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Mapping of European Rating Agency credit assessments under the Standardised Approach

1. Executive summary

1. This report describes the mapping exercise carried out by the Joint Committee to determine the ‘mapping’¹ of the credit assessments of European Rating Agency (ERA).
2. The methodology applied to produce the mapping is the one specified in the Implementing Technical Standards on the mapping of ECAIs’ credit assessments under Article 136(1) and (3) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR). These ITS employ a combination of the provisions laid down in Article 136(2) of Regulation (EU) No 575/2013.
3. The mapping neither constitutes the one which ESMA shall report on in accordance with Article 21(4b) of Regulation (EC) No 1060/2009 (Credit Rating Agencies Regulation - CRA) with the objective of allowing investors to easily compare all credit ratings that exist with regard to a specific rated entity² nor should be understood as a comparison of the rating methodologies of ERA with those of other ECAIs. This mapping should however be interpreted as the correspondence of the rating categories of ERA with a regulatory scale which has been defined for prudential purposes. This implies that an appropriate degree of prudence may have been applied wherever not sufficient evidence has been found with regard to the degree of risk underlying the credit assessments.
4. As described in Recital 12 of the Implementing Technical Standards on the mapping of ECAIs’ credit assessments under Article 136(1) and (3) of Regulation (EU) No 575/2013, in order to avoid causing undue material disadvantage on those ECAIs which, due to their more recent entrance in the market, present limited quantitative information, with the view to balancing prudential with market concerns, two mappings apply for these ECAIs, with the first mapping for a limited period of three years. Both mappings should take into account quantitative and qualitative factors. Compared to the second mapping, the quantitative factors for deriving the first mapping should be relaxed. This solution would allow ECAIs which present limited

¹ According to Article 136(1), the ‘mapping’ is the correspondence between the credit assessments of and ECAI and the credit quality steps set out in Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR).

² In this regard please consider http://www.esma.europa.eu/system/files/esma__2015-1473_report_on_the_possibility_of_establishing_one_or_more_mapping....pdf.

quantitative information to enter the market and would positively stimulate them to collect a sufficient number of quantitative information.

5. In accordance with the previous paragraph for a subset of ECAIs two mappings are applicable, one applicable until 31.12.2018 and one applicable from 01.01.2019. ERA belongs to the subset of ECAIs that are provided two mappings. Updates to the mapping should be made whenever this becomes necessary, including in relation to the mapping to be applied after the three years, to reflect quantitative information collected during the three year-period. Nevertheless, in the absence of such a review, for the ECAIs that are provided two mappings the one applicable from 01.01.2019 shall operate after the three years phase-in period.
6. The resulting mapping tables have been specified in Annex III of the Implementing Technical Standards on the mapping of ECAIs' credit assessments under Article 136(1) and (3) of Regulation (EU) No 575/2013. Figure 1 below shows the result for the main ratings scale of ERA, the Long-term rating scale, displaying the mapping applicable until 31.12.2018 and the one applicable starting from 01.01.2019.

Figure 1: Mapping of ERA's Long-term rating scale

Credit assessment	Credit quality step Applicable until 31.12.2018	Credit quality step Applicable from 01.01.2019
AAA	2	2
AA	2	2
A	2	2
BBB	3	3
BB	4	4
B	5	6
CCC	6	6
CC	6	6
C	6	6
D	6	6

2. Introduction

7. This report describes the mapping exercise carried out by the Joint Committee (JC) to determine the 'mapping' of the credit assessments of the European Rating Agency (ERA).
8. ERA is a credit rating agency that has been registered with ESMA in 30 July 2012 and therefore meets the conditions to be an eligible credit assessment institution (ECAI)³. ERA prepares rating assessments of organisations (municipalities, non-financial and financial institutions) and security issues. At present, ERA issues ratings mainly to entities on the Slovak market and some other EU countries⁴.
9. The methodology applied to produce the mapping is the one specified in the Implementing Technical Standards on the mapping of ECAIs' credit assessments under Article 136(1) and (3) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR). These ITS employ a combination of the provisions laid down in Article 136(2) of Regulation (EU) No 575/2013. The information base used to produce the mapping is the same that has been employed when performing the first mapping proposal which was disclosed during the consultation period to these ITS. Two sources of information have been used. On the one hand, the quantitative and qualitative information available in ESMA Central Repository (CEREP⁵) has been used to obtain an overview of the main characteristics of this ECAI. On the other hand, information provided by the ECAI itself and information available in ERA's website regarding the types of credit ratings produced and the definition of the applicable rating scales has also been taken into account.
10. The following sections describe the rationale underlying the mapping exercise carried out by the Joint Committee (JC) to determine the mappings for both the applicable time periods. With respect to the quantitative requirements used to perform the mappings, in case of ECAIs for which limited quantitative information is available the same methodology has been applied across the two applicable time periods, although with two different levels of prudence. Section 3 describes the relevant ratings scales of ERA for the purpose of the mapping. Section 4 contains the methodology applied to derive the mapping of ERA's main ratings scale whereas Sections 5 refer to the mapping of its remaining relevant rating scale. The mapping tables are shown in Appendix 4 of this document and have been specified in Annex III of the Implementing Technical Standards on the mapping of ECAIs' credit assessments under Article 136(1) and (3) of Regulation (EU) No 575/2013.

³ It is important to note that the mapping does not contain any assessment of the registration process of ERA carried out by ESMA.

⁴ Source: ERA website (<http://www.euroratings.co.uk/index.php?lang=en>)

⁵ CEREP is the central repository owned by ESMA to which all registered/certified CRAs have to report their credit assessments. <http://cerep.esma.europa.eu/cerep-web/>.

3. ERA's credit ratings and rating scales

11. ERA produces two credit ratings. Column 2 of Figure 2 in Appendix 1 shows the relevant credit ratings that may be used by institutions for the calculation of risk weights under the Standardised Approach (SA)⁶:

- **Long-term rating** – rating assigned to municipalities and entrepreneurial entities. Rating of towns and municipalities evaluates, on an independent basis, risks related to the ability and willingness of the town (municipality) to comply with its future liabilities. The rating of entrepreneurial entities provides creditors, investors but also the concerned entity with information and independent view on management processes and economic situation of the evaluated entity. Simultaneously the analysis aims at evaluating ability and willingness of an entrepreneurial entity to fulfil its liabilities resulting from its business activity. ERA also provides evaluation of following types of issues: Issues of towns, municipalities and municipal entities; other issues (bonds, bill of exchanges, etc.).
- **Short-term rating** – similar to long-term ratings, with the difference that it refers to a short-term time horizon.

12. ERA assigns these credit ratings to different rating scales as illustrated in column 3 of Figure 2 in Appendix 1. Therefore, a specific mapping has been prepared for the following rating scales:

- **Long-term rating scale.** The specification of this rating scale is described in Figure 3 of Appendix 1.
- **Short-term rating scale.** The specification of this rating scale is described in Figure 4 of Appendix 1.

13. The mapping of the Long-term rating scale is explained in Section 4 and it has been derived in accordance with the quantitative factors, qualitative factors and benchmarks specified in the ITS.

14. The mapping of the Short-term rating scale is explained in Section 5 and it has been indirectly derived from the mapping of the Long-term ratings scale and the relationship between these two scales, assessed by the Joint Committee based on the comparison of the meaning and relative position of the rating categories in both rating scales. This internal relationship is shown in Figure 5 of Appendix 1.

4. Mapping of ERA's Long-term rating scale

⁶ As explained in recital 4 ITS, Article 4(1) CRA allows the use of the credit assessments for the determination of the risk-weighted exposure amounts as specified in Article 113(1) CRR as long as they meet the definition of credit rating in Article 3(1)(a) CRA.

15. The mapping of the Long-term rating scale has consisted of two differentiated stages where the quantitative and qualitative factors as well as the benchmarks specified in Article 136(2) CRR have been taken into account.

16. In the first stage, the quantitative factors referred to in Article 1 of the ITS have been taken into account to differentiate between the levels of risk of each rating category. The *long run default rate* of a rating category has been calculated in accordance with Article 6 of the ITS, as the number of credit ratings cannot be considered to be sufficient.

17. In a second stage, the qualitative factors proposed in Article 7 of the ITS have been considered to challenge the result of the previous stage.

4.1. Initial mapping based on the quantitative factors

4.1.1. Calculation of the long-run default rates

18. The information contained in CEREP on available ratings and default data is, shown in Figure 6 and Figure 7 in Appendix 3, cannot be considered sufficient for the calculation of the short and long run default rates specified in the Articles 3 – 5 of the ITS. Therefore, the allocation of the CQS has been made in accordance with Article 6 of the ITS, as shown in Figure 8 and Figure 9 of Appendix 3.

19. For D rating category, no calculation of default rate has been made since it already reflects a 'default' situation.

4.1.2. Mapping proposal based on the long run default rate

20. As illustrated in the second column of Figure 10 and Figure 11 in Appendix 4, the assignment of the rating categories to credit quality steps has been initially made in accordance with Article 6 ITS. Therefore, the numbers of defaulted and non-defaulted rated items have been used together with the prior expectation of the equivalent rating category of the international rating scale. The results are specified in Figure 8 and Figure 9 of Appendix 3.

Mapping Tables applicable until 31.12.2018:

- **AAA/AA/A/BBB/BB/B:** the number of rated items in each of these categories is equal or larger than the respective minimum required number of observed items given the number of defaulted items in the rating category. Thus the credit quality steps associated with the AAA/AA, A, BBB, BB, B rating categories in the international rating scale (CQS 1, CQS 2, CQS 3, CQS 4 and CQS 5 respectively) can be assigned.
- **CCC-C:** since the CQS associated with the equivalent rating category of the international rating scale is 6, the proposed mapping for these rating categories is also CQS 6.

Mapping Tables applicable starting from 01.01.2019:

- **AAA/AA/B:** the number of rated items in these categories is below the minimum required number of observed items so that the credit quality steps associated with the AAA/AA and B rating categories in the international rating scale (CQS 1 and CQS 5 respectively) cannot be assigned. Therefore, the proposed credit quality step for these rating categories is CQS 2 and CQS 6 respectively
- **A/BBB/BB:** the number of rated items in each of these categories is equal or larger than the respective minimum required number of observed items given the number of defaulted items in the rating category. Thus the credit quality steps associated with the A, BBB and BB rating categories in the international rating scale (CQS 2, CQS 3 and CQS 4 respectively) can be assigned.
- **CCC-C:** since the CQS associated with the equivalent rating category of the international rating scale is 6, the proposed mapping for these rating categories is also CQS 6.

4.2. Final mapping after review of the qualitative factors

21. The qualitative factors specified in Article 7 of the ITS have been used to challenge the mapping proposed by the default rate calculation. Qualitative factors acquire more importance in the rating categories where quantitative evidence is not sufficient to test the default behavior⁷, as it is the case for all ERA's rating categories.

22. The **definition of default** applied by ERA and used for the calculation of the quantitative factors has been analysed:

- The types of default events considered by ERA are consistent with letters (a), (b) and (d) of the definition of default under certain conditions of the benchmark definition specified in Article 4(4) of the ITS. However it does not consider the default event (c) of the benchmark default definition specified in the ITS.
- There is no sufficient information to assess ERA's definition of default by estimating the share of bankruptcy-related events. Therefore, the definition cannot be adjusted accordingly.

In addition, due to the business model of this ECAI, ERA is not in a position to provide information on the expected default behavior of its rating categories. Due to these uncertainties a certain level of conservatism has been employed. However it has also been considered the low risk profile of the items rated by this ECAI and the presence of zero default events in its rating history. More specifically, for the Mapping applicable until 31.12.2018 rating categories AAA/AA are assigned CQS 2 instead of 1 also considering the reduced capital charge associated with CQS 1 and the lack of evidence in the quantitative framework; for the

⁷ The default behavior of a rating category is considered to be properly tested if the quantitative factors for that rating category are calculated under Articles 3 – 5 ITS.

Mapping applicable starting from 01.01.2019, this factor would confirm the mapping proposed by the quantitative factors.

- 23.Regarding **the meaning and relative position of the credit assessments**, it would suggest a more favorable CQS than the one proposed so far for AAA/AA and B rating categories. However this qualitative factor cannot overrule the lack of quantitative information and the uncertainty regarding the default behavior of the rated items of this ECAI, therefore no change is proposed.
- 24.Regarding the **time horizon** reflected by the rating category, ERA's long term rating categories focus on a 1 year time horizon. According to this factor the mapping proposal is reinforced.
- 25.Finally, it should be highlighted the use of the long run default rate benchmark associated with the equivalent category in the international rating scale as the **estimate of the long run default rate** for the calculation of the quantitative factor of all rating categories under Article 6 of the ITS.

5. Mapping of ERA's Short-term rating scale

- 26.ERA also produces short-term ratings and assigns them to the Short-term rating scale (see Figure 4 in Appendix 1). Given that the default information referred to these rating categories cannot be comparable with the 3-year time horizon that characterizes the benchmarks established in the ITS, the internal relationship assessed by the JC between these two rating scales (described in Figure 5 of Appendix 1) has been used to derive the mapping of the Short-term rating scale. This should ensure the consistency of the mappings proposed for ERA.
- 27.More specifically, as each short-term rating can be associated with a range of long-term ratings, the CQS assigned to the short-term credit rating category has been determined based on the most frequently CQS assigned to the related long-term rating categories. In case of draw, the most conservative CQS has been considered. Given that ERA belongs to the set of ECAIs that are provided two mappings for the Long-term scale, the Short-term scale has been also derived for the two applicable time periods on the basis of former scale mappings.
- 28.The results are shown in Figure 12 and Figure 13 of Appendix 4:

Mapping Tables applicable until 31.12.2018:

- **S1.** This rating category indicates a high probability of capability and willingness to repay principal, interests and fixtures of an investment. It has been mapped to the long-term scale rating categories AAA/AA and A. Therefore, CQS 2 is the proposed mapping.
- **S2.** This rating category indicates a certain risk connected with capability and willingness to repay principal, interests and fixtures of an investment. It has been mapped to the long-term scale rating category BBB. Therefore, CQS 3 is the proposed mapping.

- **S3.** This rating category indicates higher risk related to the capability and willingness to repay principal, interests and fixtures of an investment. It has been mapped to the long-term scale rating category BB. Therefore, CQS 4 is the proposed mapping. Since the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR, the mapping proposed for the C rating category is CQS 4.
- **S4.** This rating category indicates a very high investment risk and industry a capability and willingness to repay principal, interests and fixtures of an investment. It has been mapped to the long-term scale rating category B. Therefore, CQS 5 is the proposed mapping. Since the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR, the mapping proposed for the C rating category is CQS 4.
- **NS.** This rating category indicates high probability that the company is not capable of repaying its financial liabilities. It has been mapped to the long-term rating category D. Therefore, CQS 6 is the proposed mapping. Since the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR, the mapping proposed for the C rating category is CQS 4.

Mapping Tables applicable starting from 01.01.2019:

- **S4.** This rating category indicates a very high investment risk and industry a capability and willingness to repay principal, interests and fixtures of an investment. It has been mapped to the long-term scale rating category B. Therefore, CQS 6 is the proposed mapping. Since the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR, the mapping proposed for the C rating category is CQS 4.
- **S1/S2/S3/NS.** The conclusions for these rating categories are equivalent to the ones described for the Mapping Tables applicable until 31.12.2018. For this reasons the mappings proposed for these rating categories are CQS 2, CQS 3, CQS 4 and CQS 4 respectively.

Appendix 1: Credit ratings and rating scales

Figure 2: ERA's relevant credit ratings and rating scales

SA exposure classes	Name of credit rating	Credit rating scale
Long-term ratings		
Regional and local governments and PSEs	Long-term rating	Long-term rating scale
Financial Institutions	Long-term rating	Long-term rating scale
Corporates	Long-term rating	Long-term rating scale
Short-term ratings		
Regional and local governments and PSEs	Short-term rating	Short-term rating scale
Financial Institutions	Short-term rating	Short-term rating scale
Corporates	Short-term rating	Short-term rating scale

Source: ERA

Figure 3: Long-term rating scale

Credit assessment	Meaning of the credit assessment
AAA	Supreme rating. This symbol means that the company/title (issues) bears the minimum investment risk. The companies/titles labelled with this symbol contain very high probability of capability and willingness to pay principal, interests and fixtures of an investment in time and without any unnecessary delay. It is also highly improbable that the company/title might be threatened by alterations of economic or another external environments.
AA	The company/title (issue) bears a very low investment risk exposure. Companies/titles labelled with such symbol contain high probability of capability and willingness to pay principal, interest and fixtures of the investment in time and without any unnecessary delay. However, it is probable that the company/title may be threatened by distinct variations of economic or another external environment.
A	The company/title (issues) bears a low investment risk exposure. Companies/titles labelled with this symbol contain probability of uncertain capability or willingness to repay principal, interests and fixtures of investments in time and without any unnecessary delays. It is probable the company/title can be threatened by more serious variations of economic or another external environment.
BBB	The company/title (issues) bears a certain investment risk exposure. Companies/titles labelled with this symbol contain risk associated with capability or willingness to repay principal, interests and fixtures of investments in time and without any unnecessary delays. Capability of the company/issuer to pay principal, interests and fixtures of investment in time and without any unnecessary delay may be disturbed by variations of economic or another external environment.
BB	The company/title (issues) bears high investment risk exposure. Companies/titles labelled with this symbol contain high risk associated with capability or willingness to repay principal, interests and fixtures of investments in time and without any unnecessary delays. Capability of the company/issuer to repay principal, interests and fixtures of investment in time and without any unnecessary delay is not stable and may be substantially disturbed by variations of economic or another external environment.
B	The company/title (issues) bears a very high investment risk exposure. Companies/titles labelled with this symbol contain very high risk of preference to repay interests to repayment of principal. Even non-distinct variations of external environment may disturb capability of the company/issuer to repay its liabilities.

CCC	The company/title (issues) bears an extraordinarily high investment risk exposure higher than common in the sector of the company's/issuer's operation. Negative variations of external environment of any scope mean real risk of default.
CC	The company/title (issues) bears a high default risk exposure and its capability to repay its liabilities depends on distinctively positive development of the sector and industry of the operation of the company/issuer.
C	The company/title (issues) bears a very high default risk exposure. Even the positive development of the sector and industry of the company's/issuer's operation needn't mean its capability to repay liabilities in time and without unnecessary delay.
D	This symbol means that liabilities of this company/title (issues) are in default.

Source: ERA

Figure 4: Short-term rating scale

Credit assessment	Meaning of the credit assessment
S1	The company/title (issues) bears a very low investment risk. The company/titles indicated with this symbol include a high probability of capability and willingness to repay principal, interests and fixtures of an investment in time and without unnecessary delay.
S2	The company/title (issues) bears an appropriate investment risk. The company/titles indicated with this symbol include a certain risk connected with capability and willingness to repay principal, interests and fixtures of an investment in time and without unnecessary delays. However, it is probable the company/title can be threatened by more distinct variations of economic and other external environment.
S3	The company/title (issues) bears a relatively high investment risk. The company/titles indicated with this symbol include a higher risk related to capability and willingness to repay principal, interests and fixtures of an investment in time and without unnecessary delays. However, it is probable the company/title can be also threatened by less distinct variations of economic and other external environment.
S4	The company/title (issues) bears a very high investment risk. Capability of the company /issuer to repay principal, interests and fixtures of an investment in time and without unnecessary delay depends on positive development of the sector and industry of the operation of the company/issuer.
NS	The company/title (issues) will be with high probability not capable of repaying its financial liabilities in time and without unnecessary delay.

Source: ERA

Figure 5: Internal relationship between ERA's long-term and short-term rating scales

Long-term ratings scale	Short-term ratings scale
AAA	
AA	S1
A	
BBB	S2
BB	S3
B	S4
CCC	
CC	NS
C	
D	

Source: assessed by the Joint Committee based on the comparison of the meaning and relative position of the rating categories

Appendix 2: Definition of default

The default rating is generally assigned by ERA if the rated entity has applied for restructuring, entered into the bankruptcy filings, receivership, liquidation or other winding-up or cessation of the business. The default may also be assigned when the entity is considered insolvent due to failure to make payment of obligations under contractual terms in an extent ERA considers critical for continuation of the business

Source: ERA

Appendix 3: Default rates of each rating category

Figure 6: Number of rated items

Date	AAA	AA	A	BBB	BB	B	CCC-C
01/01/2002				2	2		
01/07/2002				2	2		
01/01/2003				3	2		
01/07/2003				3	2	1	
01/01/2004				4		2	
01/07/2004				4		1	
01/01/2005				3	2		
01/07/2005				4	4		
01/01/2006				2	2		
01/07/2006				1			
01/01/2007				1	1		
01/07/2007				2	1		
01/01/2008				3	1		
01/07/2008				3			
01/01/2009				4			
01/07/2009				4			
01/01/2010				1			
01/07/2010							

Source: Joint Committee calculations based on CEREP data

Figure 7: Number of defaulted rated items

Date	AAA	AA	A	BBB	BB	B	CCC-C
01/01/2002							
01/07/2002				0	0		
01/01/2003				0	0		
01/07/2003				0	0		
01/01/2004				0	0	0	
01/07/2004				0		0	
01/01/2005				0		0	
01/07/2005				0	0		
01/01/2006				0	0		
01/07/2006				0	0		
01/01/2007				0			
01/07/2007				0	0		
01/01/2008				0	0		
01/07/2008				0	0		
01/01/2009				0			
01/07/2009				0			
01/01/2010				0			
01/07/2010							

Source: Joint Committee calculations based on CERP data

Figure 8: Mapping proposal for rating categories with a non-sufficient number of credit ratings,
applicable until 31.12.2018

	AAA/AA	A	BBB	BB	B	CCC-C
CQS of equivalent international rating category	CQS 1	CQS 2	CQS 3	CQS 4	CQS5	CQS 6
N. observed defaulted items	0	0	0	0	0	0
Minimum N. rated items	0	0	0	0	0	n.a.
Observed N. rated items	0	0	46	19	4	0
Mapping proposal	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6

Source: Joint Committee calculations based on CEREP data

Figure 9: Mapping proposal for rating categories with a non-sufficient number of credit ratings,
applicable starting from 01.01.2019

	AAA/AA	A	BBB	BB	B	CCC-C
CQS of equivalent international rating category	CQS 1	CQS 2	CQS 3	CQS 4	CQS5	CQS 6
N. observed defaulted items	0	0	0	0	0	0
Minimum N. rated items	496	0	0	10	5	n.a.
Observed N. rated items	0	0	46	19	4	0
Mapping proposal	CQS 2	CQS 2	CQS 3	CQS 4	CQS 6	CQS 6

Source: Joint Committee calculations based on CEREP data

Appendix 4: Mappings of each rating scale

Figure 10: Mapping of ERA's Long-term rating scale, applicable until 31.12.2018

Credit assessment	Initial mapping based on LR DR (CQS)	Review based on SR DR (CQS)	Final review based on qualitative factors (CQS)	Main reason for the mapping
AAA	1	n.a.	2	The quantitative factors are representative of CQS 1. The qualitative factors suggest CQS 2.
AA	1	n.a.	2	
A	2	n.a.	2	The quantitative factors are representative of the final CQS.
BBB	3	n.a.	3	The quantitative factors are representative of the final CQS.
BB	4	n.a.	4	The quantitative factors are representative of the final CQS.
B	5	n.a.	5	The quantitative factors are representative of the final CQS.
CCC	6	n.a.	6	The quantitative factors are representative of the final CQS.
CC	6	n.a.	6	
C	6	n.a.	6	
D	6	n.a.	6	The meaning and relative position of the rating category is representative of the final CQS.

Figure 11: Mapping of ERA's Long-term rating scale, applicable starting from 01.01.2019

Credit assessment	Initial mapping <i>based on LR DR</i> (CQS)	Review <i>based on SR</i> <i>DR</i> (CQS)	Final review <i>based</i> <i>on qualitative</i> <i>factors</i> (CQS)	Main reason for the mapping
AAA	2	n.a.	2	The quantitative factors are representative of the final CQS.
AA	2	n.a.	2	
A	2	n.a.	2	
BBB	3	n.a.	3	The quantitative factors are representative of the final CQS.
BB	4	n.a.	4	The quantitative factors are representative of the final CQS.
B	6	n.a.	6	The quantitative factors are representative of the final CQS.
CCC	6	n.a.	6	The quantitative factors are representative of the final CQS.
CC	6	n.a.	6	
C	6	n.a.	6	
D	6	n.a.	6	The meaning and relative position of the rating category is representative of the final CQS.

Figure 12: Mapping of ERA's Short-term rating scale, applicable until 31.12.2018

Credit assessment	Corresponding Long-term rating scale assessment (assessed by JC)	Range of CQS of corresponding Long-term rating scale	Final review based on qualitative factors (CQS)	Main reason for the mapping
S1	AAA/AA/A	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
S2	BBB	3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
S3	BB	4	4	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
S4	B	5	4	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
NS	CCC/CC/C/D	6	4	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.

Figure 13: Mapping of ERA's Short-term rating scale, applicable starting from 01.01.2019

Credit assessment	Corresponding Long-term rating scale assessment (assessed by JC)	Range of CQS of corresponding Long-term rating scale	Final review based on qualitative factors (CQS)	Main reason for the mapping
S1	AAA/AA/A	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
S2	BBB	3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
S3	BB	4	4	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
S4	B	6	4	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
NS	CCC/CC/C/D	6	4	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.