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Default, Transition, and Recovery: 2014 Annual Global Corporate Default Study And Rating Transitions

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In a year marked by considerable geopolitical turmoil, the ending of the Federal Reserve's monthly asset purchases, and the steep decline in the price of oil, corporate borrowers fared very well by historical standards. In the full year, 60 global corporate issuers defaulted, considerably lower than the 81 last year and the lowest total since 2011 (see table 1). These 60 defaulted issuers accounted for a total of \$91.6 billion in debt, down from \$97.3 billion in 2013.

Overall, credit quality and rating stability remained high in 2014 (see table 6). The ratio of downgrades to upgrades increased marginally relative to 2013, but the rate of upgrades still outpaced that of downgrades. Overall, the percentage of rating actions decreased, and the magnitude of individual rating changes remained muted. This pushed the average number of notches recorded among downgrades to 1.36 from 1.38 in 2013. Meanwhile, the average number of notches for upgrades remained nearly unchanged, at 1.16 versus 1.15 in 2013 (see chart 13). (Watch the related CreditMatters TV segment titled, "Standard & Poor's Global Corporate Default And Rating Transitions Study," dated April 30, 2015.)

Overview

- The number of global defaults in 2014 declined to 60 from 81 in 2013. This helped push the global speculative-grade default rate down to 1.42% from 2.28% at the end of 2013. Similar to 2013, this decline is a result of both a smaller number of defaults and an increase in the number of speculative-grade issuers in 2014--up to 3,163 from 2,804 a year earlier.
- The one-year global Gini ratio rose to 93 in 2014, which is the second highest in 34 years. This is largely attributable to the roughly 91% of the rated defaulters in 2014 beginning the year with ratings of 'B-' or lower.
- The overall rate of rating actions decreased in 2014. The downgrade rate decreased to 8.4% from 9.4% in 2013, while the upgrade rate declined to 9.3% from 11.4%. Ratings stability increased, with the rate of unchanged ratings hitting a 10-year high of 74.5%.
- Consistent with past years, the U.S. continues to account for the majority of defaults globally in 2014, at 55%. However, this is the lowest percentage in the past 34 years. Following the U.S., emerging markets accounted for just over 25% of the remaining defaulters.

All of the defaulted companies in 2014 that began the year with active ratings (45) were speculative-grade (rated 'BB+' and lower) as of Jan. 1 (see table 1). Of the remaining 15, Standard & Poor's assigned ratings on five companies during 2014, and 10 began the year with withdrawn ratings. Also, of the 60 defaulters, 58 initially had speculative-grade ratings--the majority (50) from the 'B' and 'CCC'/'C' rating categories. We consider companies reemerging from a prior default separate entities from their experience prior to default.

At the end of December 2014, the global speculative-grade default rate fell to 1.42%--a seven-year low--from 2.28% at the end of 2013. Most major regions also recorded a drop in their default rates. In the U.S., the default rate fell to 1.6% from 2.16%. Within Europe, the decline was greater--to 0.96% from 3.4%--while the emerging markets saw their rate

fall to 1.05% from 2% (see table 7). Conversely, the other developed region's default rate increased, to 2.8% from 2% in 2013, fuelled by a rise in the number of defaults from Canada.

This study includes industrials, utilities, financial institutions (which includes banks, brokerages, asset managers, and other financial entities), and insurance companies around the world with long-term local-currency ratings. We calculated all default rates reported on an issuer-weighted basis. (For a detailed explanation of the data sources and methodology used in the study, see Appendix I.)

Along with a decrease in the number of corporate defaults in 2014 from the prior year, the one-year Gini ratio--a key measure of the relative ability of ratings to differentiate risk--rose to 93 in 2014 from 90.1 in 2013. This is the second-highest annual Gini ratio in the 34 years the database covers (the ratio was 95.4 in 1992) (see chart 30). The 2014 Gini is also considerably higher than the one-year average of 84.9% (see table 2). (For details on the Gini methodology, refer to Appendix II.) Default activity in 2014 at the sector level was broadly subdued, with only two sectors reporting default rates in excess of their long-term averages (energy and natural resources, and high technology/computers/office equipment), and three sectors showing no default activity (forest and building products/homebuilders, insurance, and real estate) (see chart 2). The default rates in this study that we refer to as weighted averages use the number of issuers at the beginning of each year as the basis for each year's weight. Every rating category had an annual default rate in 2014 that was generally significantly lower than its long-term average (see table 9).

Table 1

Global Corporate Default Summary							
Year	Total defaults*	Investment-grade defaults	Speculative-grade defaults	Default rate (%)	Investment-grade default rate (%)	Speculative-grade default rate (%)	Total debt outstanding (bil. \$)
1981	2	0	2	0.14	0.00	0.62	0.06
1982	18	2	15	1.19	0.18	4.41	0.90
1983	12	1	10	0.76	0.09	2.94	0.37
1984	14	2	12	0.91	0.17	3.27	0.36
1985	19	0	18	1.11	0.00	4.32	0.31
1986	34	2	30	1.72	0.15	5.67	0.46
1987	19	0	19	0.94	0.00	2.79	1.60
1988	32	0	29	1.38	0.00	3.85	3.30
1989	44	3	35	1.78	0.22	4.67	7.28
1990	70	2	56	2.73	0.14	8.12	21.15
1991	93	2	65	3.25	0.14	11.05	23.65
1992	39	0	32	1.49	0.00	6.10	5.40
1993	26	0	14	0.60	0.00	2.50	2.38
1994	21	1	15	0.63	0.05	2.11	2.30
1995	35	1	29	1.05	0.05	3.53	8.97
1996	20	0	16	0.51	0.00	1.81	2.65
1997	23	2	20	0.63	0.08	2.01	4.93
1998	56	4	48	1.28	0.14	3.66	11.27
1999	109	5	92	2.14	0.17	5.56	39.38

Table 1

Global Corporate Default Summary (cont.)							
2000	136	7	109	2.48	0.24	6.20	43.28
2001	229	7	173	3.78	0.23	9.84	118.79
2002	226	13	159	3.60	0.42	9.46	190.92
2003	119	3	89	1.92	0.10	5.04	62.89
2004	56	1	38	0.78	0.03	2.02	20.66
2005	40	1	31	0.60	0.03	1.50	42.00
2006	30	0	26	0.48	0.00	1.18	7.13
2007	24	0	21	0.37	0.00	0.91	8.15
2008	127	14	89	1.80	0.42	3.69	429.63
2009	268	11	224	4.19	0.33	9.87	627.70
2010	83	0	64	1.21	0.00	2.99	97.48
2011	53	1	44	0.80	0.03	1.83	84.30
2012	83	0	66	1.14	0.00	2.57	86.70
2013	81	0	64	1.06	0.00	2.28	97.29
2014	60	0	45	0.69	0.00	1.42	91.55

*This column includes companies that were no longer rated one year prior to default. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Chart 1

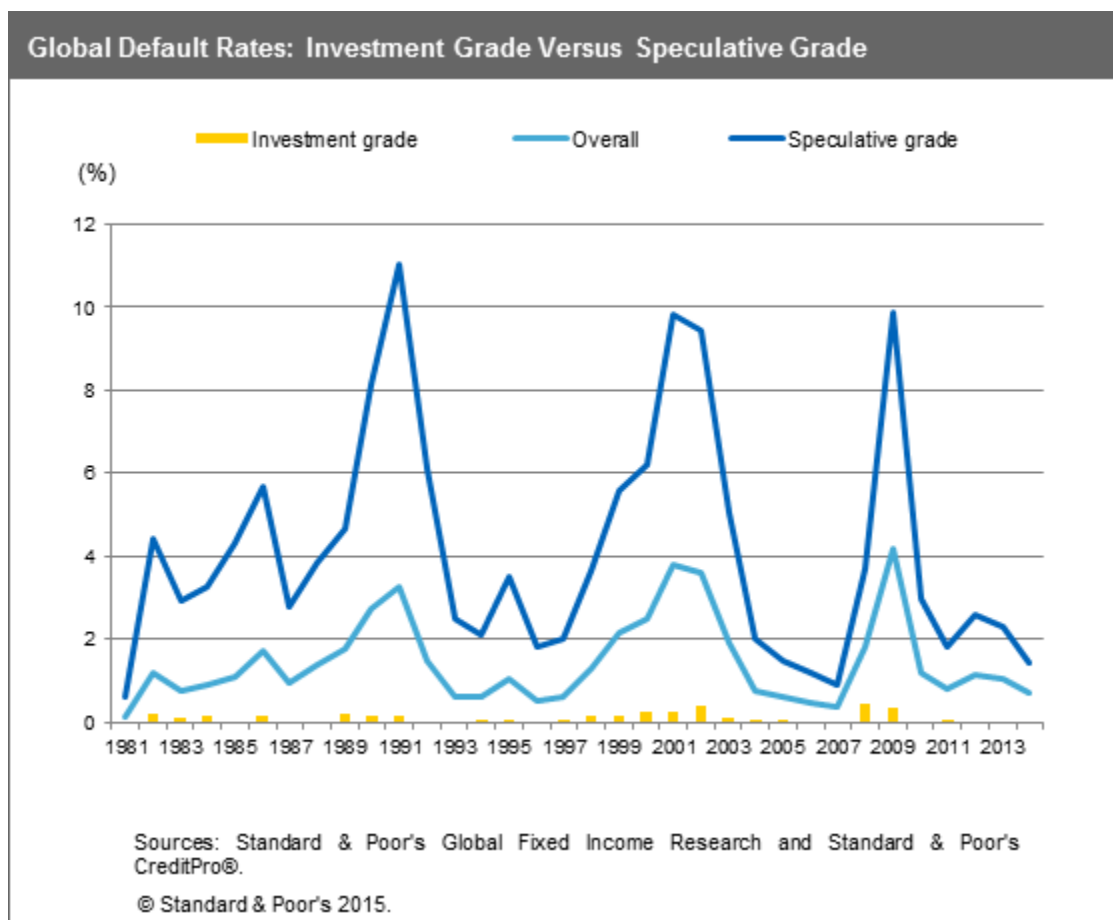
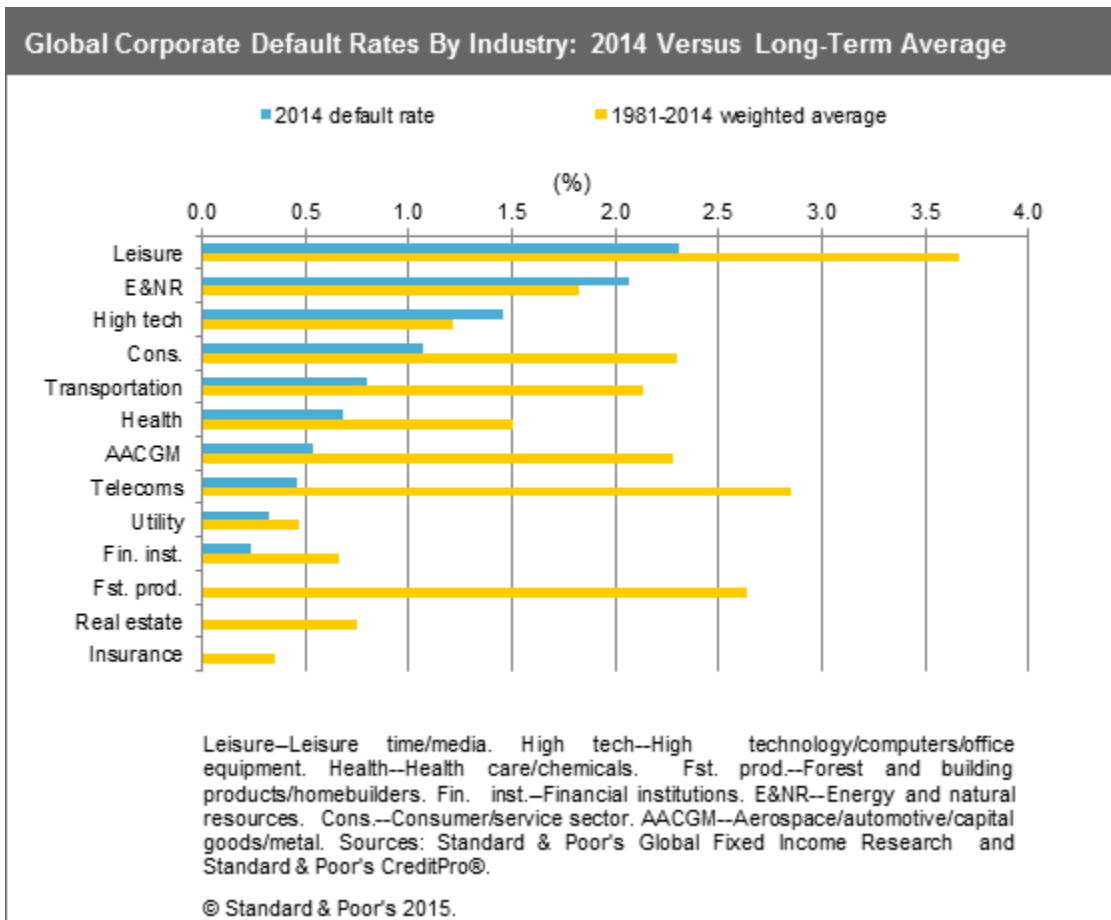
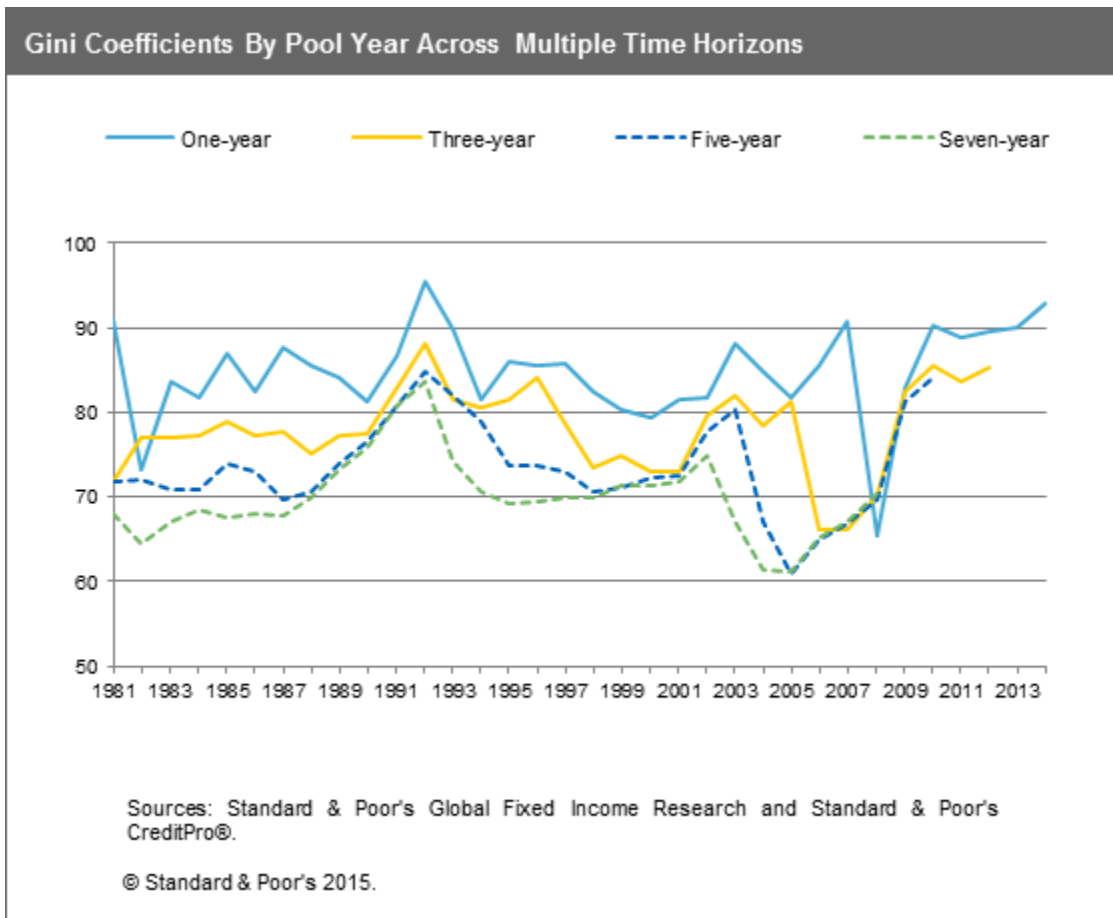


Chart 2



The Gini ratios are a measure of the rank-ordering power of ratings over a given time horizon--one through seven years (see chart 3). It shows the ratio of actual rank-ordering performance to theoretically perfect rank ordering.

Chart 3



All of Standard & Poor's default studies have found a clear correlation between ratings and defaults: The higher the rating, the lower the observed frequency of default, and vice versa. Over each time span, lower ratings correspond to higher default rates (see chart 4 and chart 25). We found that the same is true when we broke out the data by rating (see table 24 and table 26), as well as by region (see table 25). As the Gini ratios show, the ability of corporate ratings to serve as an effective measure of relative risk remains intact, particularly in low-default years. Many default studies, including this one, also look at transition rates, which gauge the degree to which ratings change—either up or down—over a particular time. Transition studies have repeatedly confirmed that higher ratings tend to be more stable and that speculative-grade ratings generally experience more volatility. However, since the financial downturn of 2008 onward, many highly rated companies have been downgraded, leaving, for example, very few 'AAA' rated issuers at the start of 2014. As such, less populated rating categories will experience high rating transition rates when even a small number of issuers are upgraded or downgraded.

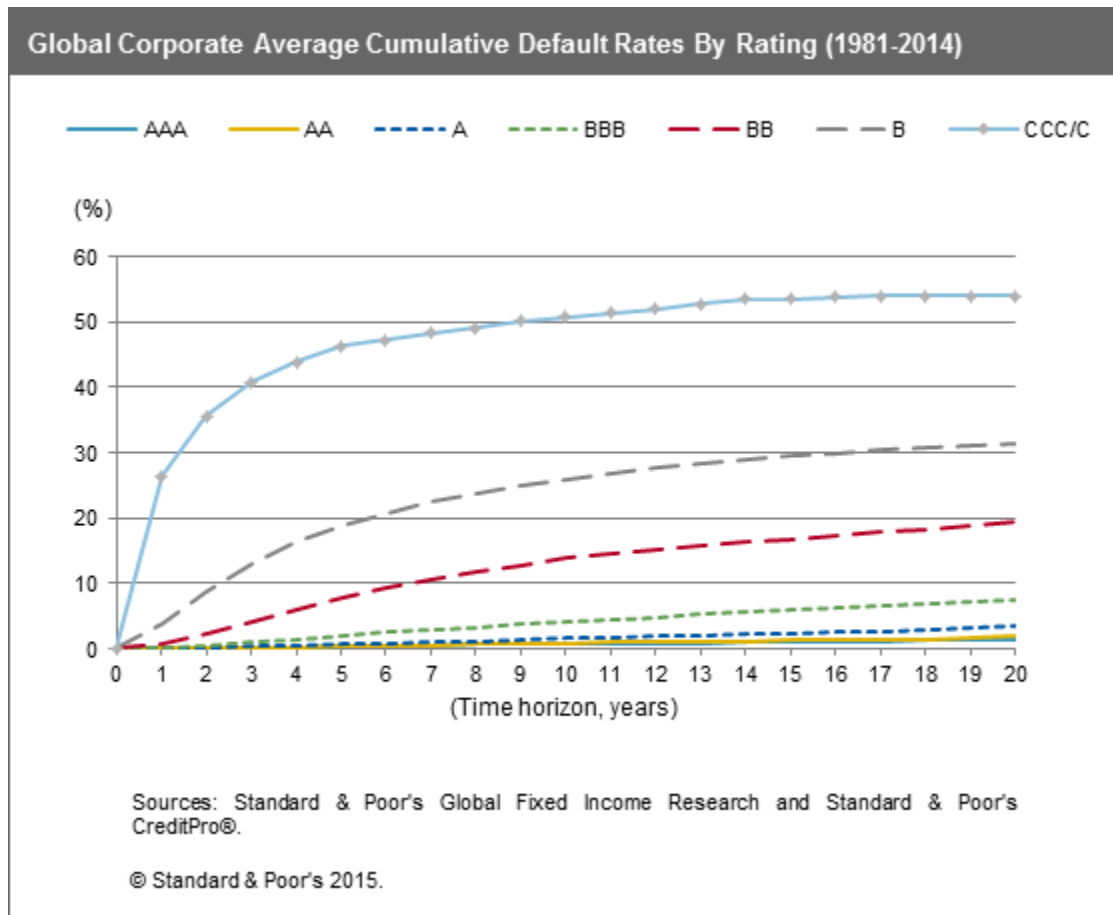
Table 2

Global Average Gini Coefficients By Broad Sector (1981-2014)

Sector	--Time horizon--			
	One-year	Three-year	Five-year	Seven-year
Global				
Weighted average	82.10	75.40	71.91	69.15
Average	84.86	78.11	73.69	70.02
Standard deviation	(5.61)	(5.28)	(5.64)	(4.92)
Financial				
Weighted average	77.89	68.04	60.07	55.00
Average	80.93	73.08	64.18	57.79
Standard deviation	(21.80)	(14.50)	(15.43)	(14.25)
Nonfinancial				
Weighted average	80.92	73.69	70.53	67.90
Average	84.26	77.11	72.99	69.38
Standard deviation	(6.30)	(5.55)	(5.83)	(4.99)

Note: Numbers in parentheses are standard deviations. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Chart 4



All of the rated defaulters in 2014 began the year among the lowest rating categories--particularly 'B' and 'CCC'/'C' (see table 3). The 'CCC'/'C' category accounted for more than two-thirds of all defaulters with active ratings at the beginning of 2014, and even this category's default rate at year-end was more than eight percentage points below its long-term weighted average (see table 4). The only other rating category to record a default rate in 2014 was 'B', whose rate was below 1%. Once again, the default rate in the 'AAA' rating category was zero, which maintains the unblemished default record for corporate ratings in this category and is consistent with historical trends.

Table 3

Global Corporate Annual Default Rates By Rating Category (%)							
	AAA	AA	A	BBB	BB	B	CCC/C
1981	0.00	0.00	0.00	0.00	0.00	2.27	0.00
1982	0.00	0.00	0.21	0.34	4.22	3.13	21.43
1983	0.00	0.00	0.00	0.32	1.16	4.58	6.67
1984	0.00	0.00	0.00	0.66	1.14	3.41	25.00
1985	0.00	0.00	0.00	0.00	1.48	6.47	15.38
1986	0.00	0.00	0.18	0.33	1.31	8.36	23.08
1987	0.00	0.00	0.00	0.00	0.38	3.08	12.28
1988	0.00	0.00	0.00	0.00	1.05	3.63	20.37
1989	0.00	0.00	0.18	0.60	0.72	3.38	33.33
1990	0.00	0.00	0.00	0.58	3.57	8.56	31.25
1991	0.00	0.00	0.00	0.55	1.69	13.84	33.87
1992	0.00	0.00	0.00	0.00	0.00	6.99	30.19
1993	0.00	0.00	0.00	0.00	0.70	2.62	13.33
1994	0.00	0.00	0.14	0.00	0.28	3.08	16.67
1995	0.00	0.00	0.00	0.17	0.99	4.58	28.00
1996	0.00	0.00	0.00	0.00	0.45	2.91	8.00
1997	0.00	0.00	0.00	0.25	0.19	3.51	12.00
1998	0.00	0.00	0.00	0.41	0.82	4.63	42.86
1999	0.00	0.17	0.18	0.20	0.95	7.29	33.33
2000	0.00	0.00	0.27	0.37	1.15	7.67	35.96
2001	0.00	0.00	0.27	0.34	2.94	11.52	45.45
2002	0.00	0.00	0.00	1.02	2.88	8.20	44.44
2003	0.00	0.00	0.00	0.23	0.58	4.06	32.73
2004	0.00	0.00	0.08	0.00	0.43	1.45	16.18
2005	0.00	0.00	0.00	0.07	0.31	1.74	9.09
2006	0.00	0.00	0.00	0.00	0.30	0.82	13.33
2007	0.00	0.00	0.00	0.00	0.20	0.25	15.24
2008	0.00	0.38	0.39	0.49	0.81	4.08	27.00
2009	0.00	0.00	0.22	0.55	0.75	10.92	49.46
2010	0.00	0.00	0.00	0.00	0.58	0.85	22.73
2011	0.00	0.00	0.00	0.07	0.00	1.66	16.42
2012	0.00	0.00	0.00	0.00	0.30	1.56	27.33
2013	0.00	0.00	0.00	0.00	0.09	1.63	24.18
2014	0.00	0.00	0.00	0.00	0.00	0.77	17.03

Table 3

Global Corporate Annual Default Rates By Rating Category (%) (cont.)

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 4

Descriptive Statistics On One-Year Global Default Rates (%)

	AAA	AA	A	BBB	BB	B	CCC/C
Minimum	0.00	0.00	0.00	0.00	0.00	0.25	0.00
Maximum	0.00	0.38	0.39	1.02	4.22	13.84	49.46
Weighted long-term average	0.00	0.02	0.07	0.20	0.76	3.82	25.27
Median	0.00	0.00	0.00	0.12	0.71	3.46	22.91
Standard deviation	0.00	0.07	0.11	0.26	1.03	3.36	12.00
2008 default rates	0.00	0.38	0.39	0.49	0.81	4.08	27.00
Latest four quarters (Q1 2014-Q4 2014)	0.00	0.00	0.00	0.00	0.00	0.77	17.03
Difference between last four quarters and weighted average	0.00	(0.02)	(0.07)	(0.20)	(0.76)	(3.05)	(8.24)
# of standard deviations	0.00	(0.30)	(0.62)	(0.77)	(0.74)	(0.91)	(0.69)

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

2014 Summary

Below are some of our key findings for 2014:

- By count, the U.S. and associated tax havens (Bermuda and the Cayman Islands) accounted for 33 of defaults in 2014, while the other developed nations and Europe had six each. Emerging markets accounted for 15 defaulters in 2014, which were spread across most subregions fairly evenly.
- Missed interest or principal payments accounted for the largest share of defaults in 2014 (35%). Chapter 11 and Chapter 15 filings accounted for another 30%, and distressed exchanges remained popular, accounting for 25%.
- As of Dec. 31, 2014, 12-month-trailing speculative-grade default rates had fallen across most regions from a year earlier. The global speculative-grade default rate was 1.4% at the end of 2014, from 2.3% in 2013. By region, default rates were 1.6% in the U.S. and 1.05% in the emerging markets (see table 7). If we include all rated corporate entities, the default rates were 0.69% globally, 0.87% in the U.S., 0.37% in Europe, and 0.58% in the emerging markets.
- Of the entities that defaulted in 2014 (and that had ratings as of Jan. 1, 2014), we rated 91.1% 'B-' or lower at the start of the year.
- Texas Competitive Electric Holdings Co. LLC (TCH) was the single largest defaulter in 2014 based on outstanding debt volume. The company missed interest payments on April 1, with the expectation that bankruptcy was imminent, leading to a 'D' rating on April 4. At the time, it had a total of \$28.7 billion in debt outstanding, which was about 31% of the total amount of affected debt in 2014 (see table 5). This is the third time in the past four years that TCH was the defaulter with the largest amount of debt outstanding at the time of default.
- The midyear fall-off in oil prices eventually led to marked losses in the oil and gas sector's bonds for the remainder of 2014. This weighed down the overall U.S. speculative-grade market's total returns in 2014, which finished the year at a 2.2% return, down from a year-to-date return of 5.8% through August. Amid the turmoil, investment-grade bonds provided something of a safe haven, returning 9.3% for the year.
- After starting the year out at historically low levels, borrowing costs for most issuers continued to fall or remained generally low over the course of 2014. As a result, global corporate bond issuance hit a new high in 2014 of \$3.46

trillion, with 10,777 issues coming to market. In terms of dollar amount, this is up slightly from \$3.28 trillion in 2013, though in that year, the number of issues totaled 11,108.

- As financial market volatility across the globe has increased since last summer, many investors have been piling into Treasuries. This has increased the relative payout on corporate bonds despite their moderating yields. The risk premium on both investment-grade and speculative-grade U.S. bonds increased in the second half of 2014, pushing the five-year speculative-grade spread out to 556 basis points (bps) from 404 bps at the end of June, while the 10-year investment-grade spread ended 2014 at 149 bps, compared with 125 bps six months earlier.
- The outstanding debt volume affected by defaults fell in 2014 to \$91.6 billion from \$97.3 billion in 2013. This is almost exactly the \$91.5 billion average in the five years after the financial crisis (see chart 6).
- Overall ratings stability in 2014 was at its highest in 10 years, with 74.5% of issuers finishing the year with the same ratings they had at the start of the year. Globally, stability rates were at some of their highest rates in 2014 for nearly every rating category, except for the 'AAA' category. However, this category is now incredibly small, with only 19 issuers globally at the start of 2014.
- The percentage of defaulters with confidential ratings remained elevated in 2014. Of the 60 defaulters, seven had confidential issuer credit ratings, constituting 11.7% of the total. This is lower than the 17.3% in 2013 but still exceeds the long-term annual average of 6.9%.
- Two of the total defaulters in 2014 were initially rated 'BBB-' or higher, and the other 58 (96.7% of the total) had initial ratings of 'BB+' or lower.
- Of these defaulted entities in 2014 that Standard & Poor's initially rated investment grade, the average time to default--the time between first rating and date of default--was 15.9 years, with an associated standard deviation of 0.43 years.
- In contrast, the average time to default among entities initially rated 'BB+' or lower was 4.43 years, with an associated standard deviation of 4.6 years.
- For all of the issuers that defaulted in 2014, the average time to default from first rating was 4.8 years, with a median of 3.3 years and a standard deviation of five years.
- The issuer with the longest time to default in 2014 was U.S.-based GSE Environmental Inc., which took one day short of 27 years to default from its initial rating of 'BB-'.
- At the opposite end of the spectrum, the issuer with the shortest time to default was Indonesia-based PT Bumi Resources Tbk., which took just 37 days to reach default. This was the second time PT Bumi defaulted in 2014, following a prior distressed exchange on July 4.
- With a lower number of defaults in 2014, two industries saw no defaults at all--insurance and real estate. The industry with the largest number of defaulters last year was energy and natural resources, with 15, or 25% of the total. Despite the precipitous fall in the price of oil in the second half of the year, eight of these 15 companies are in metals, mining, and steel--a subsector of energy and natural resources.
- At the issuer level, Standard & Poor's assigned first ratings on 943 entities in 2014, up from 901 in 2013. Rating assignments increased because both the number of new speculative-grade issuers remained high relative to 2013 and the number of new investment-grade issuers was at its highest since 2004. We consider companies that reemerge from default--including distressed exchanges--as new entities for the purposes of this study.

Annual Global Trends

The number of defaulters that began the year with active ratings in 2014 was slightly lower than in 2013 (see chart 5). and the amount of affected debt also fell, by \$5.7 billion (see chart 6). Consistent with historical trends, the U.S. accounted for the majority of defaults--by both count and amount of affected debt in 2014. This is mostly attributable

to the larger rated population in the U.S. (roughly 48% at the start of 2014). However, emerging markets have had an increasing percentage of defaulters in the past three years, accounting for about one-fifth to one-quarter of all defaults annually.

Alongside a decrease in default activity in 2014, both upgrades and downgrades as a proportion of rating actions also fell (see table 6). Although the proportion of upgrades declined by a greater amount relative to 2013 than the proportion of downgrades did, upgrades still outpaced downgrades. This kept the downgrade-to-upgrade ratio below parity, at 0.91. A ratio of 1 indicates that the percentage of upgrades and the percentage of downgrades is equal. On a monthly basis, upgrades outnumbered downgrades in eight months of 2014. In most months, the number of upgrades and downgrades was similar--the biggest difference was in May, which saw 93 upgrades and 44 downgrades.

Table 5

Largest Global Rated Defaulters By Year		
Largest corporate defaulters by outstanding debt amount		
Year defaulted	Issuer	Amount (mil. \$)
1994	Confederation Life Insurance	2,415
1995	Grand Union Co./Grand Union Capital	2,163
1996	Tiphook Finance	700
1997	Flagstar Corp.	1,021
1998	Service Merchandise Co.	1,326
1999	Integrated Health Services Inc.	3,394
2000	Owens Corning	3,299
2001	Enron Corp.	10,779
2002	WorldCom Inc.	30,000
2003	Parmalat Finanziaria SpA	7,177
2004	RCN Corp.	1,800
2005	Calpine Corp.	9,559
2006	Pliant Corp.	1,644
2007	Movie Gallery Inc.	1,225
2008	Lehman Brothers Holdings Inc.	144,426
2009	Ford Motor Co.	70,989
2010	Energy Future Holdings Corp.	47,648
2011	Texas Competitive Electric Holdings Co. LLC	32,460
2012	BTA Bank J.S.C.	10,184
2013	Texas Competitive Electric Holdings Co. LLC	31,628
2014	Texas Competitive Electric Holdings Co. LLC	28,651

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Chart 5

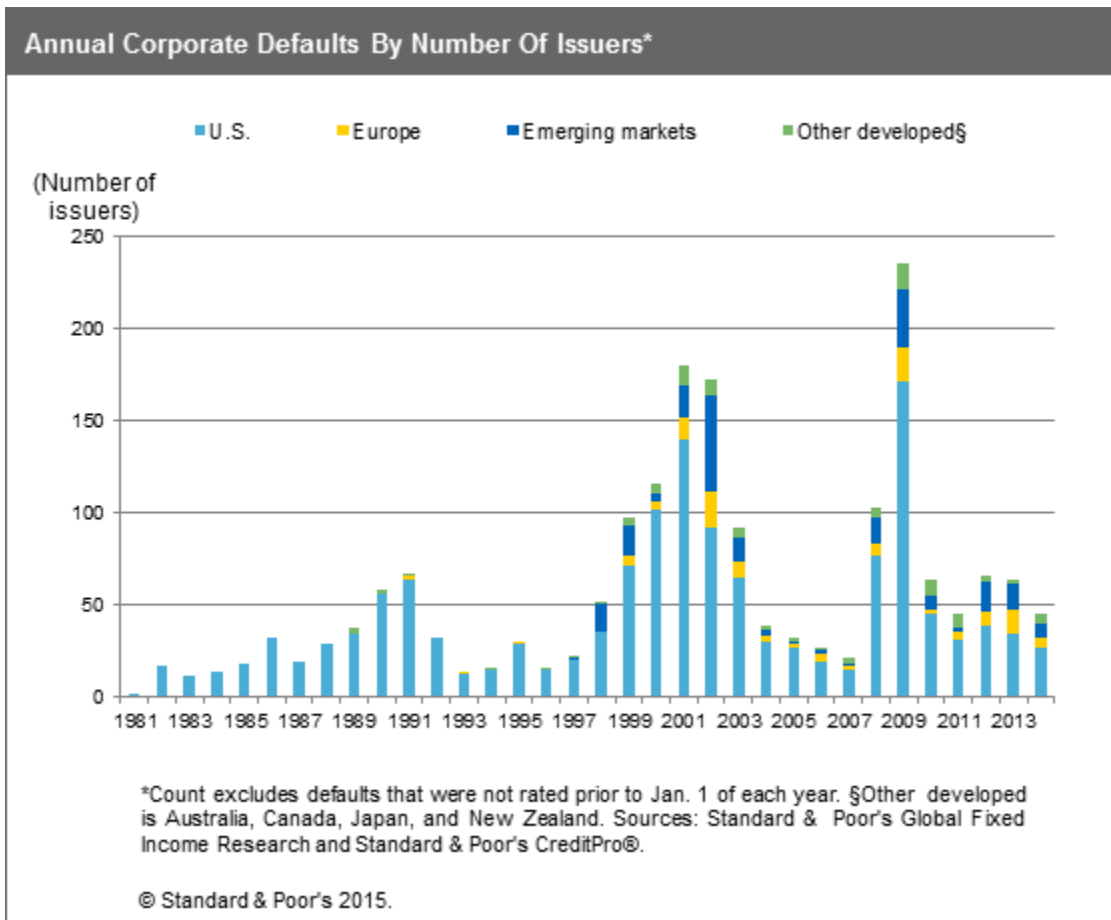


Chart 6

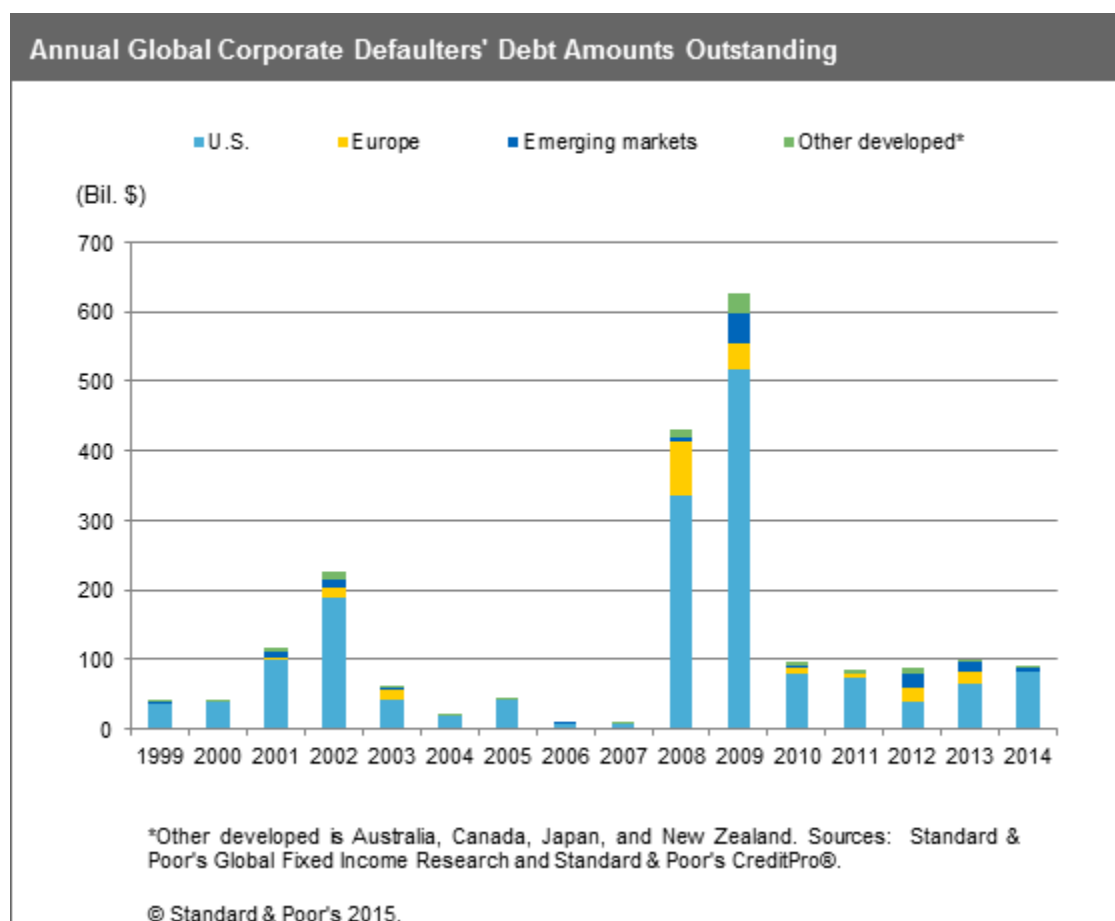


Table 6

Summary Of Annual Corporate Rating Changes (%)*

Year	Issuers as of Jan. 1	Upgrades	Downgrades§	Defaults	Withdrawn ratings	Changed ratings	Unchanged ratings	Downgrade/upgrade ratio
1981	1,383	9.76	13.30	0.14	2.02	25.23	74.77	1.36
1982	1,431	5.87	12.65	1.19	5.38	25.09	74.91	2.15
1983	1,452	7.09	11.78	0.76	5.23	24.86	75.14	1.66
1984	1,539	11.18	10.07	0.91	2.86	25.02	74.98	0.90
1985	1,626	7.87	13.78	1.11	4.06	26.81	73.19	1.75
1986	1,862	7.25	15.79	1.72	6.82	31.58	68.42	2.18
1987	2,015	7.20	11.86	0.94	9.23	29.23	70.77	1.65
1988	2,103	8.89	11.89	1.38	8.18	30.34	69.66	1.34
1989	2,140	9.67	10.98	1.78	7.99	30.42	69.58	1.14
1990	2,124	6.17	15.25	2.73	6.54	30.70	69.30	2.47
1991	2,060	6.02	14.32	3.25	3.54	27.14	72.86	2.38
1992	2,144	9.56	11.47	1.49	3.96	26.49	73.51	1.20
1993	2,328	8.55	9.24	0.60	8.38	26.76	73.24	1.08
1994	2,560	7.07	9.34	0.63	4.61	21.64	78.36	1.32

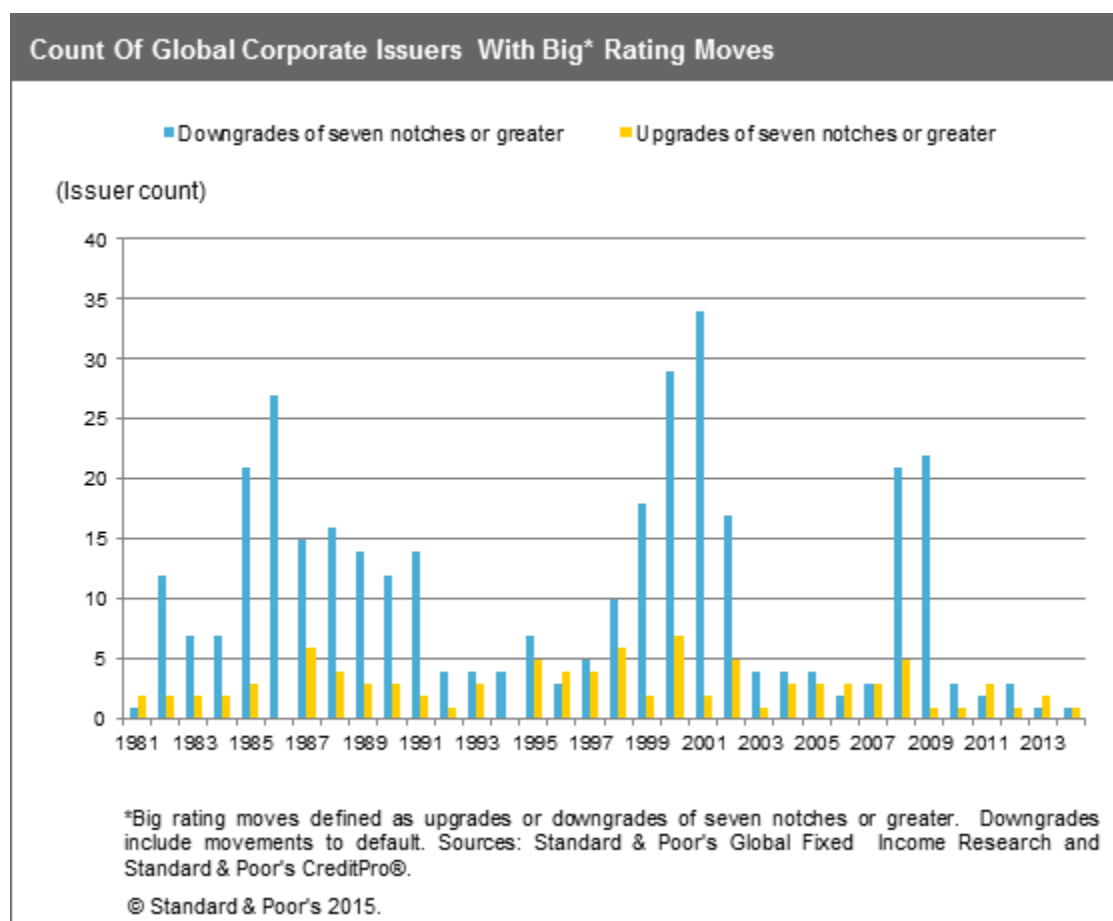
Table 6

Summary Of Annual Corporate Rating Changes (%)* (cont.)								
1995	2,869	9.06	9.86	1.05	4.60	24.57	75.43	1.09
1996	3,129	9.72	7.80	0.51	7.03	25.06	74.94	0.80
1997	3,491	9.20	7.93	0.63	7.56	25.32	74.68	0.86
1998	4,078	7.53	11.60	1.28	7.99	28.40	71.60	1.54
1999	4,527	5.92	12.06	2.14	9.06	29.18	70.82	2.04
2000	4,683	6.85	12.64	2.48	7.20	29.17	70.83	1.84
2001	4,758	5.99	16.62	3.78	7.61	34.01	65.99	2.78
2002	4,784	5.20	19.17	3.60	7.23	35.20	64.80	3.68
2003	4,786	6.48	14.58	1.92	7.35	30.34	69.66	2.25
2004	5,018	8.77	7.63	0.78	7.25	24.43	75.57	0.87
2005	5,306	12.80	9.23	0.60	8.54	31.17	68.83	0.72
2006	5,459	12.27	8.72	0.48	8.76	30.23	69.77	0.71
2007	5,643	13.47	9.30	0.37	10.67	33.81	66.19	0.69
2008	5,726	7.91	16.05	1.80	7.74	33.50	66.50	2.03
2009	5,614	4.81	19.18	4.19	8.87	37.05	62.95	3.99
2010	5,311	11.98	8.76	1.21	6.55	28.49	71.51	0.73
2011	5,630	12.27	11.95	0.80	7.83	32.86	67.14	0.97
2012	5,811	8.47	12.27	1.14	6.90	28.77	71.23	1.45
2013	6,056	11.39	9.36	1.06	6.72	28.53	71.47	0.82
2014	6,505	9.29	8.44	0.69	7.07	25.49	74.51	0.91
Weighted average		8.85	11.84	1.50	7.31	29.49	70.51	1.56
Average		8.57	11.91	1.44	6.80	28.73	71.27	1.57
Median		8.51	11.82	1.12	7.21	28.65	71.35	1.35
Standard deviation		2.32	3.10	1.03	1.96	3.59	3.59	0.82
Minimum		4.81	7.63	0.14	2.02	21.64	62.95	0.69
Maximum		13.47	19.18	4.19	10.67	37.05	78.36	3.99

*This table compares the net change in ratings from the first to the last day of each year. All intermediate ratings are disregarded. §Excludes downgrades to 'D', shown separately in the default column. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Ratings stability--as measured by the percentage of issuers with unchanged ratings--hit a 10-year high in 2014. Alongside this increase in stability, the magnitude of absolute rating changes fell as well. The number of corporate issuers that experienced a rating change of more than six notches in 2014 was limited to two--one upgrade and one downgrade (see chart 7). This was the lowest annual total of large, one-time rating changes in the 34 years covered by this study. Overall, this low number is consistent with prior years in which default activity was subdued. However, impressively, 2014 recorded the highest number of rated entities (6,958) at the start of the year, meaning that these two issuers accounted for only 0.03% of rated issuers at the start of the year.

Chart 7



The overall issuer-weighted default rate--including both investment-grade and speculative-grade entities--fell to 0.69% in 2014 from 1.06% at the end of 2013, again, reflective of the overall very low default count. By region, the corresponding rates were 0.87% in the U.S., 0.37% in Europe, and 0.58% in the emerging markets.

For the most part, major regions saw declines in their annual speculative-grade default rates in 2014 (see table 7 and chart 21). The one region that recorded an increase was other developed (consisting of Australia, Canada, Japan, and New Zealand). Its default rate rose to 2.8% from 2% year over year. This was largely influenced by an increase in the number of defaults outside of Canada. Despite its increase, even the speculative-grade default rate among the other developed region is still well below its long-term annual average of 4.3%.

Table 7

Annual Corporate Speculative-Grade Default Rates By Geographic Region (%)				
Year	U.S. and tax havens*	Europe§	Emerging markets	Other developed†
1981	0.63	0.00	N/A	0.00
1982	4.44	0.00	N/A	0.00
1983	2.99	0.00	N/A	0.00
1984	3.33	0.00	0.00	0.00
1985	4.41	0.00	N/A	0.00

Table 7

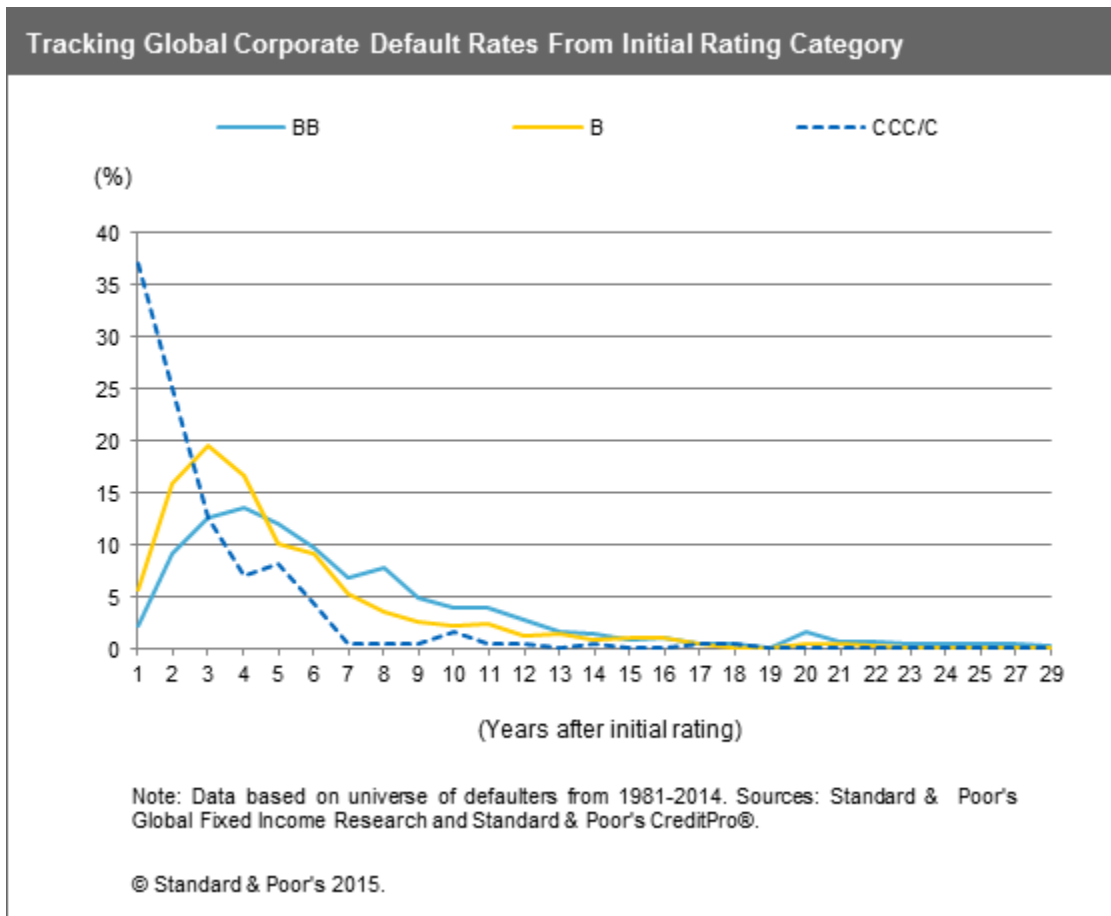
Annual Corporate Speculative-Grade Default Rates By Geographic Region (%) (cont.)				
1986	5.76	0.00	N/A	0.00
1987	2.84	0.00	N/A	0.00
1988	3.89	0.00	N/A	0.00
1989	4.33	0.00	N/A	42.86
1990	7.94	0.00	N/A	33.33
1991	10.73	66.67	N/A	14.29
1992	6.25	0.00	N/A	0.00
1993	2.40	20.00	0.00	0.00
1994	2.20	0.00	0.00	0.00
1995	3.65	9.09	0.00	0.00
1996	1.85	0.00	0.00	2.70
1997	2.17	0.00	0.00	1.92
1998	3.25	0.00	8.55	1.43
1999	5.25	6.25	7.66	4.40
2000	7.38	2.46	1.65	6.52
2001	10.60	8.21	6.25	12.36
2002	7.26	12.24	17.49	5.94
2003	5.59	3.61	3.89	4.76
2004	2.44	1.59	0.84	2.00
2005	2.02	0.93	0.24	1.32
2006	1.37	1.78	0.44	0.77
2007	1.02	0.96	0.20	2.26
2008	4.27	2.49	2.42	3.82
2009	11.71	8.59	5.47	9.68
2010	3.43	1.00	1.55	7.96
2011	2.13	1.59	0.47	6.14
2012	2.63	2.24	2.63	2.33
2013	2.16	3.41	2.01	1.96
2014	1.59	0.96	1.05	2.81
Average	4.23	3.07	3.31	4.27
Median	3.38	1.78	1.65	2.81
Std. Dev.	2.82	3.37	4.34	3.14
Min	0.63	0.00	0.00	0.77
Max	11.71	12.24	17.49	12.36

Note: Descriptive statistics for regions other than U.S. calculated from 1996 to 2012 due to sample size considerations. *U.S., Bermuda, and Cayman Islands. §Austria, Belgium, British Virgin Islands, Bulgaria, Channel Islands, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, Ireland, Isle of Man, Italy, Jersey, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Montenegro, Netherlands, Norway Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, and the U.K. †Australia, Canada, Japan, and New Zealand. N/A--Not available. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Data on defaulted corporate issuers globally indicate that defaults among speculative-grade entities tend to be clustered in the third year after the initial rating, particularly in the 'B' rating category (see chart 8). For example, among defaulters that were rated 'B' at origination, the default rate climbs to a high of 19.4% in the first three years and

then decelerates thereafter. Defaulted issuers initially rated 'BB' show a similar pattern but peak a little later--in the fourth year. Conversely, defaulters initially rated 'CCC' show the reverse, with the highest default rate observed in the first year, which is not surprising given the low rating.

Chart 8



In 2014, 58 (or 96.7%) of the 60 defaulted entities were originally rated speculative grade, which is more than 10 percentage points higher than the long-term average of 86.6%. This is typical in years with lower default rates. This is reflected in the rating path observed for defaulters in the trailing 12 quarters (see chart 9). The median rating for all recently defaulting entities was solidly in the speculative-grade category in the seven years preceding default, and at any time during that period was at least one notch below that of the long-term equivalent.

Financial institutions and insurance companies are particularly sensitive to sudden declines in investor confidence, which can result in a relatively fast descent into default (see chart 10). This was especially evident during the recent financial crisis. Many highly rated banks defaulted within a short amount of time from their initial downgrades during this period. However, now that nearly seven years have passed since the financial crisis, even the recent defaulters among financials had a speculative-grade median rating at least five years prior to default. In contrast, nonfinancial defaulters travel a much slower, smoother, and shorter path to default (see chart 11). A notable difference between financials and nonfinancials is the incidence of default. Defaults are much less frequent for financial companies than

they are among nonfinancials, which can also allow outliers to bias the averages. For instance, in the three years ended Dec. 31, 2014, 201 nonfinancial companies defaulted, while only 23 financials did.

Chart 9

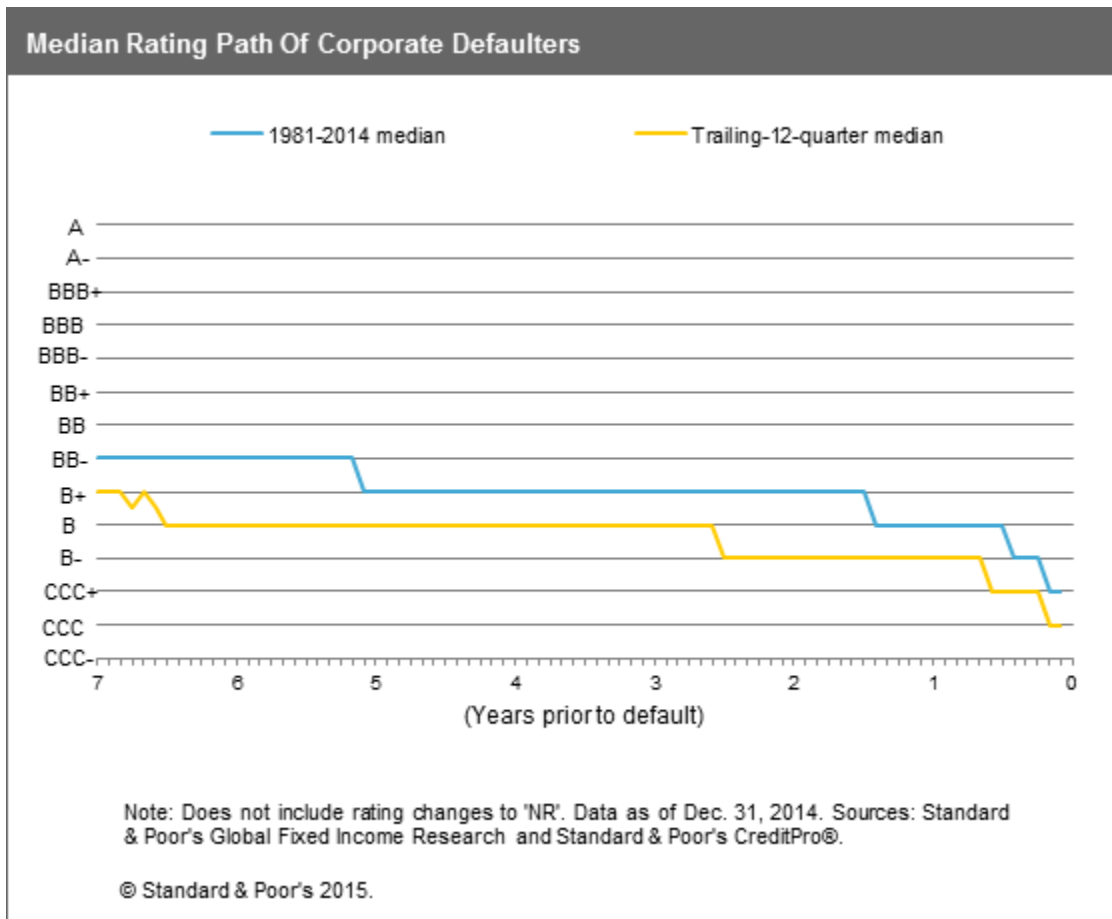


Chart 10

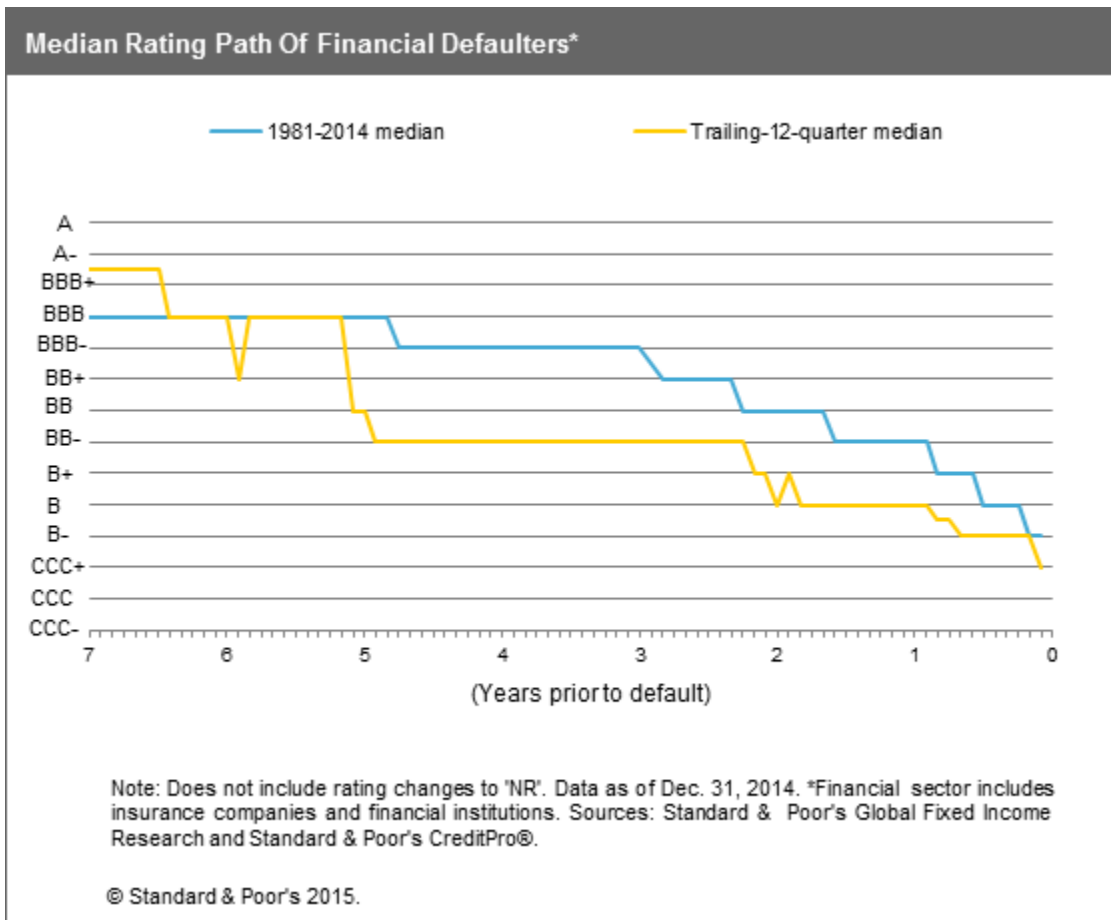
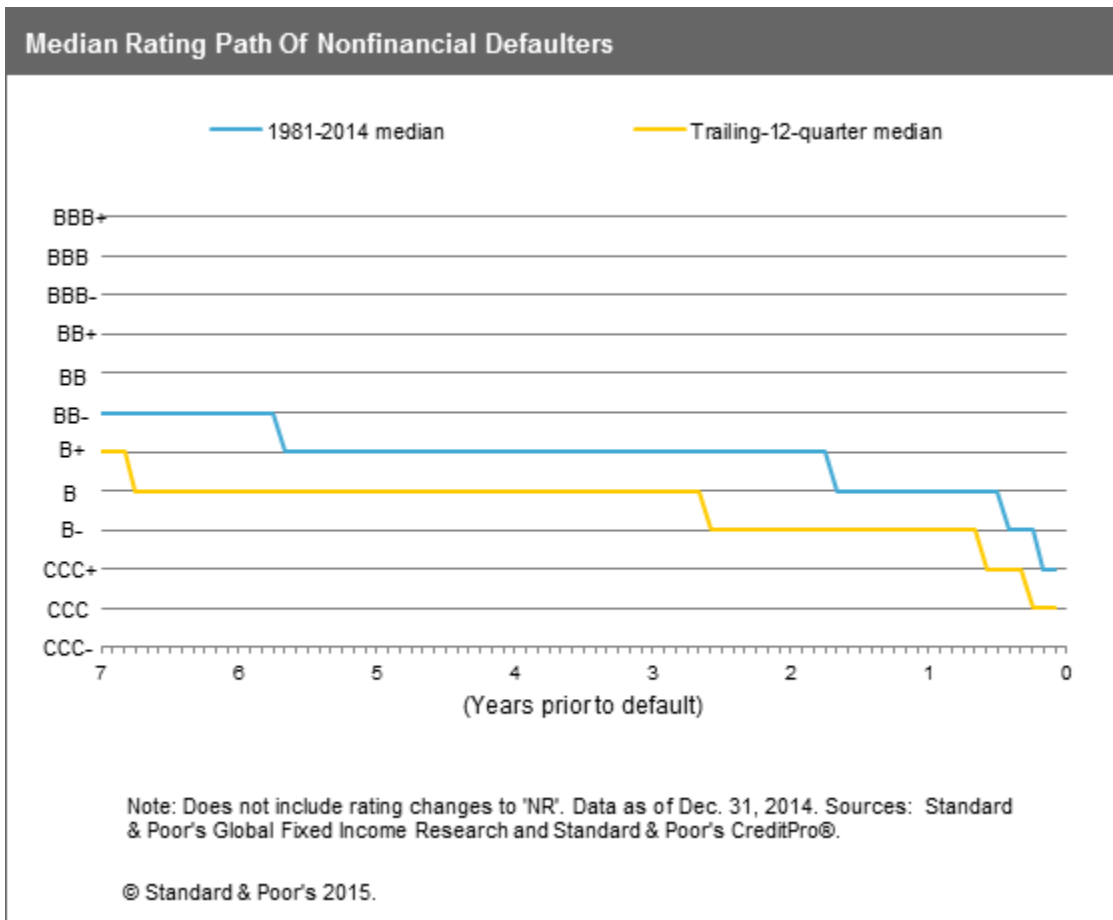


Chart 11



Some issuers default when Standard & Poor's no longer rates them. We make our best effort to capture such defaults in the database, and we include them in the annual default rate calculations if an entity was rated as of Jan. 1 in the year of default. If, however, Standard & Poor's withdrew the rating prior to Jan. 1 of the year of default, we did not include the issuer in the default rate calculation in that year. Of the 60 defaulted companies in 2014, 16.7% were not rated just prior to default, which is slightly lower than the long-term total of 18.4% (see chart 12). Furthermore, although 'NR' defaulters are not always captured in the default rate calculation for the year of default, we do capture them in the longer-term cumulative default rate statistics, tied back to the year in which they were last rated. All of the defaulters in 2014 that had active ratings immediately prior to default were rated in the lowest rating categories. In particular, 73.3% were rated 'CCC+' or lower just prior to default, which is much higher than the 64.8% long-term total.

Chart 12a

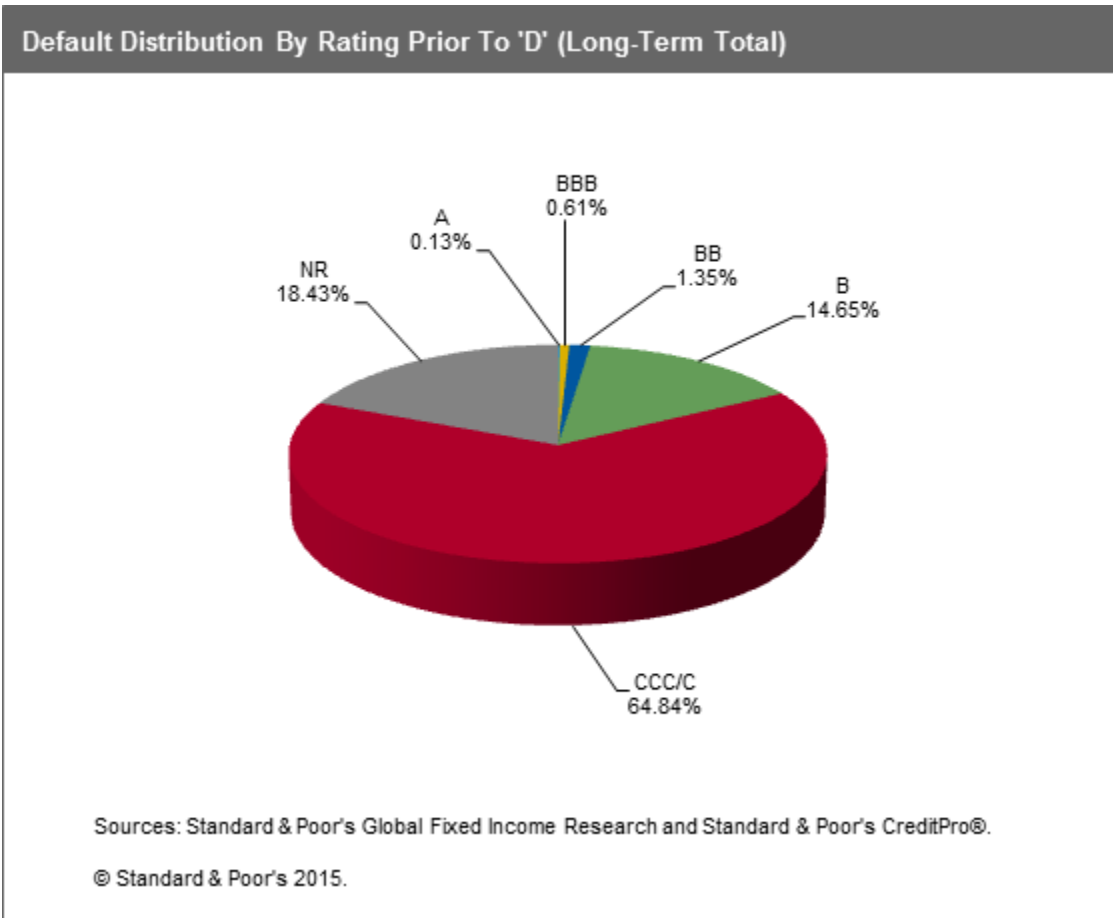


Chart 12b

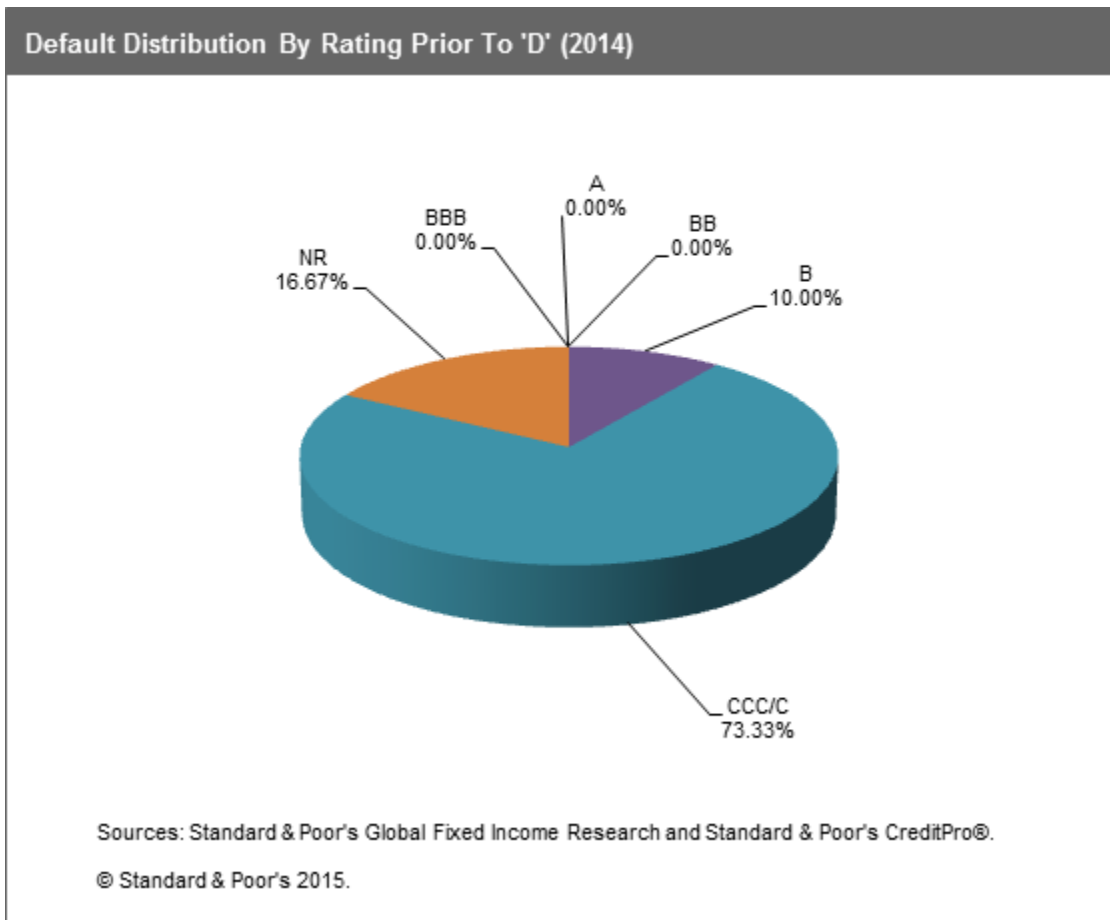


Table 8 provides a list of all the defaulted, publicly rated companies recorded in 2014. For additional details on the 2014 defaulters, see Appendix III.

Table 8

2014 Global Publicly Rated Corporate Defaults

Company name	Reason for default	Country	Industry	Debt amount (mil. \$)	Default date	Rating one year prior to default	Rating three years prior to default	First rating	Date of first rating
Tuscany International Drilling Inc	Chapter 11	Canada	Energy and natural resources	0.0	2/2/2014	B	-	B	11/7/2012
Cognor S.A.	Distressed exchange	Poland	Energy and natural resources	169.7	2/4/2014	CCC+	-	CCC+	10/4/2012
Alliance Bank JSC	Missed principal	Kazakhstan	Financial institutions	988.8	2/11/2014	B-	B-	B-	6/10/2010
MModal LLC	Missed interest	U.S.	High technology/computers/office equipment	770.0	2/19/2014	B+	-	B+	9/4/2012

Table 8

2014 Global Publicly Rated Corporate Defaults (cont.)									
Midwest Vanadium Pty Ltd.	Missed interest	Australia	Aerospace/automotive/capital goods/metal	335.0	2/20/2014	CCC+	B-	B-	2/1/2011
Sorenson Communications Inc.	Chapter 11	U.S.	Leisure time/media	1,620.0	3/4/2014	-	-	B-	5/29/2013
USEC Inc.	Chapter 11	U.S.	Aerospace/automotive/capital goods/metal	575.0	3/5/2014	CCC	CCC+	BBB+	8/4/1998
Travelport Holdings Ltd.	Distressed exchange	U.S.	Transportation	4,215.7	3/5/2014	-	-	CCC+	4/26/2013
Aralco Industria e Comercio S.A.	Foreign bankruptcy	Brazil	Consumer/service sector	250.0	3/6/2014	-	-	B	4/8/2013
Sbarro LLC	Chapter 11	U.S.	Consumer/service sector	287.3	3/10/2014	B-	-	B-	1/24/2012
Global Geophysical Services Inc.	Chapter 11	U.S.	Energy and natural resources	250.0	3/27/2014	B+	B	B-	1/12/2007
Koosharem Corp.	Chapter 11	U.S.	Leisure time/media	209.0	4/1/2014	NR	CCC-	B-	6/16/2006
Brookstone Inc.	Chapter 11	U.S.	Consumer/service sector	125.6	4/3/2014	NR	B-	B-	12/30/2010
Guitar Center Holdings Inc.	Distressed exchange	U.S.	Consumer/service sector	3,066.8	4/3/2014	B-	B-	B-	10/10/2007
Texas Competitive Electric Holdings Co. LLC	Missed interest	U.S.	Utility	28,650.8	4/4/2014	CCC	-	CCC	2/1/2013
Baghlan Group FZCO	Missed interest	Azerbaijan	Energy and natural resources	0.0	4/8/2014	-	-	B	6/18/2013
James River Coal Co.	Chapter 11	U.S.	Energy and natural resources	907.5	4/9/2014	CCC	-	CCC	11/15/2012
The Cash Store Financial Services Inc.	Foreign bankruptcy	Canada	Financial institutions	120.8	4/15/2014	CCC+	-	B	1/12/2012
Momentive Performance Materials Inc.	Chapter 11	U.S.	Health care/chemicals	6,981.0	4/16/2014	CCC	B-	CCC-	6/22/2009
Energy Future Holdings Corp.	Chapter 11	U.S.	Utility	8,316.4	5/1/2014	CCC	-	CCC	2/1/2013
GSE Environmental Inc.	Chapter 11	U.S.	Health care/chemicals	217.8	5/6/2014	B	B-	BB-	5/7/1987
Allen Systems Group Inc.	Missed interest	U.S.	High technology/computers/office equipment	815.0	5/20/2014	CCC	-	CCC	12/20/2012
Affinion Group Holdings Inc.	Distressed exchange	U.S.	Leisure time/media	3,065.6	6/10/2014	-	-	CCC+	12/26/2013
Altegrity Inc.	Distressed exchange	U.S.	Consumer/service sector	51.0	7/3/2014	CCC+	B	BB-	12/4/2002
PT Bumi Resources Tbk.	Distressed exchange	Indonesia	Energy and natural resources	1,000.0	7/4/2014	B-	BB	BB	10/30/2009
Nelson Education Ltd.	Missed interest	Canada	Leisure time/media	482.0	7/8/2014	CCC+	B-	B	6/14/2007

Table 8

2014 Global Publicly Rated Corporate Defaults (cont.)									
Espirito Santo Financial Group S.A.	Foreign bankruptcy	Luxembourg	Financial institutions	0.0	7/24/2014	NR	NR	A-	5/14/1998
New World Resources N.V.	Chapter 15	U.K.	Energy and natural resources	1,037.7	8/1/2014	B-	BB-	BB-	5/3/2007
SMU S.A. y Subsidiarias	Missed interest/principal	Chile	Leisure time/media	300.0	8/1/2014	CCC+	-	B	1/29/2013
Mriya Agro Holding PLC	Missed interest	Cyprus	Consumer/service sector	650.0	8/8/2014	B	B	B-	11/2/2010
PT Bumi Resources Tbk. §	Missed principal	Indonesia	Energy and natural resources	0.0	8/13/2014	-	-	CC	7/7/2014
Walter Energy Inc.	Distressed exchange	U.S.	Energy and natural resources	4,045.0	8/14/2014	B	BB-	BB	3/6/2003
Essar Steel Algoma Inc.	Chapter 15	Canada	Aerospace/automotive/capital goods/metal	1,134.7	8/18/2014	CCC+	B-	B	6/7/2007
NII Holdings Inc.	Missed interest	U.S.	Telecommunications	4,350.0	8/19/2014	B-	B+	B+	8/7/2009
Alion Science and Technology Corp.	Distressed exchange	U.S.	High technology/computers/office equipment	560.0	8/19/2014	CCC+	B-	B+	6/30/2004
Endeavour International Corporation	Missed interest	U.S.	Energy and natural resources	554.0	9/5/2014	CCC+	-	B-	7/17/2012
American Media Inc.	Distressed exchange	U.S.	Leisure time/media	469.9	9/11/2014	-	-	CCC+	11/18/2013
Waterford Gaming LLC	Missed principal	U.S.	Leisure time/media	128.5	9/16/2014	CCC	CCC	B+	3/8/1999
MobileServ Ltd.	Foreign bankruptcy	U.K.	Consumer/service sector	900.7	9/16/2014	B	B+	B+	5/12/2011
Reichhold Industries Inc.	Chapter 11	U.S.	Health care/chemicals	207.0	10/2/2014	B-	-	B-	5/8/2012
Mashantucket (Western) Pequot Tribe	Missed interest	U.S.	Leisure time/media	1,388.1	10/3/2014	-	-	CCC+	3/28/2014
Trinidad Cement Limited Group	Missed principal	Trinidad and Tobago	Forest and building products/homebuilders	0.0	10/3/2014	-	-	B	5/6/2014
Industrias Metalurgicas Pescarmona S.A.I.C.y.F.	Missed interest/principal	Argentina	Aerospace/automotive/capital goods/metal	703.2	10/6/2014	B-	B+	B	7/27/2007
LDK Solar Co. Ltd.	Chapter 11	China	High technology/computers/office equipment	0.0	10/21/2014	NR	NR	B+	5/4/2011
Hidili Industry International Development Ltd.	Distressed exchange	Cayman Islands	Energy and natural resources	400.0	10/22/2014	CCC+	BB-	BB-	10/18/2010
UniTek Global Services Inc.	Chapter 11	U.S.	Telecommunications	210.0	11/3/2014	NR	-	CCC	7/18/2013
Education Management LLC	Missed interest/principal	U.S.	Leisure time/media	1,812.0	11/17/2014	B-	BB-	B	5/12/2006
Molycorp Inc.	Distressed exchange	U.S.	Energy and natural resources	1,236.5	11/26/2014	CCC+	-	B	7/5/2012

Table 8

2014 Global Publicly Rated Corporate Defaults (cont.)									
OJS Commercial Bank Rost Bank	Regulatory directive	Russian Federation	Financial institutions	0.0	12/3/2014	-	-	B-	1/14/2014
Caesars Entertainment Operating Co. Inc.	Missed interest/principal	U.S.	Leisure time/media	4,767.9	12/15/2014	CCC+	B-	CCC	4/21/2009
LBI Media Inc.	Distressed exchange	U.S.	Leisure time/media	581.3	12/23/2014	CCC-	-	CCC-	11/11/2013
iPayment Inc.	Distressed exchange	U.S.	High technology/computers/office equipment	1,146.0	12/30/2014	B-	B	B	4/5/2006
Southern Pacific Resources Corp.	Missed interest	Canada	Energy and natural resources	224.0	12/31/2014	B-	-	B-	1/11/2013
Total*				90,277.4					

*This total does not match table 1 because it excludes confidentially rated defaults. §Initial ratings for these companies are those immediately following a prior default in 2014. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

The number of large rating changes (in terms of number of notches) was at an all-time low in 2014. In addition, for both upgrades and downgrades, the annual average number of notches of ratings changes were at some of their lowest levels in absolute terms (see chart 13). At the end of 2014, the average number of notches for upgrades was 1.16, and the average notches for downgrades hit an all-time low of 1.36.

Chart 13

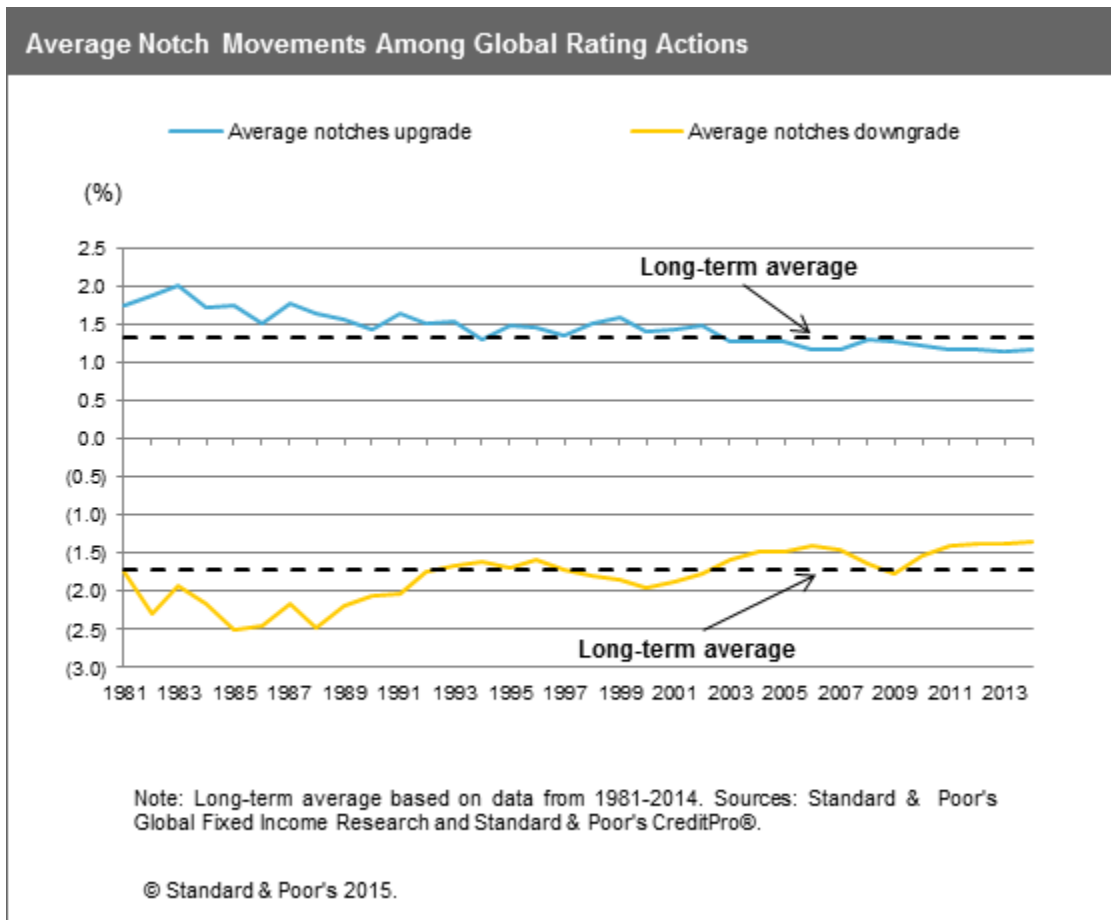


Table 9

One-Year Global Corporate Default Rates By Rating Modifier (%)																	
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC/C
1981	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.28	0.00	0.00
1982	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.00	0.68	0.00	0.00	2.86	7.04	2.22	2.33	7.41	21.43
1983	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.33	2.17	0.00	1.59	1.23	9.80	4.76	6.67
1984	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.40	0.00	0.00	1.64	1.49	2.15	3.51	7.69	25.00
1985	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.64	1.49	1.33	2.61	13.11	8.00	15.38
1986	0.00	0.00	0.00	0.00	0.00	0.00	0.76	0.00	0.78	0.00	1.82	1.18	1.12	4.68	12.16	16.67	23.08
1987	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.83	1.31	5.95	6.82	12.28
1988	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.34	1.99	4.50	9.80	20.37
1989	0.00	0.00	0.00	0.00	0.00	0.00	0.58	0.90	0.78	0.00	0.00	0.00	2.00	0.43	7.80	4.88	33.33
1990	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.76	0.00	1.10	2.78	3.09	4.50	4.89	12.26	22.58	31.25
1991	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.83	0.74	0.00	3.70	1.14	1.05	8.72	16.25	32.43	33.87
1992	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.72	14.93	20.83	30.19
1993	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.94	0.00	1.30	5.88	4.17	13.33
1994	0.00	0.00	0.00	0.00	0.46	0.00	0.00	0.00	0.00	0.00	0.00	0.86	0.00	1.84	6.58	3.13	16.67
1995	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.64	0.00	1.56	1.12	2.77	8.00	7.50	28.00

Table 9

One-Year Global Corporate Default Rates By Rating Modifier (%) (cont.)																	
1996	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.65	0.56	2.37	3.74	3.85	8.00
1997	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.37	0.35	0.00	0.00	0.00	0.41	0.72	5.30	14.58	12.00
1998	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27	1.06	0.67	1.06	0.72	2.60	7.56	9.46	42.86
1999	0.00	0.00	0.00	0.36	0.00	0.24	0.27	0.00	0.28	0.31	0.55	1.34	0.91	4.22	10.45	15.60	33.33
2000	0.00	0.00	0.00	0.00	0.00	0.24	0.57	0.00	0.26	0.89	0.00	0.82	2.05	5.81	10.00	11.61	35.96
2001	0.00	0.00	0.00	0.00	0.58	0.25	0.00	0.24	0.49	0.28	0.52	1.22	5.54	5.84	17.17	22.46	45.45
2002	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.10	0.88	1.07	1.58	1.77	4.78	3.27	10.23	19.85	44.44
2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.54	0.50	0.97	0.28	1.72	5.34	9.52	32.73
2004	0.00	0.00	0.00	0.00	0.00	0.24	0.00	0.00	0.00	0.00	0.00	0.67	0.52	0.47	2.35	2.84	16.18
2005	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.37	0.00	0.51	0.79	2.64	2.96	9.09
2006	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.39	0.00	0.50	0.55	0.82	1.57	13.33
2007	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.32	0.24	0.19	0.00	0.90	15.24
2008	0.00	0.00	0.44	0.41	0.32	0.21	0.60	0.19	0.61	0.73	1.22	0.66	0.68	3.14	3.45	7.63	27.00
2009	0.00	0.00	0.00	0.00	0.30	0.40	0.00	0.41	0.19	1.13	0.00	1.04	0.97	5.97	10.77	18.06	49.46
2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.85	0.36	0.56	0.00	0.74	2.11	22.73
2011	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.42	1.27	4.45	16.42
2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.79	0.60	1.44	3.48	27.33
2013	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.26	0.76	0.82	4.65	24.18
2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.33	2.73	17.03
Average	0.00	0.00	0.01	0.02	0.05	0.06	0.08	0.14	0.24	0.27	0.55	0.78	1.31	2.25	6.49	9.26	23.64
Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.66	0.75	1.78	5.61	7.45	22.90
Standard deviation	0.00	0.00	0.08	0.09	0.14	0.12	0.21	0.30	0.35	0.43	0.92	0.84	1.69	2.11	4.89	7.71	12.00
Minimum	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maximum	0.00	0.00	0.44	0.41	0.58	0.40	0.76	1.10	1.40	1.33	3.70	3.09	7.04	8.72	17.17	32.43	49.46

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

2014 Timeline: Generally Calm, But Starting To Enter Choppy Waters

The 60 defaults in 2014 is one of the lowest annual corporate default tallies in the past 10 years, and it's the second lowest since the economic downturn that began in 2008. Not only were defaults muted, but upgrades outpaced downgrades for the year, by a factor of 1.2 to 1. Despite the positive results for the year as a whole, market volatility increased markedly in the second half of 2014, with the precipitous drop in the price of oil that began in June seemingly the prime catalyst.

The year began with a changing of the guard at the Federal Reserve as Chairman Ben Bernanke's successor, Janet Yellen, was confirmed on Jan. 6, with a Feb. 1 start date for her new role. The focus of concern for most commentators at the time was how Yellen would handle the winding down of the Fed's monthly bond-buying program (quantitative easing, or QE), as well as the timing for a potential shift toward increasing interest rates. As we would see, the speculation on the latter point would remain until a year later. Although considered to have an approach broadly similar to Bernanke's, Yellen still would be tasked with navigating monetary policy amid healthy--but not robust--economic figures. This uncertainty was evident in many economic indicators for the U.S. The labor department

reported four days later that the economy only added 74,000 new jobs in the prior month, a shortfall many quickly blamed on poor weather. At the same time, the unemployment rate fell to 6.7% from 7%; which some attributed more to people giving up the search for work, rather than a substantive increase in job prospects. Fourth-quarter 2013 GDP estimates in the U.S. came in at a healthy 3.2%, but were later revised down markedly, to 2.4%.

A substantial number of lawsuits from governments aimed at the financial sector, as well as settlements between the two groups, also continued in 2014. As a sign of the lingering effects of the 2008 financial crisis, only a week into the year, JPMorgan Chase agreed to pay \$2.6 billion to resolve charges that it ignored many warning signs related to the activities of Bernie Madoff. Six days later on the 13th, the U.S. Department of Justice charged three former Rabobank Group NV traders with fraud related to their manipulation of a key LIBOR rate. They allegedly manipulated the yen-LIBOR by submitting false borrowing rates to the association that sets the benchmark rate.

Outside of the U.S., many emerging markets' currencies fell early on in the year over fears that many countries in the developing world would not be able to prop up their economies amid uneven growth. As the year progressed, financial markets in emerging economies followed different paths depending on the country. In this regard, probably the country that ended up with the highest profile was Russia. On Feb. 2, U.S. and EU negotiators put together a short-term financial aid plan for Ukraine while it navigated an internal transition period characterized by mass protests and the prime minister stepping down. Previously, Ukraine turned down an economic pact with the EU to instead sign a deal with Russia for \$15 billion. The aid provided by the U.S. and EU was aimed at being a counter to Russia's.

A day later, the Dow dropped more than 2% after weak U.S. manufacturing reports came out. On the same day, Japanese shares also dropped by a similar margin, bringing the Nikkei down more than 10% in the year-to-date. This was another frustrating hurdle for the country after its implementation of "Abenomics," aimed at stimulating the long-stagnant economy. Ultimately, the Nikkei ended the year in positive territory, but not after a stagnant first nine months. Meanwhile in Europe, European Central Bank (ECB) President Mario Draghi hinted at possible stimulus measures coming from the central bank as soon as March. This came in response to growing worries about the common currency area's low inflation rate. Shortly afterward, the eurozone GDP figure for the fourth quarter of 2013 came in at a 1.1% annualized rate, which was the third straight quarter of growth. However, it still came up short for the year, down by 0.4% at year-end, according to Eurostat. Worries over growth also came from China in February as its corporate debt levels reached \$12.1 trillion, a level almost on par with that in the U.S., while preliminary readings of purchasing managers indicated further contraction.

Geopolitical tension centered on the crisis between Russia and the Ukraine began accelerating in March as Russia moved into the Crimea region and ultimately annexed it. In response, the U.S. and EU threatened sanctions against Russia, while many global stock markets saw sell-offs. Russian stocks and the ruble fell even more drastically. The year ultimately ended badly for Russian stocks; the RTS index saw its 2014 high only on the first day of the year, with some of the losses coming in relation to the Ukrainian situation, but with more profound losses coming later in the year. Later, on March 20, Standard & Poor's revised its outlook on Russia to negative from stable and affirmed its ratings on the country, resulting from the unexpected economic and financial consequences of the U.S. and EU sanctions. Ultimately, the fallout from sanctions proved unavoidable for Russia, leading Standard & Poor's to downgrade the country to 'BBB-' on April 25.

Within municipal debt markets, Puerto Rico hit markets with its largest issuance to date--a \$3.5 billion issuance on March 11. This came only about a month after Standard & Poor's lowered its rating on Puerto Rico into speculative-grade territory and put the rating on CreditWatch negative. Also, in Latin America, Standard & Poor's lowered its long-term foreign currency rating on Brazil by one notch, to 'BBB-' from 'BBB', on March 24 owing to mixed policy signaling by the government, a subdued growth outlook, and continued weakening of its fiscal situation. Two days later, the ratings on 13 Brazilian financial institutions were lowered, and 27 were placed on CreditWatch negative as a result of the sovereign downgrade. This is another illustration of the strong linkages between the credit profiles of a sovereign and its financial system.

Financial regulations aimed at preventing another crisis like the one in 2008 continued to appear in 2014, as in years past. After the Fed announced that 29 out of the country's 30 largest banks could withstand a severe economic downturn based on its latest round of stress tests on March 20, U.S. regulators (including the Fed) poised themselves to set higher leverage ratios for the nation's eight largest banks in early April. The proposed increased ratios would double the amount the banks would need to keep in reserve--with loss-absorbing capital of at least 5% of their assets, while Federal Deposit Insurance Corp.-insured subsidiaries would need to keep 6%. However, shortly thereafter, Bank of America discovered that there were errors in its figures submitted to the Fed's stress tests showing \$4 billion less in capital than originally reported and that this error had been in place since 2009.

In May, the paths of the U.S. and European economies started to diverge. Early in the month, U.S. unemployment for April came in at a new low of 6.3%, while the eurozone economy is reported to have expanded by only 0.8% during the first quarter. Excluding Germany, which expanded by 3.3%, the rest of the euro area contracted. Perhaps in expectation of such glum readings, the ECB said a week earlier that it would likely cut interest rates or take other stimulus measures as soon as its next meeting in June. On May 22, the VIX (a gauge of near-term stock market volatility) hit 12, its lowest level in more than a year. The volatility measure continued to fall to its lowest point of the year (10.3) on July 3. This proved to be the calm before the storm, however, as markets spasmed in the fall.

The year's first half came to a close in a busy month. Early into June, the ECB cut its deposit rate to below zero (-0.1%), effectively charging banks to leave their cash with the central bank in an effort to thwart deflation in the common economic zone. Conversely, in the U.S., consumer prices rose by 0.4% in May (from April), the largest one-month change in over a year. This raised concerns among market participants that the Fed could raise rates sooner than later. However, this debate soon subsided. Toward the end of the month, the price of oil began its plummet. On June 27, the price of a barrel of WTI was \$106.7. This fell to \$55.6 by Dec. 26.

In July, there were a number of high-profile legal settlements in the financial sector. On the first of the month, BNP Paribas SA paid approximately \$9 billion in penalties to U.S. authorities and plead guilty to charges of attempting to conceal transactions with sanctioned countries. Up to this point, this was the fifth-largest banks settlement involving U.S. authorities. Shortly after, Citigroup paid roughly \$7 billion to the Department of Justice to settle a probe into its mortgage practices in the lead-up to the financial crisis. Rounding out the month's legal headlines, it was announced that Lloyd's Banking Group PLC would pay £218 million in fines to U.K. and U.S. regulators for manipulating benchmark interest rates. Finally, at the end of the month, a sovereign defaulted--the only one of the year. On July 30, Argentina failed to pay interest on its discount bond maturing in December 2033. The 30th marked the end of the

30-day grace period.

Eurozone second-quarter GDP figures were flat in August, largely dragged down by Italy's third recession since 2008, with Germany seeing economic contraction as well. In the second quarter, Italian GDP had an initial reading of -0.8%, and Germany's declined by 0.2%. This, along with consumer prices in Europe falling to a five-year low (-0.3%) in August, contributed to more calls for the ECB to provide stimulus to the faltering economic zone. Meanwhile, in the U.S., the S&P 500 index closed above 2,000 for the first time ever on Aug. 25, showing further divergence in the paths of the two economies over the course of the year. However, Europe was not alone in its malaise. By the end of the month, figures out of Brazil showed the country in a recession as well, with a revision to first-quarter figures to -0.2% (and an even larger 0.6% decline in the second quarter).

The summer ushered in the largest settlement between the U.S. Justice Department and a private company in history. In August, Bank of America paid nearly \$17 billion to settle charges over issues related to its prior purchases of Countrywide and Merrill Lynch. In addition, on the 22nd, Goldman Sachs settled with the Federal Housing Finance Agency for \$1.2 billion by buying back mortgage securities it had sold to Fannie Mae and Freddie Mac.

After years of Federal Reserve stimulus in the U.S., the ECB followed suit on Sept. 4 by cutting its benchmark rate to 0.05% from 0.15% and its deposit rate to -0.2% from -0.1%, but more importantly, it began an asset-purchasing program of its own. This focused on asset-backed securities and did not include any purchases of government debt. Within about six weeks, the bank also began buying covered bonds as part of this stimulus. This was the start of perhaps the busiest month of the year.

The British pound began to fall early in the month, largely as a reaction to increased talk of a potential vote for Scottish independence. Alongside a drop in the pound, the FSTE 100 lost roughly 9% between mid-September and mid-October. Fear of a break-up of the U.K., however, was short-lived. In more positive financial market news, the much anticipated IPO of Alibaba hit on Sept. 19 in New York. Living up to the hype, the stock gained 38% in its first trading day, finishing with a \$231 billion market cap.

September also saw some drama. On the 23rd, the SEC began investigations into PIMCO for potentially artificially plumping up returns on its Pimco Total Return ETF, managed by Bill Gross. Only three days later, Mr. Gross left PIMCO after allegedly having clashes with others in senior management. Within two days, PIMCO experienced about \$10 billion in withdrawals, and ultimately \$23 billion for the entire month. Finally, toward the end of the month, pro-Democracy protests in Hong Kong began in earnest, lasting nearly three months.

The U.S. economy hit a milestone in early October as the unemployment rate fell below 6% for the first time since July 2008. However, some critics pointed out that this was partly the result of both a continued drop in the participation rate, as well as an increase in the underutilization rate (reflected via an increase in part-time jobs). This good news, however, was eclipsed by one of the most volatile months for the financial markets in recent years. Global fears over political unrest, as well as a global economic slowdown, caused most major stock markets in the developed economies to experience large losses toward the middle of October. This was true in North America, Europe, and Asia. The VIX hit its 2014 high of 25.3 on Oct. 15, while yields on 10-year Treasuries fell to 2.1% on the same day. And not to be outdone by Europe's recent stimulus measures, on Oct. 31, the Japanese central bank and the country's main

government pension fund said they would inject trillions of yen into the economy. This caused the yen to fall to its lowest level in almost seven years, and the Nikkei rose roughly 5%.

The stimulus measures enacted in Japan in October were soon pushed aside in November as the country's third-quarter GDP reading fell 1.6% on an annualized basis. That followed the second quarter's 7.3% decline (annualized), making for two consecutive quarters of negative readings. Oct. 21 brought about yet more stimuli, this time coming from both Europe and China. The People's Bank of China announced that it would reduce its benchmark lending and deposit rates, causing Asian stock markets to rise in reaction. In Europe, Mr. Draghi said that the ECB would consider additional steps to boost inflation, including broadening the array of eurozone bonds the bank would buy as part of its existing stimulus.

Only a few weeks later on Dec. 4, the ECB announced it was considering implementing a formal QE program of buying government bonds, but not likely until 2015. And despite two quarters of economic contraction, Japan's Prime Minister Shinzo Abe managed to win reelection by a sizable margin on the 14th. Also, rating change activity was heightened in the last month of the year for corporate issuers, largely influenced by updated criteria for nonbank financial institutions, which led to more than 30 upgrades and over 50 downgrades.

Despite some tumultuous events, the occasional investor panic, and a marked--and thus far sustained--drop in the price of oil, 2014 would still prove to be one of the more favorable years in recent memory for corporate borrowers. With continued access to low borrowing costs for all issuers across the ratings spectrum, the final tally of defaults would only hit 60, while ratings stability would hit a 10-year high. Still, the second-half of the year provided signs of stress to come, as stock and bond market volatility increased around October, with wilder fluctuations in pricing lasting well into the first quarter of 2015.

Quarterly Trends

The default totals were only 10 in the first and second quarters but then rose in the second half of the year (see chart 14). In the second quarter, rated defaulters accounted for \$52.5 billion in debt. When excluding this, the rest of 2014's volume of affected debt would barely have been noticeable (see chart 15). The second quarter's figure was mostly attributable to the missed interest payments of Texas Competitive Electric Holdings in early April. At the time, the company had roughly \$28.7 billion in outstanding debt. This is the second year in a row, and the third time in the past four years, that this company took the title of the largest annual default, as measured by the amount of outstanding debt at the time of default.

Chart 14

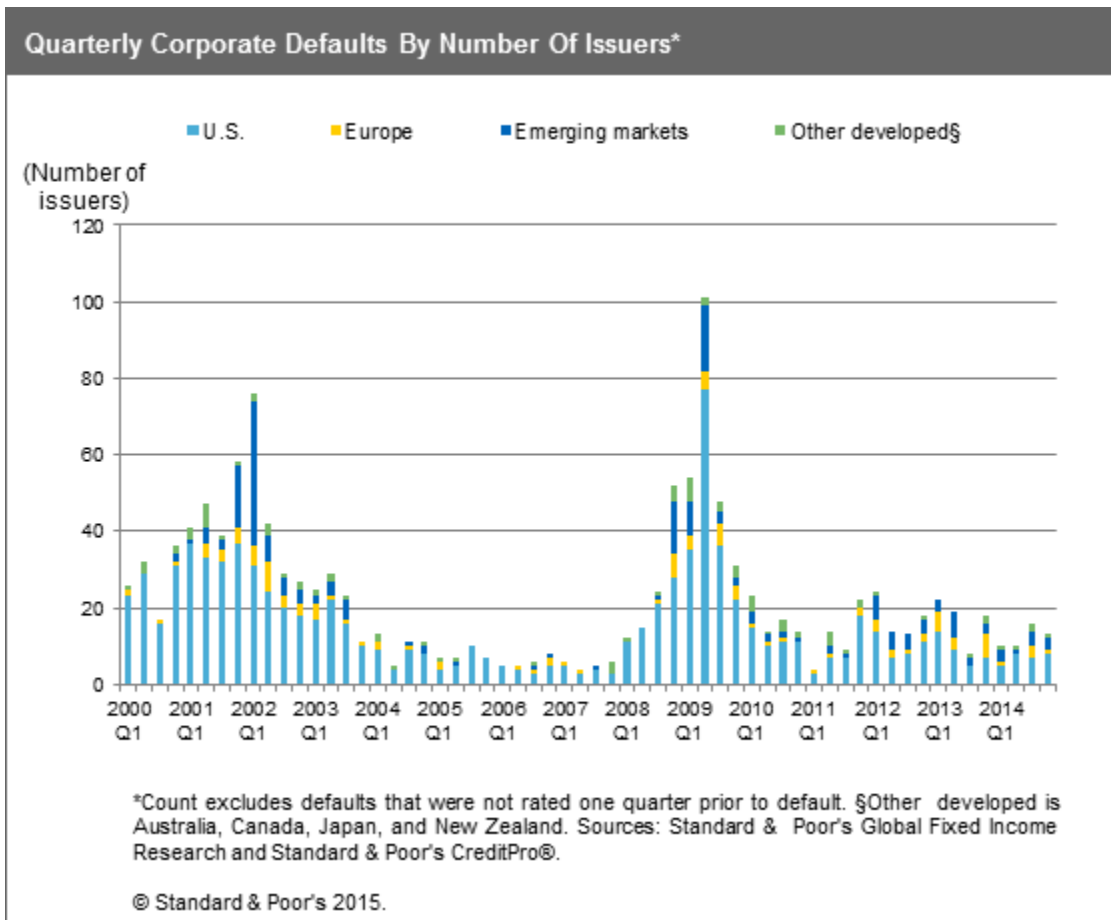
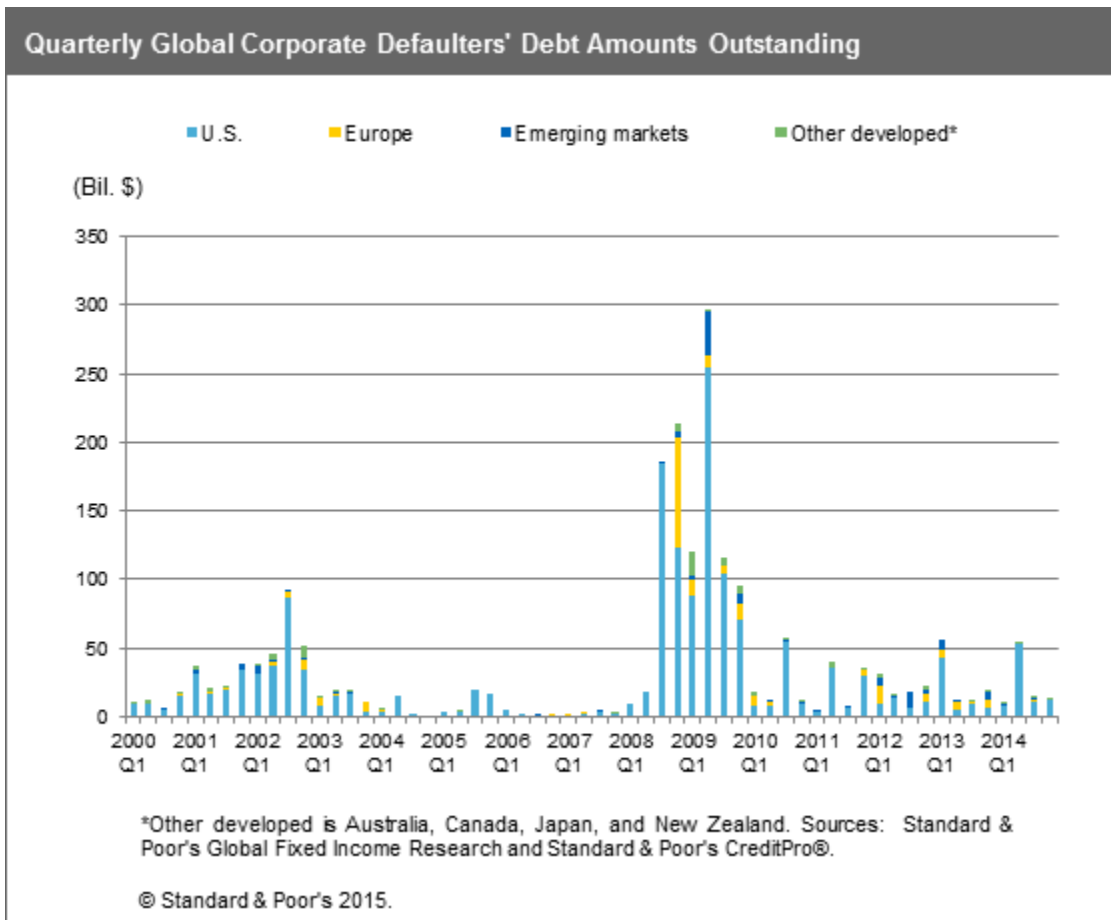
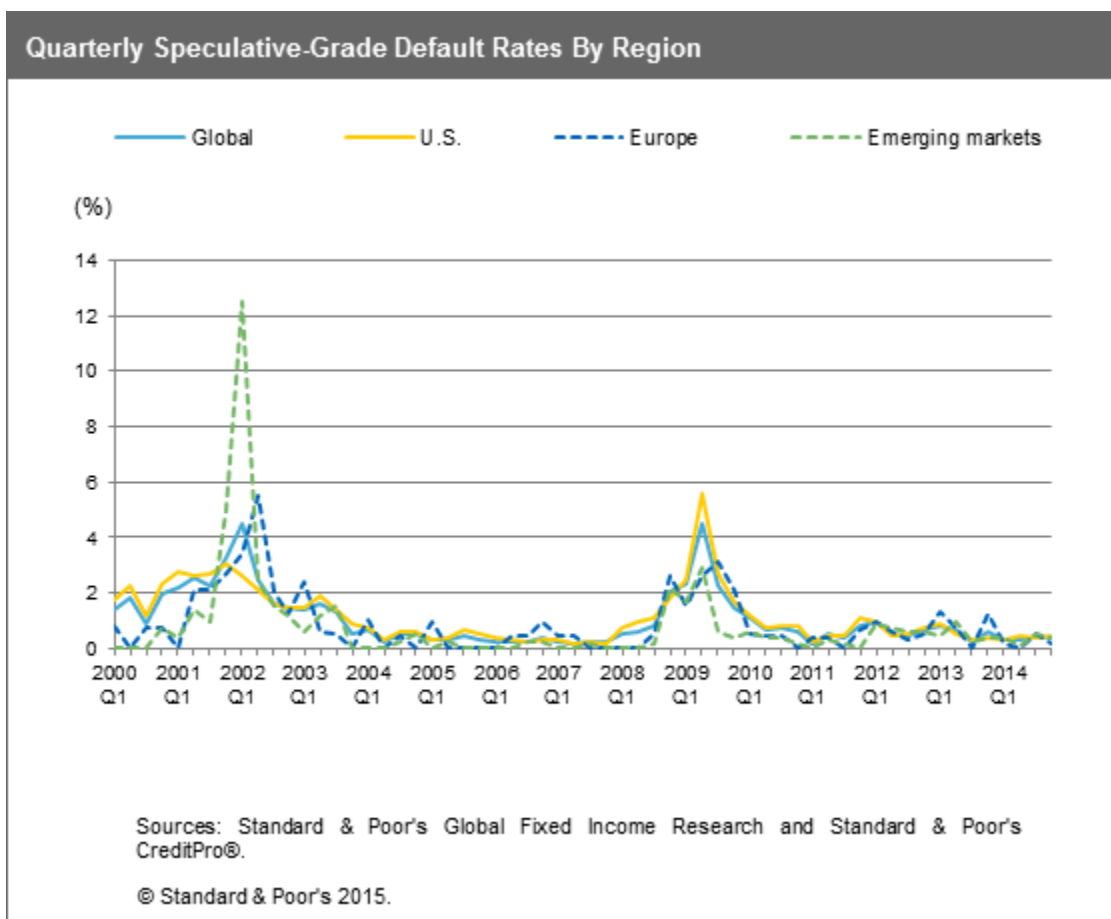


Chart 15



The 12-month-trailing and annual default rates have become industry standards, but default rates measured over shorter time frames give a more immediate picture of credit market conditions. Based on quarterly intervals of measurement (nonannualized), default activity appears to have been subdued in 2014. Averaged over the four quarters of 2014, global, U.S., Europe, and emerging markets default rates came in at only 0.37%, 0.39%, 0.22%, and 0.35%, respectively (see chart 16).

Chart 16



Lower Ratings Are Consistent With Higher Default Vulnerability

On average, there is a negative correlation between the initial rating on a firm and its time to default, if that occurs. For example, for the entire pool of defaulters (1981-2014), the average times to default for issuers that were originally rated in the 'A' and 'B' categories were 12.7 years and 4.7 years, respectively, from initial rating (or from Dec. 31, 1980, the start date of the study), whereas issuers in the 'CCC' rating category or lower had an average time to default of only 2.3 years. In cases where an issuer emerges from a prior default (including distressed exchanges), we consider it a separate entity, and the original rating is the first after the default event. Table 10 displays the median, average, and standard deviations for the time to default from the original rating. The differences between each rating category's minimum and maximum times to default are in the last column under "range." Table 11 presents the average and median times to default from each rating category for all subsequent ratings received. In both cases, the standard deviation of the times to default generally shrink progressively as the rating gets lower. Generally speaking, the average time to default for each rating category is longer when based on the initial rating on an issuer than it is based on ratings reached later in the issuer's history, particularly for speculative-grade ratings.

Table 10

Time To Default From Original Rating For Global Corporate Defaulters (1981-2014)					
Original rating	Defaults	Average years from original rating*	Median years from original rating	Standard deviation of years from original rating	Range
AAA	8	18.0	18.5	11.4	23.0
AA	30	14.9	12.8	8.5	27.3
A	91	12.7	10.8	7.7	27.0
BBB	191	8.2	6.8	5.7	30.7
BB	555	6.5	5.1	5.0	28.2
B	1,242	4.7	3.5	3.9	26.5
CCC/C	184	2.3	1.4	2.8	17.4
Total	2,301	5.7	4.0	5.2	30.9

*Or Dec. 31, 1980, whichever is later. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 11

Time To Default From Post-Original Ratings For Global Corporate Defaulters (1981-2014)				
Rating path to default	Average years from rating category	Median years from rating category	Standard deviation of years from rating category	
AAA	19.5	19.5	5.4	
AA	13.5	15.2	8.3	
A	10.1	8.8	7.1	
BBB	7.5	5.8	6.3	
BB	5.1	3.6	4.9	
B	2.7	1.5	3.3	
CCC/C	0.8	0.3	1.5	
NR	4.5	2.8	4.7	
Total	3.1	1.2	4.4	

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 12 shows the cumulative distribution of defaulters by timeline of default count based on the original rating on a firm. The first row is the rating distribution of defaults occurring within 12 months of the original rating. The second row is the distribution of the cumulative count of defaults occurring within three years of the original rating. In line with expectations, the majority (90.2%) of companies that defaulted within one year of the original rating are from the lowest speculative-grade rating categories (see table 12). For example, of the 153 companies that defaulted within 12 months of having been rated, 138 were originally in the 'B' category ('B+', 'B', and 'B-') or lower. Only when looking at longer time frames do companies with higher original ratings surface among the defaulters. For example, of all the companies that defaulted during 1981-2014, only two entities rated 'AAA' at inception defaulted within seven years. Throughout the 34-year span, only eight companies initially rated 'AAA' have ever defaulted. These were Macy's Inc., Ally Financial Inc., Ambac Assurance Corp., Mutual Benefit Life Insurance Co., Executive Life Insurance Co. CA, Confederation Life Insurance Co., Motors Liquidation Co. (formerly known as General Motors Corp.), and Eastman Kodak Co.

Table 13 shows the cumulative defaults over various time horizons from all ratings received subsequent to initial ratings. Each issuer is likely to be captured multiple times, in line with its migration from one rating to another, so the

total count in table 13 is different from that in table 12. Ten companies rated 'A' at any point in their lifetimes defaulted within one year of receiving this rating. In table 13, the times to default are from the date that each entity received each unique rating in its path to default. In contrast, table 21 reports transition to default rates using the static-pool methodology, which calculates movements to default from the beginning of each static-pool year. This usually leads to shorter time frames from which to calculate default statistics. Data provided in table 13 also differ from default rates in table 24 owing to the use of the static-pool methodology. For more information on methodologies and definitions, please see Appendix I.

Table 12

Cumulative Defaulters By Time Horizon Among Global Corporates, From Original* Rating (1981-2014)								
	AAA	AA	A	BBB	BB	B	CCC/C	Total
Number of issuers defaulting within								
One year				3	12	70	68	153
Three years		1	6	28	132	508	137	812
Five years		4	13	68	273	837	165	1,360
Seven years	2	7	27	99	365	1,016	174	1,690
Total	8	30	91	191	555	1,242	184	2,301
Percent of total defaults per time frame								
One year	0.0	0.0	0.0	2.0	7.8	45.8	44.4	
Three years	0.0	0.1	0.7	3.4	16.3	62.6	16.9	
Five years	0.0	0.3	1.0	5.0	20.1	61.5	12.1	
Seven years	0.1	0.4	1.6	5.9	21.6	60.1	10.3	
Total	0.3	1.3	4.0	8.3	24.1	54.0	8.0	

*Or Dec. 31, 1980, whichever is later. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 13

Cumulative Defaulters By Time Horizon Among Global Corporates, From Post-Original Rating (1981-2014)									
	AAA	AA	A	BBB	BB	B	CCC/C	NR	Total
Number of issuers defaulting within									
One year			10	64	165	912	1,948	124	3,223
Three years		7	40	137	403	1,694	2,329	290	4,900
Five years		9	60	189	553	2,036	2,413	375	5,635
Seven years		14	73	242	668	2,196	2,446	433	6,072
Total	2	45	191	428	905	2,409	2,478	552	7,010
Percent of total defaults per time frame									
One year	0.0	0.0	0.3	2.0	5.1	28.3	60.4	3.8	
Three years	0.0	0.1	0.8	2.8	8.2	34.6	47.5	5.9	
Five years	0.0	0.2	1.1	3.4	9.8	36.1	42.8	6.7	
Seven years	0.0	0.2	1.2	4.0	11.0	36.2	40.3	7.1	
Total	0.0	0.6	2.7	6.1	12.9	34.4	35.3	7.9	

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Defaults are disproportionately from low rating categories, even during times of heightened stress (see table 14). Over

longer time horizons, the same is true. For example, 192 defaults were recorded in the five-year pool that began in January 2010, of which 98.4% were rated speculative grade on Jan. 1, 2010. (See table 15 for the three publicly rated investment-grade defaults during this time period.) Among nonfinancial entities, the lower the rating, the higher the number of defaults and the lower the survival rates. Among financials, ratings are concentrated in investment grade, and the speculative-grade category accounts for no more than 25.2% of all ratings in these pools. Because of the severity of the financial crisis that began in 2008, some defaults emanated from the investment-grade category in the five-year horizons. Despite this, only three defaults have come from the 2014 pool thus far, and those were from the lowest rating categories (see table 14).

Table 14

Rating	--Latest one-year--			--Latest three-year--			--Latest five-year--		
	# of ratings as of 1/1/2014	# of defaults through December 2014	Nondefault rate (%)	# of ratings as of 1/1/2012	# of defaults through December 2014	Nondefault rate (%)	# of ratings as of 1/1/2010	# of defaults through December 2014	Nondefault rate (%)
Global									
AAA	19	0	100.0	24	0	100.0	64	0	100.0
AA	325	0	100.0	341	0	100.0	369	0	100.0
A	1,290	0	100.0	1,299	0	100.0	1,319	0	100.0
BBB	1,708	0	100.0	1,577	0	100.0	1,419	3	99.8
BB	1,168	0	100.0	1,010	10	99.0	866	18	97.9
B	1,813	14	99.2	1,410	80	94.3	1,054	84	92.0
CCC/C	182	31	83.0	150	59	60.7	220	87	60.5
Nonfinancials									
AAA	11	0	100.0	13	0	100.0	10	0	100.0
AA	95	0	100.0	83	0	100.0	105	0	100.0
A	529	0	100.0	542	0	100.0	536	0	100.0
BBB	1,170	0	100.0	1,050	0	100.0	938	0	100.0
BB	914	0	100.0	804	8	99.0	670	11	98.4
B	1,584	13	99.2	1,227	72	94.1	922	79	91.4
CCC/C	147	29	80.3	127	55	56.7	191	78	59.2
Financials									
AAA	8	0	100.0	11	0	100.0	54	0	100.0
AA	230	0	100.0	258	0	100.0	264	0	100.0
A	761	0	100.0	757	0	100.0	783	0	100.0
BBB	538	0	100.0	527	0	100.0	481	3	99.4
BB	254	0	100.0	206	2	99.0	196	7	96.4
B	229	1	99.6	183	8	95.6	132	5	96.2
CCC/C	35	2	94.3	23	4	82.6	29	9	69.0

Note: The totals included may differ from the counts in table 1 because defaults that are not rated at the beginning of the pool year are excluded. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 15

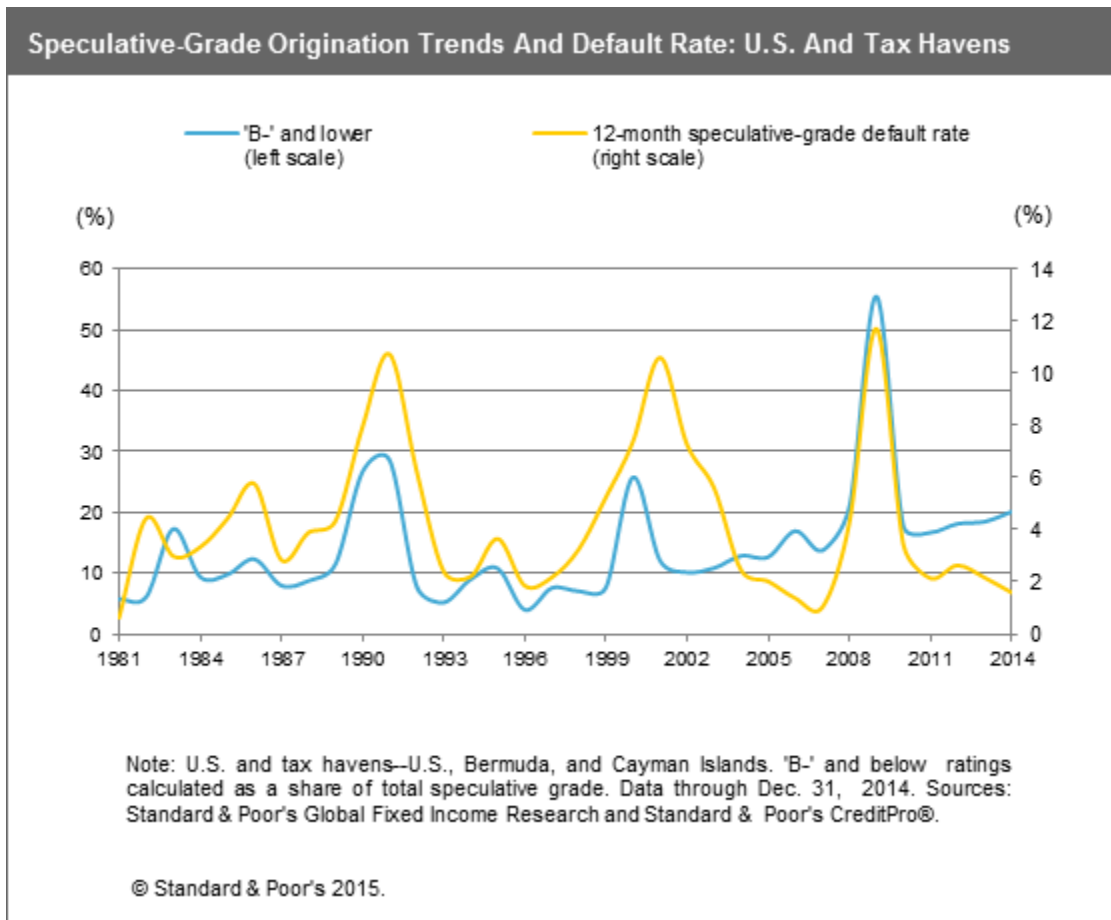
Investment-Grade Defaults In The Five-Year 2010 Static Pool

Company name	Country	Industry	Default date	Rating one year prior to default	Rating three years prior to default	First rating	Date of first rating	Year of default
MF Global Holdings Ltd.	U.S.	Financial institutions	10/31/2011	BBB-	11/24/2010	BBB+	5/31/2007	2011
Republic Mortgage Insurance Co.	U.S.	Insurance	1/26/2012	CC	10/28/2011	AA	3/28/1983	2012
Irish Bank Resolution Corporation Limited	Ireland	Financial institutions	2/8/2013	B-	8/21/2012	A	3/30/2007	2013

Note: Excludes confidentially rated defaults. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Since 1981, the 'B' rating category ('B+', 'B', and 'B-') has accounted for 1,242 defaulters (54% of the total, from initial rating), more than double the number of entities in the 'BB' category (see tables 10 and 12). Given the historical track record, monitoring the movement in new rating patterns could prove useful in anticipating future default activity based on the notion that years characterized by high numbers of new ratings of 'B-' or lower will likely be followed by increased default risk (within this report, issuers that re-emerge from default and receive a subsequent rating are treated as new issuers). Chart 17 plots the proportion of all new speculative-grade ratings 'B-' or lower in the U.S. against the year-end U.S. speculative-grade default rate. As coincident indicators, broad movements in the two series generally mirror each other throughout most of their shared history--uncannily so in the most recent spike in the default rate.

Chart 17



Industry Variations

For the most part, default rates across both nonfinancial and financial companies decreased in 2014 relative to the prior year, and all are below their long-term averages (see table 16). Across various time frames, default rates are, on average, always higher for nonfinancial companies than they are for financial companies. In 2014, financial companies accounted for 10% of total defaults globally. This is up slightly from an atypically low 6.2% in 2013, but it's still lower than the 11.2% level over the 34-year total. Default rates across various time horizons are also lower in the past two years relative to long-term averages. This is the case even at the 10-year horizon, reflecting extended periods of lower-than-average default rates across these broad industrial classifications.

Table 16

Cumulative Global Corporate Default Rates By Sector (%)							
Sector	2014	2013	Average (1981-2014)	Median	Standard deviation	Minimum	Maximum
Financial institutions							
One-year	0.24	0.33	0.66	0.31	0.75	0.00	2.69
Three-year	1.11	1.56	1.94	1.43	1.70	0.00	6.59

Table 16

Cumulative Global Corporate Default Rates By Sector (%) (cont.)							
10-year	2.66	2.41	4.67	4.12	2.57	1.61	9.82
Insurance							
One-year	0.00	0.00	0.58	0.28	1.04	0.00	5.13
Three-year	0.13	0.50	1.80	1.12	1.84	0.13	7.69
10-year	2.20	2.30	5.69	4.71	3.44	2.20	16.13
All financials							
One-year	0.15	0.20	0.60	0.42	0.56	0.00	2.03
Three-year	0.71	1.12	1.82	1.79	1.25	0.18	5.07
10-year	2.48	2.37	4.98	4.41	2.28	2.37	8.79
All nonfinancials							
One-year	0.94	1.48	1.81	1.39	1.37	0.16	5.69
Three-year	3.51	3.44	5.16	3.98	3.04	1.89	12.48
10-year	8.21	7.88	11.51	10.46	3.41	7.02	19.41

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Over the long term, cyclicity has been more pronounced in nonfinancial sectors than in financial sectors, which is as we would expect considering the differences in their rating profiles (see chart 18). Financial companies were more likely to possess an initial rating in the investment-grade category, while nonfinancial companies were more likely to initially have speculative-grade ratings. Over the 34 years this study covers, 72.4% of financial entities had initial investment-grade ratings, while only 33% of nonfinancials did. This helps to explain the resemblance between the annual default rates of nonfinancial entities and those of the speculative-grade universe as a whole. This certainly contributes to the vast differences between cumulative default rates across financial and nonfinancial sectors (see table 16). For example, at the end of 2014, the one-year default rate among all financial entities was 0.15%, compared with 0.94% for all nonfinancials. The gap is even wider over longer time horizons, such as three years and 10 years (see chart 19).

Chart 18

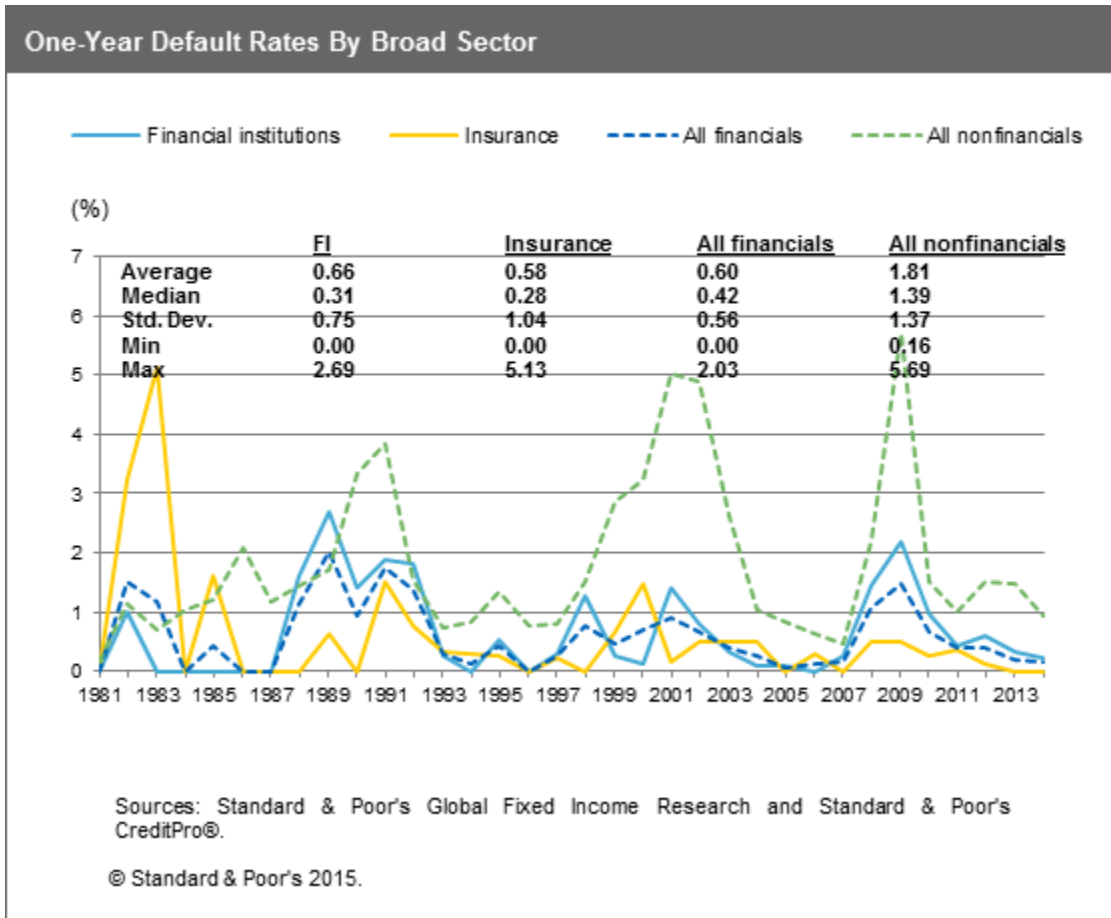
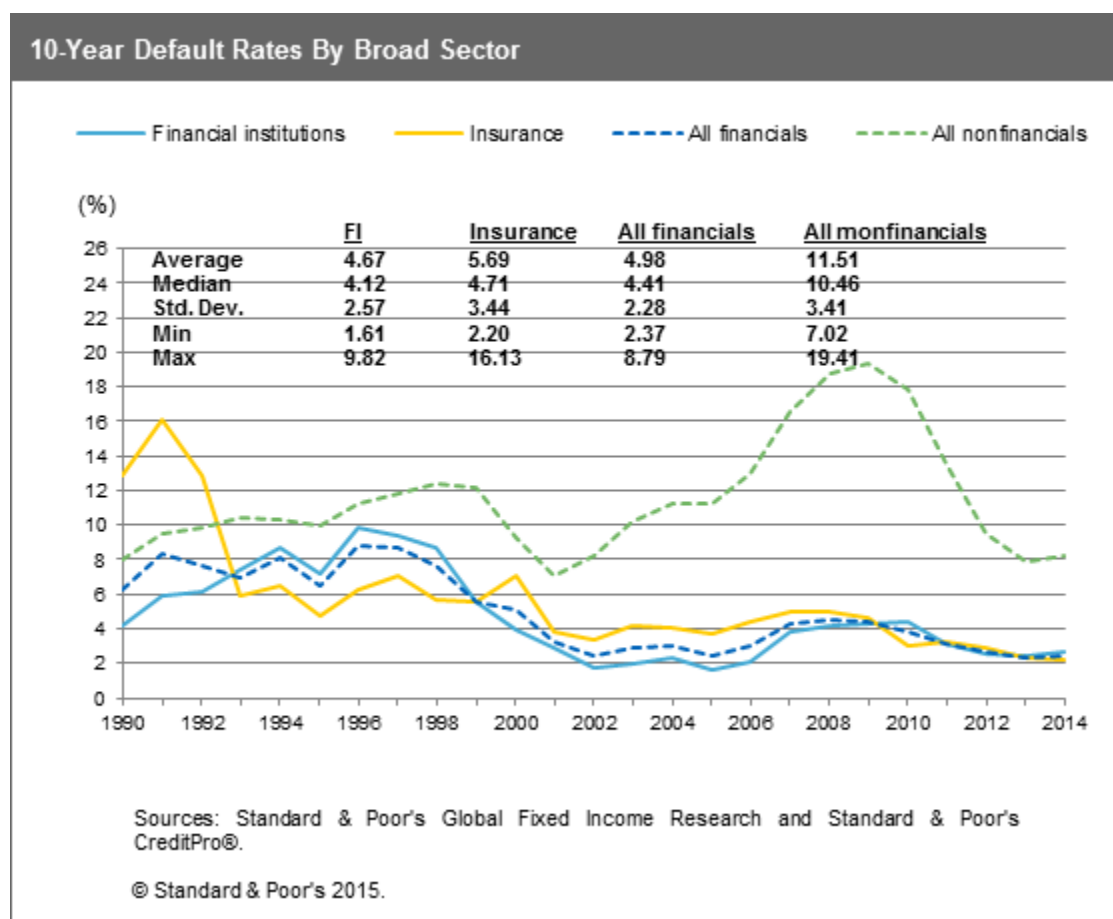


Chart 19



Of the 2,301 defaults recorded globally over the long term, six sectors displayed an average time to default that is lower than the overall average of 5.7 years. These sectors are energy and natural resources, financial institutions, high technology/computers/office equipment, leisure time/media, real estate, and telecommunications (see table 17). Using the median rather than the mean adds the transportation sector to the list.

Table 17

Time To Default From Original Rating* Grouped By Industry (%)							
	Median original rating (defaulters)	Median original rating (industry)	Defaults	Average years from original rating*	Median years from original rating	Standard deviation of years from original rating	Range (years)
Aerospace/automotive/capital goods/metal	B+	BB-	347	6.3	4.5	5.5	28.2
Consumer/service sector	B+	B+	423	6.4	4.7	5.3	26.6
Energy and natural resources	B	BB-	157	3.9	2.9	3.6	22.9
Financial institutions	BB-	BBB	187	5.0	3.6	5.4	28.6
Forest and building products/homebuilders	B+	BB-	147	6.5	4.8	5.3	27.8
Health care/chemicals	B+	B+	139	5.9	4.1	5.2	28.0

Table 17

Time To Default From Original Rating* Grouped By Industry (%) (cont.)							
High technology/computers/office equipment	B+	B+	78	5.3	3.9	4.6	28.3
Insurance	A-	A	70	8.0	6.6	6.4	28.6
Leisure time/media	B+	B+	340	5.5	4.0	4.9	29.0
Real estate	BB-	BBB-	38	3.8	2.8	2.9	10.5
Telecommunications	B	B+	167	3.9	3.1	3.0	21.4
Transportation	B+	BB+	133	6.2	3.9	6.1	30.9
Utility	BB+	BBB+	75	6.0	4.0	5.9	24.3
Total	B+	BB	2,301	5.7	4.0	5.2	30.9

*Or Dec. 31, 1980, whichever is later. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 18

Time To Default From Post-Original Ratings, Grouped By Industry (%)			
	Average years to default	Median years to default	Standard deviation of years to default
Aerospace/automotive/capital goods/metal	3.6	1.5	4.9
Consumer/service sector	3.3	1.7	4.2
Energy and natural resources	2.1	0.9	3.3
Financial institutions	2.7	0.8	4.6
Forest and building products/homebuilders	3.0	1.4	4.0
Health care/chemicals	2.9	1.3	4.1
High technology/computers/office equipment	4.0	2.0	5.3
Insurance	3.1	1.7	3.8
Leisure time/media	3.0	1.2	4.3
Real estate	1.3	0.7	1.8
Telecommunications	1.6	0.6	2.7
Transportation	4.5	1.8	6.0
Utility	2.9	0.7	4.8
Total	3.1	1.2	4.4

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Eight industries had default rates in 2014 that were lower than their comparable 2013 rates, with an average decrease of 1.5% (see table 19). Meanwhile, five other sectors had higher or equal default rates in 2014 relative to 2013, with a more modest average increase of 0.49% among the four that saw increases. The largest increase was in the high technology/computers/office equipment sector, with a default rate of 1.46% in 2014, after experiencing no defaults in 2013. Further emphasizing the benign overall default environment in recent years, 11 sectors in 2014 had default rates below their long-term weighted averages, with an average decline of 1.2%. Industries that had higher default activity in 2014 relative to their long-term averages were energy and natural resources, and high technology/computers/office equipment, with an average increase of only 0.24%.

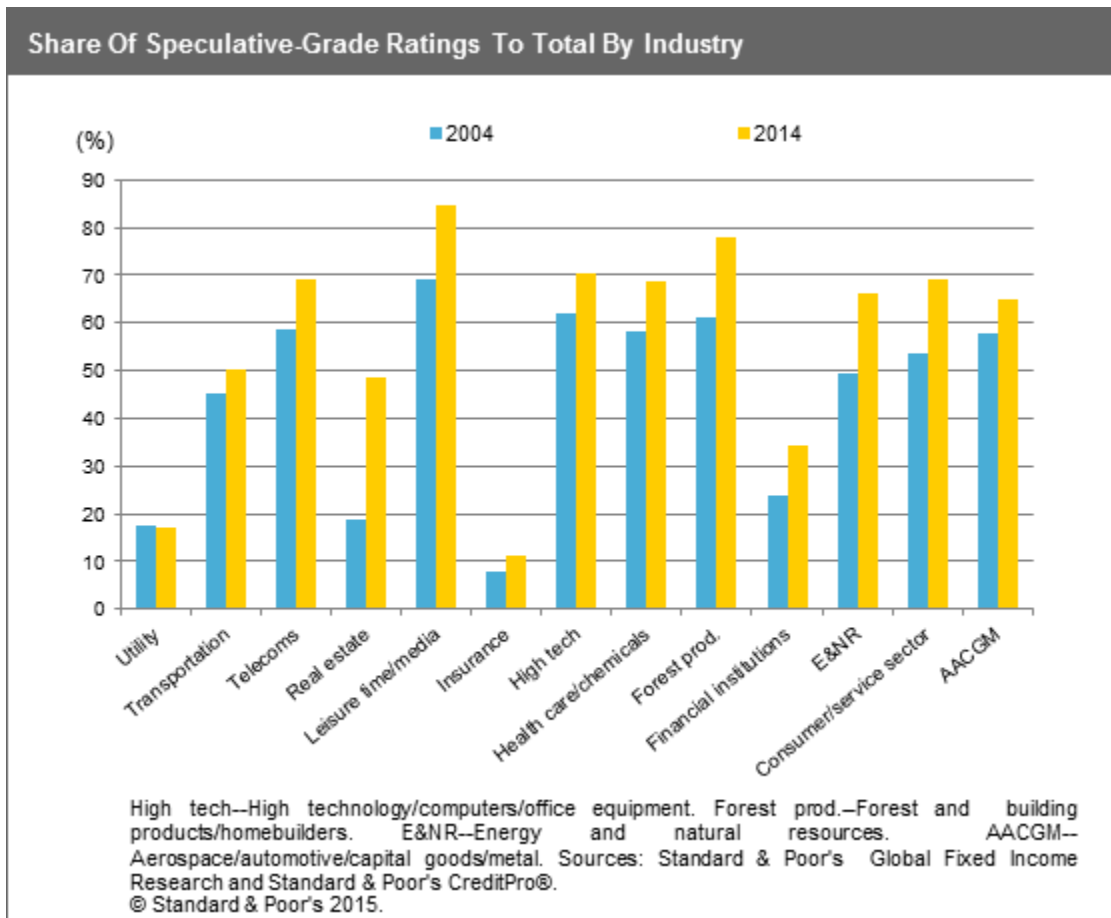
Table 19

	2014	2013	Weighted average (1981-2014)	Median	Standard deviation	Minimum	Maximum
Aerospace/automotive/capital goods/metal	0.5	0.6	2.3	1.3	2.1	0.0	9.6
Consumer/service sector	1.1	0.9	2.3	1.6	1.7	0.0	6.3
Energy and natural resources	2.1	1.9	1.8	1.4	2.1	0.0	10.1
Financial institutions	0.2	0.3	0.7	0.3	0.7	0.0	2.7
Forest and building products/homebuilders	0.0	4.2	2.6	1.4	3.0	0.0	14.3
Health care/chemicals	0.7	1.3	1.5	0.8	1.4	0.0	4.8
High technology/computers/office equipment	1.5	0.0	1.2	1.0	1.5	0.0	4.9
Insurance	0.0	0.0	0.4	0.3	1.0	0.0	5.1
Leisure time/media	2.3	4.3	3.7	2.2	3.4	0.0	17.0
Real estate	0.0	1.0	0.8	0.0	2.5	0.0	9.7
Telecommunications	0.5	2.9	2.9	0.7	4.1	0.0	18.9
Transportation	0.8	2.3	2.1	1.9	1.7	0.0	6.1
Utility	0.3	0.2	0.5	0.2	0.8	0.0	4.2

Note: Includes investment-grade and speculative-grade entities. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

When comparing default rates across sectors, we note some key differences between the various industries. Some of the variation in default rates between sectors stems from overall sample size differences as well as differentiation in the rating mix across industries. For example, the leisure/media sector has a much higher representation of speculative-grade ratings than the financial institutions or insurance sectors (see chart 20). What is most compelling is that besides utilities, all other sectors now have a higher portion of speculative-grade ratings than they did 10 years ago, and speculative-grade-rated issuers account for more than 50% of total issuers in nine of the 13 industries.

Chart 20



Hefty Growth In Speculative-Grade Ratings

History suggests that growth in speculative-grade ratings is usually a precursor to a period of increased defaults. The surge in speculative-grade originations beginning in 2002 in the U.S.--when the high-yield market had the most depth--supports this notion (see chart 23). By contrast, speculative-grade rating originations in Europe are more subdued, which is attributable to much of the leveraged activity having migrated to the private credit estimate market, which is not included in this study or the CreditPro® database (see chart 24). Still, the growth of speculative-grade ratings in Europe has picked up substantially since 2009 as a result of a slight increase in the rate of downgrades and a marked increase in the number of initial speculative-grade ratings for new issuers. The number of new issuers assigned speculative-grade ratings in Europe in 2014 was 171, nearly matching the 2013 high of 174. In the U.S., Standard & Poor's rated 55.9% of issuers speculative grade as of December 2014 (while in Europe, the comparable amount is just under 42%).

On a trailing-12-month basis, the global speculative-grade default rate peaked at 10.4% in November 2009 (see chart 21). Risk tolerance among lenders has continually increased over the five years since the global economic and financial downturn, as demonstrated by an increase in the share of new issuers rated speculative grade over the past five years,

to 74% in 2014. In each of those years, more than 74% of newly rated issuers were speculative-grade. Prior to that, only 2005 saw this percentage surpass 70%. In addition, the total number of issuers receiving initial ratings hit its highest level in 2014, coming in at 943--up from an already high 901 in 2013--further emphasizing the continued positive lending conditions.

Chart 21

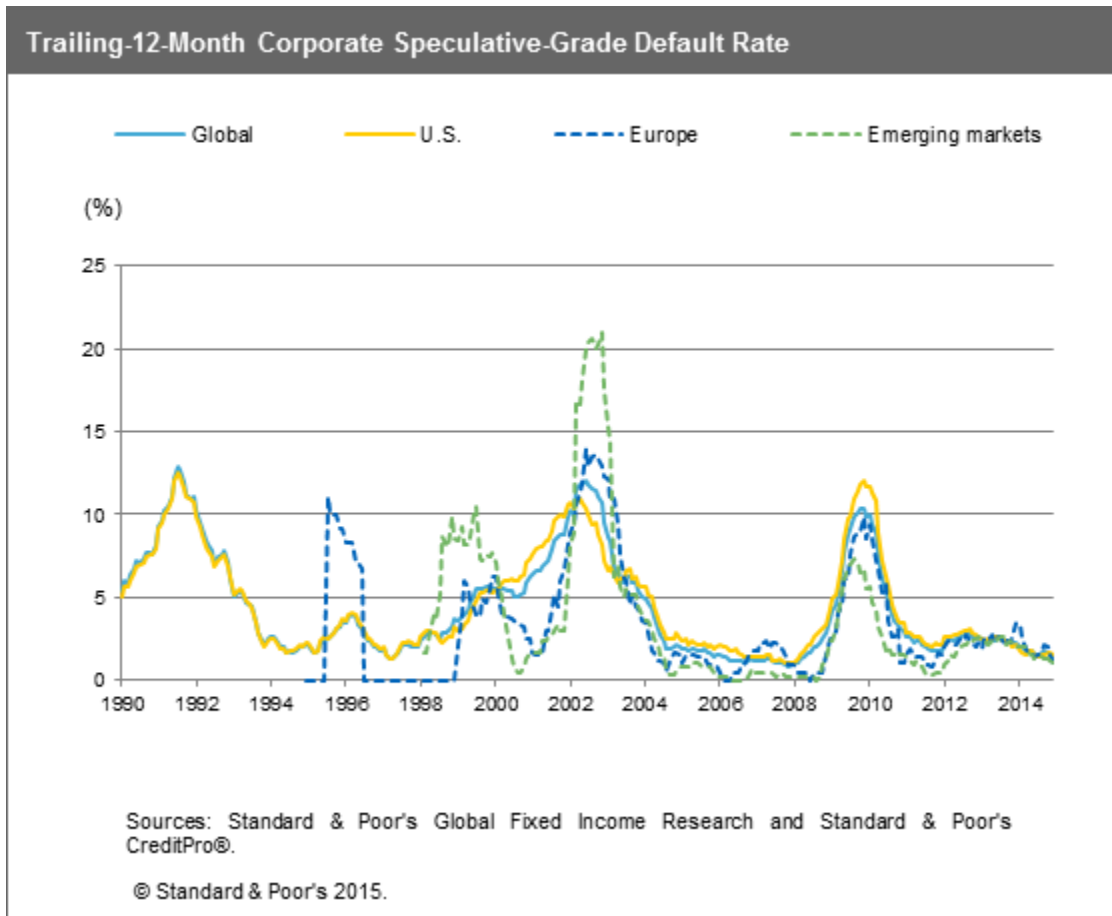


Chart 22

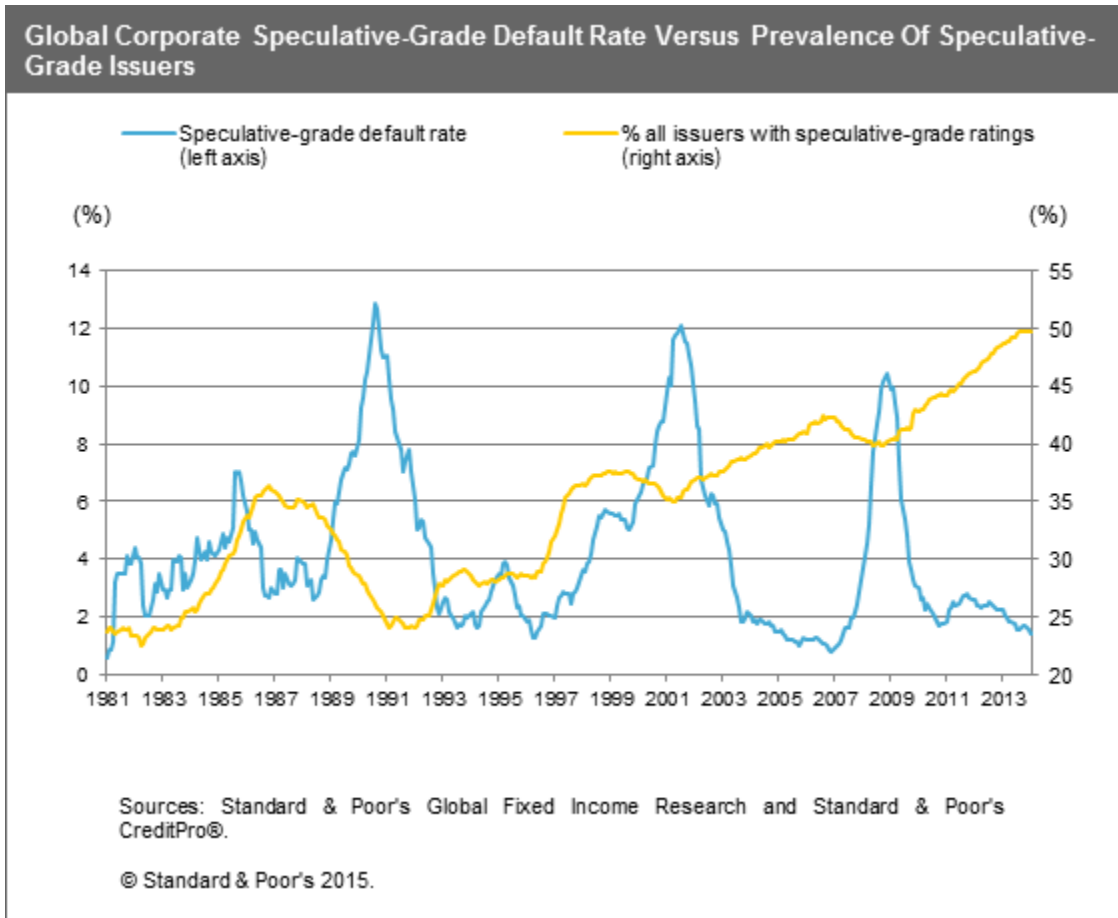


Chart 23

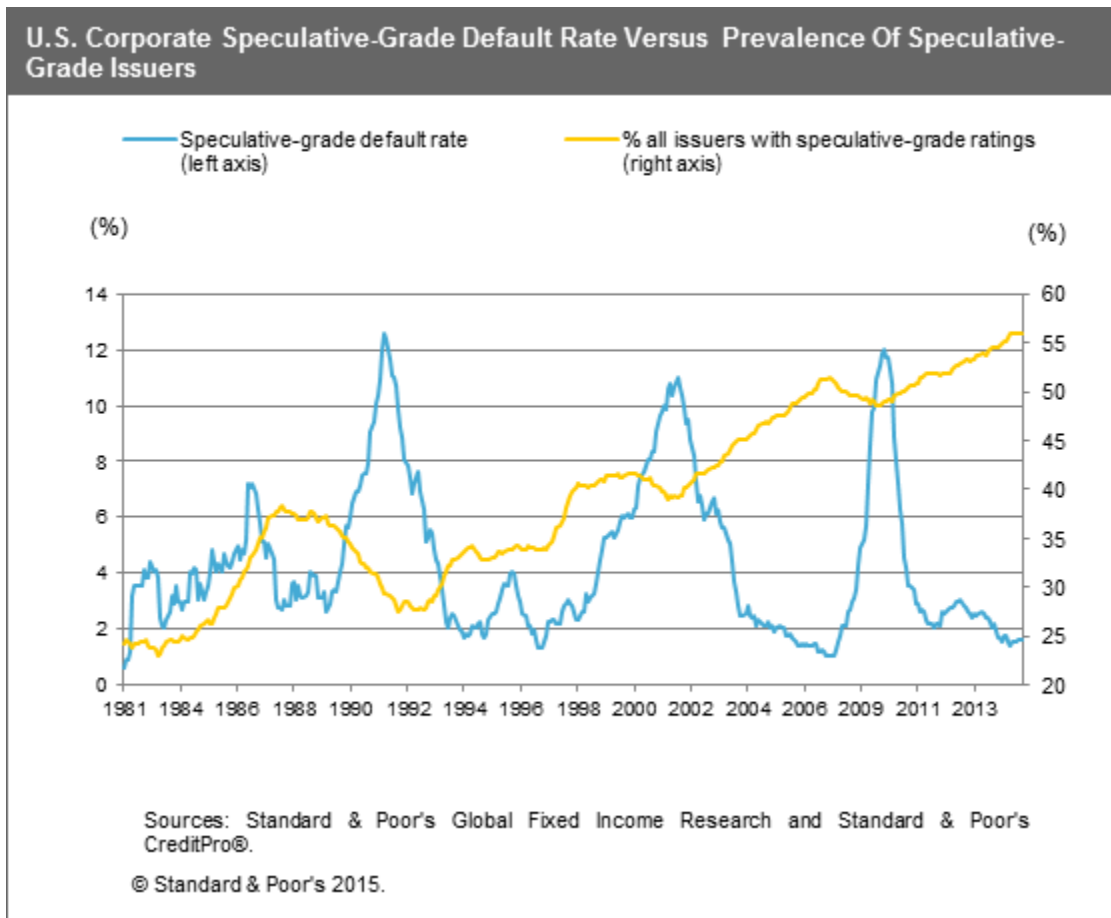
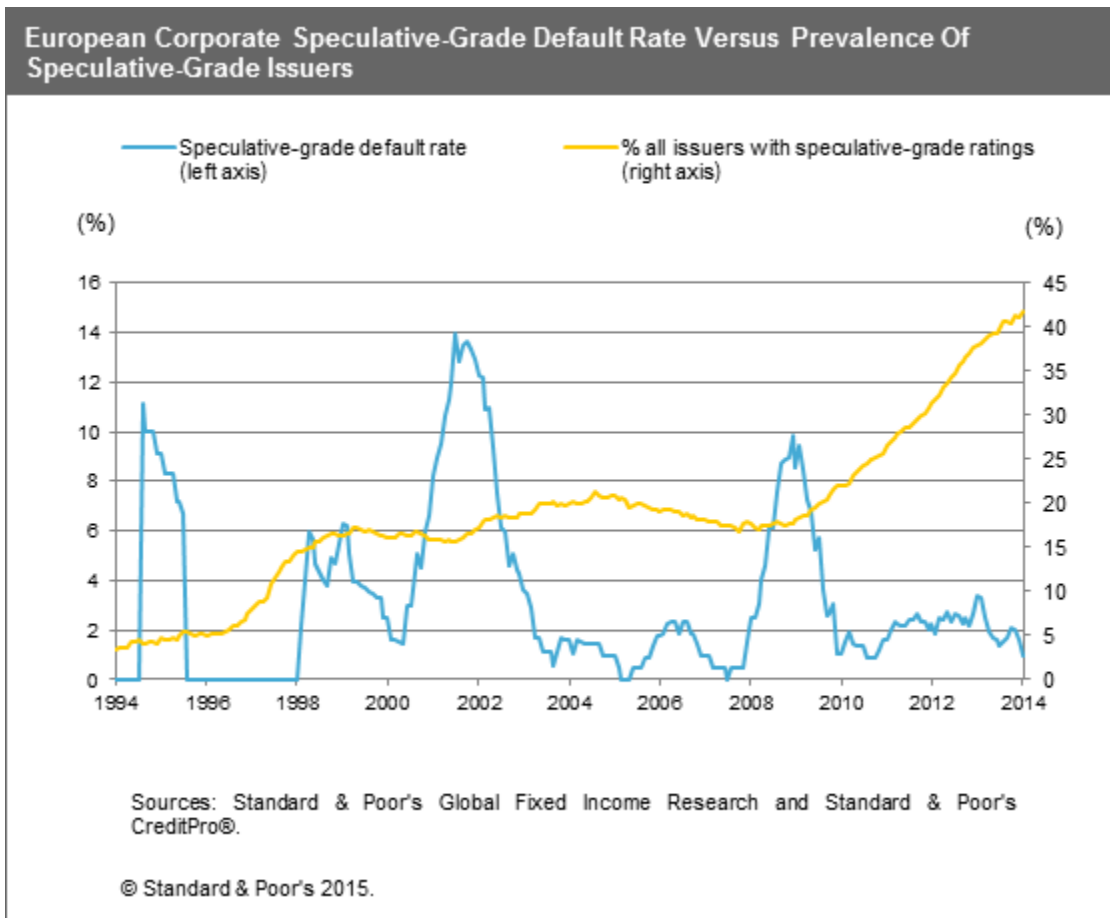


Chart 24



Transition Tables And Cumulative Default Rates

An analysis of transition rates over the four quarters ended December 2014 suggests that ratings behavior continues to exhibit consistency with long-term trends, showing a negative correspondence between ratings and observed frequency of default. Investment-grade-rated issuers--globally as well as in the U.S. and Europe--tend to exhibit greater rating stability (as measured by the frequency of rating transition) than their speculative-grade counterparts (see table 20). For instance, 93.8% of issuers rated 'A' at the beginning of 2014 were still rated 'A' by Dec. 31, 2014, whereas the comparable share for issuers rated 'B' was only 79.7%. The same relationship holds even when analyzing the transition rates by regions.

Over the past few years, events such as the downgrade of the U.S. in 2011 and the lingering effects of the financial crisis on European sovereigns have led to the downgrades of many of the higher-rated financial institutions and insurance companies. Meanwhile, there has been a slower-moving trend of nonfinancial entities being willing to operate with higher leverage in order to grow their businesses or finance acquisitions. These factors, combined with a broadening and depending of the demand side by asset managers with a willingness to invest in lower-quality companies, has led to a diminished number of 'AAA' rated companies over time. For example, at the start of 2008,

'AAA' rated issuers totaled 89 globally. Since then, that number fell to 19 at the start of 2014. By comparison, the largest rating category--the 'BBB' category--had more than 1,400 issuers at the start of 2008 and roughly 1,700 at the start of 2014. Because of the extremely small size of the 'AAA' rating category, the downgrade of even one issuer will have a large effect on this segment's stability rate. This was the case in 2014, which saw four 'AAA' rated issuers downgraded by the end of the year (see table 20).

Over the long term (1981-2014), heightened ratings stability is broadly consistent with higher ratings (see table 21). A key observation when analyzing transition matrices that present averages computed over multiple static pools is that the standard deviations associated with each transition point in the matrix are large relative to the averages (outside of stability rates).

Table 20

2014 One-Year Corporate Transition Rates By Region (%)									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
Global									
AAA	78.95	21.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AA	0.00	96.31	2.15	0.00	0.00	0.00	0.00	0.00	1.54
A	0.00	0.85	93.80	2.56	0.23	0.00	0.00	0.00	2.56
BBB	0.00	0.00	2.93	91.04	2.22	0.00	0.00	0.00	3.81
BB	0.00	0.00	0.00	3.94	84.93	4.11	0.09	0.00	6.93
B	0.00	0.00	0.00	0.06	3.97	79.65	2.81	0.77	12.74
CCC/C	0.00	0.00	0.00	0.00	0.00	7.14	51.10	17.03	24.73
U.S.									
AAA	75.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AA	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A	0.00	1.14	95.62	1.71	0.00	0.00	0.00	0.00	1.52
BBB	0.00	0.00	1.74	94.50	1.61	0.00	0.00	0.00	2.14
BB	0.00	0.00	0.00	3.08	88.44	3.66	0.00	0.00	4.82
B	0.00	0.00	0.00	0.00	4.09	81.47	2.00	0.54	11.90
CCC/C	0.00	0.00	0.00	0.00	0.00	6.02	44.58	25.30	24.10
Europe									
AAA	40.00	60.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AA	0.00	94.00	3.00	0.00	0.00	0.00	0.00	0.00	3.00
A	0.00	0.00	93.51	2.34	0.00	0.00	0.00	0.00	4.16
BBB	0.00	0.00	6.11	85.56	2.78	0.00	0.00	0.00	5.56
BB	0.00	0.00	0.00	7.25	75.65	7.25	0.00	0.00	9.84
B	0.00	0.00	0.00	0.34	6.06	79.12	2.02	1.35	11.11
CCC/C	0.00	0.00	0.00	0.00	0.00	13.79	68.97	3.45	13.79
Emerging markets									
AAA	100	0	0	0	0	0	0	0	0
AA	0.00	93.10	3.45	0.00	0.00	0.00	0.00	0.00	3.45
A	0.00	1.71	90.29	5.14	1.71	0.00	0.00	0.00	1.14
BBB	0.00	0.00	1.96	90.22	3.91	0.00	0.00	0.00	3.91

Table 20

2014 One-Year Corporate Transition Rates By Region (%) (cont.)									
BB	0.00	0.00	0.00	3.39	86.20	3.65	0.26	0.00	6.51
B	0.00	0.00	0.00	0.00	1.54	74.46	6.46	0.92	16.62
CCC/C	0.00	0.00	0.00	0.00	0.00	3.70	57.41	9.26	29.63

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

This study--in line with previous default studies--confirms that over the long term (1981-2014), higher ratings are more stable than lower ratings. 'AAA' rated issuers were still rated 'AAA' one year later 87% of the time, and 'CCC'/'C' ratings remained 'CCC'/'C' 43.9% of the time. These long-term relationships do not change even when default rates are calculated over longer time horizons (see table 21) or when broken out by region (see table 22). In contrast, the relationship is slightly more discontinuous when we examine the rating transitions across modifiers (i.e., a plus or minus after a rating), but these variations are likely a result of sample size variations, and we do not consider them significant (see table 23). For example, 'AA+' rated issuers were still rated 'AA+' one year later 76.7% of the time, and 'AA' rated issuers were still rated 'AA' one year later 80% of the time.

Table 21

Global Corporate Average Transition Rates (1981-2014) (%)									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
One-year									
AAA	87.03	9.03	0.54	0.05	0.08	0.03	0.05	0.00	3.19
	(7.11)	(7.16)	(0.83)	(0.25)	(0.25)	(0.17)	(0.35)	(0.00)	(2.44)
AA	0.54	86.53	8.14	0.54	0.06	0.07	0.02	0.02	4.07
	(0.52)	(5.30)	(4.32)	(0.70)	(0.20)	(0.21)	(0.07)	(0.08)	(1.93)
A	0.03	1.83	87.55	5.38	0.35	0.14	0.02	0.07	4.64
	(0.10)	(1.04)	(3.61)	(2.19)	(0.39)	(0.28)	(0.07)	(0.11)	(1.84)
BBB	0.01	0.11	3.58	85.44	3.75	0.56	0.13	0.20	6.23
	(0.04)	(0.16)	(1.71)	(3.91)	(1.59)	(0.73)	(0.23)	(0.27)	(1.68)
BB	0.01	0.03	0.14	5.16	76.62	6.96	0.66	0.76	9.64
	(0.06)	(0.10)	(0.27)	(1.90)	(4.56)	(3.31)	(0.79)	(0.89)	(2.55)
B	0.00	0.03	0.10	0.21	5.40	74.12	4.37	3.88	11.89
	(0.00)	(0.09)	(0.22)	(0.23)	(2.09)	(4.53)	(2.35)	(3.49)	(2.31)
CCC/C	0.00	0.00	0.14	0.22	0.65	13.26	43.85	26.38	15.49
	(0.00)	(0.00)	(0.47)	(0.73)	(1.01)	(8.31)	(9.50)	(12.11)	(5.61)
Three-year									
AAA	65.46	21.92	2.38	0.33	0.19	0.08	0.11	0.14	9.40
	(11.58)	(12.23)	(1.71)	(0.77)	(0.45)	(0.30)	(0.42)	(0.37)	(5.33)
AA	1.27	64.84	19.20	2.22	0.38	0.24	0.03	0.13	11.68
	(0.80)	(8.57)	(5.98)	(1.33)	(0.51)	(0.46)	(0.08)	(0.19)	(4.10)
A	0.07	4.30	67.70	11.99	1.43	0.51	0.11	0.28	13.60
	(0.10)	(2.08)	(5.92)	(2.80)	(0.97)	(0.64)	(0.14)	(0.28)	(3.58)
BBB	0.02	0.32	8.54	63.59	7.04	1.83	0.33	1.01	17.31
	(0.07)	(0.42)	(3.24)	(6.99)	(2.14)	(1.34)	(0.39)	(0.97)	(3.25)
BB	0.01	0.06	0.58	11.48	45.40	11.81	1.31	4.40	24.94

Table 21

Global Corporate Average Transition Rates (1981-2014) (%) (cont.)									
	(0.06)	(0.14)	(0.74)	(3.41)	(6.36)	(2.74)	(0.98)	(3.58)	(4.27)
B	0.00	0.03	0.26	0.91	10.88	40.64	4.49	13.67	29.11
	(0.06)	(0.13)	(0.46)	(0.82)	(3.29)	(5.93)	(1.81)	(7.87)	(4.96)
CCC/C	0.00	0.00	0.16	0.69	1.80	17.04	10.71	41.44	28.16
	(0.00)	(0.00)	(0.56)	(1.33)	(1.81)	(7.17)	(6.52)	(13.32)	(8.84)
Five-year									
AAA	49.79	27.77	4.90	0.83	0.25	0.17	0.08	0.36	15.85
	(11.83)	(12.68)	(2.66)	(1.55)	(0.47)	(0.41)	(0.28)	(0.60)	(6.49)
AA	1.58	49.58	25.05	3.87	0.62	0.42	0.05	0.36	18.48
	(0.88)	(7.48)	(4.80)	(1.57)	(0.64)	(0.61)	(0.10)	(0.39)	(4.65)
A	0.09	5.34	54.14	15.18	2.25	0.79	0.17	0.62	21.42
	(0.10)	(2.39)	(6.49)	(2.32)	(1.08)	(0.89)	(0.18)	(0.41)	(4.08)
BBB	0.03	0.52	10.40	49.87	7.69	2.47	0.43	2.15	26.44
	(0.08)	(0.56)	(3.45)	(7.08)	(1.83)	(1.46)	(0.41)	(1.40)	(3.99)
BB	0.01	0.08	1.15	12.80	29.42	11.24	1.33	8.35	35.62
	(0.06)	(0.19)	(1.01)	(3.44)	(5.69)	(2.27)	(0.96)	(4.86)	(4.44)
B	0.02	0.03	0.32	1.68	10.57	23.89	2.85	20.61	40.03
	(0.12)	(0.10)	(0.61)	(1.29)	(2.92)	(5.34)	(1.03)	(8.76)	(5.79)
CCC/C	0.00	0.00	0.14	0.74	2.96	12.11	2.68	47.53	33.84
	(0.00)	(0.00)	(0.54)	(1.97)	(2.21)	(4.87)	(4.00)	(12.91)	(9.53)
Seven-year									
AAA	39.20	30.08	7.13	1.55	0.26	0.20	0.12	0.55	20.91
	(9.93)	(10.62)	(2.82)	(1.90)	(0.49)	(0.44)	(0.32)	(0.75)	(6.62)
AA	1.60	39.15	27.89	5.06	0.82	0.41	0.03	0.61	24.44
	(0.91)	(4.95)	(3.74)	(1.51)	(0.61)	(0.52)	(0.09)	(0.53)	(4.56)
A	0.08	5.56	44.74	16.77	2.77	0.96	0.17	1.05	27.89
	(0.12)	(1.92)	(5.81)	(1.55)	(1.15)	(0.95)	(0.18)	(0.47)	(3.83)
BBB	0.04	0.68	10.71	40.84	7.47	2.62	0.42	3.28	33.95
	(0.12)	(0.61)	(3.03)	(6.02)	(0.91)	(1.14)	(0.35)	(1.57)	(3.44)
BB	0.00	0.07	1.51	12.47	20.72	9.79	1.03	11.98	42.43
	(0.00)	(0.20)	(1.12)	(3.44)	(4.90)	(2.37)	(0.71)	(4.91)	(3.84)
B	0.01	0.03	0.44	2.17	8.71	14.93	1.76	25.22	46.75
	(0.09)	(0.09)	(0.63)	(1.60)	(1.86)	(4.13)	(0.65)	(7.97)	(5.49)
CCC/C	0.00	0.00	0.28	1.08	3.30	8.76	1.37	48.72	36.48
	(0.00)	(0.00)	(0.67)	(2.39)	(1.76)	(4.13)	(2.26)	(12.04)	(9.99)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 22

Average One-Year Corporate Transition Rates (1981-2014) (%)									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
U.S.									
AAA	87.30	8.68	0.58	0.04	0.12	0.04	0.04	0.00	3.20
	(10.17)	(10.35)	(1.17)	(0.21)	(0.37)	(0.28)	(0.28)	(0.00)	(2.52)
AA	0.55	86.70	7.74	0.61	0.08	0.11	0.04	0.04	4.12
	(0.52)	(6.31)	(4.64)	(0.85)	(0.23)	(0.29)	(0.11)	(0.16)	(2.49)
A	0.05	1.82	87.58	5.46	0.43	0.17	0.03	0.08	4.40
	(0.13)	(1.21)	(4.08)	(2.58)	(0.50)	(0.34)	(0.12)	(0.16)	(1.85)
BBB	0.01	0.13	3.56	85.77	3.93	0.66	0.12	0.24	5.59
	(0.05)	(0.19)	(2.04)	(4.81)	(1.78)	(0.91)	(0.17)	(0.33)	(2.06)
BB	0.02	0.05	0.19	5.06	76.49	7.84	0.62	0.84	8.88
	(0.09)	(0.12)	(0.31)	(2.37)	(5.28)	(4.08)	(0.74)	(0.89)	(2.71)
B	0.00	0.04	0.13	0.22	4.93	75.14	4.43	4.03	11.08
	(0.00)	(0.11)	(0.25)	(0.26)	(2.06)	(4.91)	(2.64)	(3.56)	(2.47)
CCC/C	0.00	0.00	0.20	0.30	0.76	12.38	44.06	28.10	14.20
	(0.00)	(0.00)	(0.60)	(0.88)	(1.24)	(8.25)	(9.19)	(12.01)	(5.49)
Europe									
AAA	82.67	11.27	0.63	0.21	0.00	0.00	0.21	0.00	5.01
	(7.62)	(8.46)	(1.72)	(1.24)	(0.00)	(0.00)	(1.03)	(0.00)	(4.51)
AA	0.28	84.38	10.84	0.62	0.00	0.00	0.00	0.00	3.89
	(0.50)	(6.98)	(6.39)	(1.22)	(0.00)	(0.00)	(0.00)	(0.00)	(1.93)
A	0.02	2.00	86.34	6.12	0.23	0.02	0.00	0.05	5.24
	(0.06)	(1.49)	(4.59)	(3.52)	(0.39)	(0.07)	(0.00)	(0.10)	(1.87)
BBB	0.00	0.12	4.48	82.96	4.25	0.44	0.12	0.09	7.55
	(0.00)	(0.23)	(2.03)	(3.47)	(2.77)	(0.58)	(0.32)	(0.24)	(2.76)
BB	0.00	0.00	0.11	5.25	71.82	7.96	0.51	0.51	13.83
	(0.00)	(0.00)	(0.77)	(2.47)	(7.04)	(3.79)	(1.19)	(0.99)	(4.92)
B	0.00	0.00	0.06	0.47	7.35	69.88	4.41	3.00	14.82
	(0.00)	(0.00)	(0.31)	(0.69)	(3.28)	(7.76)	(2.94)	(3.83)	(6.52)
CCC/C	0.00	0.00	0.00	0.00	0.00	15.82	37.85	27.12	19.21
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(13.69)	(19.89)	(21.08)	(13.43)
Emerging markets									
AAA	92.59	3.70	0.00	0.00	0.00	0.00	0.00	0.00	3.70
	(19.26)	(12.27)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(15.81)
AA	1.67	87.08	7.50	0.42	0.00	0.00	0.00	0.00	3.33
	(6.20)	(14.24)	(10.26)	(2.31)	(0.00)	(0.00)	(0.00)	(0.00)	(4.58)
A	0.00	1.77	90.15	4.78	0.47	0.47	0.00	0.06	2.30
	(0.00)	(1.43)	(6.14)	(4.79)	(0.94)	(1.41)	(0.00)	(0.18)	(1.28)
BBB	0.00	0.03	2.89	86.97	3.51	0.54	0.27	0.16	5.64
	(0.00)	(0.11)	(2.65)	(5.35)	(3.43)	(1.55)	(1.30)	(0.45)	(2.24)
BB	0.00	0.00	0.00	5.15	79.57	4.29	0.94	0.74	9.31

Table 22

Average One-Year Corporate Transition Rates (1981-2014) (%) (cont.)									
	(0.00)	(0.00)	(0.00)	(2.64)	(5.34)	(2.47)	(2.61)	(1.37)	(3.99)
B	0.00	0.00	0.00	0.06	6.93	71.61	3.89	3.10	14.42
	(0.00)	(0.00)	(0.00)	(0.28)	(4.18)	(5.83)	(3.52)	(4.07)	(3.46)
CCC/C	0.00	0.00	0.00	0.00	0.40	17.14	46.37	17.54	18.55
	(0.00)	(0.00)	(0.00)	(0.00)	(0.92)	(13.03)	(14.39)	(17.51)	(12.06)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. For Europe and emerging markets, calculations are for 1996-2014 due to sample size considerations. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 23

Average One-Year Transition Rates For Global Corporates By Rating Modifier (1981-2014) (%)																		
--Rating--																		
From/to	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	D	NR
AAA	87.03	5.76	2.57	0.70	0.16	0.24	0.13	0.00	0.05	0.00	0.03	0.05	0.00	0.00	0.03	0.00	0.00	3.19
	(7.11)	(6.00)	(3.31)	(1.04)	(0.45)	(0.56)	(0.35)	(0.00)	(0.25)	(0.00)	(0.17)	(0.19)	(0.00)	(0.00)	(0.17)	(0.00)	(0.00)	(2.44)
AA+	2.50	76.73	12.01	3.83	0.80	0.43	0.21	0.05	0.11	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.29
	(3.72)	(10.59)	(7.15)	(4.24)	(2.47)	(0.87)	(0.50)	(0.26)	(0.70)	(0.23)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(3.04)
AA	0.45	1.28	80.01	8.72	2.93	1.25	0.40	0.42	0.14	0.09	0.05	0.03	0.02	0.02	0.00	0.02	0.02	4.11
	(0.51)	(1.61)	(8.87)	(6.16)	(2.62)	(1.24)	(0.67)	(0.83)	(0.36)	(0.24)	(0.16)	(0.13)	(0.10)	(0.12)	(0.00)	(0.09)	(0.09)	(2.65)
AA-	0.05	0.13	4.11	77.39	10.19	2.50	0.64	0.30	0.17	0.08	0.03	0.00	0.00	0.03	0.09	0.00	0.03	4.27
	(0.14)	(0.32)	(4.28)	(7.03)	(5.03)	(2.64)	(0.85)	(0.51)	(0.46)	(0.26)	(0.21)	(0.00)	(0.00)	(0.16)	(0.40)	(0.00)	(0.11)	(2.04)
A+	0.00	0.07	0.52	4.62	77.21	9.11	2.40	0.70	0.38	0.09	0.07	0.10	0.01	0.08	0.03	0.00	0.06	4.54
	(0.00)	(0.21)	(0.71)	(2.64)	(5.57)	(3.14)	(1.47)	(0.66)	(0.45)	(0.19)	(0.18)	(0.26)	(0.06)	(0.20)	(0.14)	(0.00)	(0.15)	(1.97)
A	0.04	0.05	0.25	0.49	5.21	77.88	6.94	2.58	1.00	0.31	0.13	0.12	0.09	0.11	0.02	0.00	0.07	4.69
	(0.14)	(0.14)	(0.52)	(0.48)	(2.06)	(5.32)	(3.07)	(1.76)	(0.95)	(0.40)	(0.21)	(0.29)	(0.33)	(0.35)	(0.10)	(0.00)	(0.12)	(2.29)
A-	0.05	0.01	0.08	0.16	0.52	6.83	76.37	7.56	2.34	0.67	0.17	0.17	0.14	0.13	0.03	0.01	0.08	4.65
	(0.21)	(0.05)	(0.16)	(0.29)	(0.63)	(3.30)	(5.71)	(3.21)	(1.55)	(0.65)	(0.35)	(0.37)	(0.25)	(0.31)	(0.08)	(0.09)	(0.20)	(1.95)
BBB+	0.00	0.01	0.07	0.08	0.25	0.90	7.30	73.86	8.58	1.85	0.43	0.37	0.15	0.20	0.13	0.03	0.13	5.60
	(0.00)	(0.05)	(0.17)	(0.20)	(0.47)	(1.08)	(3.11)	(5.90)	(3.47)	(1.52)	(0.56)	(0.60)	(0.23)	(0.45)	(0.32)	(0.10)	(0.29)	(2.03)
BBB	0.01	0.01	0.05	0.03	0.12	0.38	1.11	7.56	74.75	6.42	1.50	0.71	0.32	0.28	0.14	0.04	0.19	6.30
	(0.08)	(0.08)	(0.15)	(0.14)	(0.23)	(0.72)	(1.03)	(3.20)	(4.50)	(2.43)	(1.08)	(0.62)	(0.51)	(0.48)	(0.41)	(0.11)	(0.29)	(2.11)
BBB-	0.01	0.01	0.01	0.06	0.07	0.18	0.31	1.31	9.37	71.76	5.41	2.29	0.88	0.44	0.29	0.18	0.30	6.86
	(0.08)	(0.05)	(0.05)	(0.22)	(0.18)	(0.42)	(0.61)	(1.21)	(3.29)	(5.49)	(2.13)	(1.57)	(0.81)	(0.87)	(0.50)	(0.49)	(0.42)	(2.36)
BB+	0.06	0.00	0.00	0.04	0.02	0.11	0.10	0.53	2.02	12.01	63.72	6.62	3.01	1.07	0.67	0.23	0.40	8.92
	(0.24)	(0.00)	(0.00)	(0.14)	(0.10)	(0.43)	(0.31)	(0.75)	(1.97)	(4.48)	(6.28)	(2.87)	(2.10)	(1.75)	(1.28)	(0.36)	(0.68)	(3.07)
BB	0.00	0.00	0.05	0.02	0.00	0.08	0.06	0.21	0.61	2.38	9.81	64.41	7.78	2.31	1.16	0.40	0.64	9.44
	(0.00)	(0.00)	(0.23)	(0.07)	(0.00)	(0.40)	(0.24)	(0.45)	(0.92)	(2.28)	(4.58)	(5.40)	(2.89)	(1.60)	(1.41)	(0.61)	(0.71)	(3.27)
BB-	0.00	0.00	0.00	0.01	0.01	0.01	0.06	0.12	0.26	0.43	1.97	9.45	63.02	8.51	3.16	0.86	1.09	10.26
	(0.00)	(0.00)	(0.00)	(0.11)	(0.09)	(0.08)	(0.30)	(0.26)	(0.47)	(0.67)	(1.72)	(4.09)	(5.77)	(4.00)	(1.70)	(0.90)	(1.51)	(2.75)
B+	0.00	0.01	0.00	0.04	0.00	0.04	0.07	0.05	0.05	0.12	0.31	1.57	7.88	63.63	8.46	2.62	2.23	11.17
	(0.00)	(0.06)	(0.00)	(0.15)	(0.00)	(0.10)	(0.22)	(0.14)	(0.17)	(0.22)	(0.37)	(1.12)	(3.59)	(5.68)	(3.46)	(1.33)	(2.12)	(2.66)
B	0.00	0.00	0.01	0.01	0.00	0.05	0.06	0.02	0.08	0.04	0.17	0.32	1.42	8.58	60.39	8.26	4.29	11.95
	(0.00)	(0.00)	(0.10)	(0.07)	(0.00)	(0.23)	(0.43)	(0.09)	(0.35)	(0.12)	(0.42)	(0.64)	(1.37)	(3.34)	(7.94)	(3.79)	(4.68)	(2.77)
B-	0.00	0.00	0.00	0.00	0.02	0.05	0.00	0.10	0.07	0.15	0.12	0.20	0.49	2.59	11.04	52.59	7.50	13.70

Table 23

Average One-Year Transition Rates For Global Corporates By Rating Modifier (1981-2014) (%) (cont.)																		
	(0.00)	(0.00)	(0.00)	(0.00)	(0.35)	(0.34)	(0.00)	(0.38)	(0.21)	(0.50)	(0.51)	(1.00)	(1.01)	(2.45)	(5.65)	(7.33)	(6.84)	(4.64)
CCC/C	0.00	0.00	0.00	0.00	0.04	0.00	0.11	0.07	0.07	0.07	0.04	0.18	0.43	1.22	2.95	9.09	26.38	15.49
	(0.00)	(0.00)	(0.00)	(0.00)	(0.25)	(0.00)	(0.41)	(0.52)	(0.35)	(0.42)	(0.26)	(0.56)	(0.82)	(1.65)	(3.23)	(5.88)	(12.11)	(5.61)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Over each time span, lower ratings correspond to higher default rates (see table 24 and chart 25). This also holds true in every region worldwide (see table 25).

Chart 25

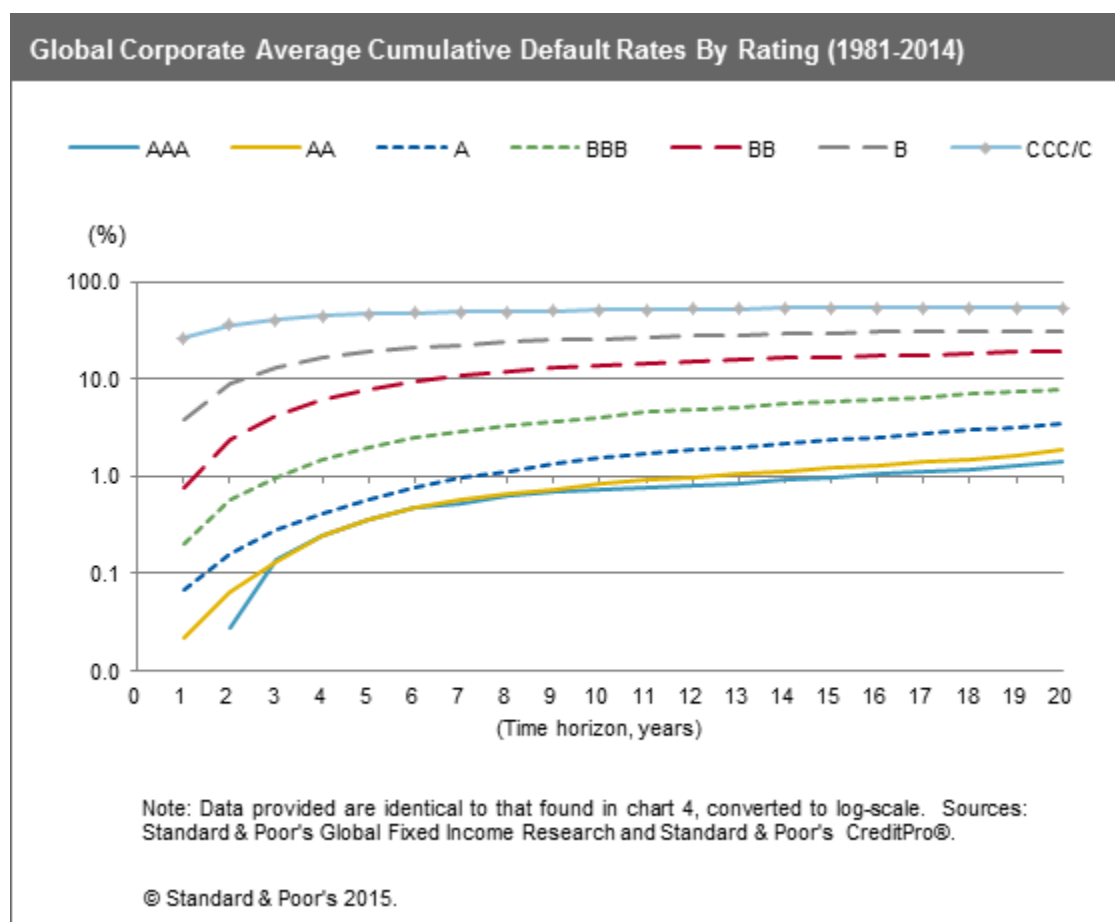


Table 24

Global Corporate Average Cumulative Default Rates (1981- 2014) (%)															
Rating	--Time horizon (years)--														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
AAA	0.00	0.03	0.14	0.24	0.36	0.47	0.53	0.61	0.67	0.74	0.77	0.80	0.84	0.91	0.98
AA	0.02	0.07	0.13	0.24	0.35	0.46	0.56	0.65	0.73	0.82	0.90	0.97	1.05	1.12	1.19
A	0.07	0.16	0.27	0.41	0.57	0.75	0.95	1.13	1.32	1.51	1.69	1.84	2.00	2.15	2.32
BBB	0.20	0.57	0.96	1.46	1.95	2.43	2.84	3.26	3.66	4.06	4.49	4.84	5.17	5.50	5.84

Table 24

Global Corporate Average Cumulative Default Rates (1981- 2014) (%) (cont.)															
BB	0.76	2.35	4.23	6.06	7.71	9.28	10.59	11.75	12.80	13.74	14.52	15.18	15.75	16.24	16.77
B	3.88	8.80	12.97	16.22	18.70	20.72	22.37	23.69	24.82	25.91	26.82	27.57	28.26	28.88	29.49
CCC/C	26.38	35.58	40.67	43.77	46.28	47.24	48.27	49.06	50.03	50.73	51.28	51.94	52.72	53.38	53.38
Investment grade	0.11	0.29	0.50	0.76	1.03	1.29	1.54	1.78	2.01	2.24	2.46	2.65	2.83	3.01	3.20
Speculative grade	3.87	7.58	10.79	13.39	15.49	17.23	18.69	19.90	20.98	21.97	22.79	23.49	24.13	24.68	25.22
All rated	1.50	2.95	4.23	5.31	6.20	6.97	7.62	8.18	8.68	9.15	9.56	9.90	10.21	10.49	10.78

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

The only exceptions occur when the number of defaults is low, or when the underlying population of issuers is very small--such as among the higher rating categories, at the rating modifier level (see table 26). Investment-grade-rated issuers seldom default, so the number of defaults among these rating categories is very low. This small sample size can result in historical default rates that are counterintuitive. This does not imply, for example, that 'AAA' rated companies are more risky than 'AA+' rated companies, but rather that both are very unlikely to default.

Table 25

Average Cumulative Default Rates For Corporates By Region (1981-2014) (%)															
--Time horizon (years)--															
Rating	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
U.S.															
AAA	0.00	0.04	0.17	0.29	0.42	0.55	0.59	0.68	0.77	0.87	0.92	0.97	1.02	1.12	1.24
AA	0.04	0.09	0.19	0.32	0.47	0.62	0.77	0.90	1.00	1.11	1.22	1.31	1.40	1.48	1.59
A	0.08	0.21	0.38	0.58	0.77	1.00	1.26	1.49	1.75	2.01	2.24	2.45	2.64	2.82	3.02
BBB	0.24	0.63	1.06	1.60	2.18	2.76	3.29	3.81	4.33	4.84	5.35	5.75	6.12	6.51	6.91
BB	0.84	2.60	4.75	6.79	8.58	10.35	11.81	13.13	14.34	15.43	16.31	17.09	17.76	18.32	18.91
B	4.03	9.21	13.68	17.20	19.95	22.21	24.08	25.57	26.85	28.06	29.08	29.92	30.67	31.33	31.98
CCC/C	28.10	38.61	44.43	48.28	51.26	52.45	53.65	54.51	55.59	56.30	56.97	57.73	58.58	59.28	59.28
Investment grade	0.13	0.34	0.59	0.90	1.23	1.56	1.88	2.19	2.50	2.81	3.10	3.33	3.55	3.77	4.01
Speculative grade	4.20	8.32	11.91	14.83	17.18	19.16	20.81	22.18	23.41	24.53	25.47	26.27	26.98	27.59	28.17
All rated	1.77	3.53	5.09	6.41	7.50	8.45	9.25	9.94	10.57	11.16	11.66	12.07	12.45	12.79	13.13
Europe															
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00								
AA	0.00	0.04	0.07	0.15	0.23	0.32	0.36								
A	0.05	0.09	0.15	0.22	0.34	0.45	0.58								
BBB	0.09	0.27	0.46	0.65	0.78	0.92	1.09								
BB	0.51	1.65	2.78	3.56	4.50	5.53	6.58								
B	3.00	7.51	11.30	13.73	15.41	16.51	16.92								
CCC/C	27.12	33.61	35.32	36.34	37.59	37.59	39.74								
Investment grade	0.05	0.13	0.22	0.32	0.43	0.54	0.65								
Speculative grade	2.96	5.85	8.15	9.64	10.89	11.92	12.72								

Table 25

Average Cumulative Default Rates For Corporates By Region (1981-2014) (%) (cont.)							
All rated	0.64	1.25	1.73	2.07	2.37	2.63	2.85
Emerging markets							
AAA	0.00	0.00	0.00	0.00	0.00		
AA	0.00	0.00	0.00	0.00	0.00		
A	0.06	0.06	0.06	0.06	0.06		
BBB	0.16	0.77	1.46	2.28	3.04		
BB	0.74	2.17	3.73	5.26	6.51		
B	3.10	6.29	8.58	10.32	11.37		
CCC/C	17.54	21.66	24.40	25.21	26.07		
Investment grade	0.12	0.52	0.96	1.49	1.98		
Speculative grade	2.82	5.15	7.09	8.66	9.80		
All rated	1.67	3.18	4.48	5.62	6.49		

Note: Figures for Europe and the emerging markets are calculated for the period 1996-2014 due to sample size considerations. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 26

Rating	--Time horizon (years)--														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
AAA	0.00	0.03	0.14	0.24	0.36	0.47	0.53	0.61	0.67	0.74	0.77	0.80	0.84	0.91	0.98
AA+	0.00	0.05	0.05	0.11	0.17	0.23	0.29	0.35	0.42	0.48	0.55	0.62	0.69	0.77	0.85
AA	0.02	0.03	0.09	0.23	0.38	0.51	0.64	0.77	0.87	0.98	1.07	1.14	1.26	1.34	1.42
AA-	0.03	0.10	0.20	0.28	0.37	0.49	0.56	0.63	0.69	0.76	0.84	0.91	0.94	1.00	1.06
A+	0.06	0.11	0.23	0.38	0.51	0.62	0.75	0.90	1.06	1.23	1.40	1.58	1.79	2.03	2.23
A	0.07	0.17	0.26	0.40	0.54	0.74	0.94	1.13	1.35	1.61	1.82	1.97	2.10	2.20	2.40
A-	0.08	0.20	0.32	0.46	0.66	0.86	1.13	1.33	1.49	1.63	1.76	1.90	2.04	2.16	2.27
BBB+	0.13	0.36	0.63	0.91	1.21	1.54	1.77	2.01	2.29	2.56	2.82	2.98	3.20	3.50	3.87
BBB	0.19	0.49	0.76	1.18	1.60	2.01	2.41	2.81	3.24	3.67	4.13	4.55	4.89	5.01	5.25
BBB-	0.30	0.91	1.63	2.47	3.29	4.04	4.71	5.35	5.87	6.40	6.97	7.45	7.90	8.56	9.01
BB+	0.40	1.18	2.21	3.26	4.29	5.33	6.21	6.86	7.66	8.43	8.97	9.56	10.12	10.56	11.25
BB	0.64	1.96	3.87	5.64	7.31	8.68	9.93	10.95	11.90	12.71	13.54	14.25	14.59	14.80	15.08
BB-	1.09	3.37	5.76	8.09	10.11	12.12	13.75	15.31	16.60	17.74	18.61	19.28	20.04	20.76	21.39
B+	2.23	6.06	9.82	13.06	15.53	17.42	19.15	20.68	22.08	23.43	24.48	25.31	26.09	26.79	27.41
B	4.29	9.71	14.04	17.14	19.53	21.74	23.26	24.29	25.16	25.97	26.73	27.45	28.11	28.69	29.39
B-	7.50	14.50	19.60	23.20	25.96	28.10	29.79	30.89	31.49	32.04	32.67	33.22	33.53	33.89	34.30
CCC/C	26.38	35.58	40.67	43.77	46.28	47.24	48.27	49.06	50.03	50.73	51.28	51.94	52.72	53.38	53.38
Investment grade	0.11	0.29	0.50	0.76	1.03	1.29	1.54	1.78	2.01	2.24	2.46	2.65	2.83	3.01	3.20
Speculative grade	3.87	7.58	10.79	13.39	15.49	17.23	18.69	19.90	20.98	21.97	22.79	23.49	24.13	24.68	25.22
All rated	1.50	2.95	4.23	5.31	6.20	6.97	7.62	8.18	8.68	9.15	9.56	9.90	10.21	10.49	10.78

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Gini Ratios And Lorenz Curves

A quantitative analysis of the performance of Standard & Poor's ratings shows that corporate ratings continue to correlate with the level of default risk across several time horizons. To measure ratings performance, we plotted the cumulative share of defaulters against the cumulative share of issuers by rating in a Lorenz curve to visually render the accuracy of its rank ordering (for definition and methodology, refer to Appendix II). Over the long term, the global average one-year Gini coefficient is 82.1%, with a three-year of 75.4%, five-year of 71.9%, and seven-year of 69.2% (see charts 26-29).

Table 27

Corporate Gini Coefficients By Region (1981-2014)				
Region	--Time horizon--			
	One-year	Three-year	Five-year	Seven-year
Global				
Weighted average	82.10	75.40	71.91	69.15
Average	84.86	78.11	73.69	70.02
Standard deviation	(5.61)	(5.28)	(5.64)	(4.92)
U.S.				
Weighted average	80.52	73.43	70.12	67.41
Average	83.87	76.16	71.69	67.84
Standard deviation	(7.18)	(6.94)	(7.20)	(6.14)
Europe				
Weighted average	90.49	86.12	81.80	77.59
Average	91.82	88.29	81.34	73.04
Standard deviation	(5.41)	(5.79)	(6.49)	(10.75)

Note: Numbers in parentheses are standard deviations. Average and standard deviation for Europe calculated for the period 1996-2014 due to sample size considerations. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

As expected, the Gini coefficients decline over time because longer time horizons allow for greater opportunity for credit degradation among higher-rated entities. In the one-year global Lorenz curve, for example, 95.5% of defaults occurred in the speculative-grade category ('BB+' or lower), while ratings of 'BB+' or lower constituted only 36.9% of all corporate ratings (see chart 26). Looking at the seven-year Lorenz curve, speculative-grade issuers constituted 86.1% of defaulters and only 34.1% of the entire sample (see chart 29). If the rank ordering of ratings had little predictive value, the cumulative share of defaulting corporate entities and the cumulative share of all entities at each rating would be nearly the same, producing a Gini ratio of zero.

Table 28

Gini Coefficients For Global Corporates By Broad Sector (1981-2014)				
Sector	--Time horizon--			
	One-year	Three-year	Five-year	Seven-year
Financial				
Weighted average	77.89	68.04	60.07	55.00

Table 28

Gini Coefficients For Global Corporates By Broad Sector (1981-2014) (cont.)				
Average	80.93	73.08	64.18	57.79
Standard deviation	(21.80)	(14.50)	(15.43)	(14.25)
Nonfinancial				
Weighted average	80.92	73.69	70.53	67.90
Average	84.26	77.11	72.99	69.38
Standard deviation	(6.30)	(5.55)	(5.83)	(4.99)

Note: Numbers in parentheses are standard deviations. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Chart 26

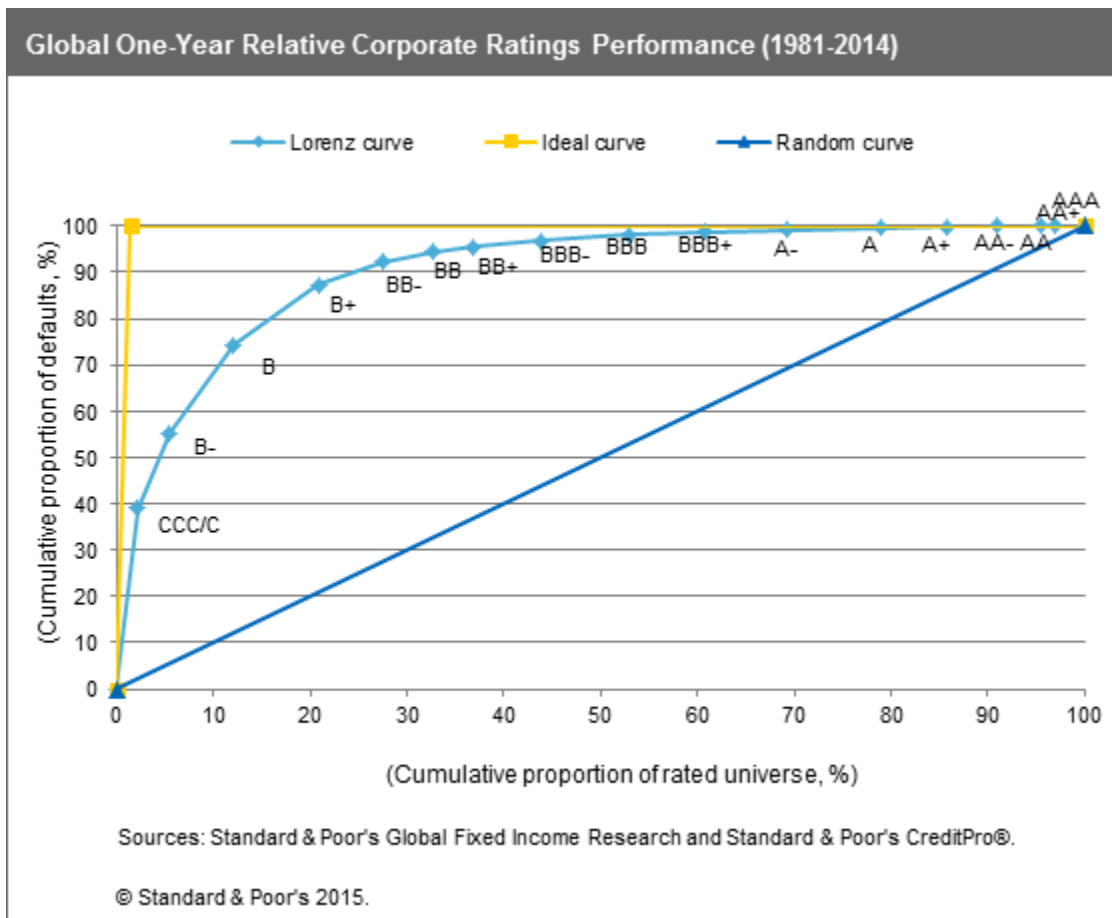


Chart 27

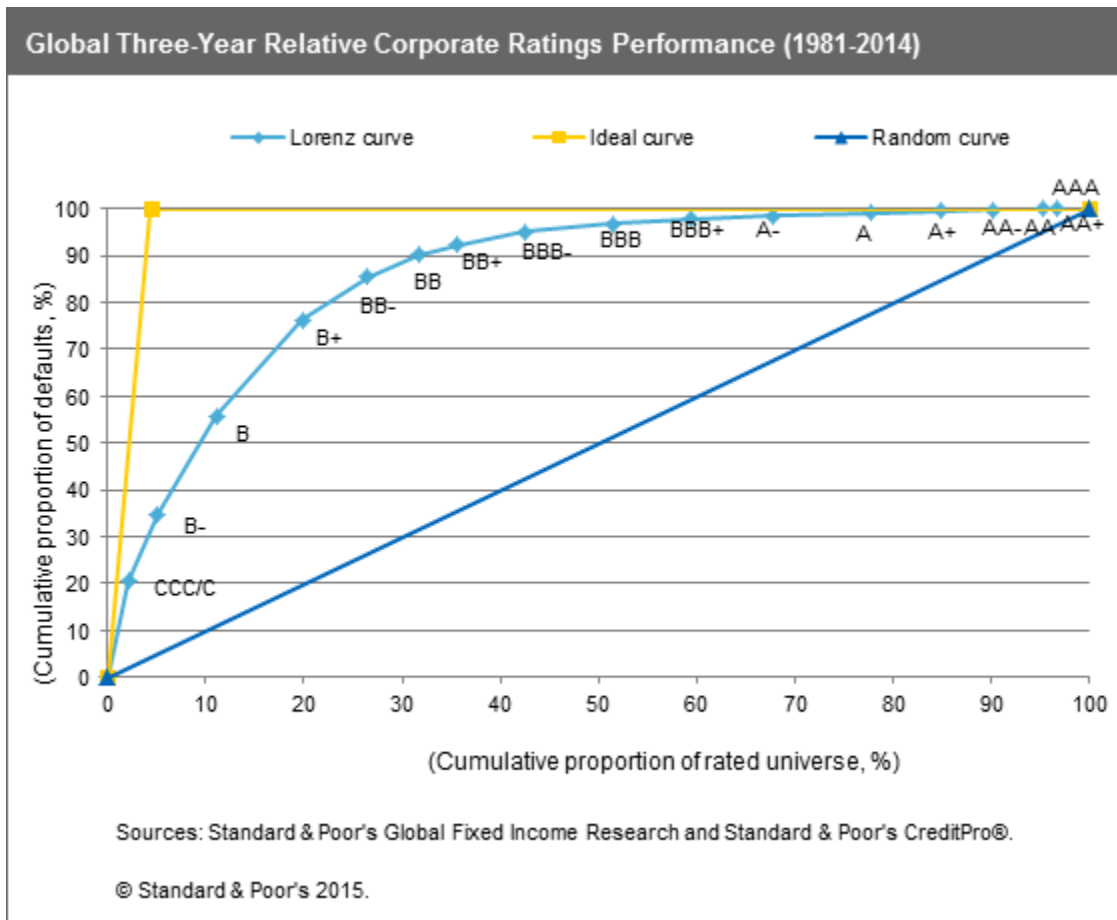


Chart 28

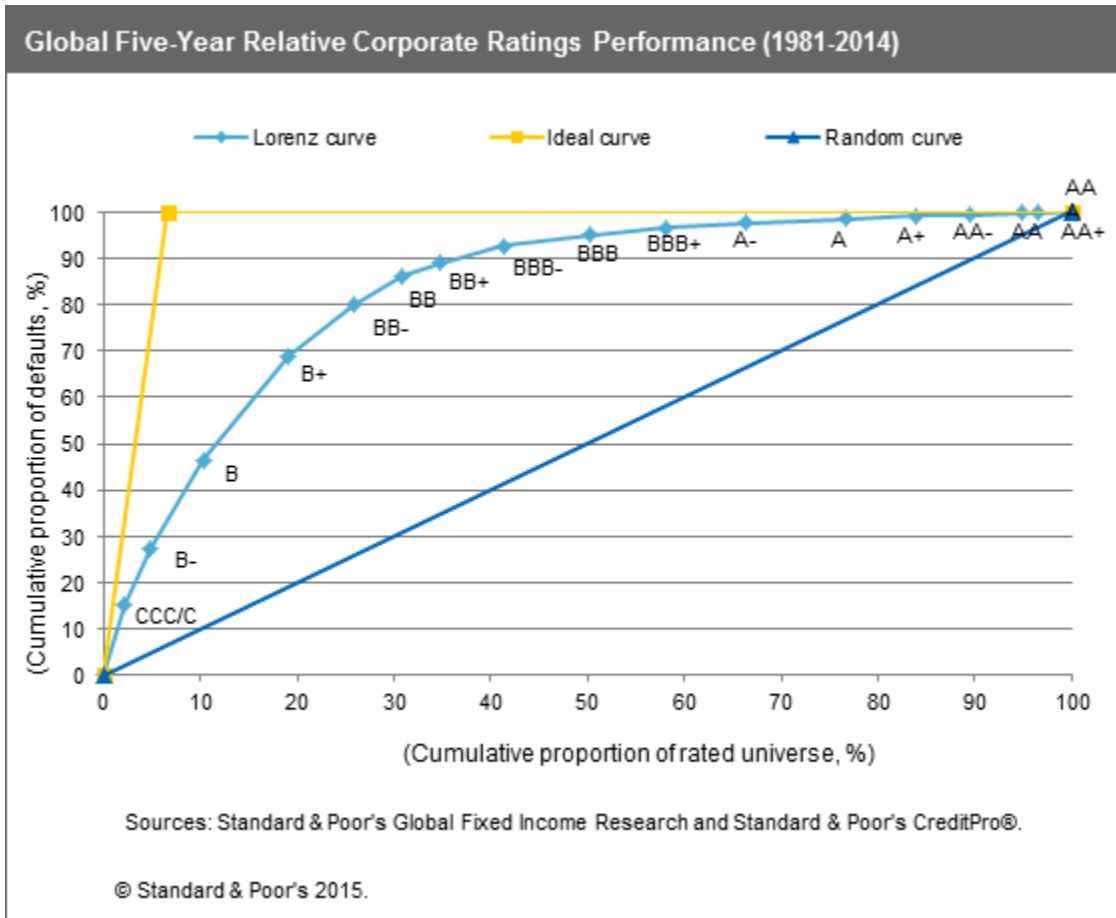
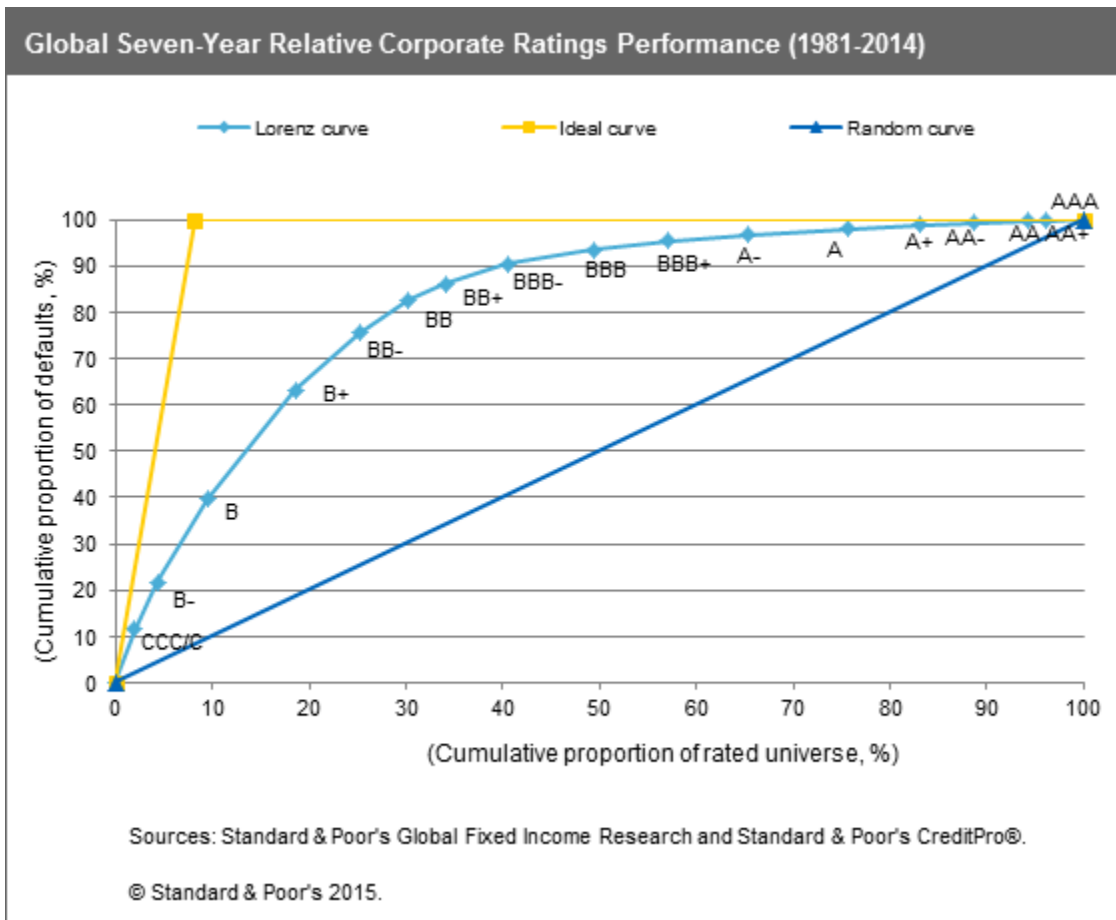
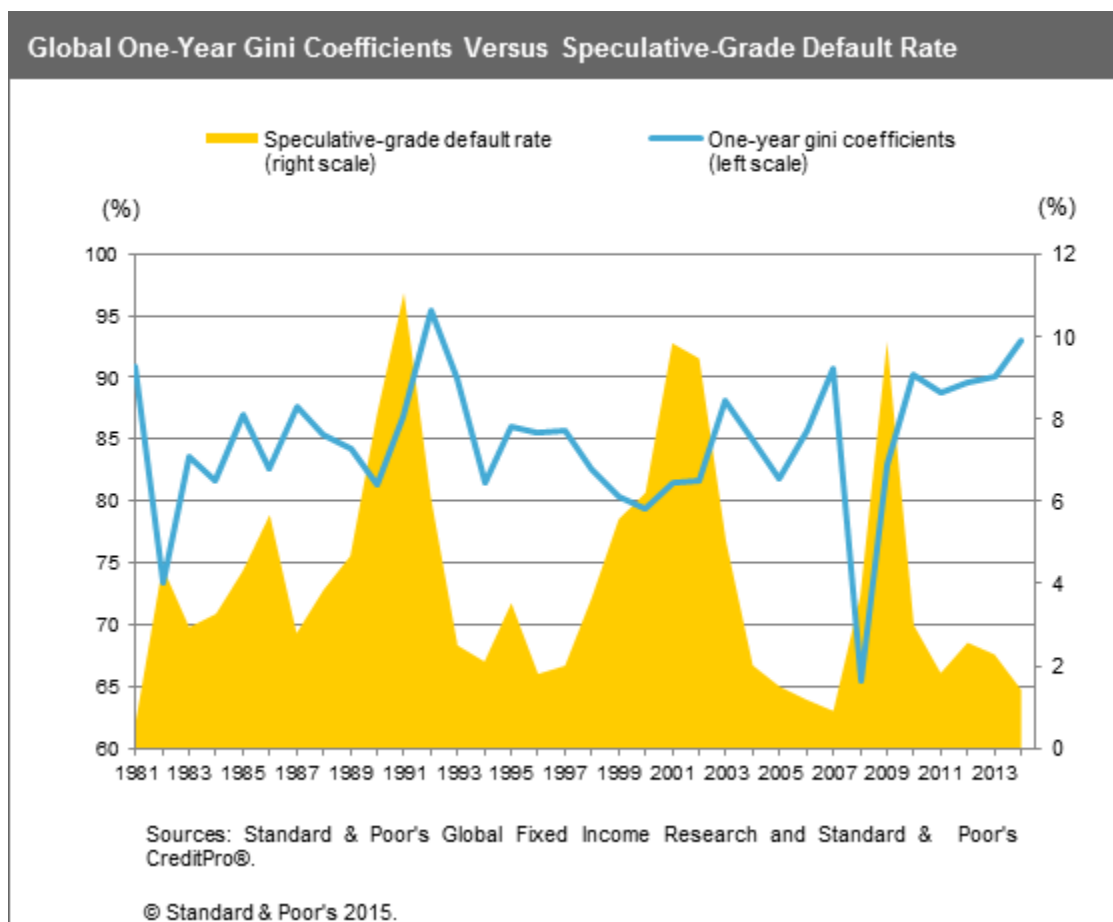


Chart 29



One-year Gini coefficients appear to be broadly cyclical (see chart 30). Trends in the one-year Gini ratio emerge during periods of both extremes in the default cycle, which is a reflection of the natural relationship between the two concepts. In periods of high defaults, there tends to be greater variation in the distribution of defaults across the ratings spectrum, which reduces the Gini. That is, when default pressure is high, economic conditions are such that the likelihood of companies from across the rating spectrum suffering a more rapid deterioration of credit quality is higher. The one-year Gini was 93% in 2014--the second-highest on record.

Chart 30



Appendix I: Methodology And Definitions

This long-term corporate default and rating transition study uses the CreditPro® database of long-term local currency issuer credit ratings. The analysis excludes public information ("pi") ratings and ratings based on the guarantee of another company or government entity. We also do not include short-term issuer ratings. Standard & Poor's Ratings Services does not require all issuers with debt rated by Standard & Poor's to have an issuer credit rating. Therefore, if an issuer has rated debt but not an issuer credit rating, we assign a proxy rating so that the CreditPro Corporate dataset accurately represents the complete universe of ratings. The local currency senior unsecured rating is the preferred debt level rating used for the proxy because this rating is usually consistent with the issuer credit rating. In a small number of cases, we used the subordinated debt rating or the senior secured rating as the proxy.

A Standard & Poor's issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation because it does not take into account the nature of and provisions of any single obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. Counterparty credit ratings, corporate credit ratings, and sovereign credit ratings are all forms of issuer

credit ratings. Issuer credit ratings can be either long-term or short-term.

Standard & Poor's ongoing enhancement of the database used to generate this study could lead to outcomes that differ to some degree from those reported in previous studies. However, this poses no continuity problem because each study reports statistics back to Dec. 31, 1980. Therefore, each annual default study is self-contained and effectively supersedes all previous versions.

Issuers included in this study

The study analyzes the rating histories of 17,653 companies that Standard & Poor's rated as of Dec. 31, 1980, or that were first rated between that date and Dec. 31, 2014. These include industrials, utilities, financial institutions, and insurance companies around the world with long-term local currency ratings. Structured finance vehicles, public-sector issuers, and sovereign issuers are the subject of separate default and transition studies, and we exclude them from this study.

To avoid overcounting, we exclude subsidiaries with debt that is fully guaranteed by a parent or with default risk that is considered identical to that of their parents. The latter are companies with obligations that are not legally guaranteed by a parent but that have operating or financing activities that are so inextricably entwined with those of the parent that it would be impossible to imagine the default of one and not the other. At times, however, some of these subsidiaries might not yet have been covered by a parent's guarantee, or the relationship that combines the default risk of parent and subsidiary might have come to an end or might not have begun. We included such subsidiaries for the period during which they had distinct and separate risk of default.

Issuers with withdrawn ratings

Standard & Poor's withdraws ratings when an entity's entire debt is paid off or when the program or programs rated are terminated and the relevant debt extinguished. For the purposes of this study, a corporate rating may be withdrawn as a result of mergers and acquisitions. Others are withdrawn because of a lack of cooperation, particularly when a company is experiencing financial difficulties and refuses to provide all the information needed to continue surveillance on the ratings, or at the entity's request.

Definition of default

An obligor rated 'SD' (selective default) or 'D' is in payment default on one or more of its financial obligations (rated or unrated) unless Standard & Poor's believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar dates. Standard & Poor's also lowers a rating to 'D' upon an issuer's filing for bankruptcy or taking a similar action that jeopardizes payments on a financial obligation. A 'D' rating is assigned when Standard & Poor's believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. Standard & Poor's assigns an 'SD' rating when it believes that the obligor has selectively defaulted on a specific issue or class of obligations but will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A selective default includes the completion of a distressed exchange offer, whereby one or more financial obligation is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par. 'R' indicates that an obligor is under regulatory supervision owing to its financial condition. This does not necessarily indicate a default event, but during the pendency of the regulatory supervision the regulators may have the power to

favor one class of obligations over others or pay some obligations and not others. Preferred stock is not considered a financial obligation; thus, a missed preferred stock dividend is not normally equated with default.

We deem 'D', 'SD', and 'R' issuer ratings as defaults for the purposes of this study. A default is assumed to take place on the earliest of: the date Standard & Poor's revised the rating(s) to 'D', 'SD', or 'R'; the date a debt payment was missed; the date a distressed exchange offer was announced; or the date the debtor filed for, or was forced into, bankruptcy.

When an issuer defaults, it is not uncommon for Standard & Poor's to subsequently withdraw the 'D' rating. For the purposes of this study, if an issuer defaults, we end its rating history at 'D'. If any defaulting entity reemerges from bankruptcy--or otherwise restructures its defaulted debt instruments, thereby reestablishing regular, timely payment of all its debts--we reenter this issuer into the database as a new entity. Its rating history after the default event is included in all calculations as entirely separate from its experience leading up to its earlier default.

Many practitioners use statistics from this default study to estimate "probability of default" and "probability of rating transition." It is important to note that Standard & Poor's ratings do not imply a specific probability of default.

Regional definitions

Within this study, tables and charts are often presented using specific geographic regions. Some countries can be included in multiple regions, and Standard & Poor's does not have corporate ratings within every country. The regions covered in this study are:

U.S. and tax havens: U.S., Bermuda, and the Cayman Islands

Other developed: Australia, Canada, Japan, and New Zealand

Europe: Austria, Belgium, British Virgin Islands, Bulgaria, Channel Islands, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, Ireland, Isle of Man, Italy, Jersey, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Montenegro, Netherlands, Norway Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, and the U.K. Prior studies did not include the British Virgin Islands, Croatia, Gibraltar, Guernsey, Isle of Man, Jersey, Liechtenstein, Monaco, and Montenegro within the European region.

Emerging markets: Argentina, Armenia, Aruba, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Bolivia, Bosnia-Herzegovina, Brazil, Brunei Darussalam, Cambodia, Chile, China, Columbia, Costa Rica, Curacao, Dominican Republic, Egypt, El Salvador, Fiji, Gabon, Georgia, Ghana, Grenada, Guatemala, Honduras, Hong Kong, India, Indonesia, Israel, Jamaica, Jordan, Kazakhstan, Korea (Republic of), Kuwait, Lebanon, Liberia, Macao, Malaysia, Marshall Islands, Mauritius, Mexico, Mongolia, Morocco, Netherlands Antilles, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Qatar, Russian Federation, Saudi Arabia, Singapore, South Africa, Sri Lanka, Syrian Arab Republic, Taiwan, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Turks and Caicos Islands, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, and Vietnam

Calculations

Static pool methodology. Standard & Poor's conducts its default studies on the basis of groupings called static pools. For the purposes of this study, we form static pools by grouping issuers by rating category at the beginning of each year, quarter, or month that the database covers. Each static pool is followed from that point forward. All companies included in the study are assigned to one or more static pools. When an issuer defaults, we assign that default back to all of the static pools to which the issuer belonged.

Standard & Poor's uses the static pool methodology to avoid certain pitfalls in estimating default rates. This is to ensure that default rates account for rating migration and to allow for default rates to be calculated across multi-period time horizons. Some methods for calculating default and rating transition rates might charge defaults against only the initial rating on the issuer, ignoring more recent rating changes that supply more current information. Other methods may calculate default rates using only the most recent year's default and rating data, which may yield comparatively low default rates during periods of high rating activity because they ignore prior years' default activity.

The pools are static in the sense that their membership remains constant over time. Each static pool can be interpreted as a buy-and-hold portfolio. Because errors, if any, are corrected by every new update and because the criteria for inclusion or exclusion of companies in the default study are subject to minor revisions as time goes by, it is not possible to compare static pools across different studies. Therefore, every new update revises results back to the same starting date of Dec. 31, 1980, so as to avoid continuity problems.

Entities that have had ratings withdrawn—that is, revised to 'NR'—are surveilled with the aim of capturing a potential default. Because static pools only include entities with active ratings as of the beginning date of a given pool, we exclude companies with withdrawn ratings, as well as those that have defaulted, from subsequent static pools. If an entity has its rating withdrawn after the start date of a particular static pool and subsequently defaults, we will include it in that static pool as a default and categorize it into the rating category it was a member of at that time.

For instance, the 1981 static pool consists of all companies rated as of 12:01 a.m. Jan. 1, 1981. Adding those companies first rated in 1981 to the surviving members of the 1981 static pool forms the 1982 static pool. All rating changes that took place are reflected in the newly formed 1982 static pool through the ratings on these entities as of 12:01 a.m. Jan. 1, 1982. We used the same method to form static pools for 1983 through 2014. From Jan. 1, 1981, to Dec. 31, 2014, a total of 16,270 first-time rated organizations were added to form new static pools, while we excluded 2,301 defaulting companies and 8,394 companies with last ratings of 'NR'.

Consider the following example: An issuer is originally rated 'BB' in mid-1986 and is downgraded to 'B' in 1988. This is followed by a rating withdrawal in 1990 and a default in 1993. We would include this hypothetical company in the 1987 and 1988 pools with the 'BB' rating, which it was rated at the beginning of those years. Likewise, it would be included in the 1989 and 1990 pools with the 'B' rating. It would not be part of the 1986 pool because it was not rated as of the first day of that year, and it would not be included in any pool after the last day of 1990 because the rating had been withdrawn by then. Yet each of the four pools in which this company was included (1987-1990) would record its 1993 default at the appropriate time horizon.

Default rate calculation. We calculated annual default rates for each static pool, first in units and later as percentages with respect to the number of issuers in each rating category. We combined these percentages to obtain cumulative default rates for the 34 years the study covers (see tables 24-26 and 30-32).

Issuer-weighted default rates. All default rates that appear in this study are based on the number of issuers rather than the dollar amounts affected by defaults or rating changes. Although dollar amounts provide information about the portion of the market that is affected by defaults or rating changes, issuer-weighted averages are a more useful measure of the performance of ratings.

Average cumulative default rate calculation. The cumulative default rates in this study average the experience of all static pools by first calculating marginal default rates for each possible time horizon and for each static pool, weight averaging the marginal default rates conditional on survival (survivors being nondefaulters), and accumulating the average conditional marginal default rates (see tables 24-26 and 30-32). We calculated conditional default rates by dividing the number of issuers in a static pool that default at a specific time horizon by the number of issuers that survived (did not default) to that point in time. Weights are based on the number of issuers in each static pool. Cumulative default rates are one minus the product of the proportion of survivors (nondefaulters).

For instance, in table 32, the weighted-average first-year default rate for all speculative-grade-rated companies for all 34 pools was 3.87%, meaning that an average of 96.13% survived one year. Similarly, the second- and third-year conditional marginal averages--shown in the summary statistics section at the bottom portion of the table--were 3.86% for the first 33 pools (96.14% of those companies that did not default in the first year survived the second year) and 3.47% for the first 32 pools (96.53% of those companies that did not default by the second year survived the third year), respectively. Multiplying 96.13% by 96.14% results in a 92.42% survival rate to the end of the second year, which is a two-year average cumulative default rate of 7.58%. Multiplying 92.42% by 96.53% results in an 89.21% survival rate to the end of the third year, which is a three-year average cumulative default rate of 10.79%.

Transition analysis

Transition rates compare issuer ratings at the beginning of a time period with ratings at the end of the period. To compute one-year rating transition rates by rating category, we compared the rating on each entity at the end of a particular year with the rating at the beginning of the same year. An issuer that remained rated for more than one year was counted as many times as the number of years it was rated. For instance, an issuer continually rated from the middle of 1984 to the middle of 1991 would appear in the seven consecutive one-year transition matrices from 1985 to 1991. If the rating on the issuer was withdrawn in the middle of 1991, it would be included in the column representing transitions to 'NR' in the 1991 transition matrix. Similarly, if it defaulted in the middle of 1991, it would be included in the column representing transitions to 'D' in the 1991 one-year transition matrix.

All 1981 static pool members still rated on Jan. 1, 2014, had 34 one-year transitions, while companies first rated on Jan. 1, 2014, had only one. Table 29 displays the summary of one-year transitions in the investment-grade and speculative-grade rating categories. Each one-year transition matrix displays all rating movements between letter categories from the beginning of the year through year-end. For each rating listed in the matrix's left-most column, there are nine ratios listed in the rows, corresponding to the ratings from 'AAA' to 'D', plus an entry for NR (see table 22).

The only ratings considered in these calculations are those on entities at the beginning of each static pool and those at the end. All rating changes that occur in between are ignored. For example, if an entity was rated 'A' on Jan. 1, 2014, and was downgraded to 'BBB' in the middle of the year and then later upgraded to 'A' later in the year (with no other subsequent rating changes), this entity would only be included in the percentage of issuers that began the year as 'A' that ended the year as 'A'. This also applies to transition matrices that span longer time horizons. If an issuer defaults

or has its rating withdrawn in the middle of the year, then either a 'D' or 'NR' would be considered its rating as of Dec. 31 of that particular year.

Table 29

Year	--Investment-grade rating distribution at year-end--					--Speculative-grade rating distribution at year-end--				
	Jan. 1 investment grade	Investment grade (%)	Speculative grade (%)*	Defaulted (%)§	Rating withdrawn (%)	Jan. 1 speculative grade	Investment grade (%)†	Speculative grade (%)	Defaulted (%)	Rating withdrawn (%)
1981	1,062	97.36	1.41	0.00	1.22	321	4.67	90.03	0.62	4.67
1982	1,091	93.58	3.02	0.18	3.21	340	2.65	80.59	4.41	12.35
1983	1,112	94.15	2.07	0.09	3.69	340	3.24	83.53	2.94	10.29
1984	1,172	95.31	2.30	0.17	2.22	367	4.90	86.92	3.27	4.90
1985	1,209	93.05	3.56	0.00	3.39	417	3.84	85.85	4.32	6.00
1986	1,333	90.10	3.83	0.15	5.93	529	3.02	82.23	5.67	9.07
1987	1,335	90.34	3.00	0.00	6.67	680	3.53	79.41	2.79	14.26
1988	1,349	91.85	2.74	0.00	5.41	754	3.58	79.44	3.85	13.13
1989	1,391	93.10	2.66	0.22	4.03	749	5.21	74.77	4.67	15.35
1990	1,434	94.63	2.09	0.14	3.14	690	3.19	75.07	8.12	13.62
1991	1,472	96.26	1.83	0.14	1.77	588	2.89	78.06	11.05	7.99
1992	1,619	96.42	1.24	0.00	2.35	525	6.29	78.67	6.10	8.95
1993	1,768	92.53	1.53	0.00	5.94	560	4.64	76.79	2.50	16.07
1994	1,849	95.84	0.76	0.05	3.35	711	4.08	85.94	2.11	7.88
1995	2,047	95.51	1.12	0.05	3.32	822	3.77	84.91	3.53	7.79
1996	2,244	94.47	0.62	0.00	4.90	885	4.75	81.02	1.81	12.43
1997	2,494	93.26	1.16	0.08	5.49	997	4.31	80.94	2.01	12.74
1998	2,768	90.39	2.17	0.14	7.30	1,310	2.98	83.89	3.66	9.47
1999	2,873	90.57	1.64	0.17	7.62	1,654	1.63	81.26	5.56	11.55
2000	2,926	91.49	1.78	0.24	6.49	1,757	2.16	83.27	6.20	8.37
2001	2,999	90.56	2.67	0.23	6.54	1,759	1.53	79.19	9.84	9.44
2002	3,104	89.37	3.99	0.42	6.22	1,680	1.79	79.64	9.46	9.11
2003	3,019	92.41	2.52	0.10	4.97	1,767	1.53	82.00	5.04	11.43
2004	3,133	94.06	1.02	0.03	4.88	1,885	2.18	84.62	2.02	11.19
2005	3,239	92.81	1.61	0.03	5.56	2,067	3.05	82.24	1.50	13.21
2006	3,261	93.77	1.47	0.00	4.75	2,198	2.14	81.98	1.18	14.70
2007	3,333	90.10	1.74	0.00	8.16	2,310	3.03	81.77	0.91	14.29
2008	3,311	92.12	1.96	0.42	5.50	2,415	2.15	83.35	3.69	10.81
2009	3,344	89.32	3.41	0.33	6.94	2,270	1.28	77.14	9.87	11.72
2010	3,171	94.70	0.91	0.00	4.38	2,140	2.38	84.86	2.99	9.77
2011	3,224	93.33	1.77	0.03	4.87	2,406	2.41	83.96	1.83	11.80
2012	3,241	93.71	1.76	0.00	4.54	2,570	1.91	85.64	2.57	9.88
2013	3,252	94.96	1.35	0.00	3.69	2,804	2.07	85.41	2.28	10.24
2014	3,342	95.69	1.23	0.00	3.08	3,163	1.49	85.80	1.42	11.29
Weighted average	79,521	92.90	1.92	0.11	5.07	46,430	2.52	82.47	3.87	11.13

Table 29

Summary Of One-Year Global Corporate Rating Transitions (cont.)								
Median	93.30	1.77	0.05	4.88	3.00	82.12	3.40	11.00
Standard deviation	2.18	0.88	0.12	1.73	1.25	3.50	2.78	2.81
Minimum	89.32	0.62	0.00	1.22	1.28	74.77	0.62	4.67
Maximum	97.36	3.99	0.42	8.16	6.29	90.03	11.05	16.07

*Fallen angels that survived to Jan. 1 of the year after they were downgraded. §Investment-grade defaulters. †Rising stars. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Multiyear transitions. Multiyear transitions were also calculated for periods of two up to 20 years. In this case, we compared the rating at the beginning of the multiyear period with the rating at the end. For example, three-year transition matrices were the result of comparing ratings at the beginning of the years 1981-2012 with the ratings at the end of the years 1983-2014. Otherwise, the methodology was identical to that used for single-year transitions.

We calculated average transition matrices on the basis of the multiyear matrices just described. These average matrices are a true summary, the ratios of which represent the historical incidence of the ratings listed on the first column, changing to the ones listed on the top row over the course of the multiyear period (see tables 33-40).

Transition matrices that present averages over multiple time horizons are also calculated as issuer-weighted averages.

Rating modifiers. We use rating modifiers (plus and minus signs) to calculate the upgrade and downgrade percentages, as well as the magnitude of rating changes throughout this study. However, some transition tables may use full rating categories for practical reasons. In other words, the use of a rating category suggests that transitions from, for example, 'AA' to 'AA-' or from 'BBB+' to 'BBB-' are not considered to be rating transitions because the rating remained within the rating category.

Comparing transition rates with default rates. Rating transition rates may be compared with the marginal and cumulative default rates described in the previous sections. For example, the one-year default rate column of table 24 is equivalent to column 'D' of the average one-year transition matrix in tables 21, and the cumulative average in summary statistics of the Y1 column in table 32. However, the two-year default rate column in table 24 is not the same as column 'D' of the average two-year transition matrix in table 34. This difference results from the different methods of calculating default rates. The default rates in table 34 are calculated as not conditional on survival, while those in table 24 are average default rates conditional on survival. The two-year default rates in table 24 are calculated in the same way as those in the cumulative average section for the Y2 column in table 32, while those in the 'D' column of table 34 are equivalent to adding up all the defaults behind the Y2 column's annual default rates in table 32 divided by the sum of all the issuers in table 32 for the years 1981-2013.

The links between transition matrices and average cumulative default rates can be best illustrated through tables 30-32. The default rates in the columns of these tables, associated with each static pool year, are calculated in the same way as they would be for individual years' one-year transition matrices. Tables 30, 31, and 32 are broken out by the broadest rating classifications (all rated, investment-grade, and speculative-grade, respectively). These tables can also be constructed for each rating category. As an example, the Y2 column of table 32 shows the two-year default rates (not conditional on survival) for each static pool. These are calculated in the same way as the default column in table 20; though table 20 shows the one-year default rates for each rating category for 2014 exclusively. In the summary section at the bottom of tables 30-32, the first row shows the issuer-weighted averages of the marginal default rates. These marginal averages are then used to calculate the cumulative average default rates in the row directly beneath them, as explained in the average cumulative default rate section above. These default rates are the

same that appear in table 24 and are average cumulative default rates conditional on survival.

Standard deviations

Many of the tables and charts in this study display averages of default rates, transition rates, and Gini ratios. Often times these are issuer-weighted averages. Prior studies have shown that fluctuations within default rates and transitions can vary greatly depending on many circumstances specific to particular time frames, industries, and geographic regions. As a supplement to many of the averages and time series presented in this study, standard deviations are also shown to provide a gauge of the dispersion of data behind these averages.

For the transition matrices in tables 21-23 and 33-44, the standard deviation for each cell in a given matrix is a weighted standard deviation, calculated using the data from each of the underlying cohort years that contribute to the averages, weighted by that cohort year's issuer base for each rating level. For example, in the average one-year global transition matrix in table 33, each cell's weighted standard deviation is calculated from the series of that particular cell in each of the 34 cohorts beginning with the 1981 cohort and ending with the 2014 cohort. The squared difference between each cohort's transition rate and the weighted average--which is the data point in each cell--is multiplied by each cohort's weight. These weights are based on each cohort's rating level's contribution to the 34-year total issuer base for each rating level. We then divide this by the ratio of the total number of non-zero weights minus one and the total number of non-zero weights.

Regarding Gini ratios in tables 2, 27, and 28, their standard deviations are derived from the time series of Gini ratios for all of their constituent annual cohorts. As an example, the standard deviation applied to the seven-year weighted average global Gini ratio in table 2 (4.92) was calculated from the time series of all available seven-year Gini ratios by cohort. In this case, these are the seven-year Gini ratios beginning with the 1981 cohort through the 2009 seven-year cohort. We calculated standard deviations for Gini ratios in this study as the standard deviations of a sample, and not those of a population.

Time sample

This update limits the reporting of default rates to the 15-year time horizon. However, the data were gathered for 34 years, and all calculations are based on the rating experience of that period. In addition, average default statistics become less reliable at longer time horizons as the sample size becomes smaller and the cyclical nature of default rates has a bigger effect on averages.

Table 30

Static Pool Cumulative Global Corporate Default Rates Among All Ratings (1981-2014)(%)																
		--Time horizon (years)--														
Year	Issuers	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1981	1,383	0.14	1.37	2.10	2.89	3.54	4.92	5.35	6.15	6.72	7.81	9.47	9.98	10.48	10.56	10.77
1982	1,431	1.19	1.89	2.73	3.42	4.82	5.17	5.94	6.43	7.55	9.36	9.85	10.41	10.48	10.69	10.69
1983	1,452	0.76	1.58	2.41	3.99	4.41	5.44	5.92	7.02	9.02	9.57	10.12	10.19	10.40	10.40	10.47
1984	1,539	0.91	1.95	3.77	4.22	5.26	5.98	7.15	8.84	9.42	10.01	10.07	10.27	10.27	10.40	10.40
1985	1,626	1.11	3.01	3.57	4.92	5.78	7.07	8.92	9.47	9.96	10.02	10.33	10.33	10.46	10.46	10.76
1986	1,862	1.72	2.31	3.60	4.46	5.85	7.73	8.38	8.92	9.08	9.34	9.45	9.67	9.77	10.04	10.42
1987	2,015	0.94	2.38	3.82	5.66	8.19	9.28	10.02	10.27	10.62	10.77	10.97	11.07	11.36	11.81	12.85

Table 30

Static Pool Cumulative Global Corporate Default Rates Among All Ratings (1981-2014)(%) (cont.)																
1988	2,103	1.38	3.00	5.14	8.18	9.27	10.03	10.27	10.75	10.89	11.17	11.36	11.70	12.36	13.31	14.27
1989	2,140	1.78	4.35	7.85	9.02	9.81	10.14	10.56	10.70	10.98	11.36	11.68	12.29	13.27	14.16	14.63
1990	2,124	2.73	6.12	7.53	8.33	8.66	9.13	9.23	9.60	10.08	10.45	11.21	12.19	13.18	13.70	13.84
1991	2,060	3.25	4.76	5.29	5.63	6.17	6.26	6.60	7.04	7.43	8.11	9.17	10.24	10.73	10.92	11.07
1992	2,144	1.49	2.01	2.33	2.94	3.08	3.40	3.82	4.15	4.85	5.88	6.95	7.37	7.56	7.70	7.84
1993	2,328	0.60	1.07	1.98	2.19	2.58	3.01	3.44	4.21	5.33	6.44	6.87	7.04	7.22	7.43	7.56
1994	2,560	0.63	1.76	2.15	2.62	3.09	3.95	4.96	6.29	7.46	7.97	8.20	8.36	8.63	8.75	9.34
1995	2,869	1.05	1.53	2.02	2.58	3.56	4.57	6.38	7.74	8.33	8.57	8.78	9.03	9.13	9.65	10.49
1996	3,129	0.51	1.09	1.82	2.97	3.99	5.69	7.19	7.86	8.15	8.37	8.60	8.72	9.27	10.10	10.26
1997	3,491	0.63	1.60	2.92	4.33	6.24	7.99	8.91	9.20	9.42	9.71	9.85	10.46	11.29	11.37	11.49
1998	4,078	1.28	3.24	5.22	7.87	10.08	11.30	11.80	12.11	12.43	12.58	13.22	14.15	14.25	14.37	14.49
1999	4,527	2.14	4.66	8.00	10.89	12.37	12.92	13.28	13.63	13.78	14.58	15.73	15.90	16.04	16.19	16.28
2000	4,683	2.48	6.06	9.22	10.91	11.62	12.06	12.43	12.64	13.52	14.90	15.08	15.25	15.40	15.55	15.61
2001	4,758	3.78	7.36	9.31	10.03	10.55	10.91	11.12	11.96	13.43	13.62	13.79	13.96	14.14	14.21	
2002	4,784	3.60	5.62	6.42	6.88	7.23	7.44	8.38	9.97	10.18	10.35	10.54	10.79	10.85		
2003	4,786	1.92	2.72	3.22	3.61	3.82	4.81	6.62	6.90	7.06	7.33	7.63	7.71			
2004	5,018	0.78	1.32	1.71	1.95	2.99	4.98	5.32	5.54	5.84	6.12	6.20				
2005	5,306	0.60	1.02	1.36	2.56	4.86	5.35	5.65	5.99	6.29	6.43					
2006	5,459	0.48	0.88	2.33	5.04	5.66	6.08	6.58	6.94	7.09						
2007	5,643	0.37	2.04	5.30	6.17	6.63	7.23	7.66	7.83							
2008	5,726	1.80	5.59	6.67	7.13	7.86	8.26	8.52								
2009	5,614	4.19	5.34	5.82	6.57	6.98	7.27									
2010	5,311	1.21	1.90	2.75	3.22	3.62										
2011	5,630	0.80	1.94	2.63	3.11											
2012	5,811	1.14	2.07	2.56												
2013	6,056	1.06	1.65													
2014	6,505	0.69														
Summary statistics																
Marginal average		1.50	1.48	1.31	1.12	0.95	0.82	0.70	0.60	0.55	0.51	0.45	0.38	0.34	0.32	0.32
Cumulative average		1.50	2.95	4.23	5.31	6.20	6.97	7.62	8.18	8.68	9.15	9.56	9.90	10.21	10.49	10.78
Standard deviation		1.03	1.80	2.34	2.65	2.76	2.64	2.56	2.51	2.51	2.49	2.44	2.38	2.37	2.46	2.45
Median		1.12	2.04	3.39	4.46	5.82	7.07	7.42	7.86	9.05	9.57	9.96	10.33	10.61	10.69	10.77
Minimum		0.14	0.88	1.36	1.95	2.58	3.01	3.44	4.15	4.85	5.88	6.20	7.04	7.22	7.43	7.56
Maximum		4.19	7.36	9.31	10.91	12.37	12.92	13.28	13.63	13.78	14.90	15.73	15.90	16.04	16.19	16.28

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 31

Static Pool Cumulative Global Corporate Default Rates Among All Investment-Grade Ratings (1981-2014) (%)																
		--Time horizon (years)--														
Year	Issuers	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1981	1,062	0.00	0.38	0.38	0.47	0.66	1.04	1.32	2.07	2.26	3.01	4.05	4.33	4.52	4.52	4.71
1982	1,091	0.18	0.27	0.37	0.55	1.01	1.28	2.02	2.20	3.02	4.12	4.40	4.67	4.67	4.86	4.86
1983	1,112	0.09	0.36	0.45	0.90	1.08	1.62	1.71	2.52	3.60	3.96	4.23	4.23	4.41	4.41	4.41
1984	1,172	0.17	0.26	0.60	0.77	1.19	1.37	2.05	2.99	3.33	3.58	3.58	3.75	3.75	3.84	3.84
1985	1,209	0.00	0.17	0.25	0.83	0.99	1.74	2.73	3.06	3.31	3.31	3.56	3.56	3.72	3.72	3.89
1986	1,333	0.15	0.15	0.53	0.68	1.20	2.10	2.48	2.63	2.63	2.85	2.85	3.00	3.08	3.23	3.53
1987	1,335	0.00	0.15	0.37	0.82	1.72	2.25	2.40	2.47	2.62	2.62	2.77	2.85	3.00	3.15	3.97
1988	1,349	0.00	0.22	0.37	0.96	1.48	1.63	1.70	1.85	1.85	2.00	2.00	2.15	2.30	2.97	3.71
1989	1,391	0.22	0.36	0.65	1.22	1.37	1.44	1.58	1.58	1.58	1.58	1.80	1.94	2.73	3.38	3.74
1990	1,434	0.14	0.35	0.77	0.98	1.05	1.19	1.19	1.19	1.26	1.53	1.88	2.58	3.14	3.49	3.56
1991	1,472	0.14	0.27	0.41	0.48	0.61	0.61	0.61	0.68	1.02	1.36	2.11	2.65	2.92	2.99	3.06
1992	1,619	0.00	0.06	0.12	0.25	0.25	0.25	0.31	0.56	0.80	1.36	1.85	2.10	2.16	2.29	2.47
1993	1,768	0.00	0.06	0.17	0.17	0.23	0.40	0.74	1.07	1.70	2.32	2.55	2.55	2.66	2.77	2.83
1994	1,849	0.05	0.16	0.16	0.27	0.38	0.81	1.08	1.68	2.27	2.54	2.60	2.65	2.81	2.87	3.25
1995	2,047	0.05	0.05	0.10	0.20	0.68	0.93	1.61	2.20	2.44	2.49	2.54	2.69	2.74	3.13	3.47
1996	2,244	0.00	0.04	0.09	0.49	0.80	1.47	2.01	2.23	2.32	2.36	2.50	2.50	2.90	3.34	3.39
1997	2,494	0.08	0.16	0.48	0.80	1.36	2.09	2.45	2.53	2.57	2.69	2.69	3.09	3.49	3.53	3.65
1998	2,768	0.14	0.43	0.79	1.37	2.38	2.82	3.00	3.11	3.18	3.18	3.65	4.19	4.26	4.41	4.55
1999	2,873	0.17	0.49	0.90	1.88	2.33	2.47	2.58	2.71	2.71	3.24	3.90	3.97	4.11	4.28	4.32
2000	2,926	0.24	0.58	1.54	2.02	2.12	2.26	2.39	2.39	2.97	3.66	3.73	3.90	4.03	4.07	4.14
2001	2,999	0.23	1.23	1.67	1.83	2.00	2.13	2.13	2.67	3.40	3.43	3.60	3.77	3.83	3.87	
2002	3,104	0.42	0.77	0.90	1.03	1.10	1.10	1.64	2.29	2.32	2.45	2.61	2.71	2.74		
2003	3,019	0.10	0.20	0.30	0.33	0.33	0.86	1.59	1.62	1.72	1.79	1.89	1.92			
2004	3,133	0.03	0.10	0.13	0.13	0.64	1.28	1.34	1.44	1.53	1.63	1.63				
2005	3,239	0.03	0.06	0.06	0.62	1.20	1.30	1.39	1.48	1.57	1.57					
2006	3,261	0.00	0.00	0.49	0.92	1.01	1.10	1.17	1.26	1.26						
2007	3,333	0.00	0.48	0.93	1.11	1.20	1.29	1.35	1.35							
2008	3,311	0.42	0.82	0.97	1.09	1.18	1.24	1.24								
2009	3,344	0.33	0.45	0.54	0.60	0.63	0.63									
2010	3,171	0.00	0.03	0.06	0.09	0.09										
2011	3,224	0.03	0.06	0.06	0.06											
2012	3,241	0.00	0.00	0.00												
2013	3,252	0.00	0.00													
2014	3,342	0.00														
Summary statistics																
Marginal average		0.11	0.18	0.21	0.26	0.27	0.27	0.25	0.24	0.24	0.24	0.23	0.19	0.19	0.18	0.20
Cumulative average		0.11	0.29	0.50	0.76	1.03	1.29	1.54	1.78	2.01	2.24	2.46	2.65	2.83	3.01	3.20
Standard deviation		0.12	0.27	0.41	0.52	0.60	0.63	0.66	0.71	0.79	0.84	0.86	0.83	0.75	0.67	0.62

Table 31

Static Pool Cumulative Global Corporate Default Rates Among All Investment-Grade Ratings (1981-2014) (%) (cont.)															
Median	0.05	0.20	0.39	0.77	1.06	1.29	1.63	2.20	2.32	2.54	2.65	2.85	3.11	3.49	3.72
Minimum	0.00	0.00	0.00	0.06	0.09	0.25	0.31	0.56	0.80	1.36	1.63	1.92	2.16	2.29	2.47
Maximum	0.42	1.23	1.67	2.02	2.38	2.82	3.00	3.11	3.60	4.12	4.40	4.67	4.67	4.86	4.86

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 32

Static Pool Cumulative Global Corporate Default Rates Among All Speculative-Grade Ratings (1981-2014) (%)																
Year	Issuers	--Time horizon (years)--														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1981	321	0.62	4.67	7.79	10.90	13.08	17.76	18.69	19.63	21.50	23.68	27.41	28.66	30.22	30.53	30.84
1982	340	4.41	7.06	10.29	12.65	17.06	17.65	18.53	20.00	22.06	26.18	27.35	28.82	29.12	29.41	29.41
1983	340	2.94	5.59	8.82	14.12	15.29	17.94	19.71	21.76	26.76	27.94	29.41	29.71	30.00	30.00	30.29
1984	367	3.27	7.36	13.90	15.26	18.26	20.71	23.43	27.52	28.88	30.52	30.79	31.06	31.06	31.34	31.34
1985	417	4.32	11.27	13.19	16.79	19.66	22.54	26.86	28.06	29.26	29.50	29.98	29.98	29.98	29.98	30.70
1986	529	5.67	7.75	11.34	13.99	17.58	21.93	23.25	24.76	25.33	25.71	26.09	26.47	26.65	27.22	27.79
1987	680	2.79	6.76	10.59	15.15	20.88	23.09	25.00	25.59	26.32	26.76	27.06	27.21	27.79	28.82	30.29
1988	754	3.85	7.96	13.66	21.09	23.21	25.07	25.60	26.66	27.06	27.59	28.12	28.78	30.37	31.83	33.16
1989	749	4.67	11.75	21.23	23.50	25.50	26.30	27.24	27.64	28.44	29.51	30.04	31.51	32.84	34.18	34.85
1990	690	8.12	18.12	21.59	23.62	24.49	25.65	25.94	27.10	28.41	28.99	30.58	32.17	34.06	34.93	35.22
1991	588	11.05	15.99	17.52	18.54	20.07	20.41	21.60	22.96	23.47	25.00	26.87	29.25	30.27	30.78	31.12
1992	525	6.10	8.00	9.14	11.24	11.81	13.14	14.67	15.24	17.33	19.81	22.67	23.62	24.19	24.38	24.38
1993	560	2.50	4.29	7.68	8.57	10.00	11.25	11.96	14.11	16.79	19.46	20.54	21.25	21.61	22.14	22.50
1994	711	2.11	5.91	7.31	8.72	10.13	12.10	15.05	18.28	20.96	22.08	22.78	23.21	23.77	24.05	25.18
1995	822	3.53	5.23	6.81	8.52	10.71	13.63	18.25	21.53	22.99	23.72	24.33	24.82	25.06	25.91	27.98
1996	885	1.81	3.73	6.21	9.27	12.09	16.38	20.34	22.15	22.94	23.62	24.07	24.52	25.42	27.23	27.68
1997	997	2.01	5.22	9.03	13.14	18.46	22.77	25.08	25.88	26.58	27.28	27.78	28.89	30.79	30.99	31.09
1998	1,310	3.66	9.16	14.58	21.60	26.34	29.24	30.38	31.15	31.98	32.44	33.44	35.19	35.34	35.42	35.50
1999	1,654	5.56	11.91	20.31	26.54	29.81	31.08	31.86	32.59	33.01	34.28	36.28	36.64	36.76	36.88	37.06
2000	1,757	6.20	15.20	22.03	25.73	27.43	28.40	29.14	29.71	31.08	33.64	33.98	34.15	34.32	34.66	34.72
2001	1,759	9.84	17.79	22.34	23.99	25.13	25.87	26.44	27.80	30.53	30.98	31.15	31.32	31.72	31.84	
2002	1,680	9.46	14.58	16.61	17.68	18.57	19.17	20.83	24.17	24.70	24.94	25.18	25.71	25.83		
2003	1,767	5.04	7.02	8.21	9.22	9.79	11.54	15.22	15.90	16.19	16.81	17.43	17.60			
2004	1,885	2.02	3.34	4.35	4.99	6.90	11.14	11.94	12.36	13.00	13.58	13.79				
2005	2,067	1.50	2.52	3.39	5.61	10.60	11.71	12.34	13.06	13.69	14.03					
2006	2,198	1.18	2.18	5.05	11.15	12.56	13.47	14.60	15.38	15.74						
2007	2,310	0.91	4.29	11.60	13.46	14.46	15.80	16.75	17.19							
2008	2,415	3.69	12.13	14.49	15.40	17.02	17.89	18.51								
2009	2,270	9.87	12.56	13.61	15.37	16.34	17.05									
2010	2,140	2.99	4.67	6.73	7.85	8.83										
2011	2,406	1.83	4.45	6.07	7.19											
2012	2,570	2.57	4.67	5.80												

Table 32

Static Pool Cumulative Global Corporate Default Rates Among All Speculative-Grade Ratings (1981-2014) (%) (cont.)																
2013	2,804	2.28	3.57													
2014	3,163	1.42														
Summary statistics																
Marginal average		3.87	3.86	3.47	2.91	2.43	2.06	1.76	1.48	1.35	1.25	1.05	0.91	0.83	0.73	0.72
Cumulative average		3.87	7.58	10.79	13.39	15.49	17.23	18.69	19.90	20.98	21.97	22.79	23.49	24.13	24.68	25.22
Standard deviation		2.78	4.55	5.60	6.11	6.23	5.89	5.77	5.81	5.78	5.58	5.15	4.52	4.01	3.95	3.89
Median		3.40	7.02	10.44	13.99	17.04	17.94	20.59	22.96	25.02	26.18	27.38	28.82	30.11	30.53	30.77
Minimum		0.62	2.18	3.39	4.99	6.90	11.14	11.94	12.36	13.00	13.58	13.79	17.60	21.61	22.14	22.50
Maximum		11.05	18.12	22.34	26.54	29.81	31.08	31.86	32.59	33.01	34.28	36.28	36.64	36.76	36.88	37.06

Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 33

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%)									
--One-year transition rates--									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
AAA	87.03	9.03	0.54	0.05	0.08	0.03	0.05	0.00	3.19
	(7.11)	(7.16)	(0.83)	(0.25)	(0.25)	(0.17)	(0.35)	(0.00)	(2.44)
AA	0.54	86.53	8.14	0.54	0.06	0.07	0.02	0.02	4.07
	(0.52)	(5.30)	(4.32)	(0.70)	(0.20)	(0.21)	(0.07)	(0.08)	(1.93)
A	0.03	1.83	87.55	5.38	0.35	0.14	0.02	0.07	4.64
	(0.10)	(1.04)	(3.61)	(2.19)	(0.39)	(0.28)	(0.07)	(0.11)	(1.84)
BBB	0.01	0.11	3.58	85.44	3.75	0.56	0.13	0.20	6.23
	(0.04)	(0.16)	(1.71)	(3.91)	(1.59)	(0.73)	(0.23)	(0.27)	(1.68)
BB	0.01	0.03	0.14	5.16	76.62	6.96	0.66	0.76	9.64
	(0.06)	(0.10)	(0.27)	(1.90)	(4.56)	(3.31)	(0.79)	(0.89)	(2.55)
B	0.00	0.03	0.10	0.21	5.40	74.12	4.37	3.88	11.89
	(0.00)	(0.09)	(0.22)	(0.23)	(2.09)	(4.53)	(2.35)	(3.49)	(2.31)
CCC/C	0.00	0.00	0.14	0.22	0.65	13.26	43.85	26.38	15.49
	(0.00)	(0.00)	(0.47)	(0.73)	(1.01)	(8.31)	(9.50)	(12.11)	(5.61)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 34

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%)									
--Two-year transition rates--									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
AAA	75.70	16.03	1.45	0.11	0.19	0.05	0.11	0.03	6.33
	(10.11)	(10.52)	(1.47)	(0.31)	(0.39)	(0.24)	(0.41)	(0.17)	(4.33)
AA	0.95	74.81	14.49	1.38	0.20	0.15	0.02	0.07	7.93
	(0.67)	(7.89)	(6.06)	(1.08)	(0.35)	(0.30)	(0.07)	(0.12)	(3.01)

Table 34

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%) (cont.)									
A	0.05	3.30	76.71	9.33	0.87	0.32	0.05	0.16	9.22
	(0.08)	(1.65)	(5.31)	(2.87)	(0.78)	(0.45)	(0.11)	(0.20)	(2.84)
BBB	0.02	0.21	6.50	73.29	5.91	1.22	0.24	0.58	12.02
	(0.08)	(0.25)	(2.70)	(5.99)	(2.02)	(1.16)	(0.33)	(0.67)	(2.62)
BB	0.01	0.05	0.35	9.10	58.54	10.45	1.15	2.39	17.97
	(0.06)	(0.11)	(0.54)	(2.84)	(5.85)	(2.80)	(0.97)	(2.32)	(3.56)
B	0.00	0.04	0.18	0.52	9.15	54.67	4.98	9.05	21.41
	(0.00)	(0.12)	(0.32)	(0.46)	(3.10)	(5.59)	(2.16)	(6.29)	(3.81)
CCC/C	0.00	0.00	0.19	0.62	1.12	17.08	21.58	36.15	23.27
	(0.00)	(0.00)	(0.54)	(1.31)	(1.27)	(8.03)	(8.02)	(13.52)	(7.60)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 35

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%)									
--Three-year transition rates--									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
AAA	65.46	21.92	2.38	0.33	0.19	0.08	0.11	0.14	9.40
	(11.58)	(12.23)	(1.71)	(0.77)	(0.45)	(0.30)	(0.42)	(0.37)	(5.33)
AA	1.27	64.84	19.20	2.22	0.38	0.24	0.03	0.13	11.68
	(0.80)	(8.57)	(5.98)	(1.33)	(0.51)	(0.46)	(0.08)	(0.19)	(4.10)
A	0.07	4.30	67.70	11.99	1.43	0.51	0.11	0.28	13.60
	(0.10)	(2.08)	(5.92)	(2.80)	(0.97)	(0.64)	(0.14)	(0.28)	(3.58)
BBB	0.02	0.32	8.54	63.59	7.04	1.83	0.33	1.01	17.31
	(0.07)	(0.42)	(3.24)	(6.99)	(2.14)	(1.34)	(0.39)	(0.97)	(3.25)
BB	0.01	0.06	0.58	11.48	45.40	11.81	1.31	4.40	24.94
	(0.06)	(0.14)	(0.74)	(3.41)	(6.36)	(2.74)	(0.98)	(3.58)	(4.27)
B	0.00	0.03	0.26	0.91	10.88	40.64	4.49	13.67	29.11
	(0.06)	(0.13)	(0.46)	(0.82)	(3.29)	(5.93)	(1.81)	(7.87)	(4.96)
CCC/C	0.00	0.00	0.16	0.69	1.80	17.04	10.71	41.44	28.16
	(0.00)	(0.00)	(0.56)	(1.33)	(1.81)	(7.17)	(6.52)	(13.32)	(8.84)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 36

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%)									
--Five-year transition rates--									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
AAA	49.79	27.77	4.90	0.83	0.25	0.17	0.08	0.36	15.85
	(11.83)	(12.68)	(2.66)	(1.55)	(0.47)	(0.41)	(0.28)	(0.60)	(6.49)
AA	1.58	49.58	25.05	3.87	0.62	0.42	0.05	0.36	18.48
	(0.88)	(7.48)	(4.80)	(1.57)	(0.64)	(0.61)	(0.10)	(0.39)	(4.65)
A	0.09	5.34	54.14	15.18	2.25	0.79	0.17	0.62	21.42

Table 36

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%) (cont.)									
	(0.10)	(2.39)	(6.49)	(2.32)	(1.08)	(0.89)	(0.18)	(0.41)	(4.08)
BBB	0.03	0.52	10.40	49.87	7.69	2.47	0.43	2.15	26.44
	(0.08)	(0.56)	(3.45)	(7.08)	(1.83)	(1.46)	(0.41)	(1.40)	(3.99)
BB	0.01	0.08	1.15	12.80	29.42	11.24	1.33	8.35	35.62
	(0.06)	(0.19)	(1.01)	(3.44)	(5.69)	(2.27)	(0.96)	(4.86)	(4.44)
B	0.02	0.03	0.32	1.68	10.57	23.89	2.85	20.61	40.03
	(0.12)	(0.10)	(0.61)	(1.29)	(2.92)	(5.34)	(1.03)	(8.76)	(5.79)
CCC/C	0.00	0.00	0.14	0.74	2.96	12.11	2.68	47.53	33.84
	(0.00)	(0.00)	(0.54)	(1.97)	(2.21)	(4.87)	(4.00)	(12.91)	(9.53)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 37

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%)									
--Seven-year transition rates--									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
AAA	39.20	30.08	7.13	1.55	0.26	0.20	0.12	0.55	20.91
	(9.93)	(10.62)	(2.82)	(1.90)	(0.49)	(0.44)	(0.32)	(0.75)	(6.62)
AA	1.60	39.15	27.89	5.06	0.82	0.41	0.03	0.61	24.44
	(0.91)	(4.95)	(3.74)	(1.51)	(0.61)	(0.52)	(0.09)	(0.53)	(4.56)
A	0.08	5.56	44.74	16.77	2.77	0.96	0.17	1.05	27.89
	(0.12)	(1.92)	(5.81)	(1.55)	(1.15)	(0.95)	(0.18)	(0.47)	(3.83)
BBB	0.04	0.68	10.71	40.84	7.47	2.62	0.42	3.28	33.95
	(0.12)	(0.61)	(3.03)	(6.02)	(0.91)	(1.14)	(0.35)	(1.57)	(3.44)
BB	0.00	0.07	1.51	12.47	20.72	9.79	1.03	11.98	42.43
	(0.00)	(0.20)	(1.12)	(3.44)	(4.90)	(2.37)	(0.71)	(4.91)	(3.84)
B	0.01	0.03	0.44	2.17	8.71	14.93	1.76	25.22	46.75
	(0.09)	(0.09)	(0.63)	(1.60)	(1.86)	(4.13)	(0.65)	(7.97)	(5.49)
CCC/C	0.00	0.00	0.28	1.08	3.30	8.76	1.37	48.72	36.48
	(0.00)	(0.00)	(0.67)	(2.39)	(1.76)	(4.13)	(2.26)	(12.04)	(9.99)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 38

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%)									
--10-year transition rates--									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
AAA	26.82	30.83	10.09	2.95	0.16	0.19	0.03	0.71	28.22
	(7.62)	(10.14)	(2.43)	(2.26)	(0.31)	(0.47)	(0.14)	(0.79)	(6.74)
AA	1.39	28.12	29.06	6.93	1.07	0.46	0.03	0.78	32.16
	(0.71)	(3.97)	(3.67)	(1.66)	(0.69)	(0.37)	(0.09)	(0.58)	(3.78)
A	0.13	5.43	34.55	17.69	3.09	1.06	0.16	1.71	36.18
	(0.17)	(1.62)	(4.21)	(2.24)	(0.54)	(0.70)	(0.18)	(0.73)	(4.23)

Table 38

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%) (cont.)									
BBB	0.02	0.84	10.50	31.22	7.04	2.63	0.36	4.98	42.41
	(0.10)	(0.67)	(3.31)	(4.58)	(1.04)	(1.03)	(0.23)	(1.83)	(3.06)
BB	0.02	0.06	1.89	11.16	13.38	7.87	0.63	16.38	48.60
	(0.08)	(0.15)	(1.16)	(3.23)	(3.32)	(2.55)	(0.44)	(5.48)	(3.30)
B	0.00	0.02	0.54	2.76	6.83	8.01	0.81	29.97	51.07
	(0.00)	(0.07)	(0.65)	(1.92)	(1.94)	(2.84)	(0.58)	(8.78)	(5.22)
CCC/C	0.00	0.00	0.21	0.97	3.66	3.94	0.35	51.35	39.53
	(0.00)	(0.00)	(0.65)	(0.98)	(2.59)	(2.82)	(0.70)	(12.22)	(10.66)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 39

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%)									
--15-year transition rates--									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
AAA	14.08	28.06	15.12	3.00	0.59	0.44	0.00	0.93	37.77
	(6.17)	(6.98)	(2.83)	(0.90)	(0.43)	(0.61)	(0.00)	(0.89)	(3.60)
AA	1.03	16.39	26.75	9.42	1.38	0.73	0.04	1.19	43.07
	(0.79)	(2.88)	(3.46)	(2.15)	(0.70)	(0.44)	(0.11)	(0.59)	(2.69)
A	0.13	4.15	23.91	16.92	3.29	1.22	0.14	2.83	47.41
	(0.21)	(1.56)	(2.38)	(1.14)	(0.87)	(0.51)	(0.16)	(0.70)	(3.47)
BBB	0.00	0.88	8.11	22.41	5.46	2.59	0.23	7.92	52.41
	(0.00)	(0.53)	(2.69)	(1.91)	(0.80)	(0.99)	(0.20)	(0.80)	(2.38)
BB	0.00	0.13	2.07	8.16	7.53	5.13	0.39	22.56	54.03
	(0.00)	(0.23)	(1.30)	(2.34)	(2.16)	(2.16)	(0.43)	(3.65)	(3.46)
B	0.00	0.03	0.57	2.61	3.59	3.46	0.45	37.47	51.82
	(0.00)	(0.05)	(0.55)	(1.60)	(0.88)	(1.09)	(0.44)	(5.51)	(5.07)
CCC/C	0.00	0.00	0.67	1.21	2.82	1.21	0.27	57.80	36.02
	(0.00)	(0.00)	(1.87)	(1.44)	(3.24)	(1.20)	(1.00)	(8.97)	(9.42)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 40

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%)									
--20-year transition rates--									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
AAA	6.30	23.48	19.43	3.38	0.97	1.03	0.00	1.49	43.93
	(3.55)	(6.00)	(4.19)	(1.56)	(0.46)	(0.64)	(0.00)	(1.02)	(5.70)
AA	0.77	9.06	21.96	12.22	1.61	0.95	0.07	1.91	51.44
	(0.76)	(1.86)	(3.61)	(1.73)	(0.33)	(0.46)	(0.17)	(1.04)	(2.05)
A	0.14	2.91	17.75	15.34	3.34	1.64	0.19	4.23	54.47
	(0.22)	(0.96)	(2.20)	(1.14)	(0.66)	(0.70)	(0.19)	(1.31)	(1.94)
BBB	0.00	0.78	7.05	18.43	3.95	2.04	0.17	10.13	57.44

Table 40

Average Multiyear Global Corporate Transition Matrix (1981-2014) (%) (cont.)									
	(0.00)	(0.34)	(1.21)	(2.04)	(1.00)	(0.85)	(0.25)	(1.55)	(2.06)
BB	0.00	0.08	1.60	7.22	3.96	3.57	0.29	24.70	58.57
	(0.00)	(0.19)	(0.67)	(1.70)	(1.48)	(1.11)	(0.34)	(4.47)	(3.23)
B	0.00	0.00	0.44	2.97	2.85	2.04	0.27	36.21	55.23
	(0.00)	(0.00)	(0.27)	(0.84)	(0.62)	(1.05)	(0.30)	(4.21)	(4.35)
CCC/C	0.00	0.00	0.39	0.79	2.36	0.59	0.00	56.30	39.57
	(0.00)	(0.00)	(1.03)	(0.94)	(3.51)	(0.88)	(0.00)	(8.45)	(9.89)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 41

Average Multiyear Global Corporate Transition Matrices (1981-2014) (%)									
All Financials									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
One-year									
AAA	87.10	9.50	0.38	0.08	0.08	0.04	0.08	0.00	2.72
	(9.84)	(9.64)	(0.98)	(0.37)	(0.38)	(0.24)	(0.48)	(0.00)	(2.43)
AA	0.52	86.33	8.56	0.41	0.03	0.03	0.04	0.04	4.05
	(0.58)	(6.46)	(5.82)	(0.72)	(0.08)	(0.08)	(0.17)	(0.12)	(1.98)
A	0.02	2.53	87.78	4.06	0.26	0.08	0.01	0.12	5.14
	(0.13)	(1.73)	(4.04)	(2.64)	(0.52)	(0.16)	(0.05)	(0.21)	(2.29)
BBB	0.00	0.27	4.93	82.70	3.54	0.51	0.16	0.32	7.56
	(0.00)	(0.49)	(3.20)	(4.24)	(2.47)	(0.87)	(0.29)	(0.61)	(2.03)
BB	0.00	0.12	0.21	6.91	74.65	5.14	0.93	0.90	11.15
	(0.00)	(0.31)	(0.79)	(4.27)	(7.52)	(3.42)	(1.85)	(1.35)	(5.68)
B	0.00	0.04	0.13	0.48	7.70	73.67	3.41	3.02	11.55
	(0.00)	(0.25)	(0.73)	(1.21)	(4.81)	(8.37)	(3.99)	(4.09)	(4.71)
CCC/C	0.00	0.00	0.00	0.00	1.56	14.84	47.14	16.15	20.31
	(0.00)	(0.00)	(0.00)	(0.00)	(4.39)	(11.42)	(18.91)	(17.02)	(12.92)
Three-year									
AAA	65.13	23.85	1.75	0.34	0.21	0.09	0.17	0.21	8.25
	(15.96)	(16.19)	(2.22)	(1.10)	(0.57)	(0.34)	(0.59)	(0.54)	(5.85)
AA	1.26	64.24	20.11	1.94	0.20	0.18	0.04	0.22	11.81
	(0.98)	(9.78)	(8.02)	(1.66)	(0.35)	(0.37)	(0.11)	(0.30)	(4.36)
A	0.05	6.07	68.28	8.24	1.31	0.31	0.13	0.49	15.13
	(0.16)	(3.30)	(6.51)	(2.89)	(1.40)	(0.54)	(0.23)	(0.53)	(5.29)
BBB	0.00	0.72	11.92	58.47	4.87	1.22	0.42	1.54	20.84
	(0.00)	(1.25)	(6.91)	(6.65)	(2.31)	(1.15)	(0.74)	(1.43)	(4.41)
BB	0.00	0.18	0.95	15.52	42.21	6.85	1.23	4.00	29.07
	(0.00)	(0.45)	(1.81)	(6.16)	(9.21)	(4.54)	(1.78)	(4.15)	(8.54)
B	0.00	0.00	0.43	1.99	16.06	42.43	3.13	8.63	27.33
	(0.00)	(0.00)	(1.21)	(3.19)	(7.13)	(12.03)	(3.04)	(8.81)	(8.43)

Table 41

Average Multiyear Global Corporate Transition Matrices (1981-2014) (%) (cont.)									
CCC/C	0.00	0.00	0.31	0.61	2.14	20.80	12.23	23.85	40.06
	(0.00)	(0.00)	(4.12)	(3.30)	(4.32)	(14.78)	(11.00)	(19.91)	(16.86)
10-year									
AAA	25.30	33.38	10.26	2.24	0.10	0.30	0.05	1.02	27.34
	(10.21)	(13.77)	(5.35)	(2.86)	(0.33)	(0.69)	(0.23)	(1.28)	(9.05)
AA	1.32	31.54	29.14	4.68	0.38	0.40	0.04	1.19	31.31
	(0.80)	(6.54)	(6.55)	(2.12)	(0.36)	(0.47)	(0.10)	(1.21)	(5.42)
A	0.13	8.86	36.20	8.31	2.38	0.47	0.21	2.17	41.27
	(0.40)	(2.66)	(4.30)	(2.85)	(1.07)	(0.57)	(0.26)	(0.96)	(6.26)
BBB	0.00	2.36	14.12	23.42	2.82	0.89	0.70	5.04	50.64
	(0.00)	(3.04)	(3.90)	(5.02)	(1.02)	(0.56)	(0.68)	(2.14)	(5.41)
BB	0.00	0.13	4.48	16.07	6.59	3.82	0.13	11.79	56.98
	(0.00)	(0.43)	(3.77)	(4.82)	(3.33)	(2.34)	(0.32)	(10.36)	(8.86)
B	0.00	0.00	2.27	7.26	10.88	8.16	0.34	15.87	55.22
	(0.00)	(0.00)	(2.94)	(6.34)	(5.05)	(5.69)	(1.89)	(13.34)	(12.05)
CCC/C	0.00	0.00	0.54	0.54	4.35	8.70	0.00	33.70	52.17
	(0.00)	(0.00)	(5.31)	(1.47)	(6.48)	(7.98)	(0.00)	(22.74)	(20.68)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 42

Average Multiyear Global Corporate Transition Matrices (1981-2014) (%)									
Insurance									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
One-year									
AAA	87.62	10.30	0.29	0.00	0.07	0.07	0.14	0.00	1.51
	(12.16)	(11.71)	(1.34)	(0.00)	(0.32)	(0.44)	(0.87)	(0.00)	(2.01)
AA	0.67	86.76	7.88	0.41	0.05	0.05	0.08	0.05	4.04
	(1.17)	(6.89)	(5.97)	(1.02)	(0.17)	(0.15)	(0.54)	(0.16)	(2.30)
A	0.02	2.77	88.79	3.62	0.25	0.10	0.02	0.15	4.28
	(0.08)	(2.60)	(4.71)	(2.71)	(0.61)	(0.28)	(0.07)	(0.29)	(1.99)
BBB	0.00	0.19	6.34	81.79	3.02	0.46	0.39	0.23	7.58
	(0.00)	(0.83)	(3.55)	(4.69)	(2.89)	(1.18)	(0.87)	(0.79)	(3.05)
BB	0.00	0.14	0.54	9.13	72.62	3.68	1.36	0.82	11.72
	(0.00)	(1.03)	(2.36)	(9.79)	(13.22)	(4.50)	(2.98)	(2.53)	(7.91)
B	0.00	0.26	0.52	1.30	9.84	70.73	3.11	2.85	11.40
	(0.00)	(1.41)	(3.27)	(3.51)	(8.53)	(14.50)	(5.07)	(6.07)	(7.82)
CCC/C	0.00	0.00	0.00	0.00	2.53	13.92	43.04	24.05	16.46
	(0.00)	(0.00)	(0.00)	(0.00)	(7.98)	(22.54)	(30.62)	(27.62)	(22.16)
Three-year									
AAA	65.51	26.57	1.87	0.00	0.14	0.14	0.29	0.36	5.11
	(18.54)	(17.67)	(2.78)	(0.00)	(0.55)	(0.62)	(1.04)	(0.90)	(5.57)

Table 42

Average Multiyear Global Corporate Transition Matrices (1981-2014) (%) (cont.)									
AA	1.57	65.58	18.29	1.96	0.22	0.28	0.08	0.33	11.69
	(2.32)	(10.35)	(7.05)	(2.17)	(0.55)	(0.64)	(0.21)	(0.47)	(4.24)
A	0.08	6.56	71.26	6.95	0.91	0.19	0.17	0.66	13.20
	(0.18)	(5.31)	(9.00)	(2.87)	(1.49)	(0.84)	(0.27)	(1.10)	(4.93)
BBB	0.00	0.59	14.72	58.15	4.55	0.95	0.59	1.35	19.13
	(0.00)	(1.85)	(6.24)	(7.94)	(3.57)	(1.11)	(1.34)	(2.08)	(4.59)
BB	0.00	0.16	2.21	18.80	40.60	4.42	1.90	3.32	28.59
	(0.00)	(1.11)	(4.94)	(12.59)	(16.06)	(5.13)	(4.87)	(5.69)	(12.24)
B	0.00	0.00	2.48	4.97	15.84	40.37	1.55	9.01	25.78
	(0.00)	(0.00)	(6.36)	(9.30)	(12.06)	(16.73)	(3.10)	(10.44)	(11.42)
CCC/C	0.00	0.00	1.35	1.35	5.41	17.57	16.22	33.78	24.32
	(0.00)	(0.00)	(11.81)	(6.72)	(10.96)	(22.39)	(19.04)	(29.31)	(25.01)
10-year									
AAA	26.03	38.26	11.08	1.89	0.16	0.49	0.08	1.64	20.36
	(12.73)	(12.65)	(6.36)	(2.85)	(0.52)	(1.18)	(0.36)	(1.90)	(10.60)
AA	1.73	32.74	27.44	4.27	0.54	0.69	0.08	1.77	30.75
	(1.96)	(7.04)	(5.10)	(2.50)	(0.71)	(0.82)	(0.18)	(1.01)	(5.68)
A	0.34	8.85	39.65	8.05	2.05	0.38	0.53	3.08	37.07
	(1.70)	(6.24)	(9.08)	(2.86)	(2.10)	(0.46)	(0.55)	(1.72)	(8.31)
BBB	0.00	2.76	14.81	29.71	3.26	0.59	0.39	6.02	42.45
	(0.00)	(5.72)	(7.55)	(6.51)	(2.80)	(0.60)	(0.93)	(5.19)	(5.22)
BB	0.00	0.65	9.09	17.21	11.04	3.25	0.00	21.10	37.66
	(0.00)	(1.99)	(9.02)	(9.89)	(9.39)	(4.77)	(0.00)	(16.44)	(12.59)
B	0.00	0.00	9.86	17.61	10.56	4.23	1.41	19.01	37.32
	(0.00)	(0.00)	(11.85)	(20.18)	(12.32)	(8.90)	(6.38)	(15.81)	(15.27)
CCC/C	0.00	0.00	2.50	0.00	0.00	0.00	0.00	60.00	37.50
	(0.00)	(0.00)	(16.12)	(0.00)	(0.00)	(0.00)	(0.00)	(32.73)	(31.80)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 43

Average Multiyear Global Corporate Transition Matrices (1981-2014) (%)									
Financial Institutions									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
One-year									
AAA	86.36	8.37	0.52	0.21	0.10	0.00	0.00	0.00	4.44
	(12.82)	(12.42)	(1.35)	(0.90)	(0.74)	(0.00)	(0.00)	(0.00)	(4.28)
AA	0.38	85.91	9.23	0.40	0.00	0.00	0.00	0.03	4.05
	(0.64)	(7.67)	(7.18)	(0.83)	(0.00)	(0.00)	(0.00)	(0.10)	(2.39)
A	0.03	2.35	87.02	4.39	0.26	0.06	0.01	0.09	5.79
	(0.19)	(2.06)	(5.51)	(3.72)	(0.73)	(0.16)	(0.07)	(0.26)	(3.25)
BBB	0.00	0.31	4.26	83.13	3.79	0.53	0.06	0.37	7.55

Table 43

Average Multiyear Global Corporate Transition Matrices (1981-2014) (%) (cont.)									
	(0.00)	(0.62)	(3.73)	(5.73)	(3.17)	(1.13)	(0.23)	(0.83)	(2.34)
BB	0.00	0.11	0.11	6.28	75.22	5.55	0.80	0.92	10.99
	(0.00)	(0.34)	(0.74)	(4.03)	(7.85)	(4.42)	(1.90)	(1.49)	(6.81)
B	0.00	0.00	0.05	0.32	7.26	74.26	3.47	3.05	11.58
	(0.00)	(0.00)	(0.60)	(1.49)	(5.28)	(8.88)	(4.81)	(4.97)	(4.66)
CCC/C	0.00	0.00	0.00	0.00	1.31	15.08	48.20	14.10	21.31
	(0.00)	(0.00)	(0.00)	(0.00)	(4.47)	(11.94)	(19.35)	(15.46)	(12.30)
Three-year									
AAA	64.56	19.87	1.58	0.84	0.32	0.00	0.00	0.00	12.83
	(16.06)	(16.34)	(2.25)	(1.11)	(0.57)	(0.35)	(0.60)	(0.55)	(5.84)
AA	0.96	62.96	21.86	1.92	0.19	0.08	0.00	0.11	11.93
	(0.99)	(9.89)	(8.08)	(1.66)	(0.35)	(0.37)	(0.10)	(0.30)	(4.38)
A	0.03	5.72	66.15	9.15	1.59	0.39	0.10	0.37	16.50
	(0.16)	(3.27)	(6.85)	(2.77)	(1.38)	(0.53)	(0.22)	(0.53)	(5.32)
BBB	0.00	0.78	10.61	58.62	5.02	1.36	0.34	1.63	21.64
	(0.00)	(1.21)	(6.63)	(6.38)	(2.43)	(1.11)	(0.73)	(1.45)	(4.29)
BB	0.00	0.18	0.59	14.58	42.66	7.54	1.04	4.20	29.21
	(0.00)	(0.44)	(1.77)	(5.92)	(9.20)	(4.42)	(1.76)	(4.11)	(8.41)
B	0.00	0.00	0.00	1.37	16.11	42.86	3.46	8.55	27.66
	(0.00)	(0.00)	(1.15)	(3.05)	(6.94)	(11.59)	(3.07)	(8.54)	(7.78)
CCC/C	0.00	0.00	0.00	0.40	1.19	21.74	11.07	20.95	44.66
	(0.00)	(0.00)	(3.97)	(3.19)	(4.20)	(14.27)	(10.93)	(19.27)	(16.27)
10-year									
AAA	24.13	25.47	8.93	2.80	0.00	0.00	0.00	0.00	38.67
	(13.23)	(17.27)	(6.79)	(5.00)	(0.00)	(0.00)	(0.00)	(0.00)	(12.10)
AA	0.92	30.33	30.83	5.09	0.23	0.11	0.00	0.61	31.87
	(0.89)	(9.62)	(9.05)	(3.40)	(0.56)	(0.29)	(0.00)	(1.93)	(6.16)
A	0.00	8.87	34.20	8.46	2.57	0.53	0.02	1.65	43.71
	(0.00)	(3.02)	(4.47)	(4.12)	(2.35)	(0.76)	(0.09)	(1.33)	(6.59)
BBB	0.00	2.20	13.86	21.04	2.65	1.01	0.82	4.67	53.74
	(0.00)	(2.54)	(3.12)	(5.02)	(1.17)	(0.77)	(1.03)	(1.88)	(6.24)
BB	0.00	0.00	3.31	15.79	5.45	3.97	0.17	9.42	61.90
	(0.00)	(0.00)	(3.20)	(5.05)	(3.80)	(2.73)	(0.38)	(9.64)	(10.11)
B	0.00	0.00	0.81	5.27	10.95	8.92	0.14	15.27	58.65
	(0.00)	(0.00)	(1.87)	(4.48)	(5.90)	(6.84)	(0.36)	(17.37)	(13.16)
CCC/C	0.00	0.00	0.00	0.69	5.56	11.11	0.00	26.39	56.25
	(0.00)	(0.00)	(0.00)	(1.95)	(8.53)	(9.99)	(0.00)	(21.26)	(19.44)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Table 44

Average Multiyear Global Corporate Transition Matrices (1981-2014) (%)									
Nonfinancials									
From/to	AAA	AA	A	BBB	BB	B	CCC/C	D	NR
One-year									
AAA	86.90	8.22	0.80	0.00	0.07	0.00	0.00	0.00	4.00
	(8.42)	(7.56)	(1.55)	(0.00)	(0.35)	(0.00)	(0.00)	(0.00)	(4.21)
AA	0.56	86.79	7.61	0.71	0.10	0.13	0.00	0.00	4.10
	(0.71)	(5.78)	(3.81)	(1.04)	(0.32)	(0.37)	(0.00)	(0.00)	(2.73)
A	0.04	1.27	87.37	6.43	0.41	0.19	0.02	0.03	4.24
	(0.11)	(1.24)	(4.19)	(2.57)	(0.48)	(0.41)	(0.09)	(0.08)	(2.30)
BBB	0.01	0.05	3.09	86.44	3.83	0.57	0.11	0.16	5.74
	(0.05)	(0.14)	(1.86)	(4.69)	(1.83)	(0.79)	(0.25)	(0.29)	(2.04)
BB	0.02	0.02	0.12	4.82	77.01	7.33	0.61	0.74	9.35
	(0.07)	(0.10)	(0.28)	(1.90)	(4.94)	(3.73)	(0.68)	(0.94)	(2.53)
B	0.00	0.03	0.10	0.18	5.15	74.17	4.47	3.97	11.92
	(0.00)	(0.10)	(0.23)	(0.21)	(2.07)	(4.46)	(2.54)	(3.62)	(2.42)
CCC/C	0.00	0.00	0.17	0.25	0.50	13.01	43.33	28.02	14.72
	(0.00)	(0.00)	(0.55)	(0.82)	(0.93)	(8.73)	(9.75)	(12.71)	(5.72)
Three-year									
AAA	66.03	18.58	3.48	0.30	0.15	0.07	0.00	0.00	11.40
	(11.32)	(10.01)	(3.09)	(1.34)	(0.49)	(0.33)	(0.00)	(0.00)	(7.24)
AA	1.28	65.57	18.10	2.57	0.60	0.31	0.02	0.03	11.53
	(0.98)	(9.98)	(5.87)	(1.96)	(0.80)	(0.61)	(0.08)	(0.11)	(5.01)
A	0.08	2.98	67.27	14.80	1.53	0.66	0.09	0.13	12.47
	(0.12)	(2.58)	(6.45)	(3.93)	(1.10)	(0.85)	(0.16)	(0.20)	(3.75)
BBB	0.03	0.19	7.37	65.37	7.80	2.04	0.30	0.83	16.08
	(0.08)	(0.30)	(3.59)	(8.37)	(2.30)	(1.57)	(0.38)	(1.13)	(3.85)
BB	0.01	0.03	0.52	10.72	46.00	12.75	1.33	4.48	24.16
	(0.07)	(0.15)	(0.72)	(3.58)	(6.92)	(3.14)	(0.96)	(3.77)	(4.54)
B	0.01	0.04	0.24	0.80	10.35	40.46	4.62	14.18	29.30
	(0.06)	(0.14)	(0.49)	(0.75)	(3.19)	(5.72)	(1.97)	(8.09)	(5.26)
CCC/C	0.00	0.00	0.14	0.71	1.75	16.46	10.47	44.15	26.32
	(0.00)	(0.00)	(0.44)	(1.31)	(2.01)	(6.98)	(7.13)	(14.02)	(8.59)
10-year									
AAA	29.21	26.82	9.82	4.07	0.24	0.00	0.00	0.24	29.61
	(10.00)	(7.26)	(4.27)	(3.45)	(0.63)	(0.00)	(0.00)	(0.56)	(8.05)
AA	1.45	24.73	28.98	9.17	1.75	0.51	0.02	0.38	33.00
	(0.98)	(8.05)	(3.80)	(3.94)	(1.10)	(0.53)	(0.10)	(0.54)	(4.64)
A	0.13	3.46	33.61	23.07	3.50	1.40	0.14	1.44	33.26
	(0.15)	(2.70)	(4.57)	(4.56)	(1.05)	(0.83)	(0.20)	(0.90)	(2.87)
BBB	0.03	0.41	9.46	33.44	8.24	3.12	0.26	4.97	40.06
	(0.13)	(0.40)	(4.18)	(5.35)	(1.26)	(1.31)	(0.24)	(1.89)	(3.20)

Table 44

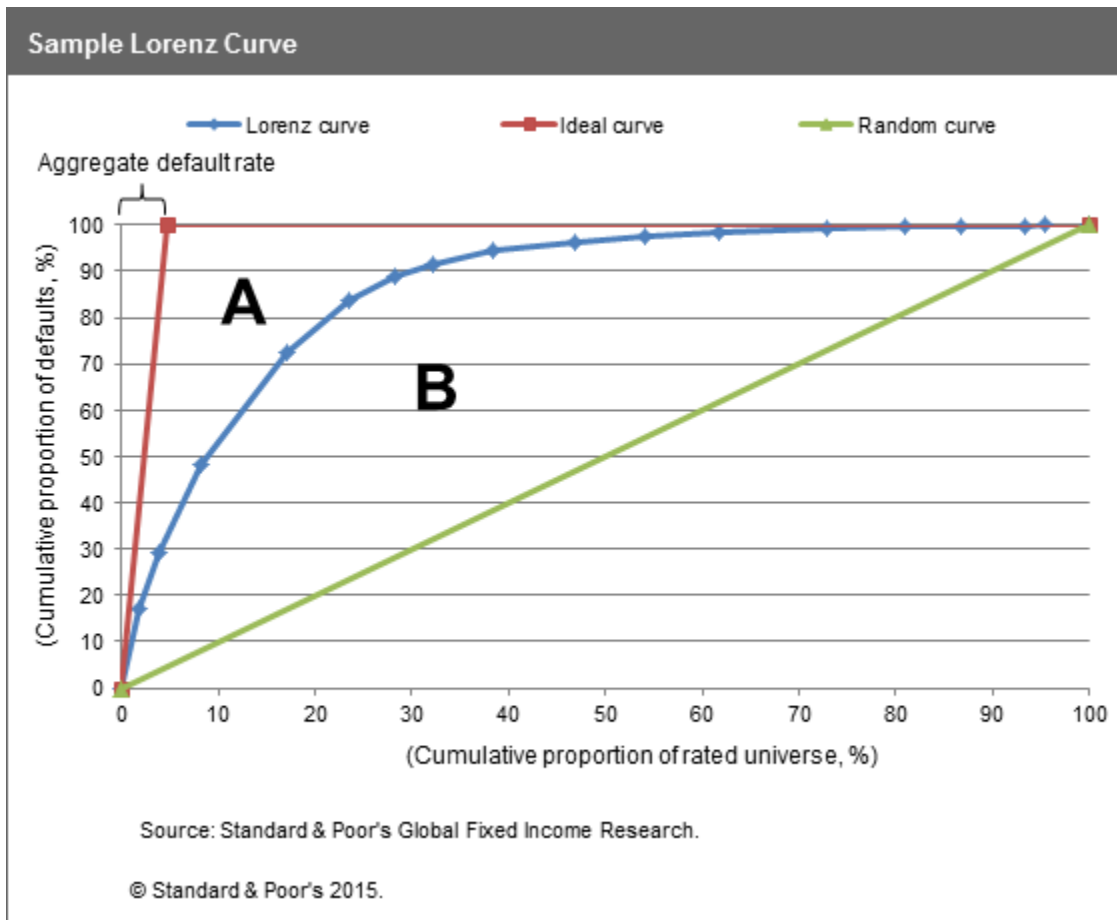
Average Multiyear Global Corporate Transition Matrices (1981-2014) (%) (cont.)									
BB	0.02	0.05	1.49	10.40	14.44	8.51	0.71	17.10	47.29
	(0.09)	(0.17)	(1.15)	(3.79)	(3.68)	(2.95)	(0.47)	(5.55)	(3.82)
B	0.00	0.02	0.40	2.38	6.50	7.99	0.85	31.14	50.73
	(0.00)	(0.07)	(0.70)	(1.80)	(1.87)	(2.76)	(0.58)	(8.69)	(5.33)
CCC/C	0.00	0.00	0.16	1.03	3.56	3.25	0.40	53.92	37.69
	(0.00)	(0.00)	(0.44)	(1.12)	(2.70)	(2.91)	(0.82)	(11.76)	(10.28)

Note: Numbers in parentheses are weighted standard deviations, weighted by the issuer base. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Appendix II: Gini Methodology

To measure relative ratings performance, we utilize the Lorenz curve as a graphical representation of the proportionality of a distribution, and we summarize this via the Gini coefficient. For this study, the Lorenz curve is a plotted with the x axis showing the cumulative share of issuers, arranged by rating, while the y axis represents the cumulative share of defaulters, also arranged by rating. For both axes of the Lorenz curve, the observations are ordered from the low end of the ratings scale ('CCC'/'C') to the high end ('AAA'). As an example, if 'CCC'/'C' rated entities made up 10% of the total population of issuers at the start of the time frame examined (x axis) and 50% of the defaulters (y axis), then the coordinate (10, 50) would be the first point on the curve. If Standard & Poor's corporate ratings only randomly approximated default risk, the Lorenz curve would fall along the diagonal. Its Gini coefficient--which is a summary statistic of the Lorenz curve--would thus be zero. If corporate ratings were perfectly rank ordered so that all defaults occurred only among the lowest-rated entities, the curve would capture all of the area above the diagonal on the graph (the ideal curve) and its Gini coefficient would be one (see chart 31). The procedure for calculating the Gini coefficients is illustrated in chart 31--area B is bounded by the random curve and the Lorenz curve, while area A is bounded by the Lorenz curve and the ideal curve. The Gini coefficient is defined as area B divided by the total of areas A plus B. In other words, the Gini coefficient captures the extent to which actual ratings accuracy diverges from the random scenario and aspires to the ideal scenario.

Chart 31



Appendix III: Defaults In Profile

In 2014, 60 companies, including seven confidentially rated entities that Standard & Poor's Ratings Services rates, defaulted on US\$91.6 billion of debt. Here we provide summaries of the events leading up to each default and, in some cases, events following the default. We also include the defaulting instruments for each company that Standard & Poor's rates.

Tuscany International Drilling Inc.

Fabiola Ortiz, Mexico City (52) 55-5081-4449; Luciano D Gremone, Buenos Aires (54) 114-891-2143

- US\$45 million revolver bank loan due Sept. 14, 2015
- US\$210 million term bank loan due Sept. 15, 2017

On Feb. 2, 2014, Canada-based oilfield services company Tuscany International Drilling Inc. defaulted when it filed for Chapter 11 bankruptcy protection.

Previous to the default, on Dec. 9, 2013, we had withdrawn our ratings on Tuscany at the issuer's request.

Table 45

Tuscany International Drilling Inc.--Issuer Credit Rating

Date	To
09-Dec-2013	NR/--/--
09-Dec-2013	CC/Negative/--
29-Oct-2013	B-/Watch Neg/--
07-Nov-2012	B/Stable/--

Cognor S.A.

Elad Zelasko, CPA, London (44) 20-7176-7013; Paulina Grabowiec, London (44) 20-7176-7051

- €100.348 million 7.50% notes due Feb. 1, 2020
- €25.087 million 5.00% exchangeable notes due Feb. 1, 2021

On Feb. 4, 2014, Standard & Poor's lowered its long-term corporate credit rating on Poland-based steel maker Cognor S.A. to 'SD' (selective default) from 'CC' and its short-term corporate credit rating on Cognor to 'SD' from 'C'. The rating action followed Cognor's announcement on Jan. 28, 2014, that it had received court approval to exchange the €118 million outstanding on its senior secured notes due Feb. 1, 2014, for new senior secured and exchangeable notes. As per the new offer, the interest rates applicable to the newly issued notes are lower than they were originally. We therefore view this arrangement as a distressed exchange, which is tantamount to a default as per our criteria.

On Feb. 17, 2014, Standard & Poor's raised its long-term corporate credit rating on Cognor to 'CCC+' from 'SD' after the entity completed its exchange. The exchange not only extended Cognor's debt maturities, but it also reduced its interest payments for the next three years. We believe this will benefit Cognor's financial flexibility and liquidity for the next year.

Table 46

Cognor S.A.--Issuer Credit Rating

Date	To
17-Feb-2014	CCC+/Stable/--
04-Feb-2014	SD/NM/--
21-Nov-2013	CC/Negative/--
10-Apr-2013	CCC/Negative/--
04-Oct-2012	CCC+/Negative/--

Alliance Bank JSC

Ekaterina Marushkevich, CFA, Moscow (7) 495-783-4044; Annette Ess, CFA, Frankfurt (49) 69-33-999-157;

- US\$615.138 million 10.50% medium-term notes due March 25, 2017
- KZT966.814 million 14.50% medium-term notes due March 25, 2017
- US\$0.978 million medium-term notes due March 25, 2017
- US\$219.343 million medium-term notes due March 25, 2020
- KZT1.249 billion medium-term notes due March 25, 2020
- KZT21.307 billion notes due March 25, 2030

On Feb. 11, 2014, Standard & Poor's revised its long-term and short-term counterparty credit ratings on

Kazakhstan-based Alliance Bank JSC to 'D/D' from 'CCC/C'. The ratings were lowered after Alliance Bank missed a payment to the holders of its "recovery notes" on Dec. 26, 2013. We considered this nonpayment a general default and were certain that the bank would miss all of the subsequent payments. Additionally, due to this nonpayment, the bank breached regulatory liquidity requirements, which appears to constitute a covenant breach under condition 11 (l) of the documentation for the par notes and discount notes, two further classes of senior unsecured debt.

On Dec. 16, 2014, Standard & Poor's raised its long- and short-term counterparty credit ratings on Alliance Bank to 'B/B' from 'D/D'. The outlook is stable. The ratings were raised after the announcement that the court approved the bank's debt restructuring plan, which led to substantial reduction of the bank's indebtedness.

Table 47

Alliance Bank JSC--Issuer Credit Rating

Date	To
16-Dec-2014	B/Stable/--
11-Feb-2014	D/--/--
28-Oct-2013	CCC/Negative/--
23-Sep-2013	CCC+/Stable/--
10-Jun-2010	B-/Stable/--
05-Jun-2009	D/--/--
14-Apr-2009	SD/NM/--
31-Mar-2009	CC/Watch Neg/--
26-Mar-2009	C/Watch Neg/--
20-Mar-2009	B/Watch Neg/--
16-Feb-2009	B/Watch Dev/--
03-Feb-2009	B+/Watch Dev/--
11-Dec-2007	B+/Negative/--
10-Oct-2007	B+/Stable/--

MModal LLC

David T Tsui, CFA, CPA, New York (1) 212-438-2138; John D Moore, New York (1) 212-438-2140

- US\$250 million 10.75% senior unsecured bridge facility notes due Aug. 15, 2020
- US\$75 million revolver bank loan due Aug. 17, 2017
- US\$445 million term bank loan due Aug. 17, 2019

On Feb. 19, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based clinical documentation solutions provider MModal LLC to 'D' from 'B-'. We also lowered the ratings on the company's \$250 million unsecured notes due in 2020 to 'D' from 'CCC'. The downgrade followed the entity's missed interest payment on its unsecured notes due Feb. 18, 2014. The company reported that it had entered into discussions with its lenders and bondholders on the terms of a Chapter 11 plan for reorganization.

On March 21, 2014, Standard & Poor's withdrew all of its ratings on MModal, including the 'D' corporate credit rating. We also withdrew our 'D' ratings on the company's \$520 million senior secured credit facilities, consisting of a \$75 million revolving credit facility and a \$445 million term loan, and on its \$250 million unsecured notes.

Table 48

MModal LLC--Issuer Credit Rating

Date	To
21-Mar-2014	NR/--/--
19-Feb-2014	D/--/--
18-Nov-2013	B-/Negative/--
23-Aug-2013	B/Negative/--
21-May-2013	B/Stable/--
11-Apr-2013	CCC+/Developing/--
21-Mar-2013	B/Stable/--
04-Sep-2012	B+/Stable/--

Midwest Vanadium Pty Ltd.

Minh Hoang, Sydney (61) 2-9255-9899; May Zhong, Melbourne (61) 3-9631-2164

- US\$335 million 11.50% notes due Feb. 15, 2018

On Feb. 21, 2014, Standard & Poor's lowered its corporate credit rating on Australian mining company Midwest Vanadium Pty Ltd. (MVPL) and its issue rating on MVPL's \$335 million senior secured notes due in 2018 to 'D' from 'CCC-'. The rating actions followed the announcements made by MVPL's parent, Atlantic Ltd., that MVPL had failed to pay its \$19 million interest payment due on Feb. 15, 2014.

On Aug. 26, 2014, Standard & Poor's withdrew its rating on MPVL as per the issuer's request. Earlier, on Aug. 19, Atlantic Ltd. announced that the standstill agreement reached in February had been extended to Nov. 14, 2014. The agreement now even includes the unpaid interest due in August 2014.

Table 49

Midwest Vanadium Pty Ltd.--Issuer Credit Rating

Date	To
26-Aug-2014	NR/--/--
20-Feb-2014	D/--/--
10-Feb-2014	CCC-/Watch Neg/--
27-May-2013	CCC/Developing/--
21-Feb-2013	CCC/Watch Neg/--
22-Mar-2012	CCC+/Negative/--
06-Mar-2012	B-/Watch Neg/--
01-Feb-2011	B-/Stable/--

Sorenson Communications Inc.

- US\$735 million 10.50% second-lien senior secured notes due Feb. 1, 2015
- US\$25 million revolver bank loan due Oct. 31, 2014
- US\$550 million term bank loan due Oct. 31, 2014
- US\$310 million second-lien term bank loan due Dec. 31, 2014

On March 4, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based video relay service provider

Sorenson Communications Inc. to 'D' from 'CCC'. The rating action followed the company's filing for Chapter 11 bankruptcy. The company had failed to make a \$38.5 million interest payment on its \$735 million senior secured notes due on Feb. 1, 2014.

On April 11, 2014, Standard & Poor's raised its corporate credit rating on Sorenson. to 'CCC+' from 'D'. The rating outlook is negative. The ratings were raised after the company reached an agreement with its lenders to restructure its debt. The agreement extends the maturity of the company's debt, lessening its near-term maturity risk.

Table 50

Sorenson Communications Inc.--Issuer Credit Rating

Date	To
11-Apr-2014	CCC+/Negative/--
04-Mar-2014	D/--/--
13-Sep-2013	CCC/Negative/--
29-May-2013	B-/Stable/--

USEC Inc.

Chiza B Vitta, Dallas (1) 214-765-5864

- US\$575 million 3.00% convertible due Oct. 1, 2014

On March 5, 2014, U.S.-based uranium enrichment company USEC Inc. defaulted after it filed for Chapter 11 bankruptcy protection.

On Sept. 5, 2014 the U.S. Bankruptcy Court confirmed the reorganization plan for USEC. Under the plan, the debtors will exchange their \$530 million convertible notes for 79% of the company's reorganized stock along with \$200 million in new 8%, five-year subordinated junior notes.

Table 51

USEC Inc.--Issuer Credit Rating

Date	To
06-Nov-2013	NR/--/--
15-Aug-2012	CCC/Negative/--
15-May-2012	CCC+/Watch Neg/--
21-Dec-2009	CCC+/Developing/--
29-Jul-2009	B-/Watch Neg/--
27-Jun-2006	B-/Negative/--
10-Aug-2005	B+/Negative/--
11-Oct-2004	BB-/Negative/--
25-Jun-2003	BB/Stable/--
04-Sep-2002	BB/Negative/--
19-Jun-2002	BB/Stable/--
07-May-2002	BB/Negative/--
25-Jan-2002	BB+/Watch Neg/--
27-Apr-2001	BB+/Negative/--

Table 51

USEC Inc.--Issuer Credit Rating (cont.)	
26-Oct-2000	BB+/Watch Neg/--
04-Feb-2000	BB+/Negative/--
30-Aug-1999	BBB/Negative/--
10-Jun-1999	BBB+/Watch Neg/--
04-Aug-1998	BBB+/Stable/--

Travelport Holdings Ltd.

Menique Smit, London 02071763057 ; Olli Rouhiainen, London (44) 20-7176-3769

- US\$1.55 billion first-lien bank loan due 2019
- US\$120 million bank loan due June 30, 2018
- US\$150 million senior (US\$0.32 million outstanding) notes due Sept. 1, 2014
- US\$136.48 million second-lien floating notes due Dec. 1, 2016
- US\$450 million 9.625% senior (US\$16.008 million outstanding) notes due Sept. 1, 2014
- US\$300 million 10.625% senior subordinated (US\$247 million outstanding) notes due Sept. 1, 2016
- €235 million senior euro (US\$3.026 million outstanding) notes due Sept. 1, 2014
- €160 million 10.625% senior subordinated notes due Dec. 31, 2016
- US\$1.515 billion first-lien (US\$1.477 billion outstanding) bank loan due Aug. 23, 2015
- US\$406.196 million 11.375% notes due March 1, 2016
- US\$175 million floating-rate 1.5-lien bank loan due Nov. 22, 2015
- US\$250 million 9.00% (US\$0.1 million outstanding) bonds due March 1, 2016
- US\$406.19 million 13.875% senior unsecured notes due March 1, 2016

On March 5, 2014, Standard & Poor's lowered its long-term corporate credit ratings on U.S.-based travel services provider Travelport Holdings Ltd. and its indirect primary operating subsidiary Travelport LLC, to 'SD' from 'CCC+'. The rating was lowered following the company's completion of a debt-to-equity swap of its \$135 million senior subordinated notes due in 2016 with a 10% stake in Travelport. As the swap alters the ranking of the senior subordinated notes to a more junior position and provides inadequate compensation to the investors involved, we therefore viewed it as a distressed exchange, which is equivalent to default as per our criteria.

On April 10, 2014, Standard & Poor's raised its long-term corporate credit ratings on Travelport Holdings to 'CCC+', with a stable outlook, from 'SD'. The upgraded reflected the company's new capital structure.

On Sept. 4, 2014, Standard & Poor's raised its long-term corporate credit ratings on Travelport Holdings to 'B-' from 'CCC+'. The ratings were raised after Travelport completed the refinancing of its existing debt, due in 2016. The plan improved the entity's credit metrics and stand-alone credit profile. The ratings were subsequently withdrawn as the entity's debt was repaid.

Table 52

Travelport Holdings Ltd.--Issuer Credit Rating	
Date	To
04-Sep-2014	NR/--/--
04-Sep-2014	B-/Stable/--

Table 52

Travelport Holdings Ltd.--Issuer Credit Rating (cont.)	
04-Aug-2014	CCC+/Watch Pos/--
10-Apr-2014	CCC+/Stable/--
05-Mar-2014	SD/NM/--
26-Apr-2013	CCC+/Stable/--
16-Apr-2013	SD/NM/--
03-Apr-2013	CC/Negative/--
26-Mar-2013	CCC+/Watch Neg/--
14-Oct-2011	B-/Stable/--
05-Oct-2011	SD/NM/--
21-Sep-2011	CC/Negative/--
13-Sep-2011	CCC/Watch Neg/--
03-Feb-2011	B-/Negative/--
12-Feb-2010	B-/Stable/--
19-Jan-2010	B-/Watch Pos/--
09-Jun-2009	B-/Stable/--
05-Jun-2009	SD/NM/--
02-Jun-2009	B-/Stable/--
01-May-2008	B-/Negative/--
13-Jul-2007	B/Stable/--
26-Mar-2007	B/Positive/--

Aralco Industria e Comercio S.A.

Flavia M Bedran, Sao Paulo (55) 11-3039-9758;

- US\$250 million 10.125% senior unsecured notes due May 7, 2020

On March 6, 2014, Standard & Poor's lowered its global scale corporate credit rating on Brazilian sugarcane processor Aralco Industria e Comercio S.A. to 'D' from 'B-'. The rating action was taken after Aralco filed for judicial reorganization on Feb. 28, 2014. The entity plans to restructure its debt and will operate under judicial oversight.

Table 53

Aralco Industria e Comercio S.A.--Issuer Credit Rating	
Date	To
06-Mar-2014	D/--/--
20-Jan-2014	B-/Negative/--
28-Oct-2013	B/Watch Neg/--
08-Apr-2013	B/Stable/--

Sbarro LLC

Mariola Borysiak, New York (1) 212-438-7839; Andy G Sookram, New York (1) 212-438-5024

- US\$150 million 10.375% senior notes due Feb. 1, 2015
- US\$75 million second-outstanding term bank loan due Nov. 28, 2016

- US\$62.3 million first-outstanding term bank loan due May 28, 2016
- US\$35 million first-lien guaranteed senior secured term bank loan due May 28, 2016

On March 10, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based pizza chain Sbarro LLC to 'D' from 'CCC-'. The rating action followed the company's filing for Chapter 11 bankruptcy protection. This is the second time the entity has filed for bankruptcy protection after 2011, when it recovered from bankruptcy after making considerable debt reductions. However, the increasing competition in mall food courts, declining mall traffic, and rising commodity costs have hugely affected its liquidity and negatively affected its profitability.

On March 14, 2014, Standard & Poor's withdrew its 'D' corporate credit rating on Sbarro. The company continues to operate under Chapter 11 bankruptcy protection.

Table 54

Sbarro LLC--Issuer Credit Rating

Date	To
14-Mar-2014	NR/--/--
10-Mar-2014	D/--/--
17-Jan-2014	CCC-/Negative/--
11-Jul-2013	CCC+/Negative/--
24-Jan-2012	B-/Stable/--
31-Aug-2011	NR/--/--
01-Feb-2011	D/--/--
06-Jan-2011	CC/Negative/--
13-Aug-2010	CCC-/Negative/--
10-Apr-2009	CCC+/Negative/--
30-Jan-2009	CC/Negative/--
04-Dec-2008	CCC/Negative/--
11-Aug-2008	CCC+/Negative/--
25-Jan-2007	B-/Negative/--
09-Jan-2007	B-/Stable/--
05-Jan-2007	CCC+/Watch Dev/--
29-Nov-2006	CCC+/Watch Neg/--
13-May-2005	CCC+/Positive/--
20-Nov-2003	CCC/Negative/--
05-Jun-2003	B-/Negative/--
06-Dec-2001	B+/Negative/--
06-Sep-2001	BB-/Negative/--
30-Jul-2001	BB-/Stable/--
19-Apr-2001	BB-/Watch Dev/--
03-Sep-1999	BB-/Stable/--

Global Geophysical Services Inc.

Vishal H Merani, CFA, New York (1) 212-438-2679

- US\$200 million 10.50% senior unsecured notes due May 1, 2017

- US\$50 million 10.50% senior unsecured notes due May 1, 2017
- US\$82.8 million first-lien guaranteed senior secured term bank loan due Sept. 30, 2016
- US\$22.2 million first-lien guaranteed senior secured term bank loan due Sept. 30, 2016

On March 27, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based seismic services company Global Geophysical Services Inc. to 'D' from 'CCC-'. The rating action was taken after the company's announcement that it filed for Chapter 11 bankruptcy protection due to its heavy debt burden and that it will seek court approval for \$60 million in debtor-in-possession financing. The company had outstanding debt of \$338 million as of Sept. 30, 2013.

On May 29, 2014, Standard & Poor's withdrew its corporate credit and senior unsecured debt ratings on Global Geophysical Services. The U.S. Bankruptcy Court approved the entity's debtor-in-possession financing.

Table 55

Global Geophysical Services Inc.--Issuer Credit Rating

Date	To
30-May-2014	NR/--/--
27-Mar-2014	D/--/--
19-Mar-2014	CCC-/Negative/--
09-Jan-2014	CCC+/Developing/--
30-Aug-2013	CCC+/Watch Dev/--
30-Jan-2012	B+/Stable/--
26-Apr-2011	B/Positive/--
25-Jan-2010	B/Stable/--
30-Nov-2009	B-/Stable/--
05-Feb-2009	B-/Negative/--
23-Sep-2008	B-/Developing/--
15-Aug-2008	B-/Positive/--
12-Jan-2007	B-/Stable/--

Koosharem Corp.

- US\$100 million secured lien term bank loan due Jan. 2, 2015
- US\$250 million first-lien senior secured term bank loan due July 2, 2014
- US\$100 million second-lien term B bank loan due Dec. 31, 2014
- US\$109 million first-lien term A bank loan due June 30, 2014

On April 1, 2014, U.S.-based Koosharem Corp. defaulted after the company filed for Chapter 11 bankruptcy.

On Oct. 27, 2011, Standard & Poor's withdrew all of its ratings on Koosharem, including the 'CC' corporate credit rating, at the company's request.

Table 56

Koosharem Corp.--Issuer Credit Rating

Date	To
27-Oct-2011	NR/--/--
21-Oct-2011	CC/Negative/--
22-Oct-2010	CCC-/Negative/--

Table 56

Koosharem Corp.--Issuer Credit Rating (cont.)	
11-Sep-2009	CCC/Negative/--
29-Dec-2008	B-/Stable/--
17-Jun-2008	B/Watch Neg/--
07-Feb-2008	B/Negative/--
08-Jun-2007	B/Stable/--
16-Jun-2006	B-/Stable/--

Brookstone Inc.

Jayne M Ross, New York (1) 212-438-7857; David M Kuntz, New York (1) 212-438-5022

- US\$110 million first-lien guaranteed senior secured term bank loan due Dec. 30, 2016
- US\$20 million first-lien guaranteed senior secured term bank loan due Dec. 30, 2016
- US\$10 million first-lien guaranteed senior secured term bank loan due Dec. 30, 2016
- US\$125.612 million 13.00% second-lien notes due Oct. 15, 2014

On April 3, 2014, U.S.-based Brookstone Inc. defaulted after filing for Chapter 11 bankruptcy.

On June 26, 2012, Standard & Poor's withdrew its unsolicited 'B-' corporate credit rating on Brookstone due to a lack of market interest.

Table 57

Brookstone Inc.--Issuer Credit Rating	
Date	To
26-Jun-2012	NR/--/--
12-Jun-2012	B-/Stable/--
30-Dec-2010	B-/Negative/--
23-Dec-2010	SD/NM/--
10-Jun-2010	CC/Negative/--
01-Oct-2009	CCC/Negative/--
01-Oct-2009	NR/--/--
19-Feb-2009	CCC/Negative/--
16-Dec-2008	B/Negative/--
17-Apr-2007	B/Stable/--
21-Mar-2006	B/Negative/--
09-Sep-2005	B/Stable/--

Guitar Center Holdings Inc.

Mariola Borysiak, New York (1) 212-438-7839; David Kuntz, New York (1) 212-438-5022

- US\$375 million 11.50% senior notes due Oct. 15, 2017
- US\$375 million ABL revolver bank loan due Feb. 9, 2016
- US\$650 million term bank loan due April 9, 2017
- US\$401.758 million 14.09% senior pay-in-kind notes due April 15, 2018
- US\$615 million 6.50% senior secured notes due April 15, 2019

- US\$325 million 9.625% senior unsecured notes due April 15, 2020
- US\$325 million ABL revolver bank loan due Dec. 31, 2019

On April 3, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based Guitar Center Holdings Inc. to 'SD' (selective default) from 'CC' following the completion of a distressed exchange transaction. The company exchanged \$401.8 million of its holding company unsecured notes for holding company preferred stock. In addition, the company refinanced its \$375 million of operating company unsecured notes with \$325 million of new senior unsecured notes. The remaining balance of the notes, along with accrued interest and transaction fees, were converted into \$100 million of operating company preferred stock.

On April 7, 2014, Standard & Poor's raised its corporate credit rating on Guitar Center Holdings to 'B-', with a negative outlook, from 'SD'. The rating action followed the company's completion of a restructuring, in which it exchanged more than \$500 million of its balance sheet debt for preferred equity. This improved the company's cash flow generation and enhanced its liquidity position.

Table 58

Guitar Center Holdings Inc.--Issuer Credit Rating	
Date	To
07-Apr-2014	B-/Negative/--
03-Apr-2014	SD/NM/--
25-Mar-2014	CC/Negative/--
28-May-2013	CCC+/Negative/--
08-May-2012	B-/Negative/--
29-Jun-2009	B-/Stable/--
10-Oct-2007	B-/Negative/--

Texas Competitive Electric Holdings Co. LLC

Terry A Pratt, New York (1) 212-438-2080; Steve H Wilkinson, CFA, New York (1) 212-438-5093; Aneesh Prabhu, CFA, FRM, New York (1) 212-438-1285

- US\$1.409 billion extended revolver bank loan due Oct. 10, 2016
- US\$645 million floating-rate extended revolving credit facility bank loan due Oct. 11, 2016
- US\$340 million first-lien guaranteed senior secured term bank loan due Oct. 10, 2017
- US\$15.37 billion extended term B bank loan due Oct. 10, 2017
- US\$1.02 billion extended letter of credit bank loan due Oct. 10, 2017
- US\$42 million letter of credit bank loan due Oct. 10, 2014
- US\$3.809 billion senior secured term B bank loan due Oct. 10, 2014
- US\$3 billion 10.25% senior cash pay notes due Nov. 1, 2015
- US\$2 billion 10.25% senior cash pay notes due Nov. 1, 2015
- US\$1.75 billion 10.50% senior toggle notes due Nov. 1, 2016
- US\$1.725 billion 11.50% senior notes due Oct. 1, 2020
- US\$2.5 billion 11.25% senior toggle notes due Nov. 1, 2017
- US\$885 million 15.00% second-lien notes series B due April 1, 2021

On April 4, 2014, Standard & Poor's lowered its corporate credit rating on Texas Competitive Electric Holdings Co.

LLC (TCEH) to 'D' from 'CCC-' after the company missed interest payments on its debt on April 1, 2014.

On April 29, 2014, Energy Future Holdings Corp. (EFH) and its subsidiaries filed for protection from their creditors under Chapter 11 of the U.S. Bankruptcy Code. Subsequently, on May 1, 2014, Standard & Poor's lowered its corporate credit ratings on EFH, Energy Future Intermediate Holdings Co. LLC (EFIH), and Energy Future Competitive Holdings Co. LLC (EFCH) to 'D' from 'CC'. The filing affects about \$40 billion in various classes of debt. The bankruptcy filing was the result of TCEH's inability to meet its upcoming financial obligations due to insufficient cash flow generation from its Luminant electric wholesale and TXU Retail competitive retail operations in the north Texas market.

On May 14, 2014, Standard & Poor's withdrew its corporate credit and debt ratings on EFH and its subsidiaries, including TCEH.

On June 16, 2014, EFH won a judge's approval of its bankruptcy financing plans for TCEH and EFIH. The U.S. Bankruptcy Court signed off on a \$5.4 billion debtor-in-possession financing plan for EFIH and a \$4.475 billion plan for TCEH so that the businesses could continue to operate during the company's restructuring.

On July 28, 2014, EFH and its subsidiaries, including TCEH and EFIH, dropped a proposed bankruptcy restructuring plan, as per their July 24 regulatory filing.

Table 59

Texas Competitive Electric Holdings Co. LLC--Issuer Credit Rating

Date	To
14-May-2014	NR/--/--
04-Apr-2014	D/--/--
09-Oct-2013	CCC-/Negative/--
01-Feb-2013	CCC/Negative/--
31-Jan-2013	SD/NM/--
26-Dec-2012	CC/Negative/--
20-Apr-2011	CCC/Negative/--
20-Apr-2011	SD/NM/--
04-Apr-2011	CC/Negative/--
21-Dec-2010	CCC+/Negative/--
17-Nov-2009	B-/Negative/--
16-Nov-2009	SD/NM/--
05-Oct-2009	CC/Negative/--
31-Aug-2009	B-/Negative/--
09-Oct-2007	B-/Stable/--
02-Mar-2007	BB/Watch Neg/--
26-Feb-2007	BBB-/Watch Neg/--
15-Jun-2006	BBB-/Negative/--
14-Jun-2005	BBB-/Stable/--
06-May-2005	BBB/Watch Neg/--
14-Oct-2002	BBB/Negative/--

Table 59

Texas Competitive Electric Holdings Co. LLC--Issuer Credit Rating (cont.)

25-Sep-2002	BBB+/Negative/--
10-Jan-2002	BBB+/Stable/--

Baghlan Group FZCO

Elena Anankina, CFA, Moscow (7) 495-783-4130; Simon Redmond, London (44) 20-7176-3683

- US\$150 million senior secured notes due June 27, 2015

On April 8, 2014, Standard & Poor's lowered its long-term corporate credit rating on Azerbaijan-based diversified company Baghlan Group FZCO to 'SD' from 'B-'. The 'SD' rating reflected Baghlan's failure to make a \$19 million coupon payment due on Dec. 27, 2013, for its unrated \$150 million loan participation notes. The ratings were subsequently withdrawn owing to the lack of sufficient information from Baghlan, notably about its liquidity.

Table 60

Baghlan Group FZCO--Issuer Credit Rating

Date	To
08-Apr-2014	NR/--/--
08-Apr-2014	SD/NM/--
04-Dec-2013	B-/Negative/--
13-Nov-2013	B/Watch Neg/--
18-Jun-2013	B/Stable/--

James River Coal Co.

Chiza B Vitta, Dallas (1) 214-765-5864; James E Fielding, New York (1) 212-438-2452

- US\$172.5 million 4.50% convertible due Dec. 1, 2015
- US\$230 million 3.125% senior convertible notes due March 15, 2018
- US\$230 million 10.00% convertible due June 1, 2018
- US\$275 million 7.875% senior notes due April 1, 2019
- US\$100 million revolver bank loan due June 30, 2015

On April 9, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based James River Coal Co. to 'D' from 'CCC'. The rating action followed James River's announcement that it filed for Chapter 11 bankruptcy protection to restructure its highly leveraged balance sheet. The company had about \$425 million of long-term debt outstanding as of Sept. 30, 2013. The company received bankruptcy court approval for a \$110 million debtor-in-possession financing facility from several financial funds.

On June 17, 2014, Standard & Poor's withdrew its corporate credit and issue-level ratings on James River.

Table 61

James River Coal Co.--Issuer Credit Rating

Date	To
17-Jun-2014	NR/--/--
09-Apr-2014	D/--/--

Table 61

James River Coal Co.--Issuer Credit Rating (cont.)	
15-Nov-2012	CCC/Negative/--
07-Nov-2012	SD/NM/--
25-Jun-2012	CCC+/Negative/--
22-Mar-2012	B-/Watch Neg/--
29-Feb-2012	B/Watch Neg/--
22-Mar-2011	B/Stable/--
08-Mar-2011	B-/Watch Pos/--
27-Jul-2010	B-/Stable/--
13-Nov-2009	B-/Positive/--
18-Dec-2008	B-/Stable/--
22-May-2008	CCC/Developing/--
11-May-2007	CCC/Negative/--
10-Aug-2006	CCC+/Negative/--
10-Mar-2006	B-/Developing/--
08-Dec-2005	B/Negative/--
25-May-2005	B/Stable/--
09-May-2005	B/Watch Neg/--

The Cash Store Financial Services Inc.

Michael Leizerovich, Toronto (1) 416-507-2510; Igor Koefman, New York (1) 212-438-5068

- CAD132.5 million 11.50% callable notes due Jan. 2017
- CAD32.5 million 12.5% term bank loan due Nov. 29, 2016

On April 15, 2014, Standard & Poor's lowered its issuer credit and issue-level ratings on Canada-based The Cash Store Financial Services Inc. (CSF) to 'D' from 'CC'. The downgrade is in accordance with Standard & Poor's criteria and follows CSF's announcement that the Ontario Superior Court of Justice has granted the company creditor protection under the Companies' Creditors Arrangement Act. The company's inability to offer a line of credit product in Ontario due to the Registrar of the Ministry of Consumer Services' refusal to issue a license contributed to its lower cash flow and resulted in CSF's liquidity constraints.

On June 7, 2014, CSF announced that the Superior Court authorized the company and its subsidiaries to enter into a debtor-in-possession financing agreement to continue operations during the CCAA proceedings.

On June 19, 2014, Standard & Poor's withdrew its 'D' issuer credit and issue-level debt ratings on CSF because of the lack of sufficient information to maintain surveillance on the ratings.

Table 62

The Cash Store Financial Services Inc.--Issuer Credit Rating	
Date	To
19-Jun-2014	NR/--/--
15-Apr-2014	D/--/--
14-Apr-2014	CC/Negative/--

Table 62

The Cash Store Financial Services Inc.--Issuer Credit Rating (cont.)	
14-Feb-2014	CCC/Negative/--
06-Feb-2013	CCC+/Negative/--
10-Jan-2013	B-/Negative/--
12-Jan-2012	B/Stable/--

Momentive Performance Materials Inc.

Paul J Kurias, New York (1) 212-438-3486; Cynthia M Werneth, CFA, New York (1) 212-438-7819

- US\$500 million 11.50% senior subordinated notes due Dec. 1, 2016
- US\$1.1 billion 8.875% first-priority senior secured notes due Oct. 15, 2020
- US\$250 million 10.00% senior secured notes due Oct. 15, 2020
- US\$1.161 billion second-priority springing lien notes due Jan. 15, 2021
- US\$525.6 million 9.00% second-lien notes due Jan. 15, 2021
- €150 million 9.50% second-priority springing lien notes due Jan. 15, 2021
- US\$300 million revolving credit facility bank loan due Dec. 3, 2014
- €275 million 9.00% senior notes due Dec. 1, 2014
- €294.38 million term bank loan due May 5, 2015
- US\$200 million 12.50% second-lien notes due June 15, 2014
- US\$300 million 10.125% senior toggle-PIK (payment-in-kind) notes due Dec. 1, 2014
- US\$436.41 million term bank loan due May 5, 2015
- US\$500 million notes due Dec. 31, 2017
- US\$595 million senior subordinated notes due Dec. 31, 2016
- US\$765 million 9.75% senior notes due Dec. 1, 2014

On April 16, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based silicone and quartz producer Momentive Performance Materials Inc. (MPM) to 'D' from 'CC' following the company's announcement that it filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code. The company also announced that it secured \$570 million of debtor-in-possession financing. Five days later, on April 21, 2014, Standard & Poor's withdrew all of its ratings on MPM, including the 'D' corporate credit rating.

On May 15, 2014, Standard & Poor's assigned its point-in-time 'BB-' rating to MPM "new money" \$300 million DIP term loan facility due the earlier of April 2015 or the effective date of the company's reorganization plan. And, on May 23, 2014, MPM received a federal judge's approval of a \$570 million bankruptcy loan.

On Dec. 19, 2014, Standard & Poor's assigned a 'B-' corporate credit rating to MPM as the company emerged from bankruptcy on Oct. 24, 2014. The outlook is stable. The stable outlook indicates that the company's reduced debt burden should result in leverage and liquidity supportive of the ratings.

Table 63

Momentive Performance Materials Inc.--Issuer Credit Rating	
Date	To
19-Dec-2014	B-/Stable/--
21-Apr-2014	NR/--/--

Table 63

Momentive Performance Materials Inc.--Issuer Credit Rating (cont.)	
16-Apr-2014	D/--/--
02-Apr-2014	CC/Watch Neg/--
11-Feb-2014	CCC-/Negative/--
13-Aug-2012	CCC/Negative/--
20-Mar-2012	B-/Negative/--
25-Oct-2010	B-/Stable/--
16-Sep-2010	CCC+/Watch Pos/--
21-Dec-2009	CCC+/Stable/--
18-Nov-2009	CCC+/Watch Pos/--
24-Sep-2009	CCC-/Watch Pos/--
22-Jun-2009	CCC-/Negative/--
15-Jun-2009	SD/NM/--
13-May-2009	CC/Watch Neg/--
17-Mar-2009	CCC/Watch Neg/--
16-Dec-2008	B-/Stable/--
14-Mar-2008	B/Negative/--
20-Nov-2006	B/Stable/--

Energy Future Holdings Corp.

Terry A Pratt, New York (1) 212-438-2080; Steve H Wilkinson, CFA, New York (1) 212-438-5093; Aneesh Prabhu, CFA, FRM, New York (1) 212-438-1285

- US\$1 billion 5.55% senior notes series P due Nov. 15, 2014
- US\$2 billion 10.875% senior cash pay notes due Nov. 1, 2017
- US\$2.5 billion 11.25% senior toggle notes due Nov. 1, 2017
- US\$115.446 million 9.75% notes due Oct. 15, 2019
- US\$1.061 billion 10.00% notes due Jan. 15, 2020
- US\$750 million 6.50% senior notes series Q due Nov. 15, 2024
- US\$750 million 6.55% senior notes series R due Nov. 15, 2034
- US\$81.595 million 7.48% secured facility lease obligation due Jan. 1, 2017
- US\$502.7 million 6.875% senior secured notes due Aug. 15, 2017
- US\$1.368 billion 11.25% toggle notes due Dec. 1, 2018
- US\$141.1 million 9.75% senior notes due Oct. 15, 2019
- US\$3.482 billion 10.00% notes due Dec. 1, 2020
- US\$406.392 million 11.00% second-lien notes due Oct. 1, 2021
- US\$1.75 billion 11.75% notes due March 1, 2022
- US\$8.447 million 8.175% junior subordinated debenture series E due Jan. 30, 2037
- US\$1.3 million 1.025% junior subordinated debenture series D due Jan. 30, 2037
- US\$120.122 million 7.46% secured facility lease obligation due Jan. 1, 2015
- US\$525.5 million convertible senior notes series due Jul. 15, 2033

On May 1, 2014, Standard & Poor's lowered its corporate credit ratings on U.S.-based electric utility holding company Energy Future Holdings Corp. (EFH), Energy Future Intermediate Holdings Co. LLC (EFIH), and Energy Future

Competitive Holdings Co. LLC (EFCH) to 'D' from 'CC' following their filing for Chapter 11 bankruptcy protection. The filing affected about \$40 billion in various classes of debt. The rating actions did not affect Standard & Poor's corporate credit rating on Oncor Electric Delivery Co. LLC.

The bankruptcy filing results from TCEH's inability to meet its financial obligations due to insufficient cash flow generation from its Luminant electric wholesale and TXU Retail competitive retail operations in the north Texas market.

On May 14, 2014, Standard & Poor's Ratings Services withdrew its corporate credit, debt, and recovery ratings on EFH and its subsidiaries, EFIH, EFCH, and TCEH.

Table 64

Energy Future Holdings Corp.--Issuer Credit Rating

Date	To
14-May-2014	NR/--/--
01-May-2014	D/--/--
04-Apr-2014	CC/Negative/--
09-Oct-2013	CCC-/Negative/--
01-Feb-2013	CCC/Negative/--
06-Dec-2012	SD/NM/--
13-Apr-2011	CCC/Negative/--
04-Apr-2011	CCC/Watch Neg/--
21-Dec-2010	CCC+/Negative/--
18-Aug-2010	B-/Negative/--
17-Aug-2010	SD/NM/--
16-Jul-2010	CC/Negative/--
17-Nov-2009	B-/Negative/--
16-Nov-2009	SD/NM/--
05-Oct-2009	CC/Negative/--
31-Aug-2009	B-/Negative/--
09-Oct-2007	B-/Stable/--
02-Mar-2007	BB/Watch Neg/--
26-Feb-2007	BBB-/Watch Neg/--
15-Jun-2006	BBB-/Negative/--
14-Jun-2005	BBB-/Stable/--
06-May-2005	BBB/Watch Neg/--
14-Oct-2002	BBB/Negative/--
25-Sep-2002	BBB+/Negative/--
09-Aug-2001	BBB+/Stable/--
13-Mar-2000	BBB+/Negative/--
17-Feb-1999	BBB+/Stable/--
30-Apr-1998	BBB/Stable/--
03-Mar-1998	BBB/Watch Neg/--
02-Mar-1998	BBB/Stable/--

Table 64

Energy Future Holdings Corp.--Issuer Credit Rating (cont.)	
18-Dec-1997	BBB/Positive/--
03-Oct-1997	BBB/Stable/--

GSE Environmental Inc.

James T Siahhaan, CFA, New York (1) 212-438-3023; Kenny K Tang, New York (1) 212-438-3338

- US\$20.803 million revolver bank loan due May 27, 2016
- US\$157 million term loan bank loan due May 27, 2016
- US\$40 million second-lien bank loan due Nov. 27, 2016

On May 6, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based geosynthetic liner producer GSE Environmental Inc. (GSE) to 'D' from 'CCC-' following GSE Holding Inc.'s filing for Chapter 11 bankruptcy protection. The filing affected more than \$190 million of secured debt. The need for the bankruptcy filing was caused by GSE's very weak operating performance and its breaches of financial covenants. The company filed a prearranged plan of reorganization, entering into a restructuring support agreement with its first-lien lenders who hold 100% of the company's first-lien debt.

On May 30, 2014, Standard & Poor's withdrew all of its ratings on GSE, including the 'D' corporate credit rating.

On June 3, 2014, GSE won Bankruptcy Court approval to draw a \$45 million loan.

On July 24, 2014, GSE announced that it received confirmation of its Plan of Reorganization from the Bankruptcy Court, having full support of all the company's major stakeholders.

On July 29, 2014, the reorganization plan for GSE was confirmed by the U.S. Bankruptcy Court. The company emerged from Chapter 11 bankruptcy protection along with opening a new plant in China and launching new products.

Table 65

GSE Environmental Inc.--Issuer Credit Rating	
Date	To
30-May-2014	NR/--/--
06-May-2014	D/--/--
15-Jan-2014	CCC-/Negative/--
15-Aug-2013	CCC+/Negative/--
15-Mar-2012	B/Stable/--
30-Nov-2011	B-/Watch Pos/--
05-May-2011	B-/Stable/--
31-Mar-2011	CCC+/Watch Pos/--
13-Apr-2009	CCC+/Negative/--
08-Dec-2008	B-/Negative/--
13-Nov-2006	B-/Stable/--
29-Apr-2004	B+/Stable/--

Allen Systems Group Inc.

- US\$300 million 10.50% senior secured second-lien notes due Nov. 15, 2016
- US\$195 million term bank loan due Nov. 21, 2015
- US\$25 million revolving bank loan due Nov. 21, 2015
- US\$295 million first-lien term B bank loan series due June 30, 2014
- US\$40 million first-lien senior secured bank loan due Nov. 21, 2015
- US\$194.7 million first-lien senior secured bank loan due Nov. 21, 2015

On May 20, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based systems management and cloud computing software provider Allen Systems Group Inc. to 'D' from 'CCC-' following a missed interest payment on its 10.5% senior secured second-lien notes that was due on May 15, 2014. In addition, the company missed an interest payment on its unrated first-lien facility and subsequently entered into an amendment with the lenders to permit the company to pursue a sale or restructuring.

On June 6, 2014, Standard & Poor's withdrew all of its ratings on Allen Systems, including the 'D' corporate credit rating and the 'D' issue-level rating on the company's \$300 million second-lien notes.

Table 66

Allen Systems Group Inc.--Issuer Credit Rating

Date	To
06-Jun-2014	NR/--/--
20-May-2014	D/--/--
10-Apr-2014	CCC-/Negative/--
20-Dec-2012	CCC/Negative/--
19-Nov-2012	D/--/--
21-Aug-2012	CCC-/Watch Dev/--
27-Apr-2012	B/Negative/--
10-Nov-2010	B/Stable/--
20-Oct-2009	B/Negative/--
09-Jan-2009	CCC+/Watch Dev/--
03-Oct-2008	B-/Watch Dev/--
05-Jun-2008	B/Watch Neg/--
04-Jun-2007	B/Stable/--

Affinion Group Holdings Inc.

Elton Cerda, New York (1) 212-438-9540;

- US\$325 million 11.625% notes due Nov. 15, 2015
- US\$325 million 13.75% pay-in-kind/toggle notes series A due Sept. 15, 2018
- US\$775 million first-lien term bank loan due April 30, 2018
- US\$425 million second-lien term bank loan due Oct. 31, 2018
- US\$80 million revolver bank loan due Jan. 29, 2018
- US\$355.5 million 11.50% senior subordinated notes due Oct. 15, 2015
- US\$475 million 7.875% notes due Dec. 15, 2018
- US\$362.6 million 13.50% senior subordinated notes due Aug. 15, 2018

- US\$250 million first-lien term senior secured bank loan due Oct. 9, 2016

On June 10, 2014, Standard & Poor's lowered its long-term corporate credit rating on U.S.-based integrated marketer Affinion Group Holdings Inc. to 'SD' from 'CC'. The downgrade followed Affinion Group Holdings' announcement that it completed an exchange of series A warrants and new warrants to purchase shares of its class B common stock for its 13.75%/14.5% senior secured PIK/toggle notes due in 2018, which the company issued in December 2013. Standard & Poor's views a distressed exchange as tantamount to default.

On June 12, 2014, Standard & Poor's raised its long-term corporate credit rating on Affinion Group Holdings to 'CCC+', with a negative outlook, from 'SD'. The upgrade reflected the completion of an offering to exchange series A warrants and new warrants to purchase shares of its class B common stock for debt due in 2018. About \$88.7 million of the existing holding company notes (approximately 30.1%) were tendered in the exchange offer. About \$204 million of the existing holding company's notes remain outstanding. The negative outlook reflects Standard & Poor's expectation of weak operating performance over the intermediate term and our view that the capital structure is unsustainable.

Table 67

Affinion Group Holdings Inc.--Issuer Credit Rating	
Date	To
12-Jun-2014	CCC+/Negative/--
10-Jun-2014	SD/NM/--
30-Apr-2014	CC/Negative/--
26-Dec-2013	CCC+/Negative/--
17-Dec-2013	SD/NM/--
08-Nov-2013	CC/Negative/--
25-Jun-2013	CCC+/Negative/--
07-Dec-2012	B-/Stable/--
20-Aug-2012	B/Watch Neg/--
27-Mar-2012	B/Negative/--
08-Dec-2011	B+/Negative/--
08-Feb-2011	B+/Stable/--
28-Sep-2010	B+/Negative/--

Altegrity Inc.

Rodney Olivero, CPA, New York (1) 212-438-2111; Gerald T Phelan, CFA, Chicago (1) 312-233-7031

- US\$11 million 10.50% senior notes due Nov. 1, 2015
- US\$11 million 12.00% senior unsecured notes due Nov. 1, 2015
- US\$29 million 11.75% senior subordinated notes due May 1, 2016

On July 3, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based Altegrity Inc. to 'SD' (selective default) from 'CC'. The rating action followed the completion of a distressed exchange transaction. The company prepaid \$57 million of its \$500 million of senior unsecured notes due in November 2015 and exchanged \$421 million into new second-lien notes due in July 2020. Standard & Poor's viewed these transactions as tantamount to a default

under its criteria.

On July 3, 2014, Standard & Poor's raised its corporate credit rating on Altegrity to 'CCC+' from 'SD' after the entity completed its distressed exchange. The rating action reflected the new capital structure and modest liquidity improvement as a result of extending the debt maturity schedule.

On Sept. 18, 2014, Standard & Poor's lowered its corporate credit rating on Altegrity to 'CCC-' from 'CCC+' on loss of government contracts. We believed the company's weak liquidity would be further strained, potentially resulting in a liquidity event or restructuring over the next six months, particularly given a \$66 million interest payment due in January 2015.

Table 68

Altegrity Inc.--Issuer Credit Rating

Date	To
18-Sep-2014	CCC-/Negative/--
03-Jul-2014	CCC+/Negative/--
03-Jul-2014	SD/NM/--
08-May-2014	CC/Negative/--
28-Jan-2014	CCC-/Negative/--
25-Jan-2013	CCC+/Negative/--
29-Jun-2012	B-/Stable/--
26-Jul-2011	B/Negative/--
12-Jul-2010	B/Stable/--
07-Jun-2010	B-/Watch Dev/--
10-May-2010	B-/Negative/--
01-Feb-2010	B/Watch Neg/--
08-Sep-2008	B/Stable/--
23-Aug-2007	B/Negative/--
14-May-2007	B+/Watch Neg/--
19-Dec-2005	B+/Negative/--
22-Sep-2005	B+/Stable/--
04-Dec-2002	BB-/Stable/--

PT Bumi Resources Tbk.

Vishal Kulkarni, CFA, Singapore (65) 6216 1047; Xavier Jean, Singapore (65) 6239-6346

- US\$300 million 12.00% guaranteed notes due Nov. 10, 2016
- US\$700 million 10.75% guaranteed senior secured notes due Oct. 6, 2017
- US\$150 million 5% first-lien guaranteed senior secured term bank loan due Oct. 20, 2014
- US\$200 million 5.5% first-lien guaranteed senior secured term bank loan due Aug. 4, 2016
- US\$150 million 18% first-lien guaranteed senior secured term bank loan due Nov. 7, 2014
- US\$75 million 6% first-lien guaranteed senior secured term bank loan due March 5, 2015
- US\$600 million 12% first-lien guaranteed senior secured term b bank loan due Sept. 18, 2014
- US\$700 million 12% first-lien guaranteed senior secured term b bank loan due Sept. 18, 2015

On Aug. 13, 2014, Standard & Poor's lowered its long-term corporate credit rating on Indonesia-based thermal coal producer PT Bumi Resources Tbk. to 'SD' from 'CC'. The downgrade followed Bumi's failure to meet its scheduled principal payments on its US\$375 million convertible bonds, which matured on Aug. 5, 2014. The principal remain unpaid even after a five-day grace period that ended on Aug. 12, 2014. Under Standard & Poor's criteria, we consider nonpayment on a debt obligation upon maturity or the end of the grace period as a default.

On July 7, 2014, Standard & Poor's raised its long-term corporate credit rating on PT Bumi Resources to 'CC' from 'SD'. The rating action followed Bumi's completion of a major part of its debt-for-equity swap with key lender China Investment Corp.

On July 4, 2014, Standard & Poor's lowered its long-term corporate credit rating on PT Bumi Resources to 'SD' from 'CC' after the company transferred its 19% stake in its subsidiary KPC to China Investment Corp. under a proposed debt-for-equity swap. Standard & Poor's viewed this transaction as a distressed exchange equivalent to default under its criteria.

On Aug. 22, 2014, PT Bumi Resources received bondholders' approval to restructure US\$375 million worth of convertible bonds.

On Dec. 2, 2014, Standard & Poor's lowered its long-term corporate credit rating on PT Bumi Resources to 'D' from 'SD'. We revised the rating after Bumi received a six-month moratorium in a Singapore court against legal and enforcement actions by noteholders. We do not expect the company will service any of its debt obligations for at least the next six months.

On Dec. 4, 2014, three units of PT Bumi Resources have filed for Chapter 15 protection in the U.S. Bankruptcy Court for the Southern District of New York as the company struggled to meet its debt obligations amid a steep decline in coal prices.

Table 69

PT Bumi Resources Tbk.--Issuer Credit Rating	
Date	To
02-Dec-2014	D/--/--
13-Aug-2014	SD/NM/--
07-Jul-2014	CC/Negative/--
04-Jul-2014	SD/NM/--
15-Oct-2013	CC/Negative/--
05-Aug-2013	CCC/Watch Neg/--
06-Jun-2013	B-/Watch Neg/--
17-Jan-2013	B/Watch Neg/--
26-Sep-2012	B+/Watch Neg/--
13-Aug-2012	BB-/Negative/--
04-May-2012	BB/Negative/--
30-Oct-2009	BB/Stable/--

Nelson Education Ltd.

Madhav Hari, CFA, Toronto (1) 416-507-2522

- US\$171 million second-lien term bank loan due July 3, 2015
- US\$311 million senior secured term bank loan due July 10, 2014

On July 8, 2014, Standard & Poor's lowered its long-term corporate credit rating on Toronto-based Nelson Education Ltd. to 'D' from 'CCC-'. We lowered the rating after Nelson missed a principal payment on its first-lien debt, due July 4, 2014, and missed an interest payment on its second-lien debt, due June 30, 2014. The missed principal and interest payments on the bank facilities followed the company's deteriorating operating performance and weak liquidity.

On July 31, 2014, Standard & Poor's withdrew its ratings on the company at the issuer's request.

Table 70

Nelson Education Ltd.--Issuer Credit Rating

Date	To
31-Jul-2014	NR/--/--
08-Jul-2014	D/--/--
26-Feb-2014	CCC-/Negative/--
05-Sep-2013	CCC-/Negative/--
30-Nov-2012	CCC+/Negative/--
10-Nov-2011	B-/Stable/--
16-Oct-2009	B-/Negative/--
20-Nov-2008	B-/Stable/--
14-Jun-2007	B/Stable/--

Espirito Santo Financial Group S.A.

- €200 million 3.125% senior unsecured notes due Dec. 2, 2018
- €130.416 million 9.75% senior unsecured notes due Dec. 12, 2025
- €400 million 6.875% senior subordinated notes due Oct. 21, 2019
- €500 million 5.05% senior unsecured notes due Nov. 15, 2025
- €500 million 5.05% senior unsecured notes due Nov. 15, 2025

On July 24, 2014, Luxembourg-based holding company Espirito Santo Financial Group S.A. defaulted after the entity filed for foreign bankruptcy protection.

Earlier, on April 9, 2003, Standard & Poor's had withdrawn its ratings on Espirito Santo Financial Group S.A. at the issuer's request.

Table 71

Espirito Santo Financial Group S.A.--Issuer Credit Rating

Date	To
09-Apr-2003	NR/--/--
22-Oct-2002	BBB-/Negative/--
24-Oct-2001	BBB+/Negative/--
30-Mar-2000	A-/Stable/--

Table 71

Espirito Santo Financial Group S.A.--Issuer Credit Rating (cont.)

20-Jan-2000	A-/Watch Neg/--
14-May-1998	A-/Stable/--

New World Resources N.V.

Elad Zelasko, CPA, London (44) 20-7176-7013; Paulina Grabowiec, London (44) 20-7176-7051

- €275 million 7.875% notes due Jan. 15, 2021
- €500 million 7.875% bonds due May 1, 2018
- €141.5 million guaranteed unsecured term bank loan due Dec. 31, 2017

On Aug. 1, 2014, Standard & Poor's lowered its long-term corporate credit rating on U.K.-based coal mining company New World Resources N.V. (NWR) to 'SD' from 'CC'. We lowered our ratings after NWR missed the interest payment on its €275 million senior unsecured notes on July 15, 2014. We believed NWR would be unable to make interest payments during the 30-day grace period, and, as per our criteria, any failure of interest payment is tantamount to default.

Table 72

New World Resources N.V.--Issuer Credit Rating

Date	To
17-Oct-2014	CCC+/Negative/--
01-Aug-2014	SD/NM/--
05-Jun-2014	CC/Negative/--
29-Jan-2014	CCC/Negative/--
12-Jul-2013	B-/Negative/--
23-May-2013	B/Stable/--
28-Feb-2013	B+/Stable/--
31-Aug-2012	BB-/Negative/--
23-Jun-2010	BB-/Stable/--
21-Aug-2009	BB-/Negative/--
03-May-2007	BB-/Stable/--

SMU S.A. y Subsidiarias

Sandra Tinoco, Mexico City (52) 55-5081-4473; Luisa Vilhena, Sao Paulo (55) 11-3039-9727

- CLF3,000 million 3.8% senior unsecured bonds due June 1, 2032
- CLF2,000 million 3.4% senior unsecured notes due June 1, 2016
- CLF2,000 million 5.2% senior unsecured notes due May 2, 2017
- US\$300 million 7.75% senior unsecured notes due Feb. 8, 2020

On Aug. 1, 2014, Standard & Poor's lowered its long-term corporate credit rating on Chilean supermarket company SMU S.A. y Subsidiarias to 'SD' from 'CCC+'. The downgrade followed after company failed to make its debt amortization payment of about \$2.8 million owed to Bice Bank. We view the missed amortization payment as a selective default under our criteria.

On Sept. 10, 2014, Standard & Poor's raised its long-term corporate credit rating on SMU S.A. y Subsidiarias to 'CCC-' from 'SD' after the company obtained a waiver from syndicated banks and Bice Nank to pay down the debt related to the Construmart sale that was due in July.

On Oct. 13, 2014, Standard & Poor's raised its long-term corporate credit and senior unsecured ratings on SMU S.A. y Subsidiarias to 'CCC+' from 'CCC-' after the company obtained a final agreement from its banks. We do not expect the company to have liquidity constraints in the next 15 months.

Table 73

SMU S.A. y Subsidiarias--Issuer Credit Rating

Date	To
13-Oct-2014	CCC+/Stable/--
10-Sep-2014	CCC-/Watch Neg/--
01-Aug-2014	SD/NM/--
13-Nov-2013	CCC+/Negative/--
19-Jul-2013	CCC+/Developing/--
29-Jan-2013	B/Positive/--

Mriya Agro Holding PLC

Anton Geyze, Moscow (7) 495-783-4134; Nicolas Baudouin, Paris (33) 1-4420-6672

- US\$400 million 9.45% notes due April 19, 2018
- US\$250 million 10.95% bonds due March 30, 2016
- US\$25 million revolver first-lien guaranteed senior secured bank loan due May 15, 2017

On Aug. 8, 2014, Standard & Poor's lowered its corporate credit rating on Ukraine-based farming group Mriya Agro Holding PLC to 'SD' from 'CCC'. The downgrade followed the company's announcement that it missed payments on certain financial debt obligations and was in discussions with lenders for a debt restructuring. Standard & Poor's viewed this missed payment as equivalent to default, based on our criteria.

On Nov. 18, 2014, Standard & Poor's lowered its long-term corporate credit rating on Mriya Agro Holding to 'D' from 'SD' after the company stopped paying interest and principal on all of its debt, which we viewed as default under our criteria. Later on, we withdrew our ratings on Mriya at the issuer's request.

Table 74

Mriya Agro Holding PLC--Issuer Credit Rating

Date	To
18-Nov-2014	NR/--/--
18-Nov-2014	D/--/--
08-Aug-2014	SD/NM/--
18-Jul-2014	CCC/Stable/--
11-Mar-2014	CCC/Negative/--
11-Feb-2014	CCC+/Negative/--
13-Jan-2014	B-/Stable/--
07-Nov-2013	B-/Negative/--

Table 74

Mriya Agro Holding PLC--Issuer Credit Rating (cont.)	
11-Dec-2012	B/Negative/--
04-Apr-2011	B/Stable/--
02-Nov-2010	B-/Watch Pos/--

Walter Energy Inc.

William R Ferara, New York (1) 212-438-1776; Chiza B Vitta, Dallas (1) 214-765-5864

- US\$320 million 9.5% first-lien notes due Oct. 15, 2019
- US\$200 million 9.5% first-lien notes due Oct. 15, 2019
- US\$60 million revolver bank loan due Oct. 1, 2017
- US\$350 million 11.00% second-lien pay-in-kind toggle notes due April 1, 2020
- US\$970 million 9.5% first-lien notes due Oct. 15, 2019
- US\$450 million 8.50% senior unsecured notes due April 15, 2021
- US\$1.4 billion term B bank loan due April 1, 2018
- US\$375 million revolving bank loan due Dec. 31, 2016
- US\$500 million 9.875% senior unsecured notes due Dec. 15, 2020
- US\$500 million 9.875% senior unsecured notes due Dec. 15, 2020

On Aug. 14, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based coal producer Walter Energy Inc. to 'SD' from 'CCC+'. We lowered the rating after the company exchanged \$25 million of its 9.875% senior unsecured notes due in 2020 for 2.25 million shares of its common stock. The investor will receive less value than the promised sum in the original securities. We therefore viewed this transaction as a distressed exchange and equivalent to default, as per our criteria.

On Aug. 15, 2014, Standard & Poor's raised its corporate credit rating on Walter Energy to 'CCC+' from 'SD' after the company completed its distressed exchange. Standard & Poor's still believed the company's debt burden was unsustainable, given the low met coal price and reduced production expectations for the company.

Table 75

Walter Energy Inc.--Issuer Credit Rating	
Date	To
15-Aug-2014	CCC+/Negative/--
14-Aug-2014	SD/NM/--
27-Jun-2014	CCC+/Negative/--
05-Sep-2013	B-/Negative/--
20-Jun-2013	B/Watch Neg/--
06-Jun-2013	B/Stable/--
06-Nov-2012	B+/Negative/--
05-Jul-2012	BB-/Negative/--
28-Feb-2012	BB-/Stable/--
04-Feb-2011	BB-/Positive/--
18-Nov-2010	BB-/Watch Dev/--
15-Sep-2008	BB-/Stable/--

Table 75

Walter Energy Inc.--Issuer Credit Rating (cont.)	
10-Jun-2008	B+/Watch Pos/--
03-Oct-2005	B+/Stable/--
20-Jun-2005	BB-/Watch Neg/--
06-Mar-2003	BB/Stable/--

Essar Steel Algoma Inc.

Jarrett Bilous, Toronto (1) 416-507-2593; Donald Marleau, CFA, Toronto (1) 416-507-2526

- US\$450 million 9.875% notes due June 15, 2015
- US\$400 million 9.375% senior secured notes due March 15, 2015
- US\$350 million ABL Term Loan bank loan due Sept. 20, 2014

On Aug. 18, 2014, Standard & Poor's lowered its long-term corporate credit rating on Essar Steel Algoma Inc. to 'SD' from 'CCC-'. The rating action followed Essar's nonpayment of US\$385 million of interest due on its senior unsecured notes on July 16, 2014. The company also announced that it plans to recapitalize its unsecured notes. As per our criteria, nonpayment of interest within five business days is tantamount to default.

On Sept. 25, 2014, Standard & Poor's lowered its issue-level rating on Essar Steel Algoma's US\$350 million asset-based loan (ABL) facility to 'D' from 'CCC+' after the company missed principal repayment of its senior secured ABL facility that matured on Sept. 20, 2014.

On Nov. 17, 2014, Standard & Poor's raised its long-term corporate credit rating on Essar Steel Algoma to 'B-' from 'SD' following completion of the company's refinancing and recapitalization process.

Table 76

Essar Steel Algoma Inc.--Issuer Credit Rating	
Date	To
17-Nov-2014	B-/Stable/--
18-Aug-2014	SD/NM/--
26-Jun-2014	CCC-/Watch Neg/--
26-Sep-2012	CCC+/Developing/--
14-Sep-2012	CCC+/Watch Dev/--
22-Jun-2012	CCC/Watch Dev/--
05-Apr-2012	CCC+/Watch Dev/--
10-Aug-2011	B-/Negative/--
24-Nov-2010	B-/Watch Neg/--
25-Jun-2009	B-/Negative/--
19-Mar-2009	B/Negative/--
07-Jun-2007	B/Stable/--
08-Nov-2001	NR/--/--
23-Apr-2001	D/--/--
24-Jan-2001	CCC+/Negative/--
28-Nov-2000	B/Negative/--

Table 76

Essar Steel Algoma Inc.--Issuer Credit Rating (cont.)	
15-Dec-1998	B/Stable/--
17-Oct-1997	B/Positive/--
26-May-1995	B/Stable/--

Alion Science and Technology Corp.

Jenny Chang, CFA, New York (1) 212-438-8671;

- US\$310 million 12.00% senior secured notes due Nov. 30, 2014
- US\$250 million 10.25% senior notes due Feb. 1, 2015

On Aug. 19, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based technology services provider company Alion Science and Technology Corp. to 'SD' from 'CC'. The downgrade followed the company's exchange of its \$213 million of senior unsecured notes with new third-lien senior secured notes due in 2020. The company also refinanced its remaining capital structure with a new \$65 million first-out revolver, \$285 million first-lien term facilities, and a \$70 million second-lien term loan. We treat this exchange transaction as tantamount to a default, based on our criteria.

On Aug. 22, 2014, Standard & Poor's raised its corporate credit rating on Alion Science and Technology to 'B-' from 'SD'. The rating action follows the completion of Alion's refinancing transaction comprising a multitiered capital structure. The rating also reflects the company's improved liquidity position and debt maturity profile.

Table 77

Alion Science and Technology Corp.--Issuer Credit Rating	
Date	To
22-Aug-2014	B-/Negative/--
19-Aug-2014	SD/NM/--
06-Mar-2014	CC/Negative/--
06-Sep-2011	CCC+/Negative/--
05-Mar-2010	B-/Stable/--
22-Oct-2009	B-/Negative/--
24-Sep-2009	B-/Watch Neg/--
08-Oct-2008	B-/Stable/--
13-Jun-2008	B-/Developing/--
13-Jun-2008	B/Developing/--
28-Feb-2008	B/Watch Neg/--
17-Jul-2007	B/Negative/--
26-Jun-2006	B/Stable/--
12-Jun-2006	B+/Watch Neg/--
09-Aug-2005	B+/Negative/--
02-Jul-2004	B+/Stable/--

NII Holdings Inc.

Allyn Arden, CFA, New York (1) 212-438-7832

- US\$300 million 2.875% senior unsecured bonds due Feb. 1, 2034
- US\$700 million 7.875% senior notes due Aug. 15, 2019
- US\$900 million 11.38% notes due Aug. 15, 2019
- US\$1.45 billion 7.625% senior notes due Dec. 31, 2021
- US\$800 million 10.00% senior notes due Aug. 15, 2016
- US\$500 million 8.875% senior notes due Dec. 15, 2019

On Aug. 19, 2014, Standard & Poor's lowered the corporate credit rating on Latin American wireless carrier company NII Holdings Inc. to 'D' from 'CC'. The downgrade followed NII's missed interest payments on debt issued by subsidiaries NII Capital Corp. and NII International Telecoms S.C.A. due on Aug. 15, 2014. Standard & Poor's did not expect the company to make the payment within the 30-day grace period, as it was likely to either restructure its debt or file for bankruptcy.

Earlier, on Aug. 13, 2014, Standard & Poor's lowered the corporate credit rating on NII Holdings to 'CC' from 'CCC' after the company announced that it would likely file for Chapter 11 protection because of its tight liquidity position.

On Nov. 20, 2014, Standard & Poor's withdrew all its ratings on NII Holdings.

On Nov. 25, 2014, NII Holdings reached a deal with noteholders under which the company would convert \$4.35 billion in debt to equity.

Table 78

NII Holdings Inc.--Issuer Credit Rating

Date	To
20-Nov-2014	NR/--/--
19-Aug-2014	D/--/--
13-Aug-2014	CC/Negative/--
03-Mar-2014	CCC/Negative/--
10-Jan-2014	CCC+/Negative/--
01-Nov-2013	B-/Watch Neg/--
01-Feb-2013	B-/Stable/--
09-Aug-2012	B/Stable/--
07-Aug-2009	B+/Stable/--

Endeavour International Corp.

Stephen Scovotti, New York (1) 212-438-5882

- US\$17.5 million 6.50% senior unsecured notes due Nov. 30, 2017
- US\$404 million 12.00% first-priority notes due March 1, 2018
- US\$150 million 12.00% second-priority notes due June 1, 2018
- US\$135 million 5.50% senior unsecured notes due July 15, 2016

On Sept. 5, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based oil and gas exploration and

production company Endeavour International Corp. to 'D' from 'CCC'. The rating action followed the company's missed interest payments on its 12% first-priority notes due in March 2018, 12% second-priority notes due in June 2018, and 6.5% convertible senior notes due in November 2017.

On Nov. 25, 2014, Standard & Poor's withdrew its ratings on Endeavour International. The company is currently in Chapter 11 proceedings.

Table 79

Endeavour International Corp.--Issuer Credit Rating

Date	To
25-Nov-2014	NR/--/--
05-Sep-2014	D/--/--
20-Mar-2014	CCC/Negative/--
20-Feb-2014	CCC/Watch Neg/--
20-Feb-2013	CCC+/Negative/--
17-Jul-2012	B-/Stable/--

American Media Inc.

Peter J Bourdon, New York (1) 212-438-0276

- US\$104.9 million 13.50% senior secured second-lien notes due June 15, 2018
- US\$385 million 11.50% senior secured first-lien notes due Dec. 15, 2017
- US\$94.2 million 13.5% second-lien pay-in-kind toggle notes due June 15, 2018
- US\$362.5 million 11.5% first-lien notes due Dec. 15, 2017
- US\$40 million revolver bank loan due Dec. 22, 2015

On Sept. 11, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based magazine and tabloid publisher company American Media Inc. to 'SD' from 'CCC+'. The rating action followed the company's exchange of approximately \$7.8 million of its 13.5% second-lien senior secured notes due in 2018 and approximately \$113.3 million of its 10% second-lien senior secured PIK notes due in 2018 for equity. Standard & Poor's considers an exchange offer as distressed exchange and equivalent to a default because we believe the investors would receive less value than the promise of the original securities.

On Sept. 19, 2014, Standard & Poor's raised its corporate credit rating on American Media to 'CCC' from 'SD'. The upgrade followed a review of American Media's business and financial risk profile assessments after the completion of its debt exchange.

Table 80

American Media Inc.--Issuer Credit Rating

Date	To
19-Sep-2014	CCC/Negative/--
11-Sep-2014	SD/NM/--
18-Nov-2013	CCC+/Negative/--
15-Nov-2013	SD/NM/--
18-Jan-2013	CCC+/Negative/--

Table 80

American Media Inc.--Issuer Credit Rating (cont.)	
13-Sep-2012	B-/Negative/--
23-Mar-2012	B/Negative/--
04-Jan-2011	B/Stable/--
10-May-1999	NR/--/--
29-Apr-1999	B+/Stable/--

Waterford Gaming LLC

Carissa Schreck, New York (1) 212-438-4634; Ariel Silverberg, New York (1) 212-438-1807

- US\$128.5 million 8.625% senior unsecured notes due Dec. 31, 2014

On Sept. 16, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based Waterford Gaming LLC, as well as its issue-level rating on Waterford Gaming's 8.625% senior unsecured notes, to 'D' from 'CC'. The rating actions followed after Waterford Gaming failed to repay the outstanding principal balance of its 8.625% senior unsecured notes at maturity on Sept. 15, 2014.

Earlier, on April 23, 2014, Standard & Poor's lowered its ratings, including its issuer credit rating, on Waterford Gaming to 'CC' from 'CCC'. The downgrade reflected Standard & Poor's expectation that cash flows would not be sufficient to repay Waterford Gaming's senior unsecured debt at maturity.

Table 81

Date	To
16-Sep-2014	D/--/--
23-Apr-2014	CC/Negative/--
09-Mar-2012	CCC/Negative/--
02-Dec-2010	CCC/Watch Neg/--
24-Jul-2009	B/Negative/--
02-Feb-2009	B/Watch Neg/--
09-May-2008	BB-/Negative/--
03-Apr-2006	BB-/Stable/--
19-Aug-2005	B+/Positive/--
08-Mar-1999	B+/Stable/--

Phones4u Finance PLC

Abigail Klimovich, CFA, London (44) 20-7176-3554; Raam Ratnam, London (44) 20-7176-7462

- £430 million bonds due Dec. 31, 2018
- £125 million floating rate revolving credit facility (£50 million due 2013; £75 million bank loan due March 17, 2017)

On Sept. 16, 2014, Standard & Poor's lowered its long-term corporate credit rating on U.K.-based mobile phone retailer company Phones4U Finance PLC to 'D' from 'B-' after the company filed for administration protection. The downgrade followed after major mobile network provider Everything Everywhere announced that it would not renew the current

network contract with Phones4U, which terminates on Sept. 30, 2015. After loss of the long-term mobile network partner, Phones4U filed a petition for administration because management considers that the company's business model is not viable without a long-term network agreement.

Table 82

Phones4u Finance PLC--Issuer Credit Rating

Date	To
16-Sep-2014	D/--/--
05-Sep-2014	B-/Watch Neg/--
16-May-2014	B/Negative/--
16-Nov-2012	B/Stable/--
15-Nov-2011	B+/Negative/--
12-May-2011	B+/Stable/--

Reichhold Industries Inc.

Seamus Ryan, CFA, Boston (1) 617-530-8109; James T Siahaan, CFA, New York (1) 212-438-3023

- US\$207 million 9.00% senior secured notes due April 20, 2017

On Oct. 2, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based composite and coatings resin supplier Reichhold Industries Inc. to 'D' from 'CCC-'. The rating action followed Reichhold's announcement that the company's U.S. subsidiaries filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code. The company also announced that it secured \$130 million in financing from its bondholders to fund continuing operations. \$100 million of this debt will be in the form of debtor-in-possession financing, pending court approval. The company's foreign subsidiaries are not included in the filing.

On Nov. 4, 2014, Standard & Poor's withdrew all the ratings on Reichhold Industries.

Table 83

Reichhold Industries Inc.--Issuer Credit Rating

Date	To
04-Nov-2014	NR/--/--
02-Oct-2014	D/--/--
25-Jul-2014	CCC-/Negative/--
17-Apr-2014	CCC/Negative/--
08-May-2012	B-/Stable/--
16-Feb-2012	D/--/--
06-Dec-2011	CCC+/Negative/--
18-May-2011	B-/Negative/--
23-Apr-2010	B-/Stable/--
24-Apr-2009	B-/Negative/--
21-Nov-2008	B/Stable/--
02-Aug-2006	BB-/Stable/--

Mashantucket (Western) Pequot Tribe

Carissa Schreck, New York (1) 212-438-4634; Ariel Silverberg, New York (1) 212-438-1807

- US\$5 million revolving bank loan due Jan. 1, 2016
- US\$267.738 million term A bank loan due June 29, 2018
- US\$275 million term B bank loan due June 30, 2020
- US\$20 million term C bank loan due Jan. 1, 2016
- US\$70.365 million 6.5% subordinate special revolving (tax exempt non-AMT) bonds series 2007A due Sept. 1, 2031
- US\$500 million 8.5% (taxable) notes series 2007A due Nov. 15, 2015
- US\$250 million 5.912% special revolving bonds series 2005A due Sept. 1, 2021

On Oct. 3, 2014, Standard & Poor's lowered its issuer credit rating on U.S.-based casino operator Mashantucket (Western) Pequot Tribe to 'SD' from 'CC' because the company did not make full and timely interest payments to junior debtholders on Sept. 30, 2014, as it received a blocking notice from senior lenders.

On Sept. 19, 2014, Standard & Poor's lowered its issuer credit rating on Mashantucket to 'CC' from 'CCC-' following the company's announcement that it received a blocking notice from senior lenders, restricting debt service payments to junior obligations. Mashantucket failed to comply with certain financial covenants under its senior credit facility as of the June 30, 2014 test date, and senior lenders exercised their rights to block interest payments to junior debtholders in order to preserve liquidity for themselves.

Table 84

Mashantucket (Western) Pequot Tribe--Issuer Credit Rating	
Date	To
03-Oct-2014	SD/NM/--
19-Sep-2014	CC/Negative/--
18-Aug-2014	CCC-/Negative/--
28-Mar-2014	CCC+/Negative/--
26-Aug-2010	NR/--/--
16-Nov-2009	D/--/--
26-Aug-2009	CCC/Watch Neg/--
16-Mar-2009	B+/Negative/--
30-Jan-2009	BB-/Watch Neg/--
10-Oct-2008	BB-/Stable/--
16-Jul-2008	BB+/Watch Neg/--
02-Nov-2007	BB+/Negative/--
14-Jul-2006	BBB-/Negative/--
28-Apr-2006	BBB-/Watch Neg/--
13-Jun-2005	BBB-/Negative/--
01-Feb-2005	BBB-/Watch Neg/--
16-Sep-1999	BBB-/Stable/--

Trinidad Cement Ltd. Group

Fernanda F Hernandez, New York (1) 212-438-1347; Luis Manuel M Martinez, Mexico City (52) 55-5081-4462

On Oct. 3, 2014, Standard & Poor's lowered its corporate credit rating on Trinidad Cement Ltd. Group (TCL) to 'D' from 'B' after the company missed its debt service payments on Sept. 30, 2014. Such maturities were not subject to a grace period, and we did not expect payment within five business days, which we consider an event of default as per our criteria. In addition, the downgrade reflected TCL's Sept. 29, 2014, notice to stakeholders, in which the company informs that all payments due under the existing restructured loan agreements would be placed on hold.

Table 85

Trinidad Cement Ltd. Group--Issuer Credit Rating

Date	To
03-Oct-2014	D/--/--
06-May-2014	B/Stable/--

Industrias Metalurgicas Pescarmona S.A.I.C.y.F.

Cecilia L. Fullone, Buenos Aires (54) 114-891-2170; Renata Lotfi, Sao Paulo (55) 11-3039-9724

- ARS67 million unsecured floating notes due Dec. 28, 2015
- US\$19 million 2% unsecured notes due Dec. 27, 2015
- US\$53.702 million 3.00% clase XI notes due June 18, 2016
- ARS96.713 million notes due June 18, 2015
- US\$23.002 million 7.00% clase IX bonds due Dec. 26, 2014
- US\$225 million 11.25% bonds series bond 5 due Oct. 22, 2014
- US\$390 million 10.375% notes due Sept. 30, 2020

On Oct. 6, 2014, Standard & Poor's lowered the corporate credit rating on Industrias Metalurgicas Pescarmona S.A.I.C. y F. (IMPISA) and WPE International Cooperatief U.A. (WPEIC) to 'D' from 'CC' after the company failed to make the payment on its local bonds, series VIII and IX, for which the five-day grace period ended Oct. 3, 2014. On Oct. 23, 2014, Standard & Poor's affirmed its 'D' corporate credit ratings on IMPISA and WPEIC, reflecting its expectation that the group wouldn't make any payments on its remaining past due financial obligations within the applicable grace periods. The group had already announced its plan to postpone the coupon and interest payments on all its financial obligations and had entered into a debt restructuring.

On Sept. 16, 2014, Standard & Poor's lowered its ratings on IMPISA and WPEIC to 'CC' from 'CCC-' following the company's announcement that it would postpone the ARP10 million interest payment on its local bonds series X and XI due Sept. 18, 2014.

Table 86

Industrias Metalurgicas Pescarmona S.A.I.C.y.F.--Issuer Credit Rating

Date	To
06-Oct-2014	D/--/--
16-Sep-2014	CC/Negative/--
04-Jul-2014	CCC-/Negative/--
27-Jun-2014	CCC-/Watch Neg/--
18-Jun-2014	CCC+/Watch Neg/--
20-Dec-2013	CCC+/Negative/--
13-Sep-2013	B-/Watch Neg/--

Table 86

Industrias Metalurgicas Pescarmona S.A.I.C.y.F.--Issuer Credit Rating (cont.)	
05-Apr-2013	B/Negative/--
01-Nov-2012	B+/Watch Neg/--
15-Sep-2010	B+/Stable/--
04-May-2010	B-/Positive/--
19-May-2009	B-/Stable/--
08-Apr-2009	B-/Watch Dev/--
05-Nov-2008	B/Watch Neg/--
27-Jul-2007	B/Stable/--

Hidili Industry International Development Ltd.

Jian Cheng, CFA, Hong Kong (852) 2533-3576; Ellen Y Li, Hong Kong (852) 2533-3527

- US\$400 million 8.625% senior unsecured bonds due Nov. 4, 2015
- CNY1,707 million 1.5% senior unsecured bonds due Jan. 19, 2015

On Oct. 22, 2014, Standard & Poor's lowered its long-term corporate credit rating on China-based Hidili Industry International Development Ltd. to 'SD' from 'CC' after the company completed the buyback of US\$197.2 million of its outstanding 8.625% senior unsecured notes due in 2015 at a substantial discount to the par value. We view the transaction as a "distressed exchange" tantamount to an immediate default. Hidili Industry, an investment holding company incorporated in the Cayman Islands, is engaged in the mining, manufacture, and sale of clean coal in the People's Republic of China.

On Oct. 23, 2014, Standard & Poor's Ratings Services raised its long-term corporate credit rating on Hidili Industry to 'CCC' from 'SD'. The upgrade reflected that the company is no longer in default after buying back about 51.91% of its notes. However, the company's weak operating performance led to inadequate cash flow protection and liquidity. The company's liquidity is still weak following the buyback.

Table 87

Hidili Industry International Development Ltd.--Issuer Credit Rating	
Date	To
23-Oct-2014	CCC/Negative/--
22-Oct-2014	SD/NM/--
18-Sep-2014	CC/Negative/--
22-Apr-2014	CCC/Negative/--
18-Apr-2013	CCC+/Negative/--
23-Jan-2013	B-/Watch Neg/--
11-Sep-2012	B/Negative/--
26-Jun-2012	B+/Watch Neg/--
05-Dec-2011	B+/Stable/--
18-Oct-2010	BB-/Negative/--

LDK Solar Co. Ltd.

- US\$245 million 1st guaranteed senior secured term bank loan due Dec. 31, 2015

On Oct. 22, 2014, China-based photovoltaic maker LDK Solar Co. Ltd. defaulted after the company filed for Chapter 11 bankruptcy.

On Sept. 8, 2011, Standard & Poor's withdrew all of its ratings on LDK Solar at the company's request.

Table 88

LDK Solar Co. Ltd.--Issuer Credit Rating

Date	To
08-Sep-2011	NR/--/--
08-Sep-2011	B+/Negative/--
24-Aug-2011	B+/Watch Neg/--
04-May-2011	B+/Positive/--

Education Management LLC

- US\$328.3 million extended revolver bank loan due June 1, 2015
- US\$758.7 million term C-2 bank loan due June 1, 2016
- US\$350 million bank loan due March 30, 2018
- US\$50 million letter of credit bank loan due June 1, 2015
- US\$375 million senior notes due July 1, 2018

On Nov. 17, 2014, Standard & Poor's lowered its corporate credit rating on U.S.-based Education Management LLC (EDMC) to 'D' from 'CC'. The rating action follow the amendment to the company's credit facilities that waived all financial covenants and substituted the originally agreed upon cash interest and principal payments for a PIK. We view the conversion to a PIK structure as tantamount to a default.

On Sept. 4, 2014, Standard & Poor's lowered its corporate credit rating on Education Management to 'CC' from 'CCC'. The rating action followed EDMC's announcement that it reached an agreement in principle with more than 80% of its secured and unsecured debtholders to exchange its existing debt for new debt and equity.

Table 89

Education Management LLC--Issuer Credit Rating

Date	To
17-Nov-2014	D/--/--
04-Sep-2014	CC/Negative/--
09-May-2014	CCC-/Negative/--
24-Feb-2014	CCC+/Negative/--
11-Dec-2012	B-/Negative/--
21-Sep-2012	B/Negative/--
08-Mar-2012	BB-/Negative/--
20-Aug-2010	BB-/Stable/--
25-May-2010	BB-/Positive/--
30-Oct-2009	B+/Positive/--
23-Sep-2009	B/Watch Pos/--

Table 89

Education Management LLC--Issuer Credit Rating (cont.)

12-May-2006 B/Stable/--

Molycorp Inc.

James E Fielding, New York (1) 212-438-2452

- US\$414 million 6.00% senior notes convertible due Sept. 1, 2017
- US\$172.5 million 5.50% senior unsecured notes convertible due Feb. 1, 2018
- US\$650 million 10.00% notes due June 1, 2020
- US\$230 million 3.25% senior unsecured notes due June 15, 2016
- US\$50 million first- lien PIK term notes due Sept. 11, 2019

On Nov. 25, 2014, Standard & Poor's lowered its long-term corporate credit rating on U.S.-based Molycorp Inc. to 'SD' (selective default) from 'CCC'. The rating action followed the company's plans to exchange its \$38 million of convertible notes for \$16 million of common stock. Standard & Poor's views this exchange of the subordinated notes as distressed and tantamount to a default.

On Dec. 10, 2014, Standard & Poor's raised its corporate credit rating on Molycorp to 'CCC+' from 'SD'. The upgrade reflected improved liquidity prospects for 2015 as a result of the \$400 million financing transaction completed on Sept. 11, 2014, with Oaktree Capital Management L.P.

Table 90

Molycorp Inc.--Issuer Credit Rating

Date	To
10-Dec-2014	CCC+/Negative/--
26-Nov-2014	SD/NM/--
04-Sep-2014	CCC/Watch Pos/--
16-Jul-2014	CCC/Negative/--
22-Aug-2012	CCC+/Developing/--
13-Aug-2012	CCC+/Watch Dev/--
05-Jul-2012	B/Stable/--

OJS Commercial Bank Rost Bank

Ekaterina Marushkevich, CFA, Moscow (7) 495-783-404; Roman Rybalkin, CFA, Moscow (7) 495-783-4094

On Dec. 3, 2014, Standard & Poor's lowered its long-term counterparty credit, short-term counterparty credit, and national scale ratings on Russia-based OJS Commercial Bank Rost Bank to 'R' from 'CCC+', 'C', and 'ruBB-', respectively. The downgrade reflected the regulatory risk related to the Central Bank of Russia's (CBR's) intervention and a possible moratorium on some of Rost Bank's credit obligations. CBR assigned the Deposit Insurance Agency to be a temporary manager of Rost Bank and develop a plan for the bank's financial rehabilitation, suspending the authority of the bank's shareholders and managers.

On Oct. 30, 2014, Standard & Poor's lowered its long-term counterparty credit rating on Rost Bank to 'CCC+' from 'B-'. The ratings were lowered following the considerable deterioration of Rost Bank's asset quality that had weakened its

capital ratios.

Table 91

OJS Commercial Bank Rost Bank--Issuer Credit Rating

Date	To
03-Dec-2014	R/--/--
30-Oct-2014	CCC+/Watch Neg/--
03-Jun-2014	B-/Negative/--
14-Jan-2014	B-/Stable/--

Caesars Entertainment Operating Co. Inc.

Melissa A Long, New York (1) 212-438-3886; Ariel Silverberg, New York (1) 212-438-1807

- US\$847.621 million 10.00% second-priority secured notes due Dec. 15, 2018
- US\$214.8 million 10.00% second-priority secured notes due Dec. 15, 2015
- US\$3.705 billion 10.00% second-priority senior secured notes due Dec. 15, 2018

On Dec. 15, 2014, Standard & Poor's lowered its corporate credit rating to 'D' from 'CCC-' on U.S.-based gaming company Caesars Entertainment Operating Co. Inc. (CEOC), a majority-owned subsidiary of Caesars Entertainment Corp (CEC). We lowered the ratings after the announcement that CEOC would not make a \$225 million interest payment due Dec. 15 on \$4.5 billion of 10% second-priority senior secured notes due in 2015 and 2018.

On Jan. 15, 2015, Standard & Poor's lowered all remaining issue-level ratings on CEOC to 'D' following CEOC's filing for Chapter 11 bankruptcy protection. CEOC's capital structure is very highly leveraged and as a result is unable to generate sufficient cash flow to meet interest and principal payments on its \$18.4 billion of outstanding debt as of Jan. 15, 2015.

CEOC hopes to implement a Chapter 11 restructuring plan wherein it proposes to reduce debt by \$10 billion and lower interest expense by about 75% to approximately \$450 million, and would split CEOC into an operating company and a property company.

Table 92

Caesars Entertainment Operating Co. Inc.--Issuer Credit Rating

Date	To
15-Dec-2014	D/--/--
08-Apr-2014	CCC-/Negative/--
05-Mar-2014	CCC+/Watch Neg/--
03-May-2013	CCC+/Negative/--
15-Aug-2012	B-/Negative/--
13-Apr-2010	B-/Stable/--
11-Jun-2009	CCC+/Developing/--
27-May-2009	CCC/Watch Pos/--
21-Apr-2009	CCC/Negative/--
15-Apr-2009	SD/NM/--
06-Mar-2009	CC/Negative/--

Table 92

Caesars Entertainment Operating Co. Inc.--Issuer Credit Rating (cont.)

17-Feb-2009	CCC/Negative/--
29-Dec-2008	B-/Negative/--
24-Dec-2008	SD/NM/--
18-Nov-2008	CC/Watch Neg/--
07-Nov-2008	B/Watch Neg/--
03-Jul-2008	B+/Negative/--
17-Jan-2008	B+/Stable/--
20-Dec-2006	BB/Watch Neg/--
02-Oct-2006	BB+/Watch Neg/--
31-Aug-2006	BBB-/Negative/--
14-Jun-2005	BBB-/Stable/--
15-Jul-2004	BBB-/Negative/--
05-Feb-2002	BBB-/Stable/--
24-Sep-2001	BBB-/Negative/--
03-Jun-1998	BBB-/Stable/--
19-Dec-1997	BBB/Watch Neg/--
06-Nov-1996	BBB/Negative/--
22-Nov-1995	BBB/Watch Neg/--
20-Oct-1995	BBB/Stable/--
19-Apr-1994	BBB-/Positive/--
10-Mar-1993	BB+/Positive/--
13-Nov-1991	BB/Positive/--
30-Jan-1990	BB/Stable/--
09-Nov-1987	BB/--/--
20-Feb-1987	B+/--/--

LBI Media Holdings Inc.

Minesh Patel, New York (1) 212-438-6410; Naveen Sarma, New York (1) 212-438-7833

- US\$115.2 million payment-in-kind toggle second-priority secured notes due April 15, 2020
- US\$4.9 million 13.5% payment-in-kind toggle second-lien notes due April 15, 2020
- US\$220 million 9.25% senior notes due April 15, 2019
- US\$225 million 8.50% subordinate notes due Aug. 1, 2017
- US\$50 million first guaranteed senior secured revolver bank loan due March 18, 2016
- US\$1.8 million payment-in-kind toggle second Lien notes due April 30, 2017
- US\$21.1 million 11.00% senior unsecured notes due April 30, 2017

On Dec. 23, 2014, Standard & Poor's lowered its corporate credit ratings on U.S.-based radio and TV broadcaster LBI Media Holdings Inc. (LBI) and LBI Media Inc. to 'SD' (selective default) from 'CC'. The ratings were lowered following LBI's announcement that it expected to complete its exchange offer transaction on or about Dec. 23, 2014. As per our criteria, we considered the debt exchange as distressed, since the timing of payments had been slowed.

The exchange transaction was not a deleveraging event. We will reassess the corporate credit rating on LBI after further review of the exchange documents and business trends. We do not expect to raise the corporate credit rating higher than the 'CCC' category following the exchange, based on the company's excessively high debt leverage.

On Nov. 25, 2014, Standard & Poor's lowered its corporate credit rating on LBI to 'CC' from 'CCC-' following LBI's offer to complete distressed exchanges for two tranches of its subordinated debt.

Table 93

LBI Media Holdings Inc.--Issuer Credit Rating

Date	To
23-Dec-2014	SD/NM/--
25-Nov-2014	CC/Negative/--
11-Nov-2013	CCC-/Negative/--
29-Aug-2013	SD/NM/--
20-Feb-2013	CCC/Negative/--

iPayment Inc.

Jenny Chang, CFA, New York (1) 212-438-8671; John D Moore, New York (1) 212-438-2140

- US\$296 million 9.50% second-lien notes due Dec. 15, 2019
- US\$400 million 10.25% senior notes due May 15, 2018
- US\$75 million revolving bank loan due May 6, 2016
- US\$375 million term B bank loan due May 8, 2017
- US\$129.9 million 15% senior unsecured notes due Nov. 15, 2018

On Dec. 30, 2014, Standard & Poor's lowered its corporate credit rating on New York City-based iPayment Inc. to 'SD' (selective default) from 'CC'. At the same time, we lowered our issue-level ratings on the company's 10.25% senior unsecured notes and iPayment Holdings Inc.'s PIK notes to 'D' from 'C'. The downgrades followed iPayment's completion of a distressed exchange transaction. The company exchanged approximately 94% of its 10.25% senior notes for a combination of new second-lien notes bearing an annual interest rate of 9.5% and maturing in 2019 and common stock and warrants of the company. The company also exchanged approximately 99% of iPayment Holdings Inc.'s PIK notes into a combination of the new second-lien notes, common stock, and warrants. One day later, Standard & Poor's raised its corporate credit rating on iPayment to 'B-', with a stable outlook, from 'SD'. This followed iPayment's completed distressed exchange transactions, whereby the company exchanged nearly all of its 10.25% senior unsecured notes and the holding company's unsecured PIK notes for a combination of new second-lien notes, common equity, and warrants.

Earlier, on June 13, 2014, Standard & Poor's lowered its corporate credit rating on iPayment to 'CCC', with a negative outlook, from 'B-'. This was primarily the result of our assessment of the company's liquidity as "weak," which we revised from "adequate."

Table 94

iPayment Inc.--Issuer Credit Rating

Date	To
31-Dec-2014	B-/Stable

Table 94

iPayment Inc.--Issuer Credit Rating (cont.)	
30-Dec-14	SD/NM
3-Oct-14	CC/Negative
13-Jun-14	CCC/Negative
12-Dec-13	B-/Negative
21-Apr-11	B/Stable
12-Jun-09	B-/Negative
5-Apr-06	B/Negative
5-Apr-06	B/Stable

Southern Pacific Resources Corp.

Michelle S Dathorne, Toronto (1) 416-507-2563; Aniki Saha-Yannopoulos, CFA, PhD, Toronto 416-507-2579

- CAD260 million 8.75% senior secured notes due Jan. 25, 2018
- CAD260 million 8.75% subordinated notes due June 30, 2016
- US\$136.2 million first guaranteed senior secured term bank loan due March 31, 2019

On Dec. 31, 2014, Standard & Poor's lowered its long-term corporate credit rating on Canadian company Southern Pacific Resources Corp. to 'D' from 'CCC' and its issue-level issue rating on the company's senior secured debt to 'D' from 'B-'. The downgrade followed the entity's announcement that it will fail to make its interest payment on the convertible notes due on Dec. 31, 2014.

On Feb. 3, 2014, Standard & Poor's lowered its long-term corporate credit rating on Southern Pacific Resources to 'CCC' from 'B-'. The downgrade reflected its consistently low cash flow generation due to low production levels and weakening liquidity position.

Table 95

Southern Pacific Resources Corp.--Issuer Credit Rating	
Date	To
31-Dec-2014	D/--/--
03-Feb-2014	CCC/Developing/--
11-Jan-2013	B-/Stable/--

Related Research

- The U.S. Corporate Default Rate Is Expected To Remain Subdued, Rising Modestly To 2.5% By December 2014, Feb. 26, 2014
- Recovery Study (U.S.): Are Second Liens and Senior Unsecured Bonds Losing Ground As Recoveries Climb?, Dec. 16, 2013

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