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Addendum 6b to the CRI Technical Report, (Version: 2012, Update 2)

This document updates the Technical Report (Version: 2012, Update 2) and details the changes in level and trend calculations. These changes have been implemented as of the probabilities of default (PD) released on 12 March 2013.

In the CRI PD model, we include the level and trend for four firm specific variables (DTD, CASH/TA, NI/TA, SIZE). The level and trend are calculated using data from 12 month ends including the current month. Up until the January calibration, the level was calculated as the average of the valid data points during the current and previous 11 months with the trend being the difference between the current

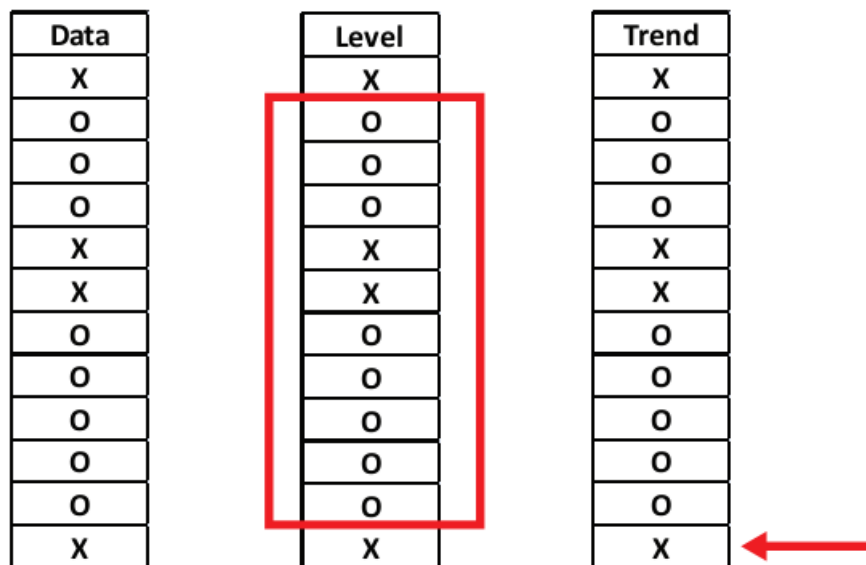


Figure 1: Previous logic for computation of Level\Trend. Input data contains 12 months data including the data from the current month. Data used to calculate level and trend are shown in the next two rows. O marks valid data while X marks missing value.

value of the variable and the level. A graphical representation of this logic is displayed in Figure 1. A missing value for any month means that there is no valid value at all for any day that month. Under this logic, when the current value of a variable is missing, we still calculate the level using the valid data points of the previous 11 months, but the trend is not calculated and set to missing. This treatment implies an inconsistency between the level and trend calculations when there is a missing current value.

For the trend calculation, rather than subtracting the level value from the current month data, we roll back to the last valid data point. It should be noted that when rolling back the data window is still the same as the one used for the level calculation. This ensures that the data used for both level and trend is consistent. More specifically, in the example depicted in graph 1, the trend will be computed using the 11th data point rather than having a missing value due to the fact that the 12th current data point is missing.

Furthermore, for the level calculation, we set the minimum number of valid points required for calculation to 6. In the absence of 6 data points we consider the level calculation as not meaningful and we set it to missing. The only exception to this rule is during the first 6 months of the firm history, where we do not require a minimum of 6 points and calculate the average using the valid points that are available.

To define the first 6 months of a firm history, we scan each of the four variables for which the level/trend is calculated and we determine the first valid data point for each variable individually to apply the level/trend logic.