

## SESSION THREE

### Credit Ratings



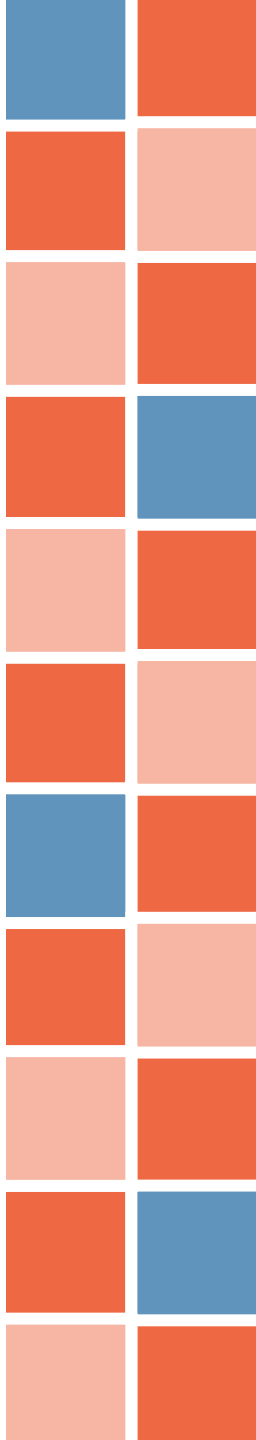
**DAVID BRODSKY**  
*Managing Director*  
KNN Public Finance



**HELEN CREGGER**  
*Associate Managing Director*  
Moody's Ratings



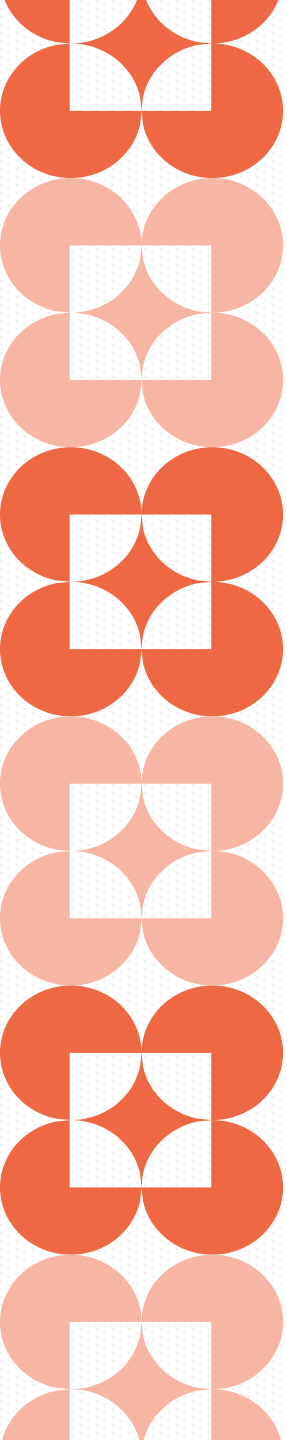
**KAREN RIBBLE**  
*Senior Director*  
Fitch Ratings



# What is a Rating Agency?

*An organization that evaluates creditworthiness and assigns an opinion on the likelihood a bond will be repaid in full and on time*

- Rating agencies as a business
- The cost and benefit of a rating



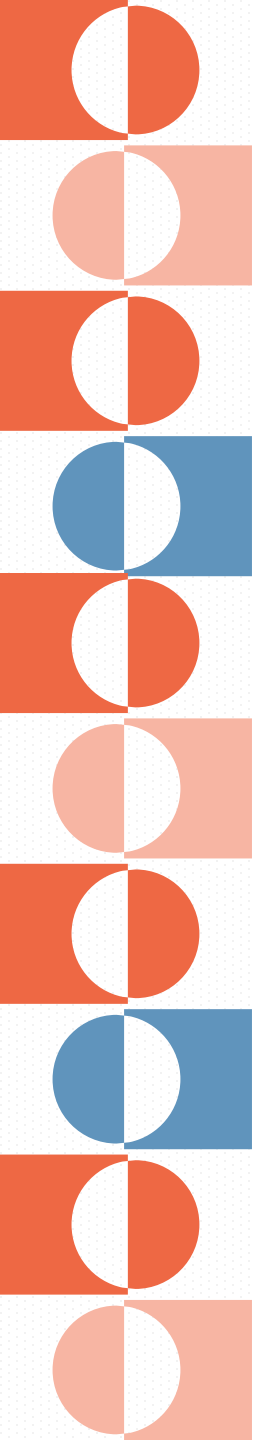
# What is a Rating?

- An analysis as of a point in time
- An opinion, subject to change
- Not an endorsement, a guarantee, negotiable
- Rating criteria are not prescriptive
- Issuer rating vs. security rating
- Ratings are one of several factors that inform bond pricing
  - Interest rates, generally
  - Supply and demand
  - Investor judgment

# Who are the Rating Agencies?

- **Moody's Ratings** (Moody's Investors Service's first bond rating in 1909)
- **S&P Global Ratings** (Poor's Publishing's first rating in 1916; Standard Statistics Company's first rating in 1922; merged to form Standard & Poor's in 1941)
- **Fitch Ratings** (Fitch Publishing Company's first ratings in 1924, recapitalized in 1989)
- **Kroll Bond Rating Agency** (2010, following the financial crisis)

| "INVESTMENT GRADE" RATING SCALES |                      |
|----------------------------------|----------------------|
| Moody's                          | Fitch, Kroll and S&P |
| Aaa                              | AAA                  |
| Aa1                              | AA+                  |
| Aa2                              | AA                   |
| Aa3                              | AA-                  |
| A1                               | A+                   |
| A2                               | A                    |
| A3                               | A-                   |
| Baa1                             | BBB+                 |
| Baa2                             | BBB                  |
| Baa3                             | BBB-                 |



# The Rating Meeting

- The official statement is the primary vehicle to communicate the credit story, not the presentation book
- When to have a rating meeting, and where to have it if you have one
- What analysts want to hear
  - Framing your story around key drivers
  - Highlight the sunny side, reveal what might not be obvious, own your negatives
- The craft of the presentation: consistency, framing, and the TMI problem
  - What issuers most often get wrong
- What carries into the committee room
  - The analyst as advocate

# QUESTIONS?



**DAVID BRODSLY**  
*Managing Director*  
KNN Public Finance



**HELEN CREGGER**  
*Associate Managing Director*  
Moody's Ratings



**KAREN RIBBLE**  
*Senior Director*  
Fitch Ratings