

Fitch Ratings

Rating Definitions

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About Ratings and Rating Scales

Fitch Ratings publishes opinions on a variety of scales. The most common of these are credit ratings, but the agency also publishes ratings, scores and other relative opinions relating to financial or operational strength. For example, Fitch also provides specialized ratings of servicers of residential and commercial mortgages, asset managers and funds. In each case, users should refer to the definitions of each individual scale for guidance on the dimensions of risk covered in each assessment.

Fitch's credit ratings relating to issuers are an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Credit ratings relating to securities and obligations of an issuer can include a recovery expectation (please see section [Specific Limitations Relating to Credit Rating Scales](#) for details). Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. The agency's credit ratings cover the global spectrum of corporate, sovereign financial, bank, insurance, and public finance entities (including supranational and sub-national entities) and the securities or other obligations they issue, as well as structured finance securities backed by receivables or other financial assets.

The terms "investment grade" and "speculative grade" have established themselves over time as shorthand to describe the categories 'AAA' to 'BBB' (investment grade) and 'BB' to 'D' (speculative grade). The terms investment grade and speculative grade are market conventions and do not imply any recommendation or endorsement of a specific security for investment purposes. Investment grade categories indicate relatively low to moderate credit risk, while ratings in the speculative categories either signal a higher level of credit risk or that a default has already occurred.

For the convenience of investors, Fitch may also include issues relating to a rated issuer that are not and have not been rated on its web page. Such issues are also denoted as 'NR'.

Credit ratings express risk in relative rank order, which is to say they are ordinal measures of credit risk and are not predictive of a specific frequency of default or loss. For information about the historical performance of ratings please refer to Fitch's Ratings Transition and Default studies which detail the historical default rates and their meaning. The European Securities and Markets Authority also maintains a central repository of historical default rates.

Fitch's credit ratings do not directly address any risk other than credit risk. In particular, ratings do not deal with the risk of a market value loss on a rated security due to changes in interest rates, liquidity and other market considerations. However, in terms of payment obligation on the rated liability, market risk may be considered to the extent that it influences the ability of an issuer to pay upon a commitment.

Ratings nonetheless do not reflect market risk to the extent that they influence the size or other conditionality of the obligation to pay upon a commitment (for example, in the case of index-linked bonds).

In the default components of ratings assigned to individual obligations or instruments, the agency typically rates to the likelihood of non-payment or default in accordance with the terms of that instrument's documentation. In limited cases, Fitch may include additional considerations (i.e. rate to a higher or lower standard than that implied in the obligation's documentation).

The primary credit rating scales can be used to provide a rating of privately issued obligations or certain note issuance programs or for private ratings. In this case the rating is not published, but only provided to the issuer or its agents in the form of a rating letter.

The primary credit rating scales may also be used to provide ratings for a more narrow scope, including interest strips and return of principal or in other forms of opinions such as Credit Opinions or Rating Assessment Services. Credit Opinions are either a notch- or category-specific view using the primary rating scale and omit one or more characteristics of a full rating or meet them to a different standard. Credit Opinions will be indicated using a lower case letter symbol combined with either an '*' (e.g. 'bbb+*') or (cat) suffix to denote the opinion status. Credit Opinions will be point-in-time typically but may be monitored if the analytical group believes information will be sufficiently available. Rating Assessment Services are a notch-specific view using the primary rating scale of how an existing or potential rating may be changed by a given set of hypothetical circumstances. While Credit Opinions and Rating Assessment Services are point-in-time and are not monitored, they may have a directional Watch or Outlook assigned, which can signify the trajectory of the credit profile.

Usage and Limitations of Credit Ratings and Other Forms of Opinion

Ratings, including Rating Watches and Outlooks, assigned by Fitch are opinions based on established criteria.

Ratings are the collective work product of Fitch, and no individual, or group of individuals, is solely responsible for a rating. Ratings are not facts and, therefore, cannot be described as being "accurate" or "inaccurate." Users should refer to the definition of each individual rating for guidance on the dimensions of risk covered by such rating.

Fitch's opinions are forward looking and include Fitch's views of future performance. In many cases, these views on future performance may include forecasts, which may in turn (i) be informed by non-disclosable management projections, (ii) be based on a trend (sector or wider economic cycle) at a certain stage in the cycle, or (iii) be based on historical performance. As a result, while ratings may include cyclical considerations and attempt to assess the likelihood of repayment at "ultimate/final maturity," material

changes in economic conditions and expectations (for a particular issuer) may result in a rating change.

Credit ratings do not directly address any risk other than credit risk. Credit ratings are not an assessment of coupon risk unrelated to credit risk, currency risk, the adequacy of market price or market liquidity for rated instruments. Fitch's rating criteria assesses all relevant risks in its evaluation of an entity's ability to pay principal and interest.

Ratings are relative measures of risk; as a result, the assignment of ratings in the same category to entities and obligations may not fully reflect small differences in the degrees of risk. Credit ratings, as opinions on relative ranking of vulnerability to default, do not imply or convey a specific statistical probability of default, notwithstanding the agency's published default histories that may be measured against ratings at the time of default. These are backward looking studies on the performance and stability of ratings. Future ratings performance could be materially different from these historical observations.

Ratings are based on all information known to and considered relevant by Fitch, including publicly available information and/or non-public documents and information provided to the agency by an issuer and other parties. Publication and maintenance of all ratings are subject to there being sufficient information, consistent with the relevant criteria, to form an opinion on the relative vulnerability to default expressed in a rating.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers, underwriters and other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information it relies on in accordance with its rating criteria and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer; the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located; the availability and nature of relevant public information; access to the management of the issuer and its advisers; the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties; the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer; and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings, Fitch must rely on the work of experts, including independent auditors with respect to financial

statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed. If any such information should turn out to contain misrepresentations or to be otherwise misleading, the rating associated with that information may not be appropriate. The assignment of a rating to any issuer or any security should not be viewed as a guarantee of the accuracy, completeness, or timeliness of the information relied on in connection with the rating or the results obtained from the use of such information.

If a rating does not benefit from the participation of the issuer/originator, but Fitch is satisfied that "minimum threshold" information relating to the issuer/obligor or security according to the relevant criteria is available from public information and other sources available to Fitch, then the non-participatory issuer, as with all issuers, will be afforded the opportunity to comment on the rating and supporting research prior to it being published.

Fitch is not responsible for any underwriting, credit, loan, purchase, strategic or investment decision. Ratings are not a recommendation or suggestion, directly or indirectly, to any person to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan, or security or any entity. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not an adviser to any party and is not providing to any party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as replacement for such advice or services. Fitch does not have any fiduciary relationship with any issuer or its agents, the user of a rating or any other party. The use of any rating is entirely at the users' own risk.

Ratings may be upgraded, downgraded, affirmed, qualified, placed on Rating Watch, Outlooks assigned, modified, or withdrawn as a result of changes in, additions to, accuracy of, unavailability of or inadequacy of information or for any reason Fitch deems sufficient.

Fitch does not consent to the inclusion of its ratings in any offering document in any instances in which U.S., U.K. or any other relevant securities laws requires such consent. For the avoidance of doubt, if there is no legal or regulatory requirement for Fitch's consent in order to include Fitch's rating in a given offering document in a given jurisdiction, then Fitch does not object to the inclusion of its ratings in that offering document in that jurisdiction. Fitch notes that it is the issuer's responsibility to determine what the legal and regulatory requirements are in any given jurisdiction. Fitch does not consent to the inclusion of any written document communicating its rating action in any offering document except where such inclusion is required by applicable law or regulation and where Fitch has confirmed its consent. Fitch has not consented to, and will not

consent to, being named an “expert” in connection with any registration statement or other filing under U.S., UK or any other relevant securities laws, including but not limited to Section 7 of the US Securities Act of 1933, as amended. Fitch is not an “underwriter” or “seller” as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933, as amended, nor does Fitch perform the roles or tasks associated with an underwriter or seller.

Specific Limitations Relating to Credit Rating Scales

The following section outlines specific limitations to credit rating scales. Ratings assigned by Fitch articulate an opinion on discrete and specific areas of risk. For the reader’s convenience, the following summary lists provide an overview of the most relevant limitations for specific types of ratings or rating scales. The lists are not exhaustive and need to be read in conjunction with the sections [Usage and Limitations of Credit Ratings and Other Forms of Opinion](#) and the section [About Ratings and Rating Scales](#) for further information on and the limitations of the agency’s ratings.

Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings

The following specific limitations relate to issuer default scales, ratings assigned to corporate finance obligations, ratings assigned to public finance obligations, ratings assigned to structured finance transactions, ratings assigned to global infrastructure and project finance transactions, ratings assigned for banks (Viability Ratings, Support Ratings, Support Floors), derivative counterparty ratings and insurer financial strength ratings.

- The ratings do not predict a specific percentage of default likelihood or failure likelihood over any given time period.
- The ratings do not opine on the market value of any issuer’s securities or stock, or the likelihood that this value may change.
- The ratings do not opine on the liquidity of the issuer’s securities or stock.
- The ratings do not opine on the possible loss severity on an obligation should an issuer (or an obligation with respect to structured finance transactions) default, except in the following cases:
 - Ratings assigned to individual obligations of issuers in corporate finance, banks, non-bank financial institutions, insurance and covered bonds.
 - In limited circumstances for U.S. public finance obligations where Chapter 9 of the Bankruptcy Code provides reliably superior prospects for ultimate recovery to local government obligations that benefit from a statutory lien on revenues or during the pendency of a bankruptcy proceeding under the Code if there is sufficient visibility on potential recovery prospects.
- The ratings do not opine on the suitability of an issuer as a counterparty to trade credit.

- The ratings do not opine on any quality related to an issuer's business, operational or financial profile other than the agency's opinion on its relative vulnerability to default or in the case of bank Viability Ratings on its relative vulnerability to failure. For the avoidance of doubt, not all defaults will be considered a default for rating purposes. Typically, a default relates to a liability payable to an unaffiliated, outside investor.
- The ratings do not opine on any quality related to a transaction's profile other than the agency's opinion on the relative vulnerability to default of an issuer and/or of each rated tranche or security.
- The ratings do not predict a specific percentage of extraordinary support likelihood over any given period.
- In the case of bank Support Ratings and Support Rating Floors, the ratings do not opine on any quality related to an issuer's business, operational or financial profile other than the agency's opinion on its relative likelihood of receiving external extraordinary support.
- The ratings do not opine on the suitability of any security for investment or any other purposes.

Specific Limitations Relevant to Recovery Ratings

Specific limitations relevant to the Recovery Ratings scale include:

- The ratings do not predict a specific percentage of recovery should a default occur.
- The ratings do not opine on the market value of any issuer's securities or stock, or the likelihood that this value may change.
- The ratings do not opine on the liquidity of the issuer's securities or stock.
- The ratings do not opine on any quality related to an issuer or transaction's profile other than the agency's opinion on the relative loss severity of the rated obligation should the obligation default.
- Recovery Ratings, in particular, reflect a fundamental analysis of the underlying relationship between financial claims on an entity or transaction and potential sources to meet those claims. The size of such sources and claims is subject to a wide variety of dynamic factors outside the agency's analysis that will influence actual recovery rates.
- Out-of-court settlements are not contemplated by Fitch's Recovery Ratings, other than in broad concession payments for some classes of junior-ranking bonds in some specific scenarios. In reality, out-of-court settlements will be influenced heavily by creditor composition and local political and economic imperatives, and Fitch does not attempt to factor these into its Recovery Ratings.
- Creditor composition is outside the scope of Recovery Ratings. Concentration of creditors at a certain level of the capital structure, common ownership of claims at different levels in a capital structure or even differing entry prices of investors within a creditor class can have a profound effect on actual recovery rates.
- Information flows for companies close to default can become erratic, which may reduce Fitch's visibility on its Recovery Ratings.

- Enterprise valuations play a key role in the allocation of recoveries across credit classes. Recovery Ratings assume cash-flow multiples or advance rates, which are driven by subjective forecasts of Fitch analysts of post-restructuring cash flow, achievable exit multiples and appropriate advance rates. All these parameters are subject to volatility before and during the restructuring process.
- Recovery rates are strongly influenced by legal decisions. Potential legal decisions are not factored into Fitch's Recovery Ratings.

Specific Limitations Relevant to Insurer Financial Strength Ratings

The limitations below relate to all types of Insurer Financial Strength Ratings (International and National, as well as Long-Term and Short-Term). In addition, please also see the limitations relating to [National Insurer Financial Strength Ratings](#).

- The ratings do not predict a specific percentage of default likelihood or expected loss on policyholder obligations over any given period.
- The ratings do not opine on the quality of an insurer's claims handling services.
- The ratings do not opine on the relative value of the various insurance products sold.
- The ratings do not opine on the liquidity of the issuer's securities or stock.
- The ratings do not opine on the market value of any issuer's securities or stock, or the likelihood that this value may change.
- The ratings do not opine on the suitability of an issuer as a counterparty to trade credit.
- The ratings do not encompass policyholder obligations residing in separate accounts, unit-linked products or segregated funds, for which the policyholder bears investment or other risks. However, any guarantees provided to policyholders with respect to such obligations are included in the ratings.
- The ratings do not opine on any quality related to an issuer's business, operational or financial profile other than the agency's opinion on its relative vulnerability to default and relative recovery should a default occur.
- Expected recoveries, in particular, reflect a fundamental analysis of the sufficiency of an insurer's assets to fund policyholder obligations, in a scenario in which payments have ceased or been interrupted. The size of such sources and claims is subject to a wide variety of dynamic factors outside the agency's analysis that will influence actual recovery rates.
- Expected recoveries exclude the effect of recoveries obtained from any government-sponsored guaranty or policyholder protection funds. Expected recoveries also exclude the effect of collateralization or security, such as letters of credit or trusteed assets supporting select reinsurance obligations.

Specific Limitations Relevant to National Ratings

- National scale ratings are only available in selected countries.

- National scale ratings are only directly comparable with other national ratings in the same country. There is a relationship between national and international ratings but there is not a precise translation between the scales. The implied vulnerability to default of a given national scale rating will vary over time.
- The value of default studies for National Ratings is limited. Due to the relative nature of national scales, a given national scale rating is not intended to represent a fixed amount of default risk over time. As a result, a default study using only National Ratings may not give an accurate picture of the historical relationship between ratings and default risk. Users should exercise caution in making inferences relating to the relative vulnerability to default of national scale ratings using the historical default experience with International Ratings and mapping tables to link the National and International ratings. As with ratings on any scale, the future will not necessarily follow the past.

Specific Limitations Relevant to Other Forms of Opinions (Non-Credit Scale Ratings)

Money Market Fund Ratings, Fund Credit Quality Ratings, Fund Market Risk Sensitivity Ratings, Investment Management Quality Ratings, and Servicer Ratings are not credit ratings. Comparison with credit ratings or any particular aspect of credit ratings is not appropriate.

- Ratings are not investment recommendations.
- Rating decisions are based on relevant public and non-public information available to analysts. The information sources are the investment manager, the fund administrator and the public domain. This includes publicly available information on the fund such as audited and unaudited (e.g. interim) financial statements and regulators filings.
- Ratings do not include specific considerations of tax regimes.
- The ratings do not predict a specific level or range of performance of a fund over any given period.
- The ratings do not predict a particular investment outcome or a particular risk-adjusted return.
- The ratings do not opine on the suitability or otherwise of a fund for investment or any other purposes.
- Money Market Fund Ratings do not opine on any quality related to a money market fund other than its ability to meet its investment objective or preserving principal and providing liquidity through limiting credit, market and liquidity risk.
- Fund Credit Quality Ratings do not opine on any quality related to a fund other than the average credit quality of its underlying assets and their diversification.
- Fund Market Risk Sensitivity Ratings do not opine on any quality other than the sensitivity of the fund's total return to assumed changes in interest rates, mortgage prepayment speeds, spreads, currency exchange rates and a limited number of other market conditions.

- Ratings do not incorporate event risks such as sudden, substantial and unexpected changes in financial market prices or liquidity, regulatory decisions, litigations, redemption, fraud or other unforeseeable breakdowns in control and governance, among others.
- Servicer Ratings:
 - Fitch does not independently test or verify the functionality or interactivity of the servicing system or their fitness for any particular purpose.
 - Where servicers have outsourced part of the servicing function, Fitch does not review the outsource firms.

The above list is not exhaustive and is provided as a summary. Readers should review the section [Usage and Limitations of Credit Ratings and Other Forms of Opinion](#).

Rating Outlooks and Watches

The limitations and principles outlined above in the sections [About Ratings and Rating Scales](#), [Usage and Limitations of Credit Ratings and Other Forms of Opinion](#) and the [Specific Limitations Relating to Credit Rating Scales](#) also apply to Rating Outlooks and Watches.

Rating Outlooks and Watches are mutually exclusive.

Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached or been sustained the level that would cause a rating action, but which may do so if such trends continue. A Positive Rating Outlook indicates an upward trend on the rating scale. Conversely, a Negative Rating Outlook signals a negative trend on the rating scale. Positive or Negative Rating Outlooks do not imply that a rating change is inevitable, and similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as “Evolving”.

Outlooks are currently applied on the long-term scale to certain issuer ratings in corporate finance (including sovereigns, industrials, utilities, financial institutions and insurance companies) and to both issuer ratings and obligations ratings in public finance in the U.S.; to issues in infrastructure and project finance; to Insurer Financial Strength Ratings; to issuer and/or issue ratings in a number of National Rating scales; and to the ratings of structured finance transactions and covered bonds. Outlooks are not applied to ratings assigned on the short-term scale. For banks, Outlooks are not assigned to Bank Viability Ratings, Bank Support Ratings and Support Rating Floors. Derivative counterparty ratings are also not assigned Outlooks.

Ratings in the ‘CCC’, ‘CC’ and ‘C’ categories typically do not carry Outlooks since the volatility of these ratings is very high and outlooks would be of limited informational value. Defaulted ratings do not carry Outlooks.

Rating Watches indicate that there is a heightened probability of a rating change and the likely direction of such a change. These are designated as "Positive", indicating that a rating could stay at its present level or potentially be upgraded, "Negative", to indicate that the rating could stay at its present level or potentially be downgraded, or "Evolving" if ratings may be raised, lowered or affirmed. However, ratings can be raised or lowered without being placed on Rating Watch first.

A Rating Watch is typically event-driven, and as such, it is generally resolved over a relatively short period. The event driving the Watch may be either anticipated or have already occurred, but in both cases, the exact rating implications remain undetermined. The Watch period is typically used to gather further information and/or subject the information to further analysis. A Rating Watch must be reviewed and a Rating Action Commentary be published every six months after a rating has been placed on Rating Watch, except in the case described below.

Additionally, a Watch may be used where the rating implications are already clear, but where they remain contingent upon an event (e.g. shareholder or regulatory approval). The Watch will typically extend to cover the period until the event is resolved or its outcome is predictable with a high enough degree of certainty to permit resolution of the Watch. In these cases, where it has previously been communicated within the Rating Action Commentary that the Rating Watch will be resolved upon an event and where there are no material changes to the respective rating up to the event, the Rating Watch may not be reviewed within the six months interval. In any case, the affected ratings (and the Rating Watch) will remain subject to an annual review cycle.

Rating Actions

Assignment (New Rating)*:

A rating has been assigned to a previously unrated issuer or issue.

Publication (Publish)*.

Initial public announcement of a rating on the agency's website, although not necessarily the first rating assigned. This action denotes when a previously private rating is published. In cases where the publication coincides with a rating change, Fitch will only publish the changed rating. The rating history during the time when the rating was private will not be published.

Affirmations*:

The rating has been reviewed with no change in rating. Ratings affirmations may also include an affirmation of, or change to, an Outlook when an Outlook is used.

Upgrade*:

The rating has been raised in the scale.

Downgrade*:

The rating has been lowered in the scale.

Reviewed No Action*:

The rating has been reviewed with no change in rating. Such action will be published on the agency's website, but a rating action commentary will not be issued. This rating action is only available for routine structured finance and U.S. public finance surveillance activities and large portfolio/sector reviews in other groups. This is not applicable to ratings or rating modifiers that have changed (including Rating Watch, Rating Outlook or Recovery Ratings).

Matured*/Paid-In-Full

- a. 'Matured' — Denoted as 'NR'. This action is used when an issue has reached its redemption date and rating coverage is discontinued. This indicates that a previously rated issue has been repaid, but other issues of the same program (rated or unrated) may remain outstanding. For the convenience of investors, Fitch may also include issues relating to a rated issuer or transaction that are not and have not been rated on its section of the web page relating to the respective issuer or transaction. Such issues will also be denoted 'NR'.
- b. 'Paid-In-Full' — Denoted as 'PIF'. This action indicates that an issue has been paid in full. In covered bonds, PIF is only used when all issues of a program have been repaid.

Pre-refunded*:

Assigned to certain long-term U.S. public finance issues after Fitch assesses refunding escrow.

Withdrawn*:

The rating has been withdrawn and the issue or issuer is no longer rated by Fitch.

Withdrawals may occur for one or several of the following reasons:

- Incorrect or insufficient information.
- Bankruptcy of the rated entity, debt restructuring or default.
- Reorganization of rated entity (e.g. merger or acquisition of rated entity or rated entity no longer exists).
- The debt instrument was taken private.
- Withdrawal of a guarantor rating.
- An Expected Rating that is no longer expected to convert to a Final Rating.
- Criteria or policy change.
- Bonds were pre-refunded, repaid early (off schedule), or canceled. This includes cases where the issuer has no debt outstanding and is no longer issuing debt.
- Ratings are no longer considered relevant to the agency's coverage.
- Commercial reasons.
- Other reasons.

When a public rating is withdrawn, Fitch will issue a Rating Action Commentary that details the current rating and Outlook or Watch status (if applicable), a statement that the rating is withdrawn and the reason for the withdrawal.

Withdrawals cannot be used to forestall a rating action. Every effort is therefore made to ensure that the rating opinion upon withdrawal reflects an updated view. Where significant elements of uncertainty remain (for example, a rating for an entity subject to a takeover bid) or where information is otherwise insufficient to support a revised opinion, the agency attempts when possible to indicate in the withdrawal disclosure the likely direction and scale of any rating movement had coverage been maintained.

Ratings that have been withdrawn will be indicated by the symbol 'WD'.

Under Criteria Observation

The rating has been placed "Under Criteria Observation" upon the publication of new or revised criteria that is applicable to the rating, where the new or revised criteria has yet to be applied to the rating and where the criteria could result in a rating change when applied but the impact is not yet known.

Under Criteria Observation (UCO) does not satisfy Fitch's minimum annual credit review requirement. Placing a rating on UCO signals the beginning of a period during which the new or revised criteria will be applied. Placing a rating on UCO does not affect the level of the rating or its existing Outlook or Watch status. Where there is heightened probability of the application of the new or revised criteria resulting in a rating change in a particular direction, a Rating Watch may be considered more appropriate than the UCO to reflect the impact of the new or revised criteria.

The status of UCO will be resolved after the application of the new or revised criteria which must be completed within six months from the publication date of the new or revised criteria.

UCO is only applicable to private and public international credit ratings. It is not applicable to National Ratings, Non-Credit Scale Ratings, Credit Opinions or Rating Assessment Services. It is not applicable to ratings status Paid in Full, Matured, Withdrawn or Not Rated.

Criteria Observation Removed

A Criteria Observation Removed rating action will remove UCO status and will be taken where further review has determined that the rating would not change upon application of the new or revised criteria and no other rating action has occurred to previously resolve the UCO. It is required that UCO be removed through credit rating actions — such as affirm, upgrade or downgrade — being taken in the period six months from the date of placing the rating on UCO. In some situations, the full rating portfolio will not be reviewed within the six month period yet it can be determined based on considering the changes in the new or revised criteria that the ratings will not be impacted. In these situations the Criteria

Observation Removed is appropriate. This action does not affect the rating level or the existing Outlook or Watch status. Criteria Observation Removed does not satisfy Fitch's minimum annual credit review requirement.

Recovery Rating Revision

Change to an issue's Recovery Rating.

Rating Modifier Actions

Modifiers include Rating Outlooks and Rating Watches.

Outlook Revision

Outlook revisions (e.g. to Rating Outlook Stable from Rating Outlook Positive) are used to indicate changes in the ratings trend. In structured finance transactions, the Outlook may be revised independently of a full review of the underlying rating.

An Outlook revision may also be used when a series of potential event risks has been identified, none of which individually warrants a Rating Watch but which cumulatively indicate heightened probability of a rating change over the following one to two years.

A revision to the Outlook may also be appropriate where a specific event has been identified that could lead to a change in ratings, but where the conditions and implications of that event are largely unclear and subject to high execution risk over a one- to two-year period.

Rating Watch On*:

The issue or issuer has been placed on active Rating Watch status.

Rating Watch Maintained*:

The issue or issuer has been reviewed and remains on active Rating Watch status.

Rating Watch Revision*:

Rating Watch status has changed.

Support Floor Rating Revision:

Applicable only to Support Ratings related to financial institutions, which are amended only with this action.

Under Review:

Applicable to ratings that may undergo a change in scale not related to changes in fundamental credit quality. Final action will be "Revision Rating".

*A rating action must be recorded for each rating in a required cycle to be considered compliant with Fitch policy concerning aging of ratings. Not all Ratings or Data Actions, or changes in rating modifiers, will meet this requirement. Actions that meet this requirement are noted with an * in the definitions.

Data Actions

Data Actions refer to actions taken on individual issuers or issues that denote the assignment or change of a rating but do not imply any change in the credit quality of the entity or issue.

Revision Enhancement:

Some form of the credit support affecting the rating opinion has been added or removed.

Revision IDR:

Issuer's long-term or short-term rating has been converted to an Issuer Default Rating. This action is used in cases where the change does not denote an upgrade or downgrade.

Revision Rating:

Rating has been modified for reasons that are not related to credit quality, such as to reflect the introduction of a new rating scale.

Historical Actions

In the evolution of the ratings process, Fitch has employed actions designed to meet a single purpose. These actions remain in rating history but are not expected to be re-used.

Change:

Bank Support Rating was changed to reflect new criteria. Last used in 2005.

Database Add:

Initial rating listed in Fitch's database, though not necessarily the first rating assigned.

Distressed Recovery Rating Revision:

Change to an issue's "Distressed Recovery Rating" that is independent of its long-term or short-term rating. The term Distressed Recovery Ratings exists only in rating history. These were replaced by Recovery Ratings as of 2009. Recovery Ratings for structured finance transactions were withdrawn in November 2011.

Bank Individual Ratings:

Bank Individual Ratings were assigned on a scale of A through F. These ratings attempted to assess how a bank would be viewed if it were entirely independent and could not rely on external support. Bank Viability Ratings are now assigned.

Loss Severity Rating Revision:

Change to an issue's Loss Severity Rating that is independent of its long-term or short-term rating.

Recovery Rating Revision:

Change to a corporate finance issue's Recovery Rating that is independent of its long-or short-term rating. Recovery Ratings are no longer assigned or revised for structured finance issues.

Revision MMF:

Rating has been revised to denote money market fund through addition of MMF suffix. Action was completed in January 2010.

Revision Outlook:

Rating Outlook status for a corporate or U.S. public finance rating has changed, reflecting a full review of the underlying rating. It is the equivalent of Outlook Revision, which is the term for this type of rating of action currently used.

Withdrawn — Pre-refunded:

Indicates a pre-refunded issue no longer carries an underlying rating in cases where Fitch is not asked to re-rate the issue based on the refunding escrow.

Rating Confirmations

A rating has been reviewed at the request of the rated entity or its representatives to confirm that there would be no rating effect from a proposed limited change to specific terms or other provisions or circumstances in relation to an entity, its issues or a transaction. A rating confirmation does not constitute a rating action. The provision of rating confirmations is at Fitch's sole discretion and the outcome may be communicated via a ratings confirmation letter and/or a Non Rating Action Commentary.

International Credit Rating Scales

The Primary Credit Rating Scales (those featuring the symbols 'AAA'–'D' and 'F1'–'D') are used for debt and financial strength ratings. This page describes their use for issuers and obligations in corporate, public, structured and infrastructure and project finance debt markets.

Within rating categories, Fitch may use modifiers. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

For example, the rating category 'AA' has three notch-specific rating levels ('AA+'; 'AA'; 'AA-'; each a rating level). Such suffixes are not added to 'AAA' ratings and ratings below the 'CCC' category. For the short-term rating category of 'F1', a '+' may be appended. For Viability Ratings, the modifiers '+' or '-' may be appended to a rating to denote relative status within categories from 'aa' to 'ccc'. For Derivative Counterparty Ratings the modifiers '+' or '-' may be appended to the ratings within 'AA(dcr)' to 'CCC(dcr)' categories.

International credit ratings relate to either foreign currency or local currency commitments and, in both cases, assess the capacity to meet these commitments using a globally applicable scale. As such, both foreign currency and local currency international ratings are internationally comparable assessments.

The Local Currency International Rating measures the likelihood of repayment in the

currency of the jurisdiction in which the issuer is domiciled and hence does not take account of the risk that it will not be possible to convert local currency into foreign currency or make transfers between sovereign jurisdictions (transfer and convertibility [T&C] risk).

A Local Currency International Rating will be assigned in cases where an issuance's original terms and conditions allow for repayment of foreign currency investors in local currency equivalent at the prevailing exchange rate at the time of repayment.

Foreign Currency Ratings additionally consider the profile of the issuer or note after taking into account T&C risk. This risk is usually communicated for different countries by the Country Ceiling, which caps the foreign currency ratings of most, though not all, issuers within a given country.

Besides T&C risks, there can be rating distinctions between an issuer's Local Currency and Foreign Currency Ratings, when there is considered to be a risk of selective default on Local Currency obligations versus Foreign Currency obligations, or vice versa.

A Foreign Currency Rating will be assigned in cases where an issuance is denominated in local currency or local currency equivalent, but repayment of principal and/or interest is required to be made in foreign currency at the prevailing exchange rate at the time of repayment.

Where the rating is not explicitly described in the relevant Rating Action Commentary as local or foreign currency, the reader should assume that the rating is a Foreign Currency Rating (i.e. the rating is applicable for all convertible currencies of obligation).

Issuer Default Ratings

Rated entities in a number of sectors, including financial and non-financial corporations, sovereigns, insurance companies and certain sectors within public finance, are generally assigned Issuer Default Ratings (IDRs). IDRs are also assigned to certain entities or enterprises in global infrastructure, project finance and public finance. IDRs opine on an entity's relative vulnerability to default (including by way of a distressed debt exchange) on financial obligations. The threshold default risk addressed by the IDR is generally that of the financial obligations whose non-payment would best reflect the uncured failure of that entity. As such, IDRs also address relative vulnerability to bankruptcy, administrative receivership or similar concepts.

In aggregate, IDRs provide an ordinal ranking of issuers based on the agency's view of their relative vulnerability to default, rather than a prediction of a specific percentage likelihood of default.

AAA: Highest credit quality.

'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases

of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality.

'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality.

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good credit quality.

'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative.

'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

B: Highly speculative.

'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

CCC: Substantial credit risk.

Default is a real possibility.

CC: Very high levels of credit risk.

Default of some kind appears probable.

C: Near default

A default or default-like process has begun, or the issuer is in standstill, or for a closed funding vehicle, payment capacity is irrevocably impaired. Conditions that are indicative of a 'C' category rating for an issuer include:

- a. the issuer has entered into a grace or cure period following non-payment of a material financial obligation;
- b. the issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation;
- c. the formal announcement by the issuer or their agent of a distressed debt exchange;
- d. a closed financing vehicle where payment capacity is irrevocably impaired such that it is not expected to pay interest and/or principal in full during the life of the transaction, but where no payment default is imminent

RD: Restricted default.

'RD' ratings indicate an issuer that in Fitch's opinion has experienced:

- a. an uncured payment default or distressed debt exchange on a bond, loan or other material financial obligation, but
- b. has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and
- c. has not otherwise ceased operating.

This would include:

- i. the selective payment default on a specific class or currency of debt;
- ii. the uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation;
- iii. the extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; ordinary execution of a distressed debt exchange on one or more material financial obligations.

D: Default.

'D' ratings indicate an issuer that in Fitch's opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure or that has otherwise ceased business.

Default ratings are not assigned prospectively to entities or their obligations; within this context, non-payment on an instrument that contains a deferral feature or grace period will generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a distressed debt exchange.

In all cases, the assignment of a default rating reflects the agency's opinion as to the most appropriate rating category consistent with the rest of its universe of ratings and may differ from the definition of default under the terms of an issuer's financial obligations or local commercial practice.

Country Ceilings

Country Ceilings are expressed using the symbols of the long-term issuer primary credit rating scale and relate to sovereign jurisdictions also rated by Fitch on the Issuer Default Rating (IDR) scale. They reflect the agency's judgment regarding the risk of capital and exchange controls being imposed by the sovereign authorities that would prevent or materially impede the private sector's ability to convert local currency into foreign currency and transfer to non-resident creditors — transfer and convertibility (T&C) risk. They are not ratings but expressions of a cap for the foreign currency issuer

ratings of most, but not all, issuers in a given country. Given the close correlation between sovereign credit and T&C risks, the Country Ceiling may exhibit a greater degree of volatility than would normally be expected when it lies above the sovereign Foreign Currency Rating.

Limitations

For Limitations, please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#).

Corporate Finance Obligations

Ratings of individual securities or financial obligations of a corporate issuer address relative vulnerability to default on an ordinal scale. In addition, for financial obligations in corporate finance, a measure of recovery given default on that liability is also included in the rating assessment. This notably applies to covered bonds ratings, which incorporate both an indication of the probability of default and of the recovery given a default of this debt instrument. On the contrary, Ratings of debtor-in-possession (DIP) obligations incorporate the expectation of full repayment.

The relationship between the issuer scale and obligation scale assumes a generic historical average recovery. Individual obligations can be assigned ratings higher, lower, or the same as that entity's issuer rating or IDR, based on their relative ranking, relative vulnerability to default or based on explicit Recovery Ratings.

As a result, individual obligations of entities, such as corporations, are assigned ratings higher, lower, or the same as that entity's issuer rating or IDR, except DIP obligation ratings that are not based off an IDR. At the lower end of the ratings scale, Fitch publishes explicit Recovery Ratings in many cases to complement issuer and obligation ratings.

AAA: Highest credit quality.

'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality.

'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality.

'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good credit quality.

'BBB' ratings indicate that expectations of credit risk are currently low. The capacity for

payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative.

'BB' ratings indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

B: Highly speculative.

'B' ratings indicate that material credit risk is present.

CCC: Substantial credit risk.

'CCC' ratings indicate that substantial credit risk is present.

CC: Very high levels of credit risk.

'CC' ratings indicate very high levels of credit risk.

C: Exceptionally high levels of credit risk.

'C' indicates exceptionally high levels of credit risk.

The ratings of corporate finance obligations are linked to Issuer Default Ratings (or sometimes Viability Ratings for banks) by i) recovery expectations, including as often indicated by Recovery Ratings assigned in the case of low speculative grade issuers and ii) for banks an assessment of non-performance risk relative to the risk captured in the Issuer Default Rating or Viability Rating (e.g. in respect of certain hybrid securities)

For details on Recovery Ratings, please see section [Recovery Ratings](#). For performing obligations, the obligation rating represents the risk of default and takes into account the effect of expected recoveries on the credit risk should a default occur.

If the obligation rating is higher than the rating of the issuer, this indicates above average recovery expectations in the event of default. If the obligations rating is lower than the rating of the issuer, this indicates low expected recoveries should default occur.

Ratings in the categories of 'CCC', 'CC' and 'C' can also relate to obligations or issuers that are in default. In this case, the rating does not opine on default risk but reflects the recovery expectation only.

The table below provides a summary of the possible interpretations of low speculative grade obligations ratings in corporate finance, differentiated by performing obligations and non-performing obligations or issuers. The table below does not apply to DIP issue ratings. Instrument Ratings for Combinations of Issuer IDRs and RRs

	Long-Term IDR							
	B+	B	B–	Distressed and defaulted issuers				
				CCC+	CCC	CCC–	CC	C/RD/D
RR1	BB+	BB	BB–	B+	B	B–	CCC+	CCC
RR2	BB	BB–	B+	B	B–	CCC+	CCC	CCC–
RR3	BB–	B+	B	B–	CCC+	CCC	CCC–	CC
RR4	B+	B	B–	CCC+	CCC	CCC–	CC	C
RR5	B	B–	CCC+	CCC	CCC–	CC	C	C
RR6	B–	CCC+	CCC	CCC–	CC	C	C	C

Assumes no incremental non-performance risk in instrument rating relative to the IDR.

For Obligations of Non-Financial Corporate Issuers with more than one instrument with a recovery rating of RR6, instruments with comparatively weaker contractual / structural features within this category can be rated one notch lower than suggested by the table above. For example, if a Non-Financial Corporate issuer has an Issuer Default Rating of ‘B+’ and two or more obligations with a recovery rating of ‘RR6’ which differ in terms of contractual/structural features, the weaker instruments can be rated at a level of ‘CCC+’. This differentiation is only made in the case of Issuer Default Ratings of ‘CCC’ and above.

Corporate Finance defaulted obligations typically are not assigned ‘RD’ or ‘D’ ratings but are instead rated in the ‘CCC’ to ‘C’ rating categories, depending on their recovery prospects and other relevant characteristics. This approach better aligns obligations that have comparable overall expected loss but varying vulnerability to default and loss.

Limitations

For Limitations, please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#).

Recovery Ratings

Recovery Ratings are assigned to selected individual securities and obligations, most frequently for individual obligations of corporate finance issuers with IDRs in speculative grade categories.

Among the factors that affect recovery rates for securities are the collateral, the seniority relative to other obligations in the capital structure (where appropriate), and the expected value of the company or underlying collateral in distress.

The Recovery Rating scale is based on the expected relative recovery characteristics of an obligation upon the curing of a default, emergence from insolvency or following the liquidation or termination of the obligor or its associated collateral.

Recovery Ratings are an ordinal scale and do not attempt to precisely predict a given level of recovery. As a guideline in developing the rating assessments, the agency employs broad theoretical recovery bands in its ratings approach based on historical averages and analytical judgement, but actual recoveries for a given security may deviate materially from historical averages.

RR1: Outstanding Recovery Prospects Given Default

'RR1' rated securities have characteristics consistent with securities historically recovering 91%–100% of current principal and related interest.

RR2: Superior Recovery Prospects Given Default

'RR2' rated securities have characteristics consistent with securities historically recovering 71%–90% of current principal and related interest.

RR3: Good Recovery Prospects Given Default

'RR3' rated securities have characteristics consistent with securities historically recovering 51%–70% of current principal and related interest.

RR4: Average Recovery Prospects Given Default

'RR4' rated securities have characteristics consistent with securities historically recovering 31%–50% of current principal and related interest.

RR5: Below Average Recovery Prospects Given Default

'RR5' rated securities have characteristics consistent with securities historically recovering 11%–30% of current principal and related interest.

RR6: Poor Recovery Prospects Given Default

'RR6' rated securities have characteristics consistent with securities historically recovering 0%–10% of current principal and related interest.

Limitations

For Limitations, please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Recovery Ratings](#).

Public Finance and Global Infrastructure Obligations

Ratings of public finance obligations and ratings of infrastructure and project finance obligations on the long-term scale, including the financial obligations of sovereigns, consider the obligations' relative vulnerability to default. These ratings are assigned to an individual security, instrument or tranche in a transaction. In limited cases in U.S. public finance, where Chapter 9 of the Bankruptcy Code provides reliably superior prospects for ultimate recovery to local government obligations that benefit from a statutory lien on revenues, Fitch reflects this in a security rating with limited notching above the IDR. Recovery expectations can also be reflected in a security rating in the U.S. during the pendency of a bankruptcy proceeding under the Code if there is sufficient visibility on potential recovery prospects.

AAA: Highest Credit Quality.

'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very High Credit Quality.

'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High Credit Quality.

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good Credit Quality.

'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative.

'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.

B: Highly Speculative.

'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

CCC: Substantial Credit Risk.

Default is a real possibility.

CC: Very High Levels of Credit Risk.

Default of some kind appears probable.

C: Exceptionally high levels of credit risk.

Default appears imminent or inevitable.

D: Default.

Indicates a default. Default generally is defined as one of the following:

- a. Failure to make payment of principal and/or interest under the contractual terms of the rated obligation;
- b. bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of the business of an issuer/obligor where payment default on an obligation is a virtual certainty; or
- c. distressed exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation to avoid a probable payment default.

Notes:

In U.S. public finance, obligations may be pre-refunded, where funds sufficient to meet the requirements of the respective obligations are placed in an escrow account. When obligation ratings are maintained based on the escrowed funds and their structural elements, the ratings carry the suffix “pre” (e.g. ‘AAApr’, ‘AA+pre’).

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#)).

Structured Finance

Ratings of structured finance obligations on the long-term scale consider the obligations’ relative vulnerability to default. These ratings are typically assigned to an individual security or tranche in a transaction and not to an issuer.

AAA: Highest Credit Quality.

‘AAA’ ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very High Credit Quality.

'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High Credit Quality.

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good Credit Quality.

'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative.

'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.

B: Highly Speculative.

'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

CCC: Substantial Credit Risk.

Default is a real possibility.

CC: Very High Levels of Credit Risk.

Default of some kind appears probable.

C: Exceptionally High Levels of Credit Risk.

Default appears imminent or inevitable.

D: Default.

Indicates a default. Default generally is defined as one of the following:

- a. Failure to make payment of principal and/or interest under the contractual terms of the rated obligation;
- b. bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of the business of an issuer/obligor; or
- c. distressed exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation to avoid a probable payment default.

Structured Finance Defaults

Imminent default, categorized under 'C', typically refers to the occasion where a payment default has been intimated by the issuer and is all but inevitable. This may, for example, be where an issuer has missed a scheduled payment but (as is typical) has a grace period during which it may cure the payment default. Another alternative would be where an issuer has formally announced a distressed debt exchange, but the date of the exchange still lies several days or weeks in the immediate future.

Additionally, in structured finance transactions, where analysis indicates that an instrument is irrevocably impaired such that it is not expected to pay interest and/or principal in full in accordance with the terms of the obligation's documentation during the life of the transaction, but where no payment default in accordance with the terms of the documentation is imminent, the obligation will typically be rated in the 'C' category.

Structured Finance Write-downs

Where an instrument has experienced an involuntary and, in the agency's opinion, irreversible write-down of principal (i.e. other than through amortization, and resulting in a loss to the investor), a credit rating of 'D' will be assigned to the instrument. Where the agency believes the write-down may prove to be temporary (and the loss may be written up again in future if and when performance improves), then a credit rating of 'C' will typically be assigned. Should the write-down then later be reversed, the credit rating will be raised to an appropriate level for that instrument. Should the write-down later be deemed as irreversible, the credit rating will be lowered to 'D'.

Notes:

In the case of structured finance, while the ratings do not address the loss severity given default of the rated liability, loss severity assumptions on the underlying assets are nonetheless typically included as part of the analysis. Loss severity assumptions are used to derive pool cash flows available to service the rated liability.

The suffix 'sf' denotes an issue that is a structured finance transaction.

Enhanced Equipment Trust Certificates (EETCs) are corporate-structured hybrid debt securities that airlines typically use to finance aircraft equipment. Due to the hybrid characteristics of these bonds, Fitch's rating approach incorporates elements of both the structured finance and corporate rating methodologies. Although rated as asset-backed securities, unlike other structured finance ratings, EETC ratings involve a measure of recovery given default akin to ratings of financial obligations in corporate finance, as described above.

Probability of Claim Ratings

Rather than expressing an opinion regarding the likelihood of default on the repayment of financial obligations, probability of claim ratings address the likelihood of a claim being made

by a protection buyer under an unfunded credit default swap (CDS). Analysis involves assessing stressed loss expectations associated with a particular rating level, which allows a rating opinion to be assigned to the CDS based on its loss coverage attachment points.

The rating also addresses the likelihood of the swap premium being paid in respect of the period for which credit protection is provided. Ratings are assigned using the long-term rating scale to reflect the relative vulnerability of the CDS to a claim being made and the swap premium not being paid following the default of the protection buyer.

A probability of claim rating expresses an opinion exclusively on the probability of a claim being made and the likelihood of the swap premium being paid. In particular, it does not represent a counterparty rating on the CDS provider, or their financial capacity to meet a claim in the event that one is made.

Probability of claim ratings are assigned on the Structured Finance rating scale, except that rating category definitions relate to 'probability of claim risk' rather than 'default risk'. Text regarding 'capacity for payment of financial commitments' in rating category definitions does not apply in the case of probability of claim ratings.

For further information regarding Probability of Claim Ratings, please refer to the report "[Global Structured Finance Rating Criteria](#)".

Limitations

For Limitations, please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#).

Short-Term Ratings Assigned to Issuers and Obligations

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-term deposit ratings may be adjusted for loss severity. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations and up to 36 months for obligations in U.S. public finance markets.

F1: Highest Short-Term Credit Quality.

Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good Short-Term Credit Quality.

Good intrinsic capacity for timely payment of financial commitments.

F3: Fair Short-Term Credit Quality.

The intrinsic capacity for timely payment of financial commitments is adequate.

B: Speculative Short-Term Credit Quality.

Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C: High Short-Term Default risk.

Default is a real possibility.

RD: Restricted Default.

Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

D: Default

Indicates a broad-based default event for an entity, or the default of a short-term obligation.

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#).

Relationship between Short-Term and Long-Term Ratings

The credit risks that drive the long-term rating and the short-term rating are linked but distinct. Some issuers may have a significantly stronger short-term credit profile than implied by the long-term rating. Some long-term factors such as strategy are unlikely to have an immediate impact on defaults. Conversely, factors such as liquidity can have a significant impact on short-term performance and will therefore gain more weight in the short-term rating.

The table below shows typical relationships between the long-term rating and the short-term rating. The two are linked, but at certain long-term rating levels ('A+' to 'BBB') more than one short-term rating are possible. The lower of the two short-term ratings indicated by the table is the base-line. Whether an issuer achieves the higher of two possible short-term ratings is determined by the analytical groups with reference to sector specific factors (such as Liquidity for example). Details are contained in the relevant criteria.

The table below is a guide only. Actual ratings assigned can differ from this correspondence consistent with the criteria employed by individual rating groups, where analytically merited.

Rating Correspondence Table

Long-Term Rating	Short-Term Rating
AAA	F1+
AA+	F1+
AA	F1+
AA-	F1+
A+	F1 or F1+
A	F1 or F1+
A-	F2 or F1
BBB+	F2 or F1
BBB	F3 or F2
BBB-	F3
BB+	B
BB	B
BB-	B
B+	B
B	B
B-	B
CCC+/ CCC/ CCC-	C
CC	C
C	C
RD/D	RD/D

Additional Usage of Primary Credit Rating Scales

Expected Ratings and Final Ratings

Where a rating is referred to as "expected", alternatively referred to as "expects to rate" it will have a suffix as (EXP), this indicates that a full rating has been assigned based on the agency's expectations regarding final documentation, typically based on a review of the final draft documentation provided by the issuer. If such final documentation is received and is as expected, the expected rating will typically be converted to a final rating. Fitch may also employ "expects to rate" language for new issuers (currently unrated) for

ratings that are assigned in the course of a restructuring, refinancing or corporate reorganization. The “expects to rate” will reflect and refer to the rating level expected following the conclusion of the proposed operation (debt issuance, restructure, or merger). While expected ratings typically convert to final ratings within a short time, determined by timing of transaction closure, in the period between assignment of an expected rating and a final rating, expected ratings may be raised, lowered or placed on Rating Watch or withdrawn, as with final ratings.

Private Ratings

Fitch also prepares private ratings, for example for entities with no publicly traded debt, or where the rating is required for internal benchmarking or regulatory purposes. These ratings are generally provided directly to the rated entity, which is then responsible for ensuring that any party to whom it discloses the private rating is updated when any change in the rating occurs. Private ratings undergo the same analysis, committee process and surveillance as published ratings, unless otherwise disclosed as "point-in-time" in nature.

Program Ratings

Program ratings assigned to corporate and public finance note issuance programs (e.g. medium-term note programs) relate only to standard issues made under the program concerned. The impact of individual issues under the program on the overall credit profile of the issuer will be assessed at the time of issuance. Therefore, it should not be assumed that program ratings apply to every issue made under the program. Program ratings may also change because the rating of the issuer has changed over time and instruments may have different terms and conditions compared with those initially envisaged in the program's terms.

"Interest-Only" Ratings

Interest-only ratings are assigned to interest strips. These ratings do not address the possibility that a security holder might fail to recover some or all of its initial investment due to voluntary or involuntary principal repayments.

"Principal-Only" Ratings

Principal-only ratings address the likelihood that a security holder will receive its initial principal investment either before or by the scheduled maturity date. These ratings do not address the possibility that a security holder may not receive some or all of the interest due.

"Unenhanced" Ratings

Unenhanced ratings reflect the underlying creditworthiness of financial instruments absent any credit enhancement that may be provided through bond insurance, financial guarantees, dedicated letters of credit, liquidity facilities, or intercept mechanisms. In some cases, Fitch may choose to assign an unenhanced rating along with a credit rating

based on enhancement. The unenhanced rating indicates the creditworthiness of the financial instrument without considering any benefit of such enhancement. Financial obligations may be enhanced by a guarantee instrument provided by a rated third party.

Bank Support and Viability Ratings

Support Ratings

Fitch's Support Ratings (SRs) reflect the agency's view on the likelihood that a financial institution (FI) will receive extraordinary support, in case of need, to prevent it defaulting on its senior obligations. Extraordinary support typically comes from one of two sources: the rated entity's shareholders (institutional support) or the national authorities of the country where it is domiciled (sovereign support). However, in some circumstances, SRs may also reflect potential support from other sources, e.g. international financial institutions, regional governments or expected acquirers of the rated entity.

In some cases, Fitch may judge that the likelihood of a FI receiving external support is materially different regarding its foreign- and local-currency obligations. This may happen, for example, when the sovereign that is the potential support provider itself has Foreign- and Local-Currency IDRs assigned at different levels. In such cases, the FI's SR (and Support Rating Floor) will be assigned based on the obligations less likely to be supported (usually, those in foreign currency), while the FI's Foreign- and Local-Currency IDRs may be assigned different levels to reflect the difference in risk.

Definitions:

1:

A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.

2:

A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a Long-Term Rating floor in the 'BBB' category

3:

A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a Long-Term Rating floor in the 'BB' category.

4:

A bank for which there is a limited probability of support because of significant

uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a Long-Term Rating floor of 'B+' or 'B'.

5:

A bank for which there is a possibility of external support, but it cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases, no floor at all.

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to the Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#).

Support Rating Floors

Support Rating Floors (SRFs) reflect the agency's view about the likelihood that the rated entity will receive extraordinary support, in case of need, specifically from government authorities. This usually means from the national authorities of the country where the financial institution (FI) is domiciled, although in certain cases Fitch may also factor potential support from international government institutions or a third-party sovereign into its assessment. SRFs therefore do not capture the potential for institutional support from the entity's shareholders. SRFs indicate the minimum level to which the entity's Long-Term IDRs could fall if the agency does not change its view on potential sovereign support.

SRFs are assigned on the primary credit rating scale. Where there is no reasonable assumption that sovereign support will be forthcoming, an SRF of 'No Floor' is assigned.

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#).

Viability Ratings

Viability Ratings (VRs) measure the intrinsic creditworthiness of a financial institution (FI), and reflect Fitch's opinion on the likelihood that the entity will fail. Fitch views a bank as having failed when it either:

- a. has defaulted, i.e. stopped servicing its senior obligations to third-party, non-government creditors (unless this is a result of legal restrictions), completed a distressed debt exchange in respect to these obligations, or entered bankruptcy proceedings; or
- b. requires extraordinary support, or needs to impose losses on subordinated obligations, to restore its viability.

However, Fitch does not view a bank as having failed when:

- a. it has defaulted as a result of legal restrictions on servicing its obligations, while the bank itself remains solvent and liquid; or
- b. external support made available, or losses imposed on subordinated obligations, were in the agency's view not necessary to restore the bank's viability.

VRs are so named to be consistent with recently introduced regulatory provisions referencing the "viability" or "non-viability" of banks, but are not explicitly calibrated to any regulatory or legislative definitions of non-viability that exist or may be introduced.

In assigning VRs, Fitch distinguishes between "ordinary support," from which a bank benefits in the usual course of business, and "extraordinary support," which is provided to a failed bank to restore its viability. Ordinary support is reflected in a bank's VR, while potential extraordinary support is captured in the SR and/or SRF. Ordinary support includes benefits that accrue to all banks because of their status as banks, including routine access to central bank liquidity in line with others in the market. It also includes the benefits a subsidiary bank often derives from its parent, for example in terms of stability and cost of funding, transfer of management expertise and operational systems, and assistance with business origination.

Just as an entity's VR does not reflect extraordinary support, so it does not capture potential extraordinary constraints. In particular, a VR is not limited by the Country Ceiling of the jurisdiction in which the FI is domiciled, meaning a bank could be in default on foreign currency obligations because of transfer and convertibility restrictions but not have 'failed' on the VR scale. However, the VR will fully reflect risks arising to the FI from the environment in which it operates.

VRs are assigned on a scale that is virtually identical to the 'AAA' scale but uses lower-case letters, e.g. 'aaa' instead of 'AAA'. There are also no 'D'/'RD' ratings on the VR scale (which on the 'AAA' scale indicate default); at the bottom end of the VR scale, an 'f' rating indicates Fitch's view that a bank has failed.

aaa: Highest Fundamental Credit Quality

'aaa' ratings denote the best prospects for ongoing viability and lowest expectation of failure risk. They are assigned only to banks with extremely strong and stable fundamental characteristics, such that they are most unlikely to have to rely on extraordinary support to avoid default. This capacity is highly unlikely to be adversely affected by foreseeable events.

aa: Very High Fundamental Credit Quality

'aa' ratings denote very strong prospects for ongoing viability. Fundamental characteristics are very strong and stable, such that it is considered highly unlikely that the bank would have to rely on extraordinary support to avoid default. This capacity is not significantly vulnerable to foreseeable events.

a: High Fundamental Credit Quality

'a' ratings denote strong prospects for ongoing viability. Fundamental characteristics are strong and stable, such that it is unlikely that the bank would have to rely on extraordinary support to avoid default. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

bbb: Good Fundamental Credit Quality

'bbb' ratings denote good prospects for ongoing viability. The bank's fundamentals are adequate, such that there is a low risk that it would have to rely on extraordinary support to avoid default. However, adverse business or economic conditions are more likely to impair this capacity.

bb: Speculative Fundamental Credit Quality

'bb' ratings denote moderate prospects for ongoing viability. A moderate degree of fundamental financial strength exists, which would have to be eroded before the bank would have to rely on extraordinary support to avoid default. However, an elevated vulnerability exists to adverse changes in business or economic conditions over time.

b: Highly speculative Fundamental Credit Quality

'b' ratings denote weak prospects for ongoing viability. Material failure risk is present, but a limited margin of safety remains. The bank's capacity for continued unsupported operation is vulnerable to deterioration in the business and economic environment.

ccc: Substantial Fundamental Credit Risk

Failure of the bank is a real possibility. The capacity for continued unsupported operation is highly vulnerable to deterioration in the business and economic environment.

cc: Very High Levels of Fundamental Credit Risk

Failure of the bank appears probable.

c: Exceptionally High Levels of Fundamental Credit Risk

Failure of the bank is imminent or inevitable.

f:

A bank that, in Fitch's opinion, has failed, i.e. either: has defaulted on its senior obligations to third-party, non-government creditors; or requires extraordinary support or needs to impose losses on subordinated obligations to restore its viability.

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#).

Derivative Counterparty Ratings

Derivative Counterparty Ratings (DCR) are issuer level ratings and are assigned to selected banks and bank holding companies on the same long-term scale as [Issuer Default Ratings](#) but with a 'dcr' suffix. They address only Fitch's opinion on a bank's relative vulnerability to default, due to an inability to pay on any derivative contract with third-party, non-government counterparties. Short-term stays on derivatives at the outset of a resolution process would not be considered a default

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale, Bank Viability Ratings and Bank Support Ratings](#).

Individual Ratings (Historical Reference)

Individual Ratings preceded Viability Ratings (VRs) and, like VRs, measured the intrinsic creditworthiness of a financial institution (FI). Individual ratings were withdrawn in January 2012 following the assignment of VRs.

Individual Ratings were assigned on the following scale:

A: A Very Strong Bank

Characteristics may include outstanding profitability and balance sheet integrity, franchise, management, operating environment or prospects.

B: A Strong Bank

There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

C:

An adequate bank that, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.

D:

A bank that has weaknesses of internal and/or external origin. There are concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.

E:

A bank with very serious problems that either requires or is likely to require external support.

F:

A bank that has either defaulted or, in Fitch's opinion, would have defaulted if it had not received external support. Examples of such support include state or local government support, (deposit) insurance funds, acquisition by some other corporate entity or an injection of new funds from its shareholders or equivalent.

Notes:

Gradations may be used among the ratings A to E: i.e. A/B, B/C, C/D, and D/E. No gradations apply to the F rating.

Insurer Financial Strength Ratings

The Insurer Financial Strength (IFS) Rating provides an assessment of the financial strength of an insurance organization. The IFS Rating is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts. The IFS Rating reflects both the ability of the insurer to meet these obligations on a timely basis and expected recoveries received by claimants in the event the insurer stops making payments or payments are interrupted, due to either the failure of the insurer or some form of regulatory intervention. In the context of the IFS Rating, the timeliness of payments is considered relative to both contract and/or policy terms but also recognizes the possibility of reasonable delays caused by circumstances common to the insurance industry, including claims reviews, fraud investigations and coverage disputes.

The IFS Rating does not encompass policyholder obligations residing in separate accounts, unit-linked products or segregated funds, for which the policyholder bears investment or other risks. However, any guarantees provided to the policyholder with respect to such obligations are included in the IFS Rating.

Expected recoveries are based on the agency's assessments of the sufficiency of an insurance company's assets to fund policyholder obligations, in a scenario in which payments have ceased or been interrupted. Accordingly, expected recoveries exclude the impact of recoveries obtained from any government sponsored guaranty or policyholder protection funds. Expected recoveries also exclude the impact of collateralization or security, such as letters of credit or trusteed assets, supporting select reinsurance obligations.

IFS Ratings can be assigned to insurance and reinsurance companies in any insurance sector, including the life & annuity, non-life, property/casualty, health, mortgage, financial guaranty, residual value and title insurance sectors, as well as to managed care companies such as health maintenance organizations.

The IFS Rating uses the same symbols used by the agency for its International and National credit ratings of long-term or short-term debt issues. However, the definitions associated with the ratings reflect the unique aspects of the IFS Rating within an insurance industry context.

Obligations for which a payment interruption has occurred due to either the insolvency or failure of the insurer or some form of regulatory intervention will generally be rated between 'B' and 'C' on the Long-Term IFS Rating scales (both International and National). International Short-Term IFS Ratings assigned under the same circumstances will align with the insurer's International Long-Term IFS Rating.

Long-Term International IFS Ratings

The following rating scale applies to foreign currency and local currency ratings. Ratings of 'BBB-' and higher are considered to be "secure," and those of 'BB+' and lower are considered to be "vulnerable."

AAA: Exceptionally Strong.

'AAA' IFS Ratings denote the lowest expectation of ceased or interrupted payments. They are assigned only in the case of exceptionally strong capacity to meet policyholder and contract obligations. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very Strong.

'AA' IFS Ratings denote a very low expectation of ceased or interrupted payments. They indicate very strong capacity to meet policyholder and contract obligations. This capacity is not significantly vulnerable to foreseeable events.

A: Strong.

'A' IFS Ratings denote a low expectation of ceased or interrupted payments. They indicate strong capacity to meet policyholder and contract obligations. This capacity may, nonetheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB: Good.

'BBB' IFS Ratings indicate that there is currently a low expectation of ceased or interrupted payments. The capacity to meet policyholder and contract obligations on a timely basis is considered adequate, but adverse changes in circumstances and economic conditions are more likely to impact this capacity.

BB: Moderately Weak.

'BB' IFS Ratings indicate that there is an elevated vulnerability to ceased or interrupted payments, particularly as the result of adverse economic or market changes over time. However, business or financial alternatives may be available to allow for policyholder and contract obligations to be met in a timely manner.

B: Weak.

'B' IFS Ratings indicate two possible conditions. If obligations are still being met on a timely basis, there is significant risk that ceased or interrupted payments could occur in the future, but a limited margin of safety remains. Capacity for continued timely payments is contingent upon a sustained, favorable business and economic environment and favorable market conditions. Alternatively, a 'B' IFS Rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for extremely high recoveries. Such obligations would possess a recovery assessment of 'RR1' (Outstanding).

CCC: Very Weak.

'CCC' IFS Ratings indicate two possible conditions. If obligations are still being met on a timely basis, there is a real possibility that ceased or interrupted payments could occur in the future. Capacity for continued timely payments is solely reliant upon a sustained, favorable business and economic environment and favorable market conditions. Alternatively, a 'CCC' IFS Rating is assigned to obligations that have experienced ceased or interrupted payments and with the potential for average to superior recoveries. Such obligations would possess a recovery assessment of 'RR2' (Superior), 'RR3' (Good), and 'RR4' (Average).

CC: Extremely Weak.

'CC' IFS Ratings indicate two possible conditions. If obligations are still being met on a timely basis, it is probable that ceased or interrupted payments will occur in the future. Alternatively, a 'CC' IFS Rating is assigned to obligations that have experienced ceased or interrupted payments, with the potential for average to below-average recoveries. Such obligations would possess a recovery assessment of 'RR4' (Average) or 'RR5' (Below Average).

C: Distressed.

'C' IFS Ratings indicate two possible conditions. If obligations are still being met on a timely basis, ceased or interrupted payments are imminent. Alternatively, a 'C' IFS Rating is assigned to obligations that have experienced ceased or interrupted payments and with the potential for below average to poor recoveries. Such obligations would possess a recovery assessment of 'RR5' (Below Average) or 'RR6' (Poor).

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Insurer Financial Strength Ratings](#).

Short-Term IFS Ratings

A Short-Term Insurer Financial Strength Rating (ST-IFS Rating) provides an assessment of the near-term financial health of an insurance organization and its capacity to meet senior obligations to policyholders and contract holders that would be expected to be due within one year. The analysis supporting the ST-IFS Rating encompasses all of the factors considered within the context of the IFS Rating, but with greater weight given to an insurer's near-term liquidity, financial flexibility and regulatory solvency characteristics and less weight given to longer-term issues such as competitiveness and earnings trends.

The agency will only assign a ST-IFS Rating to insurers that also have been assigned an IFS Rating. Currently, ST-IFS Ratings are used primarily by U.S. life insurance companies that sell short-term funding agreements.

The ST-IFS Rating uses the same international ratings scale used by the agency for short-term debt and issuer ratings.

F1:

Insurers are viewed as having a strong capacity to meet their near-term obligations. When an insurer rated in this rating category is designated with a (+) sign, it is viewed as having a very strong capacity to meet near-term obligations.

F2:

Insurers are viewed as having a good capacity to meet their near-term obligations.

F3:

Insurers are viewed as having an adequate capacity to meet their near-term obligations.

B:

Insurers are viewed as having a weak capacity to meet their near-term obligations.

C:

Insurers are viewed as having a very weak capacity to meet their near-term obligations.

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Insurer Financial Strength Ratings](#).

Limitations relating to the Long-Term Insurer Financial Strength ratings apply accordingly.

National Credit Rating Scales

National scale ratings are an opinion of creditworthiness relative to the universe of issuers and issues within a single country or monetary union. They are most commonly used in emerging market countries with sub- or low investment grade sovereign ratings on the international scale. As creditworthiness can be expressed across the full range of the scale, a national scale can enable greater rating differentiation within a market than the international scale, particularly in highly speculative grade countries where ratings tend to cluster around the often low sovereign rating due to higher risks associated with a more volatile operating environment.

A "+" or "-" may be appended to a National Rating to denote relative status within a major rating category. Such suffixes are not added to the 'AAA(xxx)' National Rating category, to categories below 'CCC(xxx)', or to Short-Term National Ratings other than 'F1(xxx)'.

National Relativity

National scale ratings are assigned on the basis that the "best credits or issuers" in the country are rated 'AAA' on the national scale. National Ratings are then assessed using the full range of the national scale based on a comparative analysis of issuers rated under the same national scale to establish a relative ranking of credit worthiness.

At any given point in time, there is a certain relationship between National and International Ratings but there is not a precise translation between the scales. Fitch monitors the ratings relationship of issuers rated on both the international and national scales to ensure the consistency of rating relativities across scales. In other words, if issuer "X" is rated higher than issuer "Y" on one scale, issuer "X" cannot be rated lower than issuer "Y" on the other scale.

National Ratings for local issuers exclude the effects of sovereign and transfer risk and exclude the possibility that investors may be unable to repatriate any due interest and principal repayments. Comparisons between different national scales or between an individual national scale and the international rating scale are therefore inappropriate and potentially misleading.

In certain countries, regulators have established credit rating scales to be used within their domestic markets using specific nomenclature. In these countries, the agency's National Rating definitions may be substituted by the regulatory scales. For instance Fitch's National Short Term Ratings of 'F1+(xxx)', 'F1(xxx)', 'F2(xxx)' and 'F3(xxx)' may be substituted by the regulatory scales, e.g. 'A1+', 'A1', 'A2' and 'A3'. The below definitions thus serve as a template, but users should consult the individual scales for each country listed on Fitch's regional websites to determine if any additional or alternative category definitions apply.

Issuer and Instrument-level National Ratings

Issuer-level National Ratings address vulnerability to default on local currency / legal tender (LC) obligations of local issuers within the country concerned.

Instrument-level National Ratings are typically assigned to local issuers' obligations issued in the LC of the country where the issuer is located, but instrument-level National Ratings may also be assigned to i) foreign issuers' obligations issued in the LC of the country whose national scale is used, and ii) local or foreign issuers' (legal entities or branches) obligations where repayment is in FC and a National Rating is required to comply with local regulation and/or local market practices.

National Ratings for local issuers exclude the effects of sovereign and transfer risk and exclude the possibility that investors may be unable to repatriate any due interest and principal repayments. Comparisons between different national scales or between an individual national scale and the international rating scale are therefore inappropriate and potentially misleading.

For cross-border issuance, the National Rating assigned would reflect the likelihood of timely and full payment in the LC of the country into which the bond is being issued, relative to the local universe of National Ratings, as well as the transfer and convertibility risks of its country of origin if relevant.

Convergence at 'C'

A 'C' level rating on both the international and national rating scales reflects that the default of an issuer is imminent. As a result, a 'C' rating on one scale is necessarily a 'C' rating on the other scale.

Due to the greater differentiation across national rating scales relative to the international rating scale, there can be more rating volatility and more significant rating transition for National Ratings compared with International Ratings.

National Long-Term Credit Ratings

AAA(xxx):

'AAA' National Ratings denote the highest rating assigned by the agency in its National Rating scale for that country. This rating is assigned to issuers or obligations with the lowest expectation of default risk relative to all other issuers or obligations in the same country or monetary union.

AA(xxx):

'AA' National Ratings denote expectations of a very low level of default risk relative to other issuers or obligations in the same country or monetary union. The default risk inherent differs only slightly from that of the country's highest rated issuers or obligations.

A(xxx):

'A' National Ratings denote expectations of a low level of default risk relative to other issuers or obligations in the same country or monetary union.

BBB(xxx):

'BBB' National Ratings denote a moderate level of default risk relative to other issuers or obligations in the same country or monetary union.

BB(xxx):

'BB' National Ratings denote an elevated default risk relative to other issuers or obligations in the same country or monetary union.

B(xxx):

'B' National Ratings denote a significantly elevated level of default risk relative to other issuers or obligations in the same country or monetary union.

CCC(xxx):

'CCC' National Ratings denote a very high level of default risk relative to other issuers or obligations in the same country or monetary union.

CC(xxx):

'CC' National Ratings denote the level of default risk is among the highest relative to other issuers or obligations in the same country or monetary union.

C(xxx):

A default or default-like process has begun, or the issuer is in standstill, or for a closed funding vehicle, payment capacity is irrevocably impaired. Conditions that are indicative of a 'C' category rating for an issuer include:

- a. the issuer has entered into a grace or cure period following non-payment of a material financial obligation;
- b. the issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation;
- c. the formal announcement by the issuer or their agent of a distressed debt exchange; and
- d. a closed financing vehicle where payment capacity is irrevocably impaired such that it is not expected to pay interest and/or principal in full during the life of the transaction, but where no payment default is imminent

RD(xxx): Restricted default.

'RD' ratings indicate an issuer that, in Fitch's opinion, has experienced an uncured payment default on a bond, loan or other material financial obligation but that has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure and has not otherwise ceased business. This would include:

- a. the selective payment default on a specific class or currency of debt;

- b. the uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation;
- c. the extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; or
- d. execution of a distressed debt exchange on one or more material financial obligations.

D(xxx):

'D' National Ratings denote an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure or that has otherwise ceased business.

Notes:

The ISO International Country Code is placed in parentheses immediately following the rating letters to indicate the identity of the National market within which the rating applies. For illustrative purposes, (xxx) has been used.

National Short-Term Credit Ratings

F1(xxx):

Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or obligations in the same country. Under the agency's National Rating scale, this rating is assigned to the lowest default risk relative to others in the same country or monetary union. Where the liquidity profile is particularly strong, a "+" is added to the assigned rating.

F2(xxx):

Indicates a good capacity for timely payment of financial commitments relative to other issuers or obligations in the same country or monetary union. However, the margin of safety is not as great as in the case of the higher ratings.

F3(xxx):

Indicates an adequate capacity for timely payment of financial commitments relative to other issuers or obligations in the same country or monetary union.

B(xxx):

Indicates an uncertain capacity for timely payment of financial commitments relative to other issuers or obligations in the same country or monetary union.

C(xxx):

Indicates a highly uncertain capacity for timely payment of financial commitments relative to other issuers or obligations in the same country or monetary union.

RD(xxx): Restricted default.

Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Applicable to entity ratings only.

D(xxx):

Indicates a broad-based default event for an entity, or the default of a short-term obligation.

Notes:

The ISO International Country Code is placed in parentheses immediately following the rating letters to indicate the identity of the National market within which the rating applies. For illustrative purposes, (xxx) has been used.

National Insurer Financial Strength Ratings

National IFS Ratings serve the needs of local insurance markets. National IFS Ratings are assigned to an insurer's policyholder obligations and are an assessment of relative financial strength. Consistent with other forms of National Ratings assigned by the agency, National IFS Ratings assess the ability of an insurer to meet policyholder and related obligations, relative to the "best" credit risk in a given country across all industries and obligation types. Comparisons between different countries' National IFS Rating scales or between an individual country's National IFS Rating scale and the International IFS Rating scale are inappropriate. National IFS Ratings are only assigned using the Long-Term scale, as defined below.

AAA(xxx):

'AAA' National IFS Ratings denote the highest rating assigned within the National Ratings scale for that country or monetary union. The rating is assigned to the policyholder obligations of the insurance entities with the lowest credit risk relative to all other obligations or issuers in the same country, across all industries and obligation types.

AA(xxx):

'AA' National IFS Ratings denote a very strong capacity to meet policyholder obligations relative to all other obligations or issuers in the same country or monetary union, across all industries and obligation types.

A(xxx):

'A' National IFS Ratings denote a strong capacity to meet policyholder obligations relative to all other obligations or issuers in the same country or monetary union, across all industries and obligation types.

BBB(xxx):

'BBB' National IFS Ratings denote an adequate capacity to meet policyholder obligations relative to all other obligations or issuers in the same country or monetary union, across all industries and obligation types.

BB(xxx):

'BB' National IFS Ratings denote a fairly weak capacity to meet policyholder obligations relative to all other obligations or issuers in the same country or monetary union, across all industries and obligation types.

B(xxx):

'B' National IFS Ratings denote two possible outcomes. If policyholder obligations are still being met on a timely basis, the rating implies a significantly weak capacity to continue to meet policyholder obligations relative to all other issues or issuers in the same country or monetary union, across all industries and obligation types. A limited margin of safety remains and capacity for continued payments is contingent upon a sustained, favorable business and economic environment. Alternatively, a 'B' National IFS Rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for extremely high recoveries.

CCC(xxx):

'CCC' National IFS Ratings denote two possible outcomes. If policyholder obligations are still being met on a timely basis, the rating implies ceased or interrupted payments are a real possibility. Capacity for continued payments is contingent upon a sustained, favorable business and economic environment. Alternatively, a 'CCC' National IFS Rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for very high recoveries.

CC(xxx):

'CC' National IFS Ratings denote two possible outcomes. If policyholder obligations are still being met on a timely basis, the rating implies ceased or interrupted payments appear probable. Alternatively, a 'CC' National IFS Rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for average to below-average recoveries.

C(xxx):

'C' National IFS Ratings denote two possible outcomes. If policyholder obligations are still being met on a timely basis, the rating implies ceased or interrupted payments are imminent. Alternatively, a 'C' National IFS Rating is assigned to obligations that have experienced ceased or interrupted payments with the potential for below-average to poor recoveries.

Notes:

The ISO country code suffix is placed in parentheses immediately following the rating letters to indicate the identity of the National market within which the rating applies. For illustrative purposes, (xxx) has been used.

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#), [Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale](#), [Bank Viability Ratings and Bank Support Ratings](#) and [Specific Limitations Relevant to Insurer Financial Strength Ratings, Specific Limitations Relevant to National Ratings](#).

International Non-Credit Rating Scales

International Money Market Fund Ratings

International Money Market Fund Ratings (assigned to money market funds and other cash management products) are an opinion on a fund's capacity to fulfill its investment objectives of providing ready liquidity and preserving principal. Money market fund ratings are not credit ratings. To this end, Fitch's International Money Market Fund Ratings are based on an evaluation of several factors, including credit, market, and liquidity risk, overall levels of portfolio diversification, maturity distribution of assets in the portfolio, and stability of the investor base.

International Money Market Fund Ratings also reflect an opinion as to whether the asset manager is suitably qualified, competent and capable of managing the portfolio and, together with the fund's sponsor, has sufficient resources and expertise to support the fund operationally.

International Money Market Fund Ratings address, on a relative basis, the capacity to preserve invested principal and provide liquidity in accordance with the fund's offering terms. In the event of negative interest rates, Fitch considers principal to be preserved provided that the return to an investor is in line with the return on a relevant short-term money market interest rate benchmark. A fund's capacity to preserve principal will be evaluated relative to relevant short-term money market interest rate benchmark in the currency in which it invests.

AAAmmf:

'AAAmmf' ratings denote an extremely strong capacity to achieve the investment objective of preserving principal and providing liquidity through limiting credit, market, and liquidity risk. This capacity is strongly protected from foreseeable events.

AAmmf:

'AAmmf' ratings denote a very strong capacity to achieve the investment objective of preserving principal and providing liquidity through limiting credit, market, and liquidity risk. This capacity is well protected from most foreseeable events

Ammf:

'Ammf' ratings denote a strong capacity to achieve the investment objective of preserving principal and providing liquidity through limiting credit, market, and liquidity risk. This capacity to resist adverse market conditions is strong but more vulnerable to events than more highly rated money market funds.

BBBmmf:

'BBBmmf' ratings denote adequate capacity to achieve the investment objective of preserving principal and providing liquidity through limiting credit, market, and liquidity risk. Principal preservation may be at greater risk due to adverse market conditions, heightened redemptions, and/or credit risk.

BBmmf:

'BBmmf' ratings denote uncertain capacity to achieve principal preservation. Liquidity is impaired due to imposition of redemption restrictions and/or fees.

Bmmf:

'Bmmf' ratings denote failure to preserve principal. Some loss of invested principal is likely, but recovery is expected to be high.

Limitations

For Limitations please see [*Usage and Limitations of Credit Ratings and Other Forms of Opinions and Specific Limitations Relevant to Other Forms of Opinions \(Non-Credit Scale Ratings\)*](#)

Fund Credit Quality Ratings

Fund Credit Quality Ratings, denoted with a "f" suffix, are an opinion as to the overall credit profile and vulnerability to losses as a result of defaults within a fixed-income fund or portfolio. Fund ratings are not credit ratings such as IDRs, for example. The ratings are based on the actual and prospective credit quality of the underlying portfolio holdings. Fund Credit Quality Ratings have an element of rating momentum embedded and, therefore, also address the likelihood that a portfolio maintains a given credit quality over time.

Fund Credit Quality Ratings are not comparable to traditional credit ratings. The ratings only measure the aggregate credit risk of a portfolio and do not measure expected risk of default for a fund itself as a fund generally cannot default. Fund Credit Quality Ratings may be accompanied by Fund Market Risk Sensitivity Ratings, subject to market relevance or regulatory demand.

AAAf:

'AAAf' Fund Credit Quality Ratings indicate the highest underlying credit quality. The assets are expected to maintain a weighted average rating factor (WARF) in line with a 'AAAf.'

AAf:

'AAf' Fund Credit Quality Ratings indicate very high underlying credit quality. The assets are expected to maintain a WARF in line with a 'AAf'

Af:

'Af' Fund Credit Quality Ratings indicate high underlying credit quality. The assets are expected to maintain a WARF in line with a 'Af.'

BBBf:

'BBBf' Fund Credit Quality Ratings indicate good underlying credit quality. The assets are expected to maintain a WARF in line with a 'BBBf.'

BBf:

'BBf' Fund Credit Quality Ratings indicate speculative underlying credit quality. The assets are expected to maintain a WARF in line with a 'BBf.'

Bf:

'Bf' Fund Credit Quality Ratings indicate very speculative underlying credit quality. The assets are expected to maintain a WARF in line with a 'Bf.'

CCCF:

'CCCF' Fund Credit Quality Ratings indicate substantially speculative underlying credit quality, in the form of material exposure to assets whose default is imminent or inevitable.

Note:

The weighted average rating factor (WARF) is the market value-weighted sum of each portfolio security's credit rating factor, including the maturity of the instrument, based on legal final maturity dates in most cases.

Fund Market Risk Sensitivity Ratings

Fund Market Risk Sensitivity Ratings are an opinion as to the relative sensitivity of a portfolio's total return and/or net asset value to changes in interest rate, credit spread and currency risks, and taking into account the effects of leverage and/or hedging, where applicable. Fund Market Risk Sensitivity Ratings do not predict the direction or magnitude of changes in such market conditions and therefore do not predict whether, or the extent to which, any particular fund or portfolio fund will perform favorably or adversely in the future. Furthermore, Fund Market Risk Sensitivity Ratings do not gauge the sensitivity of a portfolio to extreme risks that may result from reduced liquidity in secondary markets or, in the case of closed-end funds, the effects of secondary market prices on the fund's shares during certain periods.

Fund Market Risk Sensitivity Ratings are expressed on a scale of 'S1' (very low sensitivity to market risk) to 'S6' (very high sensitivity to market risk). Fitch may elect not to assign a Fund Market Risk Sensitivity Rating in combination with a Fund Credit Quality Rating, depending on market relevance and regulatory demand. On August 22, 2016, Fund Market Risk Sensitivity Ratings replaced Fund Volatility Ratings, which employed a scale of 'V1' (very low market risk) to 'V6' (very high market risk).

S1: Very Low Market Risk

Funds rated 'S1' are considered to have very low sensitivity to market risk. On a relative basis, total returns and/or changes in net asset value are expected to exhibit high stability, showing low relative volatility across a broad range of market scenarios. These funds or portfolios offer very low risk exposure to interest rate, credit spread and currency risks, and the effects of leverage and/or hedging, where applicable.

S2: Low Market Risk

Funds rated 'S2' are considered to have low sensitivity to market risk. On a relative basis, total returns and/or changes in net asset value are expected to exhibit relatively high stability across a range of market scenarios. These portfolios offer low risk exposure to interest rate, credit spread and currency risks, and the effects of leverage and/or hedging, where applicable.

S3: Moderate Market Risk

Funds rated 'S3' are considered to have moderate sensitivity to market risk. On a relative basis, total returns and/or changes in net asset value are expected to exhibit some variability across a range of market scenarios due to greater exposure to interest rate, credit spread and currency risks, and the effects of leverage and/or hedging, where applicable.

S4: Moderate to High Market Risk

Funds rated 'S4' are considered to have moderate or moderate to high sensitivity to market risk. On a relative basis, total returns and/or changes in net asset values are expected to experience significant variability across a range of market scenarios due to significant exposure to interest rate, credit spread and currency risks, and the effects of leverage and/or hedging, where applicable.

S5: High Market Risk

Funds rated 'S5' are considered to have high sensitivity to market risk. On a relative basis, total returns and/or changes in net asset value are expected to experience substantial variability across a range of market scenarios due to substantial exposure to interest rate, credit spread and currency risks, and the effects of leverage and/or hedging, where applicable.

S6: Very High Market Risk

Funds rated 'S6' are considered to have very high sensitivity to market risk. On a relative basis, total returns and/or changes in net asset value are expected to experience extreme variability across a range of market scenarios due to substantial exposure to interest rate, credit spread and currency risks, and the effects of leverage and/or hedging, where applicable.

Limitations

For Limitations, please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Other Forms of Opinions \(Non-Credit Scale Ratings\)](#)

Investment Management Quality Ratings

Fitch assigns Investment Management Quality (IMQ) Ratings to asset management organizations collectively, to investment strategies, and to individual funds or investment mandates. In certain jurisdictions and regulatory frameworks, these may also be referred to as Asset Manager Ratings. The ratings are applied to active, passive and alternative

investment managers and strategies. The ratings are forward-looking relative assessments of an asset manager's investment capabilities and the strength of its operational platform. The ratings are not credit ratings and are not comparable to the traditional credit ratings assigned to the debt issued by some investment managers.

Excellent: The Investment manager has extremely strong investment capabilities and operational characteristics.

Strong: The investment manager has strong investment capabilities and operational characteristics.

Proficient: The investment manager has good investment capabilities and operational characteristics.

Adequate: The investment manager has adequate investment capabilities and operational characteristics.

Weak: The investment manager has weak investment capabilities and operational characteristics.

Limitations

For Limitations, please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Other Forms of Opinions \(Non-Credit Scale Ratings\)](#).

Servicer Ratings

Commercial and residential mortgage loans, loans backed by assets other than mortgages, or loans without collateral can be serviced by a combination of primary, master, and/or special servicers. Many transactions have all three types of servicers present, while others may only have one or two. Some of the reasons for the various structures are age of the transaction, complexity of the loans, strength of the primary servicer, current or anticipated delinquency, and need for advancing.

General Servicer Ratings

Servicer Ratings are designed to be an indication of a servicer's ability to effectively service commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and asset backed securities transactions. The ratings incorporate Fitch's analysis of the servicer's experience in the servicing business, management, staff, training programs, procedures, controls, and systems, among others. The influence of financial condition within an operational rating scale is very limited and relates only to those elements where operational strength may be directly affected by financial condition. The agency's Servicer Ratings therefore address features of the company's profile largely independent of the entity's financial condition.

The agency rates commercial, residential, and small balance commercial mortgage servicers, as well as asset backed servicers on a scale of 1–5, with 1 being the highest rating. Servicer Ratings may also be assigned to servicers of assets not currently securitized. The ratings are written with either a C, R, SB, or AB prefix to denote the asset class to which it applies: 'C' for commercial mortgage loans, 'R' for residential mortgage loans, 'SB' for small balance commercial mortgage loans, 'CLL' for commercial loan level, and 'AB' for asset-backed and/or unsecured loans. The asset class prefix will then be followed by the abbreviation denoting the servicer type: 'PS' (primary servicer), 'MS' (master servicer), 'SS' (special servicer), or 'CLS' (construction loan servicer). The final component of the rating is the rating level. Within some of the rating levels, the agency further differentiates the rankings by pluses and minuses.

Level 1 Servicer Rating

(ABPS1, ABMS1, ABSS1, CPS1, CMS1, CSS1, CCLS1, CLLS1, RPS1, RMS1, RSS1, SBPS1, SBSS1)

Servicers demonstrating the highest standards in overall servicing ability.

Level 2 Servicer Rating

(ABPS2, ABMS2, ABSS2, CPS2, CMS2, CSS2, CCLS2, CLLS2, RPS2, RMS2, RSS2, SBPS2, SBSS2)

Servicers demonstrating high performance in overall servicing ability.

Level 3 Servicer Rating

(ABPS3, ABMS3, ABSS3, CPS3, CMS3, CSS3, CCLS3, CLLS3, RPS3, RMS3, RSS3, SBPS3, SBSS3)

Servicers demonstrating proficiency in overall servicing ability.

Level 4 Servicer Rating

(ABPS4, ABMS4, ABSS4, CPS4, CMS4, CSS4, CCLS4, CLLS4, RPS4, RMS4, RSS4, SBPS4, SBSS4)

Servicers lacking proficiency due to a weakness in one or more areas of servicing ability.

Level 5 Servicer Rating

(ABPS5, ABMS5, ABSS5, CPS5, CMS5, CSS5, CCLS5, CLLS5, RMS5, RPS5, RSS5, SBPS5, SBSS5)

Servicers demonstrating limited or no proficiency in servicing ability.

The following summarizes the broad interpretation of each rating:

Level 1 — Servicers Demonstrating the Highest Standards in Overall Servicing Ability

These servicers demonstrate superior performance in overall servicing ability. These servicers are expected to have all areas of their company operating at top efficiency and

productivity. Characteristics may include the following:

- Long-term stable servicing operating history supported by a well planned and executed strategy.
- Superior financial resources, positive financial trends.
- Well established, fully embedded and mature risk management framework displaying industry best practices including the proactive implementation of regulatory requirements.
- Superior management evidenced by highly experienced leadership of operational sites and a stable, well trained work force.
- Demonstrated expertise in servicing operations, incorporating industry best practices, as evidenced by superior performance metrics and vendor management controls.
- Fully integrated, flexible systems and versatile reporting capabilities with frequent updates and enhancements.

Level 2 — Servicers Demonstrating High Performance in Overall Servicing Ability

These servicers demonstrate high performance in overall servicing ability. Characteristics may include the following:

- Stable servicing operating history supported by a focused growth strategy.
- Strong financial resources and condition providing the ability to aid strategic portfolio growth.
- Strong procedures and controls developed and monitored within a strong risk management framework including timely implementation of regulatory requirements.
- Strong management evidenced by experienced leadership of operational sites and a stable, trained work force.
- Demonstrated expertise in servicing operations, incorporating sound industry practices, as evidenced by strong performance metrics and vendor controls.
- Well integrated systems with strong reporting abilities.

Level 3 — Servicers Demonstrating Proficiency in Overall Servicing Ability

These servicers demonstrate proficiency in overall servicing ability. Characteristics may include the following:

- Limited servicer operating history.
- Adequate financial resources and condition.
- Adequate procedures and controls developed and monitored within an adequate risk management framework including the implementation of regulatory requirements.
- Proficient management of operational sites and a competent work force.
- Adequate servicing operations, as evidenced by average performance metrics and adequate vendor management controls.
- Adequate systems and reporting capabilities for size and scope of operation.

Level 4 — Servicers Lacking Proficiency Due to a Weakness in One or More Areas of Servicing Ability

These servicers demonstrate weakness in one or more areas of servicing ability, or there is a specific concern or problem with the servicer that may impede its ability to continue servicing. Servicers that receive a level four rating may be incompatible with the servicing criteria employed by Fitch in rating transactions, unless additional support or structural features are incorporated. Listed below are some factors that may result in the assessment of a level four rating:

- Limited servicer operating history and a growth strategy that introduces material operational risk.
- Weak or limited financial resources and condition.
- Limited procedures and controls operating within a weak risk management framework that includes the slow implementation of regulatory requirements.
- Limited experience of servicing relevant asset.
- Deficiencies in systems and reporting capabilities for size and scope of operation, and/or deficiencies in vendor management controls.
- Concerns with management and staff experience.

Level 5 — Servicers Demonstrating Limited to No Proficiency in Servicing Ability

Servicers that receive a level five rating exhibit aspects in their operations, process, or financial condition that are incompatible with Fitch's new issue criteria for transactions unless strong additional support or structural features are incorporated. Listed below are some factors that may result in the assessment of a level five rating:

- Ineffective strategy and/or significant concerns about company and management history and viability of servicing operations.
- Inability to meet current or near-term liabilities.
- Significant concerns with site and staff management.
- Ineffective response to regulatory requirements.
- Significant deficiencies in servicing operations.
- Significant weaknesses in use of technology and/or vendor management controls.
- A viable risk management framework does not exist.
- Very limited or no experience in servicing relevant assets.

National Non-Credit Rating Scales

National Money Market Fund Ratings

National Money Market Fund Ratings provide a relative opinion of the capacity of a money market fund to preserve principal and provide shareholder liquidity solely within the context of the country in question. The ratings in question are not internationally comparable since each country has a National Rating of 'AAA' assigned to the lowest default risk or "best" credit available in that country and other credits are rated only relative to the entity or transaction with the lowest relative default risk for that country.

National Money Market Fund Ratings are signified by the addition of a special identifier for the country concerned, such as, 'AAAmmf(mex)' in the case of Mexico.

Limitations

For Limitations, please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Other Forms of Opinions \(Non-Credit Scale Ratings\)](#).

National Fund Credit Quality Ratings

In the case of countries with foreign and local currency sovereign ratings below 'AAA', Fitch may provide National Fund Credit Quality Ratings. Such ratings are based on the same scale as Fund Credit Quality Ratings assigned internationally but are denoted with an additional country level suffix.

National Fund Credit Quality Ratings provide a relative assessment as to the overall credit profile and vulnerability to losses as a result of defaults within a portfolio. The ratings primarily are based on the actual and prospective weighted average credit quality of a portfolio's underlying holdings as expressed by the national long-term credit ratings. This relative assessment of portfolio credit quality is solely within the context of the country in question and is not comparable with National Fund Credit Quality Ratings assigned in other countries or with Fund Credit Quality Ratings assigned internationally.

In certain countries, regulators have established ratings scales to be used within their domestic markets, using specific nomenclature. **Users should consult the individual scales for each country listed on the Fitch's regional websites to determine if any additional or alternative category definitions apply.** Further, the literal translation of the ratings may result in slightly different naming conventions in the local market, but the functional meaning of the rating remains unchanged.

Limitations

For Limitations, please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations relevant to Other Forms of Opinions \(Non-Credit Scale Ratings\)](#).

National Fund Market Risk Sensitivity Ratings

National Fund Market Risk Sensitivity Ratings are an opinion of the relative sensitivity of the total return and/or net asset value of a fund or portfolio to changes in interest rate, credit spread and currency risks, and the effects of leverage and/or hedging, where applicable. These National Fund Market Risk Sensitivity Ratings are solely an opinion of the relative risk of such factors endogenous to the sovereign state in which the portfolio invests and operates. National Fund Market Risk Sensitivity Ratings are expressed in terms of the same scale and description as Fund Market Risk Sensitivity Ratings assigned internationally but are signified by the addition of a special identifier for the country concerned, such as, for example, S1(col) in the case of Colombia. On August 22, 2016,

National Fund Market Risk Sensitivity Ratings replaced National Fund Volatility Ratings, which employed a scale of 'V1' (very low market risk) to 'V6' (very high market risk).

In certain countries, regulators have established Fund Market Risk Sensitivity Rating scales to be used within their domestic markets, using specific nomenclature. Readers should consult the individual scales for each country listed on the agency's website to determine if any additional or alternative category definitions apply.

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Other Forms of Opinions \(Non-Credit Scale Ratings\)](#).

National Scale Investment Management Quality Ratings

The agency assigns National Scale IMQ ratings to investment managers and their funds operating in countries where, for some rating factors, a comparison with international standards may not be applicable due to certain accepted, generally less stringent, local market practices. In such instances, those factors are evaluated solely relative to local market standards. National scale ratings are denoted by a special identifier for the country concerned, e.g. 'Strong (mar)' for Morocco and are comparable only to National IMQs assigned in the same country and should not be viewed as comparable with IMQs offered on other national scales or on the international scale. In certain local markets, Fitch may utilize different ratings scales due to regulatory requirements and/or market convention. In these cases, the ratings scale and definitions, if different than above, will be clearly disclosed and delineated on Fitch's relevant local market website.

Limitations

For Limitations please see [Usage and Limitations of Credit Ratings and Other Forms of Opinions](#) and [Specific Limitations Relevant to Other Forms of Opinions \(Non-Credit Scale Ratings\)](#).

Opinions Provided by Non-Rating Affiliates

Fitch's sister companies also provide opinions to risk management professionals and other market participants.

For example, *Business Monitor International* (BMI) provides opinions on industry sectors, country risks, and operational risk relating to countries, as well as macroeconomic research. Fitch Learning provides professional training in the field of credit analysis and management.

These products and opinions are provided by staff from non-ratings affiliates. The scales used in opinions provided and the opinions expressed by non-rating affiliates are not interchangeable with or equivalent to those used for ratings or scores assigned by the agency.