

Rating Research Services

Taiwan Ratings' Rating Definitions

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Taiwan Ratings' Rating Definitions

(**Editor's Notes:** This criteria article is no longer current. It has been superseded by the article titled "Understanding TRC Rating Definition" published on Oct. 29, 2013.)

Taiwan Ratings Corporation (TRC) assigns both issue credit ratings, which apply to a specific debt instrument, and issuer credit ratings, which apply to an obligor (i.e., borrower, guarantor, insurer, or other provider of credit enhancement).

TRC credit rating symbols are accompanied by a "tw" prefix to denote Taiwan and the rating scale's focus on Taiwanese financial markets. As such, the TRC rating scale is not directly comparable to Standard & Poor's global scale.

Issue Credit Ratings

A TRC issue credit rating is a forward-looking opinion about the capacity of an obligor to meet the financial commitments associated to a specific debt, bond, lease, commercial paper program, certificate of deposit, or other financial instrument ("obligation"), relative to the debt servicing and repayment capacity of other obligors active in the Taiwanese domestic financial markets ("obligors"), with respect to their own financial obligations.

TRC issue credit ratings are based, in varying degrees, on the analysis of the following considerations:

- Likelihood of default--the rating assesses the obligor's ability and willingness as to timely payment of interest and repayment of principal in accordance with the terms of the obligation.
- The obligation's nature and provisions, such as collateral, mortgages, or expressions of subordination.
- Protection afforded to, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under bankruptcy laws and other laws affecting creditors' rights.

Long-Term Issue Credit Ratings

Applying to obligations with an original maturity of one year and over.

twAAA

An obligation rated 'twAAA' has the highest rating assigned by TRC. The obligor's capacity to meet its financial commitments on the obligation, relative to other obligors in the Taiwan market, is extremely strong.

twAA

An obligation rated 'twAA' differs from the highest-rated debt only to a small degree. The obligor's capacity to meet its financial commitments on the obligation, relative to other Taiwanese obligors, is very strong.

twA

An obligation rated 'twA' is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated debt. Still, the obligor's capacity to meet its financial commitments on the obligation, relative to other Taiwanese obligors, is strong.

twBBB

An obligation rated 'twBBB' denotes adequate protection parameters relative to other Taiwanese obligations. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity on the part of the obligor to meet its financial commitments on the obligation.

twBB, twB, twCCC, twCC, and twC

Obligations rated 'twBB', 'twB', 'twCCC', 'twCC', or 'twC' on the TRC rating scale are regarded as having high risk relative to other Taiwanese obligations. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions relative to other Taiwanese obligations.

twBB

An obligation rated 'twBB' denotes somewhat weak protection parameters relative to other Taiwanese obligations. The obligor's capacity to meet its financial commitments on the obligation is somewhat weak because of major ongoing uncertainties or exposure to adverse business, financial, or economic conditions.

twB

An obligation rated 'twB' denotes weak protection parameters relative to other Taiwanese obligations. The obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions, however, would likely impair capacity or willingness of the obligor to meet its financial commitments on the obligation.

twCCC

An obligation rated 'twCCC' is currently vulnerable to nonpayment and is dependent upon favorable business and financial conditions for the obligor to meet its financial commitments on the obligation.

Plus (+) or minus (-)

The ratings from 'twAA' to 'twCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

twCC

An obligation rated 'twCC' is currently highly vulnerable to nonpayment.

twC

The 'twC' rating may be used to cover a situation where a bankruptcy petition has been filed or similar action has been taken, but payments on the obligation are being continued.

D

An obligation is rated 'D' when it is in payment default, or the obligor has filed for bankruptcy. The 'D' rating is used when interest or principal payments are not made on the date due, even if the applicable grace period has not expired, unless TRC believes that such payments will be made during such grace period.

Short-Term Issue Credit Ratings

Applying to obligations with an original maturity of less than one year.

twA-1

A short-term obligation rated 'twA-1' is rated in the highest category by TRC. The obligor's capacity to meet its financial commitments on the obligation, relative to that of other obligors in the Taiwan market ("obligors"), is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations, relative to that of other obligors in the Taiwan market, is very strong.

twA-2

A short-term obligation rated 'twA-2' is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations rated 'twA-1'. The obligor's capacity to meet its financial commitments on the obligation, relative to that of other Taiwanese obligors, is satisfactory.

twA-3

A short-term obligation rated 'twA-3' denotes adequate protection parameters relative to those of other short-term Taiwanese obligations. It is, however, more vulnerable to the adverse effects of changes in circumstances and economic conditions than obligations carrying the higher designations.

twB

A short-term obligation rated 'twB' denotes significant vulnerability to adverse business, financial, or economic conditions regarding prospects for timely meeting of financial commitments relative to that of other short-term Taiwanese obligations.

twC

A short-term obligation rated 'twC' denotes doubtful capacity for payment.

D

A short-term obligation rated 'D' denotes a payment default.

Issuer Credit Ratings

A TRC issuer credit rating is a forward-looking opinion about the overall capacity of a debt issuer, guarantor, insurer, or other provider of credit enhancement ("obligor") to meet its financial obligations relative to other obligors active in the Taiwanese domestic financial markets ("obligors"). Such obligors may include corporates, government enterprises, financial institutions, and insurance companies, among other types of entities. Counterparty credit ratings are a form of issuer credit ratings.

Issuer credit ratings do not apply to specific obligations, as they do not take into account the nature and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation.

Long-term Issuer Credit Ratings

Applying to obligors' capacity to meet financial commitments over a time horizon of one year and over.

twAAA

An obligor rated 'twAAA' has an extremely strong capacity to meet its financial commitments relative to other obligors in the Taiwan market.

twAA

An obligor rated 'twAA' differs from the highest-rated obligors only to a small degree, and has a very strong capacity to meet its financial commitments relative to other Taiwanese obligors.

twA

An obligor rated 'twA' is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated obligors. Still, the obligor has a strong capacity to meet its

financial commitments relative to other Taiwanese obligors.

twBBB

An obligor rated 'twBBB' has an adequate capacity to meet its financial commitments relative to other Taiwanese obligors. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

twBB

An obligor rated 'twBB' has a somewhat weak capacity to meet its financial commitments relative to other Taiwanese obligors. The obligor faces ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could result in an inadequate capacity on the part of the obligor to meet its financial commitments.

twB

An obligor rated 'twB' has a weak capacity to meet its financial commitments relative to other Taiwanese obligors. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

twCCC

An obligor rated 'twCCC' is currently vulnerable and is dependent upon favorable business and financial conditions to meet its financial commitments.

Plus (+) or minus (-)

The ratings from 'twAA' to 'twCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

twCC

An obligor rated 'twCC' is currently highly vulnerable to defaulting on its financial commitments.

twR

An obligor rated 'twR' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

SD and D

An obligor rated 'SD' (selective default) or 'D' has failed to pay one or more of its financial obligations (rated or unrated) when it came due. A 'D' rating is assigned when TRC believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when TRC believes that the obligor has selectively defaulted on a specific issue or class of obligations, but will continue to meet its payment obligations on other issues or classes of obligations in a timely manner.

Short-Term Issuer Credit Ratings

Applying to obligors' capacity to meet financial commitments over a time horizon of less than one year.

twA-1

The obligor's capacity to meet financial commitments on short-term obligations, relative to that of other obligors in the Taiwan market, is strong. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments, relative to that of other Taiwanese obligors, is very strong.

twA-2

The obligor's capacity to meet financial obligations on short-term obligations, relative to that of other

Taiwanese obligors, is satisfactory.

twA-3

The obligor's capacity to meet financial commitments on short-term obligations, relative to that of other Taiwanese obligors, is adequate. However, the obligor may be more vulnerable to adverse changes in business circumstances or economic conditions than higher-rated obligors.

twB

The obligor's capacity to meet financial commitments on short-term obligations, relative to that of other Taiwanese obligors, is weak and vulnerable to adverse business, financial, or economic conditions.

twC

The obligor's capacity to meet commitments on short-term obligations is doubtful.

twR

An obligor rated 'twR' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

SD and D

An obligor rated 'SD' (selective default) or 'D' has failed to pay one or more of its financial obligations (rated or unrated) when it came due. A 'D' rating is assigned when TRC believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when TRC believes that the obligor has selectively defaulted on a specific issue or class of obligations, but will continue to meet its payment obligations on other issues or classes of obligations in a timely manner.

Rating Outlook Definitions

A TRC rating outlook assesses the potential direction of an obligor's long-term credit rating over the intermediate to longer term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

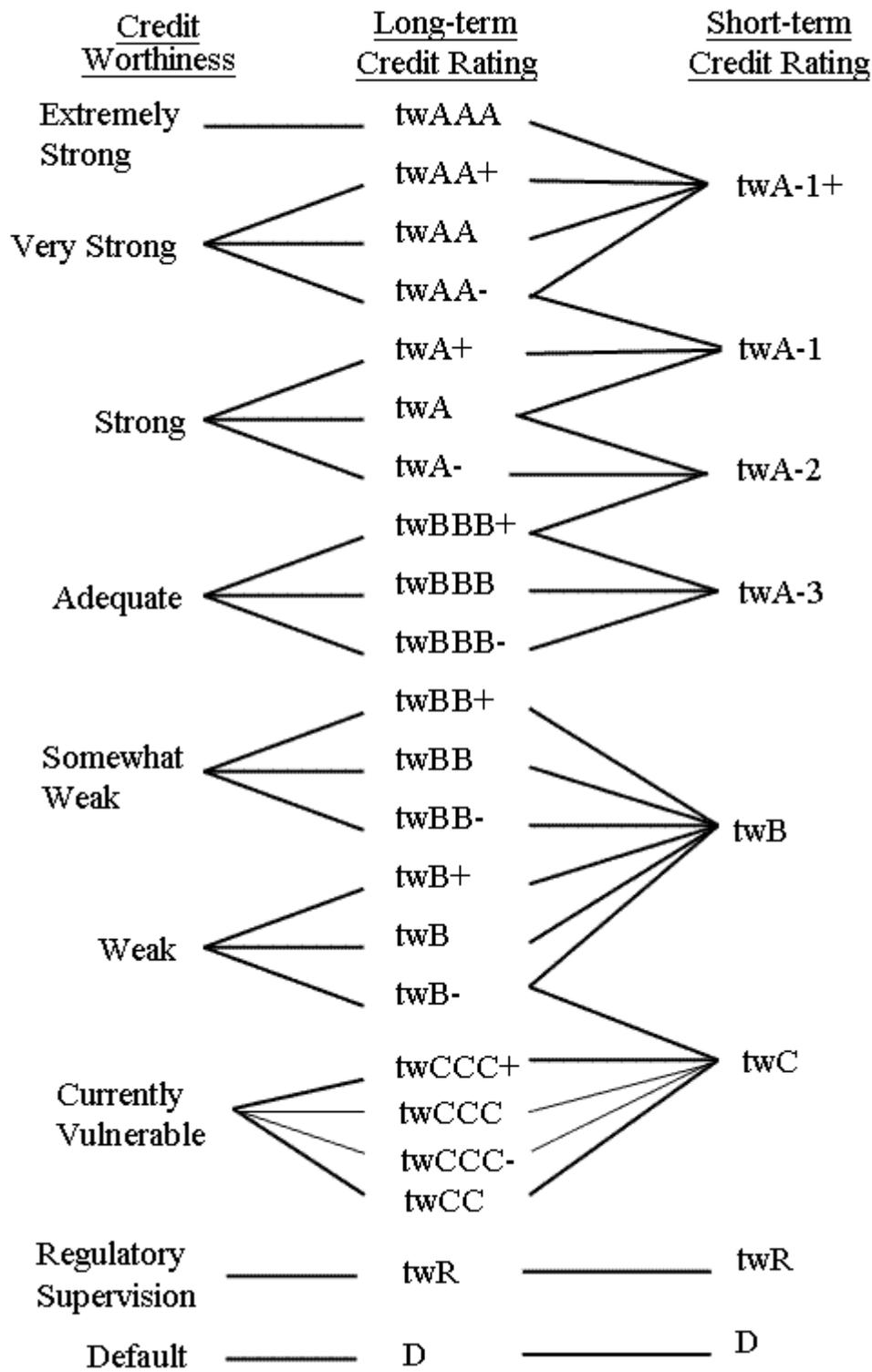
- Positive indicates that ratings may be raised.
- Negative means ratings may be lowered.
- Stable indicates that ratings are not likely to change.
- Developing means ratings may be raised or lowered.
- N.M. means not meaningful.

CreditWatch

CreditWatch highlights the potential direction of a short- or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by TRC's analytical staff. These may include mergers, recapitalizations, voter referendums, regulatory action, or anticipated operating developments. Ratings appear on CreditWatch when such an event or a deviation from an expected trend occurs and additional information is necessary to evaluate the current rating. A rating on CreditWatch, however, does not mean a rating change is inevitable. CreditWatch is not intended to include all ratings under review, and rating changes may occur without the ratings having first appeared on CreditWatch. The "positive" designation means that a rating may be raised; "negative" means a rating may be lowered; and "developing" means that a rating may be raised, lowered, or affirmed.

TRC Scale Correlation Guidelines

TRC Scale Correlation Guidelines



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