

Rating Transitions and Default Rates, 2025

Issue Date: January 2026

This report summarises the performance of CI's long-term foreign currency corporate ratings. For the purpose of this report 'corporate ratings' is defined in accordance with EU rating type classifications and includes the following sectors: financial institutions, insurance companies, and non-financial corporates.

Indicators of Rating Stability and Historical Robustness

Transition Rates

Transition matrices, or credit migration matrices, characterise the evolution of credit quality for issuers with the same approximate likelihood of default. They are constructed by mapping the rating history of entities rated by CI into transition probabilities. Transition matrices therefore indicate the probability of a credit rating being upgraded, downgraded, or remaining unchanged within a specific time period.

Table 1 shows the weighted average one-year transition matrix for corporate ratings by broad rating category (i.e. without the modifiers '+' and '-') for the period July 2010 to June 2025.

The vertical axis shows the credit rating at the beginning of a period, the horizontal axis the rating one-year later. Credit ratings that did not change between the start and end of the year are captured along the diagonal of the matrix. Movements to the left of the diagonal indicate upgrades of corporate ratings, while movements to the right indicate downgrades.

Tables 2 and 3 show the weighted average migration of corporate ratings for three years and five years, respectively.

Upgrade/downgrade statistics

Table 4 shows the weighted average upgrade/downgrade rates for corporate ratings over a one-year horizon. The vertical axis indicates the rating grade at the beginning of the period, while the horizontal axis indicates the upgrade, unchanged, and downgrade rates. For example, on average 1.32% of entities rated 'A+' were upgraded within one year, 3.44% were downgraded, while 95.24% maintained their ratings.

Indicators of Discriminatory Power

Default Rates

Table 5 presents average cumulative default rates by broad rating category. Since the actual number of defaults observed by CI is very low (just 14 entities rated 'SD' or 'D' in the past 15 years), we relax our definition of default to include the 'RS' and 'C' grades. This results in more 'defaults', enabling us to apply statistical validation methods in a meaningful way. The outcome indicates the ordinal consistency of CI's corporate ratings, with a negative correlation between ratings and relaxed default frequencies holding for all broad categories across all time horizons.

1. Average One-Year Transition Rates for Corporate Ratings (Jul 2010 - Jun 2025)

Rating From	Rating One Year Later (% of issuers)									
	AAA	AA	A	BBB	BB	B	C	RS	SD	D
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AA	0.00	94.57	5.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A	0.00	0.34	98.02	1.64	0.00	0.00	0.00	0.00	0.00	0.00
BBB	0.00	0.00	1.91	92.40	5.37	0.21	0.00	0.00	0.11	0.00
BB	0.00	0.00	0.13	5.46	87.45	6.76	0.00	0.00	0.13	0.07
B	0.00	0.00	0.00	0.00	5.81	89.92	2.56	0.00	1.71	0.00
C	0.00	0.00	0.00	0.00	0.00	1.61	98.39	0.00	0.00	0.00
RS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SD	0.00	0.00	0.00	0.00	0.00	27.08	2.08	0.00	70.83	0.00
D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

2. Average Three-Year Transition Rates for Corporate Ratings (Jul 2010 - Jun 2025)

Rating From	Rating Three Years Later (% of issuers)									
	AAA	AA	A	BBB	BB	B	C	RS	SD	D
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AA	0.00	82.63	17.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A	0.00	0.66	94.95	3.89	0.25	0.00	0.08	0.00	0.17	0.00
BBB	0.00	0.00	5.97	78.60	13.88	1.36	0.00	0.00	0.13	0.06
BB	0.00	0.00	0.47	11.44	66.54	20.86	0.00	0.00	0.70	0.00
B	0.00	0.00	0.00	0.00	9.92	77.97	7.50	0.00	4.61	0.00
C	0.00	0.00	0.00	0.00	0.00	4.35	95.65	0.00	0.00	0.00
RS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SD	0.00	0.00	0.00	0.00	0.00	85.29	0.00	0.00	14.71	0.00
D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

3. Average Five-Year Transition Rates for Corporate Ratings (Jul 2010 - Jun 2025)

Rating From	Rating Five Years Later (% of issuers)									
	AAA	AA	A	BBB	BB	B	C	RS	SD	D
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AA	0.00	68.55	31.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A	0.00	0.84	92.44	5.57	0.84	0.32	0.00	0.00	0.00	0.00
BBB	0.00	0.00	10.50	67.37	20.02	1.71	0.00	0.00	0.41	0.00
BB	0.00	0.00	0.57	14.70	47.60	34.31	0.94	0.00	1.89	0.00
B	0.00	0.00	0.00	0.18	12.23	72.87	9.57	0.00	5.14	0.00
C	0.00	0.00	0.00	0.00	7.14	0.00	92.86	0.00	0.00	0.00
RS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SD	0.00	0.00	0.00	0.00	22.73	77.27	0.00	0.00	0.00	0.00
D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

4. Average One-Year Upgrade/Downgrade Rates for Corporate Ratings (Jul 2010 - Jun 2025)

Rating From	One Year Later (% of issuers)		
	Upgrades	Unchanged	Downgrades
AAA	-	-	-
AA+	-	-	-
AA	0.00	100.00	0.00
AA-	0.99	93.07	5.94
A+	1.32	95.24	3.44
A	5.97	89.93	4.10
A-	6.17	90.20	3.63
BBB+	4.95	86.24	8.80
BBB	9.35	78.04	12.61
BBB-	4.61	82.56	12.82
BB+	11.39	72.04	16.57
BB	19.66	68.50	11.84
BB-	14.14	64.27	21.59
B+	8.40	76.17	15.43
B	21.57	62.42	16.01
B-	8.22	83.57	8.22
C+	2.27	88.64	9.09
C	0.00	94.44	5.56
C-			
RS			
SD	29.17	70.83	0.00
D			
Total	8.80	80.36	10.84

5. Average Cumulative Relaxed Default Rates (Jul 2010 - Jun 2025) (%)

	Time Horizon (Years)				
	1	2	3	4	5
AAA	N/A	N/A	N/A	N/A	N/A
AA	0.00	0.00	0.00	0.00	0.00
A	0.00	0.09	0.21	0.21	0.21
BBB	0.04	0.28	0.46	0.46	0.46
BB	0.21	0.50	0.97	1.51	3.10
B	4.80	9.63	14.42	19.50	23.16

N/A= Not Applicable. There are no entities with the respective rating (vertical axis) at the beginning of the corresponding time period (horizontal axis) in the dataset.

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