Ratings Migration, Default and Recovery Rates

Improving the Assessment for Corporations, Their Securities, Structured Finance Issues and Sovereigns

S&P Global Market Intelligence provides credit risk and investment professionals with important ways to help them:
• Evaluate probabilities of default
• Track credits in transition
• Analyze historical transitions, defaults and recoveries

Get the full picture of your credit risk exposure with access to authoritative default, transition and recovery data and powerful analytic tools. Efficiently evaluate probabilities of default based on S&P Global Ratings default and ratings migration data covering more than 14,000 companies, 155,000 securities, 198,000 structured finance issues and more than 140 sovereign ratings across the globe. This robust analytic tool helps you evaluate future default and ratings migration scenarios, and validate internal rating systems used for credit risk management purposes.

CreditPro®, hosted on the Credit Analytics platform, provides recovery analytics, trends, and performance data based on credit loss information dating from 1981 and compiled on close to $932 billion in defaulted principal from U.S. companies.

Step 1: Analyzing Default

With CreditPro you can access a dynamic analytic tool enabling you to perform specific sampling and to examine a vast collection of default and ratings history data, including:

MARGINAL DEFAULT RATES
Analyze default rates in yearly, quarterly or monthly intervals for a specific group of companies or securities.

CUMULATIVE DEFAULT RATES
Analyze cumulative default rates for a particular time period for a selected Standard & Poor’s rating category. Measure the default exposure by running reports based on issuers’ total debt outstanding.

COMPANY COUNTS
Review the number of obligors in each Standard & Poor’s rating category on the first day of each year. Results for each of these tables are shown as counts or percentages for an individual static pool or as a percentage for a weighted average of a selected group of pools.

DEFAULT CORRELATION
Analyze the historical default probability of an entity, issue or securitized issue, by ratings category, within specified parameters. Examine default correlation as it relates to the default likelihood of one company or securitized issue that is affected by another because of similar industry-specific events or macroeconomic turbulence.

Create thousands of client-defined default and default correlation reports that span industries, geographic regions, rating categories, rating histories and time frames, all easily downloaded into spreadsheet format with functionality enabling you to drill down to an individual issuer’s ratings history.

Defaults in Structured Finance Presented in Five Key Sectors:
• Asset-backed securities
• Collateralized debt obligations
• Commercial mortgage-backed securities
• Residential mortgage-backed securities
• Single-issue synthetics
Step 2: Tracking Credits in Transition

Monitor and compare the ratings behavior of companies, sovereigns or securitized issues over specified time periods with an enhanced ability to refine and adjust your own credit risk assessments based on the comparable historical ratings movements of similarly rated obligors or issues.

We have developed a series of transition matrices that enable you to track and evaluate ratings changes for issuers or their issues. A transition matrix can, for example, display the percentage of issuers, issues or debt amount in each rating category that have either maintained their rating or migrated to a different rating level. You can select industry sectors or choose from 106 countries and/or 16 geographic regions. Once a transition matrix has been selected, it’s possible to drill down into any cell to see the companies behind the numbers and their ratings history.

CreditPro provides reports that show the percentage of issuers or issues that defaulted or the ratings that were upgraded or downgraded.
Step 3: Recovering Losses

CreditPro captures credit loss information on more than 4,500 defaulted bank loans and high yield bonds, as well as other debt instruments totaling more than $932 billion in defaulted principal. The database features more than 1,000 public and private U.S. companies that have defaulted since 1987. The application allows the user to analyze the latest and largest defaults and ultimate recovery trends, and view performance and case summary information both for the obligor and the various underlying debt instruments.

Use CreditPro and its benchmarks for loss given default to:

- Build recovery criteria
- Supplement internal loss data
- Benchmark internal loss model results
- Guide lending decisions and pricing
- Monitor portfolios
- Develop internal facility ratings

All recoveries in CreditPro are shown in net present value and in nominal terms. Clients also can calculate recoveries with other applicable discount rates. Ultimate recovery rates include pricing at the time of emergence, settlement or liquidation. In addition, debt cushion calculations, revolver utilization history and ratings history for the issuer and its debt instruments are provided, as are trading prices at the time of default.
Why Clients Choose S&P Global Market Intelligence for Default and Recovery Information

S&P Global Market Intelligence responds to the needs of credit risk and investment professionals seeking authoritative data and powerful analytic tools to monitor and adjust their risk management efforts. With S&P Global Market Intelligence’s CreditPro you can:

APPLY BEST CREDIT PRACTICES
Using our methodology, clients gain the enhanced ability to evaluate future default and ratings migration scenarios. They can adjust the calibration of their own models, stress test assumptions, and benchmark internal performance on a regular and consistent basis. In addition, they can address any gaps in their own internal ratings data.

MEET EVOLVING REGULATORY STANDARDS
As financial institutions seek to comply with the internal ratings-based approach of Basel II, they face requirements for validating their rating systems. As such, CreditPro is an important component of our solution, helping clients to validate their probabilities of default and loss given default.

STAY UP-TO-DATE ON REGIONAL AND SECTOR CREDIT TERMS
With more than 198,000 structured finance securities, CreditPro provides credit risk and investment professionals with a systematic way to evaluate default and recovery information across geographic regions, industries and sectors, including structured finance sectors. Credit analysts can drill down into the database for granular detail and export data or tables for further scrutiny. Also, they can conduct correlation studies to support portfolio analysis and economic capital allocations.

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