

Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings

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Scope of the Criteria

These guidelines apply to both issuer and issue credit ratings. However, corporate and government issue ratings may be “notched” up or down from the issuer rating to reflect post-default recovery prospects or position in a bankruptcy hierarchy. Those notching adjustments fall outside this document’s scope.

Methodology

The purpose of these criteria is to clarify how to assign the ‘CCC+’, ‘CCC’, ‘CCC–’ and ‘CC’ ratings by associating each level to specific scenarios. These criteria have priority over other sector-specific guidance when assigning these ratings to issuers and issues.

Content



1. Criteria For 'CCC' Category Ratings
2. Criteria For 'CC' Category Ratings
3. Frequently Asked Questions



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1. Criteria For 'CCC' Category Ratings



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Criteria For 'CCC' Category Ratings

- The **likelihood of default**, which reflects an issuer's **ability** and **willingness to pay**, is our foremost criterion for judging creditworthiness. Consequently, to maintain a consistent ranking, we view higher-rated issuers or obligations as less likely to default than lower-rated ones, all else being equal.
- A **'CCC' issue credit rating** from FiinRatings indicates that the obligation is currently at risk of nonpayment. The issuer's ability to fulfill its financial commitments relies on favorable business, financial, and economic conditions. If these conditions deteriorate, the issuer is unlikely to have the capacity to meet its obligations.
- As a general guideline, issuers or obligations with a **default probability of at least 50%** are typically assigned a 'CCC' rating. However, even if the likelihood of default is 33%, a 'CCC' rating may still apply if a **default is expected within the next 12 months**.

General rule for assigning a 'CCC' rating

- Issuers or obligations with a **default probability of at least 50%**
- Issuers or obligations with a **default probability of at least 33%**, and
- The default is expected within the **next 12 months**.

Primary Differentiating Factor for 'CCC' Category Ratings

- The expected **time frame of default** is typically the main consideration when applying a plus (+) or minus (–) modifier within the 'CCC' rating category. As an issuer approaches an anticipated default date, the chances of a positive shift in business, financial, or economic conditions that could prevent default usually decrease, while the certainty of default tends to rise.

Each rating level scenario

CCC+	<ul style="list-style-type: none">• The issuer is presently at risk and relies on positive business, financial, and economic conditions to fulfill its financial obligations. While it may not be facing an immediate credit or payment crisis, its financial commitments seem unsustainable over the long term.
CCC	<ul style="list-style-type: none">• The issuer is likely to default unless there is an unexpected positive turn of events. Unlike a 'CCC+' rating, a 'CCC' rating reflects the presence of identifiable default scenarios within the next 12 months. These may include an imminent liquidity shortfall, breach of financial covenants, or a high likelihood that the issuer will pursue a distressed exchange or redemption during that period.
CCC-	<ul style="list-style-type: none">• A default, distressed exchange, or redemption is expected to occur within the next six months, unless there is an unexpectedly strong improvement in the issuer's situation.



2. Criteria For 'CC' Category Ratings



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Criteria For 'CC' Category Ratings

- **Definition:** A 'CC' issue credit rating from FiinRatings indicates that the obligations are currently at extremely high risk of nonpayment.
- A 'CC' rating is assigned to an issuer or obligation when default is considered **virtually certain**, regardless of the timeframe.
- Additionally, we assign a 'cc' stand-alone credit profile (SACP) to an issuer when we believe default is **virtually certain**, unless the issuer is likely to receive exceptional support from its parent company or a government entity.

Example of 'CC' Rating

The entity has announced that it will miss its upcoming interest or principal payment, even though it has not yet fallen behind on any payments..

The entity has announced plans to file for bankruptcy or pursue a similar course of action that puts its ability to make payments at risk, although it has not officially entered into receivership protection.

The entity has declared its plan to proceed with a debt exchange or comparable restructuring that we consider distressed, though the process has not yet been finalised.

We expect the default on the obligation as nearly inevitable, whether due to clear default scenarios that are envisioned over the next 12 months or because default is likely even under the best-case performance of the underlying collateral over a longer timeframe.



3. Frequently Asked Questions



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Frequently Asked Questions

What is the assessment of BRP (Business Risk Profile) and FRP (Financial Risk Profile) of corporate issuers for 'CCC+' and 'CCC' ratings?

- Corporate issuers rated '**CCC+**' usually exhibit a combination of a "**vulnerable**" Business Risk Profile and a "**highly leveraged**" Financial Risk Profile, but a specific default scenario has not yet been identified.
- However, in certain situations, an issuer with a "**weak**" business profile and extremely high leverage may also be assigned a '**CCC+**' rating.
- A corporate issuer receives a '**CCC**' rating when specific default scenarios are anticipated **within the next 12 months**, irrespective of the issuer's Business Risk Profile or Financial Risk Profile.

What are the most common factors that lead to upgrades out of the 'CCC' category for issuers?

- Companies rated 'CCC' typically default unless there is a significant positive development, such as changes in their capital structure or business model. Upgrades from the 'CCC' category usually result from factors such as:
 - Improvements in business, financial, or economic conditions
 - Acquisition by a financially stronger entity
 - Successful refinancing
 - Repayment of debt
 - Covenant waivers or amendments
 - Favorable market developments, such as rising commodity prices

Frequently Asked Questions

Is there a required step-by-step timeline or process when downgrading credit ratings (e.g., from 'BB' to 'CCC' or 'CC')?

- **No**, there is **no requirement to follow a sequential downgrade path** (e.g., from BB → BB- → B+ → B → CCC+). We may directly downgrade an issuer from 'BB' to 'CCC' or 'CC' if we determine that the issuer meets the conditions outlined in those lower rating categories—such as facing specific default scenarios, extreme vulnerability to nonpayment, or default being virtually certain. The downgrade reflects the issuer's actual credit risk at the time of assessment, rather than any predetermined timeline or rating progression.



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