



**STANDARD & POOR'S
RATINGS SERVICES**

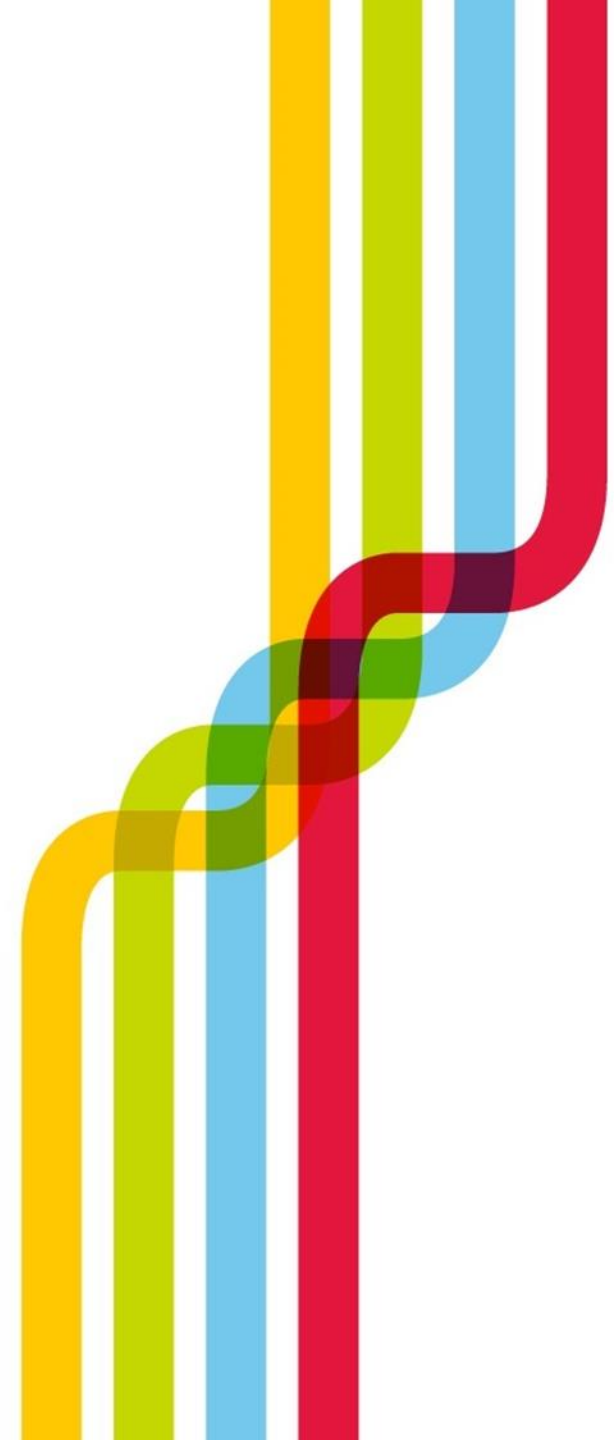
McGRAW HILL FINANCIAL

Standard & Poor's Ratings Services: An Introduction

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What Are Credit Ratings?

What Is A Credit Rating?

What It Is

- A forward-looking *opinion* about the ability and willingness of an issuer, such as a corporation or government, to meet its financial obligations in full and on time
- Strives to be globally comparable across sectors
- Incorporates views on relative likelihood of default that are applied to entities (issuers) and securities (issues)
- One of many inputs available to investors as part of their decision-making process

And What It Is *Not*

- A guarantee of credit quality or default probability
- Investment advice or recommendation (buy, sell or hold)
- A measure of liquidity or price
- A way of defining “good” or “bad” companies
- An audit of the company

**How Have Ratings
Performed?**

We Believe Our Ratings Have Been, And Continue To Be, Good Indicators Of Default Risk

The lower the corporate rating, the higher the likelihood of default

The higher the corporate rating, the lower the likelihood of default

- **Of all the companies we rated as “investment grade” (BBB- and above) between 1981 and 2014, *just 1% defaulted within 5 years***
- **Of all the companies we rated “below investment grade,” (BB+ and below) *nearly 16% defaulted within 5 years***

Source: *Default, Transition, and Recovery: 2014 Annual Global Corporate Default Study And Rating Transitions*, April 30, 2015, Standard & Poor's Global Fixed Income Research.

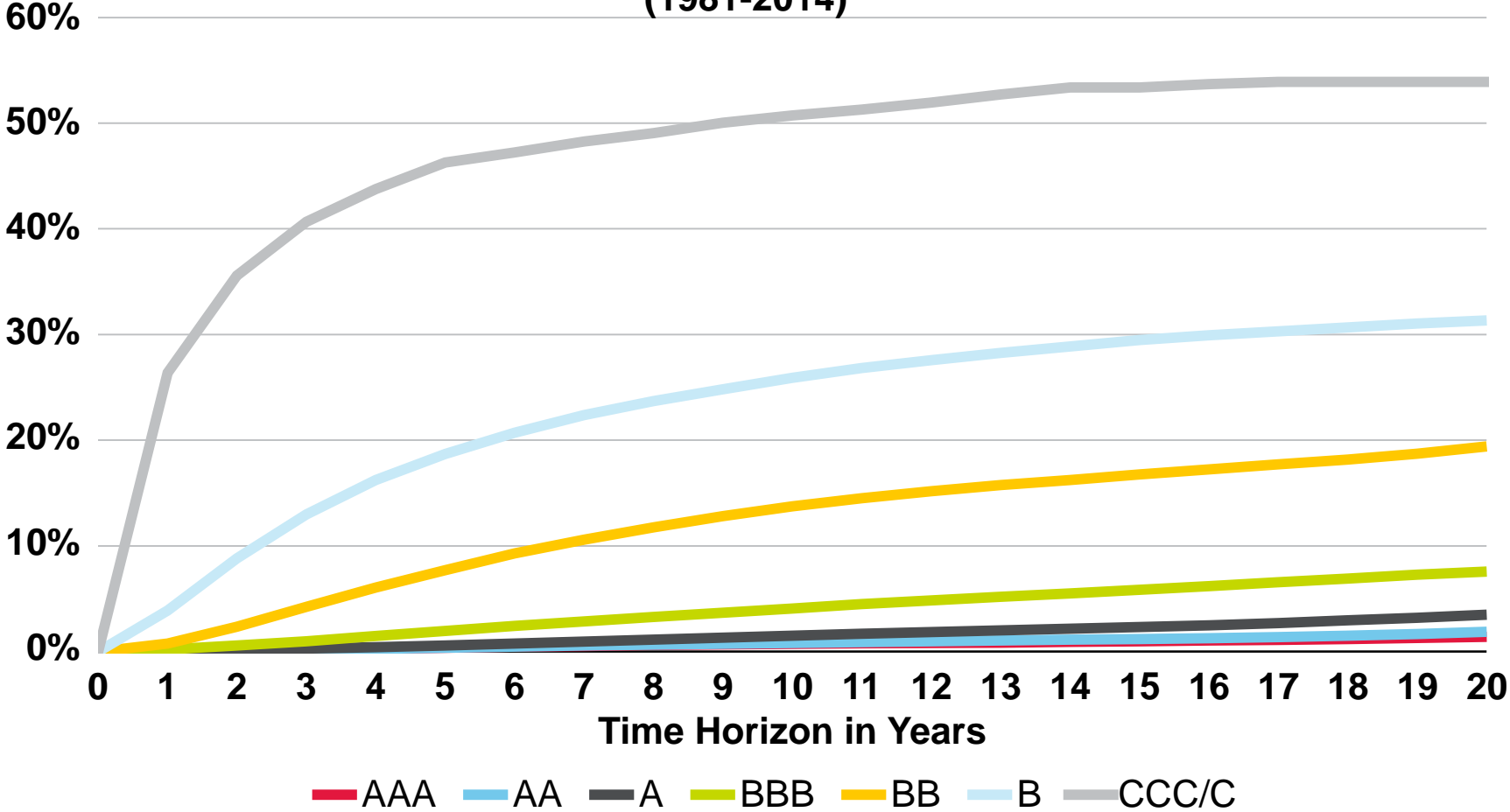
Historical Inverse Correlation - Rating Level and Defaults

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
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

Global Default Risk By Ratings Categories

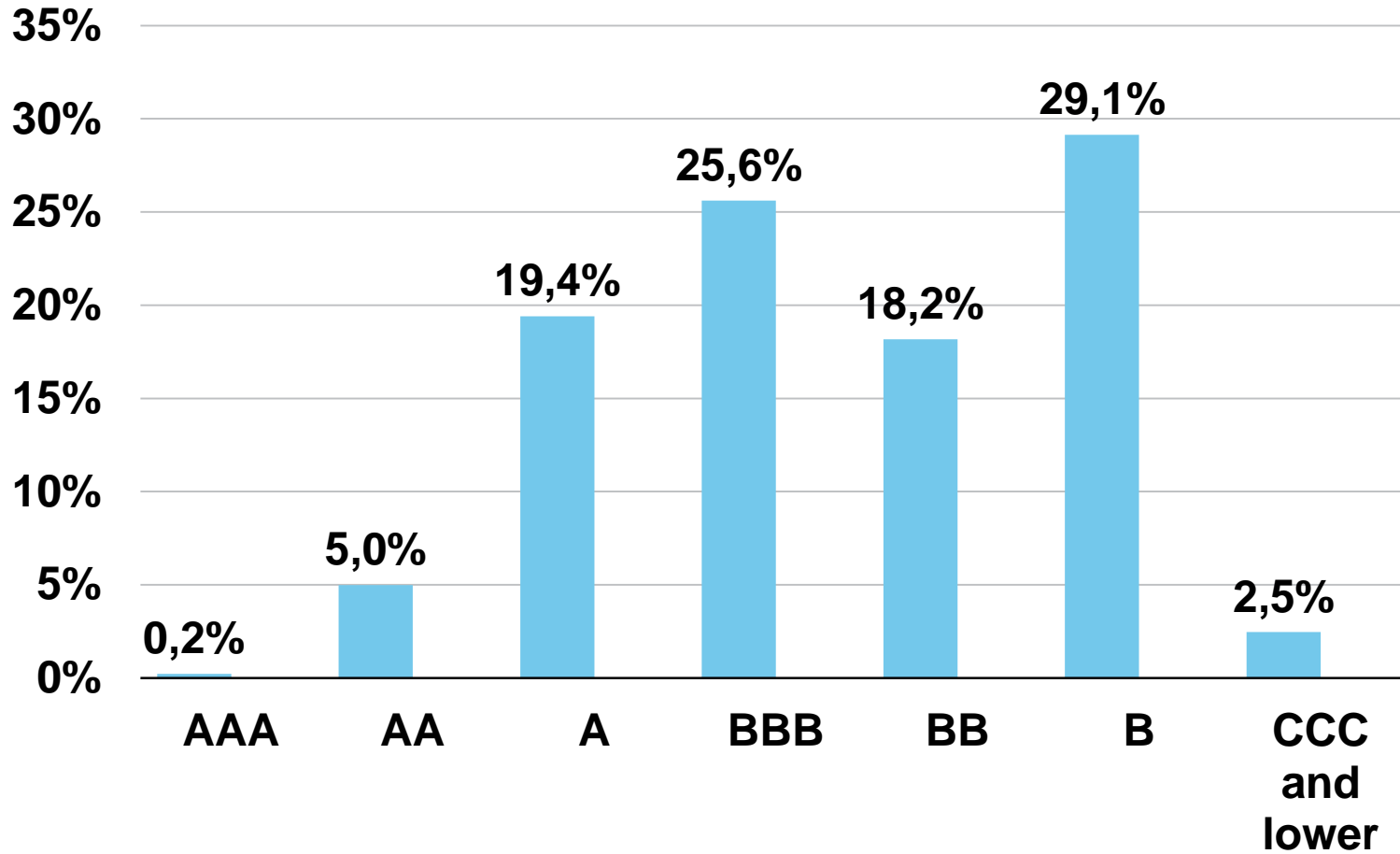
Global Corporate Average Cumulative Default Rates By Rating (1981-2014)



Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®. Data from 1981-2014.

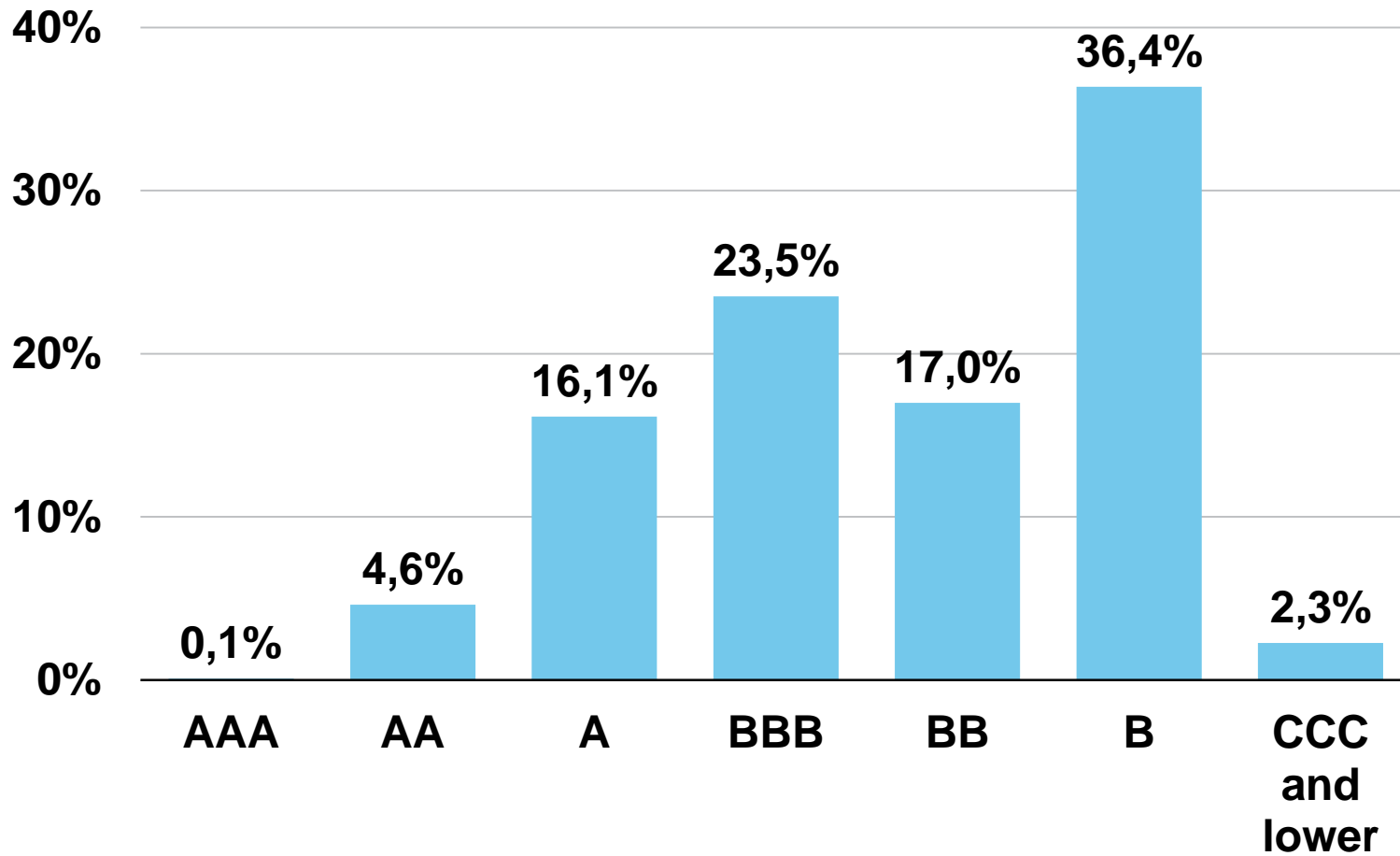
Ratings Distribution

Ratings Distribution – Global Corporates



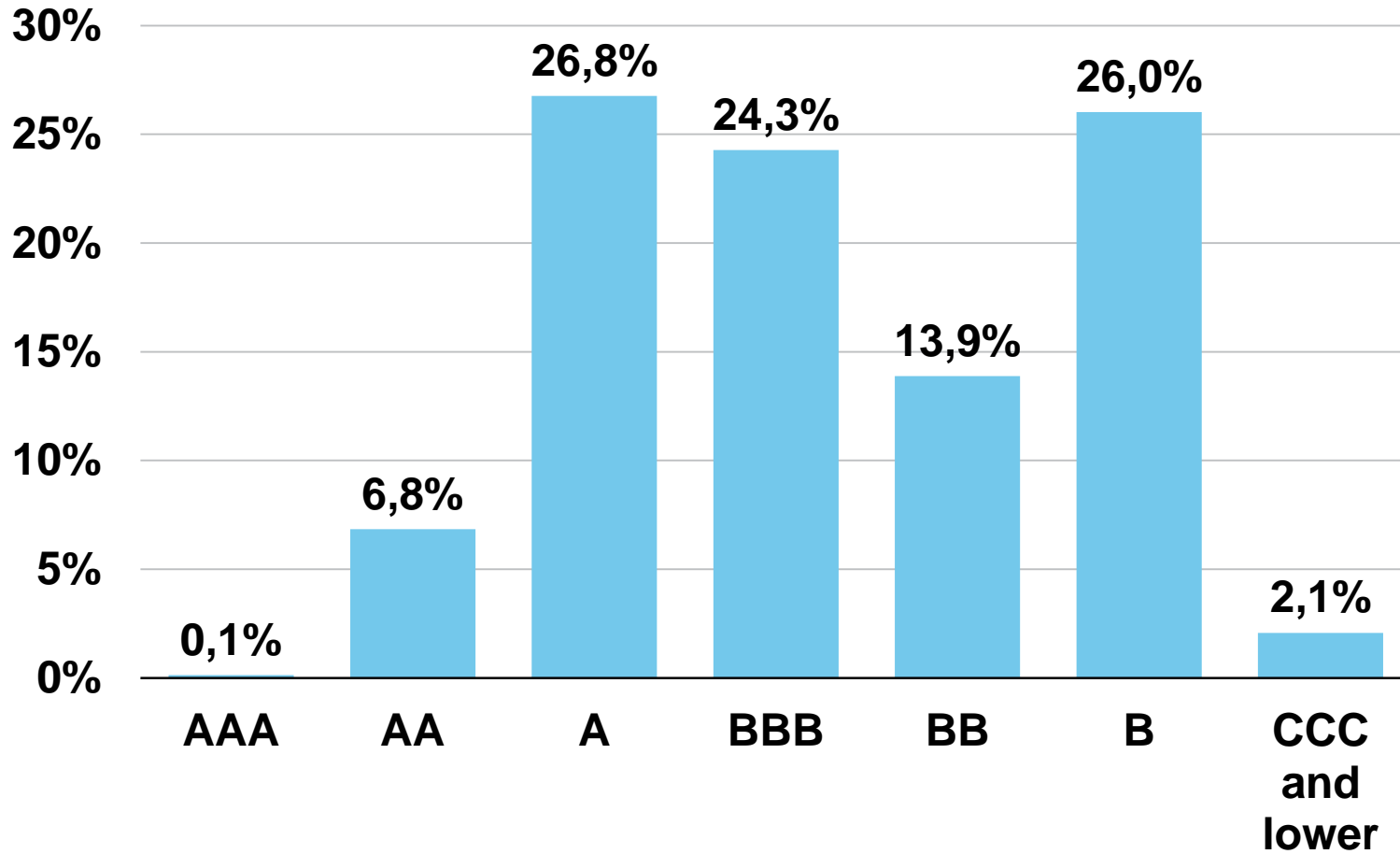
As of March 31, 2015. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Ratings Distribution – U.S. Corporates



As of March 31, 2015. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.

Ratings Distribution – European Corporates



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