

Ratings Scale and Definitions

RATING SCALE

AAA

An issuer or obligation rated 'AAA' is of the highest credit quality, with an extremely strong capacity to meet financial commitments and the lowest level of credit risk. These obligations are judged to have almost no risk of default due to credit-related events and are expected to withstand even the most challenging economic conditions. The 'AAA' rating signifies the highest safety for timely payment and the lowest expectation of default.

AA

An issuer or obligation rated 'AA' is of high credit quality, with very low credit risk. This rating signifies that the issuer or obligation has a very strong capacity to meet financial commitments and offers high safety for timely payment, with minimal risk of default even under adverse economic conditions. The credit quality is very strong, though not at the highest rating level.

A

An issuer or obligation rated 'A' is considered upper-medium grade, with low credit risk and a strong capacity to meet financial commitments. While more susceptible to adverse economic conditions than higher-rated obligations, it is expected to maintain acceptable safety for timely payment and experience minimal risk of default, even during challenging times.

BBB

An issuer or obligation rated 'BBB' is of medium quality, providing moderate safety for timely payment of debt obligations. It carries moderate credit risk and has an adequate capacity to meet financial commitments. However, this capacity is more vulnerable to adverse economic conditions and may experience a credit default during periods of financial stress.

BB

An issuer or obligation rated 'BB' is of speculative credit quality, with high credit risk and inadequate safety for timely payment of debt obligations. It is characterized by substantial vulnerability to default, especially under adverse economic conditions, and has fundamental weaknesses that create a moderate risk of default. Despite these risks, some financial flexibility may support the servicing of commitments.

B

An issuer or obligation rated 'B' is of speculative credit quality, characterized by low safety for timely payment and high credit risk. It is vulnerable to default and has very low quality, with significant risk of default due to credit-related events. Although the issuer or obligation currently meets its financial commitments, it faces substantial risks from fundamental weaknesses and adverse economic conditions, which could severely impact its ability to continue meeting obligations.

CCC

An issuer or obligation rated 'CCC' is highly speculative and carries very high credit risk. These obligations are currently vulnerable to nonpayment, with a substantial risk of default due to credit related events. The issuer's ability to meet its financial commitments depends on favorable business, financial, and economic conditions, with default being a real possibility. In adverse conditions, the issuer is unlikely to have the capacity to fulfill its financial obligations.

CC

An issuer or obligation rated 'CC' is highly speculative and extremely vulnerable to nonpayment, with default being almost certain. While a default has not yet occurred, it is considered imminent, with limited prospects for recovery of principal and interest. The likelihood of default is high, with low recovery expectations.

C

An issuer or obligation rated 'C' is extremely vulnerable to nonpayment and is typically already in or near default, with very low prospects for recovery of principal or interest. This rating indicates a high risk of default, with the obligation likely having lower seniority or lower ultimate recovery compared to higher-rated obligations. In some cases, a default or default-like process has already begun, or payment capacity is irrevocably impaired.

D

An issuer or obligation rated 'D' is the lowest rating, indicating the issuer or issue is in default, with a failure to meet payment obligations such as interest, principal, or preferred dividends. This rating applies when an issuer has entered bankruptcy, liquidation, or similar formal proceedings, or when a distressed debt restructuring has occurred. For an issuer, this most likely means it has ceased or is likely to cease operations with debt still outstanding.

SD

Selective Default may be assigned when an obligor defaults on a specific issue or class of obligations but continues to meet its payment obligations on others. In other words, the issuer fails to fulfill certain debts while staying current on others. When assigning SD, TA will consider whether the obligor has defaulted on a specific issue or class while continuing to meet other obligations. Key considerations include:

1. Debt Restructuring:

Assess whether restructuring implies that investors receive less than the original promise without adequate compensation.

2. Potential Default:

Evaluate if there is a realistic possibility of a conventional default (e.g., bankruptcy, insolvency, or missed payment) over the near to medium term without restructuring.

3. Payment Terms:

Determine if changes to payment terms, such as debt exchanges, maturity extensions, or interest rate adjustments, would provide less than the original promise.

RATING MODIFIERS

Transparency Analytics may append a plus (+) or minus (-) modifier to ratings in categories AA through CCC to indicate relative risk levels within the broader category. A plus (+) signifies that the obligation ranks at the higher end of its rating category, while a minus (-) indicates a ranking at the lower end. These modifiers reflect relative differences within the rating categories.

OUTLOOK AND CREDIT WATCH

OUTLOOK

All assigned ratings include an 'Outlook,' which indicates the potential direction of a credit rating over the next 12 to 24 months. This reflects TA's view on the likely future movement of the credit rating, considering factors such as economic conditions, industry trends, and issuer-specific developments.

There are three types of outlooks:

1. Stable:

The rating is unlikely to change in the near term.

2. Positive:

A rating may be upgraded if the current trend continues.

3. Negative:

A rating may be downgraded if the current trend continues.

The Outlook is intended to help users of ratings to understand TA's expectations and the factors that could influence future rating changes.

CREDIT WATCH

In certain situations, TA may become aware of developing financial, legal, merger, acquisition, or economic information that could impact a credit rating level. When TA is monitoring such developments, it may place the credit rating on Credit Watch with either a "Positive" or "Negative" designation. The assignment of a credit watch is not considered a credit rating action; however, it can only be made by a committee.

A **Positive** watch signifies at least a one-in-three chance of a ratings upgrade within 180 days.

A **Negative** watch signifies at least a one-in-three chance of a ratings downgrade within 180 days.

All credit watch assignments must either be resolved or extended by a rating committee within 180 days.