

# Credit Rating Default Study H1 2022



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

## Table of Contents

|   |   |
|---|---|
| Default rates – all sectors .....                     | 2 |
| Default rates – corporates.....                       | 3 |
| Default rates – public finance.....                   | 4 |
| Default rates – other sectors.....                    | 4 |
| Appendix I – methodology used for default rates ..... | 5 |
| Disclaimer .....                                      | 6 |

### Authors

Mak Kulo  
 +49 30 27891 119  
[m.kulo@scoperatings.com](mailto:m.kulo@scoperatings.com)

Natalia Bourin  
 +49 162 436 31 60  
[n.bourin@scoperatings.com](mailto:n.bourin@scoperatings.com)

### Scope Ratings GmbH

Lennéstraße 5  
 10785 Berlin

Phone +49 30 27891 0  
 Fax +49 30 27891 100

### Scope Ratings UK Limited

52 Grosvenor Gardens  
 London SW1W 0AU

Phone +44 20 7824 5180

[info@scoperatings.com](mailto:info@scoperatings.com)  
[www.scoperatings.com](http://www.scoperatings.com)



Bloomberg: RESP SCOP

## Default rates – all sectors

The default rates in this section combine credit ratings from all sectors. In subsequent sections of this report, the default rates are also presented for some of Scope Ratings' business lines. The default rates here are not yet statistically significant as Scope Ratings' credit rating universe for certain categories is limited.

In Table 1 and Table 2 below, default rates are calculated on a stock basis as the ratio between the stock of credit ratings outstanding of instruments in defaults as of the end of the period and the stock of credit ratings outstanding of instruments which were not in default as of the beginning of the period.

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

|  | One year (30 June 2021 to 30 June 2022) |                    |                   |
|--|---|--------------------|-------------------|
|  | One-year default rate                   | Number of defaults | Number of ratings |
| <b>Investment grade ratings (AAA to BBB)</b> | 0%                                      | 0                  | 663               |
| <b>BB</b>                                    | 0%                                      | 0                  | 60                |
| <b>B</b>                                     | 0%                                      | 0                  | 56                |
| <b>CCC</b>                                   | 0%                                      | 0                  | 10                |
| <b>CC</b>                                    | 0%                                      | 0                  | 3                 |
| <b>C</b>                                     | 0%                                      | 0                  | 4                 |
| <b>Short-term ratings</b>                    | 0%                                      | 0                  | 373               |

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

|  | Five years (30 June 2017 to 30 June 2022) |                    |                   |
|--|---|--------------------|-------------------|
|  | One-year default rate                     | Number of defaults | Number of ratings |
| <b>Investment grade ratings (AAA to BBB)</b> | 0%  | 0                  | 130               |
| <b>BB</b>                                    | 0%  | 0                  | 17                |
| <b>B</b>                                     | 0%  | 0                  | 12                |
| <b>CCC</b>                                   | 0%  | 0                  | 1                 |
| <b>CC</b>                                    | 25%                                       | 1                  | 4                 |
| <b>C</b>                                     | 0%  | 0                  | 4                 |
| <b>Short-term ratings</b>                    | 0%  | 0                  | 49                |

In Table 3 below, the one-year default rates are calculated on a static pool basis for the ten years from 30 June 2012 to 30 June 2022. Six issuers had been in default: four corporates and two sovereigns.

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

|  | Ten years (30 June 2012 to 30 June 2022) |                    |                   |
|--|--|--------------------|-------------------|
|  | Ten-year default rate                    | Number of defaults | Number of ratings |
| <b>Investment grade ratings (AAA to BBB)</b> | 0%                                       | 0                  | 2240              |
| <b>BB</b>                                    | 0%                                       | 0                  | 212               |
| <b>B</b>                                     | 1%                                       | 2                  | 164               |
| <b>CCC</b>                                   | 11%                                      | 3                  | 28                |
| <b>CC</b>                                    | 5%                                       | 1                  | 19                |
| <b>C</b>                                     | 0%                                       | 0                  | 21                |
| <b>Short-term ratings</b>                    | 0%                                       | 0                  | 1107              |

## Default rates – corporates

Table 4: Default rates (stock basis) – three years

|  | Three years (30 June 2019 to 30 June 2022) |                    |                   |
|--|--|--------------------|-------------------|
|  | Three-year default rate                    | Number of defaults | Number of ratings |
| <b>Investment grade ratings (AAA to BBB)</b> | 0%   | 0                  | 143               |
| <b>BB</b>                                    | 0%   | 0                  | 5                 |
| <b>B</b>                                     | 20%  | 1                  | 5                 |
| <b>CCC</b>                                   | 0%   | 0                  | 5                 |
| <b>CC</b>                                    | 0%   | 0                  | 0                 |
| <b>C</b>                                     | 0%   | 0                  | 0                 |
| <b>Short-term ratings</b>                    | 0%   | 0                  | 129               |

Table 5: Average annual default rates (static pool)

|  | Ten years (30 June 2012 to 30 June 2022) |                    |                   |
|--|--|--------------------|-------------------|
|  | Ten-year default rate                    | Number of defaults | Number of ratings |
| <b>Investment grade ratings (AAA to BBB)</b> | 0%                                       | 0                  | 715               |
| <b>BB</b>                                    | 0%                                       | 0                  | 105               |
| <b>B</b>                                     | 2%                                       | 2                  | 87                |
| <b>CCC</b>                                   | 33%                                      | 1                  | 3                 |
| <b>CC</b>                                    | 100%                                     | 1                  | 1                 |
| <b>C</b>                                     | 0%                                       | 0                  | 0                 |
| <b>Short-term ratings</b>                    | 0%                                       | 0                  | 635               |

## Default rates – public finance

Table 6: Default rates (stock basis) – three years

|                                       | Three years (30 June 2019 to 30 June 2022) |                    |                   |
|---------------------------------------|--|--------------------|-------------------|
|                                       | Three-year default rate                    | Number of defaults | Number of ratings |
| Investment grade ratings (AAA to BBB) | 0%   | 0                  | 57                |
| 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                  | 60                |

Table 7: Default rates (stock basis) – seven years

|                                       | Seven years (30 June 2015 to 30 June 2022) |                    |                   |
|---------------------------------------|--|--------------------|-------------------|
|                                       | Seven-year default rate                    | Number of defaults | Number of ratings |
| Investment grade ratings (AAA to BBB) | 0%   | 0                  | 46                |
| BB                                    | 0%   | 0                  | 5                 |
| B                                     | 0%   | 0                  | 1                 |
| CCC                                   | 33%  | 1                  | 3                 |
| CC                                    | 0%   | 0                  | 0                 |
| C                                     | 0%   | 0                  | 0                 |
| Short-term ratings                    | 0%   | 0                  | 0                 |

Table 8: Average annual default rates (static pool)

|                                       | Ten years (30 June 2012 to 30 June 2022) |                    |                   |
|---------------------------------------|--|--------------------|-------------------|
|                                       | Ten-year default rate                    | Number of defaults | Number of ratings |
| Investment grade ratings (AAA to BBB) | 0%                                       | 0                  | 388               |
| BB                                    | 0%                                       | 0                  | 41                |
| B                                     | 0%                                       | 0                  | 8                 |
| CCC                                   | 33%                                      | 2                  | 6                 |
| CC                                    | 0%                                       | 0                  | 2                 |
| C                                     | 0%                                       | 0                  | 0                 |
| Short-term ratings                    | 0%                                       | 0                  | 247               |

## Default rates – other sectors

No public ratings were in default in Scope Ratings' rated universe for financial institutions, covered bonds, project finance and structured finance.

### Appendix I – methodology used for default rates

The 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 D or SD within the period, it will be kept at D at the end of the period. Further, upon default, a credit rating will be kept as D throughout the remaining periods, even if subsequently upgraded or withdrawn.

We present the default rates calculated 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 2017-2022 five-year default rate for the B category is the ratio between issuers in default on 30 June 2022 and the number of issuers rated B on 30 June 2017.
- The second method is by **static pools or cohorts**. This is done by creating static pools of credit ratings that are outstanding at the beginning of a period and by 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.



## Credit Rating Default Study 1H 2022

### Scope Ratings GmbH

#### Headquarters Berlin

Lennéstraße 5  
D-10785 Berlin

Phone +49 30 27891 0

#### Oslo

Karenslyst allé 53  
N-0279 Oslo

Phone +47 21 62 31 42

#### Frankfurt am Main

Neue Mainzer Straße 66-68  
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

#### Madrid

Paseo de la Castellana 141  
E-28046 Madrid

Phone +34 91 572 67 11

#### Paris

10 avenue de Messine  
FR-75008 Paris

Phone +33 6 6289 3512

#### Milan

Via Nino Bixio, 31  
20129 Milano MI

Phone +39 02 30315 814

### Scope Ratings UK Limited

#### London

52 Grosvenor Gardens  
London SW1W 0AU

Phone +44 20 7824 5180

[info@scoperatings.com](mailto:info@scoperatings.com)  
[www.scoperatings.com](http://www.scoperatings.com)

### Disclaimer

© 2022 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH, Scope ESG Analysis GmbH and Scope Hamburg GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.