



Credit Rating Definitions

Scope Ratings GmbH & Scope Ratings UK Ltd.

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1. Introduction

This document presents the Credit Rating terms and definitions of Scope Ratings GmbH and Scope Ratings UK Limited (Scope Ratings). These terms apply to Credit Ratings produced by Scope Ratings including the Sovereign and Public Sector¹, Financial Institutions, Corporates, Structured Finance, Covered Bonds and Project Finance asset classes.

Please see the [Defined Terms Glossary](#). Terms may change as and when necessary.

2. Main Credit Rating definitions

A Credit Rating is a forward-looking opinion regarding the relative creditworthiness of an issuer, an instrument or an obligation and is assigned using an established and defined ranking system of Credit Rating categories.

Scope Ratings' opinions on creditworthiness address the timely payment or expected loss for financial obligations, as defined in Scope Ratings' respective Credit Rating methodology.

2.1 Credit Ratings assigned to issuers

Credit Rating terms:

Issuer rating

Short-term issuer rating

Issuer rating (foreign currency)

Short-term issuer rating (foreign currency)

Note: Credit ratings refer to the relative creditworthiness of the issuer in its local currency unless mentioned otherwise.

Credit Rating definitions:

- **Issuer ratings** assigned on Scope Ratings' **long-term** Credit Rating scale are forward-looking opinions on the relative creditworthiness of an issuer's ability and willingness to repay its financial obligations when due and with an original maturity of one year or more.
- **Short-term issuer ratings** assigned on Scope Ratings' **short-term** Credit Rating scale are forward-looking opinions on the relative creditworthiness of an issuer in terms of its ability and willingness to repay its financial obligations when due within 12 months.

2.2 Credit Ratings assigned to debt instruments

Long term Credit Rating scale:

- **Debt ratings** are assigned to debt instruments.
- **Senior secured debt ratings** are assigned to debt, secured by a lien against collateral, which has priority over unsecured debt in case of resolution or insolvency.
- **Senior unsecured debt ratings** are assigned to debt which has priority over other unsecured debt in case of an insolvency and does not benefit from security over collateral.
- **Preferred senior unsecured debt ratings** are assigned to debt which is not secured by collateral and which has priority over other unsecured debt in case of resolution or insolvency in jurisdictions which have defined non-preferred senior unsecured debt.
- **Non-preferred senior unsecured debt ratings** are assigned to senior debt which is not secured by collateral and which ranks below preferred senior debt and above subordinated debt in resolution or insolvency.
- **Subordinated debt ratings** are assigned to unsecured subordinated debt which ranks lower than senior debt in case of resolution or insolvency.

¹ Includes sub-sovereign issuers, government-related issuers and supranationals



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- **Subordinated debt (hybrid) ratings** are assigned to hybrid subordinated debt which ranks lower than senior debt in case of resolution or insolvency.
- **Tier 2 capital securities ratings** are assigned to debt qualifying as Tier 2 capital as defined under current bank capital regulations.
- **Additional Tier 1 capital securities ratings** are assigned to debt qualifying as Tier 1 capital as defined under current bank capital regulations.

Debt Category ratings are assigned a category of debt and indicate the rating that may be assigned to debt instruments in the relevant debt class/category.

Debt issuance programme ratings are assigned to issuers issuing debt under an established debt issuance programme.

Deposit ratings are assigned to bank deposits on the long-term Credit Rating scale.

Short term Credit Rating scale:

Short-term debt ratings assigned on Scope Ratings' short-term Credit Rating scale are forward-looking opinions on the relative creditworthiness of debt instruments. Short-term debt ratings are assigned to short-term debt instruments with a maturity of not more than 12 months.

Note: Credit Ratings refer to the relative creditworthiness, as further defined in the relevant Credit Rating methodologies, of the of debt instrument in its local currency unless mentioned otherwise

Other:

Recoveries address amounts to be recovered following a default or a default-like event. Recovery definitions are specific to the different asset classes sectors as described, where relevant, in Scope Ratings' respective methodologies. [Scope Ratings' Idealised Tables](#) providing the idealised probability of default and idealised expected loss, generally consistent with a given rating level over a given risk horizon, are available in Excel format at www.scoperatings.com.

3. Scope Ratings' Credit Rating scales

3.1 Long-term Credit Rating scale

The **long-term Credit Rating scale** for issuers, debt instruments and their debt instrument categories is the following:

AAA	Credit Ratings at the AAA level reflect an opinion of exceptionally strong credit quality.	
AA	Credit Ratings at the AA level reflect an opinion of very strong credit quality.	
A	Credit Ratings at the A level reflect an opinion of strong credit quality.	
BBB	Credit Ratings at the BBB level reflect an opinion of good credit quality.	
BB	Credit Ratings at the BB level reflect an opinion of moderate credit quality.	
B	Credit Ratings at the B level reflect an opinion of weak credit quality.	
CCC	Credit Ratings at the CCC level reflect an opinion of very weak credit quality.	Debt instruments in default: These Credit Ratings may also be assigned to debt categories and debt instruments in default*, see section 3.4.3. Credit Rating of debt instruments in default for more information.
CC	Credit Ratings at the CC level reflect an opinion of extremely weak credit quality.	
C	Credit Ratings at the C level reflect an opinion of exceptionally weak credit quality.	
D/SD	Credit Ratings at the D or SD level reflect a default* situation with average to low or no recoveries.	

*See definition of default in section 3.4.1 below.

Notches – Scope Ratings' long-term Credit Ratings are expressed with symbols from AAA to D/SD, with '+' and '-' as additional sub-categories for each category from AA to B (inclusive). There are 20 levels in total.

The '+' and '-' signs express whether the rating is positioned at the high or low end of the category:

- a '+' indicates the credit quality as being in the upper range of the rating category,
- a '-' indicates the credit quality as being in the lower range of the rating category,

The absence of sign indicates the credit quality as being in the mid-range of the rating category.

3.2 Short-term Credit Rating scale

The **short-term Credit Rating scale** for issuers, debt instruments and their debt instrument categories is the following:

S-1+	Credit Ratings at the S-1+ level reflect an opinion of the lowest credit risk with the highest capacity to repay short-term obligations.
S-1	Credit Ratings at the S-1 level reflect an opinion of very low credit risk with high capacity to repay short-term obligations.
S-2	Credit Ratings at the S-2 level reflect an opinion of low credit risk with good capacity to repay short-term obligations.
S-3	Credit Ratings at the S-3 level reflect an opinion of acceptable credit risk with fair capacity to repay short-term obligations.
S-4	Credit Ratings at the S-4 level reflect an opinion of moderate to high credit risk with modest to very low capacity to repay short-term obligations.
D/SD	Credit Ratings at the D or SD level reflect a default* situation.

*See definition of default in section 3.4.1 below.

3.3 Short-term/long-term Credit Rating correspondence

Short-term Credit Ratings can be derived from the long-term issuer Credit Ratings. They can be mapped as follows:

	Scope Ratings				
	S1+	S-1	S-2	S-3	S-4
AAA	S-1+				
AA+					
AA		S-1			
AA-					
A+			S-2		
A					
A-				S-3	
BBB+					
BBB					S-4
BBB-					
BB+					
BB					
BB-					
B+					
B					
B-					
CCC					
CC					
C					
D/SD					

3.4 Ratings in default

3.4.1 Default definition

Default – Scope Ratings considers the following events to constitute a default:

- failure to pay a coupon or principal payment on the due date and after a grace period specified under the instrument's terms and conditions²,
- as applicable, supervisory action such as a bank resolution, liquidation, insolvency proceedings of the debt issuer or a moratorium resulting in debt non-payment or debt restructuring, and
- any distressed debt exchange, restructuring or debt swap, which i) leads to less favourable terms or a loss of value compared to the original terms of the debt, including unilateral or coercive currency redenomination, and ii) has the effect of avoiding a likely default.

For the avoidance of doubt, Scope Ratings does not consider the following to constitute a default: i) technical default triggered by force majeure; or ii) the non-payment of interest if such deferral is permitted under the terms and conditions of the securities.

Default status – Upon the occurrence of a default, as per the above, the credit rating is in a default status and will be reported as such. The following sections (3.4.2 and 3.4.3) indicate the credit ratings assigned upon this status.

² Typically, not longer than 30 days

3.4.2 Credit Rating of issuers in default:

Scope Ratings assigns 'D' or 'SD' credit rating to: i) corporate, bank, sovereign and public finance issuer credit ratings in a default status; and ii) debt category Credit Ratings with at least one instrument in a default status in that debt category.

D	Default Credit Ratings
SD	Selective default Credit Ratings are assigned at issuer level and debt category level if one specific class or currency of several but not all issuances of an issuer is defaulted. An 'SD' is assigned to issuer Credit Rating when an issuer has selectively defaulted on certain debt obligations but not all; an 'SD' is assigned to a debt category rating when at least one, but not all, instrument in that specific debt category has defaulted. Such a selective default can be the consequence of a forced debt restructuring (e.g. a distressed debt exchange or creditor bail in). An SD at issuer level is not automatically triggered by the write-down or conversion of hybrid debt.

3.4.3 Credit Rating of debt instruments in default:

Debt instruments in default are generally rated at the lower end of the rating scale according to the long term and short term Credit Rating scales defined above, depending on the amount and degree of certainty of expected recoveries, see table below:

B-	Default with extremely high level of expected recovery with extremely high certainty
CCC	Default with very high level of expected recovery with very high certainty
CC	Default with average to high level of expected recovery and high certainty
C	Default with above average expected recovery and/or average certainty
D	Default with average to low or no expected recovery and/or high uncertainty

Typically, only secured debt instruments with high quality collateral or debt instruments experiencing non-payment on a relatively minor amount are expected to be rated above D while in default. Scope Ratings may assign a credit rating higher than B- to a debt instrument in default under exceptional circumstances and in instances where a default is likely to be temporary and is associated with exceptionally high recovery expectations with an extremely high degree of certainty. The above section must be read in conjunction with Scope Ratings' respective methodologies.

4. Other indicators and suffixes

4.1 Preliminary Credit Ratings prefix (P)

Scope may assign Preliminary Credit Ratings, identified with the prefix (P), when the assignment of a Credit Rating is subject to satisfactory review of final documentation and other final key information used in the rating process, if any. The Credit Rating may differ from the Preliminary Credit Rating where the final terms or information materially differ from the provisional. Scope Ratings generally expects a Preliminary Credit Rating to be converted into a new Credit Rating or withdrawn within six months of it being assigned.

Notwithstanding the above, Scope may assign Credit Ratings to debt securities in advance of their issuance, based on draft terms, only for rated issuers and where it is very unlikely that the final terms would materially differ from the draft terms. In case the debt is not issued the Credit Rating will be withdrawn. In case the final terms materially differ, the initial Credit Rating is withdrawn, and a new Credit Rating is assigned that may be different.

4.2 Structured finance suffix (SF)

Scope Ratings' Credit Ratings of structured finance instruments carry an SF suffix (e.g. BBB+_{SF}). This symbol identifies Credit Ratings assigned to structured finance instruments as defined by Regulation (EU) No. 1060/2009 on Credit Rating Agencies of the European Parliament and the European Council³.

4.3 Financial contract suffix (FC)

Scope Ratings' Credit Ratings of financial contracts which are identified with the suffix FC (e.g. A_{FC}) in the Rating Action Release address the ability of a structured finance special purpose vehicle to meet its financial obligations under the financial contracts to which it is party.

4.4 Withdrawn (WD)

Withdraw (WD) indicates a Credit Rating assigned by Scope Ratings which has subsequently been withdrawn due to: i) the instrument having reached its final maturity or the debt having been redeemed prior to its final maturity, called, prefunded or cancelled; or ii) a business decision taken by Scope Ratings; or iii) the lack of sufficient information required to maintain the rating.

5. Credit Rating actions

5.1 Overview of Credit Rating actions

A Credit Rating action is any one of the items below:

- Preliminary: Preliminary (P) Credit Ratings are assigned in advance of an instrument issuance or before the review of the final documentation and other information used in the rating process.
- New: The assignment of a new Credit Rating (may or may not be preceded by a preliminary Credit Rating).
- Upgrade: The upgrade of a Credit Rating.
- Downgrade: The downgrade of a Credit Rating.
- Default: The assignment or removal of a default status.
- Under Review: The placement of a Credit Rating 'Under Review' for a possible upgrade or downgrade, or for a developing outcome.
- Affirmation: If a Credit Rating is affirmed following a rating committee⁴.
- Withdrawal: If a Credit Rating is withdrawn.
- Assignment of a new Outlook or a changed Outlook for a Credit Rating.

5.2 Credit Rating Under Review

A Credit Rating can be placed Under Review for possible upgrade, for possible downgrade or for a developing outcome. The Under Review status indicates that this Credit Rating is under consideration for a change in the short term (typically three months) with further information or analysis needed to determine the Credit Rating outcome. Under Review for a developing outcome indicates that the rating outcome could be either an upgrade, a downgrade or an affirmation.

The Under Review status will be resolved with a Credit Rating being upgraded, downgraded, or affirmed by a rating committee. A rating committee can decide to maintain the Under Review status if more time is required to complete the analysis (this is not a rating action). The direction of the Under Review status can also be changed (which constitutes a rating action). Not all rating changes are preceded by an Under Review status.

³ EU legislation which applied directly or indirectly to the UK before 11.00 p.m. on 31 December 2020 has been retained in UK law as a form of domestic legislation known as 'retained EU legislation'. This is set out in [sections 2](#) and [3](#) of the European Union (Withdrawal) Act 2018 (c. 16). [Section 4](#) of the 2018 Act ensures that any remaining EU rights and obligations, including directly effective rights within EU treaties, continue to be recognised and available in domestic law after exit.

⁴ Including when a rating is removed from under review status



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Scope Ratings intends to resolve the status of a Credit Rating placed Under Review typically within three months or as soon as practicable; in some cases, the conclusion of an Under Review is contingent upon the development of certain events, such as the completion of a merger, acquisition, restructuring or the execution of an amendment to a transaction.

5.3 Outlook

A Credit Rating can be accompanied by a Credit Rating Outlook, which can be Stable, Positive or Negative. The Outlooks normally refer to a period of 12 to 18 months. These Outlooks provide an indication of the most likely direction of a potential rating change. However, they do not necessarily signal that an upgrade or a downgrade of a Credit Rating will automatically follow.

Scope Ratings does not assign a Credit Rating Outlook to structured finance or project finance instruments or to Credit Ratings that are Under Review.



Credit Rating Definitions

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