BANQUE DE FRANCE

EUROSYSTÈME

BANQUE DE FRANCE
ECAI RATING

2024 PERFORMANCE REVIEW

December 2025

Banque de France – Companies Directorate

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Foreword

This document provides a series of indicators used by Banque de France
to monitor the performance of its rating system

The objective of a rating system is to categorise companies according to the probability of occurrence of a default event over a given time horizon. While deciding which rating to provide, financial analysts build their assessment on all relevant available information. The benchmark horizon for Banque de France's assessment is three years; therefore, financial analysts consider the outlook for the medium-term horizon to capture predictive aspects. Such process provides some stability to the through-the-cycle assessment – at least in the case of the highest ratings. In addition, financial analysts will incorporate any significant new elements as soon as they come to their attention to deliver reactive up-to-date rating. The measurement of a rating system's performance should meet multiple objectives:

- It must enable an outside observer to form an opinion on the rating system's ability to categorise companies appropriately according to their level of credit risk.

- It must provide details on how the rating system achieves a balance between stability and responsiveness.

The values of the indicators are linked with the rating system's parameters, such as the definition of "default" and the size of the portfolio of companies covered by the system.

1. Details on the methodology

Banque de France's rating consists of an assessment of a company's ability to meet its financial commitments over a three-year horizon. It is a measure of credit risk, reflecting a judgment about the risks faced by lenders.

The rating is assigned by Banque de France analysts spread across the country, following professional and ethical standards set out in the "Banque de France Code of Conduct for Company rating activities" section.

Each year, companies meeting the rating threshold on the basis of their accounting documentation (revenue excluding taxes ≥ threshold) are subject to a risk analysis based on:

- a review of recent financial statements, which in any case dates back less than 24 months;

- qualitative information.

Since 12 January 2025, the rating threshold was raised to EUR 1,250,000 of revenue excluding taxes, compared to EUR 750,000 before that date (see Box 1).

Box 1: raising the threshold from EUR 750 million to EUR 1,250 million

On 12 January 2025, Banque de France decided to raise the rating threshold to EUR 1,25 million to stabilise the number of ratings at around 300,000 companies, while strengthening the quality and performance of its rating system. The previous rating threshold (EUR 750,000) had remained unchanged for more than 40 years.

The statistical inputs to this memo relate to ratings assigned between 1st January 2022 and 1st January 2024. **Therefore, the change of the threshold is not visible nor analysed in this note.**

Given that the statistics published in this note cover companies rated on 1st January N-1 (for statistics with a one-year horizon), on 1st January N-2 (with a two-year horizon) and N-3 (with a three-year horizon), respectively, the increase in the rating threshold will be reflected as follows:

- In the memo published in 2026, the statistics at one year (companies rated on 1st January 2025), at two years (1st January 2024) and at three years (1st January 2023) will focus on companies with revenue excluding taxes (tax-exempt sales) of EUR 750,000 or more.
- In the memo published in 2027, 1-year statistics will focus on companies with a revenue ≥ EUR 1,25 million, while the 2-year and 3-year statistics will focus on companies with a revenue ≥ EUR 750,000.
- In the memo published in 2028, the 1-year and 2-year statistics will be published for companies with revenue excluding taxes ≥ EUR 1,25 million, and 3-year statistics ≥ EUR 750,000
- In the memo published in 2029, all the statistics will concern companies with revenue excluding taxes ≥ EUR 1,25 million.

The statistics presented cover the population of companies respecting the EUR 750,000 threshold, that, as of 8 January 2022, could be assigned a credit rating of 1+, 1, 1-, 2+, 2, 2-, 3+, 3, 3-, 4+, 4, 4-, 5+, 5, 5-, 6+, 6-, 6-, 7, 8 or P. Prior to this date, attributable credit ratings were 3++, 3+, 3, 4+, 4, 5+, 5, 6, 7, 8, 9, or P (old rating scale: see Box 2).

These statistics are based on the notion of default which includes not only failure (opening of legal proceedings: receivership or judicial liquidation) but also payment incidents on trade bills declared by credit institutions when these incidents exceed a certain threshold. More specifically, a company is considered as being in default if the cumulative amount of payment incidents on trade bills over 6 months exceeds 10% of its purchases including VAT (or EUR 45,000 if the amount of its purchases is not known); after confirmation and analysis of the situation by an analyst. In addition, defaults on marketable assets are evidenced either by a company being assigned a default rating by a rating agency, or by a classification as such by Bloomberg.

It should be noted that this definition of default, specifically used by Banque de France as External Credit Assessment Institution (ECAI) status, is different from the notion of default defined in Regulation (EU) No 575/2013 of 26 June 2013.

The statistics presented do not cover the cases with ratings of "0", assigned to companies which financial statements have not been analysed for the period considered.

The calculated default rates are "fixed" because they take as the reference date 31 December of the year preceding the review period to calculate the default rate at a given horizon.

An analysis of the 1-year and 2-year default rates provides additional useful insights, since the assessment of credit risk over a 3-year horizon includes these shorter horizons. The 1-year default rate observed over 2024 is therefore calculated based on sound ratings at 01/01/2024. The 2-year-ahead default rate observed over 2023 and 2024 is calculated based on sound ratings at 01/01/2023. Finally, the 3-year-ahead default rate observed for the years 2022, 2023 and 2024 is calculated based on sound ratings at 01/01/2022.

This document contains the latest statistics on the subject, which were available in the course of 2025. Owing to the reporting contingencies that may arise when a default is reported (e.g. revisions or cancelations), the publication of default statistics a few months after the last observation period allows for the availability of stabilised time series, including for the most recent results

3-year default calculation planning for 2023

Maximum closing date of
financial statements
(example: 01/01/2020)

Rating based on valid
balance sheet
(example: 31/12/2021)

End of the 3-year
follow-up period

Compilation and
publication of
statistics for the
period 2022-24

**Maximum 24-month period after
the closing of the accounts**

3 years

2020	2021	2022	2023	2024	2025

Source: Banque de France, Companies' Directorate

Box 2: measuring the performance of the Banque de France rating in the context of the launch of the new rating scale

On 8 January 2022, Banque de France introduced a new rating scale (NEC). More granular, it offers a more accurate assessment of credit risk with 22 notches, compared with 13 for the previous one. Its implementation is associated with a revision of the rating model, which, while maintaining its fundamentals (the "expert" rating of companies with revenue above a predefined threshold), provides the analyst with a probability of default for each company analysed based on its ratios and financial aggregates.

As this note aims to measure the performance of Banque de France rating within the framework of its status as an External Credit Assessment Institution (ECAI), it focuses on the model's ability to predict default within a three-year horizon. The review period runs from 1 January 2022 to 31 December 2024, and therefore focuses on credit ratings assigned on 1 January 2022, which are ratings based on the old rating scale. The statistics on shorter time horizons (at one and two years respectively) refer to the new scale (the 1 January 2023 and 1 January 2024 time horizons).

2. Statistics on 2024 data

2.1 Model predictive power and compliance with ECAI requirements

Banque de France (BDF) has the status of external credit assessment institutions (ECAIs) since 2007. This allows credit institutions to use BDF rating to assess their capital needs to hedge credit risk. Being an ECAI implies that BDF complies with default rate thresholds across the rating scale at a three-year horizon. On the basis of the review of data, it appears that **the 3-year default rates on ratings assigned by BDF comply with all of the thresholds thus defined** in Annex 1 to Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016 (Table 1).

There is also a consistent graduation of default rates across the entire spectrum of credit ratings and over the three time horizons analysed (see Annex 2).

Overall, the default rate was 1.75% at the one-year horizon, 3.22% at the two-year horizon and 3.68% at the three-year horizon (Table 1 and Annex 2).

Table 1: 3-year BDF default rate

Credit ratings	Sound companies rated at 01/01/2022	3-year BDF Defaults (2022, 2023, 2024)		Short-period reference default rates for ECAIs[1]	
		Number	Rate (%)	Level of monitoring	Trigger level
3++	11,128	5	0.04%	0.80%	1.20%
3+	17,175	18	0.10%	1.00%	1.30%
3	32,557	67	0.21%		
4+	47,090	227	0.48%	2.40%	3.00%
4	73,917	1,215	1.64%	11.00%	12.40%
5+	76,461	3,466	4.53%		
5	26,821	2,867	10.69%	28.60%	35.00%
6	14,656	2,410	16.44%		
7	1,063	478	44.97%	not applicable	not applicable
8	567	346	61.02%		
Total	301,435	11,099	3.68%		

Source: Banque de France, Companies' Directorate

2.2 System robustness and discriminating capacity

The robustness of the rating system over time can be checked by examining the dimensions in time series. Looking at the evolution of the 1-year and 3-year default rates also reveals broad trends, such as the almost **constant decline in rates observed during the decade 2009-2020** for ratings eligible for refinancing, or the **rebound observed over the recent period** and mainly driven by the companies receiving the least favourable ratings.

In order to assess the robustness and consistency of the system over time, the results based on the accounting documentation closed between 2007 and 2023 are presented here (Charts 1 to 3):

- Three-year rates rose slightly from 2007 to 2009 as corporate defaults increased more for firms with balance sheets in the FIBEN accounting database than for the general population. The increase, concentrated in 4+ and less favourable ratings, took place against the backdrop of weakening corporate activity and contracting economic profitability.
- 2010 and 2011 marked a moderate recovery in activity and a short-lived improvement in key business performance indicators. Conversely, business activity weakened in 2012 and 2013. This is reflected in changes in default rates, with rates increasing in 2012-13 concentrated on 5+ ratings and beyond.
- From 2014 onwards, a downward trend in default rates began, which will be intermittent for six years. They reached their lowest level in 2020 for the three-year interest rate (divided by more than two compared with 2013) and 2021 for the one-year interest rate (divided by nearly four over this period). Over these two years (2020 and 2021), this development was due in particular to the exceptional support measures for companies adopted to cope with the health crisis.
- Default rates for all banks started to rise again in 2022, amid an interruption in financing due to the health crisis and rising commodity prices. In 2024, 1-year rates appear to be stabilising.

Overall, regardless of the time horizon used to calculate default rates, **the rates show a similar trend, rising over the recent period after contracting throughout the previous period** (Chart 1).

The move to a 13-22 notch rating scale does not alter the monotony observed in the past, **confirming the rating system's ability to classify firms according to their default risk** (see Chart 3). For example, less than 0.2% of defaults that occurred in 2024 affected a company with a rating on 1 January 2024 that corresponded to grades 1 and 2 (17% of the population), and ¾ of them affected a company with a rating on the same date that corresponded to grades 5 and 6 (15% of the population).

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[1] Commission Implementing Regulation (EU) 2016/1799 states that "recently recorded short-term default rates in a rating category should be regularly compared with the corresponding benchmark short-term default rates. A breach of the benchmark short-term default rates for two consecutive years could signal an easing of the measurement criteria, which could mean that the underlying new long-term default rate is representative of a less favorable credit quality step. Such a signal would be more significant in the event of the trigger level being exceeded than in the event of the tracking level being exceeded. In particular, a single defaulted item associated with the highest rating categories may lead to consideration of revising the mapping assigned to the particular ECAI which rated this item'.
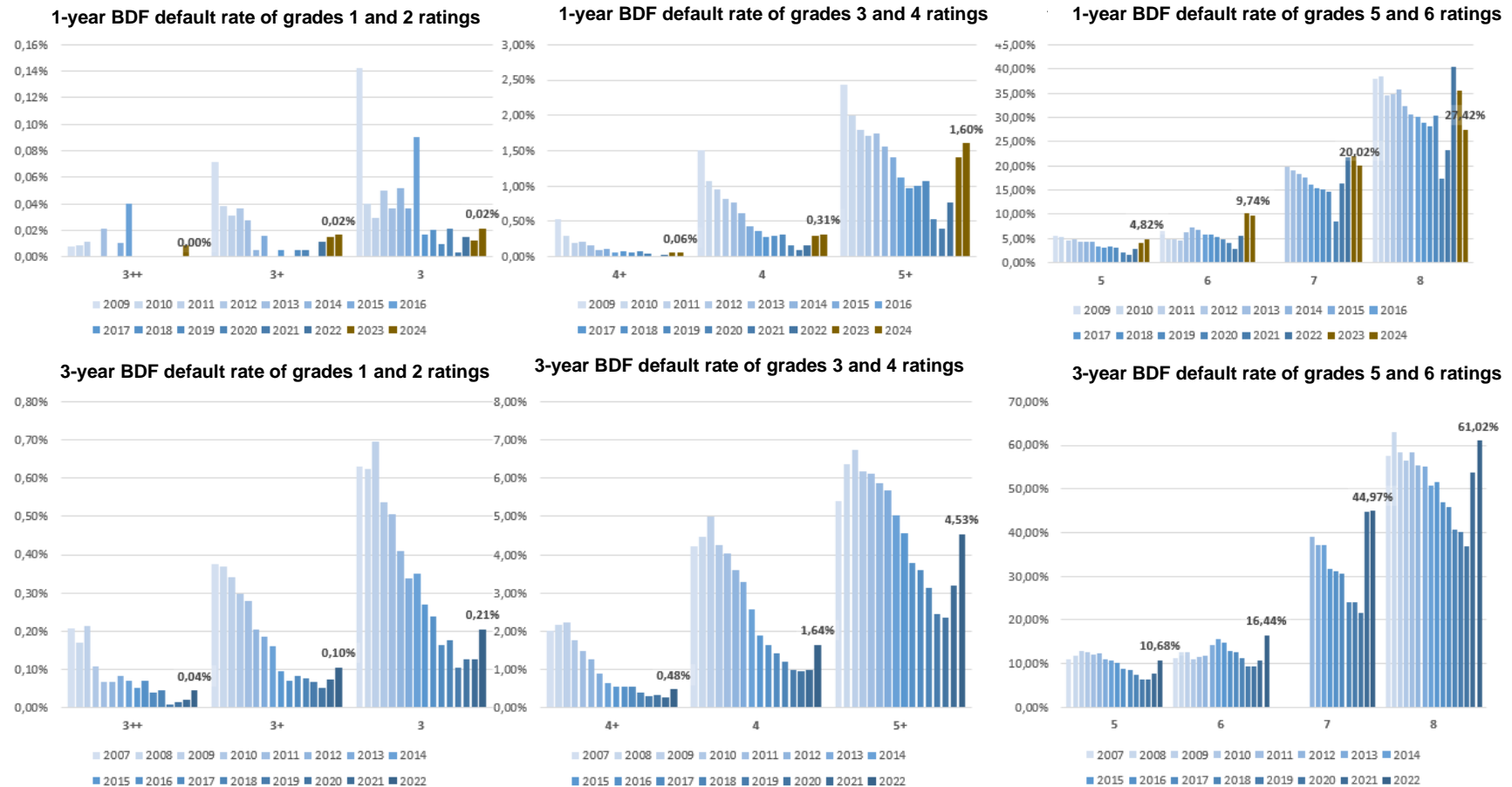
Chart 1: evolution of the BDF default rates observed ex post at one year since 2009 and at three years since 2007[2]

One-year BDF default rates

Three-year BDF default rates

New scale (NEC)

Previous rating scale
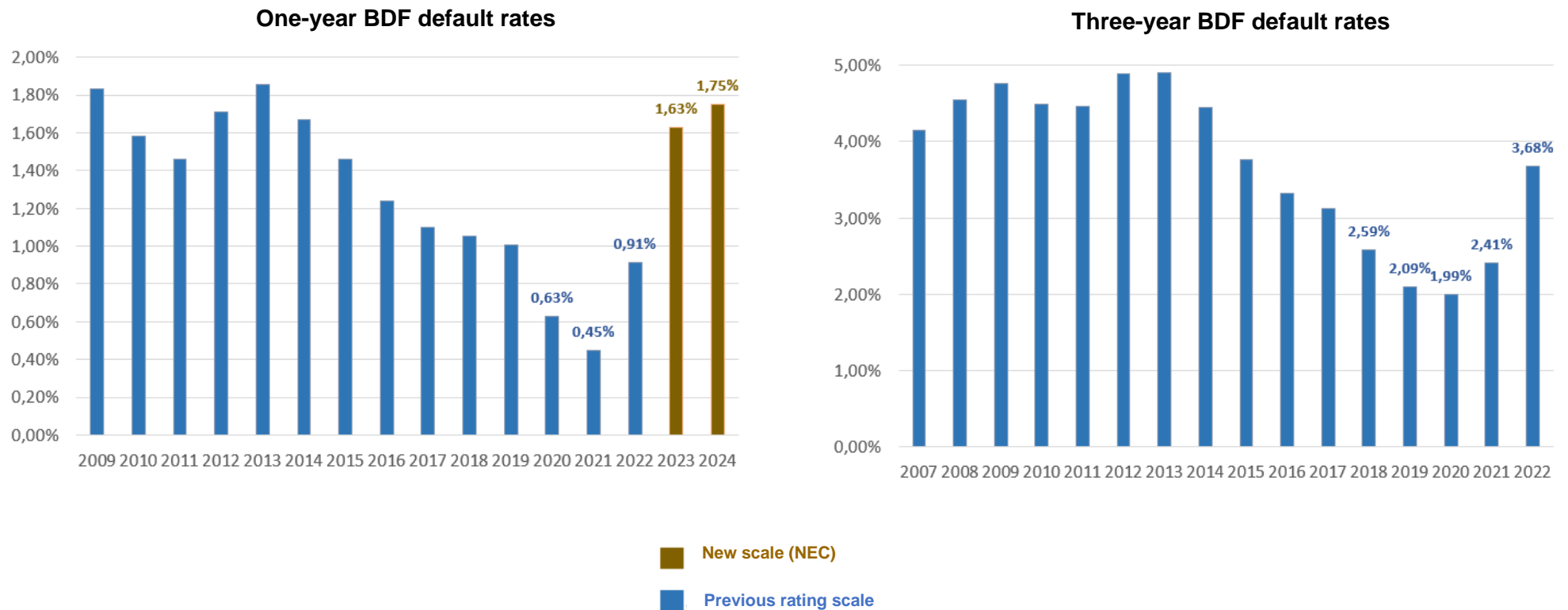
[2] The chart "1-year BDF default rate per review year" shows the 1-year rates observed at 31/12/N on sound corporates with a 01/01/N rating. For example, at 31/12/2024 the default rate on sound firms with a 01/01/2024 rating reached 1.75%.

The chart "3-year BDF default rate per review year" shows the 3-year rates observed at 31/12/N+2 on healthy firms with a 01/01/N rating. For example, at 31/12/2024 the default rate on sound firms with a 01/01/2022 rating reached 2.68%.

Chart 3: Observed ex post BDF default rate by rating, at 1 year 2023 and 2024[3]

NB: Similarly to 2023, 1-year default rates are reported using the New Rating Scale (NEC) - see Box 2 and Annex 4.

1-year BDF default rate of grades 1 to 3 ratings

1-year BDF default rate of grades 4 ratings

1-year BDF default rate of grades 5 and 6 ratings

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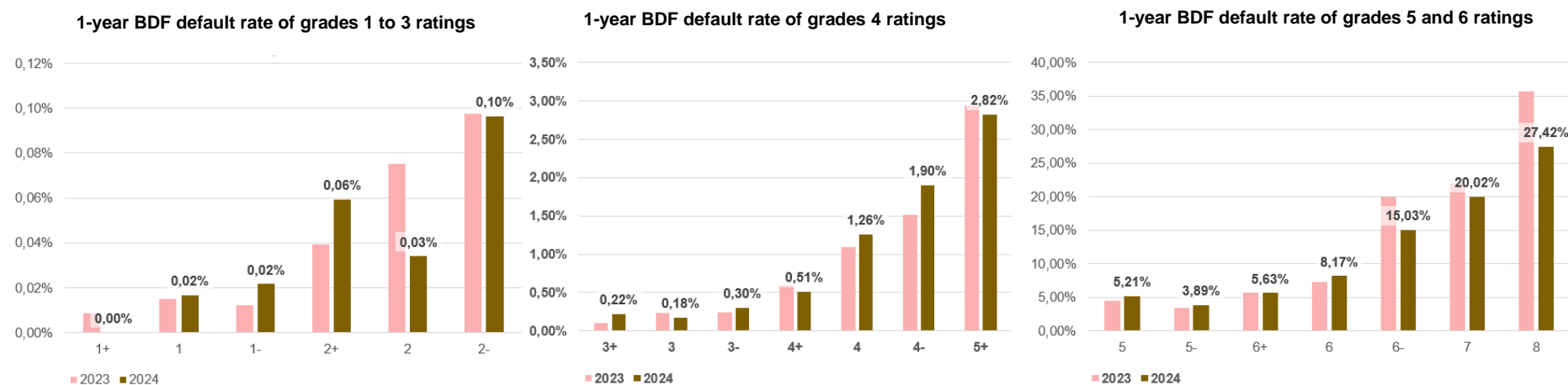
[3] The charts presented group the credit ratings by credit quality step as defined in annex II, Implementing Regulation (EU) No 2016/1799, and in accordance with the correlation table in annex III of that Implementing Regulation.

More succinctly, the Gini coefficient illustrates the discriminating power of the model. The Gini coefficient measures the difference between the theoretical distribution of defaults across credit ratings if the model's discriminating power was zero (the same default rate for all credit ratings) and the effective distribution of defaults observed. This measure of the model's performance is between 0 and 1. The higher is the index, the greater is the discriminating power of the model.

Table 2 shows that a high level of discriminatory power is maintained over time.

Table 2: evolution of the Gini coefficient

Gini coefficient	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1-year BDF default			71%	72%	71%	74%	73%	73%	75%	75%	75%	77%	73%
2-year BDF default		65%	66%	67%	67%	68%	67%	69%	71%	64%	67%	70%	
3-year BDF default	59%	61%	62%	63%	63%	64%	64%	66%	63%	59%	61%		

Legend	Old ladder
	New scale

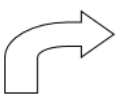*Source: Banque de France, Companies' DIrectorate*

2.3. Stability of undertakings within rating classes (transition matrix)

A transition matrix summarises the evolution of credit ratings assigned to a given population of companies (here, all companies with a valid rating based on their accounting documentation as of 1 January 2024) between two dates (here, between 1 January 2024 and 31 December 2024).

A review of the matrix thus makes it possible to measure the extent of rating migrations over a period, either in terms of volume or the number of notches crossed, but also to check their stability.

- **The ratings considered at the beginning of the period (here on 1 January 2024) are the valid ratings assigned based on accounting documentation** (hence the absence of "0" ratings), whereas this is not always the case at the end of the period.
- **The column entitled "Outcoming"** corresponds to the companies classified as "exiting the sample", i.e. rated 1+ to P on 1 January after examination of their financial statements, and then rated "0" on 31 December. This "0" rating means that Banque de France did not analyse the company's financial statements and did not find any adverse information about the company.
- **The column "Of which number of defaults"** shows the number of defaults observed during 2023 according to the rating at the beginning of the year, regardless of the rating at the end of the year or whether these defaulted companies left the rating system.
- **The row "Total"** represents the distribution of companies according to credit ratings at the end of the financial year.

Table 3: one-year transition matrix for companies rated on 1 January 2024

Au 01/01/2024 \ Au 31/12/2024	1+	1	1-	2+	2	2-	3+	3	3-	4+	4	4-	5+	5	5-	6+	6	6-	7	8	P	Nombre de 1+ à P	Nombre de sorties	Nombre total	dont nombre de défauts
1+	71,42%	8,85%	9,92%	2,55%	0,78%	0,84%	0,48%	0,17%	0,09%	0,11%	0,50%	0,26%	0,06%	0,09%	0,06%	0,00%	0,36%	0,05%	0,00%	0,00%	0,00%	11 966	421	12 387	0
1	11,19%	50,57%	20,20%	6,63%	2,63%	0,99%	0,99%	0,39%	0,30%	0,31%	1,06%	0,33%	0,06%	0,07%	0,07%	0,02%	0,54%	0,01%	0,00%	0,00%	0,02%	11 672	441	12 113	2
1-	4,95%	7,01%	53,95%	15,19%	5,57%	2,99%	2,10%	0,77%	0,46%	0,53%	1,09%	0,40%	0,06%	0,14%	0,07%	0,02%	0,30%	0,02%	0,02%	0,01%	0,02%	31 079	1 415	32 494	7
2+	1,14%	2,10%	16,98%	40,82%	12,70%	6,84%	5,48%	2,14%	1,27%	1,55%	2,57%	0,87%	0,15%	0,17%	0,05%	0,03%	0,24%	0,01%	0,06%	0,03%	0,04%	32 181	1 606	33 787	20
2	0,40%	0,82%	8,11%	19,10%	30,54%	10,50%	10,53%	4,10%	2,22%	2,93%	3,34%	1,37%	0,28%	0,32%	0,11%	0,03%	0,34%	0,03%	0,08%	0,01%	0,03%	22 423	1 134	23 557	8
2-	0,24%	0,42%	3,27%	12,20%	15,11%	24,77%	15,49%	6,87%	4,43%	4,13%	5,05%	1,53%	0,33%	0,43%	0,19%	0,14%	0,48%	0,04%	0,13%	0,02%	0,08%	15 814	773	16 587	16
3+	0,15%	0,24%	1,52%	6,60%	10,75%	10,28%	29,00%	8,86%	6,94%	7,69%	7,47%	2,74%	0,65%	0,89%	0,21%	0,10%	0,45%	0,07%	0,16%	0,06%	0,20%	24 549	1 289	25 838	58
3	0,09%	0,13%	0,86%	3,39%	5,17%	7,27%	16,37%	22,65%	10,74%	11,31%	8,76%	3,92%	0,89%	1,15%	0,40%	0,20%	0,75%	0,09%	0,18%	0,08%	0,16%	15 436	883	16 319	29
3-	0,05%	0,15%	0,58%	2,21%	3,24%	4,11%	13,20%	9,02%	25,60%	15,85%	11,02%	4,42%	1,23%	1,75%	0,45%	0,29%	0,79%	0,10%	0,19%	0,07%	0,29%	12 775	730	13 505	41
4+	0,06%	0,10%	0,38%	1,33%	1,59%	1,85%	9,14%	8,21%	8,68%	30,12%	15,73%	7,20%	2,30%	3,18%	1,20%	0,43%	1,33%	0,19%	0,34%	0,18%	0,49%	22 631	1 438	24 069	123
4	0,15%	0,12%	0,54%	1,15%	1,22%	1,11%	3,90%	2,75%	3,31%	8,95%	40,20%	8,74%	3,18%	4,46%	1,94%	1,21%	2,88%	0,63%	0,63%	0,21%	1,15%	40 872	5 339	46 211	581
4-	0,12%	0,13%	0,22%	0,47%	0,44%	0,47%	1,66%	1,26%	1,57%	5,30%	16,08%	36,25%	4,27%	6,24%	3,61%	1,66%	4,13%	0,95%	0,70%	0,27%	1,80%	20 097	2 848	22 945	436
5+	0,12%	0,07%	0,09%	0,11%	0,21%	0,24%	0,73%	0,57%	1,04%	4,12%	14,46%	10,64%	24,47%	13,23%	5,79%	3,26%	6,70%	1,29%	1,30%	0,52%	2,55%	6 881	637	7 518	212
5	0,12%	0,05%	0,09%	0,16%	0,09%	0,12%	0,53%	0,44%	0,63%	2,56%	11,06%	7,86%	5,97%	33,66%	7,40%	4,42%	7,88%	2,14%	1,40%	0,55%	4,71%	11 759	1 046	12 805	666
5-	0,18%	0,21%	0,20%	0,13%	0,10%	0,17%	0,33%	0,44%	0,51%	1,46%	6,85%	6,36%	4,25%	9,58%	37,53%	7,64%	8,91%	2,43%	1,36%	0,52%	3,53%	9 090	715	9 805	381
6+	0,07%	0,02%	0,02%	0,06%	0,04%	0,06%	0,13%	0,15%	0,43%	1,10%	6,28%	5,19%	4,11%	9,80%	12,49%	23,26%	14,65%	5,48%	2,19%	0,84%	5,24%	4 927	452	5 379	303
6	0,18%	0,19%	0,25%	0,09%	0,13%	0,15%	0,25%	0,30%	0,31%	0,75%	5,26%	3,96%	2,23%	5,20%	9,54%	6,25%	42,21%	4,82%	2,24%	0,82%	7,89%	13 225	993	14 218	1 162
6-	0,17%	0,05%	0,00%	0,02%	0,07%	0,05%	0,14%	0,09%	0,12%	0,33%	2,77%	1,90%	1,28%	3,67%	5,17%	4,60%	14,27%	35,99%	4,48%	2,13%	14,22%	3 861	357	4 218	634
7	0,00%	0,00%	0,00%	0,03%	0,00%	0,03%	0,06%	0,00%	0,03%	0,22%	2,13%	1,14%	1,36%	3,40%	2,97%	1,88%	12,36%	11,86%	17,02%	12,30%	16,13%	2 684	553	3 237	648
8	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,12%	0,51%	0,44%	0,44%	1,66%	1,39%	0,83%	5,03%	8,24%	15,05%	24,51%	17,66%	1 916	609	2 525	604
P	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,16%	0,05%	0,16%	0,38%	0,05%	0,22%	0,49%	31,43%	0,65%	0,11%	65,71%	1 844	11	1 855	
Total	3,69%	3,1%	8,93%	8,77%	6,27%	4,58%	7,12%	4,12%	3,85%	6,35%	11,25%	6,01%	2,15%	3,81%	2,86%	1,51%	4,02%	1,44%	0,78%	0,50%	1,92%	317 682	23 690	341 372	

Source: Banque de France, Companies' DIrectorate

NB: Due to the sample outflows, the total percentages of each row are less than 100%.

After 2022, when the stability of the ratings declined (see Table 4), amid the transition to the new rating scale (NEC) and the associated increase in granularity, 2023 marked the return to greater stability, *a fortiori* on the most favorable ratings (1+ to 1-). Furthermore, while the greater granularity of the new scale allows analysts to reflect changes in the company's situation on the company's rating that would not have resulted in a change in rating with the old scale, the adjustments rarely exceed 1 to 3 notches.

To smooth the transition to a more granular rating scale, the stability rate can be calculated relative to the credit quality step (CQS) specified in Section 2 of Title 2 of Regulation (EU) No 575/2013[4]. It can be seen that 69% of companies remained on the same step between 1 January and 31 December 2024 and that 98% of companies did not move by more than one step between those two dates. These rates are close to their 10-year average, 66% and 97% respectively.

Table 4: comparison of transitions between CQS for the years 2013 to 2024

1-year transition	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Stability ratio	66%	65%	66%	67%	67%	65%	66%	65%	65%	59%	69%	69%
Maximum CQS rate of change	96%	97%	96%	97%	97%	97%	97%	97%	97%	97%	98%	98%
Rate of improvement	24%	24%	21%	20%	19%	20%	21%	29%	21%	22%	15%	17%
Deterioration rate	10%	11%	13%	14%	14%	15%	14%	6%	14%	18%	17%	14%

Legend	Old ladder
	New scale

3-year transition	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Stability ratio	44%	43%	43%	44%	47%	47%	46%	43%	46%	41%	42%	41%
Maximum CQS rate of change	89%	90%	90%	91%	90%	90%	90%	92%	92%	92%	91%	90%
Rate of improvement	40%	42%	43%	39%	33%	32%	32%	41%	37%	40%	37%	39%
Deterioration rate	16%	15%	14%	17%	20%	22%	22%	15%	17%	19%	21%	20%

Note to the reader: 41% of companies rated on 1 January 2022 were still rated in the same step as at 31 December 2024, and 90% of them were rated on the same date, either in the same step or one step immediately above or below. Over the same period, 39% of firms saw their rating increase to a higher level and 20% had their rating downgraded to a lower level.

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[4] Regulation No 575/2013 requires all ECAIs to specify the correspondence between the relevant credit assessments of the ECAIs and the credit quality steps set out in the Regulation.

Annexes

Annex 1 – Definition and method of default calculation

THE DEFINITION OF DEFAULT

As an ECAI, Banque de France considers a company to be in default if either of the following conditions is met:

- It is in "failure": judicial proceedings (receivership or judicial liquidation) are opened against it. The company is then assigned a P rating.

  Even when this rating is subsequently replaced by a more favourable rating, for example following the adoption of a continuation plan, the company remains in the default category for the calculation of the statistics.

- The cumulative amount over 6 months of payment incidents on trade bills reported by credit institutions for this company exceeds 10% of its purchases including VAT or EUR 45,000 in the absence of a valid balance sheet, and the breach of this limit is sanctioned by the assignment of a specific rating following an assessment of the situation by a Banque de France analyst.

  In the previous rating scale, when these thresholds were exceeded, a rating 9 was assigned after an analyst reviewed the company's situation. This rating is considered a default for the years prior to implementation of the new rating scale.

  Under the new rating scale introduced on 8 January 2022, a rating of 9 no longer exists. However, rating 8, which penalises the breach of lower payment incidents thresholds, has been retained. As a result, the definition of default has been adjusted to reflect the new rating scale: a company with a rating of 8 is considered to be in default if payment incidents exceed the threshold of 10% of its total gross tax purchases, or EUR 45,000.

  Under both the previous and new scale, a company that has received a past due rating (8 or 9) may, if its payments become regular again, fall out of this category and be assigned a more favourable rating, after having been assessed by an analyst for its overall situation. However, once again, the file remains in the default category for the calculation of the statistics.

- A credit rating agency assigned a default rating according to its methodology, or Bloomberg classified the rating as such in its tracker of marketable securities.

- A credit rating agency assigned a default rating according to its methodology, or Bloomberg classified the rating as such in its tracker of marketable securities.

The notion of failure, which is an objective[5] approach to risk, is available comprehensively and almost instantaneously from the time of reporting.

The more extensive concept of default is based on data from national database of trade bill payment incidents (CIPE *fichier Central des Incidents de Paiement sur Effets*) managed by Banque de France

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[5] As based entirely on external information that is not open to interpretation by the analyst.

pursuant to Regulation No. 86-08 of the Banking Regulation Committee of 27 February 1986. The CIPE receives and centralises incident[6] reports made by credit institutions. Their materiality affects the level of the dimension, which according to this materiality can have the following values:

- Under the previous rating scale: ratings 7[7] (small-scale payment incidents in the previous six months), 8 (on the basis of the payment incidents reported over the previous six months, the company's solvency appears to be at risk) and 9 (on the basis of the payment incidents reported over the previous six months, the company's solvency is seriously compromised).

- Under the new rating scale: ratings 7 (based on incidents reported over the past 6 months, the company's solvency appears to be very compromised) and 8 (based on incidents reported over the past 6 months, the company's solvency appears to be seriously compromised).

Compared with "failure", using payment incidents to assess a company's financial health provides an earlier and more comprehensive indicator of default. Indeed, the high failure rate for companies having experienced major payment incidents and a low probability of return to profitability, justifies treating these payment incidents as defaults.

However, it differs from the concept of default as defined in Regulation No 575/2013 of the European Parliament and of the European Council, Article 178, on prudential requirements for credit institutions (CRR). In the present case, this is a trade bill payments default, not measured on the entire debt, but the importance of inter-company credit in corporate financing makes the factoring in of these payment incidents particularly appropriate for the analysis of credit risk.

The defaults captured through payment incidents also have great qualities in terms of predictability and stability:

- a sufficiently predictive indicator because default on trade bills often precedes bank lending default, which in turn precedes bond default and "legal" default resulting from the opening of collective proceedings (because the latter two expose a company's difficulties);

- metric that is "stable" enough to be operational, i.e. not associated with too high a rate or too fast a reclassification to "sound" categories.

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[6] Accepted trade bills and electronic trade bills, promissory notes and electronic promissory notes, accepted bills issued for the collection of receivables giving rise to the mobilisation of unguaranteed commercial credit, tax credits, unaccepted trade bills and electronic trade bills, as well as unaccepted bills issued for the recovery of receivables giving rise to the mobilisation of unguaranteed commercial credit.

[7] Limited until 31 December 2010 to companies whose financial statements is not analyzed.

METHOD FOR QUANTIFYING DEFAULT RATES ACROSS RATING GRADES

The rate[8] corresponding to an ex-post observation of default is calculated using a "fixed" method based on a strict definition of the horizon (1, 2 or 3 years) as of 1 January of the year in question. Accordingly, the observed default rate is calculated as the ratio between the following:

- the denominator includes all companies rated by Banque de France on the basis of their valid[9] financial statements as at 1 January of the year under review;

- the numerator which takes into account all companies which were downgraded to the default category during the period[10] under review (the starting point for the period being 1 January of the year).

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[8] Rates are calculated for the entire population of companies monitored by the Banque de France, broken down by rating. Thus, each of the ratings attributed by the Banque de France has its own specific failure and default rates.

[9] Note: as the "validity" limit on a rating is set at 24 months after the cut-off date for the individual financial statements Note: ratings are legally valid for a period of 20 months as of the closing date of the financial statements on which they are based. As a result, if the Banque de France receives no further financial statements after these 20 months have expired, the company loses its rating and is no longer taken into account in the default statistics for the subsequent period.

[10] Depending on the case: 1, 2 or 3 years, from 1 January.

Annex 2 – 1-year, 2-year and 3-year default rates

Credit ratings	Sound companies rated at 01/01/2023	1-year BDF defaults	
		Number	Rate (%)
1+	12 387	0	0,00%
1	12 113	2	0,02%
1-	32 494	7	0,02%
2+	33 787	20	0,06%
2	23 557	8	0,03%
2-	16 587	16	0,10%
3+	25 838	58	0,22%
3	16 319	29	0,18%
3-	13 505	41	0,30%
4+	24 069	123	0,51%
4	46 211	581	1,26%
4-	22 944	436	1,90%
5+	7 517	212	2,82%
5	12 803	667	5,21%
5-	9 805	381	3,89%
6+	5 379	303	5,63%
6	14 218	1 162	8,17%
6-	4 218	634	15,03%
7	3 237	648	20,02%
8	2 203	604	27,42%
Total	**339 191**	**5 932**	**1,75%**

Credit ratings	Sound companies rated at 31/12/2022	2-year BDF defaults	
		Number	Rate (%)
1+	11 805	4	0,03%
1	13 326	5	0,04%
1-	33 175	26	0,08%
2+	28 134	40	0,14%
2	26 608	83	0,31%
2-	14 346	59	0,41%
3+	21 683	133	0,61%
3	20 221	183	0,90%
3-	10 102	98	0,97%
4+	19 046	310	1,63%
4	34 971	1 068	3,05%
4-	26 166	1 032	3,94%
5+	5 557	362	6,51%
5	9 470	877	9,26%
5-	9 943	719	7,23%
6+	4 461	488	10,94%
6	12 414	1 684	13,57%
6-	3 619	938	25,92%
7	2 519	854	33,90%
8	1 774	732	41,26%
Total	309 340	9 695	3,13%

Credit ratings	Sound companies rated at 31/12/2021	3-year BDF defaults	
		Number	Rate (%)
3++	11 128	5	0,04%
3+	17 175	18	0,10%
3	32 557	67	0,21%
4+	47 090	227	0,48%
4	73 917	1 215	1,64%
5+	76 461	3 465	4,53%
5	26 821	2 866	10,69%
6	14 656	2 410	16,44%
7	1063	478	44,97%
8	567	346	61,02%
9			
Total	301 435	11 097	3,68%

For reference, the default rates per 1-year rating for 2023 are also shown using the old rating scale. These rates have been calculated based on the transposition of the active dimensions as at 01/01/2023 on the old scale, in accordance with the transcoding rules used when changing from the old to the new scale on 8 January 2022 (see Annex 4).

Credit ratings	Sound companies rated at 31/12/2023	3-year BDF defaults	
		Number	Rate (%)
3++	12387		0,00%
3+	12113	2	0,02%
3	32494	7	0,02%
4+	73931	44	0,06%
4	79731	251	0,31%
5+	76672	1229	1,60%
5	27987	1351	4,83%
6	18436	1796	9,74%
7	3237	648	20,02%
8	2203	604	27,42%
9			
Total	339 191	5 932	1,75%

Annex 3 – Methodology for rating transition matrices

"Transition matrix" here means the presentation in the form of an "input-output" table of the rating changes of companies rated "in view of a balance sheet" between an initial observation date and a final observation date (here, in practice, from January to December inclusive of one calendar year). The start date and end date are the same for all companies.

The objective is to provide a "snapshot" of the evolution of ratings at the given dates: events[11] that may have occurred between those two dates are not taken into account. Only the ratings assigned at the start and at the end of the period are taken into account in the transition matrix.

Example

A company rated *C5+* at the beginning of the period (1 January) became *C8* during the period, followed by *D5*, which was its rating on 31 December.

The matrix will only retain the change from "5+" to "5" as "migration".

Banque de France also does not take into account the rating's age at the start of the observation period. For example, a company that was observed on 1 January and whose rating had been assigned for 6 months was put on the same footing as a company whose rating had been assigned for 2 days prior to 1 January.

Companies covered by the matrix

- The companies included **at the beginning of the period** are those whose credit rating has been assigned on the basis of financial statements.

- **At the end of the period,** some companies may no longer be rated on the basis of financial statements for various reasons.

The share of companies that are no longer rated on the basis of their financial statements as at 31 December 2024 is as follows (%):

Rated at 01/01/2024	1+	1	1-	2+	2	2-	3+	3	3-	4+	4	4-	5+	5	5-	6+	6	6-	7	8	P
No recent balance sheet at 31/12/2024	1,9	2,3	2,4	2,8	2,9	2,9	2,9	3,3	3,4	3,7	8,8	10,0	10,8	11,5	11,3	13,0	15,5	22,5	19,0	21,0	53,3

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[11] Up to and including a potential default (P-rating) or commercial paper past due event.

The overall rate (all ratings) for 2024 was 6.4%. The share of firms that are no longer rated increases when the rating downgrades: the worse the rating, the more likely it is that we will not have the financial statements the following year. A stall can be seen in rating 4, which represented until 16/12/2024 the boundary for eligibility to refinance under the ICAS classification used by Banque de France's rating system[12]. The 53.3% share for the P rating can be explained as follows: as of 1 January, the companies concerned were facing the opening of receivership or receivership proceedings and, given their situation, most did not submit any financial statements during the current year.

Matrix subtotals

Rows: The matrix rows show the breakdown of companies by credit rating (1+, etc.) at the start of the period.

The row "Total" shows the breakdown of companies by credit rating at the end of the period.

Columns : The matrix columns show the breakdown of companies by credit rating (or "status") at the end of the period.

The column "Incoming 1+ to P" shows the number of companies with a rating given at the start of the period and a significant rating at the end of the period.

The column entitled "Outcoming" shows the number of companies in each rating category that exited the sample, i.e. whose rating based on their financial statements was no longer significant at the end of the period.

The column "Total number" shows the number of firms with a given rating at the beginning of the period.

The column "of which number of defaults" indicates the number of firms that defaulted during the observation period, regardless of the rating of these firms at the end of the period and also in the case of departures from the rating scope (0 ratings at the end of the period).

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[12] Within the Eurosystem, Banque de France's rating system was recognised in-house Credit Assessment System (ICAS) in accordance with the general documentation governing Eurosystem monetary policy operations. This recognition allows Banque de France rating to be used to determine which assets are eligible to be pledged by banks as collateral against refinancing operations.

Annex 4 – Transcodification of the previous scale

On 8 January 2022, Banque de France introduced a new 22-notch rating scale, compared with 13 notches for the previous scale it replaces. This new, more granular scale aims to provide a more accurate assessment of the financial health of companies and to adapt the rating methodology to the requirements of Banque de France's European statutes. On January 8, 2022, the rating for each company was automatically transcoded to the new scale, according to the mapping presented below. Analysts at Banque de France subsequently increasingly divided the companies into the entire spectrum of the new scale, as rating decisions were made based on the new information (annual accounts, qualitative information, etc.) brought to their attention.

New ratings		Previous ratings	Credit quality step
1+	Excellent ++	3++	1
1	Excellent +	3+	2
1-	Excellent	3	
2+	Very satisfactory ++	4+	3
2	Very satisfactory +		
2-	Very satisfactory		
3+	Strong ++	4	4
3	Strong +		
3-	Strong		
4+	Good +		
4	Good	5+	
4-	Intermediate +		
5+	Intermediary -		
5	Fragile	5	5
5-	Quite weak		
6+	Very weak		
6	Faces major uncertainties	6	
6-	Vulnerable		
7	Highly vulnerable	7	6
8	Extremely vulnerable	8 and 9	
P	Bankrupcy	P	
0	No accounting documents analysed and no unfavourable information	0	

The shaded ratings correspond to the ratings selected at the time of the transcodification on 8 January 2022.

The rating of 5+ has been transcoded into 4- for business ratings A to H and N and into 5+ for business ratings J to M and X