



## ECRL Default Studies

### Definition

The default rate is defined as the number of defaulters among rated corporates in a year or number of years analyzed, expressed as a percentage of the total number of outstanding ratings at the beginning of the year. Rating withdrawals are removed from the default rate calculation as corporates who have their ratings withdrawn are no longer at risk of default over the measurement period. It is also important to note that this study is conducted based on the actual historical default experience of entities rated by ECRL.

### Methodology

Default rating is applicable if an entity has entered into bankruptcy, liquidation, receivership or any other winding-up procedure. For Bank Loan Rating, please consider following steps:

- Bank Loan performance: Consider entity's bank loan performance in the last three years particularly last one year.
- If loan classification of any entity is **Bad/ loss (BL)** the entity will be classified as **Default (D)**, irrespective of the score obtained.
- In case of BL if the company is in the process of rescheduling loan as per relevant guidelines issued by Bangladesh Bank then ECRL will consider the merit of the application and award grade under the assumption that the loan rescheduled. In addition, if a single installment which is not significant compared to the issuer's debt portfolio is BL for any technical reason eg: for claiming subsidy or for legal dispute ECRL shall consider the overall loan repayment capability and award the grade.

### ECRL Default Studies 2024

The average all corporate default rate (long term) from 2011 to 2024 was 0.05%. There was no official correspondence from the bank or from regulatory authority regarding default in 2024 as a result none of the corporate rating was declared as default in this period. Besides, all corporate cumulative (10 years) default rate by rating band was 0.15% where high grade (AAA, AA & A ratings) cumulative (10 years) default rate was 0.11% as opposed to 0.16% default rate of high yield (BBB, BB, B & C ratings).

#### Default Summary by Rating Category

Year	Default count (High Grade)	Default count (High Yield)	High grade default rate	High yield default rate	All corporate default rate
2011	0	0	0.00%	0.00%	0.00%
2012	0	0	0.00%	0.20%	0.20%
2013	0	2	0.00%	0.00%	0.00%
2014	0	0	0.00%	0.00%	0.00%
2015	0	0	0.00%	0.00%	0.00%
2016	0	1	0.00%	0.10%	0.10%
2017	1	0	0.40%	0.00%	0.10%
2018	0	0	0.00%	0.00%	0.00%
2019	0	1	0.00%	0.10%	0.10%
2020	0	1	0.00%	0.10%	0.10%
2021	0	0	0.00%	0.00%	0.00%
2022	0	0	0.00%	0.00%	0.00%
2023	0	0	0.00%	0.00%	0.00%
2024	0	0	0.00%	0.00%	0.00%
Arithmetic Mean	n.a.	n.a.	0.03%	0.05%	0.05%



### Cumulative Default Rate by Rating Band

Rating band	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
AAA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A	0.04%	0.07%	0.11%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
BBB	0.01%	0.02%	0.04%	0.06%	0.09%	0.11%	0.12%	0.12%	0.12%	0.12%
BB	0.11%	0.32%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
B	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%
C	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
B & Lower	2.33%	2.33%	2.33%	2.33%	2.33%	2.33%	2.33%	2.33%	2.33%	2.33%
High Grade	0.03%	0.06%	0.09%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
High Yield	0.03%	0.07%	0.09%	0.11%	0.13%	0.15%	0.16%	0.16%	0.16%	0.16%
All Corporate	0.03%	0.06%	0.09%	0.11%	0.13%	0.14%	0.15%	0.15%	0.15%	0.15%

### Average Time (Month) to Default from the Original Rating

Band Prior to Default	Defaulted	Issuers	Average Months from Last Rating
AAA	0		n.a.
AA	0		n.a.
A	1		68
BBB	1		84
BB	1		48
B	1		15
C	0		n.a.
High Grade	1		68
High Yield	3		49
All Corporate	4		54

\* High Grade represents AAA, AA & A ratings

\*\*High Yield represents BBB, BB, B & C ratings