



Definition

A transition matrix, based on historical data, reflects the probabilities of transitions between different credit ratings over a specified time period, capturing the likelihood of a credit rating migrating from one category to another or remaining the same. Transition metrics show the percentage of rating changes relative to the total rated entities for a particular period, indicating upward or downward movements in the rating scale. These metrics are useful for managing credit risks, structuring and pricing debt, and assessing the accuracy of rating agencies in forecasting default probabilities.

Methodology

The cumulative rating transition matrices measure the probability of migration from an entity's initial rating to its rating at the end of a specified observation horizon. Each entity enters the analysis on the effective date of its initial rating and is followed continuously over the relevant observation horizon. The rating at the end of the observation horizon is compared with its initial rating to determine the cumulative rating transition.

An entity that remains continuously rated beyond one observation horizon shall also be included in subsequent observation periods, provided it continues to satisfy the eligibility criteria. Accordingly, the same entity shall contribute to multiple annual cohorts and transition matrices over time until its rating is withdrawn or the entity defaults. If a rating is withdrawn before the end of the observation horizon or remains unrated thereafter, the entity is classified as Withdrawn. If the entity defaults during the observation horizon, it is classified as Default. Issuers classified as Withdrawn or Default are excluded from subsequent observation periods following the withdrawal or default event.

ECRL Transition Matrix 2025

Over the long term (2011–2025), 98.5% of ECRL Ratings' AAA rated corporates maintained their ratings at the end of one year, contrasting with the lower figure of 89.3% for BB rated corporates. This underscores the strong positive correlation between the ratings assigned to investment-grade corporates and the long-term stability. Similarly, for the one-year ratings transition in 2025, higher credit ratings such as A and above demonstrated a consistent trend of lower likelihood of rating migration.

1-year cumulative rating transition matrix

From / To	AAA	AA	A	BBB	BB	B	C	Default
AAA	98.5%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	1.2%	97.3%	1.2%	0.3%	0.0%	0.0%	0.0%	0.0%
A	0.0%	1.9%	95.8%	2.1%	0.1%	0.0%	0.0%	0.0%
BBB	0.0%	0.0%	2.0%	96.4%	1.6%	0.1%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	9.7%	89.3%	0.6%	0.0%	0.4%
B	0.0%	0.0%	0.0%	0.0%	8.6%	91.4%	0.0%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%



2-year cumulative rating transition matrix

From / To	AAA	AA	A	BBB	BB	B	C	Default
AAA	97.0%	1.5%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	2.4%	94.7%	2.4%	0.5%	0.0%	0.0%	0.0%	0.0%
A	0.0%	3.6%	91.9%	4.1%	0.3%	0.0%	0.0%	0.1%
BBB	0.0%	0.1%	3.9%	93.0%	2.9%	0.1%	0.0%	0.0%
BB	0.0%	0.0%	0.2%	18.0%	80.0%	1.1%	0.0%	0.7%
B	0.0%	0.0%	0.0%	0.8%	15.5%	83.6%	0.0%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

3-year cumulative rating transition matrix

From / To	AAA	AA	A	BBB	BB	B	C	Default
AAA	95.6%	2.2%	2.2%	0.1%	0.0%	0.0%	0.0%	0.0%
AA	3.5%	92.2%	3.4%	0.8%	0.0%	0.0%	0.0%	0.0%
A	0.1%	5.3%	88.2%	5.9%	0.4%	0.0%	0.0%	0.1%
BBB	0.0%	0.1%	5.6%	90.0%	4.0%	0.2%	0.0%	0.0%
BB	0.0%	0.0%	0.5%	25.1%	71.8%	1.5%	0.0%	1.0%
B	0.0%	0.0%	0.0%	2.3%	21.0%	76.6%	0.0%	0.1%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

4-year cumulative rating transition matrix

From / To	AAA	AA	A	BBB	BB	B	C	Default
AAA	94.2%	2.9%	2.8%	0.1%	0.0%	0.0%	0.0%	0.0%
AA	4.6%	89.8%	4.5%	1.1%	0.0%	0.0%	0.0%	0.0%
A	0.1%	6.8%	84.7%	7.6%	0.6%	0.0%	0.0%	0.1%
BBB	0.0%	0.3%	7.1%	87.3%	5.0%	0.2%	0.0%	0.0%
BB	0.0%	0.0%	1.0%	31.2%	64.6%	1.8%	0.0%	1.3%
B	0.0%	0.0%	0.1%	4.3%	25.4%	70.1%	0.0%	0.2%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

5-year cumulative rating transition matrix

From / To	AAA	AA	A	BBB	BB	B	C	Default
AAA	92.8%	3.6%	3.4%	0.2%	0.0%	0.0%	0.0%	0.0%
AA	5.6%	87.5%	5.4%	1.4%	0.1%	0.0%	0.0%	0.0%
A	0.2%	8.2%	81.4%	9.2%	0.8%	0.0%	0.0%	0.2%
BBB	0.0%	0.4%	8.6%	84.7%	5.9%	0.3%	0.0%	0.1%
BB	0.0%	0.0%	1.6%	36.4%	58.4%	2.1%	0.0%	1.5%
B	0.0%	0.0%	0.1%	6.6%	28.7%	64.3%	0.0%	0.3%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%