

Credit Ratings Default Study 2021



This report is an update of the default study for Scope Hamburg GmbH (referred to as 'Scope Hamburg'), presenting credit rating default rates for Scope Hamburg's rated universe.

Default rates are presented on an aggregated basis in the report (all sectors combined).

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Default rates

This report presents default rates of ratings assigned with Scope Hamburg's former corporate methodology. The latter was withdrawn¹ on 2nd May 2022 and replaced with methodologies effective at Scope Ratings GmbH for corporate ratings.

As of 2nd May 2022, new ratings are assigned – and existing ratings are monitored – with these methodologies. Default rates on ratings resulting from the application of these methodologies will differ from the ones presented below².

In Table 1 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 that were not in default as of the beginning of the period.

Table 1: Default rates (stock basis)

	One-year (30.06.2021 – 30.06.2022)			Three-year (30.06.2019 – 30.06.2022)		
	One-year default rate %	No. of defaults	Total no. of ratings	Three-year default rate %	No. of defaults	Total no. of ratings
Investment grade ratings (AAA to BBB)	0%	0	32	0%	0	37
BB	0%	0	14	10%	1	10
B	0%	0	3	100%	2	2
CCC	0%	0	0	100%	1	1
CC	0%	0	0	0%	0	0
C	0%	0	0	0%	0	0

Table 2: Average one-year default rate (static pool basis)

	Seven-year (30.06.2015 – 30.06.2022)		
	Seven-year default rate %	No. of defaults	Total no. of ratings
Investment grade ratings (AAA to BBB)	0%	0	221
BB	2%	1	65
B	6%	1	18
CCC	40%	2	5
CC	100%	1	1
C	0%	0	0

In Table 2 above, one-year default rates are calculated on a static pool basis for the six-year period from 30.06.2015 to 30.06.2022.

¹ See press release [here](#).

² Default rates of ratings resulting from the application of Scope Ratings GmbH's methodologies are available [here](#).

Appendix I – Methodology used for default rate calculations

The default rates are observed as the transition from any rating level at a particular date to the default (D) status at the end of 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 rated D on 30 June 2021 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.



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