Creditreform Rating AG

Credit ratings and rating scales

1. Creditreform Ratings AG (Creditreform) produces a variety of types of credit ratings, which may be used by institutions for the calculation of risk weights under the Standardised Approach (SA)[[1]](#footnote-2), as shown in column 2 of Figure 2 in Appendix 1:

* **Long term bank issuer rating,** defined as establishing the extent to which the bank under review will be able to meet the contractual obligations of its various financing instruments fully and on time.
* **Bank issue rating,** defined as having a modular structure and being based on the long-term issuer rating of the bank under review. Additional criteria – such as the bail-in cascade pursuant to the BRRD (Bank Recovery and Resolution Directive), the type and class of instrument and the structure of total liabilities – are also being taken into account, potentially leading to an upgrade or a downgrade of certain classes of instruments. Bank ratings may be accompanied by simultaneously conducted bank capital and unsecured debt instrument ratings, optionally also by ratings for specific issues.
* **Corporate issuer ratings,** defined as assessing the financial strength of the company or issuer under review in an integrated rating process. This enables potential investors and business partners to develop a reliable assessment of whether or not the company or issuer in question will be able to meet its financial obligations fully and on time.
* **Corporate issue ratings**, defined as providing assessments of the credit quality of individual issues by non-financial companies, including – for example – promissory notes, loans, corporate bonds or any other form of borrowed funds.
* **SME issuer rating,** defined as assessing the financial strength of the issuer under review in an integrated rating process. This enables potential investors and business partners to develop a reliable assessment of whether or not the company or issuer in question will be able to meet its financial obligations fully and on time.
* **SME issue rating**, defined as providing assessments of the credit quality of individual issues by non-financial companies, including – for example – promissory notes, loans, corporate bonds or any other form of borrowed funds.
* **Bank covered bonds rating,** defined as primarily based on an analysis of the issuer, following which the legal framework and the structure of the issue will be examined.
* **Sovereign issuer ratings,** defined as providing assessments of the creditworthiness of a sovereign in its capacity as a debtor with universally comparable standards across different levels of economic development.
* **Sovereign issue ratings**, defined as ratings for specific debt instruments or bonds that have been issued by governments either in local or foreign currency.
* **Institutional investor debt rating,** defined as using asset-based finance ratings to analyze directly- or indirectly-financed investments. The product range includes ratings in different asset categories, for private equity and private debt investments as well as for investments in fields such as infrastructure, renewables, real estate, aviation and logistics.

1. Creditreform assigns these credit ratings to a single rating scale as illustrated in column 3 of Figure 2 in Appendix 1. The specification of this rating scale is described in Figure 3 of Appendix 1.

Appendix 1: Credit ratings and rating scales

Figure 2: Creditreform’s relevant credit ratings and rating scales

|  |  |  |
| --- | --- | --- |
| SA exposure classes | Name of credit rating | Credit rating scale |
| **Long-term ratings** |  |  |
| Central governments or central banks | Sovereign issuer rating | Long-term rating scale |
|  | Sovereign issue rating | Long-term rating scale |
| Public sector entities | Corporate issuer rating | Long-term rating scale |
|  | Corporate issue rating | Long-term rating scale |
| Institutions | Long-term bank issuer rating | Long-term rating scale |
|  | Bank issue rating | Long-term rating scale |
| Corporates | Corporate issuer rating | Long-term rating scale |
|  | Corporate issue rating | Long-term rating scale |
|  | SME issuer rating | Long-term rating scale |
|  | SME issue rating | Long-term rating scale |
| Covered bonds | Bank covered bonds rating | Long-term rating scale |
|  | Institutional investor debt rating | Long-term rating scale |

Source: Creditreform

Figure 3: Long-term issuer rating scale

|  |  |
| --- | --- |
| Credit assessment | Meaning of the credit assessment |
| AAA | Highest level of creditworthiness, lowest default risk |
| AA | Very high level of creditworthiness, very low default risk |
| A | High level of creditworthiness, low default risk |
| BBB | Highly satisfactory level of creditworthiness, low to medium default risk |
| BB | Satisfactory level of creditworthiness, medium default risk s |
| B | Moderate level of creditworthiness, increased default risk |
| C | Low level of creditworthiness, high or very high default risk |
| SD | Insufficient level of creditworthiness, selective default of a considerable proportion of the company’s payment obligations |
| D | Insufficient level of creditworthiness, default, insolvency |

Source: Creditreform

1. As explained in recital 4 of the Implementing Regulation, Article 4(1) CRA allows the use of the credit assessments for the determination of the risk-weighted exposure amounts as specified in Article 113(1) CRR as long as they meet the definition of credit rating in Article 3(1)(a) CRA. [↑](#footnote-ref-2)