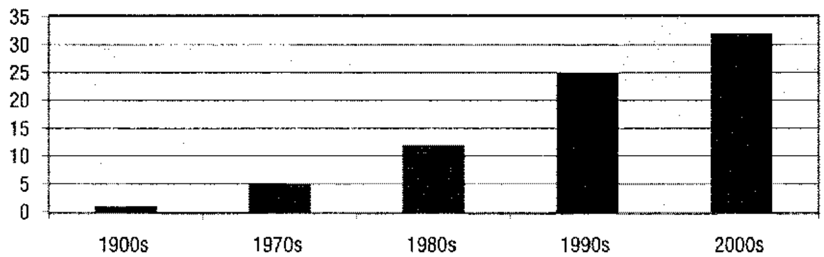
Preface

In the spirit of promoting transparency and clarity, Moody's Standing Committee on Rating Systems & Practices offers this updated reference guide which defines Moody's various symbols and rating scales.

Since John Moody devised the first bond ratings almost a century ago, Moody's rating systems have evolved in response to the increasing depth and breadth of the global capital markets. Much of the innovation in Moody's rating system is a response to market needs for clarity around the components of credit risk or to demands for finer distinctions in rating classifications.

From the original 1909 bond rating definitions, Moody's ratings have expanded to the extent that today we maintain 32 systems, with the number growing every year.[1]

Rating Systems Outstanding by Decade



In its simplest terms, Moody's assigns and publishes two kinds of ratings:

1) Credit ratings and other credit signals

Moody's credit ratings are opinions of the credit quality of individual obligations or of an issuer's general creditworthiness (without respect to individual debt obligations or other specific securities). Examples include our long-term obligation ratings, syndicated loan ratings, bank deposit ratings, national scale ratings and insurance financial strength ratings. Moody's also provides auxiliary signals about credit risk through the use of Rating Outlooks and Watchlist designations (review for rating change).

1. By counting National Scale Ratings for each country as a separate system, the total exceeds 40.

2) Non-credit ratings

Moody's has implemented special rating systems to address other aspects of risk, including market risk ratings, investment manager quality ratings, servicer quality ratings, and Lloyd's syndicate volatility ratings.

Unless otherwise indicated within the definition, all rating systems are monitored, that is, surveillance is ongoing. Ratings may also be withdrawn for various reasons. Please refer to *Moody's Guidelines for the Withdrawal of Ratings*, available on moodys.com, for a list of such circumstances.

The Standing Committee on Rating Systems & Practices, one of several at Moody's that focuses on credit policy issues, is comprised of structured finance, corporate finance, public finance, financial institutions and sovereign credit analysts. The names, direct telephone numbers and e-mail addresses of the members of the Standing Committee are listed below. I invite you to contact us with your comments.

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Moody's Standing Committee on Rating Systems & Practices

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Introduction

The modern bond rating industry traces its roots to the 1909 publication of *Moody's Analyses of Railroad Investments*. The "Key to the Bond Ratings," found at the beginning of each annual volume, provided definitions for the various rating categories. It was clear that John Moody's initial emphasis was on the investment quality or performance of securities. For example, the earliest definition for the **Aaa** rating category states:

> **Aaa** The bonds and stocks which are given this rating are regarded as of the highest class, both as regards security and general convertibility. Practically all such issues are dependent for their prices on the current rates for money, rather than the fluctuations in earning power. In other words, their position is such that their value is not affected, or likely to be affected (except in the cases of stocks not limited as to dividends), by any normal changes in the earning capacity of the railroad itself, either for better or worse.

Any change in value for such highly rated securities was thus anticipated to result from changes in the level of interest rates, rather than from changes in the issuer's credit quality or circumstances. Moody was in effect addressing the stability of the security's credit spread.

Separate Meaning for Certain Sectors

Moody's maintains two separate bond rating systems, or scales. One mapping — Moody's Global Scale — applies to ratings assigned to nonfinancial and financial institutions, sovereigns and subsovereign issuers outside the United States, and structured finance obligations.[2] The Global Scale is a mapping between rating categories and relative expected loss rates across multiple horizons. Expected loss comprises an assessment of probability of default as well as expectation of loss in the event of default. It is Moody's intention that the expected loss rate associated with a given rating symbol and time horizon be the same across obligations and issuers rated on the Global Scale. Moody's rating methodologies, rating practices and performance monitoring systems are each designed to ensure a consistency of meaning.

2. Moody's structured finance ratings are engineered to replicate the expected loss content of Moody's Global Scale. The trade-off between probability of default and severity of loss given default may vary within the structured finance sector depending on asset type.

A separate rating system – Moody's US Municipal Scale – encompasses ratings assigned to state and local governments, non-profit organizations and related entities that issue debt in the U.S. tax-exempt bond market. Historical default and loss rates for obligations rated on the US Municipal Scale are significantly lower than for similarly rated corporate obligations. Municipal investors are generally risk averse and in the case of individuals, often dependent on debt service payments for income. As a result, the US Municipal Scale evolved to meet investor needs for identifying the most secure municipal investments among obligations with similar credit profiles. It is important that users of Moody's ratings understand these differences in default and loss rates when making rating comparisons between the Municipal and Global Scales.

Moreover, to meet the needs of investors in certain local jurisdictions, Moody's will assign National Scale Ratings, which are opinions of the relative creditworthiness of issuers and issues within a particular country and are not suitable for global comparisons.

Scope of Rating Definitions

The definitions in this handbook are not intended to provide a detailed view of how ratings are determined. Instead, Moody's publishes rating methodologies for each industry sector and these are designed to illustrate the factors underpinning Moody's rating opinions. We encourage readers to consult the relevant rating methodology in order to better understand how individual ratings are derived.

General Credit Ratings

Long-Term Corporate Obligation Ratings

Moody's long-term obligation ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings use Moody's Global Scale and reflect both the likelihood of default and any financial loss suffered in the event of default.

Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Note: *Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

Medium-Term Note Ratings

Moody's assigns long-term ratings to individual debt securities issued from medium-term note (MTN) programs, in addition to indicating ratings to MTN programs themselves. These long-term ratings are expressed on Moody's general long-term scale. Notes issued under MTN programs with such indicated ratings are rated at issuance at the rating applicable to all *pari passu* notes issued under the same program, at the program's relevant indicated rating, provided such notes do <u>not</u> exhibit any of the characteristics listed below:

- Notes containing features that link interest or principal to the credit performance of any third party or parties (i.e., credit-linked notes);
- Notes allowing for negative coupons, or negative principal;
- Notes containing any provision that could obligate the investor to make any additional payments;
- Notes containing provisions that subordinate the claim.

For notes with any of these characteristics, the rating of the individual note may differ from the indicated rating of the program.

For credit-linked securities, Moody's policy is to "look through" to the credit risk of the underlying obligor. Moody's policy with respect to non-credit linked obligations is to rate the issuer's ability to meet the contract as stated, regardless of potential losses to investors as a result of non-credit developments. In other words, as long as the obligation has debt standing in the event of bankruptcy, we will assign the appropriate debt class level rating to the instrument.

Market participants must determine whether any particular note is rated, and if so, at what rating level. Moody's encourages market participants to contact Moody's Ratings Desks or visit www.moodys.com directly if they have questions regarding ratings for specific notes issued under a medium-term note program. Unrated notes issued under an MTN program may be assigned an NR (not rated) symbol.

Short-Term Ratings

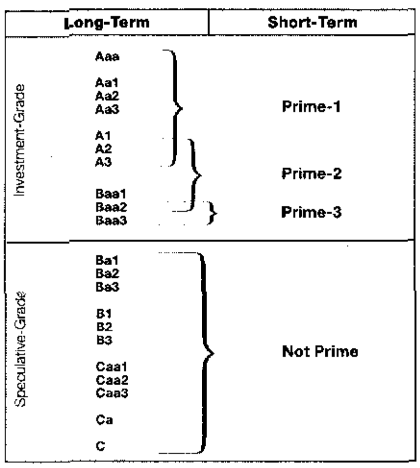
Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

P-1	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
P-2	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
P-3	Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.
NP	Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Note: *Canadian issuers rated P-1 or P-2 have their short-term ratings enhanced by the senior-most long-term rating of the issuer, its guarantor or support-provider.*

Short-Term vs. Long-Term Ratings



Issuer Ratings

Issuer Ratings are opinions of the ability of entities to honor senior unsecured financial obligations and contracts. Moody's expresses Issuer Ratings on its general long-term and short-term scales.

Sector Specific

Structured Finance

Structured Finance Long-Term Ratings

Moody's ratings on long-term structured finance obligations primarily address the expected credit loss an investor might incur on or before the legal final maturity of such obligations vis-à-vis a defined promise. As such, these ratings incorporate Moody's assessment of the default probability and loss severity of the obligations. They are calibrated to Moody's Global Scale. Such obligations generally have an original maturity of one year or more, unless explicitly noted. Moody's credit ratings address only the credit risks associated with the obligations; other non-credit risks have not been addressed, but may have a significant effect on the yield to investors.

Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Note: *Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

Structured Finance Issuer Ratings

Structured Finance Issuer Ratings are opinions of an entity's general financial capacity to ultimately honor its contracts and financial obligations. The opinions are founded upon an expected loss-based assessment of the credit quality of the entity's assets and also incorporate Moody's opinion of the quality of its management and its investment process and strategy. Moody's ratings symbols for Structured Finance Issuer Ratings are identical to those used to indicate the credit quality of long-term obligations. The credit quality of entities that leverage their structured finance asset portfolios is more accurately expressed via a Counterparty Rating for derivatives product companies.

Credit Default Swaps Ratings

Moody's Credit Default Swaps Ratings — expressed on the long-term scale — measure the risk posed to a credit protection provider on an expected loss basis arising from the possibility that the credit protection provider will be required to make payments in respect of credit events under the terms of the transaction. The ratings also address the potential for any unpaid premiums due to the credit protection provider, up until an early termination date, if any. The ratings do not address potential losses resulting from an early termination of the transaction, nor any market risk associated with the transaction.

Counterparty Ratings: Derivatives Product Companies

Issuer ratings assigned to derivative product companies and clearinghouses are opinions of the financial capacity of an obligor to honor its senior obligations under financial contracts, given appropriate documentation and authorizations. Moody's employs the general long-term scale for Counterparty Ratings.

Counterparty Instrument Ratings: Special Purpose Vehicles

Counterparty Instrument Ratings measure the risk posed to a counterparty on an expected loss basis arising from a special purpose vehicle's (SPV's) inability to honor its obligations under the referenced financial contract. The ratings do not address potential losses in relation to any market risk associated with the transaction. Moody's employs the general long-term scale for Counterparty Instrument Ratings.

US Municipal Ratings

Moody's US Municipal ratings are opinions of the investment quality of issuers and issues in the US municipal market. As such, these ratings incorporate Moody's assessment of the default probability and loss severity of these issuers and issues. The default and loss content for Moody's municipal long-term rating scale differs from Moody's general long-term rating scale. Historical default and loss rates for obligations rated on the US Municipal Scale are significantly lower than for similarly rated corporate obligations. It is important that users of Moody's ratings understand these differences when making rating comparisons between the Municipal and Global Scales.

US Municipal Long-Term Debt Ratings

Municipal Ratings are based upon the analysis of five primary factors related to municipal finance: market position, financial position, debt levels, governance, and covenants. Each of the factors is evaluated individually and for its effect on the other factors in the context of the municipality's ability to repay its debt.

Aaa	Issuers or issues rated Aaa demonstrate the strongest creditworthiness relative to other US municipal or tax-exempt issuers or issues.
Aa	Issuers or issues rated Aa demonstrate very strong creditworthiness relative to other US municipal or tax-exempt issuers or issues.
A	Issuers or issues rated A present above-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.
Baa	Issuers or issues rated Baa represent average creditworthiness relative to other US municipal or tax- exempt issuers or issues.
Ba	Issuers or issues rated Ba demonstrate below-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.
B	Issuers or issues rated B demonstrate weak creditworthiness relative to other US municipal or tax- exempt issuers or issues.
Caa	Issuers or issues rated Caa demonstrate very weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.
Ca	Issuers or issues rated Ca demonstrate extremely weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.
C	Issuers or issues rated C demonstrate the weakest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Note: *Moody's appends numerical modifiers 1, 2, and 3 to each generic rating category from Aa through Caa. The modifier 1 indicates that the issuer or obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

US Municipal Short-Term Debt and Demand Obligation Ratings

Short-Term Obligation Ratings

There are three rating categories for short-term municipal obligations that are considered investment grade. These ratings are designated as Municipal Investment Grade (MIG) and are divided into three levels — MIG 1 through MIG 3. In addition, those short-term obligations that are of speculative quality are designated SG, or speculative grade. MIG ratings expire at the maturity of the obligation.

MIG 1	This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.
MIG 2	This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.
MIG 3	This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.
SG	This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

Demand Obligation Ratings

In the case of variable rate demand obligations (VRDOs), a two-component rating is assigned; a long or short-term debt rating and a demand obligation rating. The first element represents Moody's evaluation of the degree of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of the degree of risk associated with the ability to receive purchase price upon demand ("demand feature"), using a variation of the MIG rating scale, the Variable Municipal Investment Grade or VMIG rating.

When either the long- or short-term aspect of a VRDO is not rated, that piece is designated NR, e.g., Aaa/NR or NR/VMIG 1.

VMIG rating expirations are a function of each issue's specific structural or credit features.

VMIG 1	This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.
VMIG 2	This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.
VMIG 3	This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.
SG	This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

Corporate Family Ratings

Moody's Corporate Family Ratings are generally employed for speculative grade corporate issuers. A Corporate Family Rating is an opinion of a corporate family's ability to honor all of its financial obligations and is assigned to a corporate family as if it had:

- a single class of debt;
- a single consolidated legal entity structure.

A Corporate Family Rating does not reference an obligation or class of debt and thus does not reflect priority of claim. It normally applies to all affiliates under the management control of the entity to which it is assigned. Moody's employs the general long-term rating scale for Corporate Family Ratings.

Probability of Default Ratings

A probability of default rating (PDR) is a corporate family-level opinion of the relative likelihood that any entity within a corporate family will default on one or more of its debt obligations.

- For families not in default, PDRs are expressed using Moody's long-term rating scale.
- For families in default on all of their debt obligations (such as might be the case in bankruptcy), a PDR of **D** is assigned.
- For families in default on a limited set of their debt obligations, PDRs reflect the risk of an additional default within the family and are expressed using Moody's long-term rating scale appended by the symbol "**/LD**", for example, **Caa1/LD**.

A **D** or **LD** rating is not assigned until a failure to pay interest or principal extends beyond any grace period specified by the terms of the debt obligation.

A **D** or **LD** rating is not assigned for distressed exchanges until they have been completed, as opposed to simply announced.

Loss Given Default Assessments

Moody's Loss Given Default (LGD) assessments are opinions about expected loss given default on fixed income obligations expressed as a percent of principal and accrued interest at the resolution of the default.[3] LGD assessments are assigned to individual loan, bond, and preferred stock issues. The firm-wide or enterprise expected LGD rate is a weighted average of the expected LGD rates on all constituent liabilities (excluding preferred stock), where the weights equal each obligation's expected share of the total liabilities at default.

The following scale is used in the assignment of LGD assessments:

Assessments	Loss range
LGD1	≥ 0% and < 10%
LGD2	≥ 10% and < 30%
LGD3	≥ 30% and < 50%
LGD4	≥ 50% and < 70%
LGD5	≥ 70% and < 90%
LGD6	≥ 90% and ≤ 100%

3. Expected LGD is the difference between value received at default resolution (either through bankruptcy resolution, distressed exchange, or outright cure) and principal outstanding and accrued interest due at resolution. An LGD assessment (or rate) is the expected LGD divided by the expected amount of principal and interest due at resolution. Equivalently, the LGD assessment is expected LGD discounted by the coupon rate back to the date the last coupon payment was made.

Covenant Quality Assessments

Moody's covenant quality assessments measure the investor protections provided by key bond covenants within an indenture. The assessments are unmonitored, point-in-time scores, but may be updated as circumstances dictate. Key covenants assessed include provisions for restricted payments, change of control, limitations on debt incurrence, negative pledges, and merger restrictions, among others.

Speculative Grade Liquidity Ratings

Moody's Speculative Grade Liquidity Ratings are opinions of an issuer's relative ability to generate cash from internal resources and the availability of external sources of committed financing, in relation to its cash obligations over the coming 12 months. Speculative Grade Liquidity Ratings will consider the likelihood that committed sources of financing will remain available. Other forms of liquidity support will be evaluated and consideration will be given to the likelihood that these sources will be available during the coming 12 months. Speculative Grade Liquidity Ratings are assigned to speculative grade issuers that are by definition Not Prime issuers.

SGL-1 Issuers rated SGL-1 possess very good liquidity. They are most likely to have the capacity to meet their obligations over the coming 12 months through internal resources without relying on external sources of committed financing.

SGL-2 Issuers rated SGL-2 possess good liquidity. They are likely to meet their obligations over the coming 12 months through internal resources but may rely on external sources of committed financing. The issuer's ability to access committed sources of financing is highly likely based on Moody's evaluation of near-term covenant compliance.

SGL-3 Issuers rated SGL-3 possess adequate liquidity. They are expected to rely on external sources of committed financing. Based on its evaluation of near-term covenant compliance, Moody's believes there is only a modest cushion, and the issuer may require covenant relief in order to maintain orderly access to funding lines.

SGL-4 Issuers rated SGL-4 possess weak liquidity. They rely on external sources of financing and the availability of that financing is, in Moody's opinion, highly uncertain.

Bank Deposit Ratings

Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations. Foreign currency deposit ratings are subject to Moody's country ceilings for foreign currency deposits. This may result in the assignment of a different (and typically lower) rating for the foreign currency deposits relative to the bank's rating for domestic currency deposits.

Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk that are relevant to the prospective payment performance of the rated bank with respect to its foreign and/or domestic currency deposit obligations. Included are factors such as intrinsic financial strength, sovereign transfer risk (for foreign currency deposits), and both implicit and explicit external support elements.

Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes that make payments to depositors, but they do recognize the potential support from schemes that may provide direct assistance to banks.

In addition to its Bank Deposit Ratings, Moody's also publishes Bank Financial Strength Ratings, which exclude certain of these external risk and support elements (i.e., sovereign risk and external support). Such ratings are intended to elaborate and explain Moody's Bank Deposit Ratings, which incorporate and reflect such elements of credit risk.

Moody's employs the general long-term and short-term rating scales for bank deposits.

US Bank Other Senior Obligation Ratings

Deposit notes and bank notes are bank obligations that are structured to be sold and traded as securities similar to corporate bonds or medium-term notes. As bank obligations, such instruments are exempt from SEC registration (if issued by a US bank or by the US branch of a foreign bank). Deposit notes have the legal status of deposits and will rank *pari passu* in liquidation with certificates of deposit and other domestic deposit obligations. Bank notes, although nominally senior, are not deposit obligations. US law provides that foreign deposits and senior unsecured obligations, including bank notes, will rank behind domestic deposit obligations of US banks in the event of liquidation.

Moody's employs the general long-term and short-term scales for Other Senior Obligations (OSOs). OSO ratings may be assigned to foreign deposits of US banks and International Banking Facility deposits, as well as to other senior non-depository obligations, including bank notes, letter-of-credit supported obligations, federal funds and financial contracts. A rating distinction between domestic deposits and OSOs will be reflected in those cases where there is a material susceptibility for impairment at a future time. Bank subordinated notes will rank behind both domestic deposits and OSOs in a failed bank liquidation.

Bank Financial Strength Ratings

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. In addition to commercial banks, Moody's BFSRs may also be assigned to other types of financial institutions such as multilateral development banks, government-sponsored financial institutions and national development financial institutions.

Unlike Moody's Bank Deposit Ratings, Bank Financial Strength Ratings do not address the probability of timely payment. Instead, Bank Financial Strength Ratings are a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group, or official institutions.

Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations.

Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Bank Financial Strength Rating Definitions

A Banks rated A possess superior intrinsic financial strength. Typically, they will be institutions with highly valuable and defensible business franchises, strong financial fundamentals, and a very predictable and stable operating environment.

B Banks rated B possess strong intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises, good financial fundamentals, and a predictable and stable operating environment.

C Banks rated C possess adequate intrinsic financial strength. Typically, they will be institutions with more limited but still valuable business franchises. These banks will display either acceptable financial fundamentals within a predictable and stable operating environment, or good financial fundamentals within a less predictable and stable operating environment.

D Banks rated D display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.

E Banks rated E display very modest intrinsic financial strength, with a higher likelihood of periodic outside support or an eventual need for outside assistance. Such institutions may be limited by one or more of the following factors: a weak and limited business franchise; financial fundamentals that are materially deficient in one or more respects; or a highly unpredictable or unstable operating environment.

Note: Where appropriate, a "+" modifier will be appended to ratings below the "A" category and a "-" modifier will be appended to ratings above the "E" category to distinguish those banks that fall in the higher and lower ends, respectively, of the generic rating category.