

# Understanding Credit Rating Symbols – What Do They Really Mean?

## Educational Series #7



	Credit Rating Agency Rating Scale			Regulatory Credit Quality Steps		Meaning of the Rating Category	Benchmark (3Y time horizon)		
	Notch down	Main category	Notch up	Insurances	Banks		Lower bound	Expected Default Rate	Upper bound
Investment Grade	AAA			0	1	The rated entity has extremely/very strong capacity to meet its financial commitments and is subject to minimal/very low credit risk.	0.00%	0.10%	0.16%
	AA-	AA	AA+	1	1				
	A-	A	A+	2		The rated entity has strong capacity to meet its financial commitments and is subject to low credit risk but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than rated entities in CQS 1.	0.17%	0.25%	0.54%
	BBB-	BBB	BBB+	3		The rated entity has adequate capacity to meet its financial commitments and is subject to moderate credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the rated entity to meet its financial commitments.	0.55%	1.00%	2.39%
Speculative Grade	BB-	BB	BB+	4		The rated entity has the capacity to meet its financial commitments but is subject to substantial credit risk. It faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the rated entity's inadequate capacity to meet its financial commitments.	2.40%	7.50%	10.99%
	B-	B	B+	5		The rated entity has the capacity to meet its financial commitments but is subject to high credit risk. Adverse business, financial, or economic conditions will likely impair the rated entity's capacity or willingness to meet its financial commitments.	11.00%	20.00%	26.49%
	CCC-	CCC	CCC+	6		The rated entity is currently vulnerable or highly vulnerable and is subject to very high credit risk, including in or very near to default. It is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.	26.50%	34.00%	100%
	CC								
	C								
	D								

Source: [Annex II of the Commission Implementing Regulating Regulation \(EU\) 2016/1799](#)

**About EACRA:** The European Association of Credit Rating Agencies (EACRA) is a platform for cooperation among EU-based Credit Rating Agencies (CRAs). Our mission is to support CRAs in meeting regulatory requirements through effective communication, cross-border knowledge sharing, and the promotion of best practices. EACRA also seeks to advance the understanding and value of Credit Ratings within the financial community and among the general public, while advocating for the interests of CRAs across Europe.

Established in November 2009 and registered in Paris, EACRA is listed in the French Association Directory (N° W751202513) and the EU Transparency Register (ID 24205924101-57).