

# RATING MIDCAPS

Euler Hermes Rating GmbH

Budapest  
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*François Bourgeois*

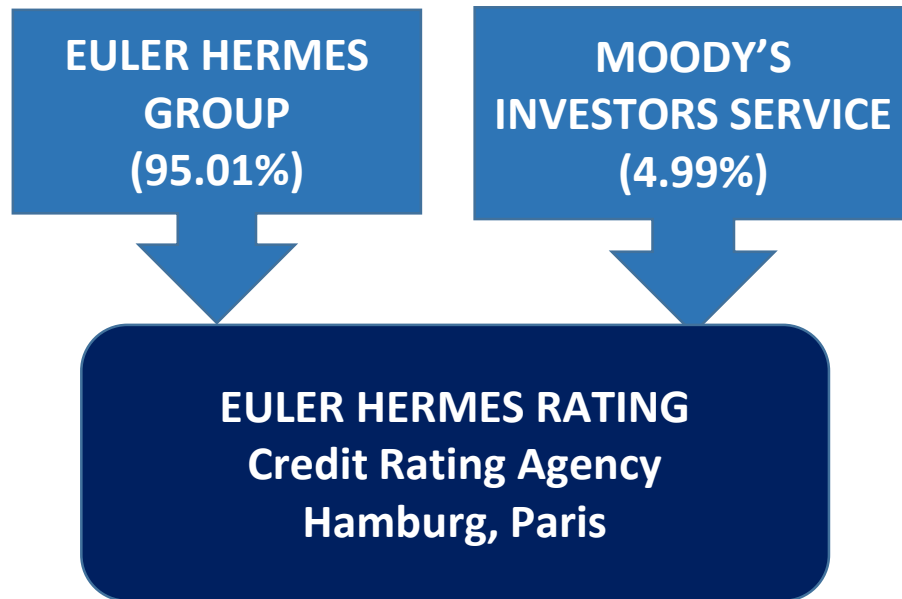


# AGENDA



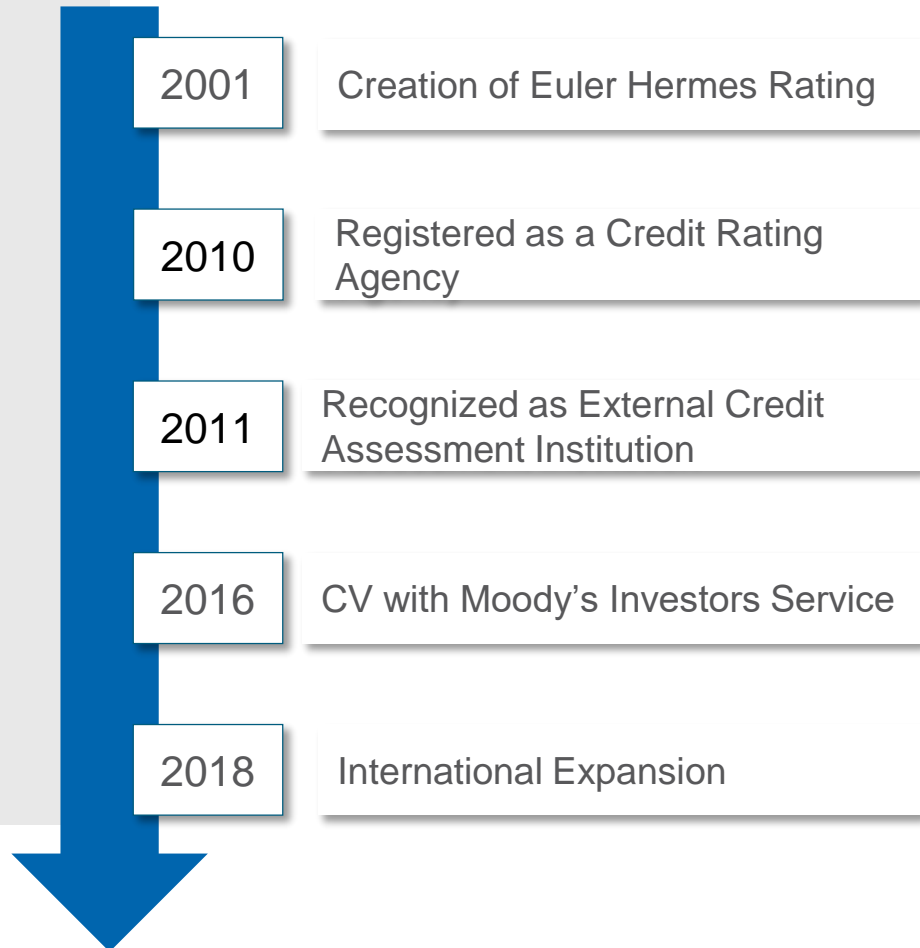
- ❑ Euler Hermes Rating GmbH
- ❑ Ratings, methodologies, process
- ❑ Specifics of Mid-sized corporates risk assessment
- ❑ Q&A

# EULER HERMES RATING



- ❑ A collaboration venture combining the medium/long term analytical and methodology expertise of Moody's Investors Service, with the unique SMEs and MidCaps information from Euler Hermes (Allianz Group)
- ❑ Provides credit ratings as well as other credit risk assessment products and solutions
- ❑ European coverage, local presence in Germany, France, Italy, Spain and Hungary
- ❑ Specialized in Mid-sized funding: corporates, projects, structured finance; owner and operator of the **TRIB**Rating methodologies


# A LONG-STANDING EXPERTISE



## Regulatory Admissions

- Registration as Credit Rating Agency (CRA) at the European Securities and Markets Authority (ESMA)
- Euler Hermes Rating GmbH is subject to the Regulations of the European Parliament and of the Council (EC) no. 1060/2009, (EC) no. 513/2011, and (EC) no. 462/2013, supervised by the European Securities and Markets Authority (ESMA)
- Recognition as External Credit Assessment Institution (ECAI) granted by European Banking Authority (EBA) with rating scale mapping commensurate to leading agencies

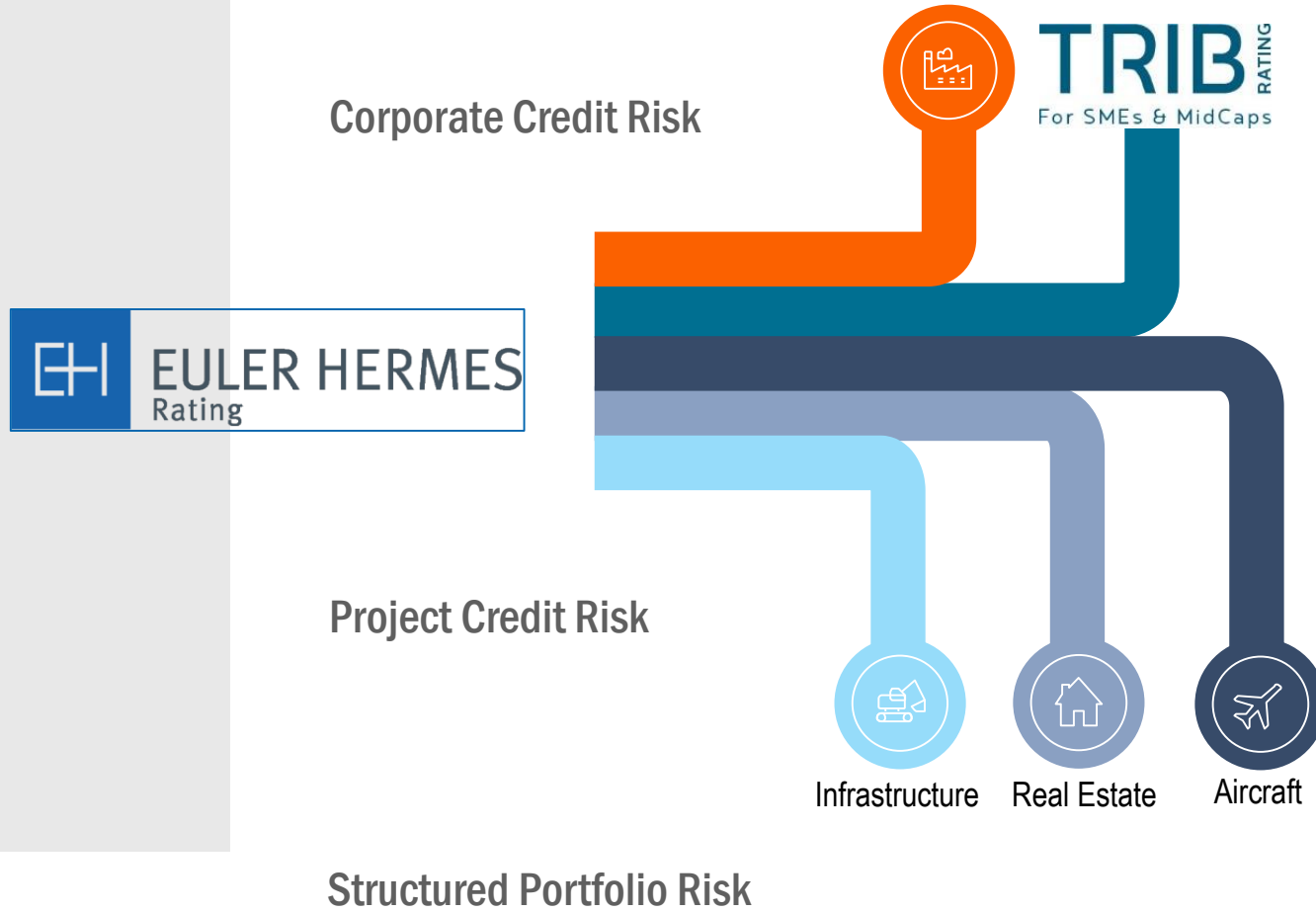
FINAL REPORT: REVISED DRAFT ITS ON THE MAPPING OF ECAIS' CREDIT ASSESSMENTS UNDER CRR



*Euler Hermes Rating GmbH*

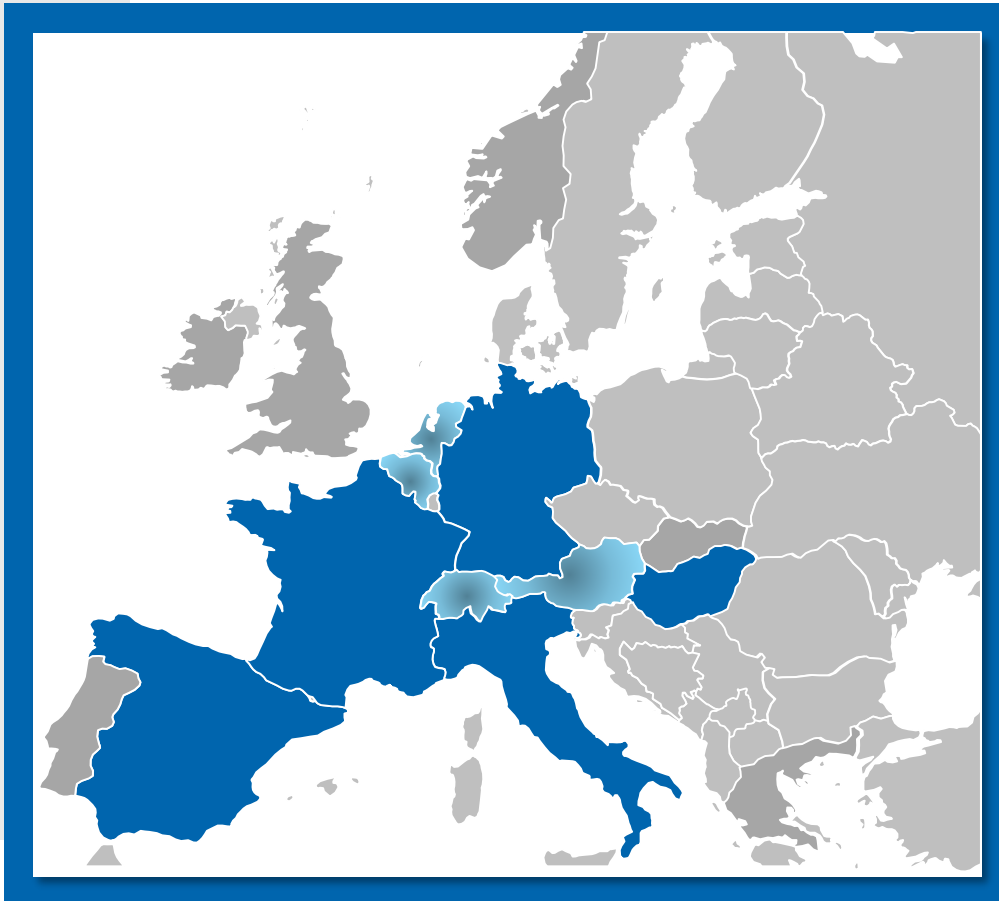
Global long-term rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, SD, D
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# A WIDE RANGE OF SERVICES



- ❑ Credit Ratings
- ❑ Non regulated assessments: Private Credit Ratings, Credit Estimates, Credit Snapshots
- ❑ Digital Solutions and Data-driven Analytics
- ❑ Credit Research

# **EUROPEAN COVERAGE**



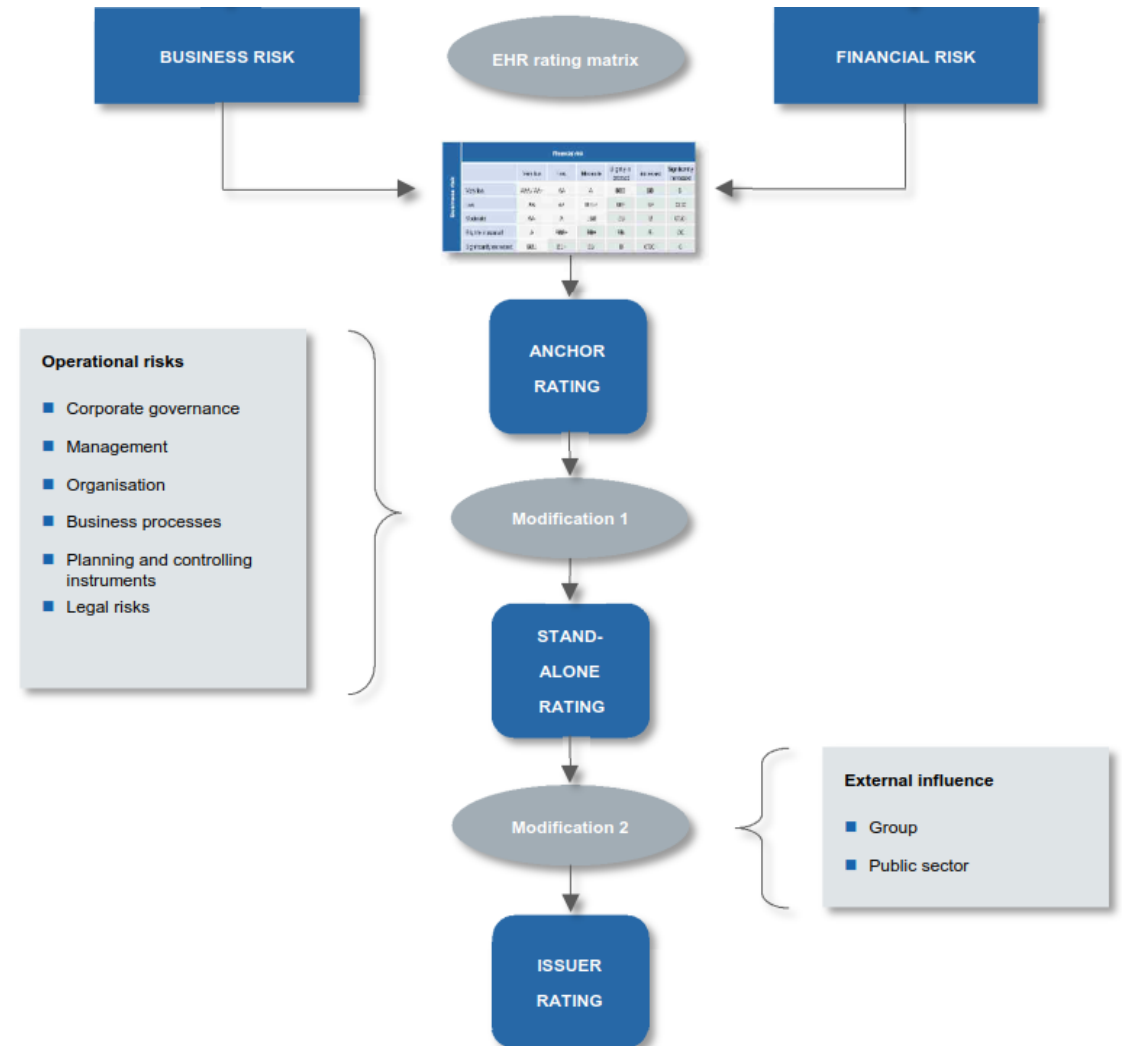
- ❑ Analytical and business development presence in Germany, France, Italy, Spain and Hungary
- ❑ Additional methodology development in Switzerland, Belgium The Netherlands, Austria (TRIBRating)
- ❑ European methodology coverage

# DEFINITIONS

- ❑ **Credit Rating**
  - ✓ opinion regarding the creditworthiness of an entity or a debt instrument - no recommendation to invest
  - ✓ defined ranking system of rating categories: AAA to D
  - ✓ disclosed publicly or distributed by subscription
  
- ❑ **Issuer Rating**
  - ✓ Assessment of company's credit quality taking into account business, financial, operational risk and external factors
  
- ❑ **Issuance Rating**
  - ✓ relative credit quality of a specific financial instruments within the company's capital structure
  
- ❑ **Monitoring and follow up rating**
  - ✓ Issuer discloses any significant development likely to impact the credit rating and/or the outlook
  - ✓ Rating and/or outlook can be adjusted anytime based on new information
  - ✓ Once a year the rating will be updated and a new credit report will be issued

# CORPORATE ISSUER RATING METHODOLOGY

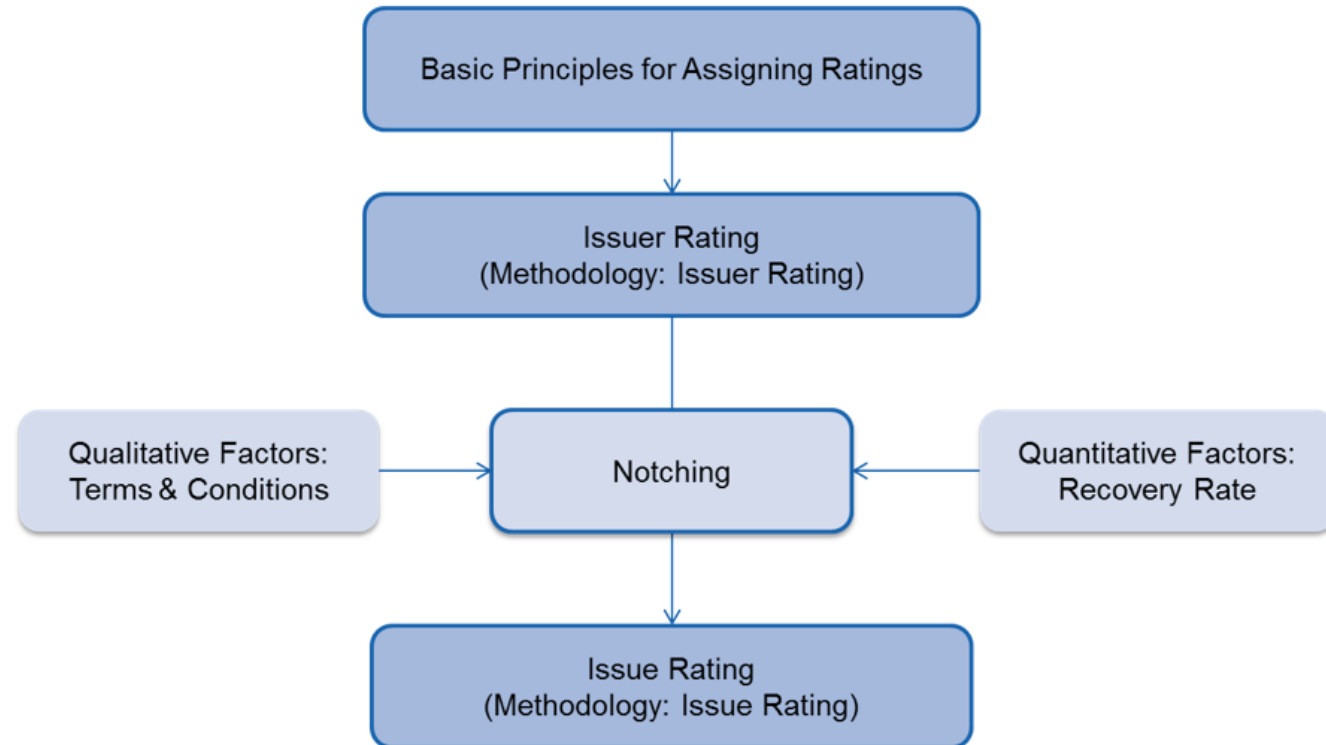
- „through-the-cycle“ assessments
- Anchor rating based on business risk and financial risk profile
- Stand-alone rating takes into account modifications for operational risks
- Issuer rating can be modified for external effects
- Final assessment by the EH Rating Committee





# ISSUE RATING METHODOLOGY

- A dedicated assessment of the issuance impact over the issuer rating (+/- 0 to 3 notches)
- Analysis of the bond's terms and conditions enable the assessment of specific creditor protections
- Recovery rate is a function of asset value, debt and rank of claim, which may change over time



# TYPICAL RATING PROCESS

- Dedicated project team throughout the process
- Direct exchanges with the rated entity in local language
- Publication to the public or dissemination to selected subscribers

Rating process	
A	Receipt of documentation and analysis
B	Site visit or conference call w here applicable
C	Creation of draft rating report and proposed rating
D	Rating committee meeting and determination
E	Submission of credit rating and the rating rationale (draft) to the rated entity and, where applicable, the customer
F	Rated entity points out any factual errors that may have been made and/or inadvertent inclusion of confidential information, if applicable
G	Possible consideration of comments (another rating committee meeting w here applicable)
H	Completion and submission of the credit rating report to the rated entity and the customer w here applicable
I	Publication/dissemination
J	Monitoring

# **ASSESSING RISK OF MID-SIZED FUNDING**

- ❑ Risk assessment based on public and private information
- ❑ Recognition of specific national environment
- ❑ Joint teams of seasoned rating analysts and local credit experts
- ❑ Direct contact with the rated entity in local language: company visit, management interviews, regular exchanges
- ❑ Group dependencies

# THANK YOU



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