

Media Release:

# Taiwan Ratings Corp. Recorded One Structured Finance Default In 2019, No Defaults Among Corporate Entities, Studies Find

June 1, 2020

Ratings stability among Taiwan Ratings Corp. (TRC)'s corporate ratings rose in 2019 to 88.4% from 85.6%, with a 21-year weighted average of 77.4%, said the ratings agency in an article published today, "**2019 Annual Taiwan Ratings Corp. Corporate Default And Rating Transition Study.**" Upgrades fell to 4.1% from 10.8%, and downgrades climbed to 3.4% from zero. There were no defaults for the third consecutive year.

Ratings stability is measured by the percentage of issuers with the same ratings at the end of the year as at the beginning.

TRC's ratings continue to show a clear correspondence between rating and default remoteness, with default rates among investment-grade ratings well below those of speculative-grade ratings across all timeframes--consistent with the performance of S&P Global Ratings' global scale ratings.

The number of TRC ratings on corporate and financial services firms (including insurance companies) has been small but meaningful over time, starting at 33 active ratings in 1999 and increasing to 150 by the start of 2020. Historically, TRC corporate ratings have been heavily skewed toward investment grade ('twBBB-' or higher), and this trend has only been increasing. In fact, for the eighth year in a row, all TRC corporate and financial services ratings were investment grade at the start of 2020. Speculative-grade ('twBB+' or lower) TRC ratings have been steadily decreasing as a portion of all of its ratings since they peaked at 36% at the start of 2001.

We also published recently our structured finance default study for Taiwan Ratings Corp. The credit quality of structured finance securities on which Taiwan Ratings Corp. has assigned ratings deteriorated slightly during 2019. During the year, there were no upgrades and one downgrade, which was a default, among the three outstanding ratings at the beginning of the year.

The default in 2019 occurred within a structured credit cash flow corporate collateralized bond obligation (CBO) launched in 2008.

The study covers 91 long-term ratings from 30 Taiwan-originated structured finance transactions that we rated from 2003 onward. Of the 91 ratings, there have been five defaults in total, giving an overall lifetime default rate of 5.5%. In 2018, the lifetime default rate was 4.4%.

The lifetime upgrade rate is 48.4%, and the lifetime downgrade rate is 12.1%.

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