BANQUE DE FRANCE
EUROSYSTÈME

BANQUE DE FRANCE ECAI RATING

PERFORMANCE ASSESSMENT 2025

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Bank de France – Companies Directorate

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Foreword

This document presents a set of indicators used by Banque de France as part of its monitoring framework for the performance of its rating system.

The aim of a rating system is to classify companies according to the probability of a default event occurring (the materialisation of credit risk) over a given time horizon.

When making each rating decision, financial analysts form an assessment based on the information available to them. This assessment has a predictive dimension which, given its medium-term focus, leads to a certain degree of stability in the assessments, at least for the highest ratings. In the case of Banque de France rating system, a three-year horizon serves as the benchmark. Analysts must also demonstrate a high degree of responsiveness in order to incorporate, in real time, the most significant new developments brought to their attention.

The measurement of rating systems' performance must meet a range of requirements:

- It must enable an external observer to form an opinion on the system's ability to classify companies accurately according to their level of credit risk;
- It must also provide information on how the balance between the system's stability and responsiveness is achieved;

Finally, it must enable the value of the indicators to be interpreted in the light of the system's parameters, such as the definition of default or the size of the portfolio of companies analysed.

1. Details of the methodology

Banque de France rating is an assessment of a company's ability to meet its financial obligations over a three-year horizon. It is a measure of credit risk, reflecting a judgement on the risk incurred by lenders.

The rating is assigned by analysts throughout the country, in accordance with professional and ethical standards set out in the 'Code of Conduct for Bank of France's Corporate Rating Activity'.

Each year, companies meeting the rating threshold on the basis of their accounting records (turnover excluding VAT ≥ threshold) undergo a risk analysis based on:

- a review of recent accounting records, dating back less than 24 months;
- qualitative information.

Until 11 January 2025, the rating threshold was EUR 750k of turnover excluding VAT. Since 12 January 2025, this threshold has been raised to EUR 1,250 K (see Box 1).

Box 1: The increase in the rating threshold from EUR 750k to EUR 1,250k

On 12 January 2025, Banque de France decided to raise the rating threshold to EUR 1,250k in order to stabilise the number of ratings at around 300,000 companies, whilst strengthening the quality and performance of its rating system. The previous rating threshold (EUR 750k) had, in fact, remained unchanged for over 40 years.
As the statistics presented **in this note** relate to the situation as at 31 December 2025 for companies rated on January 2025 (for one-year statistics), 2024 (two-year statistics) and 2023 (three-year statistics) respectively, **the increase in the rating threshold therefore only affects the number of companies leaving the scope of the statistics.**
Notes for future years will show this impact gradually reflecting across the various time horizons as follows:

- In the report published in 2027, the one-year statistics will cover companies with a turnover (excluding VAT) of ≥ EUR 1,250k, whilst the two-year and three-year statistics will cover companies with a turnover (excluding VAT) of ≥ EUR 750k.
- In the report published in 2028, 1-year and 2-year statistics will be published for companies with a pre-tax turnover of ≥ EUR 1,250k, and 3-year statistics for companies with a pre-tax turnover of ≥ EUR 750k.
- In the report published in 2029, all statistics will relate to companies with a pre-tax turnover of at least EUR 1,250k.

The statistics presented relate to this population of companies, meeting the rating threshold of EUR 750k in pre-tax turnover, which, since 8 January 2022, are eligible to receive 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[1] .

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.

[1] Prior to that date, the credit ratings assigned were 3++, 3+, 3, 4+, 4, 5+, 5, 6, 7, 8, 9, or P (previous rating scale: see Box 2).

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

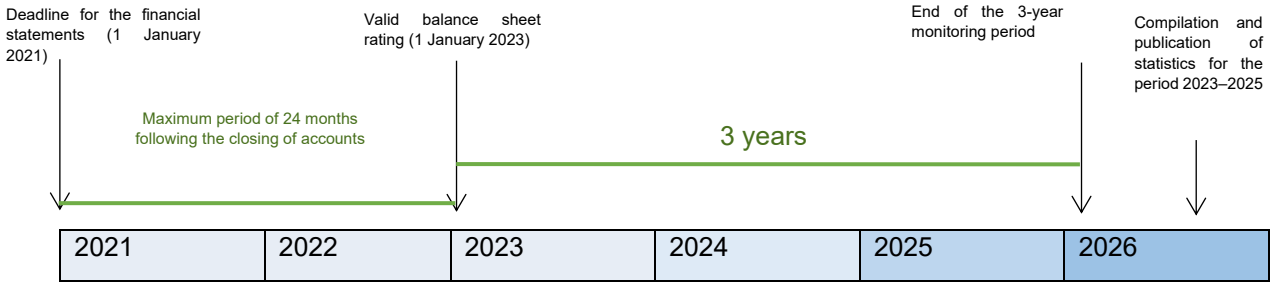
The statistics presented do not cover cases with a rating of 0, which is assigned to companies whose accounting records have not been analysed for the period in question.

The default rates calculated are described as 'fixed' in that they take 31 December of the year preceding the period under review as the reference date for calculating the default rate over a given time horizon.

The analysis of default rates over 1-year and 2-year horizons provides useful additional insight, as the assessment of credit risk over a 3-year horizon incorporates the shorter horizons. The 1-year default rate observed for the year 2025 is therefore calculated on the basis of sound ratings as at 1 January 2025. The 2-year default rate observed for the years 2024 and 2025 is calculated on the basis of sound ratings as at 1 January 2024. Finally, the 3-year default rate observed for the years 2023, 2024 and 2025 is calculated on the basis of sound quotations as at 1 January 2023.

This document contains the most recent statistics on the subject, available during 2026. Owing to potential reporting uncertainties that may arise when a payment default is reported (such as revisions or cancellations), the publication of default statistics a few months after the final observation period ensures that stabilised time series are available, including for the most recent results.

Schedule for the 3-year default calculation for 2025



Source: Banque de France, Companies Directorate

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

On 8 January 2022, Banque de France introduced a new rating scale (NEC). This more granular scale provides a more precise assessment of credit risk, with 22 grades compared with 13 in the previous scale. Its introduction is linked to an overhaul of the rating model which, whilst retaining its core principles (an 'expert judgement' rating for firms with turnover above a predefined threshold), provides the analyst with a probability of default for each firm assessed, based on its ratios and financial aggregates.

This note assesses the ability of Banque de France's rating system to predict defaults over a three-year horizon within the framework of its status as an External Credit Assessment Institution (ECAI). As the period under review runs from 1 January 2023 to 31 December 2025, **the statistics presented this year no longer include ratings from the old scale.**

2. Statistics on 2025 data

2.1. Predictive power of the model and compliance with ECAI requirements

Banque de France (BDF) is included on the list of External Credit Assessment Institutions (ECAI). This enables credit institutions to use BDF rating to assess their capital requirements for covering credit risk.

ECAI status means that BDF must comply with default rate thresholds across the entire rating scale over a 3-year horizon. An analysis of the data shows that **the 3-year default rates for the ratings assigned by BDF comply with all the thresholds set out** in Annex 1 to Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016 (Table 1), with the exception of rating 6-, which exceeds this year the monitoring threshold. Furthermore, a generally consistent progression in default rates is observed across all credit ratings and over the three time horizons studied (see Annex 2). Overall, the default rate for rated companies stands at 1.66% over a one-year horizon, 3.31% over two years and 4.53% over a three-year horizon (Table 1 and Appendix 2).

Table 1: BDF default rates over 3 years

Credit ratings	Sound companies rated as at 1 January 2023	3-year BDF default rates (2023, 2024, 2025)		Short-term reference default rates applied under the ECAI framework	
		Number	Rate (%)	Monitoring level	Trigger level
1+	11,805	11	0.09%	0.80%	1.20%
1	13,326	19	0.14%	1.00%	1.30%
1–	33,175	69	0.21%		
2+	28,134	107	0.38%	2.40%	3.00%
2	26,608	196	0.74%		
2-	14,346	129	0.90%		
3+	21,683	291	1.34%	11.00%	12.40%
3	20,221	365	1.81%		
3-	10,102	204	2.02%		
4+	19,045	591	3.10%		
4	34,967	1,802	5.15%		
4-	26,156	1,645	6.29%		
5+	5,539	552	9.97%		
5	9,345	1,281	13.71%	28.60%	35.00%
5–	9,686	1,074	11.09%		
6+	4,458	706	15.84%		
6	12,244	2,252	18.39%		
6-	3,569	1,174	32.89%		
7	1,973	893	45.26%	not applicable	
8	930	567	60.97%		
Total	307,312	13,928	4.53%		

Source: Banque de France, Companies' Directorate

2.2. Robustness of the system and discriminatory power

Analysing the ratings as time series allows us to assess the robustness of the rating system over time. Observing trends in 1-year and 3-year default rates also helps to identify broad trends, such as the **almost constant decline in rates observed over the decade 2009–2020** for ratings eligible for refinancing, or the **recent rebound, driven mainly by firms with the lowest ratings**.

In order to assess the robustness and consistency of the system over time, the results based on financial statements finalised between 2007 and 2024 are presented here (Figures 1 to 3):

- Three-year rates rose slightly between 2007 and 2009 in the wake of a rise in business insolvencies, which was more pronounced amongst companies whose balance sheets were included in the FIBEN accounting database than amongst the general population[2] . This increase, concentrated in the 4+ and lower credit ratings, occurred against a backdrop of declining business activity and falling economic profitability[3] .
- 2010 and 2011 saw a moderate recovery in business activity and a short-lived improvement in the main indicators of corporate performance[4] . Conversely, 2012 and 2013 saw business activity slow down[5] . This is reflected in changes to default rates, with a rise in rates observed in 2012–2013, concentrated in the 5+ ratings and above.
- From 2014 onwards, a downward trend in default rates began, which continued for six years. They reached their lowest level in 2020 for the three-year rate (more than halved compared with 2013) and in 2021 for the one-year rate (reduced by nearly fourfold over this period). Over these two years (2020 and 2021), this trend can be explained in particular by the exceptional support measures for businesses introduced to tackle the health crisis.
- Default rates are rising across all credit ratings from 2022 onwards, against a backdrop marked by the withdrawal of support linked to the health crisis and rising raw material prices.
- The one-year default rate confirms a trend that began in 2024, consistent with that observed for business insolvencies in France[6] .

Overall, regardless of the time horizon used to calculate default rates, these rates show **a comparable trend, rising in the recent period after having fallen throughout the preceding period** (Figure 1).

The switch from 13 to a 22 grades rating scale does not, on the whole, call into question the monotonic trend observed in the past, **confirming the rating system's ability to classify companies according to their risk of default** (see Chart 3). Thus, less than 0.13% of the defaults that occurred in 2025 involved a company whose rating on 1 January 2025 fell within grades 1 and 2 (17% of the population), whilst three-quarters of them affected a company whose rating on the same date fell within grades 5 and 6 (16% of the population).

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[2] *'The economic impact of business failures in 2008 and 2009'* (in French), Banque de France Bulletin No. 178, 2009

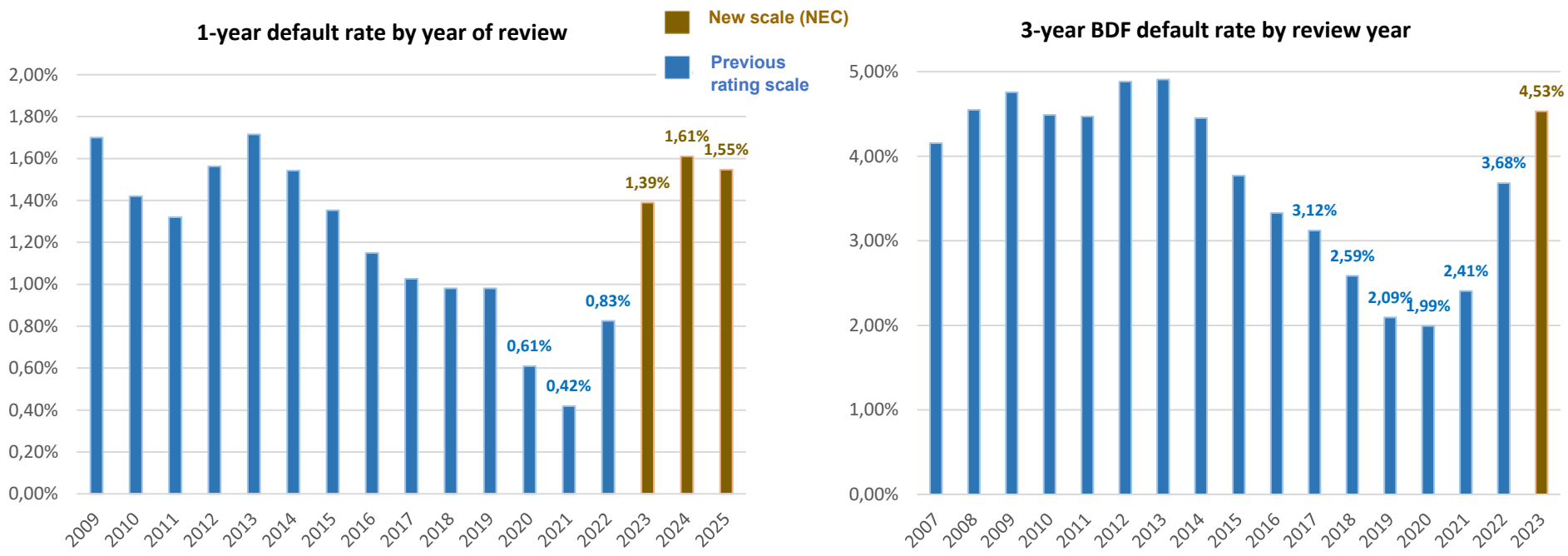
[3] *'The situation of firms in 2009: a decline in activity and a wait-and-see approach during the crisis'*, (in French) Banque de France Bulletin No. 182, 2010

[4] *'Businesses in 2011: activity is growing but profitability is weakening'*, (in French) Banque de France Bulletin No. 194, 2012

[5] *"Businesses in 2013: driven by large firms, profitability recovers"*, (in French) Banque de France Bulletin No. 198, 2014

[6] *"Business insolvencies: trends at the end of six unusual years"*, (in French) Banque de France Bulletin No. 265

Chart 1: trends in BDF default rates observed ex post at 1 year since 2009 and at 3 years since 2007[7]

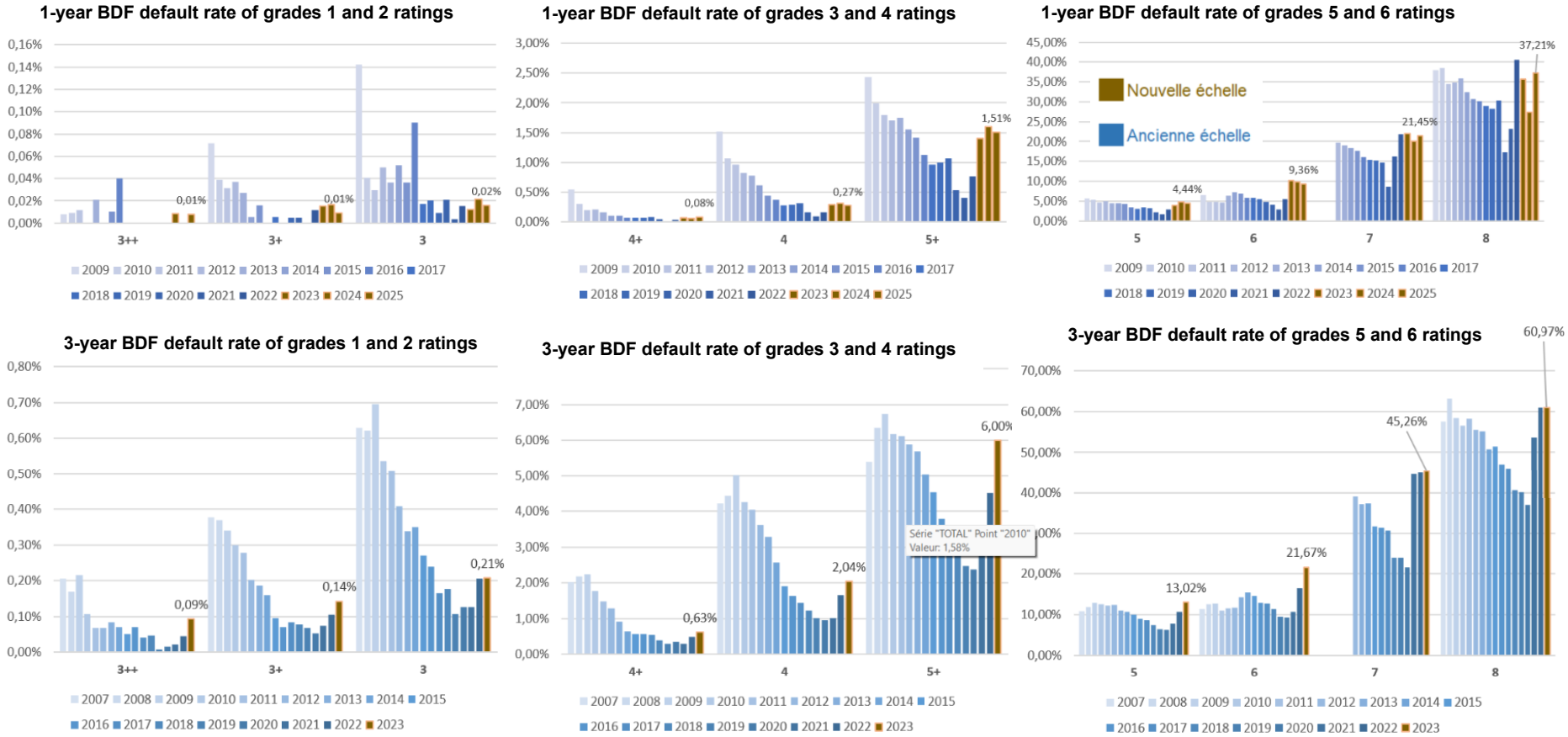


Source: Banque de France, Companies Directorate

[7] The chart 'BDF one-year default rates by review year' shows the one-year rates observed as at 31 December N for sound firms with a credit rating as at 1 January N. For example, as at 31 December 2025, the default rate for sound firms with a credit rating as at 1 January 2025 stood at 1. 55%.

The chart '3-year BDF default rate by review year' shows the 3-year rates observed as at 31/12/N+2 for sound companies with a rating as at 01/01/N. For example, as at 31 December 2025, the default rate for sound companies with a rating as at 1 January 2023 stood at 4.53%.

Chart 2: Trends in ex-post BDF default rates, by rating, at 1 year (sound companies with a rating as at 1 January in the years 2009–2025) and at 3 years (sound companies with a rating as at 1 January of the years 2007–2023)[8]



N.B.: for certain credit ratings, the 1-year default rate may be higher than the 3-year rate. This situation is possible because the observed population changes depending on the time horizon: the analysis covers sound companies (not in default) that were rated significantly at the start of the period in question (1 January 2023 for the 3-year horizon and 1 January 2025 for the 1-year horizon).

From 2022 onwards, the 1-year default rates, by credit rating, were calculated by converting the active ratings as at 1 January 2023 to the old scale, in accordance with the conversion rules used during the transition from the old to the new scale (see Appendix 4).

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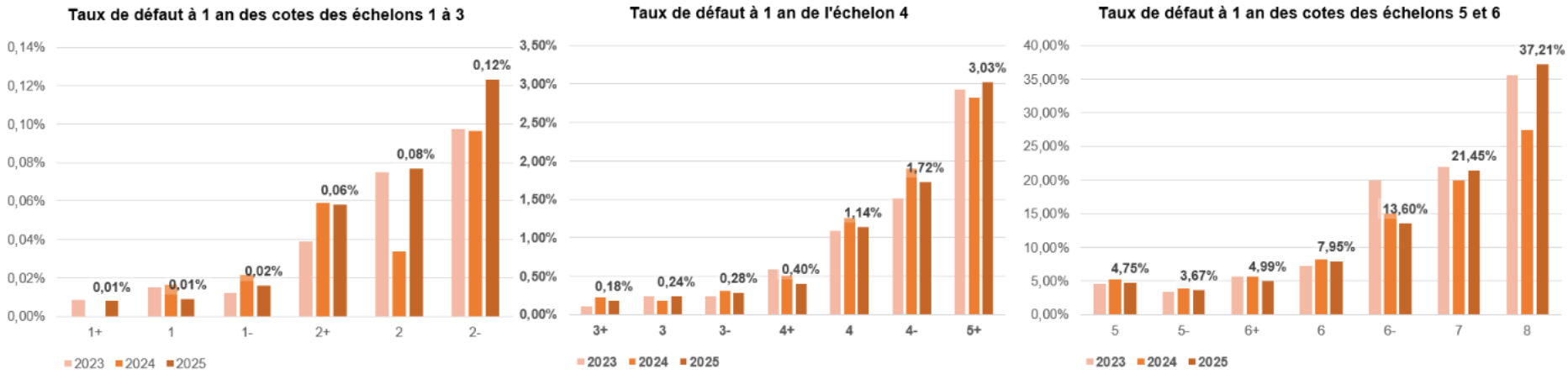
[8] The charts presented group credit ratings by credit quality step as defined in Annex II to Implementing Regulation (EU) No 2016/1799, and in accordance with the correspondence table set out in Annex III to that Implementing Regulation.

Chart 3: Ex-post observed BDF default rates, by rating, at one year since 2023[9]

NB: Since 2023, 1-year default rates have been presented according to the New Rating Scale (NEC) – see Box 2 and Appendix 4.



Source: Banque de France, Companies' Directorate

[9] The charts presented group credit ratings by credit quality step as defined in Annex II to Implementing Regulation (EU) No 2016/1799, and in accordance with the correspondence table set out in Annex III to that Implementing Regulation.

More succinctly, the Gini index illustrates the model's discriminatory power. The Gini index measures the difference between the theoretical distribution of defaults across credit ratings if the model's discriminatory power were zero (the same default rate for all credit ratings) and the distribution of defaults actually observed. This measure of the model's performance ranges from 0 to 1. The higher the index, the greater the model's discriminatory power.

- Table 2 shows that high discriminatory power is maintained over time.

Gini index	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
BDF default at 1 year			71%	72%	71%	74%	73%	73%	75%	75%	75%	77%	73%	75%
BDF default at 2 years		65%	66%	67%	67%	68%	67%	69%	71%	64%	67%	70%	70%	
BDF default at 3 years	59%	61%	62%	63%	63%	64%	64%	66%	63%	59%	61%	66%		

Caption	Old ladder
	New ladder

Table 2: Trend in the Gini index

Source: Banque de France, Companies' Directorate

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

A transition matrix summarises changes in the credit ratings assigned to a given population of firms between two dates. Two matrices are presented below:

- One covering a one-year period, showing the change in rates between 1 January and 31 December 2025;
- The other covers a three-year period, showing the changes in ratings between 1 January 2023 and 31 December 2025.

Analysing the matrices therefore makes it possible to measure the extent of changes in ratings over the period in question, whether in terms of volume or the number of rating notches crossed, as well as to assess their stability.

- **The ratings considered at the start of the period** are the valid ratings assigned on the basis of accounting documentation (which explains the absence of 0 ratings), whereas this is not always the case at the end of the period.
- **The 'Number of exits' column** corresponds to companies described as 'exiting the sample', i.e. those rated 1+ at P on 1st January following a review of their accounting records, and which then had a credit rating of 0 as at 31 December. This rating of 0 means that Banque de France has not analysed the company's accounting records and has not, moreover, identified any adverse information regarding the company.
- **The 'of which number of defaults' column** shows the number of defaults recorded during the period according to the rating at the start of the year, regardless of the rating at the end of the year or whether these defaulting companies were subsequently removed from the rating system.
- **The 'Total' row** shows the breakdown of companies by credit rating at the end of the financial year.

Table 3: One-year transition matrix for companies rated as at1 January 2025

Au 01/01/2025 \ Au 31/12/2025	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+	62,03%	8,19%	7,85%	1,87%	0,55%	0,15%	0,37%	0,14%	0,07%	0,37%	0,44%	0,16%	0,06%	0,05%	0,06%	0,03%	0,43%	0,02%	0,00%	0,00%	0,01%	10 623	2 199	12 822	1
1	9,77%	46,20%	16,19%	7,12%	2,14%	1,12%	0,82%	0,64%	0,26%	0,29%	0,54%	0,30%	0,05%	0,08%	0,04%	0,02%	0,56%	0,01%	0,01%	0,00%	0,01%	9 478	1 524	11 002	1
1-	3,74%	6,28%	45,94%	12,72%	4,38%	1,96%	1,91%	0,61%	0,43%	0,33%	0,94%	0,36%	0,09%	0,08%	0,03%	0,02%	0,19%	0,02%	0,02%	0,01%	0,01%	24 996	6 233	31 229	5
2+	0,61%	1,79%	14,65%	36,79%	10,19%	5,26%	4,77%	1,57%	0,87%	1,11%	1,66%	0,63%	0,09%	0,14%	0,04%	0,01%	0,17%	0,02%	0,03%	0,02%	0,05%	24 857	6 034	30 891	18
2	0,21%	0,42%	5,89%	16,53%	27,83%	9,31%	9,65%	3,21%	1,67%	1,68%	2,49%	0,93%	0,14%	0,15%	0,05%	0,03%	0,23%	0,01%	0,08%	0,03%	0,07%	17 837	4 289	22 126	17
2-	0,12%	0,27%	2,18%	10,48%	12,97%	24,48%	13,30%	5,87%	3,77%	2,97%	3,28%	1,35%	0,24%	0,24%	0,09%	0,05%	0,33%	0,05%	0,04%	0,04%	0,11%	13 364	2 884	16 248	20
3+	0,10%	0,16%	1,08%	5,07%	8,52%	8,93%	26,79%	7,51%	5,23%	5,39%	5,52%	2,21%	0,39%	0,50%	0,25%	0,07%	0,32%	0,04%	0,11%	0,06%	0,16%	20 048	5 524	25 572	45
3	0,05%	0,20%	0,55%	2,22%	3,75%	6,09%	14,96%	20,09%	9,89%	9,02%	7,09%	2,31%	0,84%	0,91%	0,23%	0,11%	0,69%	0,20%	0,12%	0,07%	0,22%	11 740	3 010	14 750	35
3-	0,08%	0,06%	0,31%	1,37%	1,90%	3,06%	11,97%	8,69%	24,11%	13,42%	8,89%	3,25%	1,31%	0,96%	0,39%	0,08%	0,78%	0,04%	0,13%	0,06%	0,26%	11 124	2 588	13 712	39
4+	0,05%	0,10%	0,27%	0,79%	1,15%	1,27%	6,89%	6,66%	7,59%	25,88%	13,22%	6,48%	1,84%	1,96%	0,81%	0,26%	0,98%	0,10%	0,24%	0,16%	0,37%	17 662	5 258	22 920	92
4	0,07%	0,08%	0,28%	0,76%	0,74%	0,77%	3,27%	2,28%	2,98%	7,40%	33,70%	8,34%	2,66%	3,66%	1,54%	0,95%	2,01%	0,52%	0,51%	0,25%	1,06%	34 232	12 135	46 367	530
4-	0,06%	0,11%	0,19%	0,29%	0,32%	0,27%	1,31%	0,96%	1,22%	4,58%	13,71%	32,68%	3,93%	5,03%	3,61%	1,31%	3,49%	0,65%	0,68%	0,30%	1,60%	17 807	5 532	23 339	402
5+	0,11%	0,06%	0,05%	0,09%	0,23%	0,18%	0,61%	0,41%	0,94%	3,78%	12,24%	10,03%	21,43%	9,89%	5,59%	2,82%	5,46%	0,94%	1,11%	0,51%	2,87%	6 219	1 614	7 833	237
5	0,11%	0,09%	0,09%	0,04%	0,06%	0,09%	0,44%	0,38%	0,53%	2,18%	8,65%	6,53%	7,37%	26,45%	8,17%	3,74%	5,89%	1,63%	1,47%	0,67%	4,33%	11 136	2 977	14 113	670
5-	0,26%	0,16%	0,13%	0,20%	0,09%	0,26%	0,38%	0,18%	0,38%	1,20%	5,07%	5,49%	4,20%	7,88%	34,70%	6,48%	7,79%	1,90%	1,43%	0,68%	3,48%	7 874	1 687	9 561	351
6+	0,05%	0,07%	0,09%	0,11%	0,05%	0,04%	0,20%	0,11%	0,18%	0,83%	4,54%	3,35%	3,37%	8,25%	12,90%	20,04%	11,48%	3,71%	1,95%	0,80%	4,85%	4 337	1 297	5 634	281
6	0,15%	0,20%	0,18%	0,07%	0,10%	0,15%	0,29%	0,18%	0,26%	0,71%	4,06%	2,85%	2,27%	4,88%	9,63%	4,38%	37,06%	3,49%	1,88%	1,12%	7,58%	11 676	2 651	14 327	1 139
6-	0,02%	0,02%	0,04%	0,02%	0,00%	0,04%	0,06%	0,08%	0,04%	0,27%	2,15%	1,77%	1,21%	3,67%	6,38%	2,94%	12,35%	30,47%	3,61%	2,82%	12,95%	3 880	915	4 795	652
7	0,00%	0,00%	0,04%	0,00%	0,00%	0,00%	0,16%	0,00%	0,04%	0,12%	1,97%	1,38%	1,26%	3,03%	2,36%	2,16%	11,41%	10,35%	15,70%	13,03%	18,38%	2 068	473	2 541	545
8	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,08%	0,47%	0,47%	0,70%	1,32%	1,24%	1,01%	4,88%	7,05%	12,09%	32,95%	22,02%	1 087	203	1 290	406
P	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,09%	0,05%	0,05%	0,33%	0,14%	0,28%	0,19%	38,27%	0,65%	0,19%	59,31%	2 138	10	2 148	
Total	3,19%	2,70%	7,21%	7,26%	5,05%	3,84%	6,24%	3,44%	3,35%	5,17%	9,36%	5,42%	2,06%	3,17%	2,81%	1,27%	3,45%	1,30%	0,63%	0,47%	1,89%	264 183	69 037	333 220	

Source: Banque de France, Companies' Directorate

NB: due to companies leaving the sample, the total percentages for each row are less than 100%. Owing to the raising of the threshold in January 2025, the number of companies leaving the sample during the year is exceptionally higher for this financial year (see Box 2).

Following a year in 2022 characterised by a decline in the stability of ratings (see Table 4), against a backdrop of the transition to the new rating scale (NEC) and the resulting increase in granularity, 2023 saw a return to greater stability, *particularly* for the most favourable ratings (1+ to 1-). Furthermore, whilst the greater granularity of the new scale allows analysts to reflect changes in a company's situation in its rating – changes that would not have resulted in a rating change under the old scale – such adjustments rarely exceed 1 to 3 notches.

Table 3: Three-year transition matrix for companies rated as at1 January 2023

Au 01/01/2023 \ Au 31/12/2025	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+	**43,19%**	10,60%	13,60%	5,79%	2,05%	1,22%	1,16%	0,90%	0,47%	0,69%	1,21%	0,55%	0,19%	0,15%	0,05%	0,06%	0,78%	0,10%	0,00%	0,00%	0,08%	9 779	2 026	11 805	11
1	10,27%	**23,74%**	20,45%	11,25%	4,72%	3,17%	2,68%	1,17%	0,99%	0,77%	2,03%	0,84%	0,26%	0,37%	0,14%	0,07%	0,92%	0,05%	0,03%	0,01%	0,13%	11 200	2 126	13 326	19
1-	5,37%	6,24%	**24,77%**	15,02%	7,29%	4,52%	4,75%	2,02%	1,69%	1,66%	2,74%	1,19%	0,30%	0,43%	0,17%	0,05%	0,68%	0,08%	0,05%	0,04%	0,18%	26 286	6 889	33 175	69
2+	2,14%	2,53%	13,08%	**17,79%**	9,07%	6,28%	7,44%	3,34%	2,45%	2,86%	4,27%	2,24%	0,58%	0,62%	0,26%	0,14%	0,68%	0,21%	0,14%	0,05%	0,34%	21 526	6 608	28 134	107
2	1,41%	1,66%	8,48%	12,67%	**10,88%**	6,96%	9,97%	4,39%	3,60%	4,72%	5,77%	2,72%	0,76%	1,10%	0,36%	0,22%	1,03%	0,16%	0,15%	0,13%	0,63%	20 693	5 915	26 608	196
2-	0,80%	0,96%	5,35%	10,08%	9,12%	**8,85%**	11,72%	5,43%	4,88%	5,42%	6,85%	3,12%	1,48%	1,36%	0,62%	0,24%	1,19%	0,24%	0,23%	0,13%	0,75%	11 310	3 036	14 346	129
3+	0,45%	0,76%	3,61%	6,74%	6,84%	5,99%	**11,11%**	5,54%	7,26%	7,31%	8,37%	4,27%	1,26%	1,90%	0,74%	0,40%	1,31%	0,29%	0,30%	0,19%	1,17%	16 439	5 244	21 683	291
3	0,42%	0,59%	3,15%	5,95%	5,71%	4,87%	9,37%	**6,31%**	6,04%	8,30%	10,11%	5,15%	1,77%	2,36%	1,14%	0,65%	1,81%	0,44%	0,35%	0,22%	1,54%	15 416	4 805	20 221	365
3-	0,23%	0,40%	1,91%	3,70%	4,16%	3,38%	8,21%	6,38%	**7,49%**	10,64%	12,10%	5,28%	2,32%	3,37%	1,41%	0,92%	2,82%	0,51%	0,43%	0,28%	1,76%	7 847	2 255	10 102	204
4+	0,26%	0,35%	1,53%	2,75%	2,92%	2,77%	6,87%	4,84%	5,05%	**11,02%**	11,82%	7,90%	2,87%	4,13%	2,12%	1,10%	3,06%	0,74%	0,55%	0,35%	2,69%	14 410	4 635	19 045	591
4	0,41%	0,39%	1,68%	2,82%	2,87%	2,37%	5,28%	3,03%	3,18%	6,13%	**14,07%**	7,14%	2,73%	4,10%	2,32%	1,30%	3,88%	1,36%	0,68%	0,50%	4,44%	24 710	10 257	34 967	1 801
4-	0,26%	0,32%	0,82%	1,63%	1,50%	1,56%	3,16%	2,23%	2,04%	4,60%	13,80%	**11,26%**	4,04%	4,90%	4,74%	1,74%	4,47%	1,79%	0,75%	0,50%	5,31%	18 681	7 475	26 156	1 644
5+	0,25%	0,11%	0,47%	0,81%	0,85%	0,90%	2,47%	1,32%	1,90%	4,80%	9,79%	8,50%	**7,76%**	7,42%	5,58%	2,64%	7,93%	2,35%	1,37%	0,90%	8,58%	4 248	1 291	5 539	552
5	0,20%	0,24%	0,34%	0,55%	0,52%	0,71%	1,83%	1,35%	1,79%	4,12%	9,29%	5,99%	4,09%	**10,87%**	5,43%	3,03%	8,08%	3,45%	1,35%	1,05%	11,40%	7 070	2 275	9 345	1 278
5-	0,40%	0,28%	0,51%	0,77%	0,53%	0,86%	1,96%	1,21%	1,39%	3,03%	7,85%	5,78%	4,05%	6,48%	**15,40%**	4,22%	8,24%	3,52%	1,30%	0,91%	9,45%	7 569	2 118	9 687	1 074
6+	0,25%	0,16%	0,25%	0,31%	0,45%	0,34%	0,85%	0,65%	1,10%	2,20%	5,94%	4,98%	3,10%	7,20%	10,18%	**7,18%**	9,74%	4,85%	1,79%	1,37%	13,30%	3 396	1 062	4 458	706
6	0,45%	0,31%	0,48%	0,47%	0,62%	0,60%	1,31%	0,79%	1,07%	2,28%	5,50%	4,39%	2,54%	4,49%	14,75%	4,73%	**11,28%**	4,44%	1,38%	0,87%	15,72%	9 609	2 635	12 244	2 252
6-	0,28%	0,11%	0,08%	0,11%	0,11%	0,20%	0,36%	0,36%	0,28%	1,15%	3,05%	2,21%	1,85%	4,09%	10,34%	3,28%	8,10%	**9,81%**	2,13%	2,05%	29,03%	2 819	750	3 569	1 174
7	0,00%	0,05%	0,15%	0,46%	0,00%	0,05%	0,46%	0,20%	0,46%	1,22%	3,29%	1,88%	1,93%	3,65%	4,36%	1,52%	4,92%	6,79%	**7,55%**	7,05%	36,19%	1 621	352	1 973	893
8	0,00%	0,00%	0,00%	0,09%	0,00%	0,17%	0,26%	0,34%	0,26%	1,03%	1,63%	0,94%	0,77%	1,29%	1,89%	1,11%	3,09%	7,12%	6,09%	**13,38%**	44,77%	982	184	1 166	567
P	0,00%	0,00%	0,11%	0,00%	0,00%	0,00%	0,00%	0,00%	0,11%	0,11%	0,55%	1,10%	0,77%	0,88%	2,30%	0,44%	3,18%	10,95%	0,88%	0,55%	**71,30%**	851	62	913	
Total	3,23%	2,75%	7,18%	7,20%	4,96%	3,77%	5,94%	3,23%	3,20%	4,78%	7,85%	4,64%	1,92%	2,84%	2,72%	1,13%	3,04%	1,20%	0,56%	0,44%	4,07%	236 462	72 000	308 462	

In order to eliminate the effect of the transition to a more granular rating scale, it is possible to calculate the stability ratio in relation to the *credit quality steps (*CQS) set out in Section 2 of Title 2 of Regulation (EU) No 575/2013[10] . It can thus be seen that 72% of firms remained in the same step between 1 January and 31 December 2025, and that 97% of firms did not move by more than one step between these two dates. These rates are equal to or close to their 10-year average values, 71% and 97% respectively.

Table 4: Comparison of transitions between CQS categories for the years 2015 to 2025

1-year transition	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Stability rate	71%	72%	72%	71%	71%	78%	72%	64%	70%	71%	72%
Percentage change from a maximum CQS	96%	97%	97%	96%	96%	97%	97%	96%	97%	97%	97%
Improvement rate	15%	13%	12%	13%	14%	14%	12%	16%	17%	17%	16%
Degradation rate	14%	15%	16%	17%	15%	8%	16%	20%	13%	12%	12%

Key	Old scale
	New scale

3-year transition	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Stability rate	53%	53%	54%	54%	54%	56%	55%	50%	49%	47%	51%
Percentage change from a maximum CQS	88%	89%	89%	89%	89%	90%	90%	90%	90%	89%	90%
Improvement rate	29%	26%	23%	21%	21%	24%	25%	27%	26%	29%	31%
Degradation rate	18%	21%	23%	25%	25%	20%	20%	23%	25%	23%	17%

Source: Banque de France, Companies' Directorate

Note: 51% of companies rated as at 1 January 2023 still held the same rating as at 31 December 2025, and 90% of these held a rating on that date that corresponded either to the same level or to the level immediately above or below. Over the same period, 31% of companies saw their rating improve to a higher grade, and 17% saw their rating downgraded to a lower grade.

[10] Regulation No 575/2013 requires that, for all ECAIs, the correspondence between the relevant credit assessments established by the ECAIs and the credit quality steps provided for in the Regulation be specified.



Appendices

Appendix 1 Definition and method of calculating default

Appendix 2 Default rates at 1 year, 2 years and 3 years

Appendix 3 Methodology for developing rating transition matrices

Appendix 4 Mapping of ratings from the old scale to the new rating scale

Appendix 1 Definition and method of calculating default

Definition of default

Under its ECAI status, Banque de France considers a company to be in default if either of the following two conditions is met:

- It is in failure: legal proceedings (reorganisation or liquidation) have been initiated against it. The company is then assigned a 'P' rating.

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

- The cumulative amount over six months of payment defaults on commercial 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 this excess is penalised by the assignment of a specific rating following an assessment of the situation by a Banque de France analyst[11] .

Under both the old and new scales, a company that has been assigned a default rating (8 or 9) may, if its payments return to normal, be removed from this category and be assigned a more favourable rating, following a comprehensive review of its situation by an analyst. However, even in this case, the file remains in the default category for the purposes of calculating statistics.

- A credit rating agency has assigned it a default rating in accordance with its methodology, or Bloomberg has classified it as such as part of its monitoring of tradable securities.

The concept of failure, which constitutes an objective[12] approach to risk, is available in full and almost instantly as soon as it is reported.

The broader concept of default is based on data from the centralised register of payment incidents relating to commercial bills (the Central Register of Payment Incidents on Bills – CIPE), managed by Banque de France pursuant to Banking Regulation Committee Regulation No. 86-08 dated 27 February 1986. The CIPE receives and centralises reports of payment incidents[13] submitted by credit institutions. The severity of these incidents influences the rating, which, depending on this severity, may take the following values[14] :

- Rating 7: based on the incidents reported over the last six months, the company's creditworthiness appears to be seriously compromised;
- Rating 8: based on incidents reported over the last six months, the company's creditworthiness appears to be severely compromised.

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[11] Under the previous rating scale, exceeding these thresholds resulted, following an analyst's review of the company's situation, in the assignment of a rating of 9: it is this rating that is treated as a default for years prior to the introduction of the new rating scale. Under the new rating scale introduced on 8 January 2022, rating 9 no longer exists. However, rating 8, which is assigned when lower arrears thresholds are exceeded, has been retained. Consequently, the definition of default has been adapted to the new rating scale: a company is considered to be in default if it is assigned a rating of 8 and its outstanding payments exceed the threshold of 10% of its purchases (including VAT), or EUR45,000 if BDF does not have a valid balance sheet for that company.

[12] As this is based on information entirely external to the analyst, with no scope for interpretation on their part.

[13] Accepted bills of exchange and registered bills of exchange, promissory notes and certified promissory notes, accepted bills issued for the recovery of receivables giving rise to a credit facility secured by unsecured trade receivables, guaranteed bonds, non-accepted bills of exchange and non-accepted certified bills of exchange, as well as non-accepted bills issued for the recovery of receivables giving rise to a credit facility secured by unsecured trade receivables.

[14] Under the former rating scale: ratings 7 (occurrence of minor payment defaults over the last 6 months), 8 (based on payment defaults reported over the last 6 months, the company's creditworthiness appears to be at risk), or 9 (based on payment defaults reported over the last 6 months, the company's creditworthiness is 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.

It differs, however, from the concept of default as defined in Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions (CRR). In the present case, this is a default limited to commercial bills, not measured against the total debt; however, the significance of inter-company credit in corporate financing makes the inclusion of these payment incidents particularly appropriate for the analysis of credit risk.

Default as reflected through payment defaults also offers significant advantages in terms of predictability and stability:

- it is a sufficiently predictive indicator because, often, default on commercial bills precedes default on bank loans, which in turn precedes default on bonds and 'legal' default resulting from the initiation of insolvency proceedings (as the latter two bring a company's difficulties to light);
- an indicator that is sufficiently 'stable' to be operational, i.e. not associated with an excessively high or rapid rate of return to 'sound' categories.

Method for quantifying default rates across different rating classes

The rate[15] corresponding to an ex-post observation of default is calculated using a so-called 'fixed' method, based on a strict definition of the time horizon (1, 2 or 3 years) starting from 1 January of the year in question. Consequently, the rates are obtained by calculating the following ratio:

- the denominator comprises all companies rated by Banque de France on the basis of their valid accounting documents[16] as at 1 January of the year in question, weighted by 1 if they are still rated at the end of the period or have defaulted during the period, and by 0.5 if they have been removed from the rating scope and have not defaulted during the period;
- the numerator represents the number of companies in the denominator that moved into the 'in default' category during the observation period under consideration[17] (the starting point of the period being set at 1 January of the year).

[15] The rate is calculated for the entire population of companies monitored by Banque de France and is broken down by rating. Thus, each level of risk assessment by Banque de France corresponds to a specific failure and default rate.

[16] Note: as the 'validity' period of a rating is set by regulation at 24 months from the balance sheet date of the company accounts used to determine the rating, if no further balance sheet has been received by Banque de France beyond this period, the company loses its rating and will not be included in the calculation of default statistics for the following period.

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

Appendix 2

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

Credit ratings	Sound companies rated as at 31 December 2024	BDF defaults at 1 year	
		Number	Rate (%)
1+	12,822	1	0.01%
1	11,002	1	0.01%
1–	31,229	5	0.02%
2+	30,891	18	0.06%
2	22,125	17	0.08%
2-	16,248	20	0.12%
3+	25,572	45	0.18%
3	14,750	35	0.24%
3-	13,712	39	0.28%
4+	22,920	92	0.40%
4	46,366	530	1.14%
4-	23,337	402	1.72%
5+	7,833	237	3.03%
5	14,110	670	4.75%
5–	9,560	351	3.67%
6+	5,634	281	4.99%
6	14,326	1,139	7.95%
6-	4,795	652	13.60%
7	2,541	545	21.45%
8	1,091	406	37.21%
Total	330,864	5,486	1.66%

Credit ratings	Sound companies rated as at 31 December 2023	BDF defaults at 2 years	
		Number	Rate (%)
1+	12,387	0	0.00%
1	12,113	14	0.12%
1–	32,494	34	0.10%
2+	33,787	72	0.21%
2	23,557	56	0.24%
2-	16,587	69	0.42%
3+	25,838	177	0.69%
3	16,319	124	0.76%
3-	13,505	148	1.10%
4+	24,069	372	1.55%
4	46,211	1,460	3.16%
4-	22,942	998	4.35%
5+	7,476	455	6.09%
5	12,570	1,251	9.95%
5–	9,434	754	7.99%
6+	5,378	597	11.10%
6	14,045	2,006	14.28%
6-	4,117	1,020	24.78%
7	2,553	904	35.41%
8	1,269	641	50.51%
Total	336,651	11,152	3.31%

Credit ratings	Sound companies rated as at 31 December 2022	BDF defaults at 3 years	
		Number	Rate (%)
1+	11,805	11	0.09%
1	13,326	19	0.14%
1–	33,175	69	0.21%
2+	28,134	107	0.38%
2	26,608	196	0.74%
2-	14,346	129	0.90%
3+	21,683	291	1.34%
3	20,221	365	1.81%
3-	10,102	204	2.02%
4+	19,045	591	3.10%
4	34,967	1,802	5.15%
4-	26,156	1,645	6.29%
5+	5,539	552	9.97%
5	9,345	1,281	13.71%
5–	9,686	1,074	11.09%
6+	4,458	706	15.84%
6	12,244	2,252	18.39%
6-	3,569	1,174	32.89%
7	1,973	893	45.26%
8	930	567	60.97%
Total	307,312	13,928	4.53%

Appendix 3 Methodology for drawing up share price transition matrices

The term 'transition matrix' is used here to refer to the presentation, in the form of an 'inputs-outputs' table, of changes in the ratings of companies rated 'at the discretion of an expert based on a balance sheet' between an initial observation date and a final observation date (in practice, from January to December inclusive of a calendar year). The start date and end date are the same for all companies.

The approach adopted is that of a 'snapshot': events[18] occurring between the two observation dates are not taken into account. Only the share prices in force on the first and last days of the period under review, used to compile the matrix, are recorded and compared.

Example

A company rated *C5+* at the start of the period (1 January) was reclassified *as C8* during the period, and subsequently *as D5*, the rating in force as at 31 December.

The matrix will only recognise the transition from '5+' to '5' as a 'migration'.

Nor does Banque de France take into account how long a company has held its rating at the start of the observation period. Thus, a company observed on1 January whose current rating has been in place for six months is treated in the same way as a company whose current rating on1 January has been in place for two days.

Selected population of companies:

- The companies selected **at the start of the period** are those whose credit rating has been assigned on expert judgement the basis of following a review of their accounting records.
- **At the end of the period,** some companies may no longer be rated on the basis of expert judgement following a review of their accounting records for various reasons[19] .

The proportion of companies that are no longer rated on the basis of expert judgement based on accounting documentation as at 31 December 2025 is as follows (in %):

Rating status as at 1 January 2025	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 as at 31 December 2025	17.2	13.9	20.0	19.6	19.5	17.9	21.9	20.8	19.3	23.5	28.8	28.8	24.7	28.9	27.1	32.6	34.1	46.5	46.6	57.0	65.3

[18] Up to and including any default (P rating) or any unpaid commercial bill.

[19] There are many reasons why a company might cease to be rated after a year, based on its accounting records:

- Banque de France has not received the company's latest tax return;
- The company has, in the expert's view, fallen below the rating thresholds (turnover ≥ EUR0.75 million before 12 January 2025);
- The company no longer exists;
- Various other cases (exceptionally long financial year, etc.).

The overall rate (across all ratings) stands at 24.3% for 2025. The proportion of companies that are no longer rated increases as the rating deteriorates: the more unfavourable the rating, the more likely it is that we will not have access to the accounting documentation the following year. A noticeable drop can be seen at rating level 4, which, until 16 December 2024, constituted the eligibility threshold for refinancing under the ICAS status applied by Banque de France's rating system[20] . The 65.3% proportion for rating P can be explained as follows: on 1 January the companies concerned were facing the commencement of administration or compulsory liquidation proceedings and, for the most part, had not submitted any accounting documentation during the current year, given their circumstances.

Whilst some companies may no longer have an active credit rating during the period, the credit events included in the default category (see methodological details) continue to be monitored by Banque de France. Consequently, no entity leaving the scope can result in a default not being taken into account. As such, no company is assigned the weighting of 0.5 provided for in Article 4.3 of Implementing Regulation (EU) No 1799/2016.

Sub-totals of the matrix

Rows

The matrix shows companies categorised according to their credit rating (1+, etc.) at the start of the observation period.

The 'Total' row shows the distribution of ratings at the end of the period.

By column

The matrix shows companies categorised by their credit rating (or 'status') at the end of the observation period.

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

The 'Number of exits' column gives the number of so-called 'exiting' firms, i.e. those whose rating, as assigned by an expert on the basis of accounting documentation, is no longer signific at the end of the period.

The 'Total number' column shows the number of companies with a given rating at the start of the period.

The 'of which number of defaults' column indicates the number of companies that defaulted during the observation period, regardless of their rating at the end of the period and including cases where they were removed from the rating scope (ratings of 0 at the end of the period).

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

Appendix 4 Mapping of ratings from the old scale to the new rating scale

On 8 January 2022, Banque de France introduced a new rating scale comprising 22 levels, compared with 13 levels in the previous scale which it replaces. This new, more granular scale aims to provide a more precise assessment of companies' financial health and to adapt the rating methodology to the requirements of Banque de France's European statutes. On 8 January 2022, each company's rating was automatically converted to the new scale, in accordance with the correspondance set out below. Subsequently, Banque de France's analysts gradually distributed the companies across the full spectrum of this new scale, as rating decisions were taken on the basis of 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+	Intermediate -		
5	Fragile	5	5
5-	Quite weak		
6+	Very weak		
6	Threatened	6	
6-	Endangered		
7	Highly compromised	7	6
8	Severely compromised	8 and 9	
P	Failing	P	
0	Not significant	0	

The greyed-out ratings correspond to those used during the transcoding on 8 January 2022.

The rating 5+ was transcribed as 4- for activity ratings A to H and N.