

Loss Trends Monthly

Your Snapshot of Default and Recovery Data Trends from Standard & Poor's Risk Solutions

May 2008

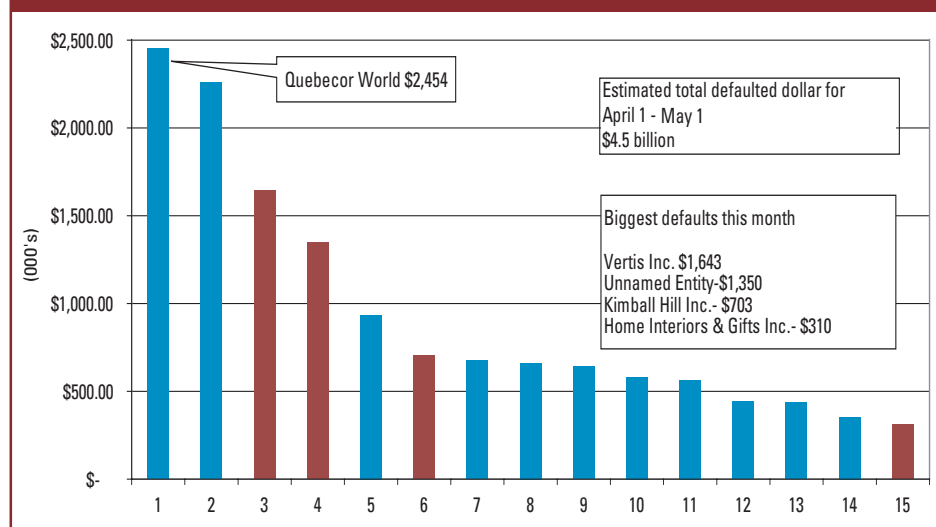
This Month's Defaults, April 1 – May 1

Vertis Inc.'s \$1.6 billion default, the largest entering our database this month, pushes this month's total default volume to \$4.5 billion. This is substantially larger than last month (\$2.4 billion) and continues the strong wave of defaults seen so far in 2008, though it is lower than January's record \$6.3 billion loss total. Four of this month's defaults have made it into 2008's Top 15 defaults by size (red shaded defaults, Figure 1).

The Vertis Inc. default meant that Media & Entertainment was the worst performing sector this month (\$1.7 billion), continuing a trend for large losses in the sector in 2008. Retail & Restaurants (\$1.5 billion) ran a close second, with Real Estate in third place (\$703 million).

The 12-month trailing global default rate for speculative-grade companies rose this month to 1.29%, up from 1.12% last month.

Figure 1: Top 15 defaults in 2008

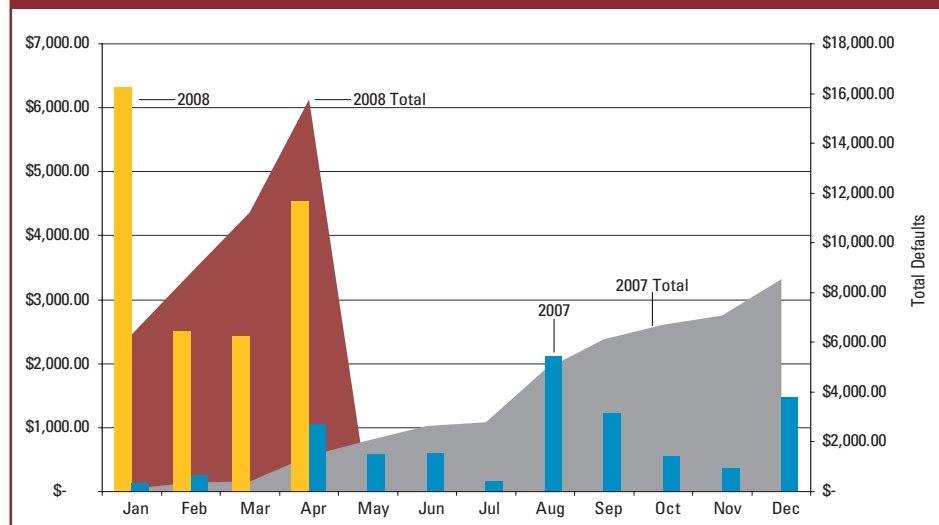


The Month in Perspective – Year-to-Date and Global Trends

The year-to-date default volume has risen to striking levels: at \$15.7 billion the total is more than the combined total for the years 2007 (\$8.5 billion) and 2006 (\$7.1 billion). In Figure 2 the dark blue shaded area shows the cumulative wave of 2008 defaults towering over the total for 2007 (light blue shade).

It's the same story when we look at the number of defaults: in the first four months of 2007 there were only eight defaults compared to 26 for the first four months of 2008. Meanwhile, the data continues to be dominated by North American defaults.

Figure 2: Cumulative monthly trends: 2008 vs 2007



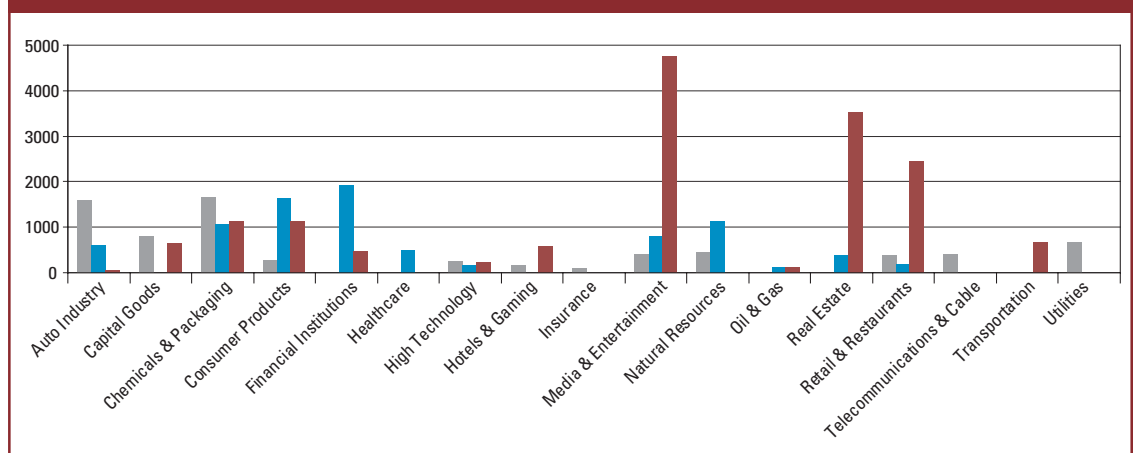
Data Drill-Down: Year-To-Date Dollar Defaults By Industry Sector

In the first four months of 2008, the worst performing sectors have been Media & Entertainment (\$4.8 billion) and Real Estate (\$3.5 billion). Last month, the year-to-date default totals for these two sectors were almost level pegging but a gap has now opened up. Together, they account for a full 52% of year-to-date losses.

Large losses this month in Retail & Restaurants have boosted the year-to-date total for this sector to third place (\$2.5 billion), while Consumer Products (\$1.14 billion) and Chemicals & Packaging (\$1.12 billion) are trailing some way behind.

Figure 3 shows how sharply the distribution across industry sectors in 2008 contrasts with that seen in 2007, when a lower absolute level of losses was spread more evenly across sectors such as Financial Institutions, Consumer Products, and Natural Resources. It also contrasts with 2006, when defaults focused on Auto Industry and Chemicals & Packaging.

Figure 3: Sectoral Distribution of Defaults: 2008 YTD vs 2007 vs 2006



The default numbers in the Loss Trends Monthly are drawn from preliminary dollar estimates entered into Standard & Poor's Risk Solutions' CreditPro and LossStats Database and reflect defaults in the Standard & Poor's global rated universe.

CreditPro is a powerful, simple- to- use desktop application developed by Standard & Poor's. It allows clients to analyze the data compiled in Standard & Poor's ongoing default and transition analysis study to assess probabilities of default.

LossStats Database is a comprehensive set of credit loss information compiled by Standard & Poor's. It provides loss given default data based on over 800 public and private U.S. companies that have defaulted since 1987.

About Risk Solutions

Standard & Poor's Risk Solutions provides products and services that help financial institutions, corporations and public sector entities worldwide measure, manage and mitigate credit risk as well as make informed decisions that can improve risk-adjusted return. Located in 21 countries, Standard & Poor's has played a leading role for more than 140 years as an essential part of the world's financial infrastructure.

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