Corporate Finance

Credit Market Research

Fitch Ratings Global Corporate Finance 2006 Transition and Default Study

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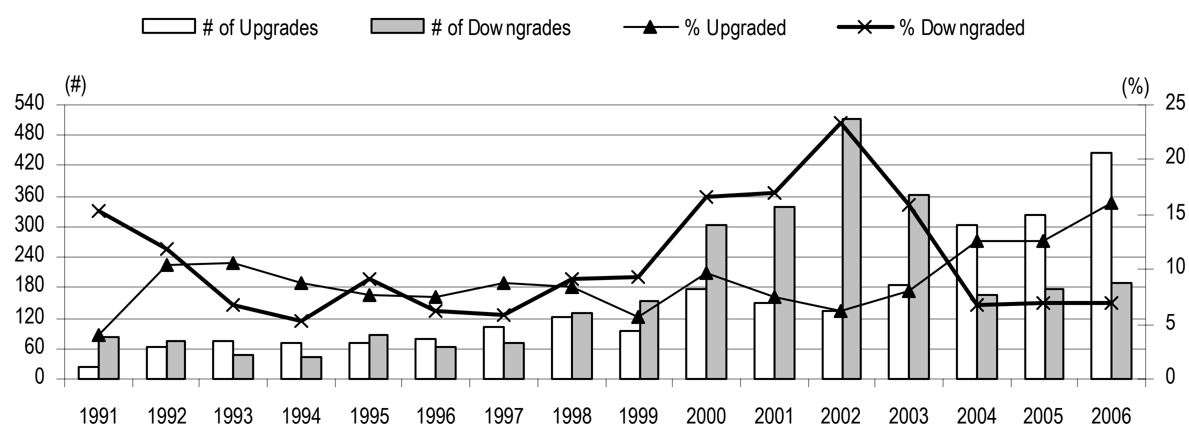
Index of Key Exhibits

■ Summary

This study, updated through 2006, examines rating transition and default rates across Fitch's global corporate rating universe both over the most recent year, 2006, and over the long term, capturing the period 1990–2006. The study provides data and analysis on the stability of Fitch's corporate ratings and the ability of Fitch's ratings to predict default.

Overall, the benign global credit environment that has held the credit markets firmly in its grasp since 2004 persisted in 2006, yielding greater positive rating activity than negative. For the third consecutive year, upgrades surpassed downgrades, due most notably to upgrades among financial institutions and emerging market entities. For the year, upgrades affected 16.1% of Fitch's global corporate ratings universe, while downgrades affected 6.9%. The Historical Rating Changes chart below reflects the increase in upgrades over year-earlier activity, with upgrades climbing 37% in 2006, while downgrades moved up more modestly, increasing 7% year-over-year. The 2006 ratio of downgrades to upgrades (calculated at the modifier level and examining year-over-year rating movements) of 0.4 to 1.0 in 2006,

Fitch Global Corporate Finance Historical Ratings Changes*



*Compares beginning of year rating with end of year rating, does not count multiple rating actions throughout the year.

April 20, 2007

Fitch Ratings Global Corporate Finance Rating Movements Across Major Rating Categories

(%)

	1990–2005		2005		2006	
	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade
‘AAA’	4.03	N.A.	6.56	N.A.	4.26	N.A.
‘AA’	7.88	0.10	2.24	0.00	1.20	0.00
‘A’	5.32	2.51	2.70	1.60	3.36	2.66
‘BBB’	5.08	4.67	5.69	4.62	2.78	6.95
‘BB’	10.49	7.54	4.61	8.55	9.02	13.41
‘B’	5.93	14.23	2.80	29.91	1.92	13.94
‘CCC’ to ‘C’	30.38	18.77	12.50	27.50	2.50	37.50

N.A. – Not applicable. Note: Data enhancement efforts may lead to slightly different results than previously published. Current study supersedes all prior statistics.

shows an improvement over the ratio of 0.5 to 1.0 recorded in both 2005 and 2004. Similar to the preceding two years, 93% of ratings remained the same or experienced upgrades in 2006, while over the long term, on an average annual basis for the period 1990–2005, the share of ratings remaining the same or upgraded was 88%. Fitch’s rating stability was especially pronounced at the investment grade level, both for the most recent year with 94% of ratings either stable or upgraded, compared with 89% over the long-term 1990–2005 period.

Fitch-rated defaults declined to only two in 2006, compared with a total of eight recorded in 2005. Therefore, the 2006 annual default rate based on Fitch-rated issuers was just 0.07%, falling below the 0.29% reported in 2005. In fact, the 2006 annual default rate was Fitch’s lowest issuer-weighted annual default rate since the 0.08% recorded in 1997. Fitch’s default statistics continued to echo the temperament of the broader corporate market. For example, Fitch’s U.S. high yield par value default rate, based on the entire U.S. high yield market, was only 0.8% in 2006, down from an already low 3.1% in 2005 and considerably lower than the index’s long-term average annual default rate of approximately 5%[1]. Beyond the United States, Fitch’s European par-based high yield default rate for 2006 reached 0.6%, up modestly from the 0.5% reported in 2005, but nonetheless very low.

There continued to be a strong relationship between Fitch’s ratings and default risk. The 1990–2006 average annual default rate for Fitch’s investment-grade corporate ratings, for example, was just 0.10% through 2006. In contrast, Fitch’s average annual speculative grade default rate was 2.94%. Furthermore, an analysis of Fitch’s rating performance using Lorenz curves and Gini coefficients covering the period 1990 - 2006, again revealed that Fitch’s ratings exhibit a strong ability to predict default. Fitch’s Gini coefficients were 87.5%, 78.2% and 75.4% over one-, three- and five-year horizons, respectively.

Of note, Fitch continued the rollout of its long-term issuer default rating (IDR) methodology among its international corporate finance ratings in 2006, via U.S. and international banking, finance and insurance, as well as international industrials and power and gas. The IDR—a benchmark probability of default indicator—replaced Fitch’s long-term issuer rating, a proxy for default risk previously used as the central data point in Fitch’s Corporate Transition and Default Studies. For additional information concerning these rating enhancements, visit Fitch’s Website at www.fitchratings.com.

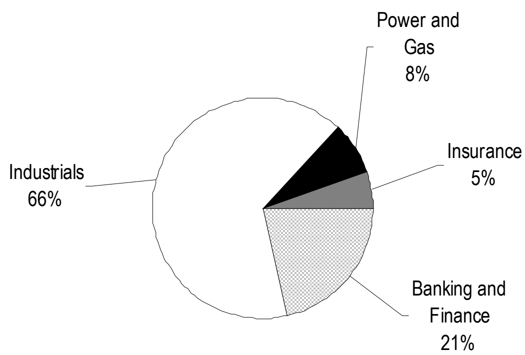
[1] Please see the Fitch report, “The Shrinking Default Rate and the Credit Cycle—New Twists, New Risks” (dated Feb. 20, 2006), available at www.fitchratings.com.

Fitch Global Corporate Finance Rating Actions By Sector — 2006*

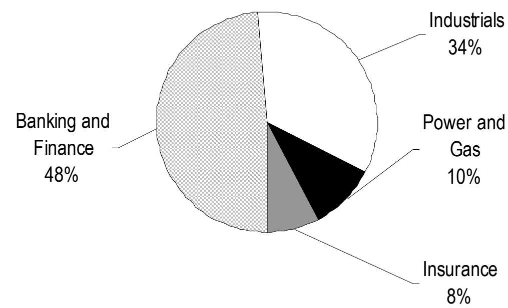
	Downgrades		Upgrades	
Sector	No.	% of Sector Ratings	No.	% of Sector Ratings
Banking and Finance	41	3.3	216	17.1
Industrials	125	13.6	151	16.5
Power and Gas**	15	4.4	43	12.5
Insurance	10	4.1	35	14.2

*Compares beginning of year rating to end of year rating; does not count multiple rating actions throughout the year. Rating changes defined at the modifier level, making a distinction between +/-.
**Previously referred to as Global Power.

Fitch Ratings Global Corporate Finance Distribution of Downgrades by Sector — 2006



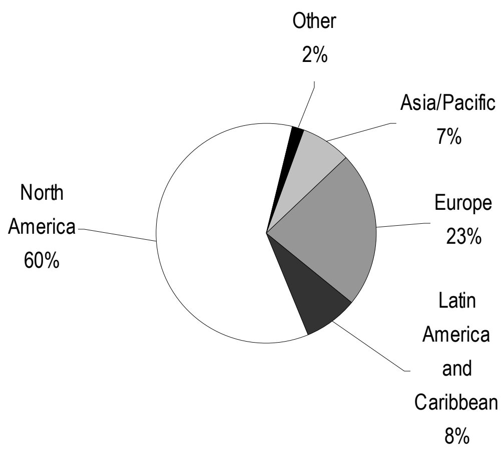
Fitch Ratings Global Corporate Finance Distribution of Upgrades by Sector – 2006



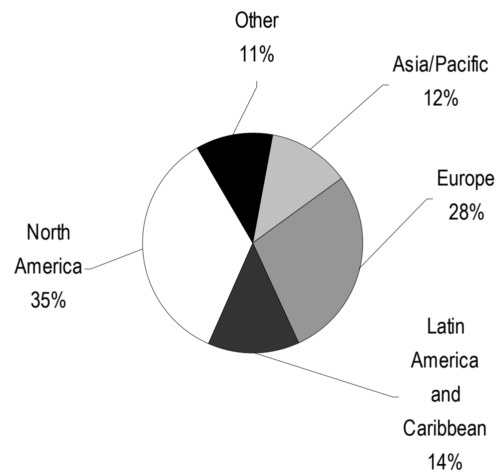
Highlights

- In 2006, upgrades continued to surpass downgrades for the third consecutive year, and at a slightly wider margin with a ratio of downgrades to upgrades on a year-over-year basis of 0.4:1.0 compared with 0.5:1.0 recorded in 2005.
- In addition to more moderate downgrade activity in recent years, compared with the 2000-2003 period, the past three years have witnessed a substantial rise in upgrades across the Fitch-rated universe. Fitch upgrade totals yielded their highest level at the end of 2006, as Fitch-rated entities receiving an upgrade reached 16.1%, climbing from the 12.5% recorded in both 2005 and 2004. Meanwhile, downgrades held relatively steady over the past three years, representing 6.9% of all rating activity in 2006.
- On an industry sector basis, in 2006 upgrades increased significantly over year-earlier levels, as banking and finance issuers observed upgrades surpassing downgrades at a pace of five to one, up from three to one in 2005. Driving a portion of the upgrades within the financial sector were upgrades linked to sovereign-related actions and country ceiling upward revisions, as well as merger and acquisition (M&A)-related activity. In contrast, downgrades edged lower within all sectors, except industrials, which climbed 51% year-over-year, a result of rising downgrades among North American and European industrial issuers, which combined represented 89% of all industrial downgrades in 2006.
- Improving economic conditions and Fitch-rated country ceiling upward revisions among many emerging market nations also contributed to significant positive rating activity among emerging market-based issuers. Nearly 40% of Fitch-rated emerging market issuers were affected by an upgrade, while only 5% experienced a downgrade.
- One component of 2006 rating activity that changed significantly from 2005 was the increase of multi-notch upgrades compared to multi-notch downgrades. Multi-notch upgrades exceeded their counterpart by two to one. In the same breath, rising stars easily exceeded fallen angels at the same pace—two to one. In both instances, this was a reversal from 2005 results that reported both fallen angels and multi-notch downgrades outpacing their positive equivalents.
- In 2006, only two Fitch-rated defaults were recorded: a single U.S. auto supplier, Dana Corporation; and one Uruguayan bank, Cooperative Nacional de Ahorro y Credito (COFAC). In fact, Fitch’s 2006 annual default rate hit a low not observed in 10 years—0.07%.
- The ability of Fitch’s ratings to predict default, as measured by calculating the Gini coefficient over the period 1990–2006, once again reflected strong historical rating performance for Fitch ratings. The resulting Gini coefficients for one-, three-, and five-year horizons were calculated as 87.5%, 78.2% and 75.4%, respectively.

Fitch Ratings Global Corporate Finance Distribution of Downgrades by Region — 2006



Fitch Ratings Global Corporate Finance Distribution of Upgrades by Region — 2006



Strong Global Economic Growth Boosts Credit Quality for Third Consecutive Year

Corporate rating activity—upgrades and downgrades—is defined here at the modifier level (i.e., 'A+' to 'A') as opposed to the broad or major rating category (i.e., 'A' to 'BBB'). Overall, credit quality displayed remarkable resilience in 2006, once again benefiting from the strength of the global economy, corporate profitability and the ease of bank lending practices. Although signs of fracturing appeared within the weakening U.S. automotive industry, the housing market slowdown, rising energy costs and interest rates, as well as geopolitical-related anxiety—all of which were unable to play the role of spoiler to global economic growth, as major global economies expanded at a rate of 2.9% in 2006.

On a year-over-year basis, 2006 witnessed greater positive rating activity than the previous year, with a downgrade to upgrade ratio of 0.4 to 1.0, compared with 0.5 to 1.0 in 2005. In fact, positive rating activity was at an all-time high for Fitch-rated corporate entities. Momentum coming off 2005 was on the upside and stayed that way, with 16.1% of all ratings receiving upgrades, while 6.9% of ratings were downgraded. In addition, low defaults were another reflection of improved credit quality, the absence of negative rating volatility, and ultimately the strength of the global economy. Thus, the resulting annual default rate for Fitch-rated issuers reached just 0.07% in 2006, below the 0.29% reported in 2005.

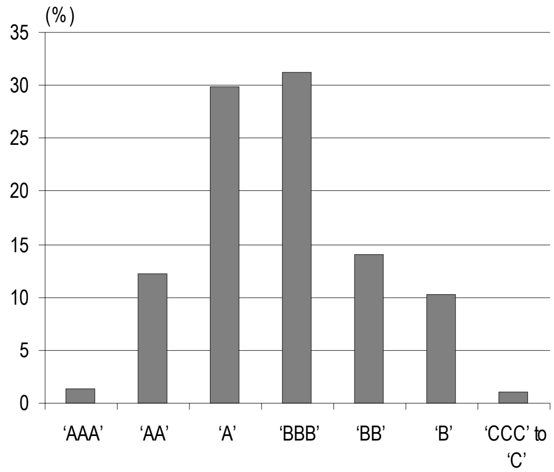
Downgrades edged modestly higher in 2006, up 7.3% over 2005 totals. Industrials carried the brunt of downgrades, accounting for 66% of all downgrades received by Fitch-rated issuers in 2006. Members of the automotive industry continued to shoulder some of the burden, as manufacturers and auto suppliers continued to experience first-hand the decline of the U.S. automotive industry, as weakening performance led to downgrades and a default, Dana Corp. Additionally, increased leverage and M&A-associated downgrades were well represented, as were downgrades due to other shareholder-oriented activities. Initiatives to benefit shareholders, at the expense of creditors, were heavy-handed in 2006, spurring downgrades on either side of the Atlantic, as issuers engaged in leveraged buyouts (LBOs) and debt-financed share buyback programs, among other shareholder-friendly activities.

Fitch Global Corporate Finance Rating Actions By Region — 2006*

	Downgrades		Upgrades	
Region	No.	% of Regional Ratings	No.	% of Regional Ratings
Asia/Pacific	14	4.0	54	15.4
Europe	44	5.9	125	16.9
Latin America and Caribbean	15	9.0	61	36.5
North America	115	8.2	156	11.1
Other	3	2.9	49	47.6

*Compares beginning of year rating to end of year rating, does not count multiple rating actions throughout the year. Rating changes defined at the modifier level, making a distinction between +/-.

Fitch Global Corporate Finance Ratings Distribution by Rating Category* — 2006



*End of year ratings, as of Dec. 31.

Banking and finance downgrades accounted for 21% of all downgrades in 2006, compared with 29% a year earlier. Downgrades among financial institutions were largely the result of weakening operating performance with just a hint of M&A-related downgrades. Insurance industry related downgrades were modest, responsible for only 5% of all downgrades. Likewise, power and gas entities accounted for just 8% of all Fitch-rated downgrades in 2006, in stark contrast to the credit erosion experienced in 2001 and 2002, when the sector accounted for 20% and 21%, respectively, of all downgrades.

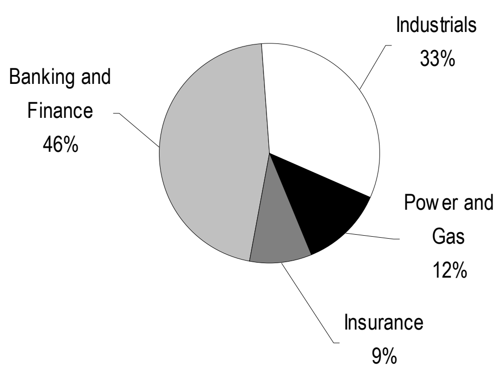
North American and European Industrials Dominate Downgrades in 2006

Regionally, North America captured the lion's share of downgrades with 60%, mirroring 2005's negative rating activity. The majority, or 69%, of the North American downgrades originated within the industrials sector, with auto and related, media and entertainment, and telecom accounting for the majority of negative rating activity. Weakness pervaded the U.S. auto sector dealing a number of negative rating actions, while shareholder initiatives, M&A activity and increasing leverage accounted for the majority of media and telecom downgrades.

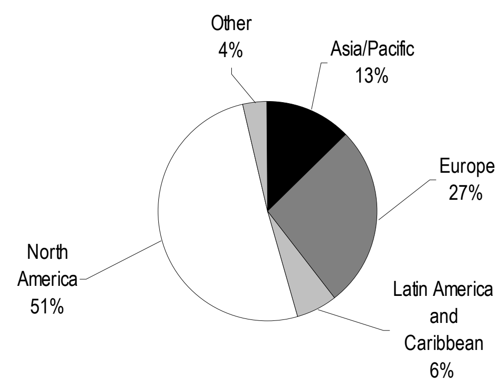
Europe, Latin America and the Caribbean, and Asia/Pacific aligned closely with year-earlier figures, accounting for 23%, 8%, and 7% of all Fitch downgrades, respectively. However, negative rating activity was most notable where it was absent—among emerging markets countries. Downgrades were few in number as improving economic conditions translated into positive rather than negative rating activity; only 5% of emerging market issuers were recipients of downgrades in 2006.

Another indication of the positive credit environment was the decline, albeit slight, of multi-notch

Fitch Global Corporate Finance Ratings Distribution by Sector — 2006



Fitch Global Corporate Finance Ratings Distribution by Region — 2006



Note: May not add to 100% due to rounding.

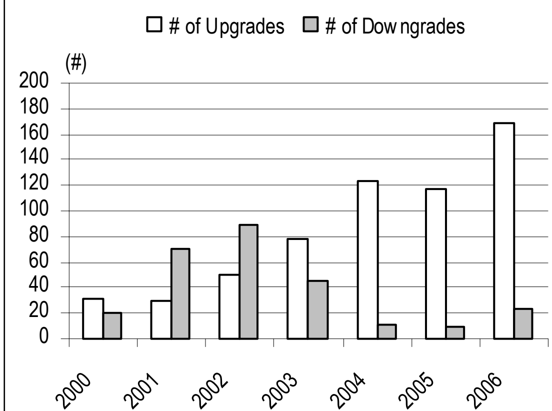
downgrades in 2006, falling 14.5% from year-earlier totals. The majority of these issuers resided in developed markets, as opposed to emerging markets, while auto-related, including both the corporate and financing arms of Ford Motor Company (Ford, to 'B' from 'BB+') were well represented among multi-notch downgrades. Furthermore, fallen angels took a dive in 2006, off by nearly half from year-earlier figures. Most fallen angels were located in North America; however, with an even market sector distribution. Notable 2006 fallen angels included U.S. automotive supplier Lear Corporation (to 'B' from 'BBB–') due to performance issues, and publisher-broadcaster, Tribune Co. (to 'BB+' from 'A–'), cited for shareholder-related initiatives.

■ Upgrades Strong Among Emerging Market Issuers in 2006

Turning to upgrades, 2006 totals easily outpaced downgrades, and bettered upgrade totals from 2005 and previous years as well. In 2006, upgrades jumped 37% over year-earlier totals, as positive rating activity touched every corner of the market. Upgrades affected 16.1% of the Fitch-rated corporate universe, up from 12.5% in 2005 and 2004. Several factors contributed to the bounty of upgrades, including, for one, the strong global economy, which spurred improving economic conditions in many major markets, as well as emerging market countries. This positive setting led to sovereign and sovereign-related upgrades, as well as contributed to country ceiling upward revisions that resulted in upgrades among emerging market issuers. Heated M&A-related activity was once again a factor, as M&A volume rose 40% over year-earlier figures to top $3.6 trillion on a global basis in 2006.

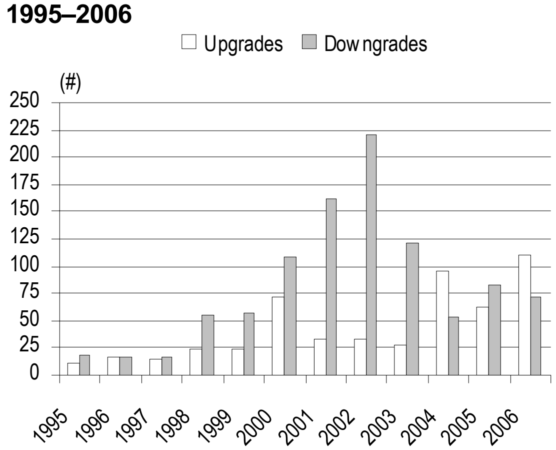
On a sector basis, positive rating activity was up across the board. Banking and financial institutions, registered the most upgrades—48% of all upgrades in 2006. Financial institution upgrades climbed 25% over levels recorded in 2005. As mentioned, several

Fitch Global Corporate Finance Emerging Market Historic Rating Activity*



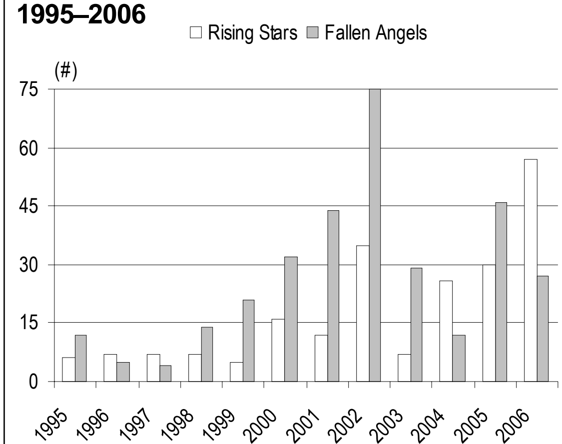
*Compares beginning of year rating with end of year rating, does not count multiple rating actions throughout the year. EM – Emerging market.

**Fitch Global Corporate Finance Multi-Notch Ratings Actions*
1995–2006**



*A multi-notch rating action is defined here as an upgrade or a downgrade of more than one notch examining rating changes on a year-over-year basis.

**Fitch Global Corporate Finance Fallen Angels and Rising Stars*
1995–2006**



*A Fallen Angel is an issuer downgraded from an investment grade to a speculative grade rating. A Rising Star is an issuer upgraded from a speculative grade to an investment grade rating.

factors contributed to the increase in banking and finance upgrades, most notably improving performance coupled with sovereign and/or country ceiling-related upgrades.

Additionally, industrials experienced an increase in positive ratings actions in 2006, elevating industrial upgrades by 42% from 2005. Industrials also account for 34% of all Fitch-rated upgrades on the year. Insurance and power and gas both moved ahead of year-earlier upgrade activity, power and gas by 59% and insurance nearly twofold, most notably on improving performance and leverage reduction.

Improving economic conditions extended to emerging markets in 2006, as a number of countries received sovereign upgrades, which in turn resulted in positive rating activity among domiciled issuers. Sovereign upgrades exceeded downgrades by 7 to 1, with 11 of the 13 upgrades bestowed upon emerging markets countries. Additionally, country ceiling upward revisions for 40 countries also led to rating upgrades among some domestic corporations and financial institutions. Country ceilings are, in effect, a cap on all foreign currency ratings of entities originating within each country Fitch rates. These constraints on foreign currency ratings capture the risk of exchange controls or transfer and convertibility risk. The revisions reflect improvements in these areas among many emerging market economies, as emerging markets have become an integral part of the global economy.[2] Moreover, Fitch's review of bank support among sovereigns within the Gulf Cooperation Council (GCC) of Middle Eastern nations, yielded upgrades for 28 banks located in the region.[3]

The combination of sovereign and country ceiling rating activity in 2006 contributed to upgrades for 37% of all Fitch-rated emerging market corporate finance issuers, compared with just 5% downgraded. See the Emerging Market Historic Rating Activity chart on page 6, detailing the changes in emerging markets rating activity since 2000.

[2] Please see the Fitch report, "Country Ceilings" (dated Aug. 17, 2006), available at www.fitchratings.com.

[3] Please see the Fitch report, "Review of Bank Support in the GCC — Update" (dated Nov. 15, 2006), available at www.fitchratings.com.

North American and European issuers combined represented 63% of all Fitch upgrades in 2006. North America, Europe, and Latin America and the Caribbean experienced a rise in positive rating activity year-over-year, while upgrades took a tumble among Asia/Pacific issuers in 2006, off 27% from 2005.

Multi-notch upgrades climbed in 2006, up nearly 80% thanks in large part to sovereign-related upgrades, country-ceiling revisions and the M&A activity previously mentioned. Similarly, rising stars exploded in 2006 as well, outpacing year-earlier totals by 90% and outpacing fallen angels by more than 2 to 1. Notable non-sovereign, non-M&A related rising stars included Xerox Corporation and Legrand SA both to 'BBB–' from 'BB+', and both cited for reducing leverage.

Fitch Rating Migration Rates

An examination of the 2006 one-year rating migration data at the broad or major rating categories pinpoints the movement of ratings both up and down the rating scale (see the Global Corporate Finance Migration Rates table on page 8). The vertical left-hand column identifies ratings outstanding at the beginning of 2006, while the horizontal axis offers information on the migration pattern for those ratings by year's end. The table reflects the stability of Fitch's ratings over each rating category, most notably at the investment grade level, from the top left-hand corner, beginning with 'AAA' at 95.7% and following the diagonal to the right in order to examine the stability of each consecutive rating category. Overall Fitch's 2006 rating migration data revealed much more stability and positive, rather than negative, rating volatility, comparable to data from both 2005 and 2004.

The downgrade activity revealed no major surprises within the broad rating category detail for 2006, as downgrades edged up only within the 'A' and 'BB' rating categories. The single 'A' rating category experienced a downgrade rate of 3.4%, marginally higher than the 2.7% rate for 2005; however, this was lower than the average annual rate of 5.3% for the 1990–2005 period. Downgrades within the 'BB' category also rose year-over-year, to 9%, as a still relatively modest number of high yield issuers moved further into speculative grade territory.

Downgrade rates among the other major rating categories in 2006 either decreased or remained comparatively unchanged year-over-year. For instance, in 2006, the share of 'AAA' and 'BBB' rated issuers downgraded were 4% and 3%, respectively, compared to 7% and 6% for the same respective categories in 2005. One area where the downgrade rate decreased substantially was among the 'CCC' to 'C' range, where negative rating activity fell from 12.5% to just 2.5% in 2006 compared with 2005, as defaults faded even at the lowest rating levels.

Speculative grade issuers, due to their highly levered operating and financial profiles, are more sensitive to economic swings and are generally more subject to rating changes than investment grade issuers. For instance, examining Fitch's 2006 rating activity at the modifier level during a positive credit environment revealed that 11% of investment grade issuers received upgrades, compared with 31% of speculative grade issuers. When examining data from a period of weaker credit quality, such as 2001, the reverse is true, generating greater negative rating volatility among both categories of issuers; however, similar to the previous example in that the changes are more pronounced at the speculative grade level, with 28% of speculative grade issuers receiving a downgrade in 2001, compared with 15% of investment grade issuers.

To this point, the biggest year-over-year changes among upgrades, when examining the annual transition tables at the broad rating category, were situated within speculative grade ratings. Although investment grade ratings held reasonably stable, this was not the case within speculative grade territory, where the largest swings in upgrade ratios among the rating categories were located at 'BB' and 'CCC' to 'C' with 13% and 38% of rated issuers upgraded,

Fitch Global Corporate Finance Migration Rates Across the Major Rating Categories*
(%)

2006

	'AAA'	'AA'	'A'	'BBB'	'BB'	'B'	'CCC' to 'C'	'D'	Total
'AAA'	95.74	4.26	0.00	0.00	0.00	0.00	0.00	0.00	100.00
'AA'	0.00	98.80	1.20	0.00	0.00	0.00	0.00	0.00	100.00
'A'	0.00	2.66	93.98	3.01	0.35	0.00	0.00	0.00	100.00
'BBB'	0.00	0.46	6.49	90.27	2.67	0.12	0.00	0.00	100.00
'BB'	0.00	0.00	0.49	12.93	77.56	8.78	0.00	0.24	100.00
'B'	0.00	0.00	0.00	0.96	12.98	84.13	1.92	0.00	100.00
'CCC' to 'C'	0.00	0.00	0.00	0.00	5.00	30.00	62.50	2.50	100.00

Average Annual Global Corporate Finance Transition Rates: 1990–2006

	'AAA'	'AA'	'A'	'BBB'	'BB'	'B'	'CCC' to 'C'	'D'	Total
'AAA'	95.96	4.04	0.00	0.00	0.00	0.00	0.00	0.00	100.00
'AA'	0.09	92.53	7.03	0.31	0.02	0.02	0.00	0.00	100.00
'A'	0.02	2.50	92.35	4.75	0.24	0.03	0.07	0.03	100.00
'BBB'	0.01	0.27	4.67	90.25	3.78	0.51	0.23	0.27	100.00
'BB'	0.04	0.07	0.19	8.14	81.29	7.17	1.76	1.34	100.00
'B'	0.00	0.00	0.00	0.76	13.42	80.46	3.76	1.60	100.00
'CCC' to 'C'	0.00	0.00	0.00	0.30	1.20	18.32	55.26	24.92	100.00

Average Two-year Global Corporate Transition Rates: 1990–2006

	'AAA'	'AA'	'A'	'BBB'	'BB'	'B'	'CCC' to 'C'	'D'	Total
'AAA'	92.51	7.36	0.14	0.00	0.00	0.00	0.00	0.00	100.00
'AA'	0.18	85.35	13.67	0.68	0.13	0.00	0.00	0.00	100.00
'A'	0.03	4.74	85.45	8.70	0.69	0.12	0.11	0.17	100.00
'BBB'	0.05	0.49	8.40	82.34	5.94	1.28	0.54	0.96	100.00
'BB'	0.05	0.24	0.62	14.34	68.59	9.54	2.35	4.27	100.00
'B'	0.00	0.00	0.09	2.06	24.33	65.74	3.40	4.38	100.00
'CCC' to 'C'	0.00	0.00	0.00	0.72	1.81	30.80	31.16	35.51	100.00

Average Three-year Global Corporate Transition Rates: 1990–2006

	'AAA'	'AA'	'A'	'BBB'	'BB'	'B'	'CCC' to 'C'	'D'	Total
'AAA'	88.61	10.61	0.62	0.16	0.00	0.00	0.00	0.00	100.00
'AA'	0.25	78.60	19.42	1.52	0.17	0.03	0.00	0.00	100.00
'A'	0.03	6.95	79.14	11.79	1.38	0.23	0.09	0.38	100.00
'BBB'	0.11	0.66	10.88	76.75	7.35	1.80	0.56	1.89	100.00
'BB'	0.00	0.36	1.69	17.43	59.11	11.34	2.71	7.36	100.00
'B'	0.00	0.00	0.24	3.80	26.72	58.31	2.85	8.08	100.00
'CCC' to 'C'	0.00	0.00	0.00	1.31	6.11	32.31	17.47	42.79	100.00

*Data enhancement efforts may lead to slightly different results than previously published. Current study supersedes all prior statistics.

Fitch Ratings Global Corporate Finance Average Cumulative Default Rates: 1990–2006

(%)

%	1 Year	2 Year	3 Year	4 Year	5 Year
‘AAA’	0.00	0.00	0.00	0.00	0.00
‘AA’	0.00	0.00	0.00	0.03	0.06
‘A’	0.03	0.16	0.32	0.48	0.73
‘BBB’	0.26	0.87	1.61	2.53	3.47
‘BB’	1.24	3.64	5.78	7.82	9.84
‘B’	1.47	3.66	6.16	8.59	11.16
‘CCC’ to ‘C’	22.93	30.72	35.64	41.63	43.41
Investment Grade	0.10	0.34	0.64	0.96	1.31
High Yield	2.94	5.75	8.25	10.74	12.72
All Corporates	0.61	1.27	1.89	2.51	3.04

Fitch Ratings Global Corporate Finance Issuer Default Rates*

	Number of Fitch-Rated Defaults	Default Rate (%)
1990	6	1.35
1991	10	1.81
1992	4	0.63
1993	0	0.00
1994	0	0.00
1995	1	0.11
1996	2	0.19
1997	1	0.08
1998	6	0.42
1999	13	0.77
2000	8	0.42
2001	19	0.81
2002	47	2.04
2003	25	1.02
2004	3	0.12
2005	8	0.29
2006	2	0.07

*Data enhancement efforts may lead to slightly different results than previously published. Current study supersedes all prior statistics.

respectively in 2006. Similarly, the only rating level that resulted in a reduction in upgrades year-over-year was ‘B’, which declined to 14% in 2006 from 30% in 2005.

■ Fitch-Rated Issuer Defaults Contract Further in 2006

Fitch-rated defaults dropped considerably in 2006, to only two, down from eight documented in 2005. Thus, Fitch recorded an annual default rate of just 0.07%, down from 0.29% in 2005, and a 10-year low for Fitch-rated issuer defaults. No concrete trend surfaced between the two Fitch-rated defaulters. The defaulting issuers—a single U.S. auto supplier, Dana Corp. (Dana), and one Uruguayan bank, Cooperative Nacional de Ahorro y Credito (COFAC), whose operations were again suspended by Uruguayan authorities—were completely unrelated. However, Dana, extended 2005’s trend of serious distress within the U.S. auto industry. Together with General Motors Corp. and Ford’s downgrades further into speculative grade territory in 2006 and additional non-Fitch rated auto defaults, it is clear that the U.S. auto industry continues to struggle and experience credit deterioration among a considerable share of its market participants.

The long-term average annual default rate for Fitch-rated corporate issuers fell to 0.61% through 2006. The complete snapshot of default rates from one- through five-year periods at the major or broad rating categories is available in the Average Cumulative Default Rates table above. As per the data, the probability of default increases considerably with each incremental movement down the rating scale, but in particular when the movement coincides with a shift from investment grade to speculative grade.

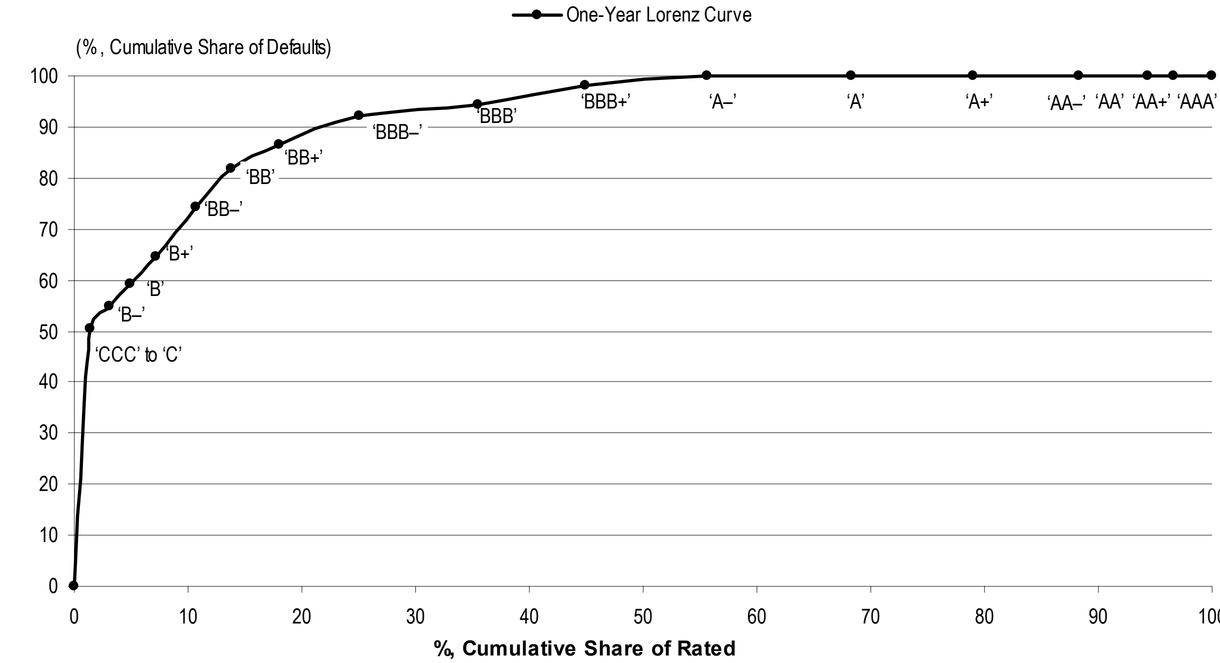
As mentioned in previous studies, there are a few items worth noting with respect to the historical default frequencies displayed on this page. Default rates at the ‘B’ level, for example, appear modest relative to data reported by the other major rating agencies. This is due to Fitch’s historically more limited coverage of the high yield market. However, the effect is diminishing quickly as Fitch’s high yield market share grows. For example, as shown in the table Fitch Ratings Global Corporate Finance Most Recent Three-Year Cumulative Default Rates

Fitch Global Corporate Finance Ratings Gini Coefficients

(%, 1990–2006)

Time Horizon		
One-Year	Three-Year	Five -Year
87.5	78.2	75.4

Fitch One-Year Global Corporate Finance Rating Performance
(1990–2006)



(CDRs), on page 14 of the Appendix, the three-year CDRs for the 'BB' and 'B' categories for the 2004 cohort were 0.35% and 2.60% respectively, low due to the benign credit environment but illustrating a more meaningful gap than the average long-term three-year CDRs for 'BB' and 'B' issuers of 5.78% and 6.16%. Fitch expects the gap to continue to widen and other data-related anomalies to disappear as both sample sizes and observation years continue to grow. For a more detailed description of the methodology used to calculate Fitch's default rates see the Methodology section beginning below.

In order to broaden the traditional analysis of rating performance described above—specifically, the examination of rating performance utilizing default frequencies and rating transition rates—two additional measures of rating predictability were again computed for this recent study, the Lorenz curve and the Gini coefficient. The Lorenz curve is constructed by first ordering the population of ratings from the worst credit quality ('CCC' to 'C') to the best credit quality ('AAA') and then plotting the cumulative share of issuer ratings against the cumulative share of defaulters. This visual assessment of ratings performance is shown in the Fitch Corporate Finance Rating Performance chart above. The Gini coefficient summarizes the results of the Lorenz curve into a single statistic that ranges between 0% and 100%. A Gini of 100% would indicate that ratings had perfect ability to predict default.

The resulting Gini coefficients for the Fitch global corporate finance rating universe for the one-, three- and five-year time horizons over the 1990–2006 period are reported in the Fitch Global Corporate Finance Gini Coefficients table on page 9. The one-year accuracy ratio of 87.5%, the three-year accuracy ratio of 78.2%, and the five-year accuracy ratio of 75.4% continue to indicate a strong historical rating performance for Fitch. As shown in the one-year Lorenz curve above, speculative grade ratings ('BB+' and lower), while representing only 18% for all Fitch-rated global corporate issuers over the one-year period from 1990–2006, account for virtually 90% of all Fitch-rated defaults.

■ Fitch Transition and Default Methodology

All Fitch global, publicly rated, corporate finance long-term debt issuer ratings from 1990 to the present are included in Fitch's transition and default rate calculations.

Fitch employs a static pool approach in calculating its default and transition data. The static pools or,

Parameters of the Fitch Corporate Issuer Default Rate

- Statistical data captured in this study is based on the long-term IDR, where assigned, or historically the long-term issuer rating (a proxy of default risk). For those issuers not assigned an issuer level rating, an algorithm was used to derive an IDR proxy from the outstanding rated debt at year-end.
- Includes Fitch worldwide publicly rated corporate finance issuer IDRs and long-term debt ratings encompassing industrials, utilities, insurance, banks (includes bank holding companies, main subsidiaries and subsidiaries with debt outstanding) and other financial institutions.
- Structured finance, municipal, private placement and sovereign ratings were excluded from the study.
- Short-term issuer and debt ratings were also excluded from the study.
- The restrictive default (RD) rating is a default and counted as such.
- One-year default rates were calculated by dividing the number of defaulted issuers by the number of outstanding rated issuers at the beginning of each respective year.

alternatively, cohorts, are created by grouping issuer ratings according to the year in which the ratings are active and outstanding at the beginning of the year. For example, issuers with ratings outstanding at the beginning of 1990 constitute the 1990 static pool or cohort, with the same true for the 1991, 1992 and additional cohorts. Issuers newly rated by Fitch in any given year are included in the following year's cohort. For example, the performance of ratings initiated in mid-1995 would be followed as part of the 1996 and future cohorts. Ratings withdrawn mid-year are excluded from subsequent cohorts since they are no longer active, but are monitored for defaults. Defaults on withdrawn ratings are included in Fitch's average annual and multi-year default statistics.

Fitch's continuing data enhancement efforts may result in slightly different statistics than in previously published studies. Therefore, this most recent study supersedes all prior versions. In addition, comparisons with earlier Fitch corporate finance transition and default studies should be viewed within the context of the differing methodologies, whether rating movements were analyzed across the broad rating categories or at both the modifier and flat levels.

Transition Rates

In order to calculate one-year transition rates, Fitch examines the performance of ratings outstanding at the beginning of a calendar year and at the end. Withdrawn ratings are excluded from the transition table calculations since they do not fit this criteria, namely that the ratings be outstanding over a full year or over the full period under observation.

Issuer ratings may reside in multiple static pools, as long as their ratings are outstanding at the beginning and end of the year or multiple year horizons under observation. For example, the annual performance of an issuer rating initiated in 1994, and therefore outstanding at the beginning of 1995, and withdrawn in 1999, would be included in the 1995, 1996, 1997 and 1998 static pools. The rating's performance over multiple year horizons would also be included in the two-year, three-year and four-year transition rates for each of the cohorts noted, but excluded from five-year transition rates since the rating was withdrawn in year five and was not outstanding for five full years as part of any cohort. (In other words, as part of the 1995 cohort, this rating's performance would be monitored over a one-year period, 1995; two-year period, 1995–1996; three-year period, 1995–1997; and four-year period, 1995–1998). In all, Fitch's transition data contain 17 static pools or cohorts from 1990 to 2006, allowing for 17 unique one-year transition rates, 16 two-year transition rates, 15 three-year transition rates, and so on.

The one-year transition table on page 8 provides information on all rating movements by rating category from the beginning of a respective year to the end of that year. As illustrated in the transition table, the vertical left-hand column identifies ratings outstanding at the beginning of 2006, while the horizontal axis offers information on the migration pattern for those ratings by year's end. For example, the transition table reveals that 98.80% of issuers rated 'AA' at the beginning of 2006 remained 'AA' over the course of 2006 and that while none were upgraded, 1.20% were downgraded to the 'A' rating category. Multiple-year transition rates provide similar insight into rating performance, but over longer time horizons.

The occurrence and timing of both rating upgrades and downgrades for corporate issuers can be attributed to changes in qualitative and/or quantitative factors. Both qualitative and quantitative measures are used to assess the business and financial risks of corporate issuers. Qualitative analysis includes examining industry risk, operating environment, market position, management and accounting policies. In contrast, the quantitative aspect of Fitch's corporate ratings focuses on a company's policies in relation to operating strategies, acquisitions and divestitures, leverage targets, dividend policy and financial goals. An important component in the analysis is the company's ability to generate cash, which is reflected by the ratios that measure profitability and coverage on a cash flow basis.

The rating transitions outlined in this study represent a distinct historical period and may not represent future rating migration patterns. Transition rates are influenced by a number of factors, including macroeconomic variables, credit conditions and corporate strategy. The statistics presented here document the performance of Fitch-rated obligors. In general, the transition rates are similar to statistics reported by the other two major rating agencies. However, some sectors may show less deterioration than reported in the overall marketplace due to Fitch's market share composition. It is useful to examine the performance of Fitch ratings on a relative scale, within each rating category. In addition, it is important to point out that while transition matrices are presented at both the modifier and flat levels in this study, all other statistical analysis was conducted at the modifier level, unless noted otherwise.

■ Default Rates

Fitch's default rates are calculated on an issuer basis, as opposed to dollar amounts. First, defaults are examined by year for each static pool and individual rating category. For example, if 25 issuers defaulted in 2002, and the 2002 static pool consisted of 2000 issuer ratings, the resulting annual default rate for all ratings in 2002 would be 1.3%. If 10 of these defaults consisted of defaults among issuers rated 'BB' at the beginning of the year and the 'BB' cohort at the beginning of the year totaled 500, the 'BB' 2002 default rate would be 2% (10/500).

From these annual default rates, Fitch derives average annual default rates by weighing each cohort's default rates by the number of ratings outstanding in the given cohort relative to the number of total ratings outstanding for all cohorts. In other words, following the example above, the 2002 'BB' annual default rate of 2% might be followed by a 2003 'BB' annual default rate of 1%. A straight average of these two rates would ignore potential differences in the size of the two cohorts. Rather, weighing the results based on the relative number of 'BB' ratings outstanding in 2002 and 2003, gives greater emphasis to the results of the 'BB' cohort with the most observations.

The same technique is used to calculate average default rates over multiple year horizons. For example, the two-year default rate for the 2002 'BB' rating pool would be averaged with the two-year default rate for the 2003 'BB' rating pool by weighing the default rates by the relative size of each pool.

For example, any defaults produced by the 2002 'BB' cohort (the static pool) over the two-year time horizon are summed and divided by the number of 'BB' ratings outstanding at the beginning of 2002 to arrive at the simple 2002 two-year CDR for the 'BB' category. If a total of 15 issuers carrying 'BB' ratings at the beginning of 2002 default over the subsequent two years and 250 issuers were rated 'BB' at the beginning of 2002, 6.0% would be the resulting two-year CDR for the 'BB' rating category, if 10 issuers defaulted in year one and 5 in year two. The 2002 two-year 'BB' default rate would then be averaged with the 2003 two-year 'BB' default rate (using the same methodology just described) by weighing the results of the two by the relative number of 'BB' ratings outstanding in 2002 and 2003. (This is the general approach for calculating average cumulative default rates over multiple year horizons.)

Fitch Definition of Default

Fitch defines default as one of the following:

- Failure of an obligor to make timely payment of principal and/or interest under contractual terms of any financial obligation;
- The bankruptcy filing, administration, receivership, liquidation, or other winding-up or cessation of business of an obligor; or
- The distressed or other coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.

■ Withdrawn Ratings

With regard to withdrawn ratings, all public ratings are included in the static pool data until the ratings are withdrawn and are then excluded from future static pools.

For the purpose of calculating default rates, however, Fitch tracks withdrawn ratings on a continual basis, and includes defaults on withdrawn ratings for the cohorts in which the ratings were active and outstanding. For example, a ‘BB’ issuer’s rating is outstanding in 1995 and is withdrawn in 1997. The issuer defaults in 1999. The default would be included in the 1995 five-year default rate, 1996 four-year default rate and 1997 three-year default rate.

Appendix 1A

Fitch Ratings Global Corporate Finance Average Cumulative Default Rates: 1990–2006

(%, Modifier Level)

	1 Year	2 Year	3 Year	4 Year	5 Year
‘AAA’	0.00	0.00	0.00	0.00	0.00
‘AA+’	0.00	0.00	0.00	0.00	0.00
‘AA’	0.00	0.00	0.00	0.07	0.15
‘AA–’	0.00	0.00	0.00	0.00	0.00
‘A+’	0.00	0.08	0.21	0.28	0.37
‘A’	0.00	0.06	0.14	0.28	0.50
‘A–’	0.11	0.36	0.68	0.98	1.42
‘BBB+’	0.24	0.54	0.98	1.64	2.24
‘BBB’	0.14	0.81	1.82	2.78	3.74
‘BBB–’	0.47	1.38	2.16	3.34	4.76
‘BB+’	0.72	2.49	4.48	6.28	7.98
‘BB’	1.41	5.15	7.65	10.85	13.92
‘BB–’	1.71	3.67	5.73	7.16	8.74
‘B+’	1.46	3.77	6.60	8.88	9.25
‘B’	1.41	4.02	6.18	8.99	14.67
‘B–’	1.54	3.10	5.56	7.78	10.73
‘CCC’ to ‘C’	22.93	30.72	35.64	41.63	43.41
Investment Grade	0.10	0.34	0.64	0.96	1.31
High Yield	2.94	5.75	8.25	10.74	12.72
All Corporates	0.61	1.27	1.89	2.51	3.04

Appendix 1B

Fitch Global Corporate Finance Ratings Default Statistics for Basel II Users

(%)

Ten-Year Average of Three-Year Cumulative Default Rates (CDRs)

	‘AAA’	‘AA’	‘A’	‘BBB’	‘BB’	‘B’
1995–2004	0.00	0.00	0.34	1.67	5.84	6.42

Most Recent Three-Year Cumulative Default Rates (CDRs)

(%)

	‘AAA’	‘AA’	‘A’	‘BBB’	‘BB’	‘B’
2004	0.00	0.00	0.00	0.24	0.35	2.60

	‘AAA’	‘AA’	‘A’	‘BBB’	‘BB’	‘B’
2003	0.00	0.00	0.00	0.54	1.19	3.13

Appendix 2

Fitch Global Corporate Finance Transition Rates at the Modifier Level

(%)

	‘AAA’	‘AA+’	‘AA’	‘AA–’	‘A+’	‘A’	‘A–’	‘BBB+’	‘BBB’	‘BBB–’	‘BB+’	‘BB’	‘BB–’	‘B+’	‘B’	‘B–’	‘CCC’ to ‘C’	‘D’	Total
One-Year : 2006																			
‘AAA’	95.74	4.26	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	100.00
‘AA+’	0.00	94.59	0.00	5.41	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	100.00
‘AA’	0.00	1.19	92.86	3.57	2.38	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	100.00
‘AA–’	0.00	0.00	6.10	92.96	0.47	0.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
‘A+’	0.00	0.00	0.41	7.88	87.97	3.32	0.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
‘A’	0.00	0.00	0.00	0.65	4.90	90.20	2.61	0.98	0.33	0.00	0.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
‘A–’	0.00	0.00	0.00	0.32	1.58	10.41	80.13	5.99	0.63	0.32	0.32	0.32	0.00	0.00	0.00	0.00	0.00	0.00	100.00
‘BBB+’	0.00	0.00	0.00	1.31	0.33	1.64	12.46	74.10	8.52	1.31	0.00	0.00	0.33	0.00	0.00	0.00	0.00	0.00	100.00
‘BBB’	0.00	0.00	0.00	0.00	0.30	0.00	2.37	14.24	77.74	3.56	0.30	0.30	1.19	0.00	0.00	0.00	0.00	0.00	100.00
‘BBB–’	0.00	0.00	0.00	0.00	0.00	0.00	1.36	3.17	15.84	71.95	2.71	4.07	0.45	0.00	0.45	0.00	0.00	0.00	100.00
‘BB+’	0.00	0.00	0.00	0.00	0.00	0.74	0.74	0.74	4.41	25.74	54.41	2.94	0.00	0.00	10.29	0.00	0.00	0.00	100.00
‘BB’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.82	0.82	5.74	26.23	53.28	4.92	2.46	5.74	0.00	0.00	0.00	100.00
‘BB–’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.66	0.66	11.18	22.37	56.58	5.92	1.32	0.66	0.00	0.66	100.00
‘B+’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.23	0.00	0.00	8.64	13.58	62.96	13.58	0.00	0.00	0.00	100.00
‘B’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.52	7.58	19.70	60.61	7.58	3.03	0.00	100.00
‘B–’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.64	0.00	1.64	3.28	3.28	13.11	73.77	3.28	0.00	100.00
‘CCC’ to ‘C’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.50	0.00	2.50	2.50	0.00	27.50	62.50	2.50	100.00
Average Annual : 1990–2006																			
‘AAA’	95.96	2.02	1.54	0.48	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	100.00
‘AA+’	0.51	84.29	11.99	2.36	0.17	0.34	0.17	0.00	0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
‘AA’	0.00	2.53	81.75	11.10	3.51	0.39	0.19	0.19	0.00	0.26	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.00	100.00
‘AA–’	0.04	0.04	3.89	85.19	7.99	2.03	0.51	0.17	0.08	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00	100.00
‘A+’	0.00	0.11	0.55	5.24	83.91	7.86	1.42	0.36	0.36	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
‘A’	0.06	0.00	0.27	1.16	5.59	82.81	6.68	1.89	0.89	0.18	0.21	0.12	0.03	0.00	0.03	0.00	0.06	0.00	100.00
‘A–’	0.00	0.00	0.11	0.26	1.13	7.16	79.96	8.54	1.42	0.77	0.15	0.18	0.00	0.04	0.00	0.04	0.15	0.11	100.00
‘BBB+’	0.00	0.00	0.08	0.25	0.62	1.44	8.04	77.10	8.66	1.69	0.78	0.25	0.37	0.17	0.04	0.00	0.25	0.25	100.00
‘BBB’	0.00	0.00	0.11	0.15	0.07	0.67	1.64	7.92	80.89	4.83	1.12	1.23	0.41	0.30	0.22	0.07	0.22	0.15	100.00
‘BBB–’	0.06	0.06	0.00	0.17	0.22	0.22	0.33	1.71	10.94	76.30	5.19	2.15	1.16	0.39	0.22	0.17	0.22	0.50	100.00
‘BB+’	0.00	0.19	0.00	0.00	0.00	0.10	0.29	0.97	2.92	13.02	69.97	4.86	1.85	1.55	2.04	0.29	1.17	0.78	100.00
‘BB’	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.13	1.02	2.66	12.44	67.13	6.35	2.79	2.03	1.78	2.03	1.52	100.00
‘BB–’	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.93	4.30	10.45	67.83	4.53	5.81	1.28	2.21	1.86	100.00
‘B+’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.35	0.17	0.35	0.52	5.03	19.97	60.59	6.94	1.74	2.78	1.56	100.00
‘B’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.22	0.67	1.56	5.79	21.16	59.69	6.46	2.90	1.56	100.00
‘B–’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.48	0.48	0.24	0.24	0.73	1.45	4.60	12.59	71.43	6.05	1.69	100.00
‘CCC’ to ‘C’	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.60	0.30	0.30	0.90	3.90	13.51	55.26	24.92	100.00

Appendix 3
Fitch-rated Global Corporate Finance Defaults 1990–2006*

Issuer Name	Rating at Beginning of Year	Industry Sector	Country
1990			
Allied Stores	'CCC'	Industrials	United States
Ames Department Stores, Inc.	'CCC'	Industrials	United States
Bank of New England Corporation	'CCC'	Banking and Finance	United States
Federated Department Stores, Inc.	'CCC'	Industrials	United States
Franklin Savings Association	'BB+'	Banking and Finance	United States
Greyhound Lines, Inc.	'CCC'	Industrials	United States
1991			
Carter Hawley Hale Stores, Inc.	'BB–'	Industrials	United States
Columbia Energy Group	'BBB'	Power and Gas	United States
Columbia Savings and Loan Assn.	'CCC'	Banking and Finance	United States
Continental Airlines Holdings, Inc.	'CCC'	Industrials	United States
Continental Airlines, Inc.	'CCC'	Industrials	United States
National Gypsum Company	'CCC'	Industrials	United States
Orion Pictures Corporation	'CCC'	Industrials	United States
People Express	'CCC'	Industrials	United States
Southeast Banking Corporation	'BB+'	Banking and Finance	United States
USG Corporation	'CCC'	Industrials	United States
1992			
Adience Inc.	'CCC'	Industrials	United States
El Paso Electric Co.	'B–'	Power and Gas	United States
First City Financial Corp.	'CCC'	Banking and Finance	United States
R.H. Macy Co.	'CCC+'	Industrials	United States
1995			
Dow Corning Corporation	'BBB–'	Industrials	United States
1996			
Grupo Simec, S.A. de C.V.	'CCC'	Industrials	Mexico
Kapital Haus, S.A. de C.V.	'CCC'	Banking and Finance	Mexico
1997			
First Merchants Acceptance Corp	'BB+'	Banking and Finance	United States
1998			
Chilesat S.A.	'BBB–'	Industrials	Chile
CRIIMI MAE, Inc.	'BB'	Banking and Finance	United States
P.T. Polysindo Eka Perkasa	'BB'	Industrials	Indonesia
Philip Services Corp	'BB+'	Industrials	Canada
Polysindo International Finance	'BB'	Banking and Finance	Indonesia
Reliance Acceptance Group, Inc.	'CCC'	Insurance	United States
1999			
ARM Financial Group, Inc.	'A–'	Insurance	United States
Bufete Industrials, S.A.	'BB–'	Industrials	Mexico
Grupo Tribasa, S.A. de C.V.	'BB–'	Industrials	Mexico
Hidroelectrica Piedra del Aguila S.A. (HPDA)	'BB'	Power and Gas	Argentina
Loewen Group International, Inc.	'BB–'	Industrials	United States
Menatep Bank	'C'	Banking and Finance	Russian Federation
Mobile Energy Services Co., L.L.C.	'CCC'	Power and Gas	United States
P.T. Inti Indorayon Utama	'CCC'	Industrials	Indonesia
SBS-AGRO Group	'C'	Banking and Finance	Russian Federation
Service Merchandise Company, Inc.	'CCC'	Industrials	United States
United Companies Financial Corp.	'B'	Banking and Finance	United States
United Export Import Bank	'C'	Banking and Finance	Russian Federation
Zenith Electronics Corporation	'CCC'	Industrials	United States

*Rated by Fitch at the beginning of the year in which they defaulted. Note: Data enhancement efforts may lead to slightly different results than previously published. Current study supersedes all prior statistics. *Continued on next page.*

Appendix 3
Fitch-rated Global Corporate Finance Defaults 1990–2006* (Continued)

Issuer Name	Rating at Beginning of Year	Industry Sector	Country
2000			
ContiFinancial Corp.	'C'	Banking and Finance	United States
Daewoo Corporation	'CCC'	Industrials	Republic of Korea
Heilig-Meyers Company	'BB'	Industrials	United States
MacSaver Financial Services	'BB'	Banking and Finance	United States
Owens Corning	'BBB–'	Industrials	United States
Reliance Group Holdings, Inc.	'BB+'	Insurance	United States
Sunterra Corporation	'BB+'	Industrials	United States
Supercanal Holding S.A.	'CCC'	Industrials	Argentina
2001			
AEI Resources, Inc.	'CCC'	Industrials	United States
AMRESCO, Inc.	'BB–'	Banking and Finance	United States
Asia Pulp & Paper Co. Ltd	'B–'	Industrials	Indonesia
BROKAT Infosystems AG	'B'	Industrials	Germany
Comdisco, Inc.	'BBB+'	Industrials	United States
Enron Corp.	'BBB+'	Power and Gas	United States
Federal Mogul Corp.	'BB–'	Industrials	United States
FINOVA Capital Corp.	'CCC+'	Banking and Finance	United States
Focal Communications	'B'	Industrials	United States
Lakah Group	'CC'	Industrials	Egypt
Netia Holdings BV	'B+'	Industrials	Poland
Pacific Gas & Electric Co.	'BBB+'	Power and Gas	United States
Polaroid Corporation	'BB–'	Industrials	United States
Rhythms NetConnections Inc.	'B–'	Industrials	United States
SANLUIS Corp., S.A. de C.V.	'BB'	Industrials	Mexico
Southern California Edison Co.	'A–'	Power and Gas	United States
W.R. Grace & Co.	'BBB–'	Industrials	United States
Winstar Communications	'B–'	Industrials	United States
XO Communications, Inc.	'B'	Industrials	United States
2002			
Aguas Argentinas S.A.	'CC'	Power and Gas	Argentina
AMERCO	'BBB'	Banking and Finance	United States
Amtrade International Bank	'BB'	Banking and Finance	United States
Bahrain International Bank	'BBB–'	Banking and Finance	Bahrain
Banco Bisel	'CC'	Banking and Finance	Argentina
Banco Comercial del Uruguay	'BBB–'	Banking and Finance	Uruguay
Banco de Galicia y Buenos Aires	'CC'	Banking and Finance	Argentina
Banco De Inversion Y Comercio Exterior	'CC'	Banking and Finance	Argentina
Banco de la Provincia de Buenos Aires	'CC'	Banking and Finance	Argentina
Banco Hipotecario	'CC'	Banking and Finance	Argentina
Banco Rio de la Plata	'CC'	Banking and Finance	Argentina
BBVA Banco Frances	'CC'	Banking and Finance	Argentina
BCE Teleglobe	'B+'	Industrials	United States
BMB Investment Bank (formerly Bahrain Middle East Bank)	'B+'	Banking and Finance	Bahrain
Capex S.A.	'CC'	Power and Gas	Argentina
Conseco Finance Corp.	'CCC'	Insurance	United States
Conseco, Inc.	'B–'	Insurance	United States
Cornerstone Propane Partners L.P.	'BB–'	Power and Gas	United States
Cornerstone Propane, L.P.	'BB'	Power and Gas	United States
Edelnor S.A.	'B+'	Power and Gas	Chile
Edenor S.A.	'CCC'	Power and Gas	Argentina
Eletropaulo Metropolitana Eletricidade de Sao Paulo S.A.	'BB–'	Power and Gas	Brazil
Farmland Industries, Inc.	'BB–'	Industrials	United States
FLAG Limited	'BB+'	Industrials	Bermuda
FLAG Telecom Holdings	'B+'	Industrials	Bermuda

*Rated by Fitch at the beginning of the year in which they defaulted. Note: Data enhancement efforts may lead to slightly different results than previously published. Current study supersedes all prior statistics. *Continued on next page.*

Appendix 3
Fitch-rated Global Corporate Finance Defaults 1990–2006* (Continued)

Issuer Name	Rating at Beginning of Year	Industry Sector	Country
2002 (Continued)			
GenTek Inc.	'BB–'	Industrials	United States
Hamilton Bancorp Inc.	'CCC'	Banking and Finance	United States
Hamilton Bank N.A.	'CCC'	Banking and Finance	United States
Hidroelectrica Piedra del Aguila S.A. (HPDA)	'CC'	Power and Gas	Argentina
HSBC Bank Argentina	'CC'	Banking and Finance	Argentina
Imagen Satelital S.A.	'CC'	Industrials	Argentina
InPower Limited	'BB'	Power and Gas	United Kingdom
Intermedia Communications Inc.	'BBB+'	Industrials	United States
Kmart Corp.	'BB+'	Industrials	United States
MetroGas S.A.	'CC'	Power and Gas	Argentina
NATG Holdings, LLC	'CCC–'	Industrials	United States
Pecom Energia S.A.	'B–'	Power and Gas	Argentina
Telecom Argentina Stet-France Telecom S.A.	'CC'	Industrials	Argentina
Transener S.A.	'CC'	Power and Gas	Argentina
Transportardora de Gas del Norte S.A.	'CC'	Power and Gas	Argentina
TXU Eastern Funding	'BBB+'	Power and Gas	United States
TXU Europe plc	'BBB+'	Power and Gas	United Kingdom
U.S. Industries, Inc.	'B'	Industrials	United States
Union Acceptance Corp.	'B+'	Banking and Finance	United States
Viasystems	'CCC'	Industrials	United States
Williams Communications Group	'CCC+'	Industrials	United States
WorldCom, Inc.	'A–'	Industrials	United States
2003			
AES DRAX Energy Limited	'C'	Power and Gas	United Kingdom
AES DRAX Holdings Limited	'CC'	Power and Gas	United Kingdom
Allegiance Telecom, Inc.	'CCC'	Industrials	United States
Asarco Incorporated	'CCC–'	Industrials	United States
Atlas Air Worldwide Holdings Inc.	'CCC'	Industrials	United States
Avon Energy Partners	'BBB–'	Power and Gas	United Kingdom
British Energy plc	'C'	Power and Gas	United Kingdom
Compania Internacional de Telecomunicaciones S.A. (COINTEL)	'CC'	Industrials	Argentina
Corporacion Durango, S.A. de C.V.	'B+'	Industrials	Mexico
DVI Inc.	'B+'	Banking and Finance	United States
Empresas Municipales de Cali S.A.	'CCC'	Power and Gas	Colombia
Fleming Companies, Inc.	'BB–'	Industrials	United States
Grupo Iusacell Celular, S.A. de C.V.	'C'	Industrials	Mexico
Grupo Iusacell, S.A. de C.V.	'C'	Industrials	Mexico
Mirant Americas Generation	'BB'	Power and Gas	United States
Mirant Corp.	'BB'	Power and Gas	United States
Mississippi Chemical Corp.	'CCC–'	Industrials	United States
Mutual Risk Management Ltd.	'CCC–'	Insurance	United States
Northwestern Corp.	'BBB'	Power and Gas	United States
Petroleum Geo-Services ASA	'CCC'	Power and Gas	Norway
Solutia Inc.	'B'	Industrials	United States
Telefonica de Argentina S.A.	'CC'	Industrials	Argentina
Transportadora de Gas del Sur (TGS)	'C'	Power and Gas	Argentina
Trenwick America Corp.	'CC'	Insurance	United States
WestPoint Stevens, Inc.	'CCC–'	Industrials	United States
2004			
Commercial Bank Credittrust	'CCC+'	Banking and Finance	Russian Federation
Finmatica SpA	'B+'	Industrials	Italy
TermoEmcali Funding Corp.	'CC'	Power and Gas	Colombia
2005			
Asarco Incorporated	'CCC'	Industrials	United States

*Rated by Fitch at the beginning of the year in which they defaulted. Note: Data enhancement efforts may lead to slightly different results than previously published. Current study supersedes all prior statistics. *Continued on next page.*

Appendix 3
Fitch-rated Global Corporate Finance Defaults 1990–2006* (Continued)

Issuer Name	Rating at Beginning of Year	Industry Sector	Country
2005 (Continued)			
Calpine Canada Energy Finance ULC	‘CCC+’	Power and Gas	United States
Calpine Corp.	‘CCC+’	Power and Gas	United States
Cooperativa Nacional de Ahorro y Credito (COFAC)	‘CCC’	Banking and Finance	Uruguay
Delphi Corporation	‘BBB–’	Industrials	United States
Delta Air Lines	‘C’	Industrials	United States
Entergy New Orleans Inc.	‘BBB–’	Power and Gas	United States
Northwest Airlines, Inc.	‘B’	Industrials	United States
2006			
Cooperativa Nacional de Ahorro y Credito (COFAC)	‘CC’	Banking and Finance	Uruguay
Dana Corporation	‘BB–’	Industrials	United States

*Rated by Fitch at the beginning of the year in which they defaulted. Note: Data enhancement efforts may lead to slightly different results than previously published. Current study supersedes all prior statistics.