



Credit Rating Definitions

Scope Ratings GmbH & Scope Ratings UK Ltd.

April 2021

Table of Contents

1.	Introduction	3
2.	Main Credit Rating definitions	3
2.1	Credit Ratings addressing timely payment of obligations.....	3
2.1.1	Credit Ratings assigned to an issuer	3
2.1.2	Credit Ratings assigned to debt instruments	3
2.2	Credit Ratings addressing expected loss.....	4
3.	Scope Ratings' Credit Rating scales	5
3.1	Long-term Credit Rating scale	5
3.2	Short-term Credit Rating scale.....	6
3.3	Short term/long term Credit Rating correspondence.....	6
4.	Other indicators and suffixes	7
4.1	Preliminary Credit Ratings prefix (P).....	7
4.2	Structured Finance Suffix (SF)	7
4.3	Financial Contract Suffix (FC)	7
4.4	Withdrawn (WD)	7
4.5	Ramp-Up (r) (appears as a prefix, e.g. "(r)BBB").....	7
4.6	Credit Estimates (est)	7
4.7	Rating Assessment Service Suffix (ras).....	7
4.8	Asset Portfolio Suffix (AP).....	7
5.	Credit Rating actions	8
5.1	Overview of Credit Rating actions.....	8
5.2	Credit Rating Under Review	8
5.3	Outlook	8

1. Introduction

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

See the [Defined Terms Glossary](#). Terms might 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 addresses timely payment, or expected loss, of financial obligations, as defined in Scope Ratings’ respective Credit Rating methodology.

2.1 Credit Ratings addressing timely payment of obligations

These Credit Ratings address an issuer’s ability and willingness to repay its financial obligations in a timely manner as and when due. More information is found in the related methodologies.

2.1.1 Credit Ratings assigned to an issuer

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’s ability and willingness, to repay its financial obligations when due, typically within 12 months.

2.1.2 Credit Ratings assigned to debt instruments

The Credit Rating term describes the type of debt rated by Scope Ratings. Common Credit Rating terms are:

Debt Rating

Senior Secured Debt Rating

Senior Unsecured Debt Rating

Preferred Senior Unsecured Debt Rating

Non-Preferred Senior Unsecured Debt Rating

Subordinated Debt Rating

¹ Include sub-sovereign issuers, government-related issuers and supranationals.



Credit Rating Definitions

Scope Ratings GmbH & Scope Ratings UK Ltd.

Subordinated Debt (Hybrid) Ratings

Tier 2 Capital Securities Rating

Additional Tier 1 Capital Securities Rating

Short-Term Debt Rating

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

Credit Rating definitions:

- **Debt Ratings** are assigned on Scope Ratings' **long-term** Credit Rating scale to a debt instrument.
- **Senior Secured Debt Ratings** are assigned to debt, secured by a lien against collateral, that has priority over unsecured debt in case of resolution or insolvency.
- **Senior Unsecured Debt Ratings** are assigned to debt, that has priority over other unsecured debt in case of resolution or insolvency and does not benefit from security over a collateral.
- **Subordinated Debt Ratings** are assigned to unsecured subordinated debt which ranks lower to senior debt in case of resolution or insolvency.
- **Subordinated Debt (Hybrid) Ratings** are assigned to hybrid subordinated debt which ranks lower to senior debt in case of resolution or insolvency.
- **Preferred Senior Unsecured Debt Ratings** are assigned to debt, not secured by collateral, that 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, not secured by collateral, that ranks below preferred senior debt and above subordinated debt in 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.
- **Short-Term Debt Ratings** assigned on ScopeRatings' **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 instrument with a maturity of not more than 12 months.

Other:

Recoveries address amounts to be recovered following a default or a default-like event. Recovery definitions are specific to the different sectors as described, where relevant, in Scope Ratings' respective methodologies.

2.2 Credit Ratings addressing expected loss

Debt Ratings are Credit Ratings assigned in covered bond, structured finance and project finance sectors constitute a forward-looking opinion on relative creditworthiness. These Credit Ratings reflect the expected loss associated with payments contractually promised on a particular payment date or by its legal maturity. They factor in both the likelihood of a default on such payments as well as the recovery and loss severity expected upon default, as covered in Scope Ratings' Methodologies.

Such Credit Ratings can bear on instruments or contracts.

[Scope Ratings' Idealised Tables](http://www.scooperatings.com) are available in excel format at www.scooperatings.com.

3. Scope Ratings' Credit Rating scales

3.1 Long-term Credit Rating scale

The **long-term Credit Rating scale** 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.
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.

A default (D) is assigned to issuers or debt instruments upon the failure to service a coupon or principal payment on the due date within the specified grace period or as specified in the terms and conditions and any debt exchange or distressed-debt restructuring that leads to less-favourable terms of a debt obligation than those of the original contractual terms. Credit ratings at the D level refer to defaults or default-like events.

This rating definition must be read in conjunction with Scope Ratings' respective methodologies which further expand and adapt the definition of defaults to specificities of each sector.

A Selective Default (SD) Credit rating is assigned at issuer level, where one or several but not all issuances of an issuer is defaulted. The defaulted issuances are rated D (Default). A 'SD' credit rating is assigned, when an issuer has selectively defaulted on a debt obligation and is expected to continue to meet its debt payment obligations on other issues. Such selective default can be the consequence of a forced debt restructuring (e.g. distressed debt exchange) with the aim of avoiding bankruptcy.

SD Credit Ratings do not apply to structured finance or project finance instruments.

Notches – Scope Ratings long-term Credit Ratings are expressed with symbols from 'AAA to C', with '+' and '-' as additional sub-categories for each category from AA to B (inclusive), that is, 20 levels in total with 19 sub-categories for performing issues and issuers plus the default category.

3.2 Short-term Credit Rating scale

The short-term Credit Rating scale 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 capacity to repay short-term obligations.

3.3 Short term/long term Credit Rating correspondence

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

	Scope Ratings				
	S-1+	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					

4. Other indicators and suffixes

4.1 Preliminary Credit Ratings prefix (P)

Preliminary Credit Ratings are identified with the prefix (P) and assigned in advance of the issuance of the debt. Scope Ratings will only assign a preliminary Credit Rating on future issues where it expects to assign a new Credit Rating, subject to the debt issuance being finalised. Scope Ratings generally expects a preliminary Credit Rating to be converted into a new Credit Rating or withdrawn within 6 months of it being assigned.

4.2 Structured Finance Suffix (SF)

Scope Ratings' Credit Rating of structured finance instruments carries a SF suffix (e.g. BBB+_{SF}). Such a 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 Council²,

4.3 Financial Contract Suffix (FC)

Scope Ratings' Credit Ratings of financial contracts are identified with the suffix FC (e.g. A_{FC}). Such a symbol identifies Credit Ratings which 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 to an instrument which has subsequently been withdrawn due to such instrument having reached its final maturity or the debt is redeemed prior to its final maturity, called, prefunded or cancelled.

4.5 Ramp-Up (r) (appears as a prefix, e.g. "(r)BBB")

Ramp-Up (r) is a prefix used to assigned Asset Portfolio ratings where, in a ramp-up phase, issuance proceeds are used to increase the underlying portfolio with additional assets.

4.6 Credit Estimates (est)

Credit Estimates are identified by the suffix "est" (e.g. A_{est}).

4.7 Rating Assessment Service Suffix (ras)

Rating Assessment Services (RAS) are identified with the suffix "ras" (eg. A_{ras}).

4.8 Asset Portfolio Suffix (AP)

Asset portfolio ratings are identified by the suffix AP (e.g. AAA_{AP}).

² 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.

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.
- 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 of a default status to a Credit Rating of either D or SD.
- Under Review: The placement of a Credit Rating 'Under Review' for a possible upgrade or downgrade, or for a developing outcome.
- Confirmation: If a Credit Rating is removed from Under Review without an upgrade or downgrade.
- Affirmation: If a Credit Rating is affirmed following a rating committee.
- Withdrawal: If a Credit Rating is withdrawn.
- Assignment of a new Outlook or a changed Outlook to a Credit Rating.

5.2 Credit Rating Under Review

A Credit Rating can be placed Under Review for upgrade, downgrade or developing outcome. Under Review status indicates that this Credit Rating is under consideration for a change while further analysis is needed to determine the Credit Rating outcome. Scope Ratings intends to resolve a Credit Rating placed Under Review as soon as practicable and over a period not exceeding three months. Under Review status will be resolved with a Credit Rating being upgraded, downgraded or confirmed. The Credit Rating can also remain Under Review if more time is required to complete the analysis. The direction of an Under Review can also be changed. A Credit Rating Under Review can only be withdrawn after the review is concluded.

5.3 Outlook

An issuer Credit Rating can be accompanied by a Credit Rating Outlook, which can be Stable, Positive or Negative. The positive and negative Outlooks normally refer to a period of 12-18 months. These Outlooks 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 and Project Finance instruments.



Credit Rating Definitions

Scope Ratings GmbH & Scope Ratings UK Ltd.

Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 62 31 42

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Madrid

Edificio Torre Europa
Paseo de la Castellana 95
E-28046 Madrid

Phone +34 914 186 973

Paris

23 Boulevard des Capucines
F-75002 Paris

Phone +33 1 8288 5557

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

111 Buckingham Palace Road
London SW1W 0SR

Phone +44020-7340-6347

info@scoperatings.com

www.scoperatings.com

Disclaimer

© 2021 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Analysis GmbH, Scope Investor Services GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.