

# Credit Rating Default Study H1 2023



This default study by Scope Ratings GmbH and Scope Rating UK Limited (both referred to as Scope) presents the default rates in Scope's rated universe.

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## Default rates – All sectors

The default rates in this section combine credit ratings from all sectors, i.e. issuer ratings for Corporates, Financial Institutions, Sovereign and Public Sector; programme ratings for Covered Bonds; debt ratings for Structured Finance and Project Finance. In subsequent sections of this report, default rates are presented for some of Scope's sectors for which at least one default has occurred. The default rates here are not statistically significant as Scope's rated universe and number of defaults for certain categories is limited.

In Table 1 and Table 2, default rates are calculated on a stock basis (see Appendix I) as the ratio between the stock of credit ratings outstanding of instruments in default at the end of the period and the stock of credit ratings outstanding of instruments not in default at the beginning of the period.

**Table 1: Default rates (stock basis) – one year**

	One year (30.06.2022 – 30.06.2023)		
	One-year default rate	Number of defaults	Number of ratings
<b>Investment grade ratings (AAA to BBB)</b>	0%	0	741
<b>BB<sup>1</sup></b>	0%	0	69
<b>B</b>	0%	0	74
<b>CCC</b>	9%	1	11
<b>CC</b>	0%	0	5
<b>C</b>	33%	1	3
<b>Short-term ratings</b>	0%	0	401

**Table 2: Default rates (stock basis) – three years**

	Three years (30.06.2020 – 30.06.2023)		
	Three-year default rate	Number of defaults	Number of ratings
<b>Investment grade ratings (AAA to BBB)<sup>1</sup></b>	0%	0	570
<b>BB<sup>1</sup></b>	0%	0	44
<b>B</b>	2%	1	43
<b>CCC</b>	20%	1	5
<b>CC</b>	0%	0	3
<b>C</b>	0%	0	2
<b>Short-term ratings</b>	0%	0	308

In Table 3, the one-year default rates are calculated on a static pool basis for the 10 years from 30 June 2013 to 30 June 2023. Eight default events occurred among issuers rated by Scope: six in Corporates (five distinct issuers) and three in Sovereign and Public Sector (two distinct issuers).

<sup>1</sup> Defaulted Credit Suisse Group AG's AT1 securities not included. See section Default rates – Other sectors for details.

**Table 3: Average annual default rate (static pool basis)**

	Ten years (30.06.2013 – 30.06.2023)		
	Average one-year default rate	Number of defaults	Number of ratings
Investment grade ratings (AAA to BBB) <sup>1</sup>	0%	0	3030
BB <sup>1</sup>	0%	0	283
B	1%	2	237
CCC	10%	4	42
CC	5%	1	22
C	4%	1	23
Short-term ratings	0%	0	1508

## Default rates – Corporates

**Table 4: Default rates (stock basis) – one year**

	One year (30.06.2022 – 30.06.2023)		
	One-year default rate	Number of defaults	Number of ratings
Investment grade ratings (AAA to BBB)	0%	0	316
BB	0%	0	43
B	0%	0	48
CCC	0%	0	0
CC	0%	0	0
C	100%	1	1
Short-term ratings	0%	0	282

**Table 5: Default rates (stock basis) – three years**

	Three years (30.06.2020 – 30.06.2023)		
	Three-year default rate	Number of defaults	Number of ratings
Investment grade ratings (AAA to BBB)	0%	0	225
BB	0%	0	23
B	4%	1	27
CCC	100%	1	1
CC	0%	0	0
C	0%	0	0
Short-term ratings	0%	0	209

**Table 6: Average annual default rates (static pool)**

	Ten years (30.06.2013 – 30.06.2023)		
	Average one-year default rate	Number of defaults	Number of ratings
Investment grade ratings (AAA to BBB)	0%	0	1031
BB	0%	0	138
B	2%	2	132
CCC	25%	1	4
CC	100%	1	1
C	100%	1	1
Short-term ratings	0%	0	917

## Default rates – Sovereign and Public Sector

**Table 7: Default rates (stock basis) – one year**

	One year (30.06.2022 – 30.06.2023)		
	One-year default rate	Number of defaults	Number of ratings
Investment grade ratings (AAA to BBB)	0%	0	81
BB	0%	0	3
B	0%	0	1
CCC	100%	1	1
CC	0%	0	0
C	0%	0	0
Short-term ratings	0%	0	86

**Table 8: Default rates (stock basis) – three years**

	Three years (30.06.2020 – 30.06.2023)		
	Three-year default rate	Number of defaults	Number of ratings
Investment grade ratings (AAA to BBB)	0%	0	65
BB	0%	0	3
B	0%	0	0
CCC	0%	0	0
CC	0%	0	0
C	0%	0	0
Short-term ratings	0%	0	68

**Table 9: Average annual default rates (static pool)**

	Ten years (30.06.2013 – 30.06.2023)		
	Average one-year default rate	Number of defaults	Number of ratings
<b>Investment grade ratings (AAA to BBB)</b>	0%	0	515
<b>BB</b>	0%	0	57
<b>B</b>	0%	0	10
<b>CCC</b>	33%	3	9
<b>CC</b>	0%	0	1
<b>C</b>	0%	0	0
<b>Short-term ratings</b>	0%	0	333

### Default rates – Other sectors

No ratings were in default in Scope's rated universe in the Financial Institutions, Covered Bonds, Project Finance and Structured Finance sectors. However, the defaults of Credit Suisse Group AG's AT1 securities in 2023 did not trigger an issuer rating default as per Scope's [Financial Institutions Rating Methodology](#), section 3. *Ratings on debt instruments*. Consequently, they do not appear in the issuer-level default rates tables.

## Appendix I – Methodology used for default rates

In this Default Study, Scope considers issuer ratings for Corporates, Financial Institutions and Sovereign and Public sector and programme ratings for Covered Bonds. For Structured Finance and Project Finance, Scope also considers debt ratings. Default rates are observed as the transition from any rating level at a particular date to the default status at the end of the observed period. Any intra-period rating changes are therefore not accounted for apart from defaults and selective defaults. If the credit rating was in default or selective default intra-period, it will be kept as defaulted at the end of the period. Further, upon default, a credit rating will be kept as D throughout the remaining periods. If the rating were subsequently upgraded, the record would be duplicated, and a dummy identifier would be assigned to it in order to further track its performance.

The default rates calculated fall under two distinct methodologies:

- The first method is based on a **stock concept**, which is a comparison of credit ratings between two different dates. Under this method, the 2020-2023 three-year default rate for the B category is the ratio between the number of issuers in default on 30 June 2023 and the number of issuers rated B on 30 June 2020.
- The second method is based on **static pools or cohorts**, creating static pools of credit ratings that are outstanding at the beginning of a period and tracking the defaults through multiple time horizons. Issuers may reside in multiple static pools as their credit ratings are outstanding for several years. Therefore, when an issuer defaults, the default is assigned back to all the static pools to which the issuer belonged. This allows defaults to be calculated across multiple years.



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