

Rating Symbols

This document supersedes the Rating Symbols and Definitions published in May 2020 and describes the meanings of both issuer ratings and issue ratings assigned by TRIS Rating. TRIS Rating assigns issuer and issue credit ratings to express forward-looking opinions on an obligor's ability and willingness to meet its financial obligations as they come due. Issue credit ratings may take into consideration the priority of claims and the value of assets pledged as collateral which could affect the recovery amount in a payment default. TRIS Rating also assigns financial strength ratings (FSR) to insurance companies to reflect their capacities to pay policyholder obligations.

Long-Term Issuer and Issue Credit Ratings

Corporates, Financial Institutions, Insurance, and Sovereign

TRIS Rating uses nine letter rating symbols to indicate the assessed ability of an obligor to meet its financial obligations over the medium to long term. The symbol "AAA" represents the highest rating, and "D" represents the lowest rating. Below are the symbols and their respective indications:

- AAA The highest rating indicates an obligor or a debt instrument with the smallest degree of credit risk. The obligor has an extremely strong capacity to repay its financial obligations on time and is unlikely to be affected by adverse changes in business, economic, or other external conditions.
- AA The rating indicates an obligor or a debt instrument with a very low degree of credit risk. The obligor has very strong capacity to repay its financial obligations on time but is somewhat more susceptible to adverse changes in business, economic, or other external conditions than the AAA rating.
- A The rating indicates an obligor or a debt instrument with a low credit risk. The obligor has a strong capacity to repay its financial obligations on time but is more susceptible to adverse changes in business, economic or other external conditions than higher-rated categories.
- BBB The rating indicates an obligor or a debt instrument with moderate credit risk. The obligor has an adequate capacity to repay its financial obligations on time but is more vulnerable to adverse changes in business, economic, or other external conditions and is more likely to have a weakened capacity to meet its obligations than higher-rated categories.
- BB The rating indicates an obligor or a debt instrument with a high credit risk. The obligor has a less than moderate capacity to repay its financial obligations on time and can be significantly affected by adverse changes in business, economic, or other external conditions, leading to an inadequate capacity to meet its obligations.
- B The rating indicates an obligor or a debt instrument with a very high credit risk. The obligor has a low capacity to repay its financial obligations on time. Adverse changes in business, economic, or other external conditions could lead to inability or unwillingness to meet its obligations.
- C The rating indicates an obligor or a debt instrument with the highest risk of default. The obligor has a significant inability to repay its financial obligations on time, and is dependent upon favorable business, economic, or other external conditions to meet its obligations.
- SD This rating is applied to an issuer only. The rating indicates an obligor with some specific debt obligations in default, but the obligor continues to service its other debt obligations. A distressed exchange offered* by an obligor is considered a default.
- D The rating indicates an obligor with most or all of its financial obligations in default, or a debt instrument for which payment is in default. The "D" rating is used when payments on an obligation are not made on the date due, unless TRIS Rating believes that such payments will be made within an agreed grace period. The "D" rating will also be used upon the filing of a bankruptcy petition or the taking of similar actions where the default on an obligation is a virtual certainty. A distressed exchange offered* by an obligor is considered a default.

The ratings from AA to B may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

Short-Term Issuer and Issue Credit Ratings

TRIS Rating assigns short-term ratings to indicate the assessed ability of an obligor to meet its financial obligations over a short period of not more than 365 days. The assessment is focused on the likelihood of default with no consideration on the prospect of recovery in a payment default. Below are the short-term rating symbols and their respective indications:

- T1 An obligor has a wide margin of financial protection, appropriate liquidity, and other measures of superior investor protection. An issue or issuer designated with a “+” has a higher degree of these protections.
- T2 An obligor has sound financial fundamentals and a satisfactory ability to repay its short-term obligations.
- T3 An obligor has an acceptable capacity to meet its short-term obligations.
- T4 An obligor has a weak capacity to meet its short-term obligations.
- C An obligor is vulnerable to nonpayment.
- SD This rating is applied to an issuer only. The rating is assigned to an obligor with some specific financial obligations in default, but the obligor continues to service its other financial obligations. A distressed exchange offered* by an obligor is considered a default.
- D The rating indicates an obligor with most or all of its financial obligations in default, or a debt instrument for which payment is in default. The “D” rating category is used when payments on an obligation are not made on the date due, unless TRIS Rating believes that such payments will be made within an agreed grace period. The “D” rating will also be used upon the filing of a bankruptcy petition or the taking of similar actions where the default on an obligation is a virtual certainty. A distressed exchange offered* by an obligor is considered a default.

***Distressed exchange offer** means the creditors accept payments of less than the original promised value amid concerns that the obligor will not be able to fulfill its original promised obligations. An extension of the tenor without adequate offsetting compensation may be considered a distressed exchange.

Structured Finance

TRIS Rating differentiates a “structured finance product” from other debt instruments by attaching the “(sf)” identifier next to the original letter rating symbol. The “(sf)” identifier is assigned to all debt instruments that are deemed to meet the definition of a “structured finance product” as defined by the Securities and Exchange Commission (SEC). The addition of this subscript to the rating symbol does not change the definition of the letter rating symbols mentioned above.

Insurer Financial Strength Ratings

TRIS Rating assigns Financial Strength Ratings (FSR) to insurance companies, including life and non-life insurers, using nine letter rating symbols indicating an insurer’s capacity to meet its policyholder obligations in due course.

- AAA The highest rating indicates an insurer has extremely strong capacity to meet its policyholder obligations in due course.
- AA The rating indicates an insurer has very strong capacity to meet its policyholder obligations in due course. Its capacity differs from that of the highest-rated insurers only slightly.
- A The rating indicates an insurer has strong capacity to meet its policyholder obligations in due course but is somewhat more likely to be affected by adverse business or other external conditions than the insurers in higher-rated categories.

- BBB The rating indicates an insurer has adequate capacity to meet its policyholder obligations in due course but is more likely to be affected by adverse business or other external conditions than higher-rated insurers.
- BB The rating indicates an insurer has limited capacity to meet its policyholder obligations in due course, and is more vulnerable to adverse business or other external conditions than higher-rated insurers.
- B The rating indicates an insurer has very weak capacity to meet its policyholder obligations in due course. Adverse changes in business or other external conditions could lead to inability or unwillingness to meet policyholder obligations.
- C The rating indicates an insurer is currently vulnerable and has a significant inability to meet policyholder obligations and is dependent upon favorable business or other external conditions to meet its obligations. The “C” rating will also be used upon the filing of a bankruptcy petition or the taking of similar action where default on an obligation is a certainty.
- SD The rating indicates an insurer has selectively defaulted on one or more classes of insurance policies when it came due but continues to meet its payment obligations on other classes of insurance policies. An “SD” rating can include the completion of a distressed debt restructuring.
- D A “D” rating category is used when TRIS Rating believes that the default will be a general default and that the insurer will fail to pay substantially all its obligations under the policy terms and conditions in full. A “D” rating can include the completion of a distressed debt restructuring. Insurance claim denials due to lack of coverage or other legally permitted defenses do not constitute defaults.

The ratings from AA to B may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

Rating Outlook

TRIS Rating also assigns a “rating outlook” that reflects the potential direction of a credit rating over the medium to long term. In assigning a rating outlook, TRIS Rating takes into consideration the prospects for the rated company’s industry, and the tendency of material changes in its business and financial profile. The rating outlook is announced in conjunction with the assigned credit rating, except for structured finance debt ratings for which we do not assign a rating outlook. In most cases, the outlook of a debt obligation is the same as the outlook assigned to the issuer or the obligor. A rating outlook can be assigned as:

- Positive: indicating a positive tendency toward a rating upgrade.
- Stable: indicating a tendency of the rating to remain unchanged.
- Negative: indicating a negative tendency toward a rating downgrade.
- Developing: no clear indications of a tendency toward a rating upgrade, downgrade, or affirmation.

CreditAlert

TRIS Rating may announce a “CreditAlert” as part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exert a substantial impact on the business or financial profile of the rated entity. The assigned credit rating remains unchanged if there is insufficient data or incomplete development of an event for a full assessment of the impact, such as with a merger, new investment, or capital restructuring.

The announcement aims to forewarn investors to take a more cautious stance in investment decisions that involve the credit risk of the rated entity. A CreditAlert report typically consists of a “Rationale” section explaining the reason for issuing the report, and a “CreditAlert Designation”. CreditAlert Designation indicates an implication of the impact on the credit rating in one of the three directions (1) Positive (2) Negative and (3) Developing. The rating outlook is withheld in a CreditAlert announcement.

CreditUpdate

TRIS Rating will publish a CreditUpdate report when (i) significant events have taken place that affect the business or financial condition of a rated entity, and there is sufficient data to support a revision on the rating, either an upward revision (upgrade) or downward revision (downgrade); (ii) assigning an issue rating to a new debt issue by a rated entity; or (iii) the rating is cancelled.