



PF2 SECURITIES EVALUATIONS, INC.

Update: Trust Preferred ("TruPS") CDO Ratings Performance



Updated as of September 2011

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Transition Matrices

Introductory Notes

1. The following tables show the performance of initial ratings over time.
2. Ratings data were collected by PF2 from the rating agencies' websites and via Bloomberg LP's terminal.
3. The migration tables demonstrate the movement from the original rating (on the vertical axis, or "y-axis") to its current rating as of September 27, 2011, as portrayed on the horizontal axis (or x-axis).

Ratings Performance

AM Best

AM Best – Trust Preferred CDO Credit Rating Migration Matrix (cumulative since issuance)
Current rating (as of 9/27/11)

	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	d	NR	Ave. Ratings Downgrade	Tranche Count
aaa	64%	9%			9%					18%														2.36	11
aa+																								0.00	0
aa			25%							25%											50%			11.00	4
aa-																								0.00	0
a+																								0.00	0
a										100%														4.00	3
a-											50%				33%									7.00	6
bbb+																								0.00	0
bbb															33%						67%			8.33	3
bbb-																								0.00	0
bb+																								0.00	0
bb																					100%			9.00	1
bb-																								0.00	0
b+																								0.00	0
b																								0.00	0
b-																								0.00	0
ccc+																								0.00	0
ccc																								0.00	0
ccc-																								0.00	0
cc																								0.00	0
c																								0.00	0
d																								0.00	0
Weighted Average / Total:																							5.64	28 (\$1.5 bn)	

Ratings Performance

Moody's Investors Service

Moody's – Trust Preferred CDO Credit Rating Migration Matrix (cumulative since issuance)
Current rating (as of 9/27/11)

	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C	WR	NR	Ave. Ratings Downgrade	Tranche Count
Aaa		1%	0%	5%	2%	2%	2%	6%	12%	6%	9%	8%	7%	6%	4%	5%	4%	7%	7%	2%	1%	5%		12.29	216
Aa1											11%			6%	6%	17%	6%		17%	28%	11%			15.50	18
Aa2												2%	2%	3%	2%		3%	2%	10%	54%	23%			16.48	61
Aa3																								14.29	7
A1																					100%			15.00	3
A2																				2%	57%	40%		14.38	82
A3																								13.18	82
Baa1																									0
Baa2																								11.35	17
Baa3																								11.00	4
Ba1																									0
Ba2																								8.00	3
Ba3																								7.00	1
B1																								100%	1
B2																									0
B3																									0
Caa1																									0
Caa2																									0
Caa3																									0
Ca																									0
C																									0
	Weighted Average / Total:																						13.36	495 (\$46.5 bn)	

Ratings Performance

Standard & Poor's (S&P)

S&P – Trust Preferred CDO Credit Rating Migration Matrix (cumulative since issuance)

Current rating (as of 9/27/11)

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D	NR	Ave. Ratings Downgrade	Tranche Count
AAA		3%			4%	1%	1%	1%	3%	1%	2%	2%	2%	1%	3%	2%	14%	6%	41%			14%	5%	15.86	200
AA+																		22%	33%			22%	22%	17.57	9
AA									4%	4%							4%	4%	38%	23%		23%		16.15	26
AA-																		10%	80%	10%				15.00	10
A+																							100%	14.00	2
A																	11%	19%	67%			4%		13.46	27
A-																25%		17%	50%	8%				11.17	12
BBB+																	50%		50%					10.50	2
BBB																	5%		26%	68%				10.58	19
BBB-																									0
BB+																					100%			9.00	6
BB																			13%	88%				7.88	8
BB-																									0
B+																									0
B																									0
B-																									0
CCC+																									0
CCC																									0
CCC-																									0
CC																									0
C																									0
D																									0
	Weighted Average / Total:																						14.84	321 (\$36.0 bn)	

Ratings Performance

Fitch Ratings

Fitch – Trust Preferred CDO Credit Rating Migration Matrix (cumulative since issuance)

Current rating (as of 9/27/11)

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D	NR	Ave. Ratings Downgrade	Tranche Count			
AAA	2%		4%			5%			17%			24%			12%			10%	7%	1%	12%	5%		12.70	220			
AA+								7%				7%			13%			33%	13%	13%	13%			15.80	15			
AA											4%				3%			12%	55%	17%	9%			16.62	69			
AA-																			33%	67%				16.67	6			
A+																				33%	67%			16.67	3			
A												1%		3%				2%	1%	94%				14.71	118			
A-																		8%	5%	79%	8%			13.79	75			
BBB+																				100%				13.00	2			
BBB																		5%	2%	94%				11.85	65			
BBB-																			50%	50%				10.50	2			
BB+																				100%				10.00	6			
BB																				100%				9.00	9			
BB-																									0	0		
B+																										0	0	
B																											0	0
B-																											0	0
CCC+																											0	0
CCC																											0	0
CCC-																											0	0
CC																											0	0
C																											0	0
D																											0	0
	Weighted Average / Total:																						13.66	590 (\$49.2 bn)				

Notes and Comments

1. Performance includes bank, insurance and REIT TruPS CDOs. Insurance TruPS CDOs have performed the best thus far. AM Best primarily rated insurance TruPS CDOs.
2. The data show no upgrades on any tranches by any of the rating agencies.
3. The migration tables for Moody's, Fitch and S&P indicate an average downgrade in the region of 14 rating subcategories; for these three rating agencies, the average original **AAA/Aaa** security has already been downgraded by 13.55 notches, or to somewhere between a **B** (or **B2**) and a **B-** (or **B3**)
4. Often the same tranche is rated by more than one rating agency.
5. The tranche ratings exhibited may, in some instances, continue to benefit from the rating of the insurer, to the extent the insurer's rating remains stronger than that of the underlying tranche.
6. The vast majority (91.76%) of the deals closed in the region between 2003 and late 2007. Unrated equity tranches are not shown.
7. S&P often did not rate as far down the capital structure as Moody's and Fitch:
 - Percentage of bonds originally rated **AAA/Aaa**: Moody's = 44%; S&P = 63%; Fitch = 37%
 - Percentage of bonds originally rated **A** or *lower*: Moody's = 39%; S&P = 24%; Fitch = 47%

Recent Actions

1. The data continue to show no upgrades on any tranches by any of the rating agencies.
2. Approximately 14% of tranches originally rated **AAA** by S&P, and 12% of original AAAs rated by Fitch are currently rated **D**, for defaulted.
3. Downgrades are continuing to this day, although at a more recently tempered rate for Moody's, S&P and Fitch:

Weighted Average Downgrade	As of June 2010	As of September 2011
AM Best	2.61	5.64
Moody's	12.35	13.36
S&P	11.31	14.84
Fitch	12.38	13.66

TruPS CDO Resources

Related Websites:

- www.cdodatabase.com
- www.pf2accurating.com

Related Research:

- [The Tripping Point](#)
- [TruPS CDO Report H1 2009](#)
- [TruPS CDO Report 2008](#)

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