Quarterly Credit Report

Q2/2013

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NUS National University of Singapore

RMI Advancing Risk Management for Singapore and Beyond

Introduction

The Quarterly Credit Report (QCR) is an analysis of credit outlooks across regions, economies and sectors. This analysis incorporates probabilities of default (PD) generated by the Risk Management Institute's (RMI) default forecast model, a part of the RMI Credit Research Initiative at the National University of Singapore (NUS). The QCR provides insights on trends in credit outlooks to credit professionals, investors and researchers.

QCR Volume 3, Issue 1 covers the second quarter of 2013. We discuss the general credit outlook for a selection of economies from around the world, based on relevant indicators, and relate this discussion to forecasts provided by RMI's probability of default (PD) model.

The appendices in this volume include a comprehensive overview of various outputs that are produced by the operational PD system of RMI. While the PD system outputs default forecasts at horizons ranging from one month to five years, the QCR reports only 1-year PDs in order to allow the reader to make consistent comparisons. In addition to the PD produced by the RMI system, the appendices provide important macroeconomic, corporate credit and sovereign risk indicators. These summarize the credit situation, as well as make detailed data available for reference purposes.

The commentary in the QCR is based on equally weighted averages of the PD of *exchange-listed firms* within economies and industry sectors. Classification into economies is based on each firm's country of domicile, and classification into industry sectors is based on each firm's Level I Bloomberg Industry Classification. An exception is for the banking and real estate sectors, where firms are included based on the Level II Bloomberg Industry Classifications. The daily frequency PD graphs in the written commentary are aggregates of firms that have a PD in both the first ten days and last ten days of the quarter. This prevents, for example, drops in the aggregate PD when high PD firms default and leave the sample.

The economies that are considered in each region are based on a selection of 70 economies covered by RMI's default forecast model.

The developed economies of Asia-Pacific include: Australia, Hong Kong, Japan, New Zealand, Singapore, South Korea and Taiwan.

The emerging economies of Asia-Pacific include: China, India, Indonesia, Kazakhstan, Malaysia, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam.

Latin America includes: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

North America includes: Canada and the US.

Eastern Europe includes: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, the former Yugoslav Republic of Macedonia, Poland, Romania, Russian, Slovakia, Slovenia, Turkey and Ukraine.

Western Europe includes: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Ireland, Luxembourg, Malta, the Netherlands, Norway, Portugal, S-pain, Sweden, Switzerland, and the UK.

Africa & the Middle East includes: Bahrain, Egypt, Israel, Jordan, Morocco, Nigeria, Saudi Arabia, South Africa and the United Arab Emirates.

Credit Research Initiative

The QCR is a companion publication to the Global Credit Review and Weekly Credit Brief, with all three publications produced as part of the Credit Research Initiative (CRI) undertaken by RMI.

These publications supplement RMI's operational probability of default (PD) model. The model takes financial statement and market data from a database of over 90,000 listed firms and estimates a PD for each firm, effectively transforming big data into smart data. The outputs from the RMI PD model are available free for all users at:

www.rmicri.org

As of June 2013, the PD system covers 106 economies in Africa, Asia-Pacific, Latin America, North America, the Middle East and Europe. The probabilities of default for around 60,400 firms are available, including historical data for firms that are now delisted from exchanges or firms that have defaulted. PDs aggregated at the region, economy and sector level are also available. The full list of firms are freely available to users who can give evidence of their professional qualifications to ensure that they will not mis-use the data. General users who do not request global access are restricted to a list of 3,000 firms. The PD system operates in a transparent manner, and a detailed description of our model is provided in a Technical Report available on our website.

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Acronyms

BIS	Bank for International Settlements
BOE	The Bank of England
BSP	Bangko Sentral Ng Pilipinas
CRA	Credit Rating Agency
CRR	Cash Reserve Ratio
CSRC	China Securities Regulatory Commission
EBA	European Banking Authority
EFSF	European Financial Stability Fund
ESM	European Stability Mechanism
EU	The European Union
FDI	Foreign Direct Investment
GFC	2008-2009 Global Financial Crisis
IMF	International Monetary Fund
INE	Instituto Nacional de Estadi
LATDB	Liquid assets to deposits and short-term borrowings ratio
LHS	Left-hand side of graph
LTRO	Long term refinancing operation
MAS	Monetary Authority of Singapore
MoM	Month on Month
MRO	Main refinancing operation
NIM	Net Interest margin
NPL	Non-performing loan
OECD	Organisation for Economic Co-operation and Development
PBOC	The People's Bank of China
PMI	Purchasing Managers Index
QoQ	Quarter on Quarter
RBA	Reserve Bank of Australia
RBI	Reserve Bank of India
RHS	Right-hand side of graph
RRR	Reserve requirement ratio
YoY	Year On Year

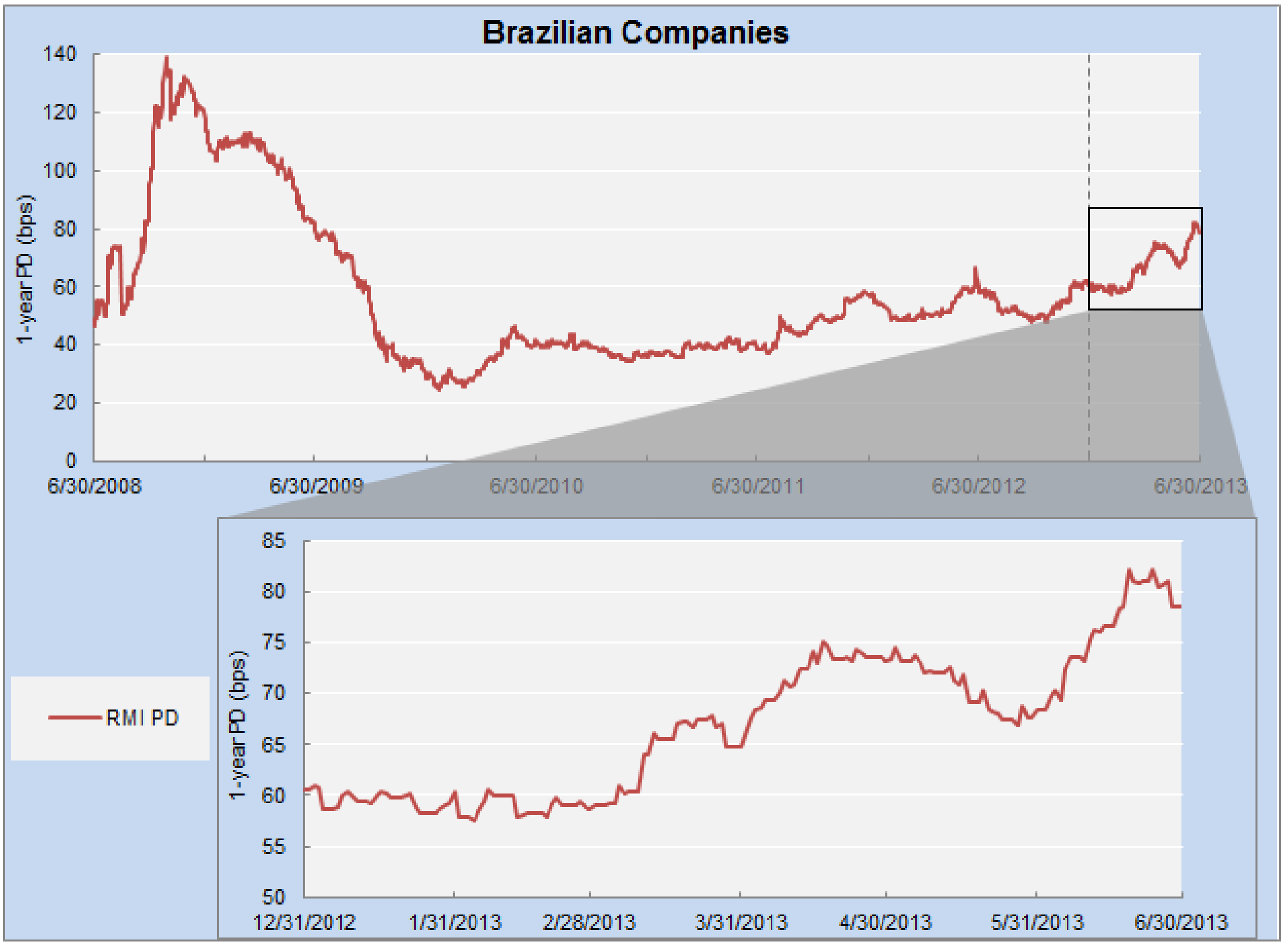
BRIC

The aggregate 1-year RMI PD for listed corporations domiciled within the BRIC (Brazil, Russia, India and China) economic bloc increased sharply towards the end of Q2, as economic data pointed to a slowdown in growth in each economy through the quarter. Reflecting the likelihood of lower growth going forward, the IMF revised its 2013 and 2014 forecasts downwards for each of the four economies in July.[1] Lower commodity prices have affected the economic outlook for both Brazilian and Russian firms, with companies in Russia fighting headwinds from continued contraction in the eurozone. A slowdown in bank lending across the bloc may compound slowing growth, although a large part of this slowdown is due to normalization in lending after a period of rampant loan growth. Both Brazil and China have recently taken steps to address such problems, with the former increasing key rates to fight rampant inflation, while China continues to institute measures to clamp down on non-traditional financing channels. The overall credit outlook for the BRIC bloc is negative, as slowing growth and reduced bank lending to the non-financial sector is likely to marginalize companies with materially weaker credit profiles.

[1] Jul 9, 2013, World Economic Outlook Update, July 2013, IMF, imf.org

Brazilian Companies

The 1-year RMI PD for Brazilian companies rose over Q2, after reaching a high in June not seen since the 2008/2009 financial crisis. Although unemployment remained low over the quarter, disappointing GDP figures and slowing growth in the retail and manufacturing sectors continue to dash hopes for an economic recovery. An increase in interest rates by the central bank, prompted by persistently high inflation, combined with a weakening in the BRL could increase costs faced by Brazilian companies going forward. Moreover, lending growth has slowed as credit demand slumps and private banks cut back on loans. Although the government has begun to take steps to address persistent issues plaguing the economy, such as using state-run banks to boost bank lending and making public projects more lucrative to bring in foreign investment, it remains to be seen if these changes will have the desired effect. Overall, slow growth and increasing costs are likely to persist for some time, resulting in a negative credit outlook for Brazilian firms as a whole.



Economy

- Brazil's GDP grew 0.55% QoQ in Q1 2013, down from 0.64% in the previous quarter. The economic outlook for Brazil dropped, with the IMF revising its forecast for 2013 YoY GDP growth to 2.5% from 3%, and economists surveyed by Brazil's central bank cutting their 2013 forecasts to 2.4% from 3% at the end of Q1.[2,3]
- The unemployment rate rose marginally to 5.8% in May from 5.7% in March. Although job creation slowed in May, unemployment remained stable as companies retained workers on hopes of an economic recovery.[4]
- Brazil's retail sales were unchanged in May from April, but up 0.6% from March. The same measure expanded 4.5% YoY.[5]

- The manufacturing sector continued to lose momentum as the Brazilian manufacturing PMI slid to 50.4 in both June and May, down from 50.8 in April and 51.8 at the end of Q1. Although manufacturers noted improvements in operating conditions and output, the manufacturing sector expanded at the slowest pace in 9 months.[6]
- The Brazilian services PMI stood at 51.0 in June, unchanged from May, and down slightly from 51.3 recorded in April. Service providers expressed optimism that economic conditions would improve, hiring additional staff despite increasing labor costs caused by persistent inflation.[7]
- The BRL ended the quarter at 2.2317 BRL per USD, hitting a four year low of 2.2575 per USD in mid-June. Over Q2, the BRL has weakened 9.4% against the USD from 2.0217 at the end of Q1, prompting the central bank to take action in the form of relaxed capital controls.[8]

Monetary

- The inflation rate reached 6.50% YoY in May, 151 bps higher than that measured in May 2012. The central projects an inflation rate of 6.0% over 2013 provided the benchmark interest rate and exchange rate stays at June levels.[9]
- Brazil's central bank raised the Selic rate to 8% over Q2 from a record low of 7.25% in Q1. The benchmark rate was first raised to 7.5% in April in an attempt to curb persistent high inflation rates that were affecting domestic purchasing power and consumer demand. The central bank affirmed its intent to suppress inflation by increasing the interest rate another 50 bps in late May despite the country posting disappointing Q1 GDP growth.[10,11]

Funding & Liquidity

- Yields on 10-year Brazilian government bonds climbed to 11.16% at the end of Q2, an increase of 113bps from 10.03% recorded at the end of Q1 2013. The central bank reopened sales of 10-year USD-denominated bonds in early May, selling USD 750mn of bonds priced to yield 2.75%.[12]
- Bank lending continued to grow at a moderate pace in Q2. Outstanding loans grew 1.5% MoM in May to BRL 2.49tn, after an increase of 0.9% MoM in April. However, YoY lending growth slowed to 16.1%, the slowest pace since January 2010, as high inflation rates and low corporate earnings continue to affect demand for working capital.[13,14]
- Poor returns experienced by lenders are forcing banks to become more selective in originating loans. Banks originally focused on loans to mid-sized companies are beginning to shift towards bigger clients or consumer lending, compounding funding woes for smaller businesses already impacted by weak economic growth.[15]
- The money market rate rose in tandem with the increase in the central bank's benchmark rate, climbing to 7.72% per annum in June, up from 6.99% at the end of Q1.[16]

Policy

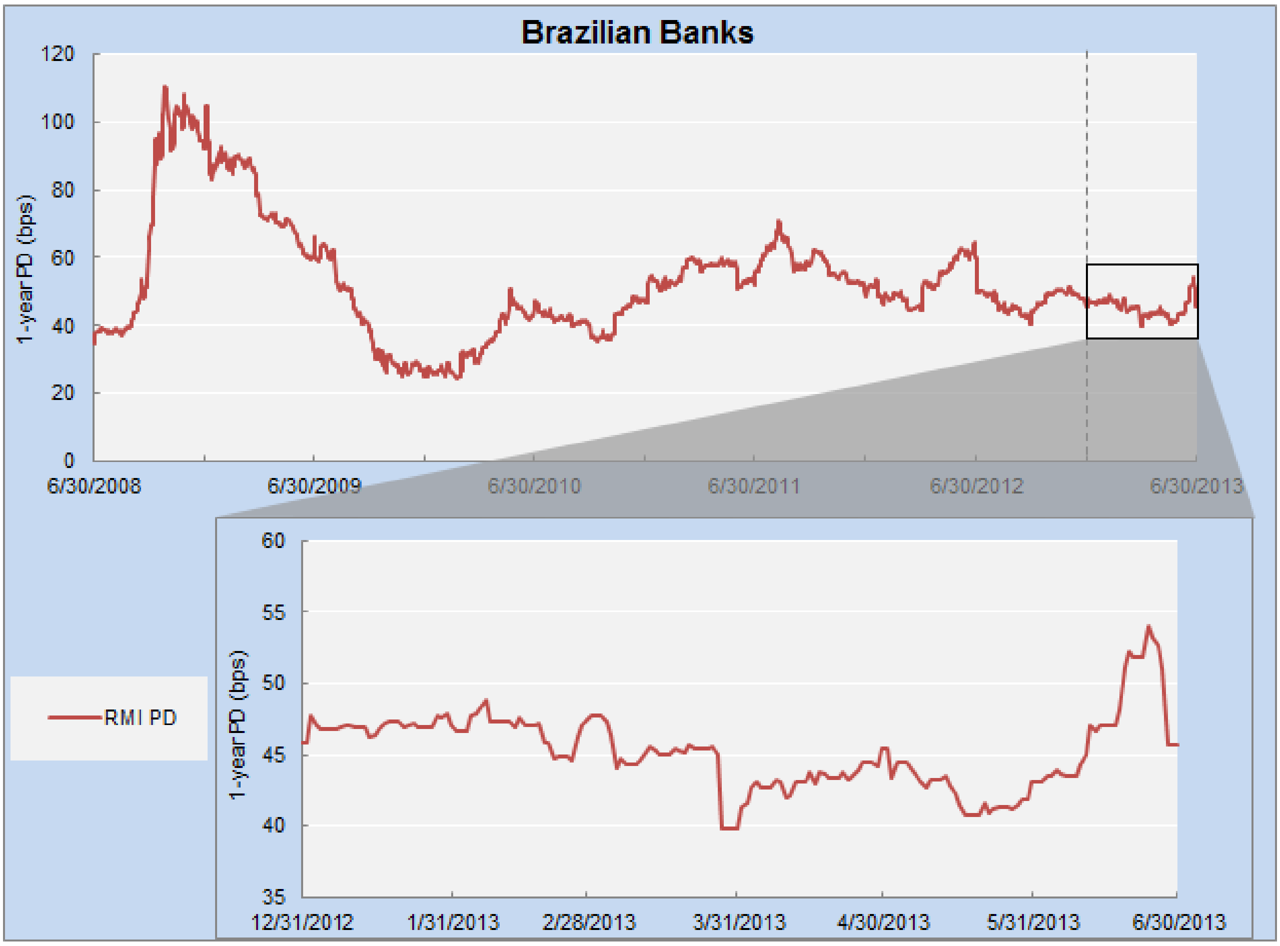
- The Brazilian government raised the rate of return on toll road infrastructure contracts from 5.5% to 7.2% in an attempt to boost foreign investment and stimulate growth.[17]

Sovereign Credit Ratings

- The three major CRAs retained BBB equivalent ratings on Brazilian sovereign debt during Q2, with Moody's maintaining a positive outlook, while Fitch retained a stable outlook. However, S&P cut Brazil's credit rating outlook to negative from stable in early June, expressing concern that slow economic growth and an expansionary fiscal policy could potentially increase the country's sovereign debt levels.[18]

Brazilian Banks

The 1-year aggregate RMI PD for Brazilian banks rose slightly over Q2, backtracking from improvements in credit quality seen over the first quarter. Declining interest spreads threatened bank profits even as funding conditions deteriorated on slowing deposits and rising funding costs, which may have forced private banks to cut back on lending to preserve liquidity ratios. Asset quality remained mostly unchanged, but provisions for losses slowed even as household debt levels reached record highs, suggesting added credit risk for Brazilian banks. Going forward, lowered capital controls designed to stem the depreciation of the local currency may expose banks to significant risks from abroad, but funding lines for midsized banks may improve on expanding bond issuances. Overall, the credit outlook for Brazilian banks is negative, as regulatory relaxations could combine with a struggling economy to create an unstable environment for banks going forward.



Profitability

- Aggregate net income at Brazilian banks fell by 4.77% QoQ in Q1, compared with an increase of 7.39% in Q4 2012.
- Average net interest margin for Q1 was recorded at 6.81%, up from 6.68% in Q4 2012. The average bank spread, or the difference between the lending and funding interest rates, fell to an all-time low of 17.24% per annum in May, down from 17.84% in April and 17.60% at the end of Q1.[19]

Funding & Liquidity

- Coupon rates on issuances of 1-year senior unsecured USD-denominated bonds by Brazilian banks rose to 1.45% in Q2 from 1.07% in March. A large part of this increase could have potentially been driven by recent news that the Federal Reserve was set to cut back on monetary stimulus, as coupon rates recorded in mid-June were at 1.09%.

- The growth rate of deposits in May slowed to 19.23% YoY, down from a rate of 19.71% in April and 19.77% in March.[20]
- Time deposit rates rose to 7.23% p.a. in May 2013, its highest level in three quarters. The deposit rate recorded an all-time low of 6.62% in February.[21]
- Issuances of a Brazilian bond program designed to aid funding to mid-sized Brazilian banks is set to significantly increase in coming months as the deposit-insurance fund backing the bonds has been cleared to use pension-deductible loans as collateral on bond purchases.[22]

Capital Levels & Regulations

- Brazil's central bank eliminated reserve requirements on short USD positions held by local banks on July 1, in an attempt to stem the depreciation of the BRL against the USD and rising import costs. The government also removed taxes on currency derivatives and foreign purchases of local bonds in early June.[23]

Asset Quality

- Asset quality in the Brazilian banking system deteriorated slightly over Q2 as the percentage of nonperforming loans increased to 3.59% in May from 3.57% at the end of Q1 2013. Loans in arrears for 90 days or more, an industry benchmark for credit delinquencies, remained stable at 5.5% of outstanding loans in May, unchanged from April and March. Provisions for bad loans grew 7.3% YoY in May, the slowest pace since May 2011.[24,25,26]
- Nonperforming loans from households decreased to 5.3% in May 2013, down from 5.35% in Q1 2013. Brazilian household debts climbed slightly in April to an all-time high of 44.23% of disposable income, up from 43.97% recorded in March 2013.[27,28]

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[2] Jun 2013, Quarterly GDP, Banco Central do Brasil, bcb.gov.br

[3] Jun 28, 2013, Total GDP: Median, Banco Central do Brasil, bcb.gov.br

[4] Jun 2013, Brazil: Unemployment Rate, Trading Economics, tradingeconomics.com

[5] Jul 2013, Retail sales remain stable (0.0%) in May, Instituto Brasileiro de Geografia e Estatistica, ibge.gov.br

[6] Jul 1, 2013, HSBC Brazil Manufacturing PMI, Markit, markiteconomics.com

[7] Jul 3, 2013, HSBC Brazil Services PMI, Markit, markiteconomics.com

[8] Jun 26, 2013, Brazil further unwinds capital controls after real weakens, Bloomberg.

[9] Jun 2013, Inflation Report, Banco Central do Brasil, bcb.gov.br

[10] Apr 18, 2013, Brazil raises rate from record low as inflation erodes growth, Bloomberg.

[11] May 29, 2013, Brazil opts for steeper interest rate hike to curb inflation, Reuters.

[12] May 9, 2013, Brazil raises $750 mln in global bond reopening, Reuters.

[13] Jun 2013, Financial system credit Balance by economic activity, Banco Central do Brasil, bcb.gov.br

[14] Jun 25, 2013, State banks boost Brazil lending to help spur growth, Reuters.

[15] Jun 17, 2013, Mid-size company lenders post worst returns: Corporate Brazil, Bloomberg.

[16] Jun 2013, Interest rates, Banco Central do Brasil, bcb.gov.br

[17] May 21, 2013, Brazil offers better terms for infrastructure investors, Reuters.

[18] Jun 7, 2013, Brazil rating outlook cut to negative by S&P on sluggish growth, Bloomberg.

[19]Jun 2013, Average spread of nonearmarked new credit operations - Total, Banco Central do Brasil, bcb.gov.br

[20]Jun 2013, Saving deposits (total) - Balance, Banco Central do Brasil, bcb.gov.br

[21]Jun 2013, Medium rate of funding-CDB (preset rate), Banco Central do Brasil, bcb.gov.br

[22]May 28, 2013, Brazil aid to midsize banks seen surging to USD 2.4bn, Bloomberg.

[23]Jun 26, 2013, Brazil further unwinds capital controls after real weakens, Bloomberg.

[24]Jun 2013, Percent of nonperforming loans of credit operations outstanding - Total , Banco Central do Brasil, bcb.gov.br

[25]Jun 25, 2013, Brazil bank lending rises 1.5 pct in May as defaults stabilize, Reuters.

[26]Jun 2013, Financial system provision by risk level - Total, Banco Central do Brasil, bcb.gov.br

[27]Jun 2013, Percent of nonperforming loans of credit operations outstanding - Households - Total, Banco Central do Brasil, bcb.gov.br

[28]Jun 2013, Household debt, Banco Central do Brasil, bcb.gov.br

Russian Companies

The aggregate 1-year RMI PD for Russian companies continued to increase during Q2, as an economic slowdown negatively affected the credit profiles of Russian firms. Waning economic growth probably continued through Q2, as retail sales declined and expansion in the service sector slowed. Bright spots in the manufacturing sector provide some hope, as manufacturing growth often leads services growth in the Russian economy. However, lower revenues from key exports could reduce demand. Funding and liquidity conditions have deteriorated somewhat, as banks continued to reduce lending to corporates through Q2 and volatility in government bond markets reduced corporate access to bond markets. However, improved foreign access to domestic corporate bond markets is likely to improve funding prospects through Q3. Lending rates fell through Q2, and may fall further going forward as the central bank auctions one-year loans to banks at favorable rates. The chance of further monetary easing by the central bank has also increased, due to the appointment of a less independent governor and a change to the central bank's mandate. However, higher inflation arising from either easing or currency devaluation could further dampen domestic consumer and business sentiment. Based on a poor economic outlook, the credit outlook for Russian firms remains negative.

Economy

- Economic growth continued to slow during Q1, as the economy grew 1.6% YoY, down from 2.1% growth in Q4 2012. The government expects the economy will grow 2.4% in 2013, down from an earlier projection of 3.6%. The IMF now projects 2013 GDP growth of 2.5%, down from a previous forecast of 3.4%.
- The unemployment rate fell during Q2, decreasing to 5.2% in May, from 5.6% in April and 6% at the end of Q1.

- Retail sales grew at the slowest pace in three years during May, increasing 2.9% YoY after increasing 4.1% in April and 4.4% YoY in March.
- The services sector contracted for the first time in almost three years in June, with the HSBC Russia Services PMI falling to 48.8, from 51.1 during May and 50.4 in April. Both new business and a forward-looking indicator from the survey fell in June.[29]
- The rate of expansion in the manufacturing sector improved during Q2. The HSBC Russia Manufacturing increased to 51.7 in June, a four-month high and up from 50.4 in May and 50.6 in April. Manufacturers reported an increase in domestic demand supported stronger new orders, with export orders increasing only marginally.[30]
- Oil prices fell as low as USD 97.69 per barrel in Q2, according to Brent Crude futures, closing at USD 102.82 on June 28, down from USD 110.02 at the end of Q1. Natural gas prices fell slightly to USD 410.95 per 1000 m3 on June 30, from USD 412.4 on March 31.
- The RUB fell to RUB 32.84 per USD at the end of Q2, from as high as RUB 31.05 per USD on at the end of Q1, with a sell-off in the RUB leading the central bank to raise the RUB's trading band to reduce its foreign exchange interventions.[31]

Monetary

- Russia's central bank kept its benchmark refinancing rate on hold at 8.25% during Q2, and again in its meeting on July 12.
- In July, the Bank of Russia announced auctions of one-year loans secured against non-market assets and guarantees at 5.75% per annum, a minor premium over its minimum overnight repo rate. The program is aimed at placing downwards pressure on deposit and lending rates, with the size of the first auction set at RUB 500bn.[32]
- A change to the central bank's mandate to include support for economic growth and the appointment of Elvira Nabiullina, a former economy minister under President Putin, as central bank governor may lead to policy easing, despite inflation running well above the desired targets.[33,34]

Funding & Liquidity

- Yields on 10-year Russian government bonds were extremely volatile during Q2, falling as low as 6.48% in May before rocketing to 8.19% in late June, and closing at 7.45% at the end of Q2. The average yield on bonds in the IFX-Cbonds increased slightly to 8.17% at the end of Q2, up from 8.14% at the end of Q1.
- Liberalization of the Russian bond market earlier in the year, which gave foreigners direct access to local bond markets, has led to increased trading on the Moscow exchange, and on newly minted platforms offered by Euroclear and Clearstream International, with secondary trading volumes up 71% YoY in the first half of 2013.
- Interest rates on RUB loans to non-financial organizations with maturities up to 1-year fell to 9.9% per annum in May, down from 10.2% in April and 10% in May.[35]
- Russian banks continued to slow lending to non-financial businesses during Q2, with RUB loan growth slowing to 13.23% YoY growth in April, down from 14.24% in March, 17.5% in February and 19.78% in January.[36]

Sovereign Credit Ratings

- The three major CRAs maintained the Russian government's credit ratings during Q4, with stable outlooks. The Russian Federation is rated Baa1 by Moody's, and BBB by both Fitch and S&P.

Russian Banks

The aggregate 1-year RMI PD for Russian banks increased during Q2, reaching the highest level in almost a year during June. Aggregate earnings fell during Q1, and likely declined further in Q2 on write-downs related to bank subsidiaries in Cyprus. NIMs also declined during Q2, at the same time a boom in consumer lending slowed. This was a likely cause of a slowdown in bond issuance during Q2, although lower issuance was also influenced by significant volatility in sovereign bond markets. An improvement in deposit funding may have partially offset a lack of market access through Q2. Stress tests by the Russian central bank show liquidity problems seen in Q4 remain, despite calmness in interbank markets throughout Q2.Overall asset quality continued to improve during Q2, although strong demand for credit throughout 2012 could lead to legacy asset problems going forward. The credit outlook for Russian banks remains negative, as stress tests by the central bank showed banks remain vulnerable to adverse economic conditions, with a weakening economy likely to affect future earnings.

Profitability

- Aggregate net income at listed Russian banks fell 13.9% to 106.7bn in Q1, after increasing 6.5% during Q4. Consumer lending grew 40% YoY again in January.
- A proxy for the aggregate NIM fell to 4.1% per annum in May, down from 4.6% in April. The same measure averaged 4% during Q1. Strong competition among Russian banks is driving down mortgage rates, which have fallen 10bps through 2013 to 12.7% per annum.[37]
- A consumer lending boom showed signs of a slowdown during Q2, with RUB-denominated loans to consumers growing 38.74% YoY in April, down from growth of 39.9% in March and average growth well above 45% during 2012.

Funding & Liquidity

- Issuance of RUB-denominated bonds by Russian banks stalled during Q2, with only one 3-year fixed issuance in April, with a coupon of 8.5%, the same level as average coupons on issuance in Q1.
- Deposit growth may have returned to trend during Q2, increasing by 26.1% YoY in April, after growth as low as 19.7% in Q1.[38,39]
- Average deposit rates fell to 5.74% per annum in May, from 5.9% in April and the same level during Q1.[40]
- The Central Bank of Russia conducted a liquidity stress test on major sections of the domestic bond market's during Q2, and found banks lacked sufficient liquidity to cope with market disruptions.[41]
- Liquidity in interbank markets declined in the first two months of Q2, with the three month MosPrime interbank rate reaching as high as 7.26% from 7.11% on March 31, before improving towards the end of Q2, when the MosPrime fell to 7%.

Capital Levels & Regulations

- A stress test conducted by the central bank in May showed that 26% of Russian banks would fail to meet regulatory capital requirements under a pessimistic economic scenario, while 34% would not meet the requirements under a more extreme scenario.

Asset Quality

- Overdue RUB-denominated loans rose at a slower pace during Q2, increasing 3.5% YoY in June and 4.1% in May, after increasing by around 6.25% in March.[42]

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[30] Jul 1, 2013, HSBC Russia Manufacturing PMI, Markit, markiteconomics.com

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[36] Jul 3, 2013, Loans, Deposits and Other Funds Extended to Organizations, Individuals and Credit Institutions, The Central Bank of the Russian Federation, cbr.ru/eng

[37] Jun 26, 2013, Sberbank Battles VTB for Home Loans Double Poland, Bloomberg.

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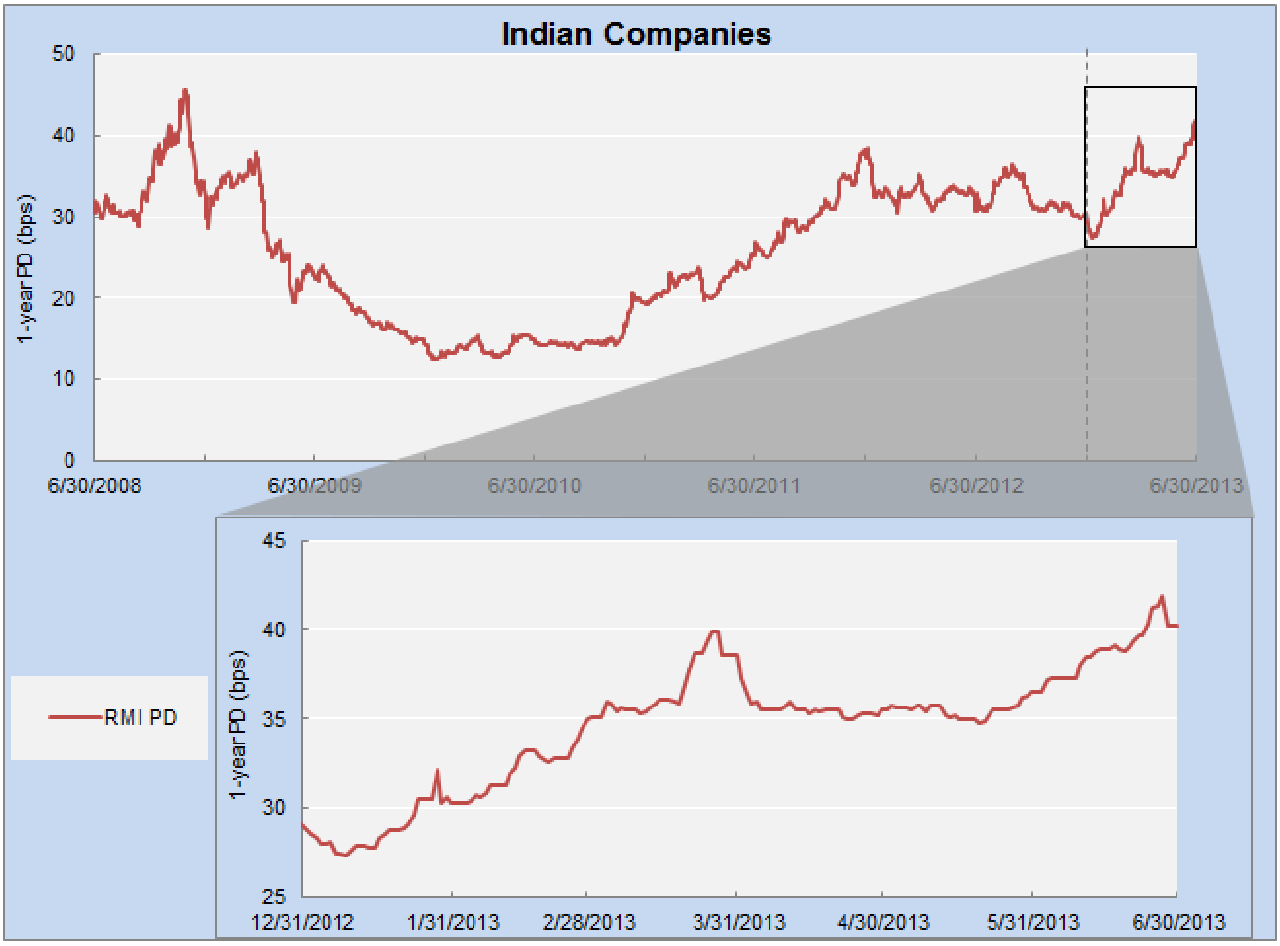
[40] Jul 3, 2013, Interest Rates on Ruble-denominated Deposits of Individuals, The Central Bank of the Russian Federation, cbr.ru/eng

[41] May 14, 2013, Banking Sector and Banking Supervision Report, The Central Bank of the Russian Federation, cbr.ru/eng

[42] Jul 5, 2013, Overdue Debt on Ruble-Denominated Loans Extended by 30 Largest Banks, The Central Bank of the Russian Federation, cbr.ru/eng

Indian Companies

The aggregate 1-year RMI PD for Indian companies increased during Q2 as the economy grew at a slower pace. Though most sectors exhibited negative growth in Q1, an increase in manufacturing and construction activities offered a respite to overall the growth trajectory. However, forward-looking indicators suggest that manufacturing sector growth slowed markedly slowing through Q2. The Reserve Bank of India slashed the benchmark rate to further stimulate growth and encourage lending. The RBI continues to monitor the economic situation as it unfolds and will stand ready to use all available instruments and measures to respond to any adverse developments as a result of global uncertainty. The credit outlook for Indian companies is negative as the economic outlook remains challenging. Operating costs for Indian firms could increase as higher prices for imported goods could push up inflation, while continued weakness of the INR could raise the cost of servicing foreign currency debt for larger firms.



Economy

- India's economy grew by 4.8% YoY in Q1 2013, slightly better than 4.7% YoY growth in Q4 2012. Output from six of the eight industries fell compared to the same period last year. Mining and quarrying shrank by 3.1% in Q1 against a growth of 5.2% last year; whereas growth in manufacturing industry improved to 2.6% against 0.1%. The IMF and the World Bank both cut their respective 2013 growth forecasts for India during Q2, to 5.6% and 5.7% from 6.3% and 6.1% respectivly.[43,44]
- The HSBC India Manufacturing PMI, a measure of manufacturing operating conditions, decreased further to 50.3 at the end of June, from 52.0 at the end of March. Fragile economic conditions have resulted in lower demand. Exports however rose at the sharpest rate since January as demand from key foreign clients strengthened. Orders

for consumer and intermediate goods producers increased, but demand for investment goods declined.[45]

- Indian services firms lost its growth momentum in June as new businesses grew at a slower rate. The HSBC Markit Services PMI remained unchanged in June at 51.7 from the same level in May, after falling to 51.4 in March. With domestic economic growth near a decade low and prospects of a strong global recovery still uncertain, overall demand for Indian services weakened in June after rising to 53.2 in May.[46]

Monetary

- The Reserve Bank of India cut the bank rate from 8.5% to 8.25% during Q2. The Cash Reserve Ratio for commercial banks was kept constant at 4%. The repo rate under the liquidity adjustment facility was reduced to 7.25% in May.[47]
- In their mid-quarter monetary policy review, the central bank stated that the growth and inflation trajectories and the balance of payment position will determine the bank's stance in the coming months. Only a decline in inflation will open up space for monetary policy to continue to address risks to growth. The Bank stands ready to use all available instruments and measures to respond rapidly and appropriately to any adverse developments resulting from the global uncertainty.[48]

Funding & Liquidity

- Yields on 10-year Indian government bonds fell to 7.46% in Q2, as RBI cut the bank rate by 25bps in May.
- According to the Fixed Income Money Market Derivatives Association of India, 12 month commercial paper rates dropped further to 8.82% in June from 9.35% at the end of Q1.
- Overall banking credit decreased by 0.74% QoQ as a result of a decline in non-food credit during the quarter.[49]
- The Reserve Bank of India took steps in July to support the weakening INR, and signaled that it will defend the currency despite the risks to economic growth. Analysts commented that the central bank has shifted its focus on financial stability and placed its easing monetary policy campaign on hold. The RBI lowered the overall borrowing limit under the daily liquidity adjustment facility from 0.5% of deposits to 1%. Short term corporate yields meanwhile have surged, threatening to raise borrowing costs for banks and companies.[50]

Policy

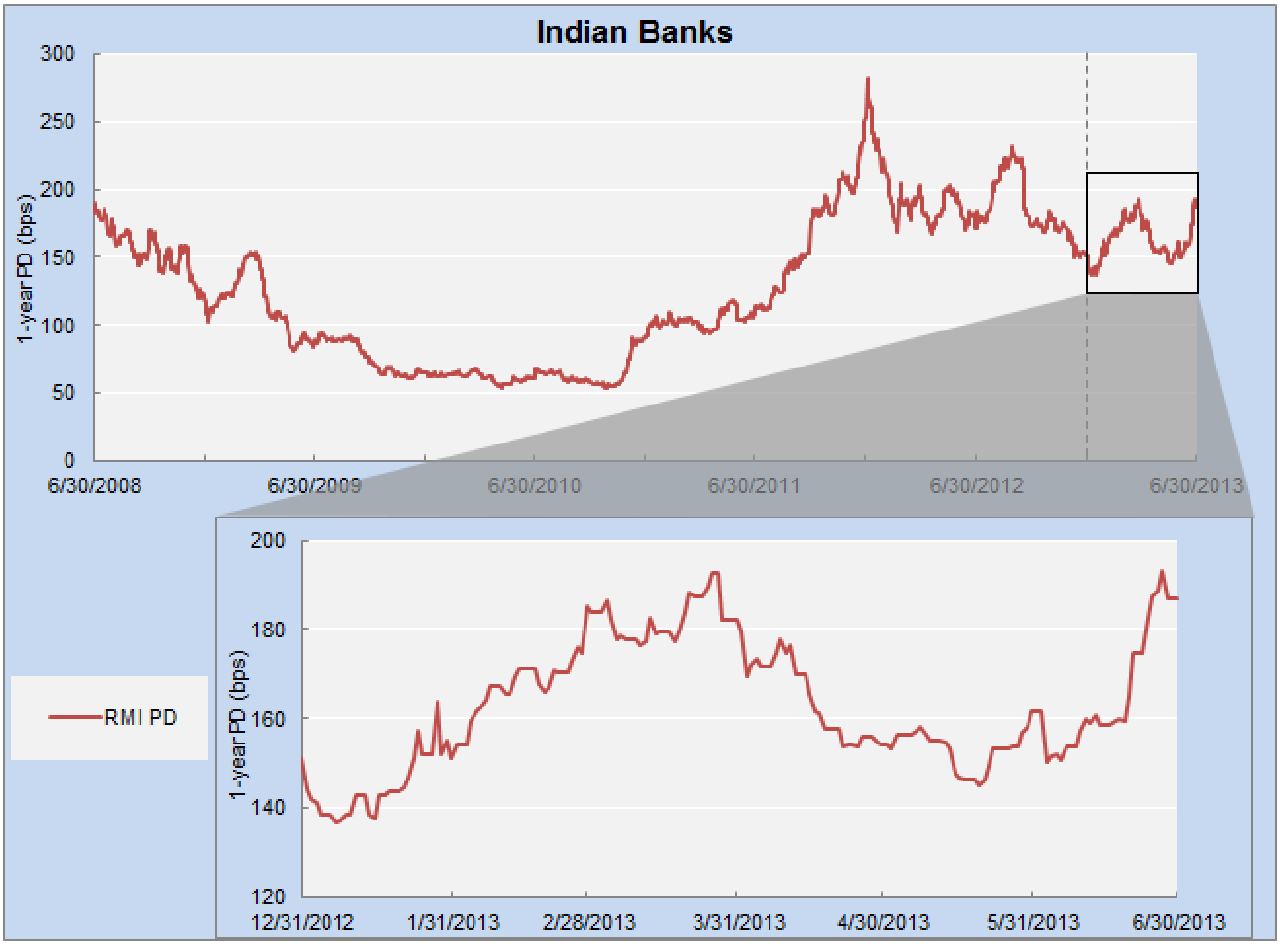
- The Union finance ministry revoked a March circular in Q2, which established Profit Split Method as a framework for computing tax liability for MNCs. This move may benefit MNCs doing contract work or R&D among others, the biggest beneficiary being the outsourcing IT companies that take up much work for clients abroad. The withdrawal of the circular would also reduce cases of transfer pricing adjustments, i.e. attribution of additional taxable income on companies that have been raising steadily.[51]

Sovereign Credit Ratings

- There were no changes to India's credit ratings in Q2. Moody's maintained a Baa3 rating on the Indian government, with a stable outlook. Both S&P and Fitch kept the country's rating at BBB-. Fitch changed its outlook to stable, whereas S&P maintained its negative outlook on the economy.

Indian Banks

The aggregate 1-year RMI PD for Indian banks climbed slightly higher in Q2. Short and long term deposit rates increased along with aggregate deposits at banks. Cash balances at banks fell in Q2. Bank borrowings from the RBI also dropped between March and June. Asset quality declined, and the RBI expects asset quality to deteriorate further if adverse global macroeconomic conditions persist. Given the rising bad loans, RBI suggested that commercial banks improve the credit appraisal and monitoring mechanism to curtail the increase in non-performing loans. The credit outlook for Indian banks remains uncertain. The default risk for Indian banks may increase if earnings and NIMs continue to fall.



Profitability

- Aggregate bank earnings decreased 10.35% QoQ and 13.12% YoY in Q1. QoQ earnings have been declining since Q3 2012. Earnings dropped 1.90% in Q3 and 1.68% in Q4 last year.
- Liabilities to banks decreased by 5.22% from the end of Q1 to INR 1.27tn in June. Bank borrowings meanwhile increased to INR 330bn.[52]
- Net interest margins for Indian banks, using the State Bank of India as a proxy, increased by 0.02% to 3.33% in Q1.

Funding & Liquidity

- Average coupon rates on 10-year INR-denominated Indian bank bonds issued during Q2 fell to 8.2%, down from an average of 8.9% in Q1.
- The weighted-average call rate, the interest rate on short-term finance repayable on demand, decreased to 7.17% at the end of June from 8.30% on March 30, 2013.[53]

- Cash balances of commercial banks with the RBI dropped slightly to INR 3.0tn as of June 28 from INR 3.02tr on March 31.[54]
- Aggregate deposits at Indian banks grew 3% QoQ reaching an all time high of INR 69.5tn in June from INR 67.5tn at the start of March 2013. This compares to a growth rate of 4.5% in the last quarter.[55]
- Deposit rates on INR-denominated maturities of less than 1 year have increased with 6 month rates increasing to 8.63% in Q2 from 8.25% in Q1. The 1 year deposit rate on INR deposits however increased to 9.05% from 9.0% in Q1.
- Bank borrowings from the RBI dropped 24% to INR 47.8tn in June from INR 62.7bn in March. The average cutoff rate fell to 7.33% from 7.79% over the same period. However, banks parked surplus funds worth INR 0.95tn through the RBI's reverse repo window. So, the net borrowings stood at INR 46.93tn in Q2 as compared with INR 61.61tn recorded in Q1.[56]

Capital Levels & Regulations

- India's central bank is currently working on finalizing guidelines governing the operations of foreign banks in the country. Presently, all foreign banks doing business in India operate through a branch registration system, without establishing local subsidiaries. The RBI has said it wants foreign players to set up local units, which will be easier to regulate. The move is expected to level the playing field for foreign banks and make the overall Indian banking system more competitive and inclusive.[57]

Asset Quality

- A decline in asset quality and a cash crunch has led to an increased level of risk in India's banking sector. The RBI expects the credit quality of commercial banks to deteriorate further if the current macroeconomic conditions persist. Data from RBI shows that bad loans at the Indian lenders eased to 3.4% in March after climbing to 3.6% in September as a result of the slowest economic expansion in a decade and the highest borrowing costs among major Asian economies. The current capital adequacy ratio of lenders will be enough to cover any rise in the bad loans, but s lenders will need capital infusion of INR 5tn (USD 83bn) to comply with the Basel III rules, which will be fully implemented in India by March 31, 2018.[58]
- Despite the improvement in the bad loans position in the quarter ended March, the RBI felt it was too early to conclude if the trend of deteriorating asset quality has been reversed. An uncertain macroeconomic environment, underlying issues in credit assessment and bad loan management by banks had led to a rise in non-performing assets in FY 2012-13.[59]

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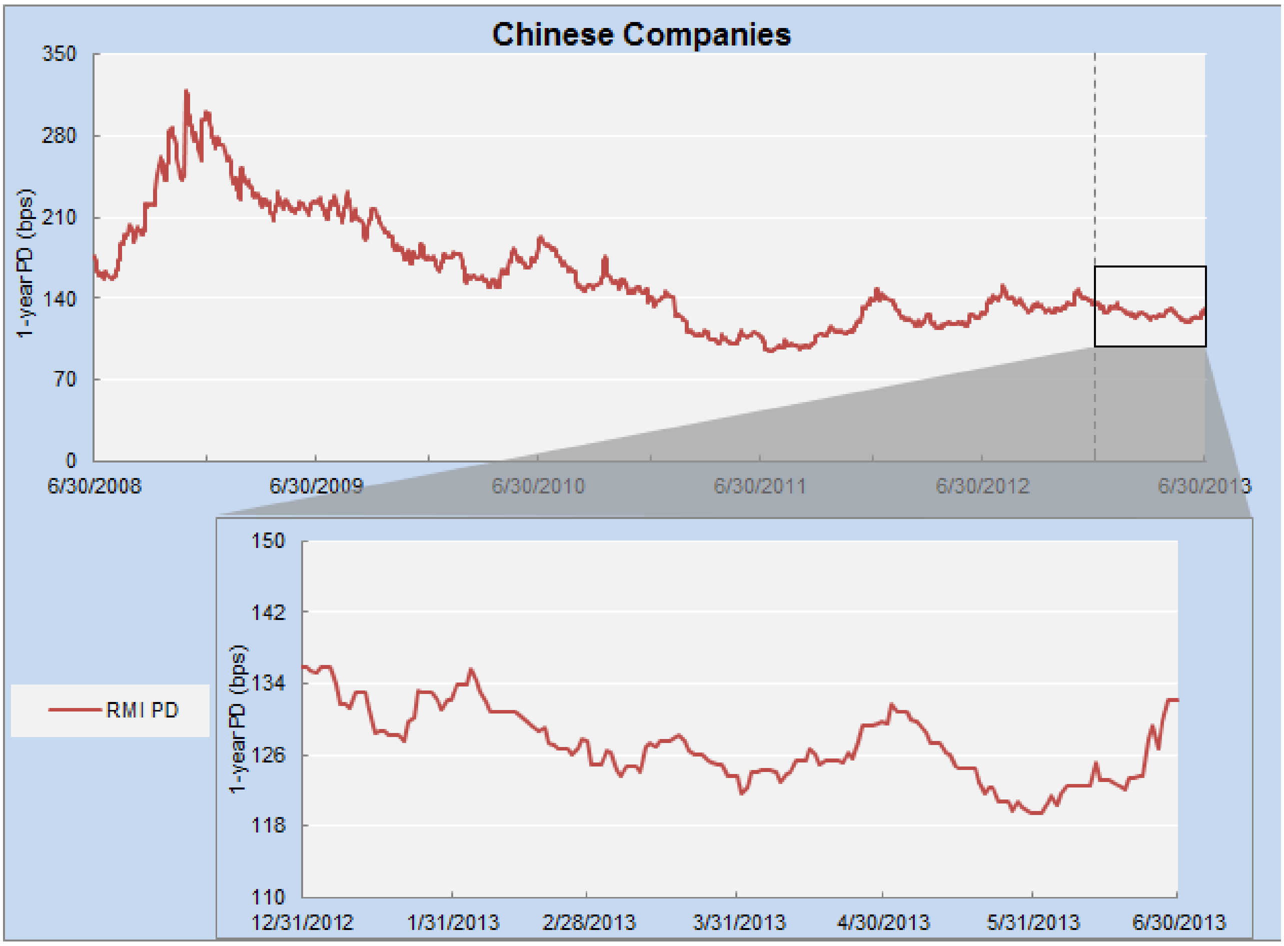
Chinese Companies

The aggregate 1-year RMI PD for Chinese Companies increased gradually towards the end of Q2, after falling in May. China's economy slowed down in Q2 due to weaker overseas demand and contraction in the manufacturing sector. The overall credit outlook for Chinese companies is negative in the short-term as a recent spike in the SHIBOR, the Chinese interbank lending rates, has resulted in a less favorable funding environment. Higher borrowing costs for banks and reduced willingness of banks to lend money to other sectors may translate into higher financing costs for businesses, thus increasing their risk of defaulting. The Central bank's effort to clamp down on shadow banking activities through new credit rules to prevent speculative bubbles in real estate and other assets will also mean a slower economic growth in the short run. Going forward, austerity measures such as a ban on new government buildings, which is aimed at tackling government corruption, is likely to place downward pressure on demand. Moreover, slower economic growth and a slowdown in Chinese manufacturing also weigh upon the credit outlook for Chinese companies.



Economy

- The Chinese economy grew 7.5% YoY in Q2, down from 7.7% in Q1. The new government's willingness to tolerate lower economic growth signals that economic growth will not be as strong as before in the short run. Government economists in China also believe the economic growth rate will be lower under President Xi Jinping and Premier Li Keqiang's regime, predicting a 7% growth rate compared with growth of 7.5 to 8% under their predecessors.[60]

- The official urban unemployment rate was unchanged at 4.1% for the eleventh straight quarter during Q1. However, one thing to note is that this measure does not include migrant workers who account for the majority of the urban unemployment rate. A record 6.99mn students graduated from colleges across China this year. However, polls conducted by a Beijing higher education consultancy and the internet company Tencent showed that the average employment rate of graduates with a bachelors' degree stood at 35% between October and April, a growing concern for the government.[61]
- The HSBC China Manufacturing PMI contracted to 48.2 in June, down from 49.2 in May, the second consecutive month of decline and the lowest level since September 2012. The reading indicates a slowdown in manufacturing production and dampening demand for manufactured goods.[62]
- The HSBC China Services Business Activity Index posted a level of 51.3 in June, up from 51.2 in May. However, both May and June index are at historical lows, suggesting that services and manufacturing growth are softening.[63]
- Aggregate exports in Q2 rose to USD 544.1bn, representing an increase of 3.84% YoY. This is the third conservative month that net exports are positive. However, net exports decreased 3.07% MoM, to USD 174.3bn in June from USD 182.8bn in May.[64,65]

Monetary

- The PBOC maintained the 1-year loan rate and time deposit rates at 6% and 3% respectively during Q2. The reserve requirement ratio remained unchanged despite a minor liquidity crisis in June. The new government has also signalled that the PBOC is likely to maintain its current monetary policy to control excess credit expansion and curb excessive lending.[66]
- Since the start of Q2, PBOC has stopped injecting liquidity with reverse-repurchase agreements. Instead, it drained liquidity from the market through the sale of CNY 512bn worth of repurchase agreements and bank bills amounting to CNY 114bn.[67]

Funding & Liquidity

- Yields on 10-year Chinese government bonds increased slightly to 3.60% on June 28 from 3.57% in April 1.
- Total outstanding loans to non-financials increased to 53.2tn in June, an YoY increase of 12.2%.[68]
- Market interest rates increased sharply during Q2, with the monthly weighted interbank CNY lending rate at 6.58% in June, rising from 2.47% in March, a jump of 4.11%.[69]

Policy

- Instead of using stimulus to sustain growth, the Chinese government prefers to engage in economic reforms. The Chinese government is willing to tolerate short term pains such as a spike in interbank rates for longer term gains in terms of stable economic growth. Some recent regulatory tightening on new financing channels include increasing restrictions on non-standardized credit assets and wealth management products, a crackdown on accounting mistreatment of bill-backed repos, and regulations on foreign exchange inflows and banks' foreign exchange position management.[70,71]
- The Chinese government banned in July the construction of new government buildings for five years, aiming to address profligate spending by local and regional governments. The measure introduced last year banning overly luxurious government spending has had a clear impact on domestic consumption growth.[72]

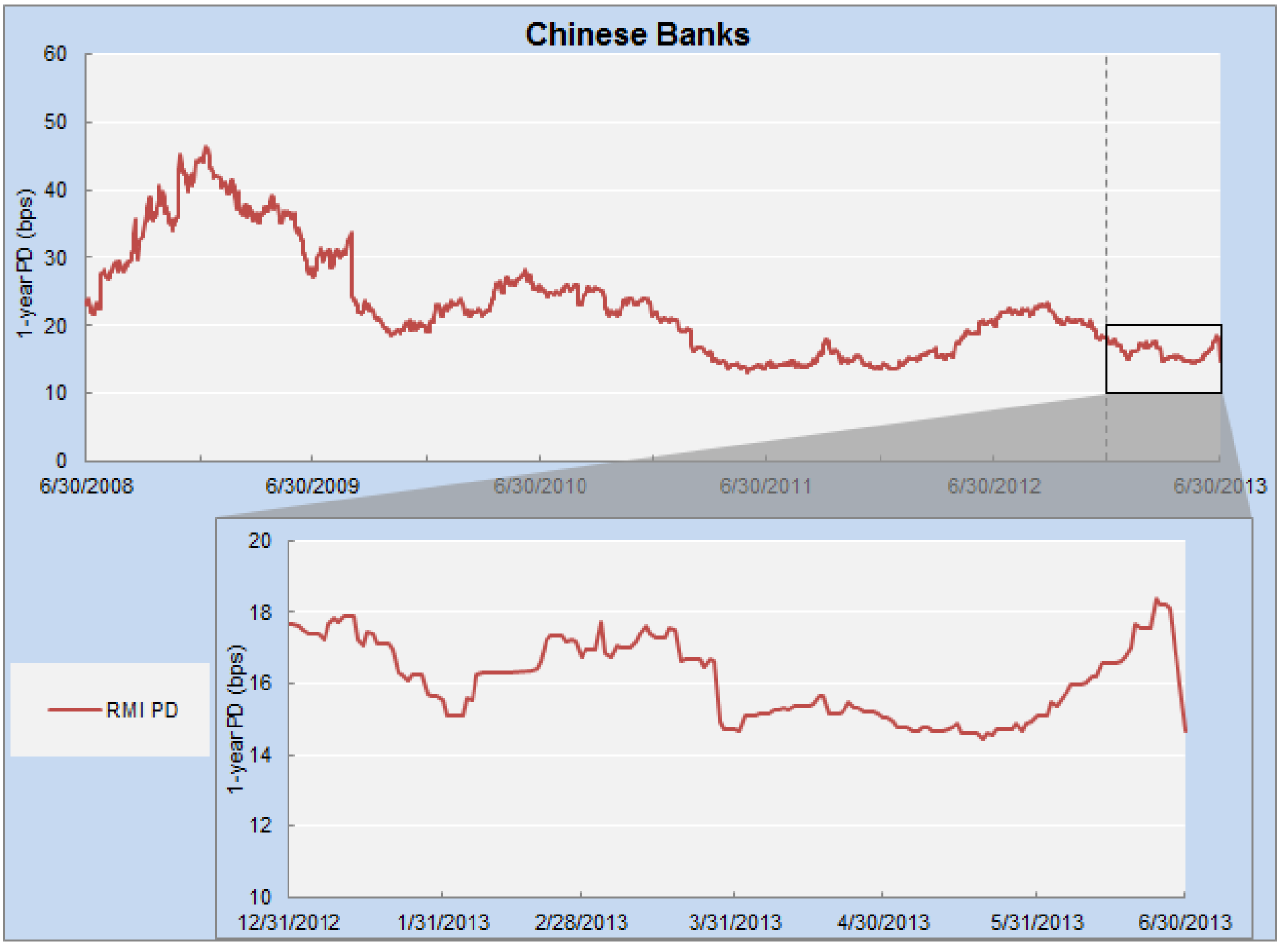
- China also plans to restructure its economy to be more customer-oriented, relying less on exports and investments. A trial plan to set up a free trade zone in Shanghai to boost the economy and deepen reforms was approved by the government.[73]
- Economists believe that capital controls will be loosened. Foreign institutions will be encouraged to issue CNY-denominated bonds and this will accelerate the process of making the CNY fully convertible.[74]
- The China Securities Regulatory Commission permitted the sale of domestic mutual funds within China by global banks. Previously, foreign banks were allowed to sell only Qualified Domestic Institutional Investor funds to its Chinese clients. In addition, a new pilot program to allow individual households to invest overseas was approved by PBOC. Overall, it shows China's progress towards greater capital account liberalization.[75,76]

Sovereign Credit Ratings

- Moody's kept China's rating at Aa3. However, Moody's cut its outlook on China from positive to stable, citing concerns of risks from local-government debt and credit expansion. Fitch and S&P both retained stable outlooks, with respective ratings of A+ and AA-.[77]

Chinese Banks

The aggregate 1-year RMI PD for Chinese banks reached a five month high in June, amid concerns about slowing domestic growth and a minor liquidity crisis. The PBOC was reluctant to inject liquidity into the market towards the end of the month, when banks require the most cash for regulatory inspection and companies withdraw money to pay taxes. This lack of action resulted in a spike in the SHIBOR, which has remained relatively elevated since, despite falling towards levels seen earlier in the year. The credit outlook for Chinese banks is negative as it appears that the liquidity crunch in the financial sector will persist for some time. A prolonged liquidity squeeze will result in more expensive credit, reducing banks' profitability and liquidity as it will restrict some banks' ability to meet upcoming obligations, such as maturing wealth management products. Moreover, earnings will continue to come under pressure from market-oriented interest rate liberalization, which is likely to reduce NIMs significantly. Earnings are also expected to weaken with tougher regulatory rules that are being introduced to improve the health of China's financial system.



Profitability

- Earnings at Chinese listed banks reached record highs during Q1, after tepid earnings growth in 2012. Aggregate earnings at listed Chinese banks increased 43.3% QoQ over Q1 2013 to CNY 309bn in Q4.
- The average NIM for listed banks decreased from 3.33% in Q4 2012 to 3.24% in Q1 2013. NIMs may fall further because of market-oriented interest rate liberalization reforms, with the PBOC removing a regulated floor on lending rates in July on all loans except for mortgages.

- For listed banks in China, net interest income and fee-based income accounted for 74% and 22% in Q1, compared to 79% and 19% in Q4. Going forward, fees and commissions earned from custodial service charges and management fees could become a larger part of revenues.
- New bank lending decreased to CNY 2.32tn in Q2, lower than the bank lending of 2.75tn in Q1. This signals a tightening credit market.[78]

Funding & Liquidity

- Average weighted coupon rates on 5-year CNY-denominated bank bonds remain relatively unchanged in Q2, decreasing from 4.06% in Q1 to 4.01% in Q2.
- Total deposits increased 2.98% to CNY 103.7tn in June, from 100.7tn in March. Overall liquidity in the banking sector increased during Q1, with the aggregate LATDB ratio increasing to 32.1% for listed banks, up from 30.9% at the end of Q4.[79]
- The reluctance of PBOC to inject liquidity into the market in June resulted in big overnight surge of the SHIBOR and repo rate on June 20. The SHIBOR rate spiked up to 13.4% for overnight loans, while the overnight repo rate soared over 25%, both rates hitting record high.[80]

Regulations

- The China Banking Regulatory Commission (CBRC) introduced new guidelines to regulate banks' lending to Local Government Financing Vehicles (LGFV) in April. Banks are prohibited from increasing the scale of loans to such vehicles. Banks should also not provide guarantees for the vehicles' debts and should be cautious with regard to holding bonds issued by such vehicles.[81]
- New measures to regulate wealth management products (WMPs) were introduced to reduce financial risks. Bond trading between WMPs and banks' proprietary account were prohibited to reduce risk from off balance sheet activity. In addition, banks were also ordered to heighten checks on the underlying assets of a range of WMPs to mitigate potential risks to the financial system.[82,83]
- From July onwards, financial institutions are required to report and register their newly issued WMPs on a CBRC surveillance system before they are able to issue WMPs. WMPs that were issued between 2011 and 2012 also need to be registered before the end of July.[84]

Asset Quality

- Non-performing loans rose 7.0% QoQ in Q1 2013 to CNY 526.5bn, while aggregate provisions for loan losses increased by 5.5% to CNY 1.53tn.[85]
- Non-performing loans are expected to rise faster as weaker borrowers may have difficulty refinancing credit. Loans to sectors currently struggling with over capacity, such as steel trade, manufacturing and retail are likely to deteriorate as risk of defaults are more likely to occur with a sluggish economy.[86]

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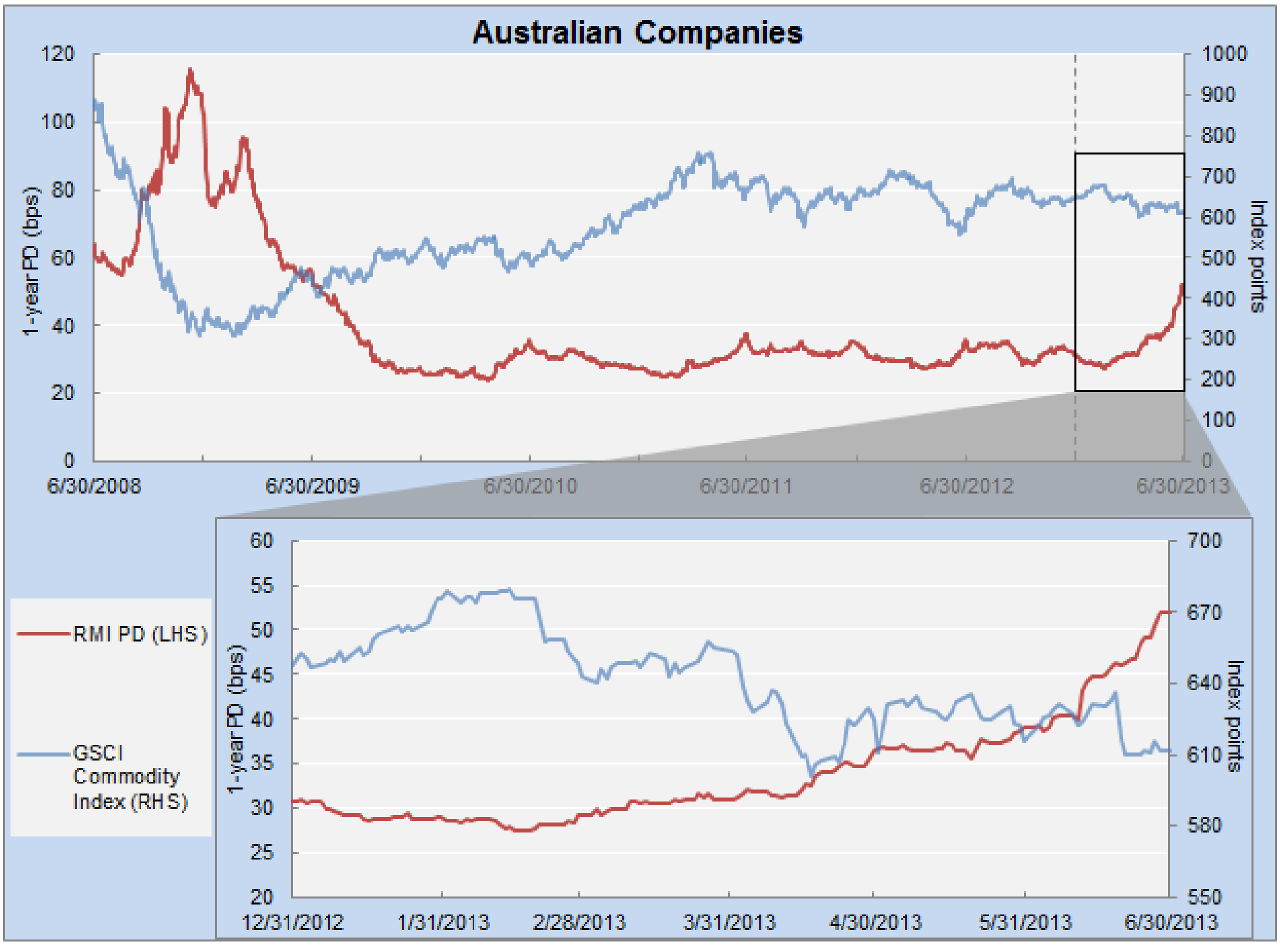
Asia-Pacific - Developed economies

The aggregate 1-year RMI PDs for firms in developed Asian economies were mostly higher in Q2 with the exception of relatively smaller Hong Kong, Taiwan and Singapore. Credit profiles of companies in these three economies were somewhat boosted by a pickup in consumer spending despite concerns about slow expansion in overseas trade. Companies across the rest of developed Asia saw their credit profiles deteriorate as earnings slowed. In Japan, loose monetary policy supported by the new Abe administration helped boost consumption and exports through the depreciation of the JPY against other major currencies. Lending to non-financial firms did not pick up significantly after falling in Q1 in Japan, Australia and Singapore. Lending in Australia was affected by sluggish demand for its commodities, while lending in Singapore was affected by the cooling measures in the red hot property sector. The credit outlook for companies in developed Asia remains negative as a slower Chinese economy, continued weakness in Europe and a tapering of asset purchases by the US Federal Reserve could increase the default risk for companies in developed Asia moving forward.

Australian Companies

The aggregate 1-year RMI PD for Australian companies increased sharply during Q2, reaching the highest level in four years in June. Economic growth stabilized below trend during Q1, with a fading mining boom weighing upon the credit outlook for Australian companies. Both retail sales and the service sector have slipped on lower confidence, as consumers and businesses remain cautious amid an uncertain economic environment. This has led to a slowdown in demand for credit, despite lower borrowing costs and less restrictive lending covenants, even as banks expand lending to the real economy. Going forward, the credit outlook for Australian firms remains dependent on a rebalancing of the economy as the mining boom fades. A lower exchange rate has provided room for the manufacturing sector to provide long-needed support to growth, after two years in the doldrums. Household and business savings could help support investment in other sectors of the economy. However, although confidence in both sectors has fallen, potentially longer term below average growth results in a negative credit outlook for Australian companies.



Economy

- Economic growth continued to run below trend in Q1, as the economy grew 2.5% YoY in Q1, down from 3.2% during Q4. The economy grew 0.6% QoQ, at the same pace as Q4. The IMF expects the Australian economy to expand by 3% YoY in 2013.
- The exchange rate plummeted in Q2, falling from recent historical highs of above parity with the USD to just 91.19 US cents per 1 AUD at the end of Q2.
- The RBA believes the peak in investment in the resources sector will likely occur during 2013, at a lower level than expected, with private sector estimates around AUD 85bn. The RBA believes both the non-mining sector and the household sector have sufficient cash savings to help stimulate investment going forward.[87,88]

- Key export prices declined during Q2. The average price of iron ore seen in Tianjin fell to USD 115.3 per tonne at the end of Q2, from as high as USD 141 per tonne in April. Coal prices also fell significantly to USD 77.75 per tonne at the end of Q2, from 87.8 USD per tonne at the end of Q1.
- The unemployment rate remained at 5.6% during the first two months of Q2, and increased to 5.7% in June.
- Retail sales growth slowed during Q2, with sales increasing 2.3% YoY in May and 2.8% in April, down from growth of 2.9% in March and 4.6% in February. A consumer confidence index published by Westpac Banking Corporation fell to 102.18 in June from 110.5 in March, the latter being highest reading since 2010.
- The Australian services industry contracted significantly during Q2, with the Australian Performance of Services Index falling to 41.5 in June, with readings of 40.6 and 44.1 in May and April respectively, down from 49.6 in March.[89]
- The Australian PMI increased to 49.6 in June, up from 43.8 in May and a historical low of 36.7 in May. The depreciation of the AUD in Q2 has made domestic exports more competitive.[90]
- Construction activity improved during Q2, but still remains deep in contraction territory. The Australian construction Performance of Construction index increased to 39.5 in June, up from close to 35 in May and April. New home sales hit an 18-month peak in May.[91,92]

Monetary Policy

- The RBA reduced its key cash rate by 25bps to 2.75% in May, in order to promote sustainable growth, with the RBA holding rates in June. RBA leaders continued to talk down the exchange rate during Q2, with current levels seen as high.

Funding & Liquidity

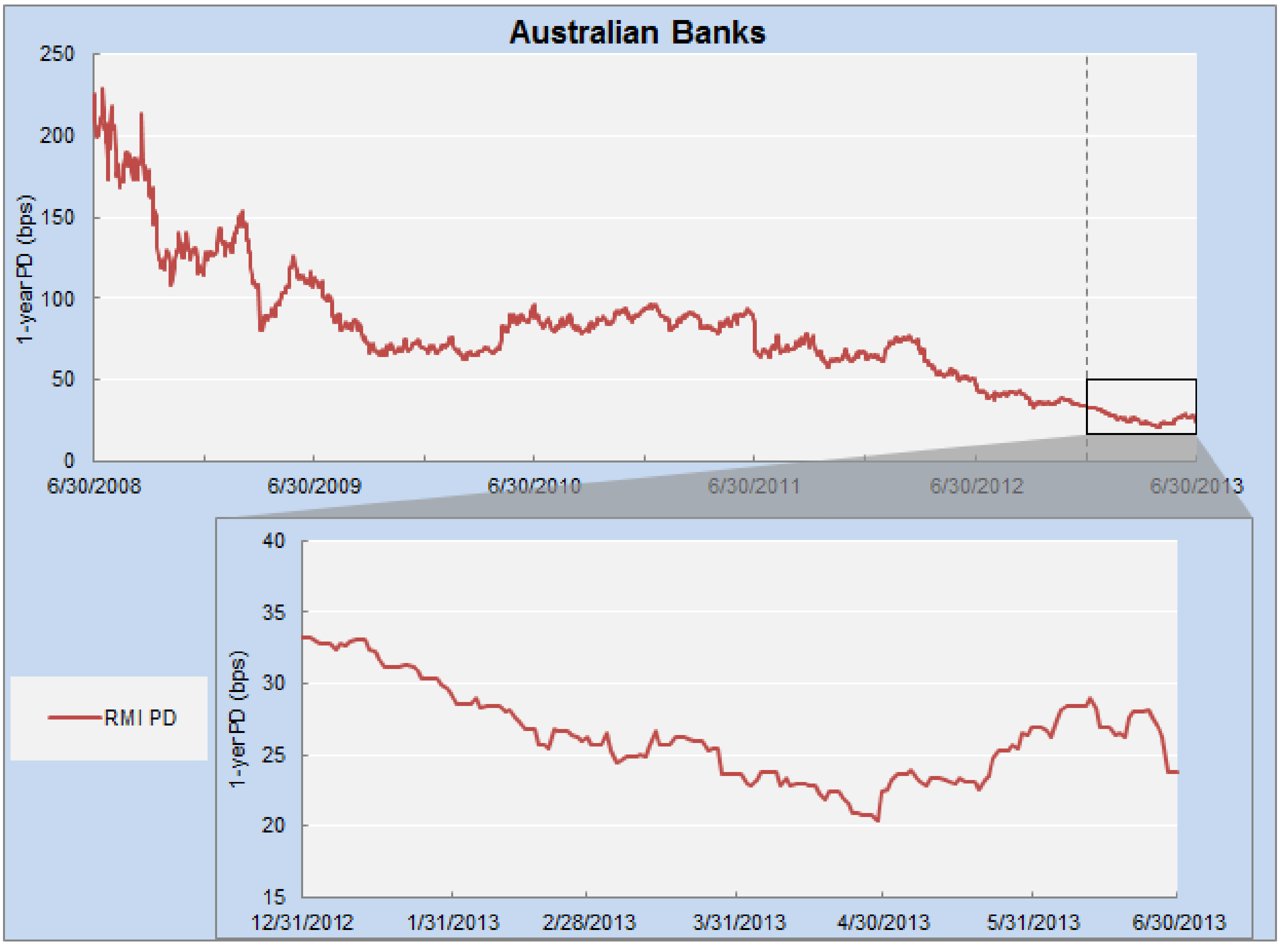
- Yields on 10-year Australian government bonds increased towards the end of Q2, reaching as high as 4.03% in June, after falling during April. Yields stood at 3.76% at the end of Q2, up from 3.12% at the end of Q1, as markets reacted to a potentially earlier than expected tapering of quantitative easing by the US Fed.
- Variable rates on loans to large businesses fell to 5.15% per annum in Q1, from 5.25% at the end of 2012, as the RBA cut interest rates. Fixed interest rates on 3-year loans to small businesses fell to 6.20% per annum in June, down from 6.35% seen at the end of Q1. Rates on loans to larger businesses have historically followed fixed rates on small business loans, which are reported monthly.[93]
- Bank lending to Australian businesses slowed during Q2, increasing 0.59% YoY in June, 0.58% in May and 1.01% in April, after growing 1.3% in March and well over 2% in months prior.[94]
- Bond issuance in Australia fell to AUD 3.55bn in June, the lowest level in 18-months. Australian lenders eased terms on leveraged loans during Q2, and reduced their interest margins on the same products, aiming to lure local borrowers back from USD high-yield markets, where covenant-lite loans have become commonplace.[95]

Sovereign Credit Ratings

- The three major CRAs retained AAA-equivalent ratings on Australia during Q4, with stable outlooks.

Australian Banks

The aggregate 1-year RMI PD for Australian banks increased slightly during Q2, up from ten-year lows seen during March. Earnings may come under pressure from slowing credit demand as mining investment slows, with NIMs continuing to fall through Q2 as the RBA reduced interest rates further. Funding profiles deteriorated slightly during Q2, as market funding costs increased slightly. Deposit funding costs have fallen, but banks have seen a slowdown in deposit growth as investors seek higher returns, after the central bank cut the key reference rate to a historic low. Overall liquidity continued to improve, with banks increasing holdings of government and state securities in preparation for new liquidity rules. Asset quality continued to improve during Q2, as banks cut provisions and impairments fell. Going forward, a lower exchange rate should help distressed borrowers in the long-struggling manufacturing sector. Overall, the credit outlook for Australian banks remains positive, although earnings are likely to be constrained, and dependent on the success of an economic rebalancing away from mining investment.



Profitability

- Aggregate net income at listed Australian banks rose to AUD 12.7bn during the six-month period ending March 31, with ANZ, the Commonwealth Bank and Westpac all posting record semi-annual profits.
- A proxy for the aggregate NIM fell 15bps to 0.85% in May, and remained at the same level through Q2, down from 1% in at the end of Q1.

Funding & Liquidity

- Coupon rates on 5-year fixed USD-denominated bonds issued by Westpac increased to 1.4% in Q2, up from 1.2% in Q1. A Bank of America Merrill Lynch index shows yields on AUD-denominated financial bonds returned to 4.43% at the end of Q2, after reaching as high as 4.55% in June.

- Deposit growth at Australian banks slowed in Q2, increasing 6.86% YoY in June, after increasing 6.95% in May and 8.27% in April, down from above 8% YoY growth in each month of Q1.[96]
- Average deposit rates fell during Q2, in line with RBA rate cuts, to 3.25% per annum in May, from 3.5% at the end of Q1.[97]
- Overall liquidity in the Australian banking system improved during Q1, with the aggregate LATDB ratio for listed banks increasing to 10.32% from 9.34% at the end of 2012.
- Banks increased holdings of securities issued by state and local governments reached a record high of AUD 78.2bn in March from AUD 76.2 in December, in order to comply with liquidity coverage ratio requirements under Basel III.[98]

Asset Quality

- Total provisions for bad loans at Australian banks fell to AUD 2.85bn in the 6 months ending March 31, down from AUD 3.28bn in the previous six months. Provisions were down significantly at the four listed banks who reported semi-annual results during Q2.
- Past due loans and advances for Australian banks remained unchanged at 0.55% of total loans and advances during Q1, while the impaired facilities to loans and advances ratio fell to 1.12%, the lowest level since June 2009.[99]

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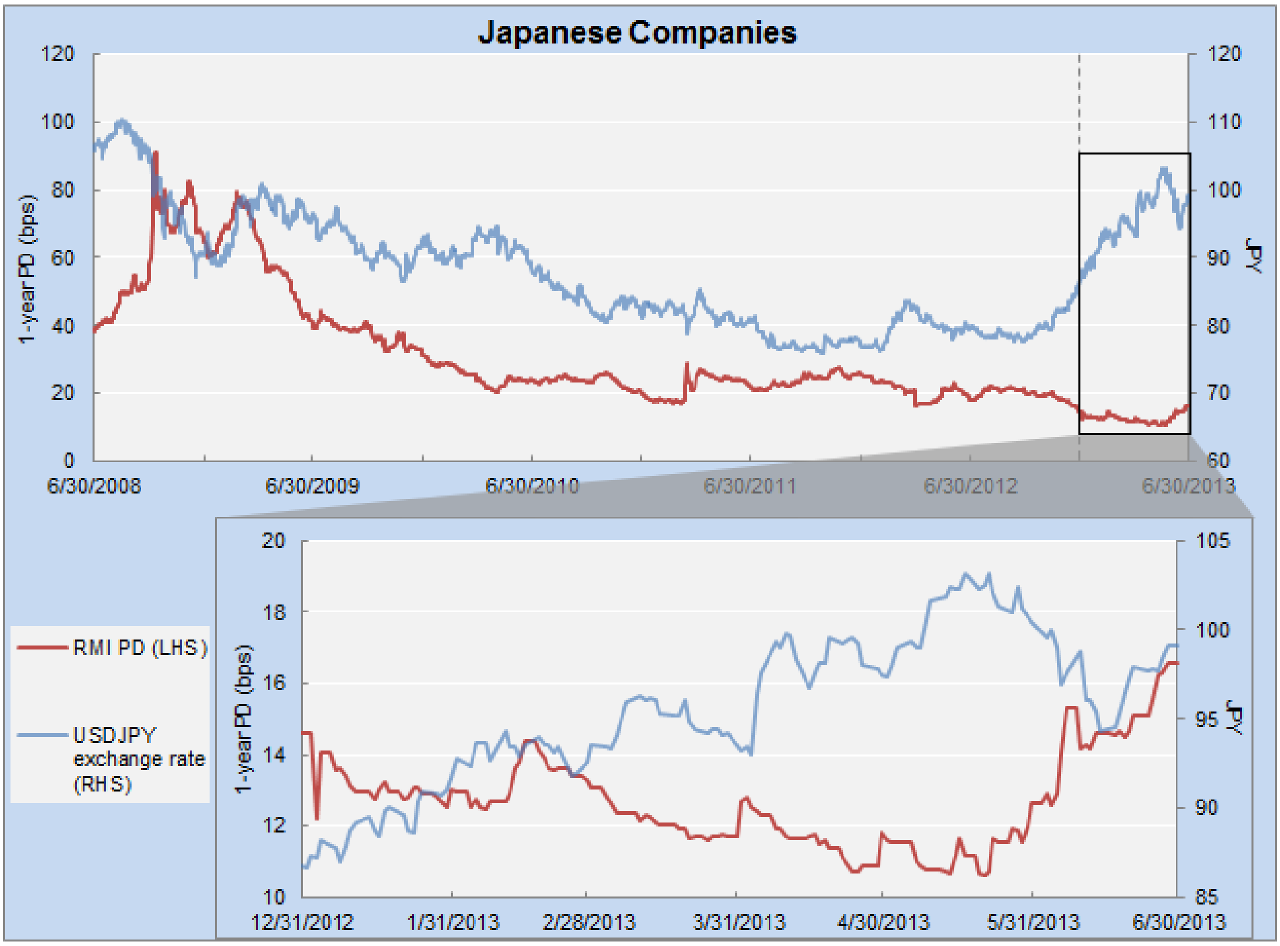
Japanese Companies

The 1-year RMI PD for Japanese companies increased during Q2, reaching the highest level for the year at the end of June. GDP growth for the first half of the year improved, helped by the increase in external demand for Japanese goods and higher domestic growth. The government, under Prime Minister Abe's leadership has set the direction for more fiscal stimulus, open-ended monetary policy and loosening structural reforms, which are likely to benefit companies in the upcoming months. Firms with foreign exchange exposures may be affected by the weaker JPY. The amount of outstanding loans in the economy has increased even though the cost of loans has increased a few percentage points. The credit outlook for Japanese companies remains tied to the success of the government's three arrows policy.



Economy

- Japan's annualized real GDP grew at a faster rate of 4.1% in Q1 2013, after expanding 1.2% in Q4 2012. In its semiannual World Economic Outlook report, the IMF recently upgraded Japan's 2013 growth forecast to 2% this year, stating that the central bank's new monetary easing policy will provide substantial stimulus.[100,101]
- The unemployment rate in Japan remained at 4.1% in April and March, which has been falling from 5.5% in July 2009. The number of unemployed persons in April was 2.91mn, a 7.6% drop from the previous year.[102]
- Commercial sales increased 0.2% in April over the last year as wholesale and retail sales increased 0.2% and 0.1% respectively. Large store retailers in particular saw sales gain 1.0% from last year.[103]
- Japan's Industrial Production Index rose 0.9% in April from March. A breakdown of the

seasonally adjusted index showed that shipments fell 1.4% from the previous month in April while inventories increased 0.8% in the same period.[104]

- Markit's Purchasing Managers' Index showed that Japan's service industry registered growth in May and April with readings of 54.8 and 51.7 respectively. The primary reason for the seventh consecutive month of growth was due to the gains seen in new businesses as market conditions improved.[105]
- The USD/JPY rose nearly 4% during Q2 2013, closing the quarter at 99.14 from 94.22 at the start of the quarter. The currency pair reached 103.16 in May before falling to 94.31 in June. This was on the back of the central bank's dovish stance on interest rates and the US Fed's recent hawkish comments on monetary policy.

Monetary

- The Bank of Japan kept the overnight call rate unchanged at 0.1% in Q2. The central bank made a pledge on Apirl 4 to expand the supply of money at an annual rate of between JPY 60tn to JPY 70tn in a bid to achieve an inflation target rate of 2% in two years. Additionally, the Bank of Japan Governor Haruhiko Kuroda said that new steps may be employed to calm markets if borrowing costs increase in future.[106]
- Minutes from the June monthly monetary policy meeting revealed that the central bank expects the economy to return to a moderate recovery path, due to the effects of monetary easing. Purchases of Japanese government bonds, exchange traded funds, Japan real estate investment trusts, commercial paper and corporate bonds will continue as they will support financial markets and lead to a rise in domestic inflation.[107]

Funding & Liquidity

- Yields on 10-year Japanese government bonds rose significantly during Q2, after reaching a historic low of 0.566% in April, to a high of 0.928% in May.
- Average interest rates on new bank loans by Japanese banks increased to 1.00% in April, after reaching 0.91% at the end of Q1. Average rates on outstanding loans were unchanged at 1.32% during the same period.[108]
- Overall bank lending in Japan decreased to JPY 402.9tn in May from JPY 404.8tn in March. The amount of outstanding loans is 2.1% higher from a year ago. Including trusts, bank lending increased an annual 1.8% to JPY 464.4tn after gaining 1.7% in April and 1.5% in March. Lending from foreign banks rose 10.6% to JPY 2.0tn following an 9.5% increment in April from the previous year.[109]

Politics

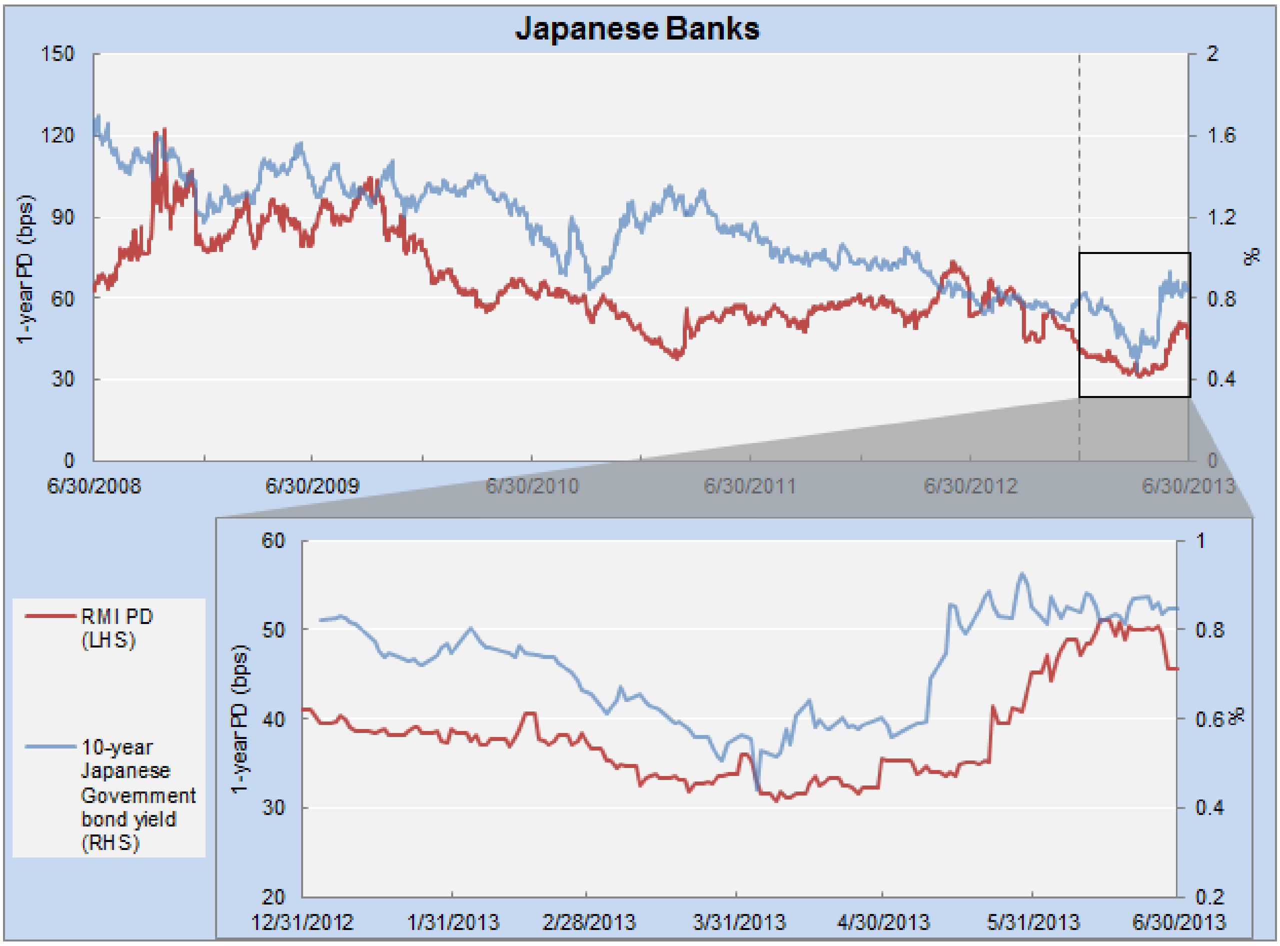
- Japan's relationship with China remains tense as both sides hold conflicting views over the sovereignty of the Senkaku Islands. The risk of a military clash over the islands remains probable. Japan also has a difficult relationship with South Korea as a result of the dispute over the Takeshima islets. The visit by two of Japanese cabinet ministers to the Yasukuni shrine in April, which honors Japan's convicted war criminals, has angered Chinese and South Korean counterparts.[110]

Sovereign Credit Ratings

- Fitch maintained Japan's long-term rating at A+, with a negative outlook. Moody's retained its Aa3 rating with a stable outlook and S&P maintained a negative outlook on its AA- rating.

Japanese Banks

The 1-year aggregate RMI PD for Japanese banks increased during Q2, to the highest level for the year. Lenders are less optimistic about their earnings for the year as net interest margins in Q2 declined. The number of corporate clients using credit lines provided by the banks has dropped. Bank issuance costs have risen as coupon rates on new issues have increased in Q2. Funding and liquidity conditions however improved in Q2, as the deposit base at banks expanded amidst a backdrop of easy monetary policy. With the recent depreciation of the Japanese currency, the current operating environment limits the number of opportunities for banks to grow internationally. With these factors in mind, a mediocre demand for loan growth could restrict the earnings potential for Japanese lenders which leads to a less favorable credit outlook for Japanese banks.



Profitability

- Aggregate earnings at listed Japanese banks decreased 7.94% during Q1, to JPY 968tn, after increasing 59% in Q4.
- A proxy for the net interest margins of Japanese banks continued to decline, falling to 0.892% per annum in May from as high as 0.91% during Q1 and 0.94% at the end of Q4 2012. Margins have been falling since peaking in June 2006.
- Japan's three largest banks forecast earnings will decline this year as monetary easing makes loans less profitable even as borrowing picks up. The profit projections of the banks however exceeded analyst's estimates, indicating that the lenders are optimistic that credit demand will increase.[111]

- The amount of outstanding commitment lines extended by Japanese banks fell to JPY 262tn in April from JPY 263tn in March. The level in April however represents a 9.6% increase from last year. The number of corporate clients using committed credit line contracts dropped to 3012 in April from 3056 at the end of March. [112]

Funding & Liquidity

- Coupon rates on 5-year fixed JPY-denominated bonds issued by Japanese banks increased to 0.33% in Q2 from 0.25% in Q1 2013.
- Deposits at Japanese banks increased 3.77% YoY in April to JPY 632tn and 3.22% in March, after increasing 2.89% QoQ at the end of Q1.[113]
- Average rates on deposits maturing in less than 30 days fell slightly to 0.061% per annum at the end of Q2 from 0.065% per annum at the end of Q1. Average rates on deposits maturing in 360 days or more increased to 0.113% at the end of Q2 from 0.097% three months earlier.[114]
- Overall liquidity in the Japanese banking system improved during Q1, as the aggregate LATDB ratio for listed banks increased to 10.0% from 9.04% in Q4. On a yearly basis, the aggregate LATDB ratio has gained 28.56%.
- The amount of outstanding reserves at the Bank of Japan increased to JPY 647tn at the end of May from JPY 526tn in March. This represents an over twofold improvement over the JPY 276tn level seen in May 2012.[115]

Capital Levels & Regulations

- The Financial Services Agency of Japan has made it easier for investors to short Japanese stocks. From November, investors selling borrowed securities in hopes of profiting by repurchasing them at a lower price will be allowed to make a trade at any price, unless the stock has fallen 10% from the previous close. Banks could see higher revenue from brokerage subsidiaries.[116]

Asset Quality

- Overall asset quality at Japanese banks remained almost unchanged during Q1, as provisions for loan losses increased by 0.35% between February and December 2012, after increasing by 4.5% QoQ during Q4. The outstanding amount of credit lines drawn down decreased to JPY 28.24tn from JPY 28.48tn a month earlier.

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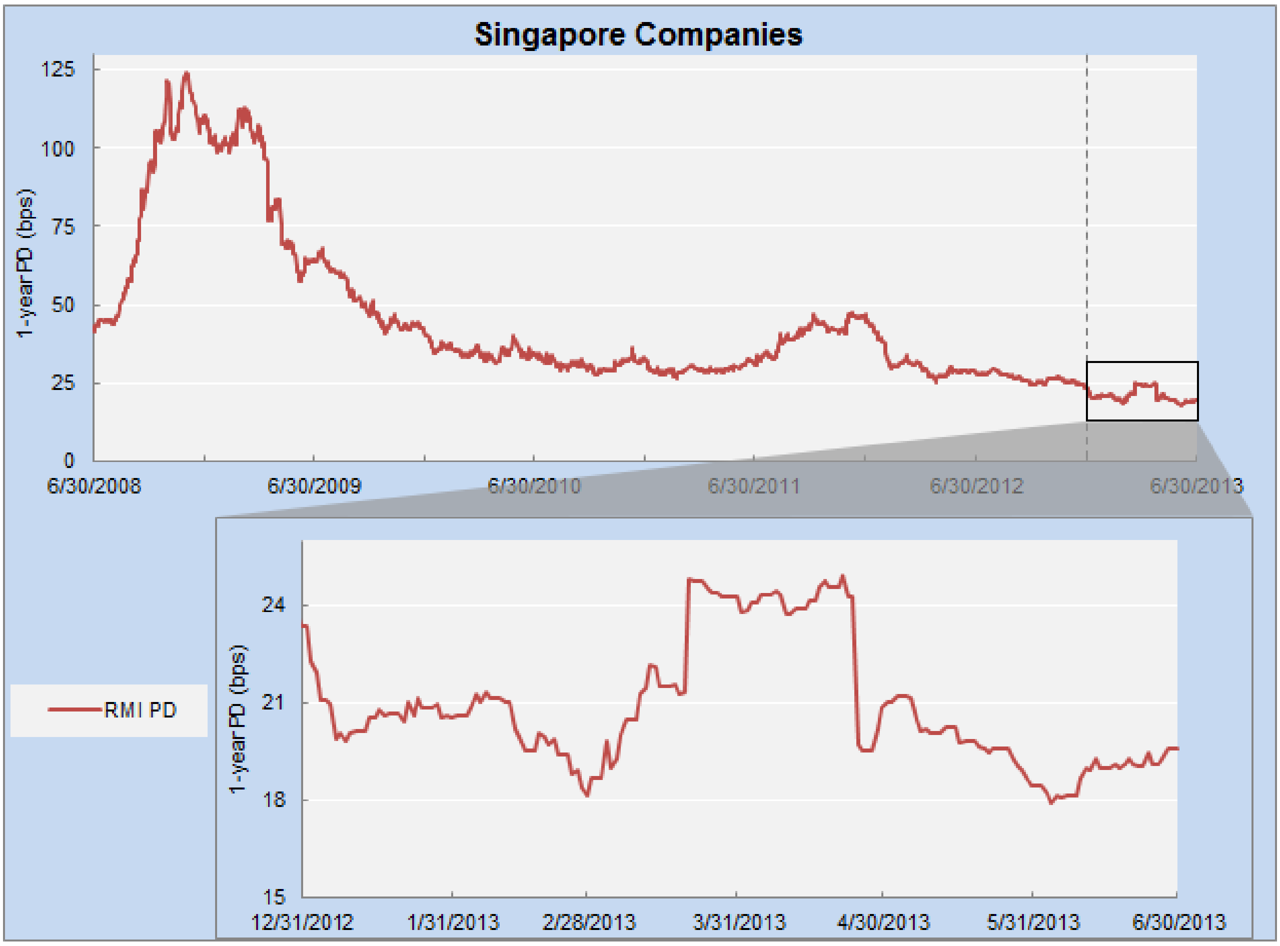
Singapore Companies

The aggregate 1-year RMI PD for Singapore companies decreased over Q2, continuing an overall trend of credit quality improvements since early 2012. Credit conditions improved as Singapore's economy picked up pace in Q2, with GDP growth driven by manufacturing expansion; however, slowing retail sales and shrinking domestic exports to major export markets suggests that such growth may not last. Funding and liquidity conditions continued to remain stable, with lending to non-financials continuing to expand at a moderate pace, but with increasing yields on government bonds influenced by international developments highlighting the domestic market's heavy dependence on overseas markets for stability. The central bank is expected to keep appreciation of the SGD at a gradual pace to keep inflation in check, which should help businesses remain internationally competitive. Going forward, the credit outlook for Singapore companies remains positive, as healthy lending conditions and manageable funding costs should offset an economy affected by restrained growth in export markets.



Economy

- The Singapore economy expanded 15.2% QoQ over Q2 after expanding 1.8% during Q1, the strongest growth in two years. The expansion, nearly double of what economists forecasted, was driven mainly by a surge in manufacturing activity. However, economists noted that exports have not expanded in line with manufacturing and that such growth is likely to be unsustainable.[117,118]
- Singapore's PMI index rose to 51.7 in June, the highest in two years, up from 50.3 recorded in March. The increase was attributed to growth in new orders and an expansion in production output.[119]

- Non-oil domestic exports shrank by 8.8% YoY in June after a 4.6% contraction in May, as both electronic and non-electronic exports suffered from weakening demand in major export markets. Indonesia, Japan and the EU were the top three countries contributing to the decline. [120]
- Retail sales expanded 2.1% MoM in May, after a 5.5% increase in April. However, the increase in retail sales was only 0.9% after excluding motor vehicles. On a YoY basis, retail sales grew 3.2%.[121]

Monetary

- In its April Monetary Policy statement, the MAS said it would maintain its policy of gradual appreciation of the SGD, keeping both the slope and width of its SGD policy band unchanged, in order to contain inflationary pressures.[122]

Funding & Liquidity

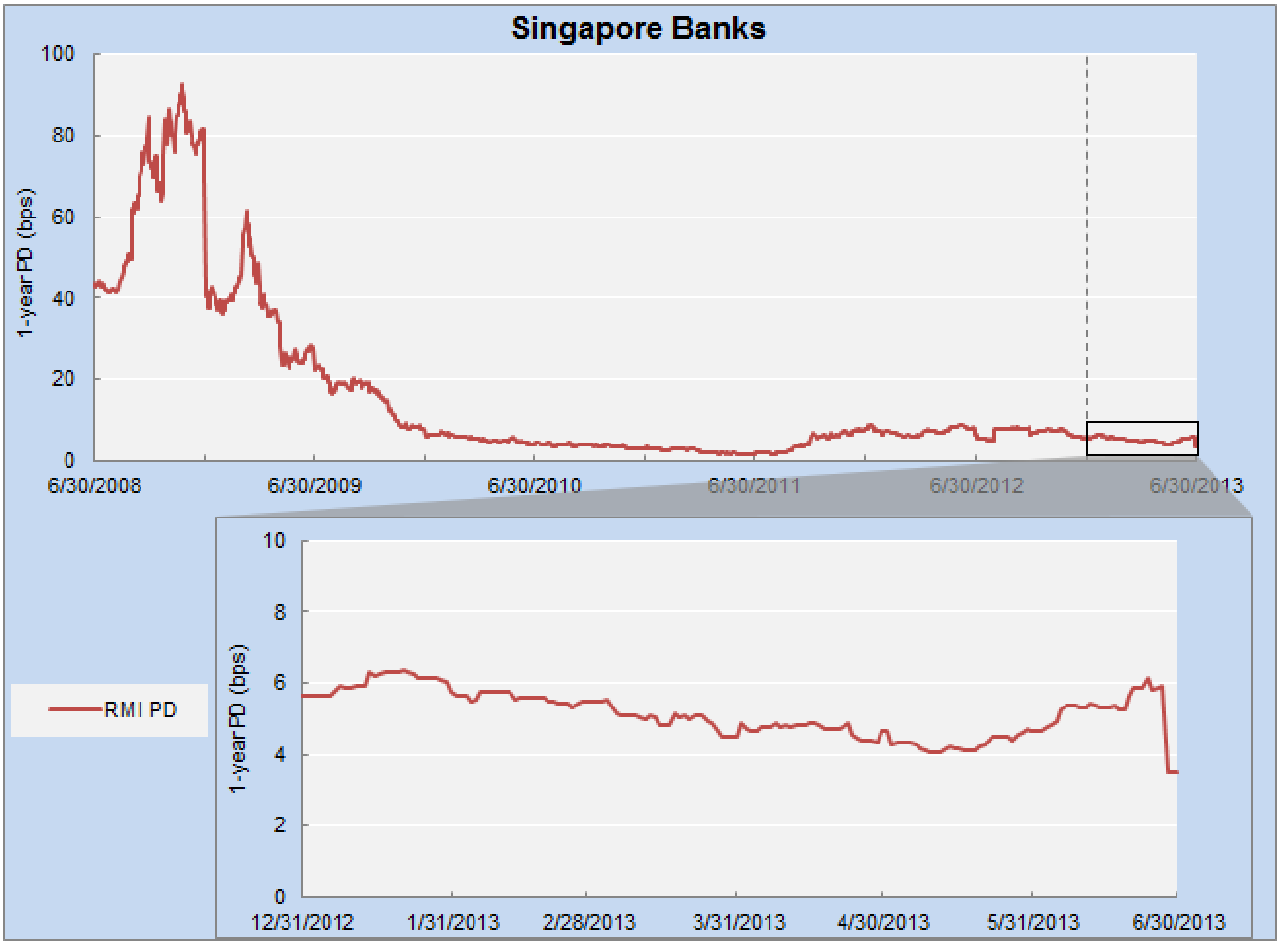
- Yields on 10-year Singapore government bonds rose to 2.54% at the end of Q2, up from 1.52% recorded at the end of Q1. Yields rose to a high of 2.76% on June 24th, the highest since Q1 2011, as Singapore bonds continued to track Treasury bill yields which rose significantly on speculation that the Fed would taper back on monetary stimulus.
- Bank lending to non-financial Singapore companies slowed over Q2. Loans to non-financials expanded by 20.6% YoY in May, down from a YoY lending growth rate of 21.75% in March that had not been matched since June last year.[123]
- The prime lending rate remained at 5.38% through Q2, unchanged since January 2008.[124]

Sovereign Credit Ratings

- Singapore retained its AAA rating at all three major rating agencies over Q2 2013, and remains one of only seven countries worldwide with top credit ratings and stable outlooks.

Singapore Banks

The 1-year RMI PD for Singapore banks increased slightly over Q2 before dropping to levels not seen since 2011 in June, as better than expected economic growth helped credit conditions rebound from the increased market volatility stemming from recent speculation that the US Federal Reserve would reduce monetary stimulus. Funding conditions continue to remain favorable for Singapore banks, as deposit rates remain stable and volumes continue to grow albeit at a slower pace from the previous quarter. Bank reserves and capital ratios have fallen as the statutory liquidity ratio came down from a two-year high, but banks remain sufficiently capitalized under Basel III requirements. Although non-performing loans fell, credit card write-offs rose to a record high, perhaps prompting an increase in provisions to offset potential future deteriorations in asset quality. Going forward, stricter regulations on home loans and on interest rate-setting may affect profits, but lending growth should continue to expand at healthy levels. Considering this together with stable financial conditions in the country, the credit outlook for Singapore banks remains positive.



Profitability

- Aggregate earnings at the three major Singapore banks slowed slightly in Q2, falling 4.26% QoQ to SGD 2.27bn, after falling 7.82% to SGD 2.39bn in Q1, from a record high of SGD 2.57bn in Q4 2012.
- The growth rate of loans issued by Singapore banks slowed to 18.8% YoY in May, after growing at 20% in April and 19.7% in March.[125]

Funding & Liquidity

- Average yields on 10-year USD-denominated bonds issued by Singapore banks rose significantly over Q2, ending the quarter at 3.83%, up from 3.16% at the end of Q1.

- Deposits at major domestic banks increased 1.79% to SGD 540.58bn over the three months ending May, after increasing 3.41% QoQ in Q1. Loan growth has continually outpaced deposits and banks' loan-to-deposit ratio has risen to 97.8% in May from 96.5% in March.[126]
- Deposit rates remained mostly stable over Q2. The fixed deposit rate remained unchanged at 0.32% per annum, while the savings deposit rate fell to 0.1% from 0.11% at the end of Q1. Fixed deposits made up 39.8% of deposits in May, 1 percentage point down from the previous quarter, while savings stayed stable at 33.7%.[127,128]
- The aggregate LATDB ratio for Singapore banks fell slightly to 30.5% in Q2, from 31.1% in Q1, after falling to 29.7% at the end of 2012. The statutory liquidity ratio of banks was 16.9% in May, down from a two-year high of 17.4% in April.[129]

Capital Levels & Regulations

- The phase-in of Basel III in Singapore started in January 2013, with all three Singapore banks meeting the requirements. Bank reserves and capital levels have decreased to SGD 67.5bn in May from SGD 69.1bn in March, and currently stand at 7.2% of total liabilities.[130]
- A local probe into banking practices concluded in June, finding traders in 20 banks involved in borrowing and currency rate manipulation. The MAS unveiled reforms on how banks will set benchmark rates in future, and instructed involved banks to set aside additional reserves with the central bank for a year.[131]
- The Monetary Authority of Singapore unveiled stricter regulations on home loans to individuals in an attempt to curb speculation on housing prices in late June. Lenders must now take a borrower's other debts into consideration, and monthly payments should not exceed 60% of the buyer's income. The move is set to strengthen credit underwriting practices on mortgages and make the housing market less sensitive to interest rate shocks.[132]

Asset Quality

- Banks increased provisions for loan losses by 7.75% QoQ in Q2 to SGD 403mn, up from provisions for the same period in 2012 of SGD 245mn. Non-performing loans from the three major Singapore banks dipped 2.19% QoQ to end Q1 at SGD 6bn. However, write-offs on credit card debt over a three month period hit a record high of SGD 62.9mn between February and May.[133]

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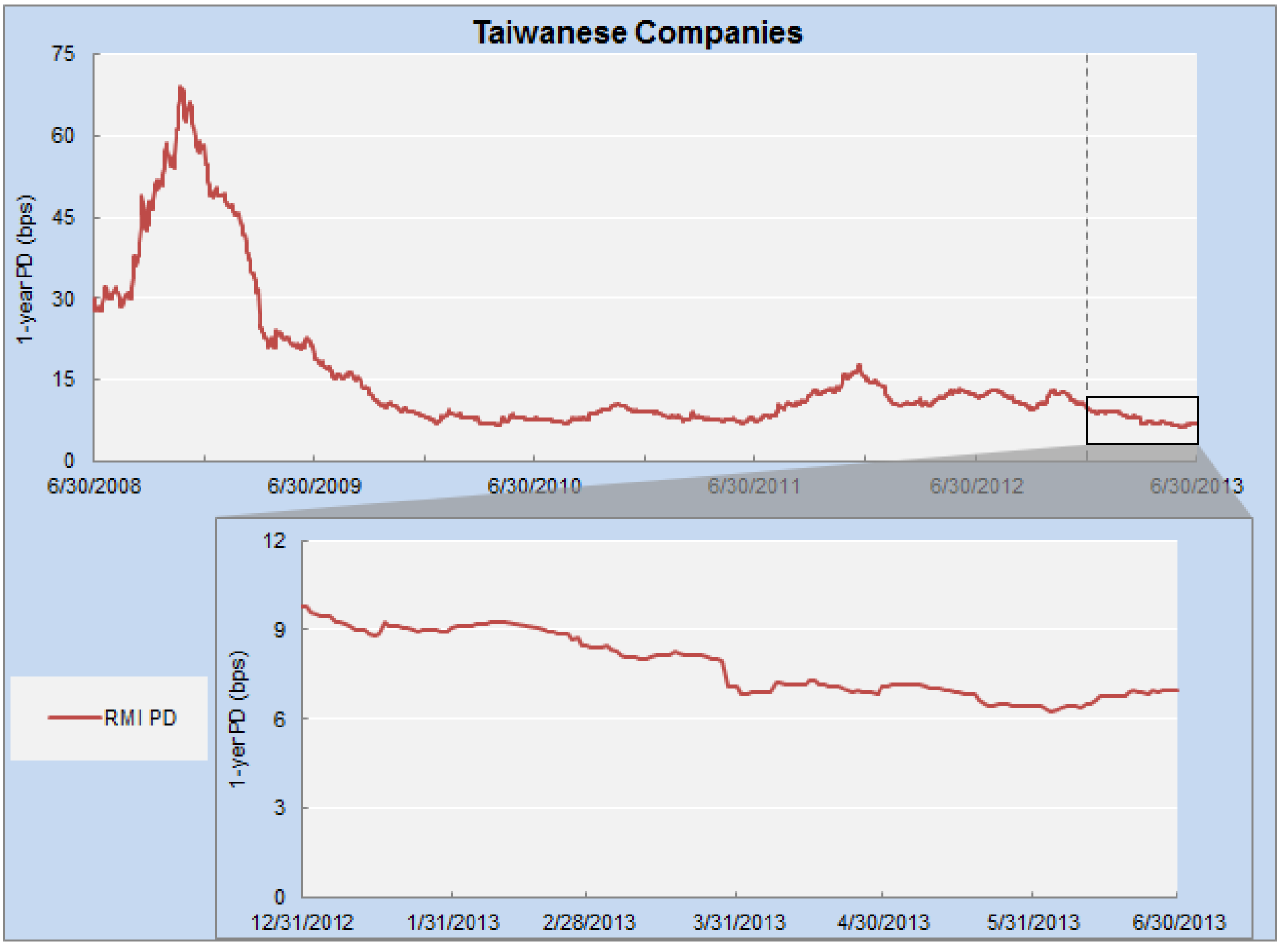
Taiwanese Companies

The aggregate 1-year RMI PD for Taiwanese companies continued to fall during Q2, down from highs seen in mid-2012. This was at odds with downwards revisions to 2013 growth estimates, and a decline in forward-looking measures of manufacturing demand. The latter suggests a recovery in exports towards the end of Q2 may not be sustainable, while continued stagnation in the retail sector also helps paint a negative growth picture. However, more promising growth in the US and Japan, combined with stimulus and reform efforts announced during Q2 could provide much needed support to growth going forward. This outlook is also supported by greater access to the service sectors in mainland China for Taiwanese firms. Funding and liquidity profiles remain promising, with banks increasing lending to corporates in Q2, while the central bank eased restrictions on issuances of CNY-denominated bonds. However, funding costs in debt markets may be higher in the near-term as yields on government bonds have increased. With the aforementioned in mind, the credit outlook for Taiwanese companies is uncertain, and remains tied to a continued recovery in global demand.



Economy

- The Taiwanese economy expanded by a revised 1.67% YoY in Q1, after expanding 3.97% in Q4. The government now expects the economy to grow by 2.4% during 2013, down from a previous estimate of 3.6%. The IMF expects the economy will grow by 3% in 2013.
- The unemployment rate increased slightly during Q2 to 4.19% in March, after reaching a low of 4.16% in Q1.

- The official Purchasing Manufacturing Index fell to 53.6 in June from 55.3 in May and 56.8 in April, as both production and new orders slowed. According to the HSBC PMI, the manufacturing sector entered contraction territory during Q2, with readings of 49.5 in June and 47.1 in May, down from 50.7 in April.[134,135]
- Exports appear to have recovered slightly during June, increasing by 8.6% YoY, boosted by a sharp increase in exports to Europe and Japan. This followed growth of 0.9% in May and a 1.9% contraction in April.[136]
- Retail sales continued to remained stagnant during Q2, increasing 0.11% YoY in May and 0.48% in April after falling 2.14% in March.

Monetary

- The Central Bank of the Republic of China (Taiwan) maintained its official interest rate at 1.875% during Q1, unchanged since July 2011.
- With both the JPY and KRW weakening against the USD in Q2, the Taiwanese central bank intervened to prevent further depreciation of the TWD towards the end of Q2, as the central bank deems the appropriate strength to be close to TWD 30 against the USD.[137]

Funding & Liquidity

- Yields on 10-year Taiwanese government bonds increased to 1.41% at the end of Q2, up from as low as 1.18% in May. Yields have reached as high as 1.57% since the end of Q2.
- Total bank claims on the private sector continued to grow during Q2, increasing 4.68% YoY in May to TWD 20.7tn, after increasing 5.23% in April and 5.38% in March.[138]
- Taiwanese base lending rates remained at 2.883% at the end of May, unchanged from Q1.[139]
- The Taiwanese government plans on making it easier for companies to issue CNY-denominated bonds in Taiwan, waiving restrictions that require CNY bonds to have a credit rating, and for the issuer to be publicly listed.[140]

Policy

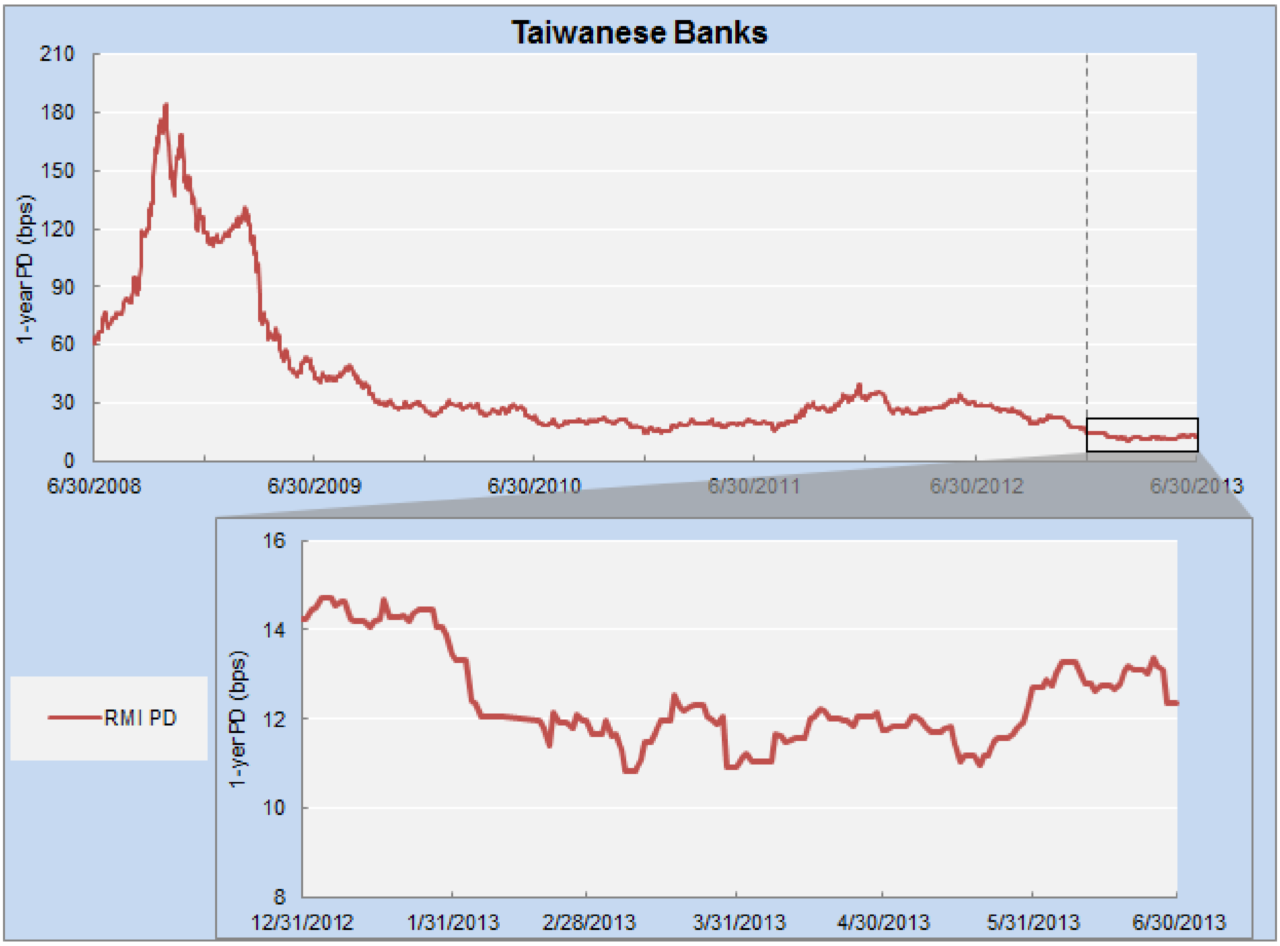
- Taiwan and China agreed to reduce trade barriers further in late-June, in a deal that will provide greater cross access to each nation's service sectors, such as financial services, and the retail and tourism sectors.[141]
- The Taiwanese government approved a major set of economic reforms in April, aimed at relaxing or removing current restrictions on trade. Liberalization may begin as early as Q3 in the six existing free trade zones under a pilot program. It may take up to two years before other free trade zones open.[142]
- The government announced a TWD 3.2bn stimulus package at the end of May, which is aimed at expanding consumer spending and stimulating domestic investment. Along with the measures, the government is removing a capital gains tax on stocks that had dampened market sentiment, and encouraging domestic insurers to invest in domestic infrastructure projects.[143]

Sovereign Credit Ratings

- Moody's and S&P maintained their respective Aa3 and AA- ratings on the Taiwanese government during Q4; Fitch also maintained its A+ rating. All three CRAs retained stable outlooks.

Taiwanese Banks

The aggregate 1-year RMI PD for Taiwanese banks increased during Q2, after falling to a historical low at the end of Q1. This came despite a rising earnings during Q1, with earnings in Q2 likely supported by modest economic growth and stable NIMs. Overall funding and liquidity conditions remained favorable, supported by a recovery in deposit growth and stable liquidity. Deposit funding rates remained stable, while banks have seen an increase in market funding costs as government bond yields rose. Overall asset quality may have improved as bank reduced new provisions for loan losses in Q1, although non-performing loans increased slightly in Q2. Going forward, banks are likely to benefit from more diverse lending and funding opportunities as they continue to expand their CNY-denominated assets. This should provide further support to recent earnings resilience, with net income strong despite below trend economic growth. Combining this with an improvement in asset quality and a robust liquidity profile, the credit outlook for Taiwanese banks remains positive.



Profitability

- Taiwanese banks' combined net income increased by 4.83% YoY to TWD 40.4bn during Q1, after increasing 18.7% YoY during Q4 2013. A proxy for the NIM of Taiwanese banks remained unchanged at 2.55% in Q2.

Funding & Liquidity

- Average coupon rates on new issuances of 7-year subordinated TWD-denominated bank bonds increased slightly to 2.06% during Q2, from 1.58% during Q1 and 1.5% during Q4 2013.
- Deposit growth at Taiwanese banks continued to increase during Q2, with total deposits increasing 3.96% YoY in May and by 3.56% in April, after growing at an average YoY rate of 3.3% during Q1.[144]

- CNY-denominated deposits at Taiwanese banks have grown from zero to CNY 60bn since banks were first allowed to accept offshore CNY deposits in February.
- Deposit rates remained stable for the eighth consecutive quarter, with average 1-year fixed rates at 1.355% per annum and 1-year floating rates at 1.345%.[145]
- Overall liquidity in the Taiwanese banking system remained stable during Q1, with the aggregate LATDB ratio for listed banks increasing slightly to 13.96% from 13.9% in Q4 2013.

Asset Quality

- Asset quality may have improved through Q2, as total new provisions for loan losses recorded by Taiwanese banks fell to TWD 4.65bn during Q1, down from TWD 14.86bn recorded in Q4 2013.
- The total NPL ratio for Taiwanese banks increased to 0.44% in Q2, from 0.42% in Q1.[146]

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Asia-Pacific - Emerging economies

The aggregate 1-year RMI PD for listed corporations domiciled in emerging Asia, excluding India and China, fell in Q2 to the lowest level since February 2011. The improvement came despite a sell-off in emerging markets that was caused by a fear of a possible tapering of asset purchases by US Federal Reserve. The primary drivers behind the region's robust economic growth, e.g. rising consumer class, generous government spending and exceedingly well-performing stock markets, have not changed much even as global investors scramble for an exit from most emerging economies. In the first three months of the year, the Philippines reported economic growth of 7.8% from a year ago putting it as the fastest growing country in Asia. With this in mind, the credit outlook for emerging Asia's listed companies remains strong.

Indonesian Companies

The aggregate 1-year RMI PD for Indonesian companies increased through Q2. Earnings profiles of Indonesian firms deteriorated as economic growth and investment continued to slow over the quarter. The country's exports suffered due to weaker growth in other emerging economies such as China and India. The IDR remained weak during the quarter despite Bank Indonesia's surprise move of raising its benchmark interest rates and pledging to continue strengthening its monetary operations. The currency weakened past 10,000 against the USD in June for the first time since 2009. As capital flowed out from emerging Asia, Indonesia's reliance on foreign investment to finance its current-account deficit became strained. The Indonesian parliament approved a bill in June to cut fuel subsidies, lifting the price of petrol by 44% and the price of diesel by 22%. The measure should ease Indonesia's budget deficit and help reduce a widening trade deficit, but at the same time putting upward pressure on inflation, which accelerated in June to rise 5.9% YoY. The overall credit outlook for Indonesian companies remains stable, as the country's strong growth prospects and healthy fiscal profile stayed intact, but a longer monetary policy tightening cycle and slow progress in structural reforms may weigh on its economic development.

Economy

- The Indonesian economy expanded in Q1 at the slowest pace in more than two years. GDP increased 6.02% YoY in the first three months of 2013, compared with a 6.11% pace during Q4 2012. Underperforming exports and slower government spending were the main factors contributing to a slower growth. The World Bank cut its forecast for Indonesia's economic growth in 2013 to 5.9%, from an earlier forecast of 6.2%. The Washington-based lender cited lower domestic demand and commodity exports as the rationale.[147]

- Indonesia recorded trade deficits for two consecutive months through May. The trade balance plunged to a record shortfall of USD 1.7bn in April before easing to a USD 590.4mn deficit in May. Exports fell 4.5% YoY to USD 16.07bn in May, and imports fell 2.2% YoY to USD 16.66bn. The trade deficit is expected to narrow soon after the government raised subsidized fuel prices by an average 33% in late June, which should reduce imports significantly and help ease pressure on the country's current-account deficit.
- HSBC's PMI for the Indonesian manufacturing sector averaged 51.4 in Q2, an improvement over the 50.5 seen in the previous quarter. The index stood at 51.0 in June, the lowest level in four months, unchanged from 51.3 in March. The overall PMI reading suggested that healthy domestic demand is offset by weaker global economic recovery and external headwinds such as unfavorable exchange rates, declining European demand and increased competition from other exporting economies.[148]
- Indonesia's CPI rose to 140.03 in June from 138.78 three months ago, representing a 0.9% QoQ inflation. Prices for transportation, communication and financial services inflated the most among the expenditure group during Q2, increasing 3.95% QoQ to a reading of 114.88 from 110.51.[149,150]

Monetary

- Bank Indonesia surprised the market in June by raising its benchmark interest rate 25bps to 6%, even as economic growth and investment started to slow over the last few quarters. Bank Indonesia said it was responding pre-emptively to contain rising inflation expectations and to maintain macroeconomic stability. The policy rate had been unchanged since February 2012.[151]
- Indonesia's foreign-exchange reserves fell to USD 98.1bn in June, the lowest level since January 2011 according to Bloomberg, from USD 104.8bn three months ago. A ballooning current-account deficit and fear of Fed-tapering spurred outflows from the country in recent weeks.[152]

Funding & Liquidity

- Indonesian companies sold USD 1.2bn of bonds in June, the most in more than a year, even as emerging-market debt sales more than halved to USD 50.5bn, the least since September 2011. Issuers were rushing to sell debt because they believe the central bank will hike its benchmark rate again in the near future. State-controlled airline Garuda Indonesia and property firm Bumi Serpong Damai sold IDR 2tn and IDR 1.75tn of notes respectively.[153]
- Yields on 10-year Indonesian sovereign bonds climbed to 7.09% at the end of Q2 from 5.44% on March 28. Foreign investors cut holdings of Indonesian debt on inflation concern. The central bank bought more than USD 905mn of government bonds from the secondary market in June and is prepared for further asset purchases to stabilize prices if necessary.[154]
- Total credit of commercial Indonesian lenders to non-bank third party grew to IDR 2,887.5tn in May from IDR 2,768.4tn two months ago. Domestic credit growth, which has been strong, might slow in the near future if the government tightened monetary conditions further via interest rate hikes and macro-prudential regulation. [155]
- Average Indonesian commercial bank lending rates to non-banking entities and consumers stayed mostly unchanged at 11.82% in February, compared to 11.88% in December.

- The average interest rates on Indonesian commercial bank IDR-denominated lending to non-banking entities and consumers stayed mostly stable in the first two months of Q2, dropping to 11.69% in May from 11.73% and 11.81% in April and March respectively.[156]

Sovereign Credit Ratings

- Moody's, Fitch and S&P retained their Baa3, BBB- and BB+ ratings, respectively on the Indonesian government in Q2. All 3 CRAs now have a stable outlook on Indonesia's sovereign debt after S&P cut its outlook on Indonesia to stable from positive, citing stalling reform momentum and diminished potential for a rating upgrade.[157]

Indonesian Banks

The aggregate 1-year RMI PD for Indonesian banks climbed to a ten-month high at the end of Q2, as market funding costs for Indonesian lenders soared in line with sovereign yields. Although the Indonesian central bank has increased its main interest rate to curb a surge of capital outflows, investors have become increasingly worried over protectionist measures such as ownership regulations for commercial banks and slowing exports amid lower external demand. Aggregate earnings declined as consumers delayed purchases amid fears of rising inflation and relatively sluggish domestic economic growth, although profitability as measured by NIM stayed high by international standards. Liquidity in the Indonesian banking sector remains generally healthy but at a tighter level relative to the country's ASEAN neighbors. Overall, the credit outlook for Indonesian banks worsens, reflecting the weakness of the industry in the area of credit risk management. Central bank measures that encourage the expansion of lending to boost economic growth have exposed Indonesian lenders to the danger of credit growth outpacing risk management; Lending has expanded at an annual rate of more than 20% since March 2011, when a central bank rule that requires banks to maintain a loan-to-deposit ratio of at least 78% took effect.

Profitability

- Earnings at Indonesian listed banks fell throughout Q1, with aggregate net income decreasing around 3.77% QoQ during Q1, compared with a 4.49% decline in Q4.
- Indonesian listed banks continued to lead the world in profitability by the measure of net interest margin. The average NIMs of Indonesian listed lenders improved to 6.42% in Q1 from 6.12% in the last quarter of 2012. The same measure for all commercial banks in Indonesia stayed at 5.41% in May from two months ago, up from 5.33% a year earlier.[158]

Funding & Liquidity

- The loan-to-deposits ratio of commercial banks in Indonesia continued its upward trend in the three months through May, rising from 84.35% to 85.84% over the period. The rapid credit growth may create a liquidity shock and increasing vulnerability in the banking sector.[159]
- The yield on the 10-year IDR-denominated bonds issued by Bank Rakyat Indonesia, the second-largest lender in Indonesia in term of assets, soared to 4.788% from 3.131% through the three months to the end of Q2.
- Total bank deposits in Indonesia expanded to IDR 3,293tn at the end of May from IDR 3,164tn three months ago, according to Bloomberg data. In a move aimed at curbing capital outflows, Bank Indonesia raised the rate it pays lenders on overnight deposits in June by 25bps to 4.25%.
- Deposit rates barely moved in the two months through April. The average rates on 1-year IDR time deposits and IDR saving deposits fell to 5.79% and 1.86% respectively, from 5.88% and 1.87% at the start of the period.[160]

Asset Quality

- Nonperforming loans of listed Indonesian lenders fell to approximately IDR 35.354tn from IDR 36.346tn through the three months to March. By contrast, the same measure for all commercial banks in Indonesia climbed 7.57% to IDR 54.425tn from IDR 50.595tn over the same period.[161]
- S&P warned in a report released at the start of July that the Indonesian banking sector is facing greater credit risks. The credit rating agency noted that special mention loans, or loans overdue for up to 90 days but yet to turn bad, have been increasing since 2011. S&P suggested the trend could indicate further repayment difficulties for borrowers, despite a drop in reported nonperforming loans.[162]

Regulations

- Bank Indonesia rejected a bid by Singapore's DBS Group in May to buy a majority stake of Bank Danamon, under ownership restrictions introduced last July. Under new Basel III rules, DBS will need to deduct the entire value of a minority stake from Tier 1 capital, which could potentially deter DBS from completing the deal. The regulatory move may discourage future foreign investment.[163]
- Bank Indonesia debut its first fixing for the rupiah, Jakarta Interbank Spot Dollar Rate (JISDOR) in May. JISDOR will be less prone to manipulation as it is based on actual transactions and not bank estimations, unlike the onshore rates used in many other markets. The reference rate is not mandatory but is expected to help develop the onshore currency derivatives market as it provides a more credible reference for market participants when conducting their transactions.[164]

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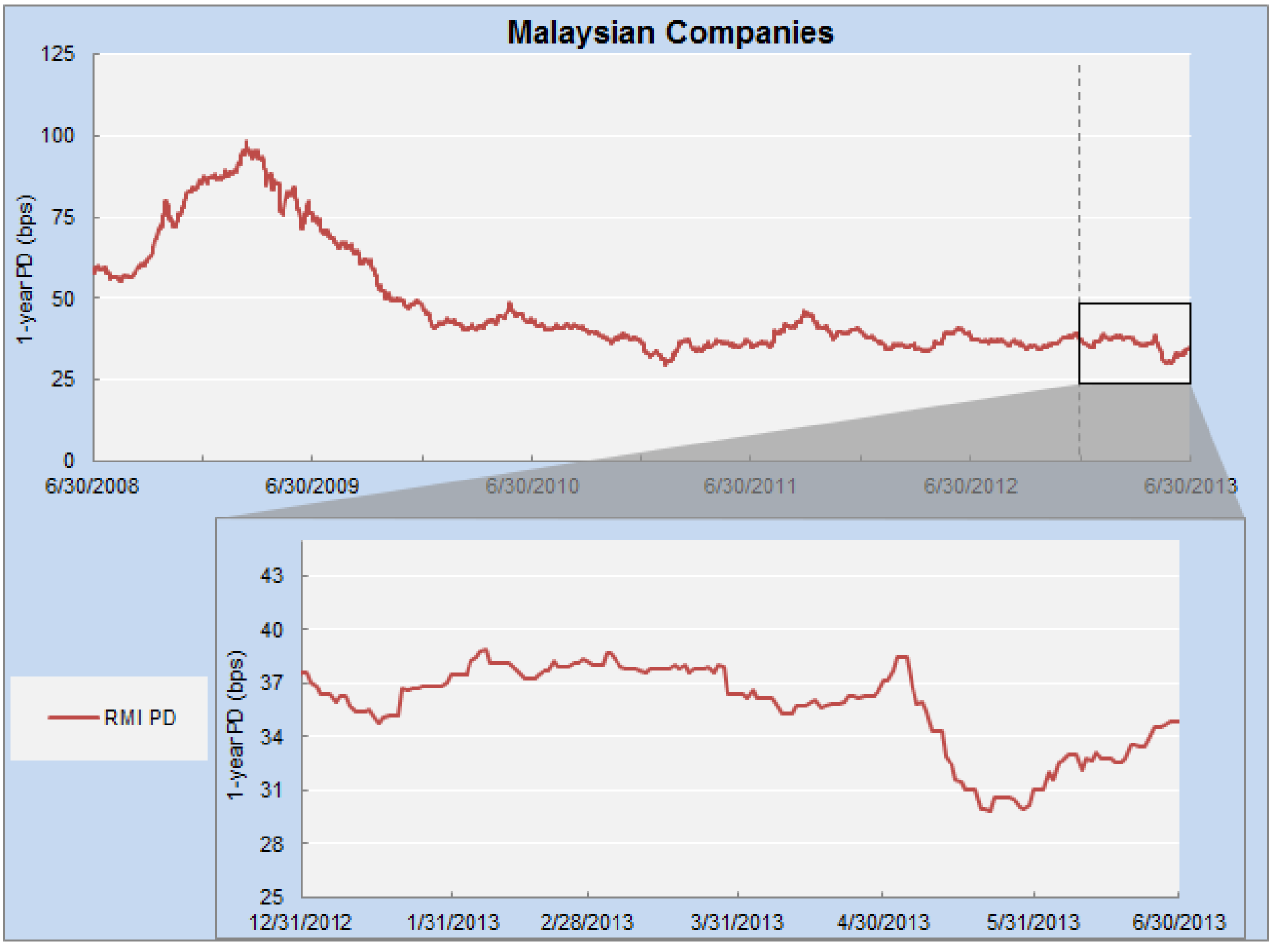
Malaysian Companies

The aggregate 1-year RMI PD for Malaysian companies fell through Q2, as political normalcy resumed following Prime Minister Najib Razak's May 5 electoral victory. However, in the lead-up to the closest general elections ever, the country's economic performance dipped, as was mirrored by an increase in the unemployment rate. Nevertheless, both the economy and the unemployment rate are expected to improve in the next statistical release, as retail sales and industrial production start to gather traction. Meanwhile, the accommodative monetary stance held by Bank Negara Malaysia, coupled with the government's large public infrastructure spending will also continue to drive the country's economic growth amid an uneven global economic recovery. There is a cause of concern however, in the cost of funding the aforementioned infrastructure investment as the yield on Malaysia's 10-year sovereign bonds rose at the fastest pace in four years in late July. This will also add on to Malaysia's debt burden, whose debt to gross domestic ratio of 53.5% is already the highest among its regional peers. The credit outlook for Malaysian companies is thus positive but uncertain.



Economy

- The expansion of the Malaysian economy slowed to 4.1% YoY in Q1 from 6.5% in the preceding quarter. While Malaysia's Q1 growth is usually subdued relative to the acceleration in output in subsequent quarters, this is the first time in six quarters that YoY GDP growth has failed to surpass the 5% barrier. On a quarterly basis, the economy experienced its biggest contraction of 4.9% (non-seasonally adjusted) in 4 years.[165,166]
- Nevertheless, GDP growth is expected to remain robust at 4.5% to 5.5% for the full-year, with analysts generally retaining or slightly trimming their original forecasts.[167]

- The seasonally adjusted unemployment rate inched upwards to 3.4% in May from 3.1% and 3.3% in April and March respectively.[168]
- The MIER Consumers Index for Q2 slid 13.2 points to 109.7 on higher inflation expectations and a soft job market outlook. Retail sales in Q1 however, were up 7.5% QoQ, improving on last quarter's 4.7% growth rate and bettering the 6.9% mark from a year ago. The better-than-expected pace is ascribed to the government's cash and voucher handouts in January. Retail Group Malaysia forecasts that the retail industry will grow by 7.7% in Q2 and by an upward-revised 6.4% for the whole of 2013.[169]
- The MIER Business Conditions Index reflected renewed business optimism in Q2 as it rebounded to 114.2 points from 92.6 in the previous quarter. Overall real production output in Malaysia's economy expanded in the two months through May. Manufacturing led the way in April (+5.4%) before tapering off a month later (-1.1%). The mining index meanwhile, dipped in April (-0.8%) before coming back strongly (+2.9%) in May to finish higher than at the end of Q1. Figures quoted are on a seasonally adjusted MoM basis.[170]

Monetary

- Bank Negara Malaysia (BNM) maintained its Overnight Policy Rate (OPR) at 3% throughout Q2. Since July 2011, the OPR has remained unchanged for 13 successive Monetary Policy Committee meetings. BNM expects firm investment activity and private consumption to continue driving growth, and rising inflation to remain modest for the rest of the year.[171]
- Malaysia's broad money (M3) grew 9.5% YoY in May to MYR 1.42tn, up from MYR 1.397tn at the end of Q1.[172]

Funding & Liquidity

- Yields on 10-year Malaysian government bonds on June 28 were at 3.578%, rising 12.8bps from 3.45% on March 29.
- Bank lending in Q2 shrank overall from a year ago, with disbursements of new loans to non-financial Malaysian companies declining 12.9% YoY in May while edging up 2.6% YoY in April. This compares to lending statistics in Q1 where January and March saw 11% and 5.6% YoY increases respectively. Bank lending in February remained constant YoY.[173]
- Average commercial bank lending rates in Malaysia continued its decline to a new all-time low of 4.62% p.a. in May. The rate was 4.70% p.a. in March. During the same period, the average lending rate at investment banks also fell, from 6.84% to 6.73% p.a.[174]

Policy

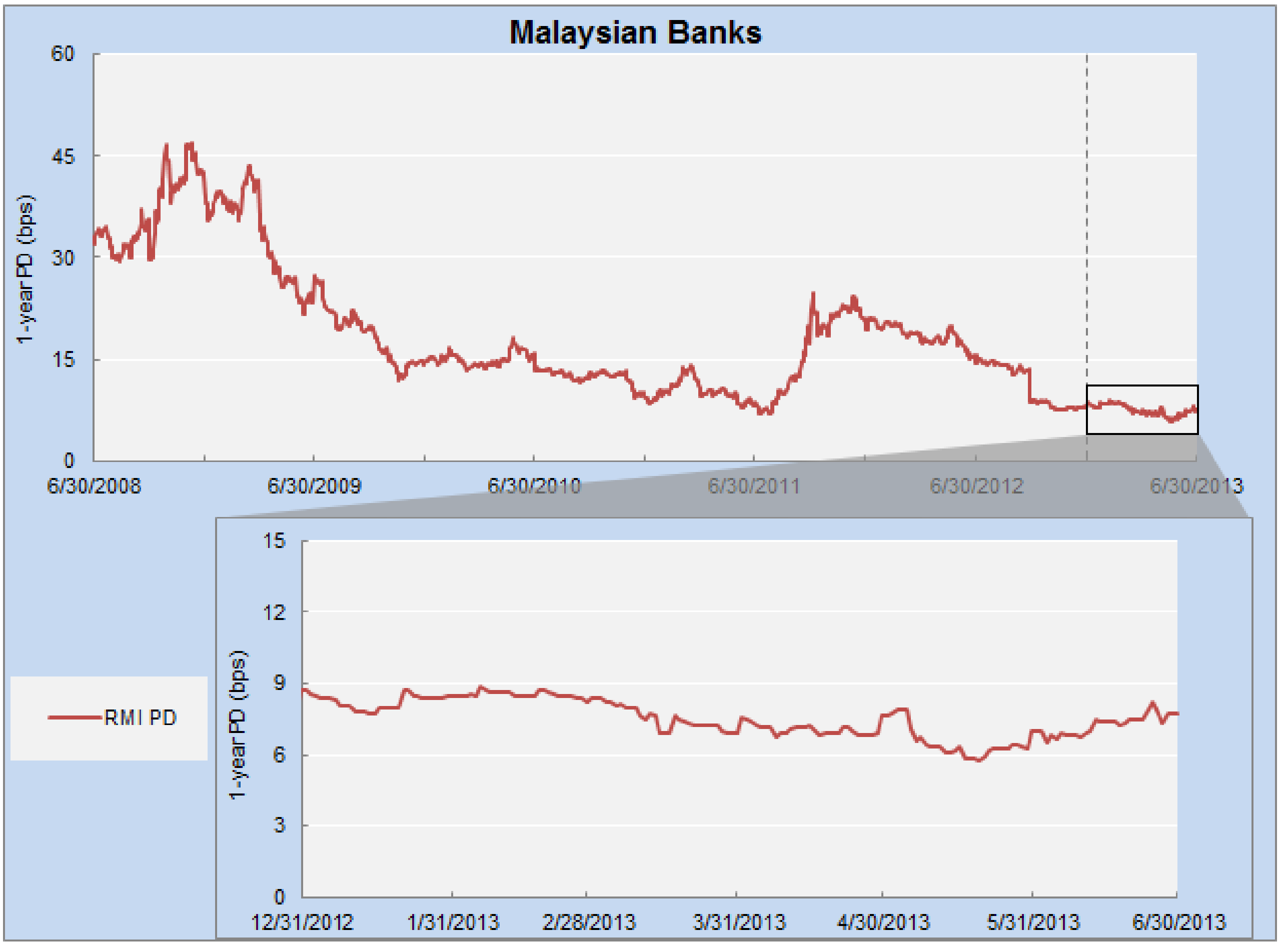
- Victory for Malaysia's ruling coalition Barisan Nasional in the May elections, which were the most keenly-contested in the country's history, means the government's Economic Transformation Programme remains on track. The planned expenditure of USD 444bn on infrastructure includes building a mass-rail network, a premier shopping belt and adding oil storage facilities. This has led to a bullish investor sentiment, which has manifested itself in the FTSE Bursa Malaysia KLCI Index's rebound, amid a tide of capital flight from emerging markets.[175]

Sovereign Credit Ratings

- The Malaysian government retained its A- equivalent rating with stable outlook from the three major CRAs during Q2.

Malaysian Banks

The aggregate 1-year RMI PD for listed banks in Malaysia remained close to historically low levels during Q2. Earnings rose in the period despite narrowing NIMs and slowing loan applications. Funding and liquidity conditions in the sector also improved as deposit growth finally picked up while funding costs mostly stayed the same. The aforementioned factors, together with the high asset quality and capitalization levels of Malaysian banks, thus contribute to their positive long-term credit outlook.



Profitability

- Earnings at listed Malaysian banks rebounded in Q1, as aggregate net income improved by 4.6% QoQ to MYR 5.44bn from MYR 5.2bn. Earnings had previously declined 3.31% in Q4 2012.
- The high volume of total loans applied at the end of Q1 carried into April where applications rose 1.3% MoM to MYR 71.4bn before sliding back by 5.6% to MYR 67.4bn in May.[176]
- A proxy for the average NIM of Malaysian commercial banks, based on average interest rate spreads continued to dip during Q2, this time by 8bps to an average of 1.65% in May from 1.73% in March.

Funding & Liquidity

- The yield on Maybank's 4-year 3% USD-denominated bond rose to 2.58% at the end of Q2, from 1.71% at the end of Q1. Maybank is the largest domestic bank by total assets.
- Deposit growth likely arrested its deceleration in Q2 (up to May) as total deposits increased an average of 8.5% YoY in the two-month period to MYR 1.47tn, up from

Q1's 8.1%. Previously, average deposit growth rates had been steadily declining for four consecutive quarters after hitting a high of 14.3% in Q1 2012. [177]

- The average rate of savings deposits barely moved in the two months through May, increasing by 1bps to 1.02%. Rates on 12-month fixed deposits remained at 3.15% for the seventh consecutive month. [178]
- Overall liquidity in the Malaysian banking system improved in Q1, with the aggregate LATDB ratio for listed banks rising to 18.1% from 17.3% in the previous quarter.

Capital Levels & Regulations

- The Common Equity Tier 1 Capital ratio, Core Tier 1 Capital ratio and Total Capital ratio stood at 11.9%, 12.8% and 14.1% respectively in May. This represents a deterioration of 40bps in the former two ratios and a 50bps drop in the Total Capital ratio. [179]

Asset Quality

- Asset quality of Malaysian Banks stayed unchanged with impaired loans of MYR 23bn constituting 1.4% of total loans in May.
- The ratio of aggregate provisions to total impaired loans fluctuated little during Q2, ending at 99.2% in May after increasing to 100.3% in April. Overall, the ratio remained relatively strong, having stayed above 98.5% in the twelve months through May.[180]

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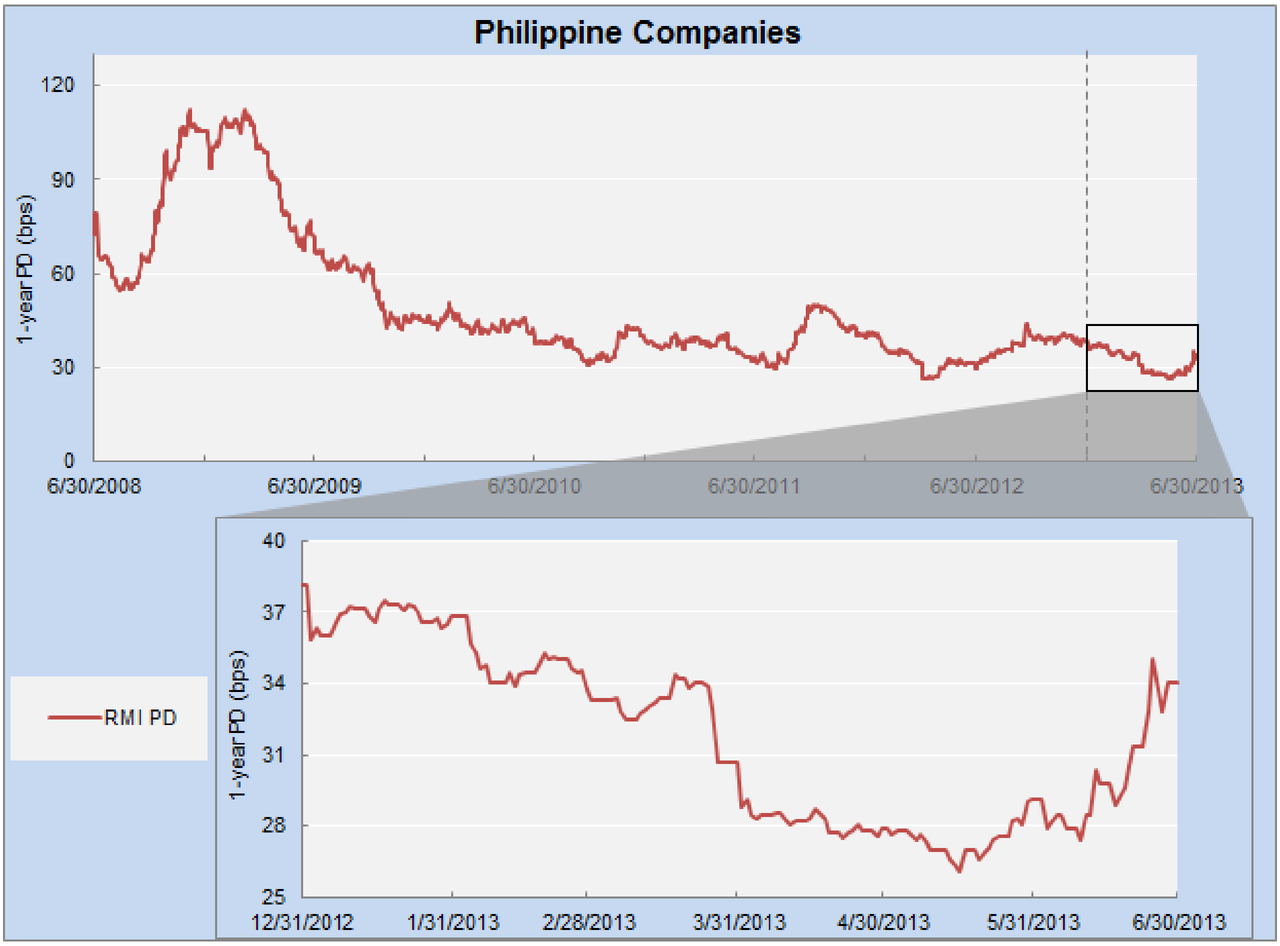
Philippine Companies

The aggregate 1-year RMI PD for Philippine companies stayed stable through Q2, albeit closing slightly higher at the end of the period, after Federal Reserve Chairman Ben Bernanke hinted that monetary stimulus could come to an end in 2014 and spurred a flight of capital from emerging markets. The bellwether Philippine Stock Exchange index gave up most of its gains since mid March, and Philippine government bonds fell 8.9% over the three-month period. Earnings profiles improved nevertheless as the Philippine economy continued its rapid expansion and corporate earnings of local firms improved. Funding and liquidity stayed at a healthy level, as the Bangko Sentral ng Pilipinas (BSP) has been vigilant in using monetary policy to maintain stability in the financial markets, and the Philippines won its second investment-grade credit rating from S&P in May. The credit outlook for Philippine companies is neutral. Strong investment and state spending, combined with the government's efforts in fighting corruption and its discipline in fiscal consolidation, should continue to support economic growth. However, Aquino's administration will need more efforts in other areas such as managing its maritime disputes with its Asian neighbors and to tackle the high rate of poverty incidence and rising income inequality, to bring about sustainable economic growth.



Economy

- Strong domestic demand and government spending, fuelled by steady remittance growth and low inflation, pushed the Philippine economy to expand at an exceedingly fast rate in Q1. First quarter GDP grew 2.2% QoQ, or 7.8% YoY, as the Philippines became the fastest growing economy in Asia, ahead of China's 1.6% quarterly growth and 7.7%. The IMF predicts Philippine GDP to defy the slowdown Asia and grow 7% this year.[181]
- Headline inflation decelerated again to 2.8% YoY in June from 3.2% in March, bringing year-to-date average inflation rate to 2.9%, which was slightly below the government's

target corridor of 3% to 5% for 2013. Core inflation, which excludes certain food and energy items to measure generalized price hikes, decreased as well to 2.9% YoY in June from 3.8% three months ago.[182]

- In spite of rapid economic growth, the unemployment rate in Philippines swelled from 7.1% to 7.5% in the three months through April. The unemployment rate was at 6.9% a year ago. The nation is struggling to boost its pool of skilled workers as investment in public education typically takes years to improve skill levels. The Philippines will need to attract more foreign direct investment to its labor-intensive sectors to create jobs for the growing working-age population.[183]
- The freight on board (FOB) value of total exports dropped 0.8% YoY to USD 4.89bn in May, due to the high base a year ago. In the three months through May, exports grew 30.7% from the USD 3.74bn recorded in March. Imports showed an opposite trend on a YOY basis; Philippines' trade deficit climbed to USD 1.02bn from USD 153mn a year ago as the FOB value of total imports rose 7.4% to USD 5.14bn in April.[184,185]
- The Business Expectations Survey conducted by BSP showed overall business sentiment in Q2 soaring to a historical high since the nationwide survey was started in 2006. The overall confidence index climbed to 54.9% (a positive figure indicates favorable view) from 41.5% a quarter ago. Next quarter confidence index was also favorable at 46.2%, albeit lower compared to the 56.4% recorded in Q1.[186]

Monetary

- The BSP maintained its key policy interest rates at 3.5% for overnight borrowing (reverse repurchase) and 5.5% for overnight lending (repurchase) through Q2. Like most other emerging economies, the Philippines kept monetary policy steady since May to battle capital outflows, after US Federal Reserve Chairman Ben Bernanke said policy makers could consider reducing stimulus.
- BSP governor Amando M. Tetangco Jr said that the central bank stands ready to make adjustments to its monetary policy should market conditions change sufficiently to warrant policy changes, after the US Federal Reserve said it could to reduce its pace of asset purchases. In June, the BSP held off reducing rates on the special deposit accounts, which have seen cumulative cuts of 150bps this year.[187]

Funding & Liquidity

- Average yields on 10 year PHP-denominated bonds issued by the government of the Philippines hiked to 3.661% from 2.973% in the three months through June, in line with the broad regional trend after a US Federal Reserve-induced sell off.
- Total outstanding loans of commercial banks, net of banks' reverse repurchase agreements with the BSP, expanded 1.38% to PHP 3.262tn in May from PHP 3.217tn at the end of Q1. Commercial bank lending for production activities, which comprised more than four-fifths of the banks' aggregate loan portfolio, increased 1.44% to PHP 2.97tn over the same period.[188]
- Domestic liquidity as measured by M3, which includes large and long-term deposits, swelled by 16.3% in May to PHP 5.3tn from PHP 4.6tn a year ago. The growth in liquidity was driven largely by the expansion in net domestic assets, which recorded a 28.2% increase over the same period. By contrast, net foreign assets inched upwards by only 0.94% over the 12-month period.[189]

- Average interest rates on bank loans to Philippine companies likely continued their downward trend in Q2. Lending rates fell to a range of 4.64% to 6.91% per annum in May from a corridor of 4.82% to 7.08% per annum at the end of Q1.[190]

Politics

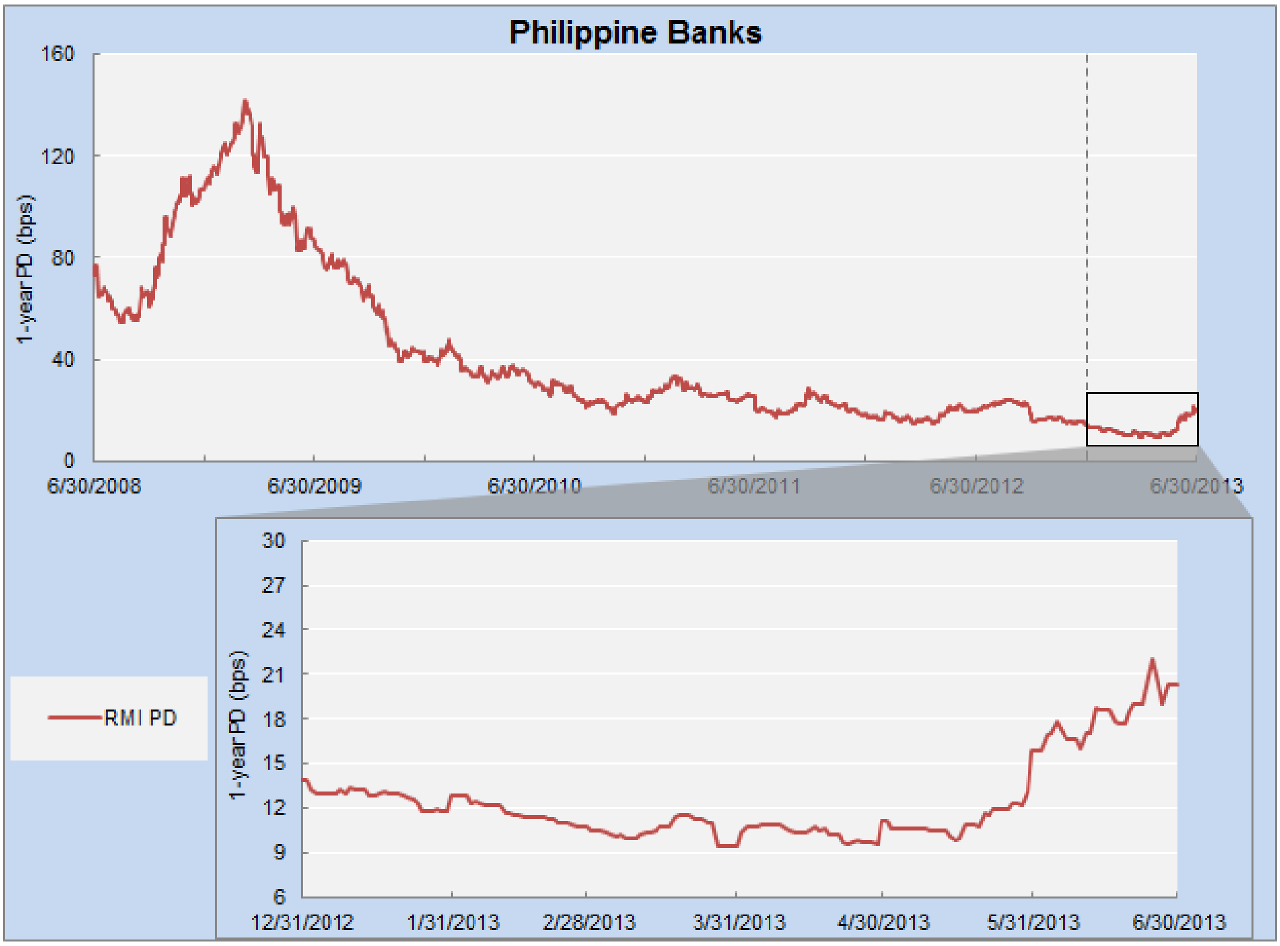
- Philippine President Benigno Aquino secured big wins in the mid-term elections held in May. Aquino's ruling Liberal Party and its allies won control of the 24-member Senate and retained its majority presence in the House of Representatives. The grip on both houses of Congress will allow the president to much more easily pass legislations such as stronger anti-graft measures, speedier trials and a more efficient procurement system.[191]

Sovereign Credit Ratings

- In early May, S&P upgraded its rating on the Philippines' long-term foreign-currency-denominated debt one notch to BBB- from BB+, with a stable outlook. This is the second investment grade rating for Philippines after Fitch's similar rating action in March. Over the 3-month period, both Moody's and Fitch retained their Ba1 and BBB- ratings respectively on Philippine government debt, as well as the associated stable outlook.

Philippine Banks

The aggregate 1-year RMI PD for Philippine banks increased sharply during Q2. The credit profile of the banking sector suffered as lenders faced rising bond yields after US Federal Reserve Chairman Ben Bernanke said the US central bank would probably start reducing its USD 85bn-a-month asset purchases soon. Nevertheless, the banking sector still enjoys healthy profitability as BSP has kept its policy rate steady at a record low of 3.5% since December 2012, helping to sustain robust domestic credit growth. Lending has been expanding at double-digit level and boosted the rapid economic growth. Also, there is relatively less of a concern in Philippines that loose monetary policy will lead to growing financial vulnerabilities and asset bubble, as household debt-to-GDP ratio remains at a low level. Downside risks are likely low with liquidity remaining awash in the sector and asset quality that is above average in the region. The credit outlook for the banking sector is positive, with local banks' capital adequacy ratios remaining high by international standards.



Profitability

- The aggregate net income of listed banks in the Philippines more than doubled during Q1, jumping 126.67% to PHP 44.97bn. Aggregate net income contracted 7.7% in the previous quarter.
- BSP released a report in early May on the Philippine banking system for 2012. According to the central bank, the Philippine financial system posted a remarkable performance last year with sustained profitability and stronger capitalization despite the global weakness.[192,193]

The Philippine Bank of Communications has been excluded from the aggregate RMI PD displayed above due to data problems.

Funding & Liquidity

- Yields on 4-year 4.5% USD-denominated bonds issued by BDO Unibank Inc, the largest Philippine banks in asset terms, climbed 62.5bps to 4.156% on June 28 from the previous quarter. The yields have been on a downward trend since then as fears of US trimming down stimulus measures recede. The banks' access to funding likely improved following a second sovereign credit rating upgrade in three months.
- Total deposits in the Philippine banking system dropped 0.539% QoQ to PHP 5.715tn at the end of Q1. On a YoY basis though, the reading represents a 10.66% expansion, highlighting the capability of local lenders to extend credit to a growing economy.[194]
- The average funding costs of Philippine banks continued to slide, as savings deposit rates fell to 0.94% from 1.34% in the three months through April. The average bank lending rates dropped as well to 5.85% from 6.21% over the same period. Overall, the spread between the two rates widened 4bps to 4.91%.[195]
- Overall liquidity in the Philippine banking system likely improved further during Q1, as the aggregate LATDB ratio for listed banks rose to 25.8% from 24.6%, according to the latest financial data available.

Capital Levels & Regulations

- Data from BSP showed that funds placed in special deposit accounts (SDAs) totaled PHP 1.799tn at the end of June, well below the PHP 1.916tn recorded in mid-February. The central bank's new rules limiting the access of lenders to the facility and the lower yields on SDAs most likely contributed to the decline. In May, the BSP banned lenders from using SDAs for their fiduciary business and investment management accounts. The new rules will be effective by the end of November, with partial implementation in July.[196]

Asset Quality

- Listed banks in Philippines posted lower provisions for loan losses in Q1. That number dropped 2.8% to PHP 4.75bn for Q1 compared to PHP 4.89bn a quarter ago. Provisions for loan losses to total assets declined as well, with the ratio dropping to 9.16bps from 9.79bps over the period.
- In mid-July, Moody's released a statement warning deteriorating asset quality at Asian banks. The CRA said the Philippines was an exception to this trend as credit quality is still at an early point of an upwards cycle in the country. Moody's cited the modest appreciation in home prices and a still-healthy level of household credit at around 5% of GDP.[197]

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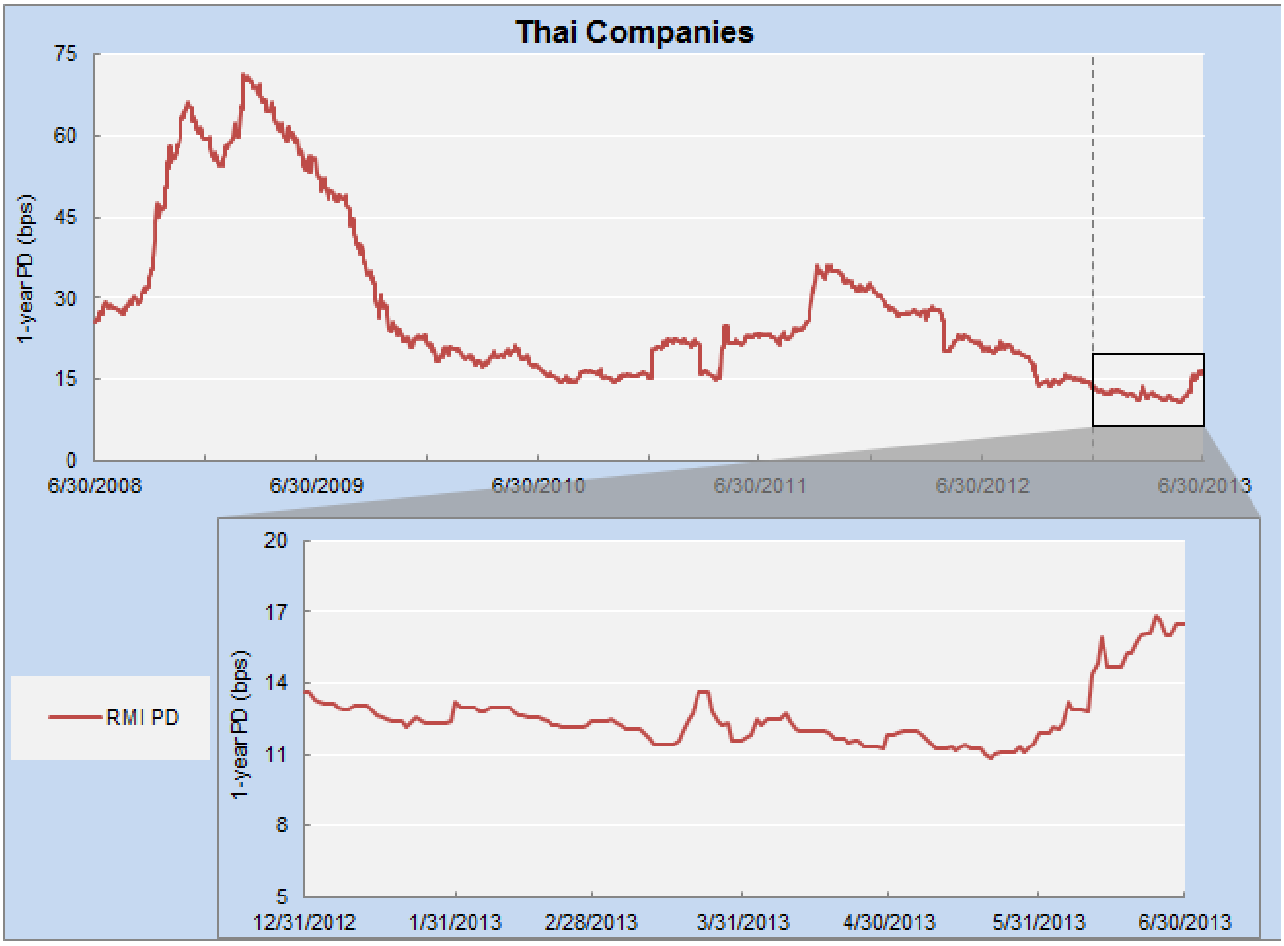
Thai Companies

The aggregate 1-year RMI PD for Thai companies remained stable for the first two months of Q2 before climbing in June on capital outflows, following speculations of a possible tapering in the US Federal Reserve's quantitative easing. Nevertheless, the default risk for Thai firms remains relatively low. Although Thailand's economic growth in Q1 was weighed down by slowing agricultural and non-agricultural sectors, the economy remained close to full employment. Retail sales slid further but are still within healthy levels. Meanwhile on the monetary front, the Bank of Thailand lowered rates to prop up an economy faced with a softening external sector. Liquidity in the economy also remained high as loan rates stayed unchanged. Going forward, the credit outlook for Thai firms is wrought with uncertainty, given a soft external demand and a highly inefficient rice-intervention scheme from which the government is unable to extricate itself. The latter may increase fiscal strains in the near term, reducing the ability of the government to provide support to Thai companies.



Economy

- The Thai economy registered a relatively sluggish 5.3% YoY expansion in Q1, as compared to a booming 19.1% in the preceding quarter - which was due to the low base of production arising from the 2011 floods. On a quarterly basis, GDP decreased by 2.2% after seasonal adjustments. This deceleration is ascribed to the moderating demand on both domestic and external fronts. The growth in total investment slowed the most, receding from 22.9% to 6% through Q1. The IMF revised their forecast of the nation's real GDP growth rate in 2013 to 4.75% from 5.9%.[198,199]
- The unemployment rate in Thailand rose to 0.89% in April from 0.62% in February and 0.48% in December 2012, replicating the trend from a year ago.[200]

- Thai merchandise exports rose by a meagre 0.5% YoY in Q1, as compared to the 13.5% expansion during the previous quarter. This was due to the decline in exports of computers and parts, integrated circuits, petroleum products, rice and frozen shrimp.[201]
- The Bank of Thailand's business sentiment index indicated a slightly pessimistic outlook among businesses in April (48.8) that improved in May (53.9). Index values above 50 reflect positive business sentiments whereas values below 50 denote otherwise.[202]
- Revenue performance of retail companies were mixed in the months of March and April as the retail sales index rebounded 12.5% from 218.37 in February to 245.62 in March, but then plummeted 13.5% to end at 212.57 in April. Historically however, retail tends to be at its weakest in April.[203]

Monetary

- The Monetary Policy Committee (MPC) voted unanimously on July 10 to maintain the policy rate at 2.50% p.a. after lowering it by 25bps at the end of May from 2.75%. As there was little threat of inflationary pressure, the decision was undertaken to cushion the economy against downside risks arising from volatile capital flows and Asia's slower-than-expected economic recovery. The central bank noted that complementary policy measures such as capital flow management would be considered alongside policy interest rate, should they be needed to promote financial stability.[204]
- Thailand's broad money which includes banknotes in circulation, bills of exchange issued by commercial banks, deposits of saving cooperatives and net asset values of money market funds expanded 2.5% between February and May to THB 15.47tn.[205]

Funding & Liquidity

- Yields of 10-year government bonds on June 28 were at 3.705%, rising 20bps from 3.505% on March 29.
- The total amount of credit granted to non-financial companies rose from THB 4.95tn in February to THB 5.01tn in May. Of these, 64.9% or THB 3.25tn were loans. Other forms of credit include overdraft facilities and bills.[206]
- Loan rates for corporate customers with good credit histories stayed constant throughout Q2, with the minimum lending rate averaging 7.19% and the minimum overdraft rate 7.565%.[207]

Policy

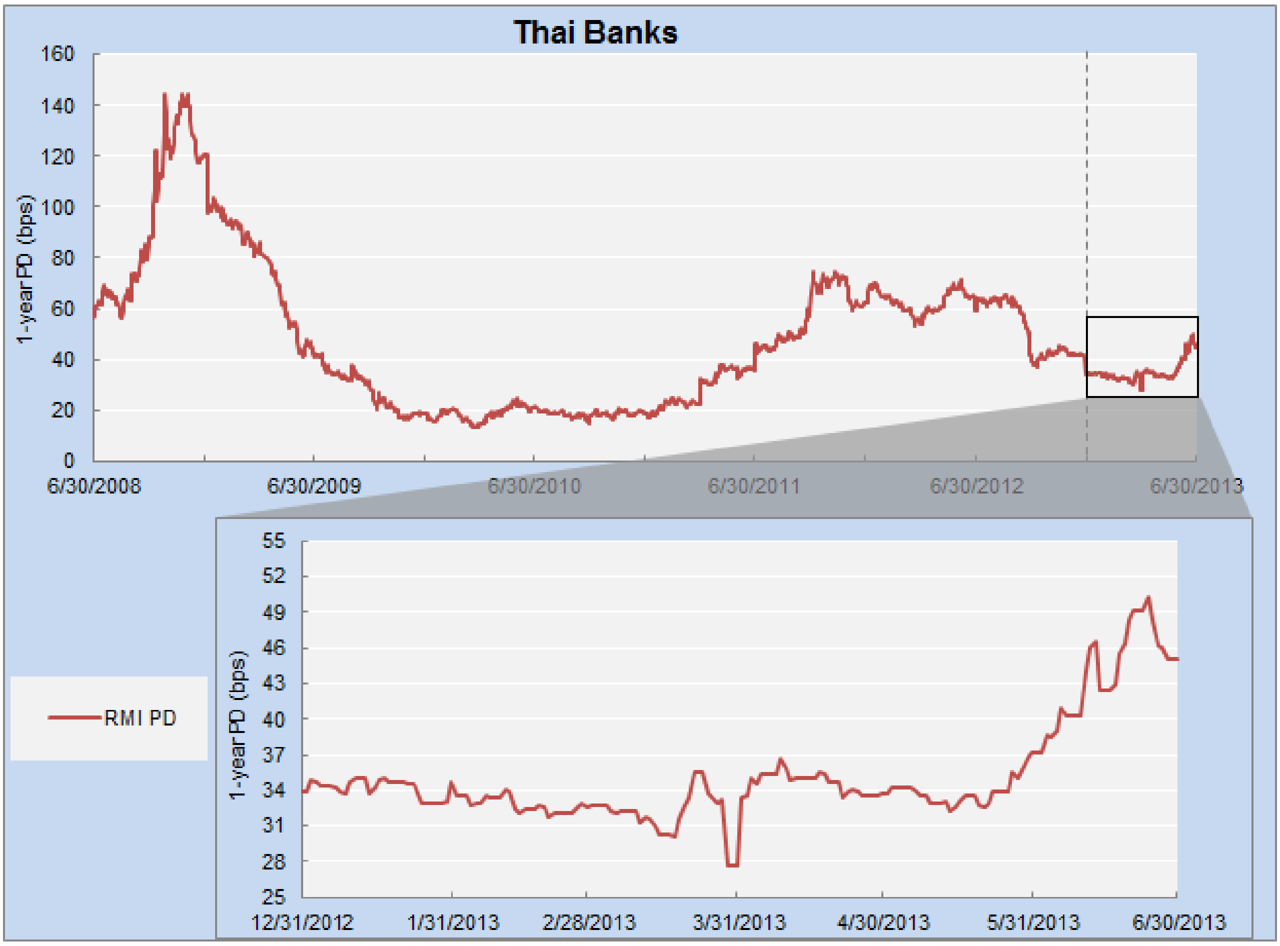
- The Thai government succumbed to political pressure from farmers and reversed its 20% cut on the price ceiling of mortgaged rice shortly after it took effect on July 1.[208]
- The rice-pledging scheme in which the government purchased rice from farmers at a fixed price of THB 15,000, 50% above the international market rate, was introduced in October 2011. The government has since incurred losses of at least THB 136bn in the 2011/12 crop year. Subsequently, Thailand has been left with 17m tonnes of rice stockpiles while relinquishing its position as the world's top rice exporter to India. As losses from the scheme continue to mount, a fiscal strain will be more keenly felt in the coming months.[209]

Sovereign Credit Ratings

- Moody's and S&P maintained their credit ratings on Thailand's sovereign bonds at Baa1 and BBB+ respectively, with a stable credit outlook.

Thai Banks

The aggregate 1-year RMI PD for banks in Thailand rose in Q2 despite stronger earning profiles, as concerns surrounding potential tapering by the US Federal Reserve triggered capital outflows, leading to higher medium-term funding costs for Thai banks. Receding liquidity in the banking sector was also reflected in slower deposit growth and declining liquidity profiles. Meanwhile, on a more positive note, capitalization levels and asset quality of Thai banks noticeably improved during the quarter. Overall, the sectoral credit outlook leans towards the positive given the strong fundamentals of most Thai banks, the central bank's accommodative monetary policy and the likely transient nature of the current capital outflows, illustrated by a slight decrease in the sectoral RMI PD at the end of June.



Profitability

- Earnings of listed Thai banks in Q1 surged 54.6% QoQ to THB 64.6bn before slipping 2% to THB 62.3bn in Q2. YoY, their aggregate net income registered a healthy improvement of 26.3% and 16.3% in Q1 and Q2 respectively.
- The 3-month interbank rate BIBOR continued to retreat to 2.61% at the end of Q2 from 2.86% at the start of the quarter.
- Total gross loans issued by Thai commercial banks reached THB 10.6tn in Q1, representing a QoQ increase of 4.28% from THB 10.2tn.[210]
- The average NIM of Thai banks at the end of Q1 narrowed marginally 0.01% QoQ to 3.02%. The comparison on a YoY meanwhile reflects a 6.5% drop.
- Aggregate net interest income for Thai banks in Q1 rose 15.1% YoY, bettering the 11.2% YoY growth in the preceding quarter.[211]

Funding & Liquidity

- Tisco Bank PCL, Bank of Ayudhya PCL and Kiatnakin Bank PCL issued bonds totaling THB 20.1bn during the quarter. The tenors ranged from 1 to 3 years.
- Deposits growth slowed in 2013, with total deposits increasing at an average rate of 21.9% YoY in April and May, and 26.0% YoY in Q1. This compares to the 28.5% YoY growth in Q4 2012. Total deposits at commercial banks registered in Thailand amounted to THB 9.85tn at the end of May.[212]
- The average savings deposits rate continued at 0.7% during Q2 while the average rate on twelve-month fixed deposits was 2.55% in April and 2.725% for the rest of the period. 24-month fixed deposits rates ranged between 2.55% and 2.70% throughout.[213]
- Overall liquidity in the Thai banking system continued to recede over Q1, with the average liquidity-to-deposits and borrowings ratio receding 100bps to 24.82% from 25.82% in Q4 2012.[214]

Capital Levels & Regulations

- The average Tier 1 risk-based capital ratio for Thai banks improved to 11.63% in Q1 from 11.1% during the previous quarter.[215]

Asset Quality

- The fraction of non-performing loans at Thai commercial banks shrunk further in Q1, dropping to 2.35% of total loans in March from 2.44% in December. The amount of gross non-performing loans at the end of Q1 stood at THB 249bn.[216]
- A breakdown of the non-performing loans by sectors in Q1 showed that the bulk of them are accounted for in the manufacturing (34.25%) and personal consumption (23.52%) sectors. In terms of delinquencies to total loans, construction companies have the highest ratio at 5.89%, followed by real estate companies with 4.96%.[217]

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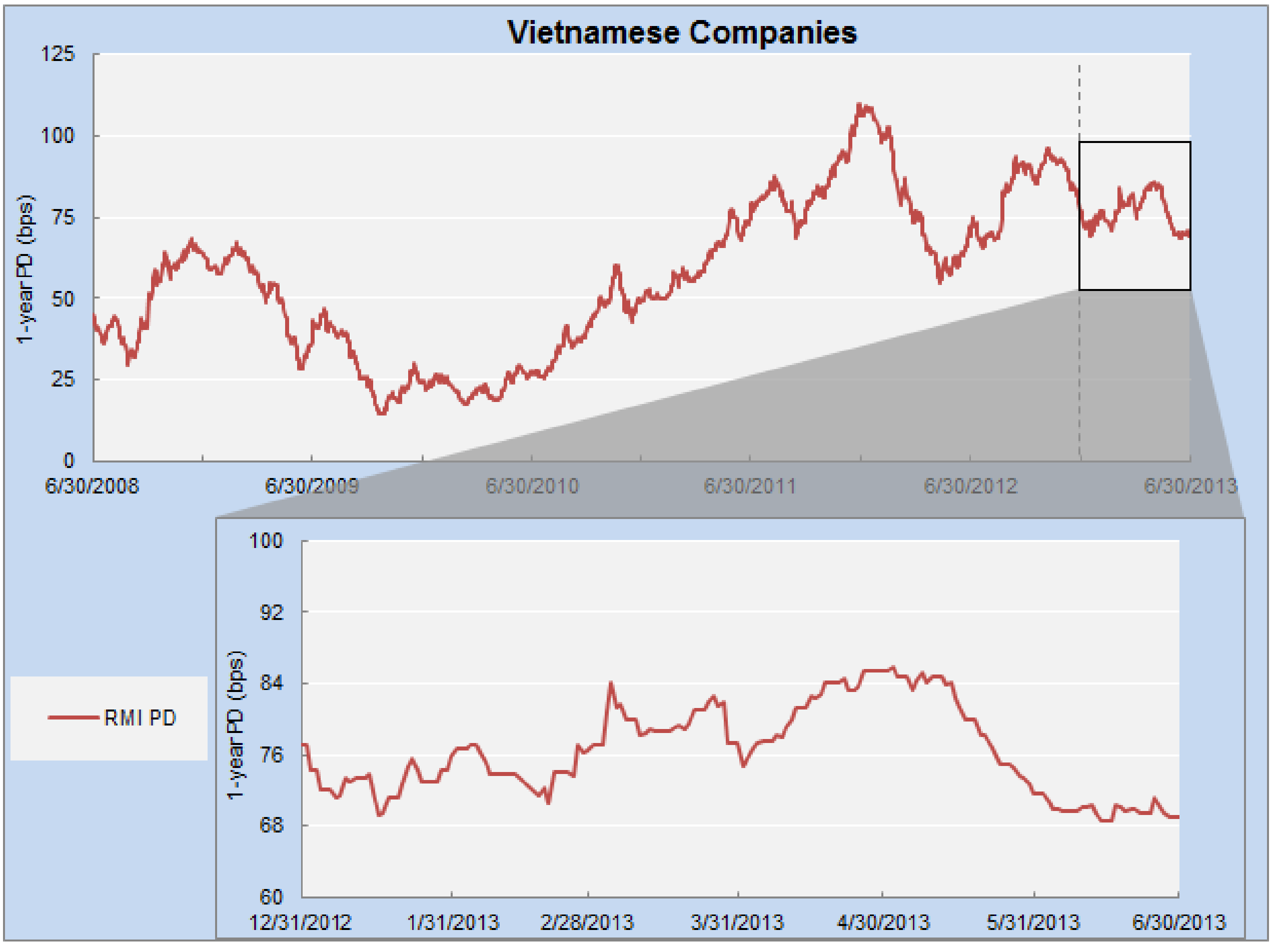
Vietnamese Companies

The aggregate 1-year RMI PD for Vietnamese companies dropped during Q2, falling to its lowest level for the year. GDP growth in the first six months was healthy as the government rolled out a number of initiatives to boost domestic growth. The 2013-2020 economic restructuring plan is expected to reform the economy, overhaul banks and speed up the sales of state owned companies to expand industrial growth for the country. Price stability however remains an issue for companies and consumers as inflation over the last months dampened retail spending. Vietnamese companies are likely to benefit from the gains seen in exports and higher domestic investments. But with the continued rapid wage expansion and soaring land prices, these 2 factors are likely to impact the credit profiles of Vietnamese firms. In the near term, the State Bank of Vietnam's move to devalue the VND by 1% against the USD is expected to affect the profitability of exporters but the impact would not be as large as the four occasions during 2009-2011 when the central bank moved to devalue the currency against the USD. The credit outlook for Vietnamese firms is negative as external demand for Vietnamese products is likely to be weak while inflation could remain at elevated levels.



Economy

- Vietnam's GDP rose 4.9% in the first six months from a year ago. The agriculture, forestry and fishery production sectors registered a gain of 2.4% in the same period. The government is targeting a 6% annual growth for 2014 while trying to boost investments in the country and reduce bad debt.[218,219]
- The IMF lowered its 2013 forecast for the country from 5.8%to 5.2%. A report drafted by the IMF after their consultation mission to the country found that macroeconomic activity could be bottoming out led by growing exports and falling inflation expectations.[220]

- The employment index for industrial enterprises rose 0.9% in May. This was a 2.9% improvement from a year ago. Employment in the mining and quarrying sector however decreased by 1.7% while more jobs were added in the manufacturing, power generation, water supply and waste treatment sectors.[221]
- In the first five months of 2013, retail sales gained 11.9% from a year ago to VND 1065tn (or USD 50.14bn). Sales in restaurants and hotels saw sales increased to VND 127tn and tourist retailers reported sales amounting to VND 9.9tn.[222]
- The CPI in May increased 6.36% from a year ago although consumer prices declined 0.06% from April. Transportation costs, housing and construction costs all fell between April and May. Petrol prices were cut twice in April while food prices fell because people reduced consumption of certain foods out of fear for animal epidemic disease.[223]
- Vietnam's industrial production index rose by 6.7% YoY in May led by higher production levels of clothes and transport equipment. The index improved 4.6% from April is higher by 5.2% year to date.
- Prefabricated metal production recorded the highest percentage gains for the year as output has increased by 15.3% in the first five months of the year.[224]
- Vietnamese exports registered growth of 15.1% in the first five months of the year to USD 49.9bn due to a 2.1% YTD gain in the domestic sector and a 23.3% YTD gain in the foreign domestic investment sector. The country exported USD 2.9bn of crude oil and USD 6.39bn worth of textile in the first five months of the year.[225]
- Turnover for Vietnamese imports grew to USD 51.9bn May year to date representing a 16.8% increase in the same period last year. Imports for electronic and computer accessories were among the highest in demand as imports amounted to USD 7.07bn.[226]

Monetary

- The State Bank of Vietnam maintained the base interest rate at 9%, but cut the refinancing and discount rates to 7% and 5% respectively in order maintain macroeconomic stability.[227]
- The State Bank of Vietnam lowered the maximum interest rate that lenders can offer on US dollar deposits to restrict demand for the foreign currency. The central bank cap rates on USD deposits for institutional depositors to 1.25 percent, and 7 percent for VND denominated deposits. The lower rates will also help banks to lend at lower rates. The monetary authority also decided to devalue its currency to improve the country's trade balance and boost state foreign exchange reserves.[228,229]

Funding & Liquidity

- Yields on current 5-year Vietnamese government bonds fell to 8.1% on June 28, from 8.65% on April 22.
- The three month VNIBOR deposit fixing declined in tandem with the drop in sovereign yields during Q2, to 3.35% on June 27, from 5.65% in March 29.
- According to the Finance Ministry on April 17, Vietnam has no plans to issue new sovereign bonds. The market had been speculating that the government may issue its first issue in three years as officials have been on roadshows visiting investors in Singapore, London and the US. Vietnamese regulators have been conducting meetings with bondholders to brief them about the country's economic situation. The Vietnamese government last issued USD 1bn of 10 year bonds in the international market in 2010.[230]

Politics

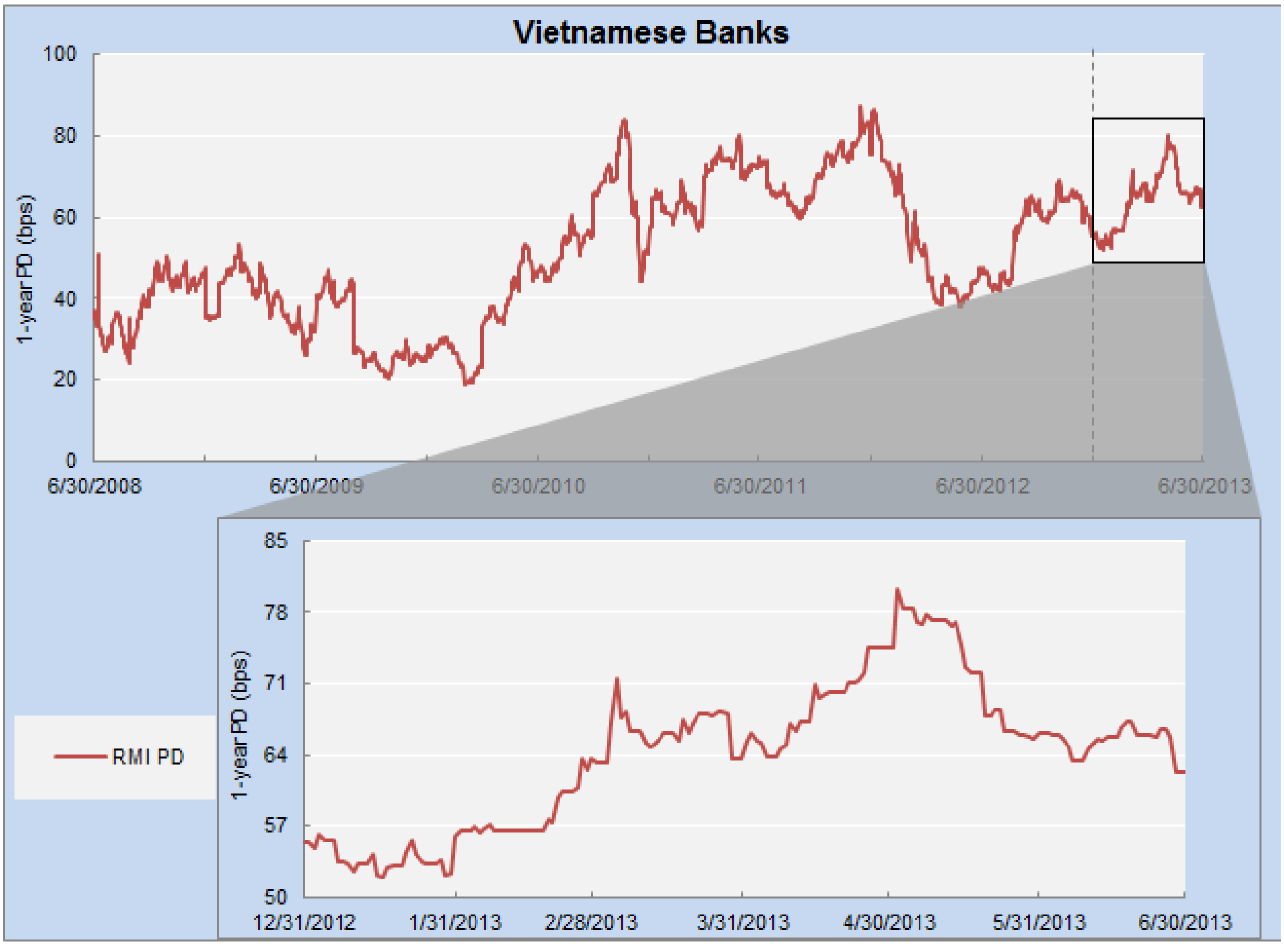
- The Communist Party of Vietnam is expected to continue to keep a tight grip on power for the next five years as there is no apparent major factional split within the ruling party. The country is making progress in its relationship with the West, particularly the US. The US has expressed concern over the country's human rights and religious freedom in Vietnam and expressed disappointment over the country's handling of anti-government protestors in May. A university student and computer technician were sentenced to eight years in jail for distributing improper materials.[231]

Sovereign Credit Ratings

- Moody's, Fitch and S&P kept their ratings on the country at B2, B+ and BB- respectively. The country is placed on stable outlooks by all three ratings agencies.

Vietnamese Banks

The aggregate 1-year RMI PD for Vietnamese banks reached the highest level in over a year in April, before falling back towards levels seen in Q1. Banks reported lower net interest margins and a decrease in liquidity. The operating environment for the banks has also deteriorated and is now characterized by weak loan growth and high interest rates. The drop in real estate prices could well result in more bad loans resulting an increase in write downs on the books, and added pressure on the lenders' bottom lines. Measures proposed by the government to help the banking sector may help to alleviate some of the problems, but for now, the pace of aid to the financial sector remains slow and any delay could lead to a higher default risk for Vietnamese banks. Unless the banks take a more active approach to improve risk management procedures and recapitalize their balance sheets, the credit outlook for banks in Vietnam remains negative.



Profitability

- Aggregate earnings of listed Vietnamese banks improved in Q1 with a 49.4% QoQ increase in earnings following a 7.61% decline in net incomes over Q4.
- Net interest margins declined 8.9% QoQ to 3.77 at the end of Q1 from 3.87 in Q4. Margins reached 4.35% in Q3 but have since been falling over the most recent two quarters.

Funding & Liquidity

- Overall liquidity in the banking sector declined as the LATDB ratio decreased to 13.02% in Q1 from 15.26% in Q4.
- The volume in the interbank VND market has been falling since the start of 2013.. Trading volume in the market reached nearly VND 12tn in the week ending June 21. The

central bank had made a withdrawal of VND 9tn via open market operations through gold auctions and foreign currency selling.[232]

- The amount of credit in the Vietnamese banking system grew by 2.98% in the first five months of the year, higher than the 0.56% gain recorded over the same period last year. The central bank said that the pace of lending was increasing in late May after two months of credit contractions at the start of the year. The government has targeted 12% credit growth target for the banking sector in 2013.[233]

Regulations

- The government launched a USD 1.43bn package in June to provide low cost loans to home buyers and developers to support the property market. Banks will also benefit from the lower taxes and funding costs, which may increase demand for loans. The central bank also created a debt asset management company to help lenders reduce the amount of nonperforming loans on their balance sheets. This was implemented to improve credit in the economy and to help banks increase lending.[234]

Asset Quality

- Non-performing loans accounted for 4.67% of the banks' loans at the end of April, higher from the 4.51% figure reported in March.
- The Vietnam Asset Management Corporation was created by the government in May to purchase bad loans from banks and clean up nearly USD 5bn worth of bad loans. Lenders with a bad debt ratio of at least 3% will be required to sell their assets to the new debt management entity. The asset company will have an initial capital of VND 500bn and will issue zero coupon bonds in exchange for bad loans. Banks can use the bonds as collateral to get refinancing from central banks.[235]

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Europe

The aggregate 1-year RMI PD for listed corporations domiciled in the eurozone fell in Q2 to levels not seen since September 2007, more than two years before fears of a European sovereign-debt crisis started to emerge. The improvement in credit outlook happened despite euro area GDP falling by 0.2% QoQ in the first three months of the year, which marked a record sixth successive quarter of contraction.[236] The consistent, albeit gradual, improvement in eurozone's PMI readings suggest that manufacturing activity might have bottomed out at the end of Q1, with tentative recovery expected thereafter.[237] Balance sheets of euro area banks strengthened during the quarter as banks had been raising equity capital to comply with the more-demanding Basel III capital rules that phase in gradually between now and 2019. The credit outlook on the euro area is positive, as economic data signals the potential that the bloc could finally exit the recession that started in early 2012. Nevertheless, any economic recovery will be contingent upon the ECB's accommodative monetary policy stimulating household and corporate borrowing, which so far has not happened. Lending to the private sector in the euro area fell the most on record in June as the longest-ever recession in the region weighs on credit demand.[238]

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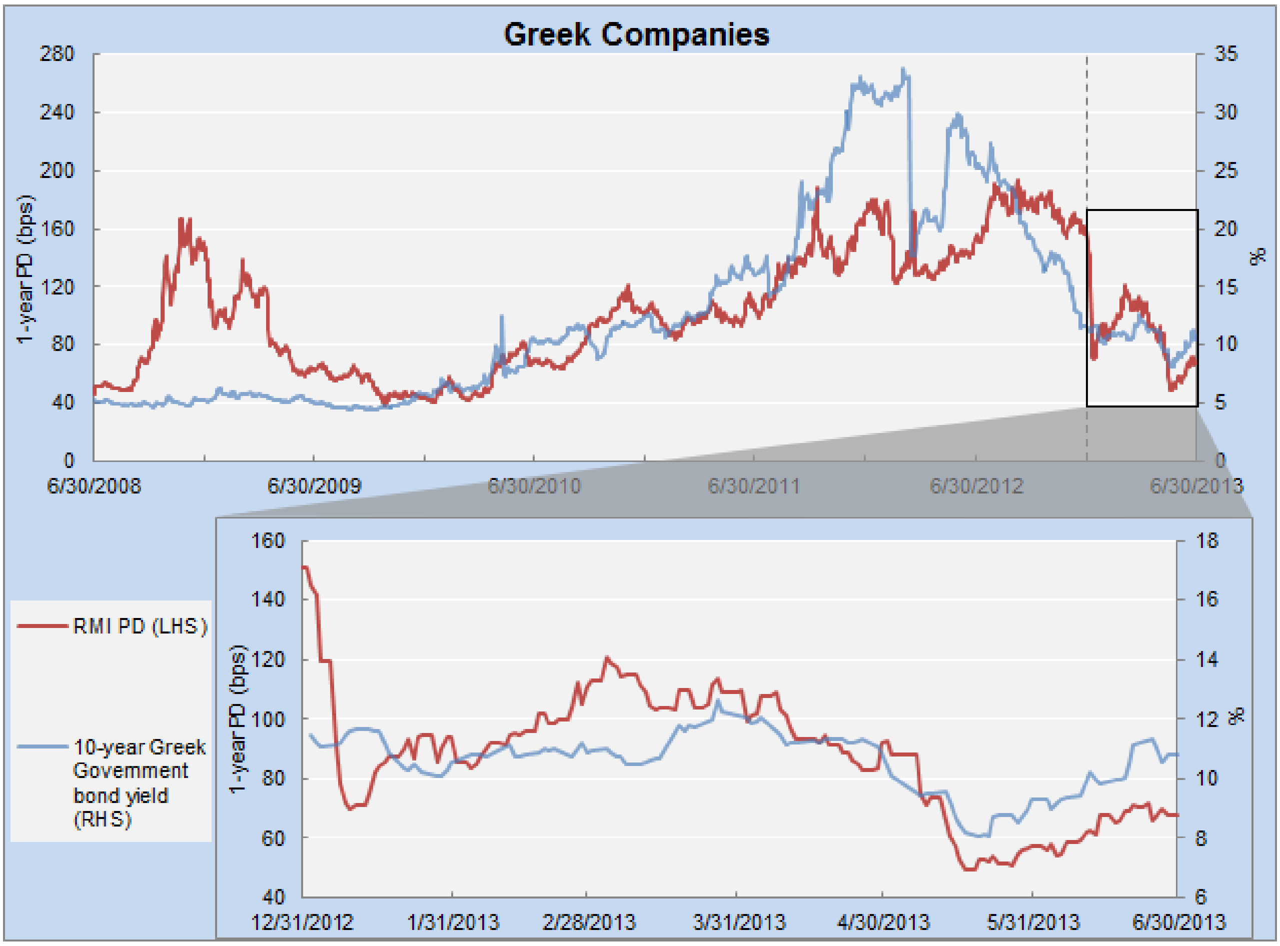
Greek Companies

The aggregate 1-year RMI PD continued its slide during Q2, dropping to levels last seen during March 2010. The Athens-based Foundation for Economic and Industrial Research (IOBE) warned in a quarterly bulletin released in April that the Greek economy in 2013 may shrink well beyond the previous forecast of 4.6%, remaining weaker than 2012. The most influential think tank in Greece cited further reduction of public consumption and the uncertain impact from the Cyprus financial crisis. Nevertheless, the monetary policy report in May by the Bank of Greece suggested several reasons for optimism, including among others the fading possibility of a Greek exit from the eurozone, rising confidence in Greece's economic prospects, and significantly reduced fiscal and external deficits. The troika delegation from the EU, ECB and IMF returned to Athens on June 10 for the latest round of inspections to determine whether Greece has met reform and fiscal targets in order to unlock EUR 8.1bn of rescue funds. Despite setbacks to Greece's privatization program and delays in public sector reforms, creditors concluded the audit by releasing a fresh tranche of aid that provides up to EUR 6.8bn to Athens. Greece will only get the full amount if Prime Minister Antonis Samaras and his shaky coalition speed up economic reforms and spending cuts. The outcome of the next audit, which is expected at the end of September, will dictate the credit outlook for Greek companies, as the IMF might have to withdraw from the rescue plan if the talks fail.



Economy

- The Greek economy shrank 5.6% YoY in Q1. The drop was more than May 15 initial estimate of 5.3%. Gross fixed capital formation decreased 11.4% YoY, while final consumption expenditure dropped 8.3%. On the positive side, Greece's external trade deficit decreased by 22.9% YoY although exports fell 2.6% QoQ, as imports shrank 7.8% QoQ. Also, the 5.6% contraction based on available non-seasonally-adjusted data is the smallest YoY decline since the third quarter of 2011.[239]

- Greece's labor market conditions showed no signs of improvement in the first quarter as it once again led all member states in the Euro bloc in the dubious category of unemployment rate. The unemployment rate stood at 27.4% during Q1; 1.36mn people from the country's 4.95mn labor force were without a job.[240,241]
- A monthly index of business sentiment published by the IOBE continued to show signs of optimism on economic confidence. The index rose to 93.8 in May, the highest since September 2008 and more than one year before the European debt crisis unfolded, before closing the quarter at 93.5. The consumer confidence indicator also rose to -67 in June from -71 at the end of Q1.[242]
- The Greek manufacturing sector seems poised for recovery in the near future. The seasonally adjusted Markit Greece Manufacturing PMI climbed for the fifth time in six months to 45.4 in June. Although this latest reading is still well below the neutral 50 mark that separates growth from contraction, it is nonetheless the highest level in close to two years. The quarterly average of 45.2 is also the highest since Q2 2011. The significantly slower decline in output, employment and production in the sector contributed positively to the improving PMI.[243]
- The decline of Greek retail sales in real terms eased to -5.8% YoY in March, which was the least marked since August 2011, before plunging 14.2% in April. Retail trade previously fell 16.8% and 14.1% during the first two months of 2013. All components of the turnover index in retail trade suffered negative growth in June, with the worst contraction felt in the automotive fuel sector (-22.8% YoY).[244]

Funding & Liquidity

- Ten-year Greek government bond yields fell sharply in May to their lowest level in three yours, spurred by a rating upgrade by Fitch. That figure stood at 10.795% at the end of Q2, compared with 12.44% 3 months ago.
- Greek lenders most likely turned cautious in Q2. Total outstanding loans to the non-financial sector decreased 2.89% to EUR 101.2bn from EUR 104.2bn in the three months through June. The outstanding amount is also lower than at the end of 2012, when the figure stood at EUR 101.7bn.[245]
- Interest rate on new bank loans to non-financials increased slightly in April to 6.12% from 6% in February, before falling to 5.61% in May, the lowest in more than two years. This suggests better credit conditions despite the protracted economic slump. The rate was at 6.08% in May 2012.[246]

Policy

- On June 11, Mr. Samaras ordered the shutdown of overstaffed state broadcaster ERT without warning and sacked all its 2,656 employees. The closure of ERT fulfilled part of the promise to axe 15,000 public sector jobs by the end of 2015, as demanded by bailout creditors, the IMF and other euro countries.
- The decision sparked a political crisis and forced Samaras to reshuffle his cabinet. Minority member Democratic Left pulled out of the coalition, leaving Prime minister Samaras with a slender majority in parliament, controlling 153 of the 300 seats. Samaras handed key posts to the Socialist PASOK party, his only remaining ally, naming Socialist party leader Evangelos Venizelos deputy prime minister and foreign minister.[247]
- Cash-strapped Athens is expected to receive EUR 5.8bn of bailout funds starting in late July, after lawmakers passed the last reform measure needed to secure the country's latest batch of recue loans. The Greek parliament approved legislation enacting tax

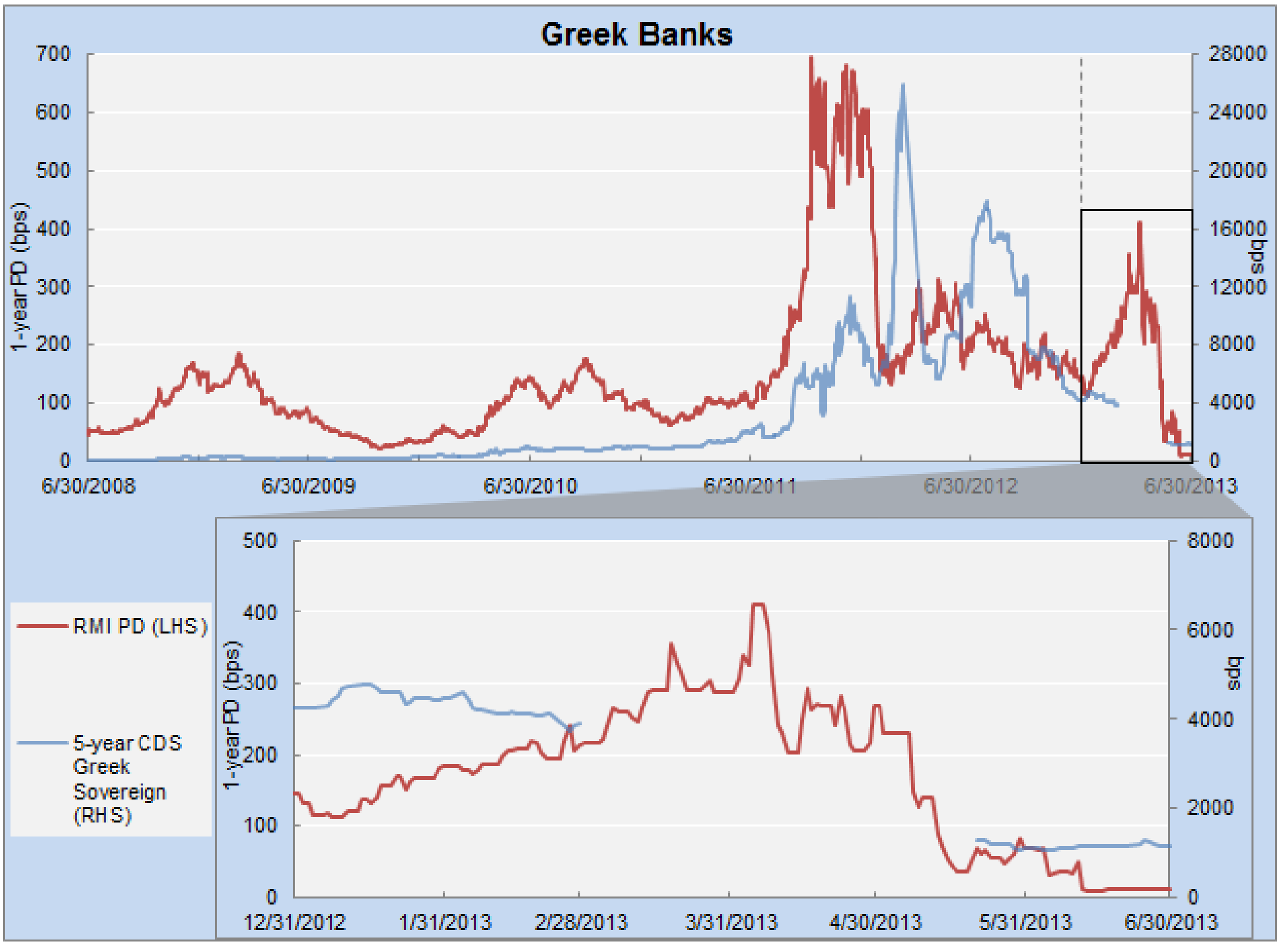
reforms as well as some measures relating to a controversial transfer scheme for public servants.[248]

Sovereign Credit Ratings

- Fitch upgraded Greece's sovereign credit rating a notch to B- in May, citing Athens's progress in eliminating its twin fiscal and current account deficits, and rebalancing its economy. Both Moody's and S&P retained their respective ratings of C and B-for Greece during the quarter.

Greek Banks

The 1-year aggregate RMI PD for Greek banks improved tremendously during Q2. Much of this improvement stemmed from the successful recapitalization of the country's banks. The recapitalization serves to improve Greek lenders' financial position and help restore their balance sheets. After the European Financial Stability Facility disbursed EUR 7.2bn to Greece on May 31, the country has already received EUR 48.2bn out of the EUR 50bn committed for the recapitalization of its banking sector. Shocks from the Cyprus fallout were relatively minimal as deposits with Greek operations of Cyprus banks were exempted from the bail-in imposed, and the acquisition of these Greek branches by domestic banks have proven successful in containing the risk of contagion from the Cypriot banking system. The credit outlook for Greece's banks is positive, reflecting the relative resilience of the banking system to the nation's prolonged financial crisis. Problems such as liquidity, asset quality and capital adequacy, although still present the sector with considerable challenges, have diminished to a manageable level.



Profitability

- Listed banks in Greece swung to a profitable quarter in Q1 for the first time in more than three years. The sector posted an aggregate profit of about EUR 6.86bn compared to a loss of more than EUR 1.2bn in Q4 2012. However, most of the profits were derived from one-off acquisition gains. Alpha Bank SA and Piraeus Bank, two of Greece's largest lenders, reported respectively EUR 2.63bn and EUR 3.4bn gains relating to negative goodwill contribution from acquisition.

- Fitch released a report in June warning that Greek banks continue to face asset quality and profitability pressures. The credit rating agency foresees non-performing loans to continue rising in 2013, hurting the banking sector's profitability.[249]
- A proxy for the NIM of Greek banks based on the interest rate spread of new euro-denominated deposits and loans, remained stable in Q2, dropping marginally to 3.02% in May from 3.07% in March. The rates on euro-denominated loans fell at a faster pace than the rates on deposits over the period.[250]

Funding & Liquidity

- Total deposits at Greek banks shrank 1.08% to EUR 156.3bn at the end of June from EUR 158.1bn in March, according to ECB data. Both corporate deposits (-0.33%) and retail deposits (-1.18%) have shrank over the period. A point of consolation is that total deposits have actually increased in May after falling in April. Bank of Greece data showed similar trend, as worries over the Cypriot banking crisis eased. More than EUR 17bn have returned to Greece's banking system since mid-June 2012, when the election of a pro-bailout government quashed speculation of a Greek exit from the eurozone.[251]
- The price of 3-year EUR-denominated bonds of NBG, the largest Greek commercial lender, continued to climb during Q2 to yield 8.56% at the end of June, compared with 9.58% three months ago. NBG planned merger with Eurobank was blocked by the eurozone and the IMF in early April on concerns the joint entity would become too big. Greece's third-biggest lender Alpha Bank launched an offer in mid-April to buy back at a discount subordinated and hybrid bonds with a nominal value of EUR 317mn as part of measures to strengthen its core Tier 1 capital base.[252,253]
- Overall liquidity in the Greek banking sector tightened during Q1, with the aggregate LATDB ratio for listed banks deteriorating to about 7.84% from 8.64% in Q4 2012.
- Greek banks continued to reduce their reliance on the eurosystem for liquidity needs during Q2, even in the wake of Cyprus's recent banking crisis. According to data from the Bank of Greece, Greek lenders borrowed EUR 61.1bn directly from ECB and EUR 20.9bn from the Emergency Liquidity Assistance facility in June. The figures stood at EUR 70.7bn and EUR 21.2bn respectively in March.[254,255]

Capital & Regulations

- Under the terms of Greece's latest bailout by the Eurozone and IMF, Greece's top four lenders must raise 10% of their capital needs, about EUR 27.5bn, from private investors to repair their solvency and avoid complete nationalization. The four banks include NBG, Alpha Bank SA, Eurobank SA and Piraeus Bank SA. Only Eurobank has chosen to be fully recapitalized by Greece's bank-rescue fund backed by eurozone peers and the IMF, the other 3 banks have all successfully raised enough capital without having to issue costly contingent convertible bonds.[256]
- Despite the completion of the recapitalization, Greek commercial banks still face capital constraints amid the continuing and protracted recession and the anticipated stagnation of disposable incomes in the next few years. Banks may need further capital-raising exercises as they are subject to new stress tests in the future. A Moody's report in April, which maintained the credit rating agency's negative outlook for Greece's banking system, estimated EUR 8bn of further capital needs originating from the banks' loan book losses alone.[257,258]

Asset Quality

- The monthly average write-offs of bad loans to domestic residents increased to EUR 43.4mn in the three-month period ending June, from EUR 41.82 in the 3 months ending March. However, the total amount of loans written off for 2013 until the end of June was EUR 256mn, which is less than half the EUR 520mn recorded over the same period last year.[259]
- Non-performing loans continued to climb during Q1, as the deep and prolonged economic contraction took its toll on Greek banks. NPL of the four largest lenders mentioned above soared 19.6% to EUR 66.4bn at the end of March from EUR 55.5bn 3 months ago.
- The asset quality of Greek banks may deteriorate further in the coming months as the aggregate provisions for loan losses of Alpha Bank, NBG, Piraeus Bank and Eurobank climbed 2.08% QoQ to EUR 1.74bn at the end of Q1.

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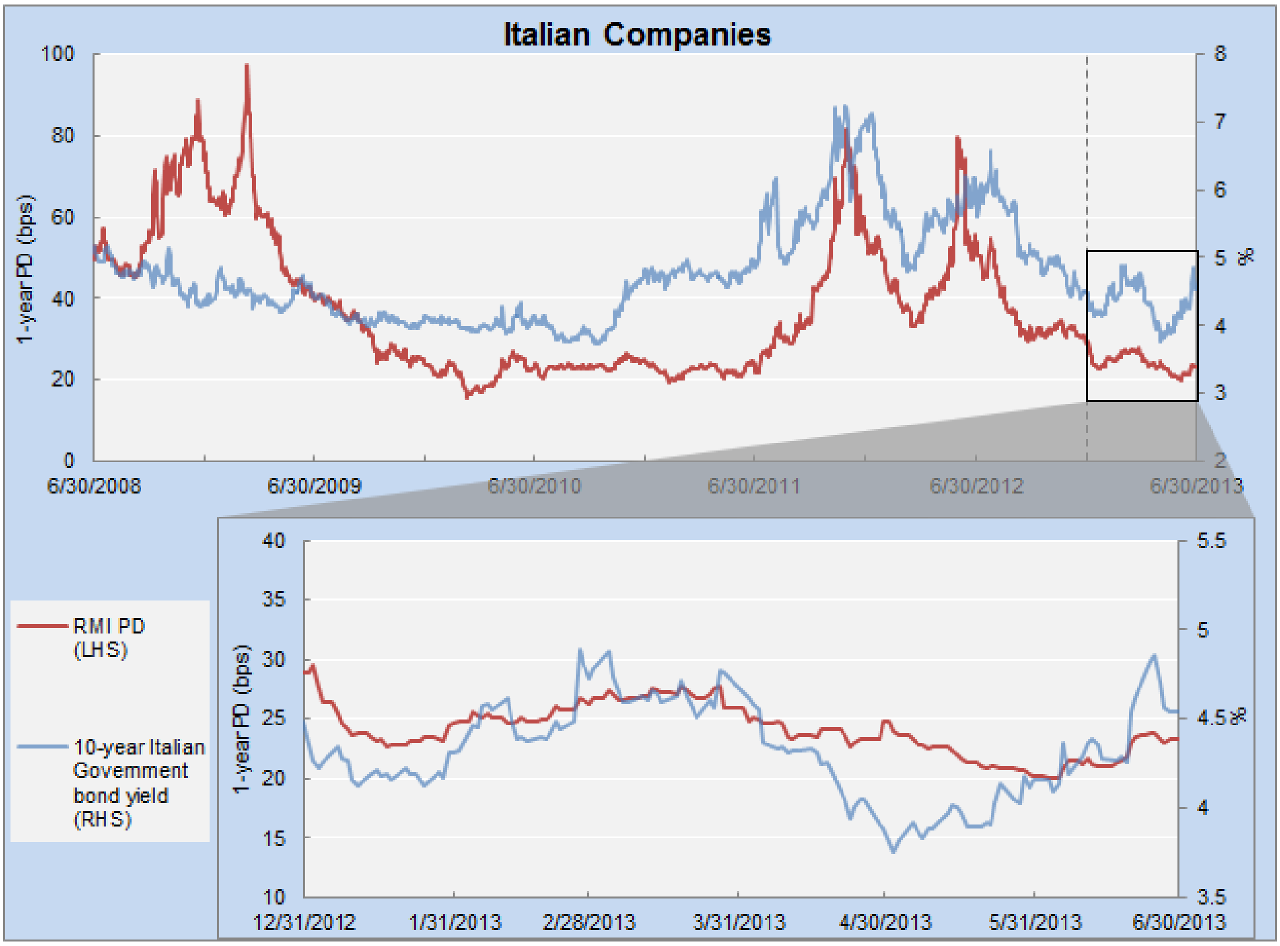
Italian Companies

The aggregate 1-year RMI PD for Italian companies fell marginally during Q2, amid a backdrop of increased unemployment and continued contraction in the manufacturing and service sectors. Optimism amongst consumers has improved in recent months, but that is primarily because most people expect the cost of goods and services to fall in the future. Italian consumers are less keen to spend as they are worried about their jobs. Retailers also have not seen a sharp improvement in sales. Funding costs for non-financial companies have turned lower but outstanding loans to firms continued to decline. The credit outlook for Italy remains negative as companies continue to face weak external demand and high operating costs. Fiscal austerity measures are likely to weigh on consumer spending and it is unlikely that Rome would meet its 2013 target deficit-to-GDP ratio. The credit profiles for Italian companies are likely to deteriorate further given the uncertain operating and political environments.



Economy

- Italy's GDP registered a loss of 0.6% in Q1 2013. Final consumption expenditure decreased by 0.3% while gross fixed capital formation fell by 3.3% in Q1 2013. The OECD cut its economic forecast for Italy in May to -1.8% for 2013 as weak household consumption extends the longest recession in the country. The IMF also cut its 2013 growth forecast to -1.8%, from a previous forecast of -1.5%.[260,261]
- The unemployment rate rose to a record high of 12.0% in April from 11.5% in March. The employment index for large firms decreased by 0.1% in April 2013 from March 2013 and a yearly decrease of 1.4% from April 2012.[262]
- Italy's industrial production index fell by 0.3% in April from March. The Markit Italy Manufacturing PMI for May hit 47.3 as new work placed with manufacturers continued

on a decline. The survey indicated that manufacturers were continuing to cut production levels in May on prospects for lesser new orders. Imports and exports meanwhile decreased by 1.6% and 1.9% respectively.[263]

- The Services PMI fell to 47 and 46.5 in April and May respectively. Service providers maintained a preference for lower employment in May, cutting staff for the twenty fourth straight month. Business sentiment with regards to year ahead outlook for output also deteriorated in May as firms were not confident of achieving sustainable growth over the next 12 months.[264]
- The European Commission Italy economic sentiment indicator, which combines the assessments mainly from business surveys, dropped to 84.9 in May and 83.4 in April, from 85.3 in March.[265]
- However, the index for consumer confidence in Italy increased to 95.7 in Q2 from 85.2 in Q1 despite the adversity to the economy. The survey measuring inflation perception according to the last 12 months decreased to 44 from 50 in June from May. While future inflation expectations decreased to 0 from 3.[266]
- The retail trade index, which measures the monthly evolution of the turnover at current prices of enterprises with retail outlets, decreased 0.1% in April MoM from March. The retail trade index for food retailers dropped 0.7% while those in the non-food trade index gained 0.2% between March and April.[267]

Funding & Liquidity

- Yields on 10-year Italian bonds decreased to 4.54% at the end of Q2 from 4.76% in Q1. During the 2nd quarter, yields fell to as low as 3.76% in May before rising to 4.85% in June.
- Annualized Interest rates on new bank loans to non-financial Italian companies decreased to 5.20% in April from 5.27% in January.[268]
- Preliminary numbers for outstanding loans to non-financials continued to fall from its November 2011 peak. Between February and May, total outstanding loans decreased 1.98% to EUR 857bn.[269]

Politics

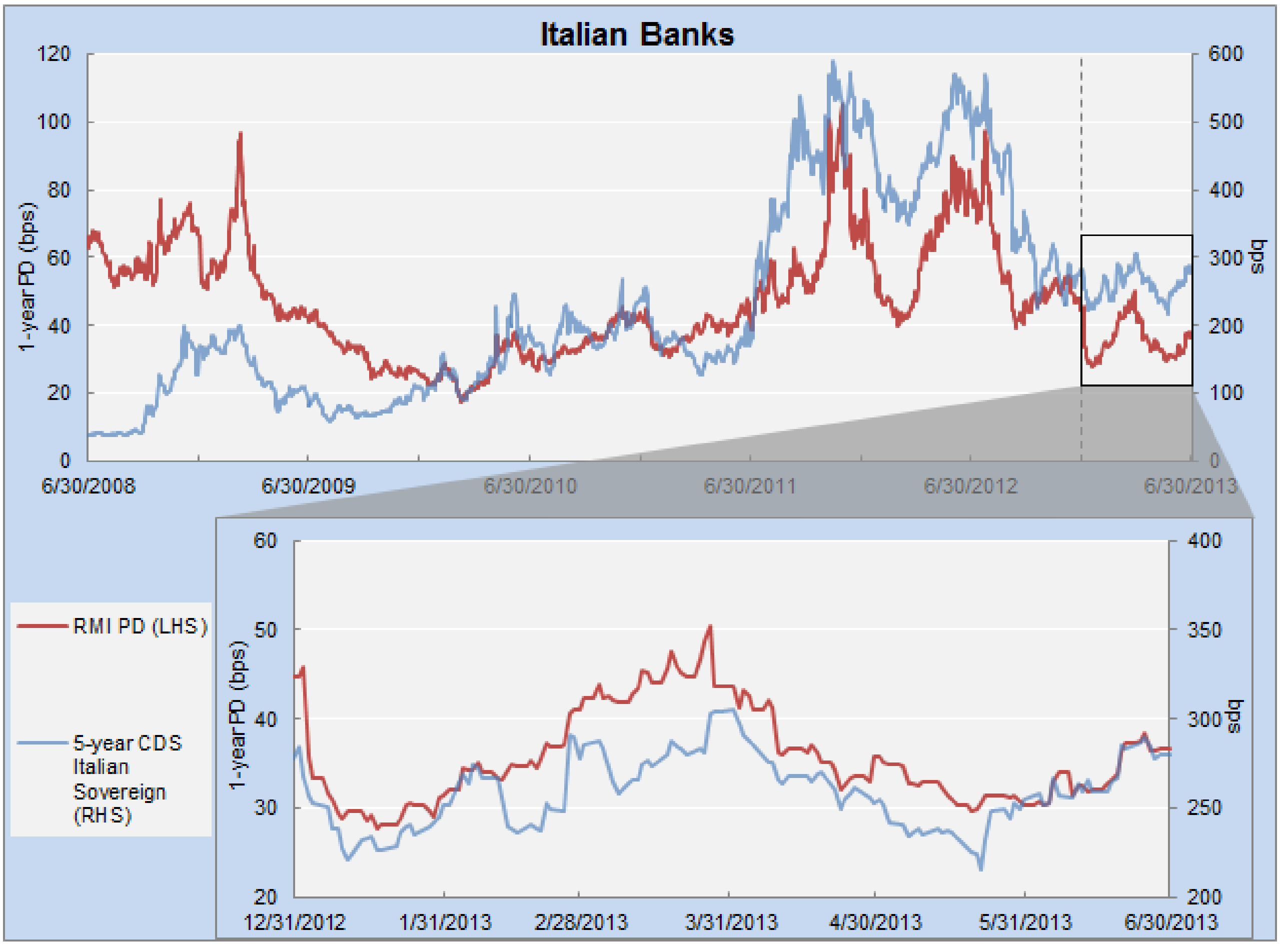
- On April 29, a broad cross party coalition led by Enrico Letta obtained the backing of three parties in parliament; center-left Partito Democratico, center-right Poplo della Liberta and the centrist Scelta Civica. The re-elected head of state Giorgio Napolitano opted for Mr Letta as the consensus figure for trying to bridge the political differences between the three sections. Mr Letta's pro-European stance should help the country maintain positive relations with its EU partners. However, his promise of less austerity is unlikely to please Eurozone creditor countries such as Germany.[270]
- Italy's public deficit to GDP ratio rose to 7.3% for Q1 2013, from the previous quarter of 1.4%.[271,272]
- Despite the government's promise to cut taxes amidst commitments to the EU and lower tax revenues from consumption, the Italian government is confident of meeting its annual deficit to GDP target of 2.9%.[273]

Sovereign Credit Ratings

- S&P downgraded Italy's sovereign debt to BBB from BBB+ on July 7. Fitch and Moody's kept the country's credit ratings at BBB+ and Baa2 respectively. All three rating agencies maintained negative outlooks on the Italian sovereign bonds.

Italian Banks

The aggregate 1-year RMI PD for Italian banks declined marginally over Q2 as banks face a lower risk of default thanks to strong earnings and better risk management procedures. Lenders held a lower amount of funds from the ECB in Q2 as there were no exogenous shocks to the banking system over the last three months. The external support from the ECB has greatly reduced the systemic risk of the banks even though financial market conditions continue to remain uncertain. Italian banks have cut the cost of loans to borrowers, and at the same time, also reduced the amount of interest paid to depositors. Liquidity conditions at the banks remain healthy although their cost of funding from the bond markets has increased. Asset quality has not improved in Q2 as the unemployment situation in the country has affected borrowers' ability to repay their loans. Moving forward, the credit outlook for Italian banks is still negative as lenders face an uncertain economic outlook. Financial market conditions have not stabilized and continued volatility in the credit markets could affect the lenders' ability to seek funding from the capital markets going forward.



Profitability

- Aggregate earnings at listed Italian banks rose in Q1 after reporting negative aggregate earnings results in the previous quarter. Aggregate net income increased to EUR 932mn in Q1 from negative income of EUR 3.93bn in Q4.
- However, a proxy for the net interest margin of Italian banks fell to 2.09% in Q1 from 2.19% during Q4.

Funding & Liquidity

- Coupons on new 5-year euro-denominated Italian bank bond issuances rose to 3.35% during Q2 from 3.32% in Q1.

- Deposits at Italian banks by residents increased to EUR 1.26tn in April after increasing 2.29% during Q1. Deposits of private corporations declined 0.79% MoM in April after increasing 1.06% over Q1.[274]
- Bank interest rates on euro loans over EUR 1M to new non-financial businesses fell to 3.01% in April from 3.04% in March. Interests on housing purchases over 5 years remained at 3.01% in April and March a decline of 0.01% from February. Deposit rates to households with maturity less than a year dropped to 2.32% in April from 2.44% in March.[275]
- Italian banks held a total of EUR 255.5bn in funds from the European Central Bank at the end of June, slightly lower than the EUR 259.2bn a month earlier, according to the Bank of Italy. Funds borrowed through "longer-term refinancing operations" - mainly the cheap money Italian lenders took from the two three-year lending operations launched by the ECB last year - stood at EUR 244.4bn in June, down from EUR 254.5bn at the end of May.[276]
- Overall liquidity in the Italian banking system was unchanged at 12.09 in Q1 and Q4 as the aggregate LATDB ratio stayed at 12.09 in both quarters.

Asset Quality

- The Bank of Italy said that bad loans rose 22.3% in May from a year earlier. The sector's asset quality has been affected by the country's shrinking economy.[277]
- ECB data showed that Italian banks added more sovereign debts to their holdings, recording a EUR 19.56bn increase in May after a EUR 7.39bn rise in April.[278]

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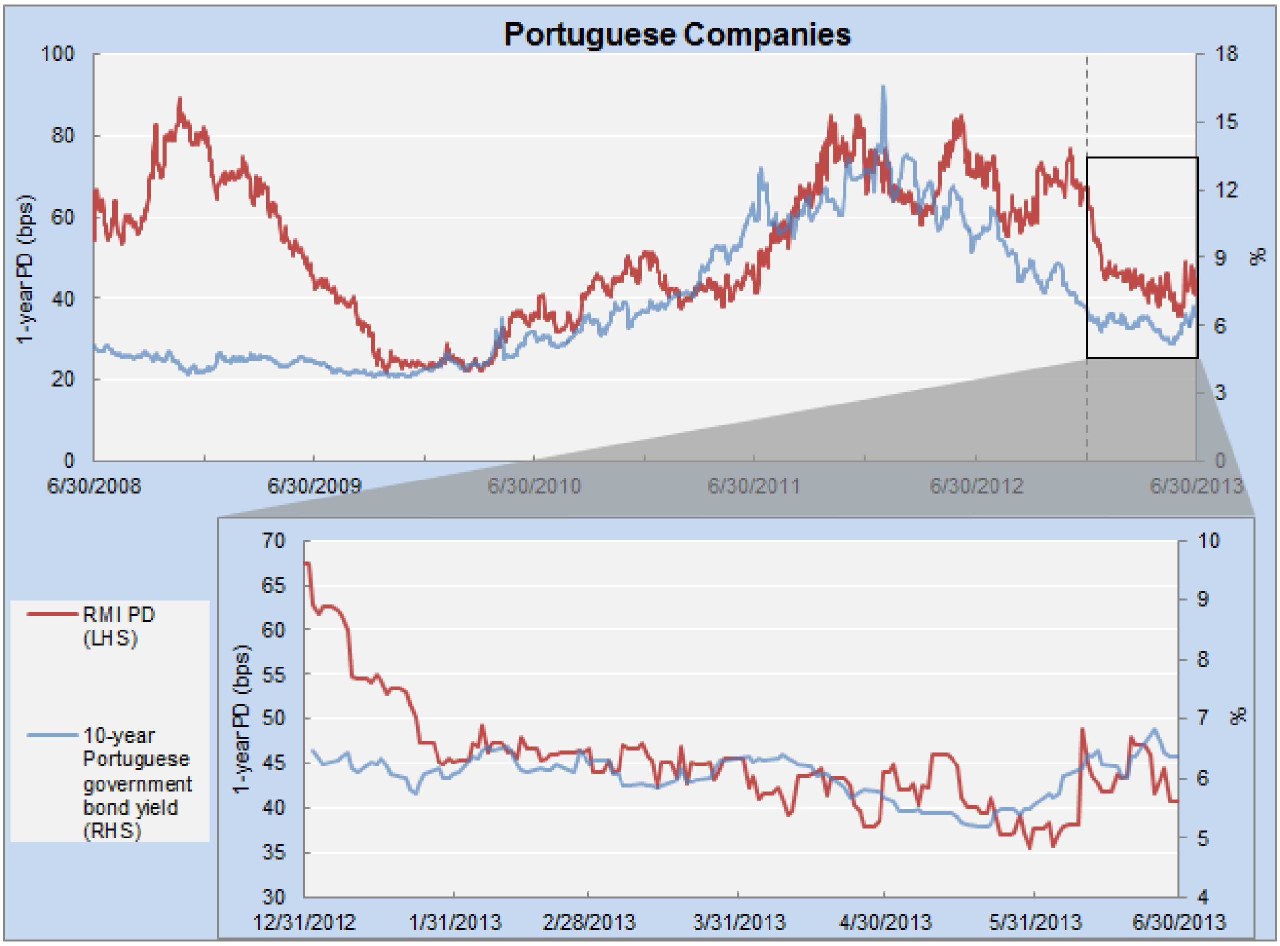
Portuguese Companies

The aggregate 1-year RMI PD for Portuguese firms remained volatile in Q2, due to a weak outlook for the economy. The country's austerity measures have not helped Portugal in meeting its fiscal targets. With the unemployment rate hovering at historically high levels, tens of thousands of Portugal's most highly educated citizens have gone abroad to seek jobs. Higher risk appetite in May helped to push the country's benchmark bond yields lower to around 5.5%, but yields headed higher in June after policy makers reported plans to reduce monetary stimulus. Interest rates have since climbed back to levels higher than those seen in March. Portugal has met the latest targets in its EUR 78bn bailout. But the IMF warned that the risks to a successful Portugal bailout remains substantial, citing the somber economic outlook and Portugal's very fragile public debt condition. The OECD expects Portugal's GDP to shrink by 2.7% this year, higher than the government's own projection of -2.3%. The credit outlook for Portuguese companies remains negative, as the country's recovery looks set to take longer than expected under the burden of austerity and rising political tensions near the end of the second quarter.



Economy

- The Portuguese economy shrank for the tenth consecutive quarter in Q1, with GDP declining 0.4% QoQ. Output fell 4% YoY, the biggest annual contraction since Q1 2009. Exports rose 2.6% QoQ while imports dropped 2.5% over the same period. Investment and government spending declined 9.7% and 1.1% respectively in the three months through March.[279]
- The unemployment rate remained at the same level in the two months to May, standing at 17.6%. According to the Lisbon-based National Statistics Institute (INE), that ratio rose from 16.9% in Q4 2012 to a record high of 17.7% in Q1. Youth unemployment rose

to 42.1% in the three months through March, up from 39% in the previous quarter.[280,281]

- INE data showed that consumer confidence continued its upward trend in Q2 since hitting rock bottom in December. The consumer confidence indicator improved to -53.9 in June from -55.3 in March. All components were better in June, with major improvements seen in the perspectives on unemployment and households' financial situation.[282]
- The INE index of industrial production gained 4.4% YoY to 90.5 in May, the highest since August 2012, up from 88.1 observed in March. Manufacturing industry index also climbed 3.3% YoY to 91.4 in May.[283]

Funding & Liquidity

- Yields on 10-year Portuguese sovereign bonds increased slightly to 6.45% at the end of June, from 6.37% in Q1. Yields on the country's existing bonds dropped in May to the lowest since 2010, prompting the government to sell 10-year debt for the first time in more than two years. The borrowing costs soared about one percentage point in June amid fears of Fed tapering.[284]
- Interest rates on new loans to non-financial companies registered small gains in the two months through May, increasing 3bps to 5.77%. The implicit interest rate in all contracts of household mortgages was 1.431% in May, a 1.7bps drop from March.[285,286]
- The amount of outstanding loans to non-financial corporations decreased EUR 750mn to EUR 106.057bn in May from March. Outstanding loans have been on a downward trend this year; the figure stood at EUR 107.05bn at the end of 2012.[287]

Policy

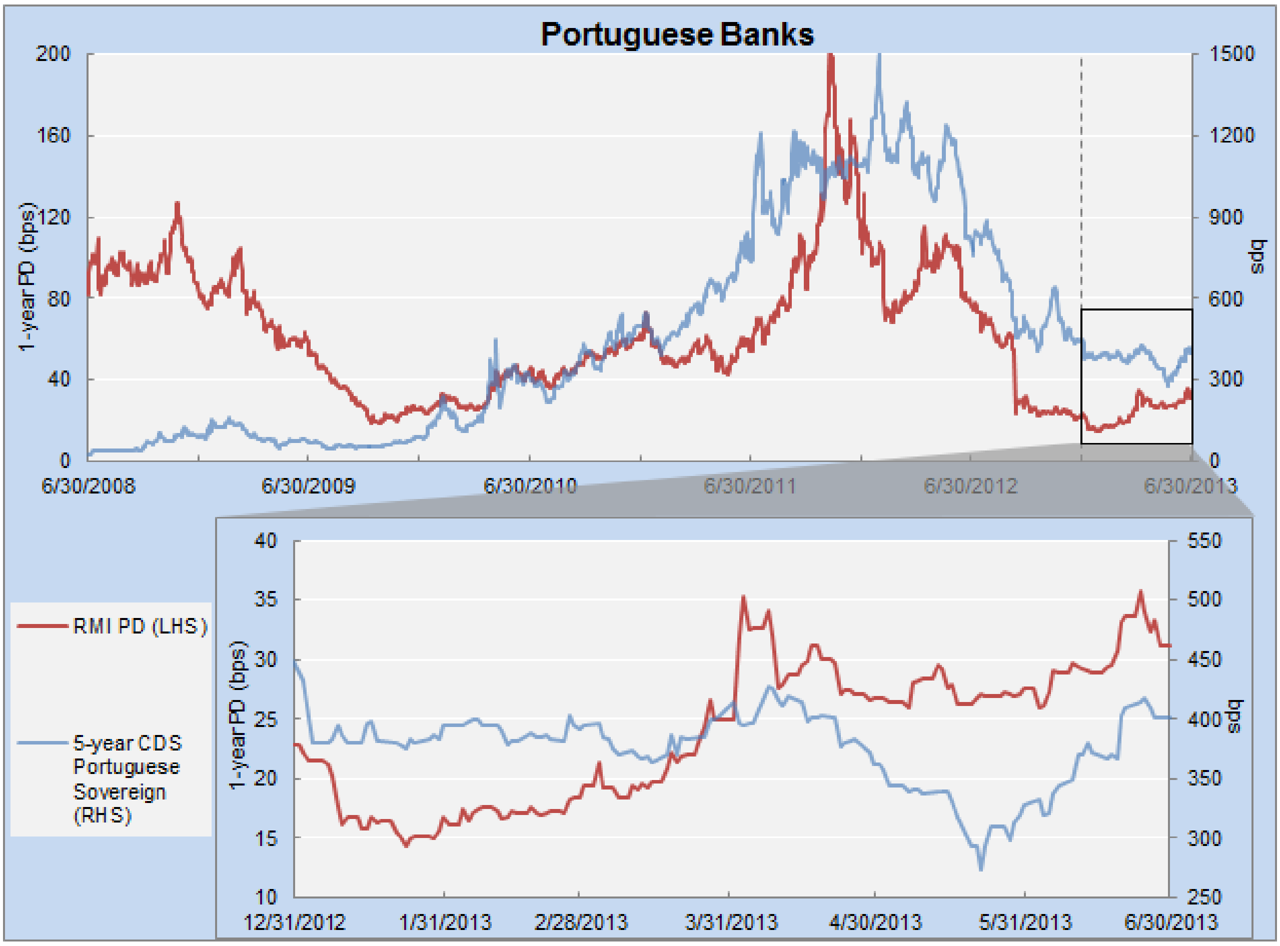
- Portugal's budget deficit widened to an annualized rate of 7.1% of GDP in Q1 2013 from 6.4% of GDP in Q4 2012. An increase in expenditure on social benefits and other capital expenditures was the main cause for the widening deficit. The budget deficit was 10.6% in the three months through March, worse than the deficit of 7.9% recorded over the same period last year.[288]
- Portugal's recent political divide highlights the significance on the issue of long-term austerity programs in the government. The resignation of two senior ministers in Portugal's ruling coalition, which had been relatively united, in the span of 24 hours in early July, ignited a major political crisis. Demonstrators took to the streets of Lisbon to show their dissatisfactions and market participants rushed to sell Portuguese debt, sending yields on 10-year government bonds to hit 8% briefly on July 3.[289]
- During a parliamentary debate in early June, then Finance Minister Vitor Gaspar said that Portugal's tax revenues rose by around 8% YoY in the five months through May to more than EUR 1bn. Hefty tax hikes have helped public revenues to exceed expectations despite the worst recession since the 1970s.[290]

Sovereign Credit Ratings

- Moody's and S&P maintained their Ba3 and BB ratings respectively on Portugal's foreign currency long-term debt, with negative and stable outlooks respectively. Fitch kept Portugal's long-term foreign currency issuer default rating at BB+ with a negative outlook.

Portuguese Banks

The 1-year aggregate RMI PD for Portuguese banks fell slightly in the first two months of Q2 before increasing in June, on concern that the country's political instability will reignite Europe's sovereign debt crisis. The sector's solvency and liquidity conditions have improved since its recapitalization as part of Portugal's financial aid program. The lenders have thus far avoided the need to tap additional funds on top of the allocated amount from Portugal's bailout funds. Moreover, quarterly losses and provisions for NPLs at the three big listed banks - Banco Comercial Portugues, Banco BPI and Banco Espirito Santo have slowed significantly in the latest reporting period. Yet weak macroeconomic conditions continued to pressure the profitability of Portuguese banks by eroding credit quality and net interest margins. NPL rates in the banking system have increased along with the nation's recession; Lisbon's austerity measures have prompted two of the country's largest banks to say earlier this year that over 10% of all loans were at risk of default. Capital requirements that were set to serve as buffers against risk might have an unintended effect on the Portuguese banks. The capital rules are preventing early repayment of expensive contingent convertible bonds owned by the government, and Banco Espirito Santo is the only one of the big three who has not taken bailout funds so far. Overall the credit outlook for Portuguese banks is neutral, with the sector's strengthened balance sheets helping the lenders remain resilient against mounting political tension and uncertain market conditions.



Profitability

- Portuguese listed private-sector banks continued to post losses, albeit at a reduced extent. The aggregate loss of Banco Comercial Portugues, Banco BPI, and Banco Espirito Santo stood at EUR 173.5mn in Q1, an improvement from the EUR 285.058mn recorded during the previous quarter.

- According to the latest Financial Stability Report by Portugal's central bank, the profitability of the Portuguese banking system represents the main challenge facing the sector. Adverse macroeconomic conditions continue to take a toll on asset quality, accompanied by a compressed NIM, which is the main component of operating income from banking operations.[291]

Funding & Liquidity

- Portugal's banks defied a prediction by Moody's Investors Service that Lisbon would need an additional EUR 2bn on top of the bailout funds already earmarked for recapitalizing the lenders. Moody's estimated Portuguese banks may need an additional EUR 8bn in capital in a January report, and Portugal has so far only injected EUR 5.6bn into private banks, exhibiting the resilience of Portuguese banks relative to their peers in peripheral Europe.[292]
- Funding costs for Portuguese banks have mostly risen in Q2. The yields on four-year bonds of Banco Comercial Portugues and Banco Espirito Santo were at 4.26% and 3.02% respectively at the end of June; they were at 3.96% and 3.135% respectively three months earlier. Yields on bonds due 2023 of Banco BPI climbed to 5.215% from 4.5% over the same period.
- Although Portuguese banks relied more on the ECB for financing during Q2, such reliance on the ECB was still well below the peak in June 2012 when Portugal was shut out of bond markets. Borrowings from the ECB rose to EUR 49.8bn in April from EUR 47.8bn a month ago, before easing to EUR 48.7bn in May.
- Deposits at Portuguese banks expanded in recent months, with total deposits increasing 1.78% to EUR 161.5bn in the three months through May. Both retail and corporate deposits expanded over the same period.
- Overall liquidity in the Portuguese banking sector deteriorated during Q1, with the aggregate LATDB ratio for listed banks slumping to 9.16% from 11.78% in the three months through March.

Capital Levels & Regulations

- The average core tier 1 capital ratio of the Portuguese banking system stood at 11.5% in December 2012, which represented a highly significant YoY increase of 2.8 percentage points, according to Bank of Portugal's Financial Stability Report in May.
- Although the three largest private-sector Portuguese banks have relatively high core tier one capital ratios ranging from 10.5% (Banco Espirito Santo) to 15% (Banco Comercial Portugues) under outgoing Basel II rules their funding outlook and capital ratios are not as healthy as they might seem. The mentioned ratios will drop one to two percentage points under the soon-to-be implemented Basel III rules and the stricken economy looks certain to erode the lenders' profitability and subsequently, capital levels.[293]

Asset Quality

- Aggregate provisions for loan losses at the three large listed banks plunged 37.4% QoQ to EUR 439.56mn from EUR 702.16mn at the end of Q1. The figure stood at less than half of the peak reached in June 2012. Overdue credit in the Portuguese banking system climbed to 6.5%, or EUR 20.09bn, of total credit in Q1, from 6% in the previous quarter.[294]
- The Bank of Portugal emphasized the importance of monitoring the developments of delinquency in loan portfolios in the May issue of Financial Stability Report. The central bank said that the stabilization of default rates is apparent in both the household and

corporate sectors despite the persistence of economic vulnerabilities, and delinquency rate in mortgage loans remained at relatively contained levels.

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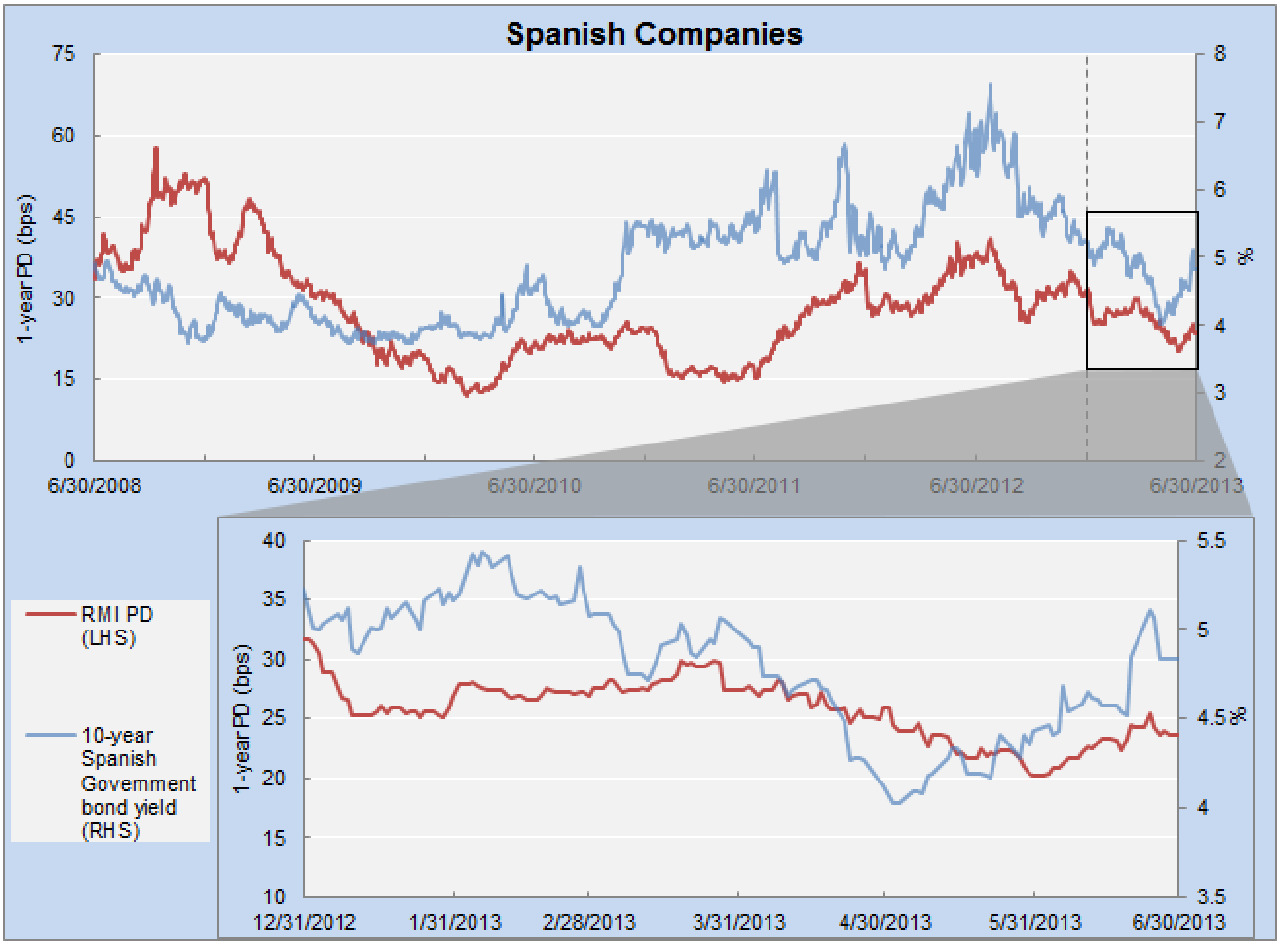
Spanish Companies

The aggregate 1-year RMI PD for Spanish companies fell steadily during Q2, reaching the lowest level in two years in May. The default risk for Spanish companies still remains high relative to levels during in late-2009, but has faded somewhat as economic contraction slowed. This was largely due to improvements in the manufacturing and service sectors, where the pace of contraction has slowed. However, austerity measures, weak revenue growth and a continuing recession weighed on the credit profiles of Spanish companies, as unemployment hit a new record high in Q2. Despite a well-received bond auction and a slight fall in sovereign yields through the quarter, bank lending to non-financial companies continued to fall, placing a further strain on the funding and liquidity profiles of Spanish companies. Government finances continued to decline during Q2, with further budget cutting through Q3 likely to dampen economic sentiment, despite government efforts to mitigate the effect of austerity measures on the economy through a higher budget cap. With this in mind, the outlook for Spanish companies remains negative.



Economy

- The Spanish economy contracted at an estimated 0.1% QoQ in Q2, after contracting 0.5% in Q1, and a 1.4% contraction in Q4 2012. The IMF expects the economy will contract 1.6% YoY during 2013.[295]
- The unemployment rate reached a record high of 26.9% in April. The IMF has pressed Spain to boost job creation in the country. The IMF wants further labor law reforms to make it easier for companies to modify contractsrather than dismiss employees, lower severance pay and changes to collective bargaining.[296,297]
- The services PMI increased in Q2, to 47.8 in June from 45.3 in March. This marked a twenty-third successive decline in activity, albeit at the slowest pace in two years.[298]

- The Spanish manufacturing PMI increased to 50.0 in May from 44.2 at the end of Q1. This rise ended a 25-month sequence of deteriorating operating conditions, as the index rose to its highest since May 2011.[299]

Funding & Liquidity

- Yields on 10-year Spanish government bonds were noticeably volatile during Q2. Yields fell as low as 4.03% in early May from 5.05% at the end of Q1, before soaring to 5.1% in late-June. Yields were slightly lower at the end of Q2 at 4.76%.
- The Spanish treasury was able to fully meet its debt requirements at auctions in Q2, selling EUR 4.02bn of debt, in line with its maximum target of EUR 4bn . A five-year note was sold to yield 3.59%, down from 3.60% percent at a sale on April 4. Its nine-year benchmark yielded 4.35%, down from 4.477% on April 4, and a 10-year bond fetched 4.77%, up from 4.52% on June 6.[300]
- Banks reduced lending further in the first two months of Q2, with total outstanding loans to the non-nancial sector falling 19.9% YoY in May, the fastest decline on record, to EUR 672bn. This marked the lowest total amount of loans since June 2006.[301]
- Interest rates on new bank loans to non-nancials spiked during Q2, increasing to 3.83% per annum in May, marking a 1-year high, in line with rising yields on government bonds.[302]

Policy

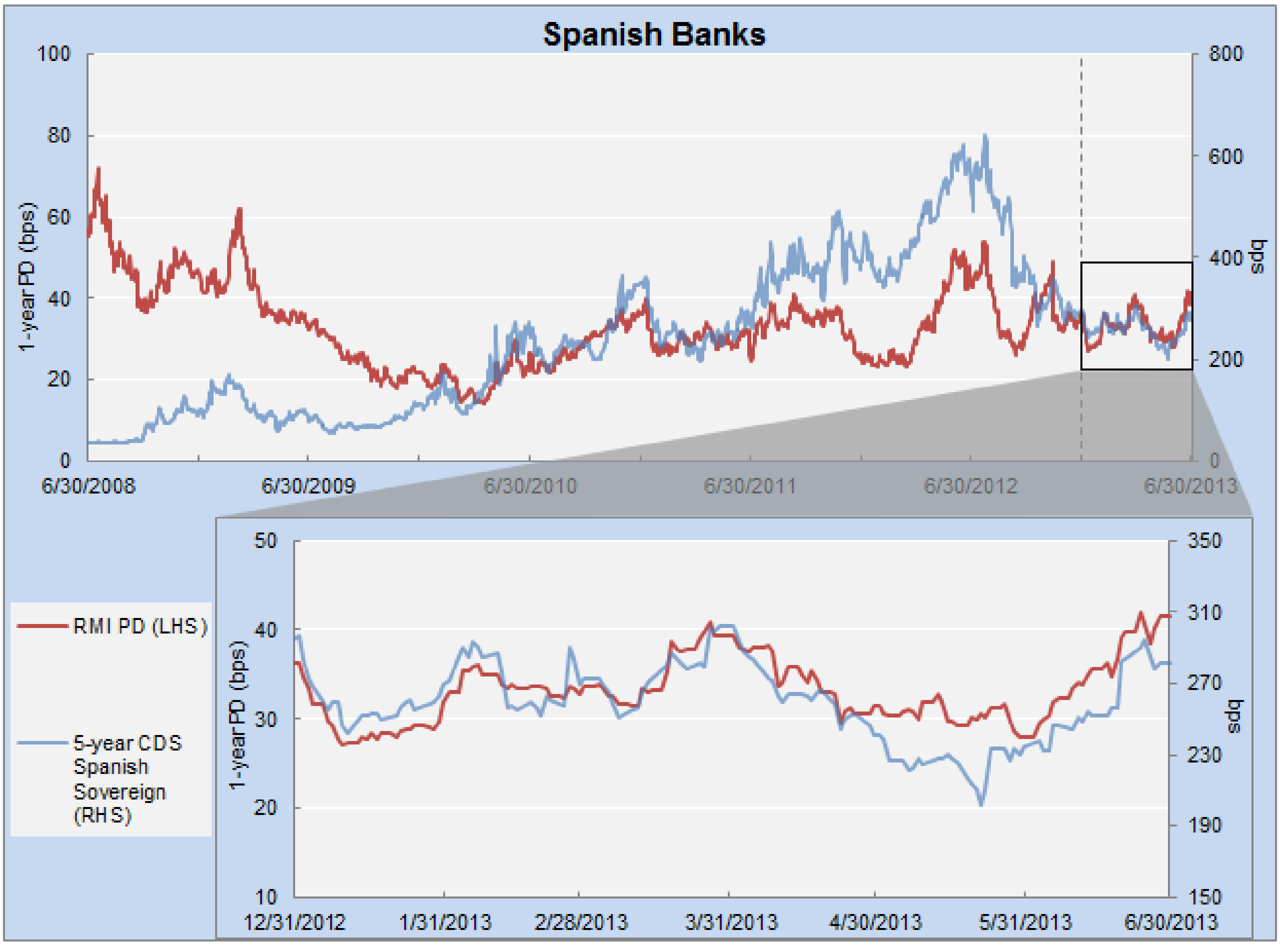
- Spain plans to eliminate overlaps in the civil service and improve efficiencies in an effort to cut EUR 37.7bn in costs. The cost savings are being achieved from 2012 to 2015. Prime Minister Mariano Rajoy's cabinet approved a report with 218 measures, of which 78 affect the central government and the remainder Spain's regions. The program is part of government initiative to trim Spain's budget deficit of 10.6% of GDP, the widest in the European Union and more than three times the limit set for eurozone members.[303]
- Spain approved a higher spending limit for 2014 and tax changes to boost revenue as it seeks to curb the widest budget deficit in the European Union without jeopardizing an exit from a sixth year of economic contraction. The spending limit for 2014 will be EUR 133.3bn, 2.7% higher than 2013.[304]
- Spain's public debt rose to a historical high of 88.20% of GDP in Q1, from 85.30% of GDP in Q4. Borrowings rose to EUR 923bn at the end of March from EUR 884bn a year earlier.[305]

Sovereign Credit Ratings

- All three CRAs maintained their ratings on Spain in Q2, with S&P at BBB-, Fitch BBB and Moody's at Baa3. The country remains on negative watch at all three CRAs.

Spanish Banks

The aggregate 1-year RMI PD for Spanish banks increased towards the end of Q2, after falling during April. The recession in Spain has reduced the earning prospects of domestic lenders. Most banks recorded losses during Q1, as lenders took write-downs from bad loans and increased their provisions for more loan losses. Underlying earnings are expected to continue to remain weak as the economy shrinks. Even though the European Central Bank has pledged to buy bonds from troubled countries through the Outright Monetary Transaction; sovereign yields are likely to remain volatile while a solution to the eurozone sovereign debt crisis remains elusive. The credit outlook for Spanish banks is negative as banks may experience deposit outflows if the debt crisis deteriorates further.



Profitability

- Trading gains and lower writedowns on property assets helped Spanish banks achieve a significant recovery from major losses last year. The banks recorded an aggregate net income of EUR 3.5bn in Q1. Bankia, which suffered the heaviest loss last quarter, recorded a small profit of EUR 75m.
- A proxy for the NIM of Spanish banks increased sharply to 1.97% during Q2, from 0.7% in Q4 2012. This increase in net interest margins came as a result of deposits falling to an all-time low.

Funding & Liquidity

- The average coupon rate of the newly issued 5-year Spanish bank bonds was 2.96% during Q2, down from 3.56% in Q1.
- Total deposits at Spanish banks continued to recover after large outflows in 2012. Deposits increased by 0.85% MoM and 4.51% YoY in May.

- Overall liquidity in the Spanish banking sector decreased during Q1, with the aggregate LATDB ratio for listed banks falling to 12.93% from 15.0% in Q4.
- Spanish banks borrowed EUR 259.3 bn from the European Central Bank in May, marking the ninth month of easing reliance on European aid since an all-time high of 411 billion euros from the ECB in August 2012.

Capital Levels & Regulations

- The Bank of Spain capped lenders' dividends for 2013 at 25% of net income to safeguard their solvency after the industry was bailed out by the European Union last year amid the worst economic slump in the nation's democratic history.[306]
- Spain's bank-bailout fund is attempting to sell two loss-making lenders it nationalized last year, just a few months after the previous attempt to sell one of them failed. The fund, known by its Spanish acronym FROB, has plans to hire two investment banks to analyze the balance sheets of NCG Banco SA and Catalunya Banc SA and discuss a sale with would-be buyers.[307]

Asset Quality

- An economic slowdown has increased defaults in the corporate and property sectors, as the non-performing loan ratio at Spanish banks hit a record of 9.66% in Q1, climbing from 9.03% in Q4, and 7.65% in Q3.
- Nevertheless, aggregate provisions for loan losses at Spanish banks decreased by 57.6% in Q1 after a huge rise in provisions in Q4.
- Moody's downgraded Bankia, Catalunya Banc and NCG Banco amid warnings of weakening asset quality and increasing credit deterioration. Bankia, the biggest of the nationalised lenders, had its debt and deposit rating lowered by two notches to B1. The ratings for Catalunya Banc and NCG were downgraded by two notches to B3. All three lenders have a negative outlook.[308]

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Appendices

The appendices provide readers with a comprehensive overview of various outputs that are produced by RMI's operational probability of default (PD) system. While the PD system provides default forecasts at horizons ranging from one month to five years, here only 1-year PDs are reported. In addition to the PD produced by the RMI system, important macroeconomic, corporate credit and sovereign risk indicators are provided. These summarize the credit situation at a glance, as well as provide detailed data for reference purposes.

Appendix A and Appendix B give 1-year aggregate PD where the aggregations are by region, economy and sector. These are given as month-end data, and are based on RMI's default forecast model calibrated on July 7, 2013, using data up to June 30, 2013. For a detailed description of RMI's default forecast model, the Technical Report is available on our website.

Appendix A provides 1-year aggregate PD by economy and sector. For each economy, the graph on the left shows the time series of 1-year aggregate PD for all exchange listed firms within the economy (thick blue, left axis), and the time series of the number of firms with PD (thin orange, right axis). The table on the right provides the mean and standard deviation of PDs for firms within ten industry sectors at the end of Q1 2013 and Q2 2013. Note that the statistics are for firms that have a PD at both dates so that consistent comparisons can be made. The mean and standard deviation of the difference of individual PD is also given. The industry sectors are based on the Level I Bloomberg Industry Classification.

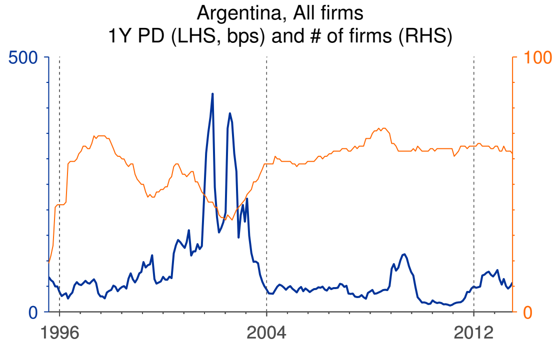
Appendix B gives 1-year aggregate PD by the seven regions of Asia-Pacific developed, Asia-Pacific emerging, North America, Latin America, Eastern Europe, Western Europe and Africa & the Middle East. The top two graphs of each regions show the time series of the distribution of Probability of Default implied Ratings (PDiR). The PDiR methodology is described in the last section of Appendix D. The different colored areas in the graph indicate different PDiR classes. From the bottom, the blue area indicates the percentage of CCC/C firms, the bottom-most white area indicates B firms, the orange area indicates BB firms, the middle white area indicates BBB firms, the green area indicates A firms, the top-most white area indicates AA firms, and the maroon area indicates AAA firms.

The bottom 12 graphs in each region show the time series of 1-year aggregate PD for all exchange listed firms in the region, all non-financial firms in the region, and firms in each of the ten industry sectors in the region. Each graph shows the PD in thick blue on the left axis and the count of firms with PD in thin orange on the right axis.

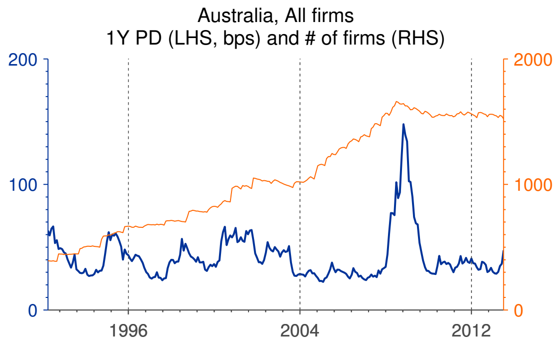
Appendix C provides common macroeconomic, corporate credit and sovereign risk indicators for each economy along with the 1-year aggregate PD for financial and non-financial firms. The graphs on the left give historical context to the values, and the table on the right give the data from the previous five quarters. For variables that are more frequent than quarterly, the last value in the quarter is used. But if a variable is available at a monthly frequency and the end of September data was not available at the time this report was compiled, the previous month's data is given with an asterisk.

Appendix D gives a more detailed description of the data in Appendix C, along with a description of the PDiR.

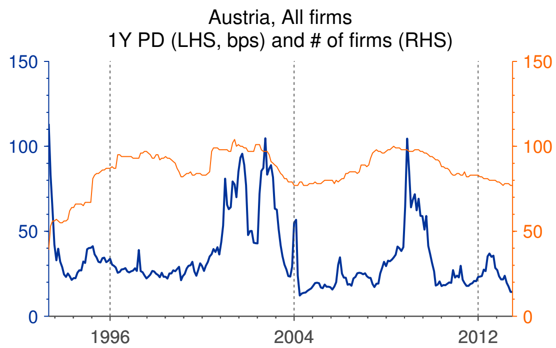
A PD by economies



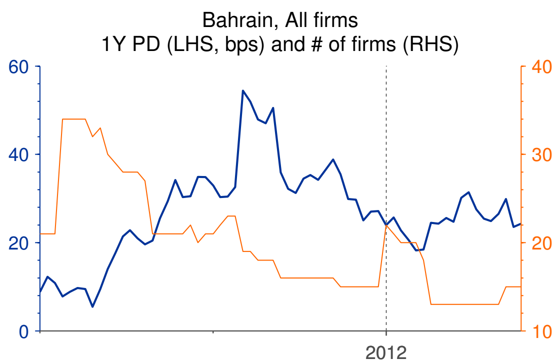
Argentina		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	10	36.2	32.5	46.4	35.1	10.2	11.7
Basic Materials	6	55.4	62.0	73.4	87.8	18.0	26.5
Communications	5	17.9	19.2	18.0	21.4	0.1	3.5
Consumer Cyclical	8	33.3	36.3	61.3	104.0	28.0	69.8
Consumer Non-cyclical	13	50.8	83.1	52.2	66.1	1.4	26.7
Diversified	1	29.4	–	34.5	–	5.1	–
Energy	4	24.3	16.9	28.5	14.3	4.2	11.7
Industrial	6	40.2	32.8	52.4	47.6	12.1	19.9
Technology	1	11.9	–	10.3	–	-1.6	–
Utilities	6	94.2	99.1	133.8	142.4	39.6	47.6



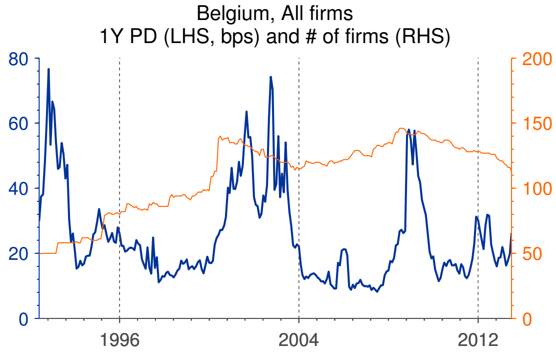
Australia		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	140	21.9	56.3	27.5	73.1	5.6	56.9
Basic Materials	667	30.4	63.0	57.5	108.3	27.2	77.7
Communications	71	33.7	65.6	38.5	64.7	4.8	55.8
Consumer Cyclical	70	19.6	54.7	31.0	97.4	11.4	75.5
Consumer Non-cyclical	165	22.4	68.7	32.5	156.2	10.1	93.5
Diversified	7	43.5	80.2	38.1	66.3	-5.3	15.9
Energy	202	35.9	97.9	57.6	197.6	21.7	128.9
Industrial	109	30.6	65.7	53.0	183.2	22.4	129.0
Technology	41	17.8	24.3	25.0	52.8	7.2	44.4
Utilities	16	35.7	79.4	43.4	105.1	7.7	28.7



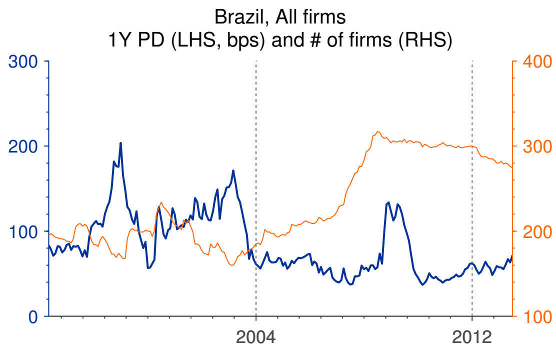
Austria		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	21	21.7	27.1	19.2	20.7	-2.5	13.0
Basic Materials	5	8.1	7.1	7.0	5.5	-1.1	4.0
Communications	2	10.7	7.6	9.0	5.0	-1.7	2.6
Consumer Cyclical	12	16.8	21.8	16.3	23.7	-0.5	4.3
Consumer Non-cyclical	7	14.6	9.3	13.1	8.6	-1.5	2.7
Energy	4	9.3	12.8	5.4	6.5	-3.9	6.3
Industrial	18	20.5	33.5	14.2	22.9	-6.3	13.2
Technology	5	12.2	7.4	11.2	4.2	-1.0	5.2
Utilities	2	4.3	1.9	5.1	1.7	0.8	0.2



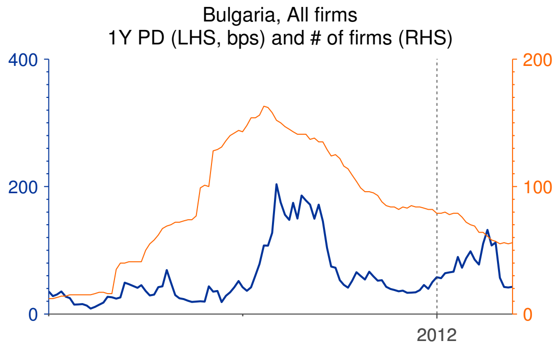
Bahrain		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	12	26.9	20.0	23.9	19.4	-3.0	6.0



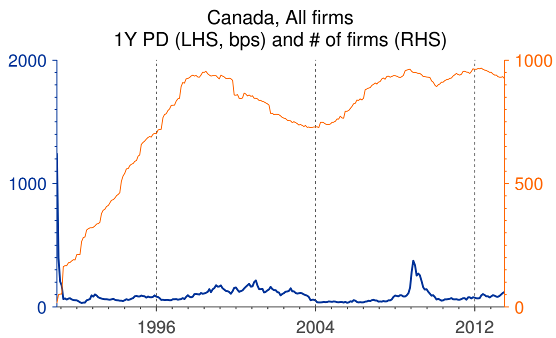
Belgium		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	29	27.2	115.2	66.1	326.0	38.8	211.2
Basic Materials	8	12.2	10.9	11.5	10.3	-0.6	0.9
Communications	6	14.9	11.8	18.2	16.8	3.3	6.0
Consumer Cyclical	6	7.4	7.3	6.2	6.2	-1.2	1.4
Consumer Non-cyclical	23	9.1	15.5	9.5	13.7	0.4	3.1
Diversified	8	16.0	41.2	14.8	38.9	-1.2	2.4
Energy	1	125.0	–	173.9	–	49.0	–
Industrial	22	11.1	9.8	9.9	8.1	-1.2	5.5
Technology	8	11.6	10.7	9.9	8.2	-1.7	3.8
Utilities	2	2.2	1.9	2.4	0.4	0.2	1.6



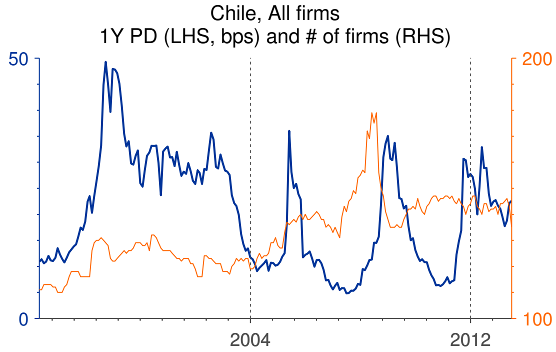
Brazil		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	60	34.6	49.5	43.3	95.1	8.7	61.1
Basic Materials	23	84.2	183.6	107.2	223.9	23.0	60.0
Communications	8	45.4	75.9	51.4	66.0	6.1	22.3
Consumer Cyclical	55	78.2	165.6	73.1	158.1	-5.1	39.4
Consumer Non-cyclical	48	50.5	133.9	94.3	308.0	43.7	215.6
Diversified	8	35.8	49.6	50.0	64.7	14.2	22.2
Energy	5	26.2	17.3	56.5	67.2	30.3	58.0
Industrial	34	117.9	175.9	116.2	158.7	-1.7	97.0
Technology	2	0.6	0.8	1.0	1.3	0.4	0.5
Utilities	30	29.1	46.3	33.1	45.6	4.0	26.8



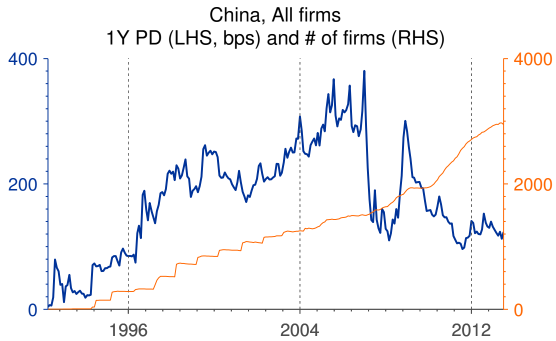
Bulgaria		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	16	18.7	11.4	13.7	7.3	-4.9	6.1
Basic Materials	5	145.2	261.0	112.9	209.0	-32.2	52.1
Communications	1	88.3	–	41.6	–	-46.7	–
Consumer Cyclical	1	14.1	–	12.2	–	-1.8	–
Consumer Non-cyclical	8	64.2	116.6	51.0	90.4	-13.2	27.8
Diversified	9	35.2	18.9	22.5	9.1	-12.7	12.8
Energy	3	286.3	415.6	216.2	308.4	-70.1	107.7
Industrial	11	27.8	21.6	20.3	19.0	-7.5	4.8



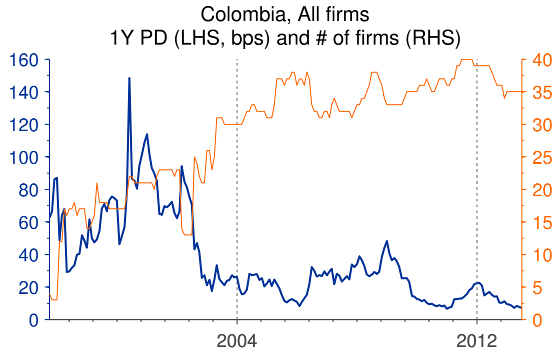
Canada		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	108	32.9	91.2	66.1	303.5	33.2	251.1
Basic Materials	319	103.6	294.0	166.7	360.9	63.2	259.3
Communications	48	64.8	167.4	68.4	198.8	3.6	59.5
Consumer Cyclical	64	33.2	89.0	40.4	89.8	7.1	48.1
Consumer Non-cyclical	97	66.8	132.2	138.4	479.0	71.5	449.1
Diversified	5	30.7	51.5	22.5	30.7	-8.2	23.6
Energy	151	136.9	612.3	117.3	395.9	-19.7	497.3
Industrial	72	50.3	118.1	77.2	216.6	27.0	176.1
Technology	29	100.6	196.2	248.6	920.0	148.0	829.9
Utilities	13	9.0	16.6	10.1	15.0	1.1	5.6



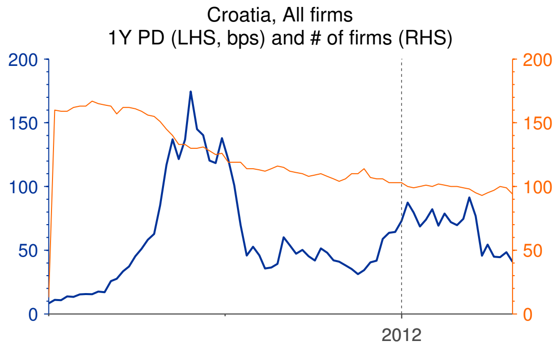
Chile	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	28	36.1	152.4	17.3	48.1	-18.7	105.5
Basic Materials	13	6.7	14.9	92.0	321.2	85.2	306.6
Communications	4	4.5	4.2	3.4	3.3	-1.1	1.6
Consumer Cyclical	16	34.2	87.7	22.5	43.2	-11.7	62.5
Consumer Non-cyclical	29	12.9	29.8	15.3	31.5	2.3	25.8
Diversified	6	5.8	7.5	6.4	8.6	0.6	3.1
Industrial	18	19.1	40.6	23.1	47.6	4.0	14.4
Technology	1	0.4	–	0.4	–	0.0	–
Utilities	16	6.1	14.5	5.6	12.2	-0.6	2.6



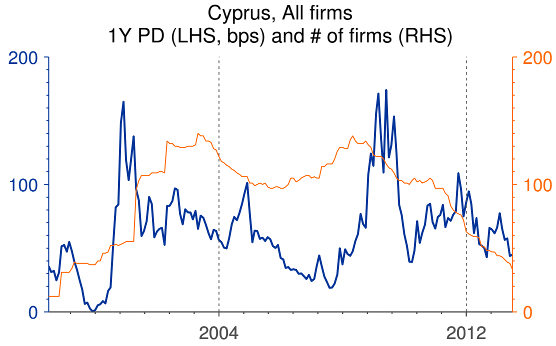
China	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	218	123.0	123.4	123.6	127.7	0.6	46.7
Basic Materials	361	157.6	124.4	179.5	136.8	22.0	60.9
Communications	157	76.9	141.3	82.9	197.6	6.0	80.9
Consumer Cyclical	504	115.2	104.0	123.7	122.4	8.5	57.2
Consumer Non-cyclical	451	98.5	126.8	105.4	133.5	6.9	58.3
Diversified	29	176.0	100.7	190.3	120.1	14.3	37.1
Energy	84	104.0	138.6	107.5	110.0	3.6	87.7
Industrial	849	119.6	123.7	124.6	131.7	5.0	53.8
Technology	173	75.4	88.9	69.4	84.3	-6.0	44.7
Utilities	75	158.8	115.3	170.1	122.9	11.3	42.6



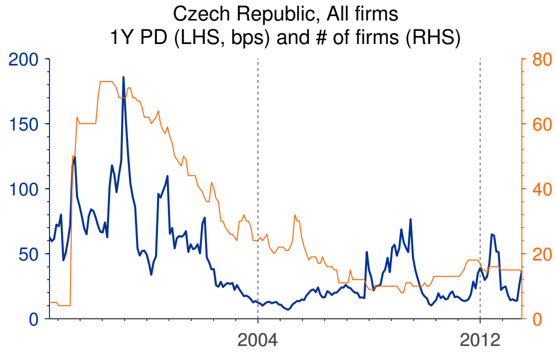
Colombia	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	13	7.6	6.9	5.6	5.6	-2.0	6.5
Basic Materials	2	9.6	13.5	11.3	15.9	1.8	2.4
Communications	1	6.4	–	6.4	–	0.0	–
Consumer Cyclical	3	3.1	4.8	4.5	4.7	1.4	1.6
Consumer Non-cyclical	1	0.0	–	0.1	–	0.1	–
Diversified	1	25.5	–	9.3	–	-16.2	–
Energy	3	3.6	4.1	6.6	6.0	3.0	7.0
Industrial	7	9.5	13.5	11.6	12.4	2.1	8.3
Utilities	4	3.5	5.7	6.3	6.9	2.8	5.0



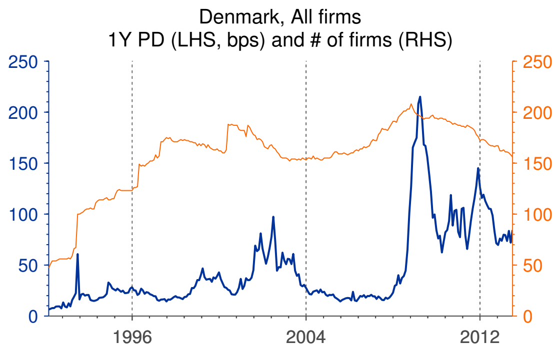
Croatia	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	13	31.5	43.8	28.3	36.3	-3.2	13.5
Basic Materials	3	20.0	6.1	19.0	4.1	-1.0	4.0
Communications	3	132.4	225.0	67.5	115.2	-64.9	109.8
Consumer Cyclical	26	45.9	86.1	31.6	53.8	-14.2	36.9
Consumer Non-cyclical	23	32.2	44.5	36.7	79.7	4.4	42.0
Diversified	2	25.4	3.1	18.0	6.2	-7.4	3.1
Energy	2	2.0	0.7	1.5	0.5	-0.5	0.1
Industrial	16	65.3	59.2	85.8	116.9	20.5	93.5



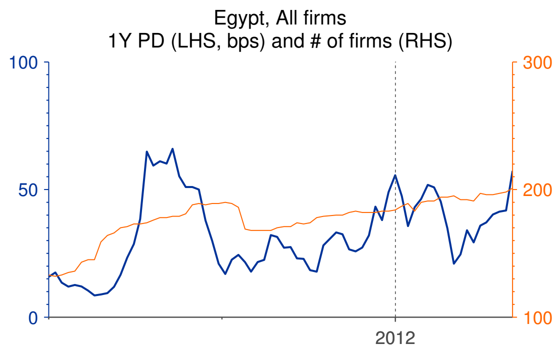
Cyprus		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	10	33.8	25.2	33.6	22.7	-0.2	10.1
Basic Materials	1	19.9	–	38.0	–	18.1	–
Consumer Cyclical	8	68.3	48.6	79.6	103.6	11.3	68.0
Consumer Non-cyclical	5	44.6	30.6	33.1	16.0	-11.5	15.6
Energy	4	19.4	26.8	24.6	31.1	5.2	6.3
Industrial	5	48.0	40.1	40.2	17.7	-7.8	23.4



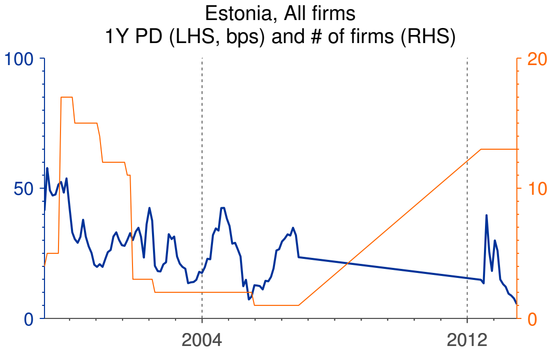
Czech Republic		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	2	18.6	5.6	40.8	40.8	22.2	35.2
Communications	1	2.3	–	2.7	–	0.4	–
Consumer Cyclical	3	6.2	4.0	6.0	3.6	-0.2	0.9
Consumer Non-cyclical	1	3.6	–	9.4	–	5.8	–
Diversified	1	3.1	–	5.3	–	2.2	–
Energy	4	30.0	22.6	95.5	144.0	65.5	127.5
Industrial	1	6.5	–	5.4	–	-1.2	–
Utilities	1	11.3	–	12.2	–	0.9	–



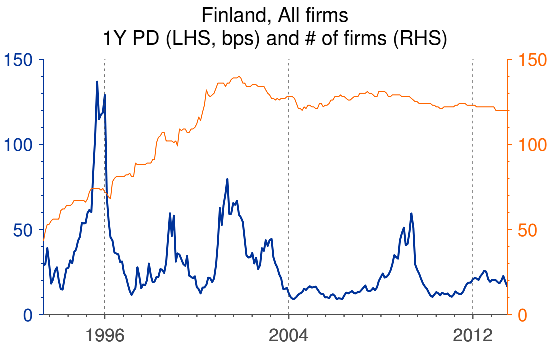
Denmark		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	55	86.7	107.7	109.8	241.9	23.2	183.7
Basic Materials	2	5.3	5.1	4.7	3.6	-0.5	1.5
Communications	11	57.3	92.9	55.9	93.9	-1.3	11.2
Consumer Cyclical	17	61.9	66.7	104.8	193.8	42.8	185.6
Consumer Non-cyclical	23	36.7	71.0	69.0	186.7	32.3	163.0
Diversified	2	22.4	21.8	20.2	16.4	-2.2	5.4
Energy	1	86.7	–	74.4	–	-12.3	–
Industrial	35	92.8	171.5	71.0	130.9	-21.8	79.3
Technology	10	50.0	36.5	51.7	31.8	1.7	13.1



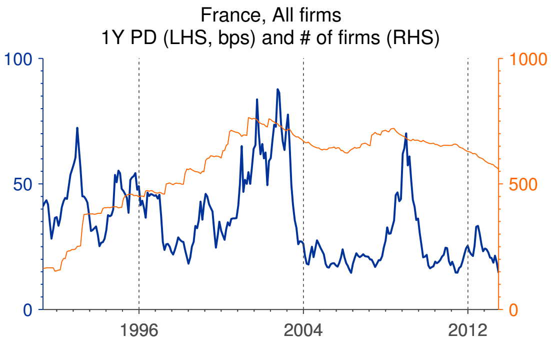
Egypt		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	65	59.6	67.8	89.0	91.1	29.4	37.7
Basic Materials	21	42.5	60.6	58.4	96.9	15.8	46.5
Communications	5	23.9	27.7	37.9	41.5	14.0	26.9
Consumer Cyclical	21	38.3	30.0	53.6	46.1	15.3	20.4
Consumer Non-cyclical	42	28.1	39.7	35.5	47.1	7.4	17.3
Diversified	2	61.4	80.7	88.9	106.5	27.5	25.8
Energy	1	16.6	–	26.2	–	9.6	–
Industrial	38	22.9	39.4	33.2	58.7	10.4	24.2
Utilities	1	5.9	–	5.0	–	-1.0	–



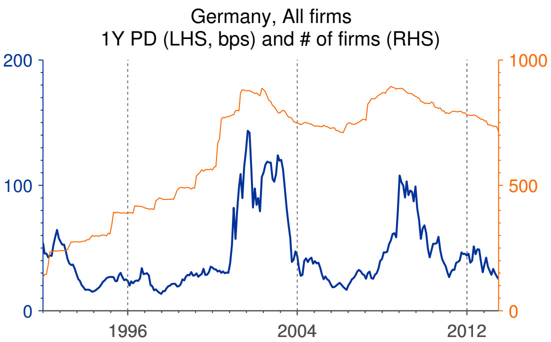
Estonia	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Communications	1	6.6	–	7.1	–	0.6	–
Consumer Cyclical	5	5.4	7.0	5.5	7.4	0.1	0.9
Consumer Non-cyclical	1	10.1	–	6.7	–	-3.4	–
Industrial	5	15.6	23.9	5.6	3.9	-10.0	20.7
Utilities	1	1.1	–	0.9	–	-0.2	–



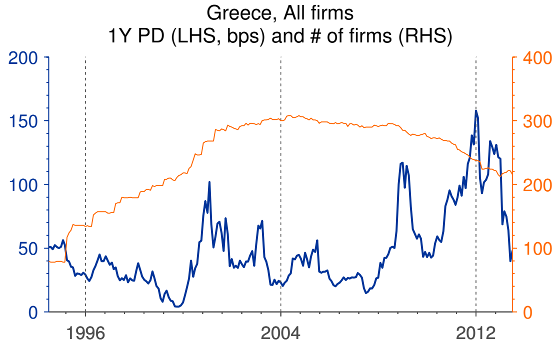
Finland	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	14	32.1	59.7	30.3	56.9	-1.8	27.8
Basic Materials	10	20.3	15.5	24.1	32.0	3.7	19.7
Communications	16	18.0	20.9	13.0	12.8	-5.0	10.2
Consumer Cyclical	9	16.1	22.3	17.3	33.9	1.2	11.8
Consumer Non-cyclical	17	10.5	7.3	8.0	5.0	-2.5	4.7
Diversified	1	2.6	–	2.1	–	-0.5	–
Energy	1	10.2	–	7.1	–	-3.1	–
Industrial	37	18.2	23.4	15.2	20.5	-3.0	5.7
Technology	14	32.4	66.2	16.1	22.7	-16.3	47.1
Utilities	1	3.6	–	3.4	–	-0.2	–



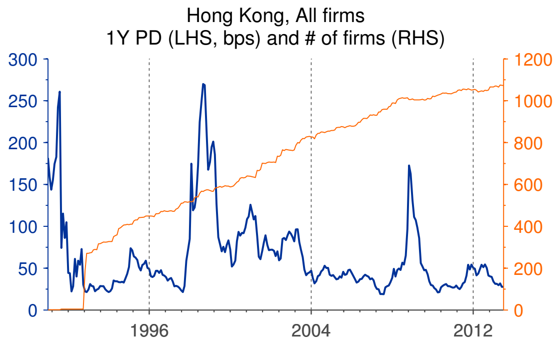
France	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	90	23.5	37.1	17.0	22.7	-6.5	19.9
Basic Materials	20	32.7	44.2	40.4	93.9	7.7	60.2
Communications	61	18.9	22.4	19.0	38.8	0.1	24.4
Consumer Cyclical	77	19.6	29.8	14.8	15.2	-4.8	24.3
Consumer Non-cyclical	110	9.2	12.6	8.2	11.0	-1.1	5.0
Diversified	6	12.0	12.8	18.4	19.5	6.3	8.0
Energy	15	16.2	12.5	15.8	14.1	-0.4	4.7
Industrial	97	18.7	26.8	13.6	18.4	-5.1	16.8
Technology	71	15.0	17.3	11.5	14.6	-3.5	7.6
Utilities	9	10.7	7.6	8.6	7.1	-2.0	2.7



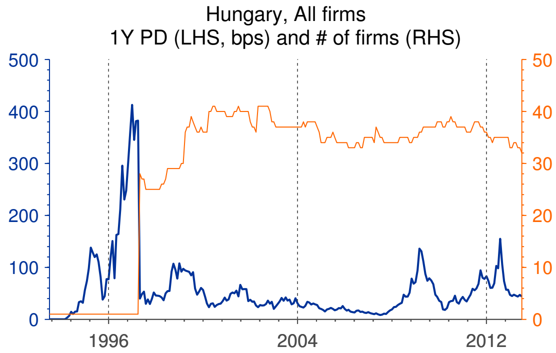
Germany	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	163	38.2	98.3	29.2	69.5	-9.0	79.0
Basic Materials	23	9.4	7.3	8.9	7.7	-0.5	2.2
Communications	71	18.7	23.9	19.5	27.2	0.8	17.0
Consumer Cyclical	97	18.9	26.5	23.3	57.4	4.4	42.1
Consumer Non-cyclical	105	25.6	73.9	41.8	226.6	16.2	204.8
Diversified	6	43.4	74.4	33.9	56.3	-9.5	18.6
Energy	21	39.2	51.2	40.5	58.0	1.3	28.6
Industrial	138	19.6	31.9	20.3	44.4	0.7	27.6
Technology	76	23.0	65.2	11.8	14.4	-11.2	58.5
Utilities	10	11.5	11.2	10.1	10.3	-1.3	1.7



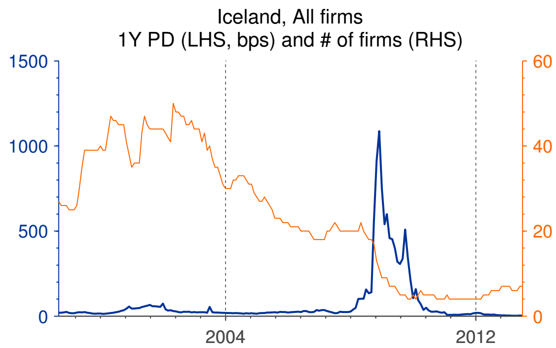
Greece		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	18	91.7	110.3	23.1	38.4	-68.6	115.8
Basic Materials	13	38.8	45.5	22.2	21.2	-16.6	39.8
Communications	14	250.8	488.0	68.7	77.9	-182.1	499.1
Consumer Cyclical	38	47.5	53.6	26.1	22.3	-21.4	35.0
Consumer Non-cyclical	37	53.7	58.2	43.7	46.2	-10.0	38.6
Diversified	2	16.6	6.9	21.3	14.2	4.7	21.1
Energy	5	18.3	9.9	14.1	4.7	-4.1	10.5
Industrial	69	76.2	139.7	70.3	116.4	-5.9	78.5
Technology	11	59.2	50.9	47.4	60.8	-11.8	54.9
Utilities	3	11.3	5.4	6.5	4.1	-4.9	1.6



Hong Kong		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	218	29.8	70.7	25.4	42.7	-4.4	56.5
Basic Materials	54	50.1	115.2	54.2	142.4	4.1	45.3
Communications	84	36.4	107.9	34.2	77.5	-2.2	67.6
Consumer Cyclical	253	26.9	48.3	24.2	45.9	-2.7	21.9
Consumer Non-cyclical	117	23.2	50.8	23.1	48.5	-0.0	17.1
Diversified	42	19.0	26.7	24.4	39.2	5.4	16.7
Energy	35	37.3	47.9	36.8	38.7	-0.5	29.7
Industrial	178	31.5	42.5	27.5	30.1	-4.0	25.8
Technology	58	30.1	44.9	35.5	59.3	5.4	31.0
Utilities	16	7.1	9.6	8.3	8.9	1.2	4.9

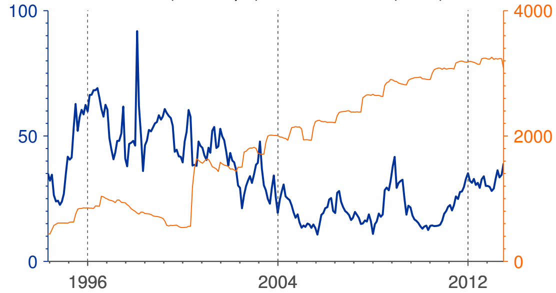


Hungary		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	8	42.0	61.3	36.3	40.3	-5.7	40.5
Basic Materials	1	29.6	–	19.1	–	-10.5	–
Communications	4	82.2	100.9	45.1	60.7	-37.1	42.2
Consumer Cyclical	4	54.3	53.9	99.6	157.8	45.3	106.0
Consumer Non-cyclical	6	25.3	36.3	33.1	60.7	7.8	25.8
Diversified	2	78.9	59.6	63.0	45.3	-15.9	14.3
Energy	1	19.6	–	12.3	–	-7.3	–
Industrial	1	39.6	–	26.3	–	-13.4	–
Technology	3	36.2	10.7	28.6	7.1	-7.6	13.8
Utilities	2	25.7	7.2	30.8	3.3	5.1	3.9



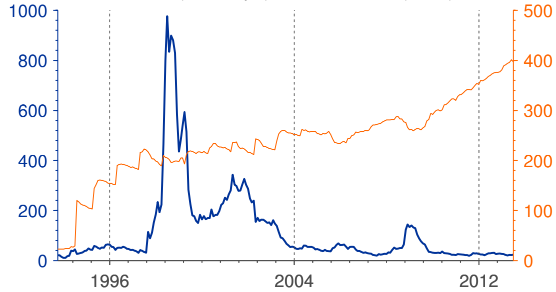
Iceland		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Consumer Cyclical	2	2.5	2.7	2.1	2.3	-0.3	0.4
Consumer Non-cyclical	2	2.7	1.8	3.0	1.5	0.3	0.3
Industrial	1	3.0	–	4.2	–	1.1	–
Technology	1	3.5	–	3.0	–	-0.5	–

India, All firms
1Y PD (LHS, bps) and # of firms (RHS)



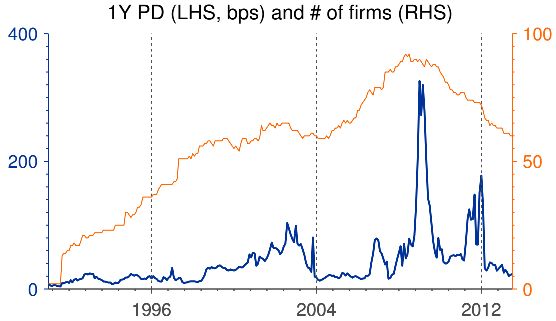
India		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	436	37.9	69.2	40.1	77.2	2.2	36.0
Basic Materials	427	35.6	43.8	34.7	45.9	-0.9	27.7
Communications	119	41.1	74.4	44.4	78.2	3.2	38.6
Consumer Cyclical	603	40.0	65.6	42.3	105.1	2.3	67.9
Consumer Non-cyclical	473	28.7	45.1	35.1	102.5	6.5	85.9
Diversified	25	50.0	61.6	57.5	61.9	7.5	38.3
Energy	56	46.4	61.4	49.0	65.0	2.6	18.5
Industrial	650	38.6	54.1	38.0	54.9	-0.6	27.3
Technology	182	40.0	76.4	41.1	79.2	1.1	53.4
Utilities	35	54.4	62.9	61.6	72.5	7.2	32.6

Indonesia, All firms
1Y PD (LHS, bps) and # of firms (RHS)



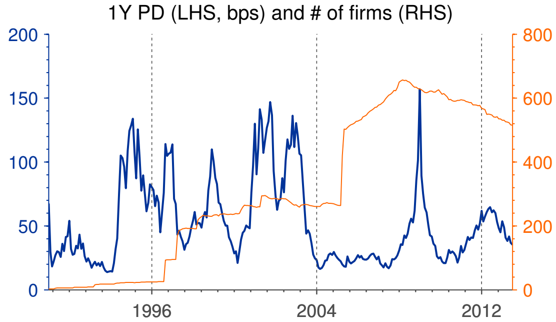
Indonesia		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	102	22.8	23.0	32.2	41.7	9.5	26.7
Basic Materials	44	31.8	39.1	31.7	43.5	-0.1	17.7
Communications	26	25.7	45.0	27.0	37.4	1.3	14.6
Consumer Cyclical	58	12.2	13.1	13.3	13.7	1.1	9.2
Consumer Non-cyclical	60	9.0	14.1	11.6	22.6	2.6	11.4
Diversified	1	18.3	–	34.1	–	15.8	–
Energy	32	41.3	71.3	43.3	68.2	2.1	26.3
Industrial	53	14.8	19.0	16.0	17.4	1.2	10.4
Technology	4	6.1	7.0	6.1	7.1	-0.0	1.1
Utilities	3	30.3	39.4	9.3	8.2	-21.1	40.1

Ireland, All firms
1Y PD (LHS, bps) and # of firms (RHS)

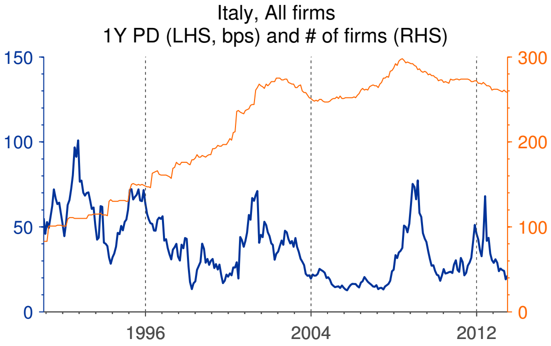


Ireland		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	11	14.5	22.0	16.9	31.6	2.4	10.4
Basic Materials	9	44.6	56.4	39.7	25.7	-4.9	37.4
Communications	2	8.8	2.9	3.9	1.8	-5.0	4.7
Consumer Cyclical	3	2.7	3.5	1.9	2.0	-0.8	1.5
Consumer Non-cyclical	15	11.5	25.0	4.5	4.4	-7.0	22.1
Energy	11	35.0	34.1	67.1	88.4	32.2	65.4
Industrial	5	2.4	1.8	7.7	12.8	5.3	13.2
Technology	2	3.1	4.3	0.9	1.1	-2.2	3.2

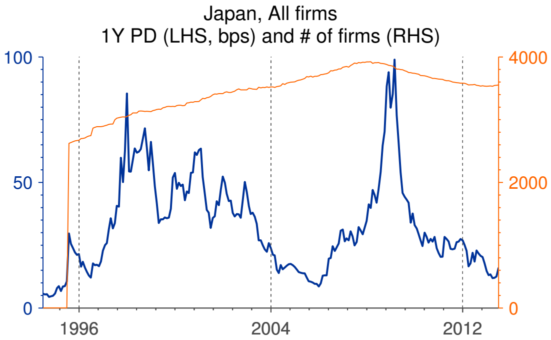
Israel, All firms
1Y PD (LHS, bps) and # of firms (RHS)



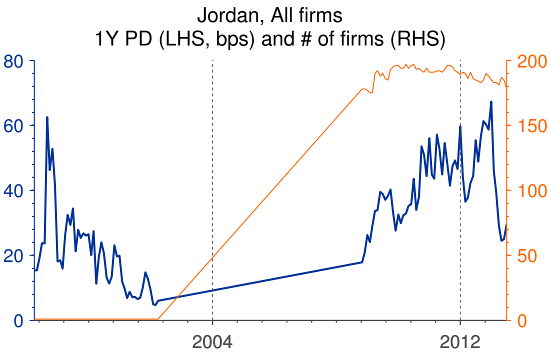
Israel		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	145	41.9	84.7	49.4	167.6	7.5	142.8
Basic Materials	13	9.4	9.9	11.5	24.3	2.2	16.7
Communications	40	54.3	116.6	80.2	259.9	25.8	200.9
Consumer Cyclical	50	19.7	20.4	15.1	16.3	-4.6	16.7
Consumer Non-cyclical	93	24.1	39.6	23.7	51.6	-0.4	27.9
Diversified	12	134.1	340.8	66.2	151.4	-67.9	189.5
Energy	31	76.5	220.1	45.7	94.7	-30.9	176.2
Industrial	96	22.3	36.6	16.7	22.6	-5.6	23.8
Technology	33	20.8	49.8	24.4	68.5	3.6	25.4
Utilities	1	21.4	–	57.7	–	36.4	–



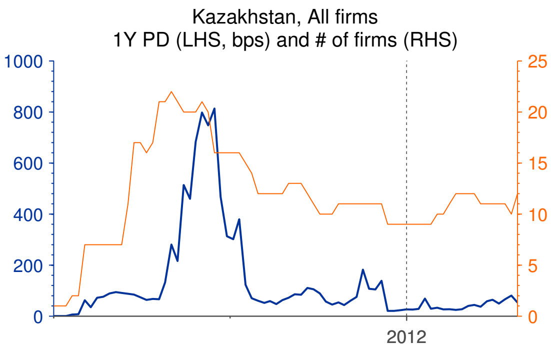
Italy		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	53	33.8	26.7	30.3	24.1	-3.5	13.2
Basic Materials	6	24.5	14.0	20.6	14.8	-4.0	5.3
Communications	30	25.6	18.3	30.9	40.2	5.3	28.5
Consumer Cyclical	44	24.1	27.8	19.1	20.7	-5.1	15.1
Consumer Non-cyclical	32	17.9	19.3	16.1	21.0	-1.7	9.9
Diversified	3	30.8	6.3	20.0	5.3	-10.8	5.5
Energy	14	22.3	23.5	21.8	26.4	-0.6	12.7
Industrial	47	15.3	14.6	13.3	14.3	-1.9	6.3
Technology	13	30.9	30.1	22.4	22.8	-8.5	13.2
Utilities	11	15.2	7.1	10.0	4.6	-5.2	5.6



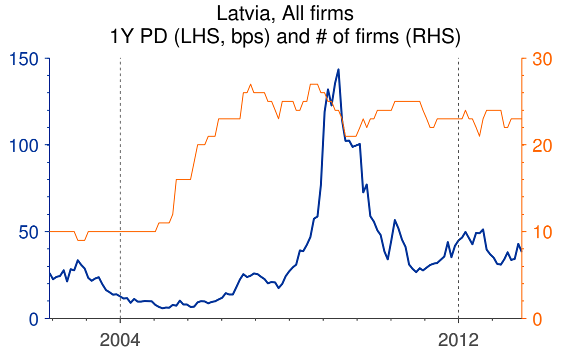
Japan		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	315	22.3	39.7	32.8	35.1	10.5	26.5
Basic Materials	243	11.7	18.6	15.4	22.4	3.6	11.5
Communications	243	7.4	12.6	11.7	15.3	4.3	8.7
Consumer Cyclical	861	11.8	21.0	16.7	52.2	5.0	43.4
Consumer Non-cyclical	581	7.3	17.8	9.8	17.9	2.5	9.9
Diversified	2	13.8	6.6	20.1	17.5	6.3	10.9
Energy	17	21.2	35.3	21.0	15.8	-0.2	31.3
Industrial	967	12.0	16.3	15.9	24.0	3.9	15.2
Technology	263	8.3	15.5	10.9	17.0	2.6	10.1
Utilities	25	23.1	31.8	21.1	26.0	-2.0	20.0



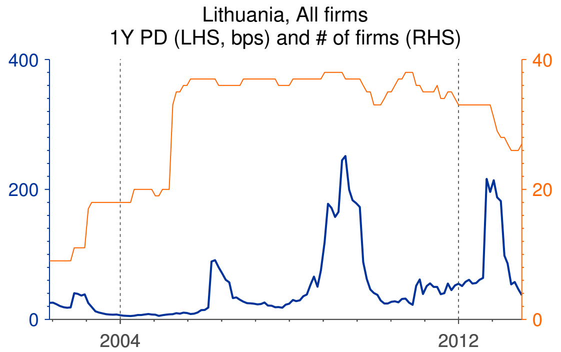
Jordan		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	89	24.0	39.0	27.2	38.0	3.2	18.1
Basic Materials	13	18.2	24.8	14.0	16.7	-4.2	16.2
Communications	3	43.1	68.5	39.9	59.0	-3.2	10.0
Consumer Cyclical	18	42.4	75.9	52.6	92.2	10.1	18.6
Consumer Non-cyclical	22	15.2	20.2	22.4	31.6	7.3	29.0
Diversified	2	5.3	7.4	7.0	9.8	1.7	2.3
Energy	2	52.6	74.3	36.3	51.3	-16.3	23.0
Industrial	22	31.9	45.5	37.2	45.5	5.3	17.1
Utilities	2	45.1	30.4	67.0	15.6	21.8	46.0



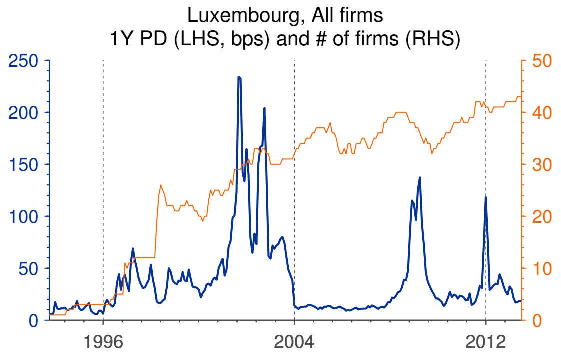
Kazakhstan		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	3	56.1	35.9	69.6	45.7	13.5	13.5
Basic Materials	1	284.4	–	376.4	–	91.9	–
Communications	1	14.4	–	7.3	–	-7.2	–
Consumer Non-cyclical	2	1.3	1.9	0.3	0.5	-1.0	1.4
Diversified	1	17.4	–	13.4	–	-4.0	–
Energy	1	1.5	–	3.3	–	1.8	–



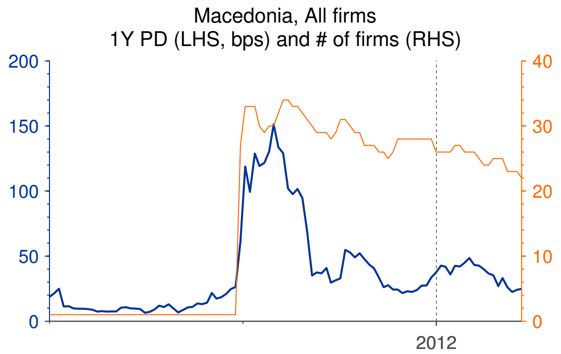
Latvia		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Basic Materials	2	18.0	0.5	27.9	22.0	9.9	21.5
Communications	2	24.8	3.7	10.4	2.1	-14.3	5.7
Consumer Cyclical	3	43.3	20.3	45.3	34.9	2.0	20.7
Consumer Non-cyclical	6	27.2	23.5	20.9	21.1	-6.2	4.7
Energy	1	12.6	–	13.1	–	0.5	–
Industrial	8	45.6	31.2	65.0	79.3	19.3	62.1
Utilities	1	17.3	–	5.7	–	-11.6	–



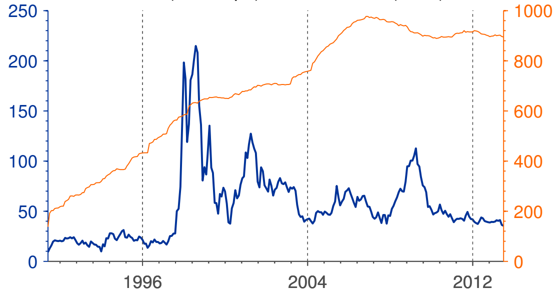
Lithuania		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	2	48.4	6.3	48.6	0.7	0.1	5.6
Basic Materials	1	3.0	–	4.3	–	1.3	–
Communications	1	0.1	–	0.1	–	0.0	–
Consumer Cyclical	5	20.9	20.7	16.9	14.9	-4.0	7.8
Consumer Non-cyclical	9	87.9	223.4	49.3	118.9	-38.6	104.6
Energy	1	0.4	–	0.1	–	-0.3	–
Industrial	4	92.1	111.3	84.9	97.7	-7.2	16.6
Utilities	3	10.4	13.9	8.7	10.3	-1.7	3.9



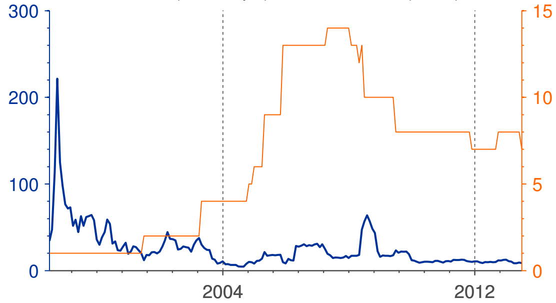
Luxembourg		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	14	14.7	19.9	12.2	13.1	-2.5	9.6
Basic Materials	6	15.6	11.7	28.1	28.8	12.5	27.7
Communications	3	9.0	10.9	10.6	15.1	1.6	4.6
Consumer Cyclical	4	63.8	67.2	60.4	71.1	-3.3	15.4
Consumer Non-cyclical	10	9.8	12.8	9.1	7.9	-0.7	6.5
Energy	2	1.4	1.3	4.8	2.4	3.4	1.1
Industrial	3	7.6	5.2	4.8	3.7	-2.8	1.6



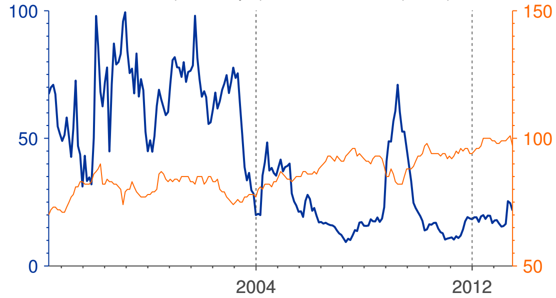
Macedonia		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	4	33.9	5.9	38.8	12.1	5.0	14.6
Basic Materials	3	34.7	6.6	29.1	9.7	-5.6	6.6
Communications	1	0.3	–	0.8	–	0.5	–
Consumer Cyclical	3	16.9	15.2	13.2	11.8	-3.7	8.5
Consumer Non-cyclical	5	9.6	10.3	8.9	10.5	-0.7	4.8
Industrial	4	24.6	19.5	33.0	21.9	8.4	8.5
Utilities	1	90.2	–	60.9	–	-29.3	–



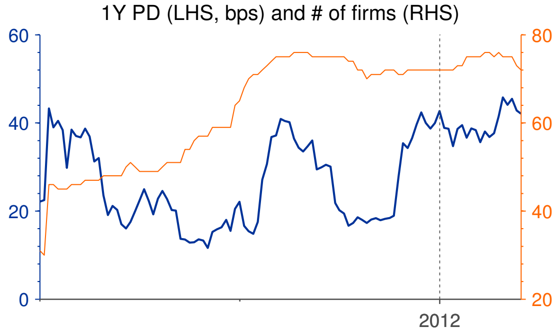
Malaysia		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	130	28.0	50.1	23.6	46.0	-4.4	18.7
Basic Materials	66	55.0	75.2	59.3	90.1	4.3	27.9
Communications	37	28.9	48.5	23.3	33.3	-5.6	37.2
Consumer Cyclical	121	40.4	70.3	42.5	98.3	2.1	51.6
Consumer Non-cyclical	149	30.2	87.8	32.5	103.7	2.2	35.2
Diversified	24	22.5	31.9	17.3	25.3	-5.2	12.7
Energy	24	19.8	27.3	15.0	19.5	-4.8	13.5
Industrial	277	45.3	101.9	41.8	104.4	-3.6	42.5
Technology	60	29.8	39.7	24.0	28.3	-5.8	21.4
Utilities	5	13.6	27.3	12.9	24.2	-0.6	3.8



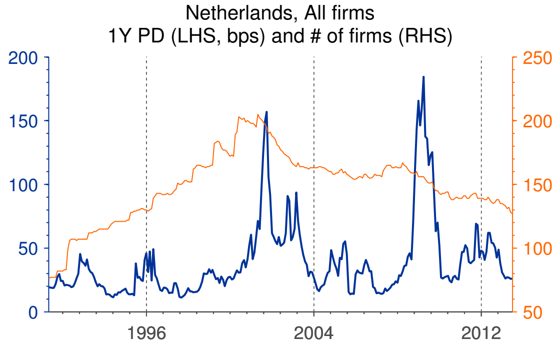
Malta		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	6	9.8	8.4	10.0	9.0	0.2	1.6
Consumer Cyclical	1	1.0	–	0.8	–	-0.2	–



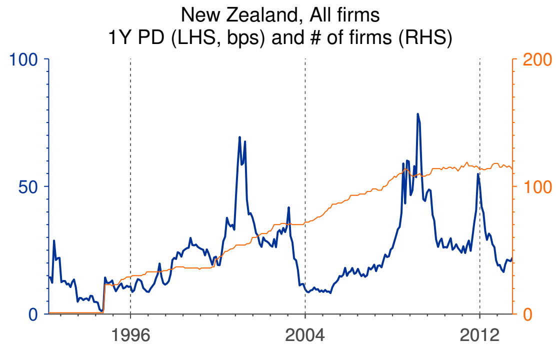
Mexico		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	19	9.6	9.2	15.6	15.9	5.9	12.2
Basic Materials	12	2.3	2.6	5.7	5.3	3.4	3.6
Communications	5	6.9	12.4	10.2	14.9	3.3	3.0
Consumer Cyclical	19	17.3	48.6	47.0	122.4	29.7	87.5
Consumer Non-cyclical	17	1.3	2.1	2.9	6.0	1.6	4.9
Diversified	6	1.8	1.5	2.2	1.8	0.4	0.5
Industrial	16	29.9	63.7	44.8	83.0	14.8	42.9



Morocco		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	19	53.8	54.8	53.6	56.8	-0.2	35.2
Basic Materials	12	38.7	36.9	35.1	34.6	-3.7	8.6
Communications	1	2.2	–	1.8	–	-0.4	–
Consumer Cyclical	7	28.8	21.1	18.8	12.4	-10.1	10.4
Consumer Non-cyclical	12	40.0	101.8	41.1	106.9	1.1	9.3
Diversified	1	0.1	–	3.8	–	3.7	–
Energy	1	139.1	–	184.1	–	45.0	–
Industrial	12	44.2	81.7	47.9	63.1	3.8	31.3
Technology	5	31.3	52.5	33.5	49.1	2.2	7.2
Utilities	2	24.0	13.9	17.6	13.0	-6.4	0.9

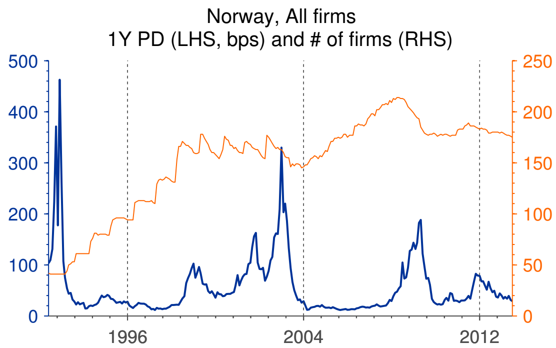


Netherlands		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	19	27.3	25.3	24.2	25.5	-3.1	10.2
Basic Materials	7	17.1	21.9	104.4	216.8	87.2	195.5
Communications	11	13.1	16.2	9.4	9.3	-3.8	10.5
Consumer Cyclical	12	46.8	105.9	57.5	147.3	10.7	43.0
Consumer Non-cyclical	25	11.4	16.8	9.6	12.0	-1.7	7.1
Diversified	2	18.4	25.5	12.3	16.9	-6.1	8.6
Energy	6	17.3	28.1	19.3	37.5	2.0	9.8
Industrial	28	21.3	23.3	19.7	26.5	-1.6	21.3
Technology	16	53.9	131.6	23.7	47.2	-30.1	85.0

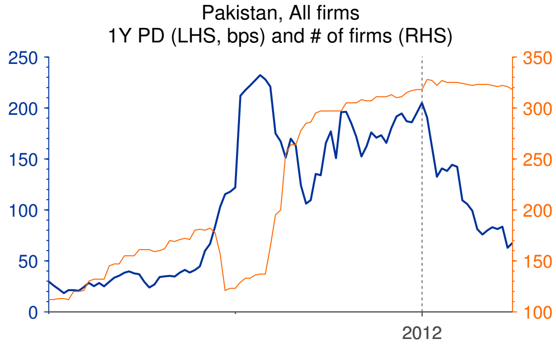


New Zealand		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	18	2.8	6.2	4.1	8.0	1.3	5.3
Basic Materials	4	36.1	44.7	68.2	93.3	32.2	48.6
Communications	7	5.0	6.4	8.5	9.5	3.5	6.5
Consumer Cyclical	20	27.1	53.6	26.8	49.0	-0.2	9.6
Consumer Non-cyclical	29	37.8	156.6	27.2	95.0	-10.6	63.4
Diversified	5	21.8	43.4	16.9	29.0	-4.9	14.5
Energy	6	12.2	14.7	20.2	29.2	8.0	19.8
Industrial	12	19.0	34.9	21.5	47.9	2.6	19.2
Technology	5	23.4	26.3	56.9	90.5	33.6	66.6
Utilities	6	1.6	1.4	2.1	1.7	0.4	0.6

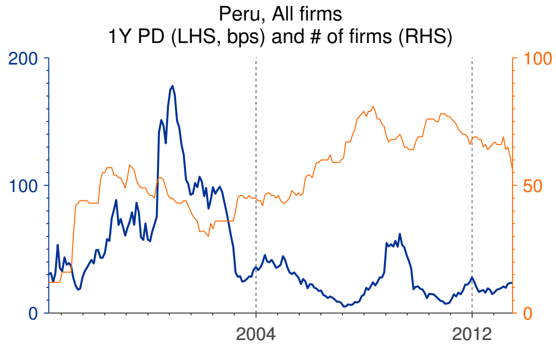
Nigeria		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	48	29.9	27.1	35.4	32.8	5.4	13.1
Basic Materials	11	34.3	40.5	36.6	41.2	2.3	12.9
Communications	4	87.8	119.4	85.5	129.1	-2.4	15.1
Consumer Cyclical	15	45.4	50.8	61.2	70.4	15.8	27.5
Consumer Non-cyclical	33	24.2	24.9	23.1	23.2	-1.1	14.9
Energy	7	26.3	25.8	38.2	46.0	11.9	22.2
Industrial	20	66.7	116.2	69.4	105.3	2.7	35.7
Technology	2	43.0	23.0	23.2	9.8	-19.8	32.8



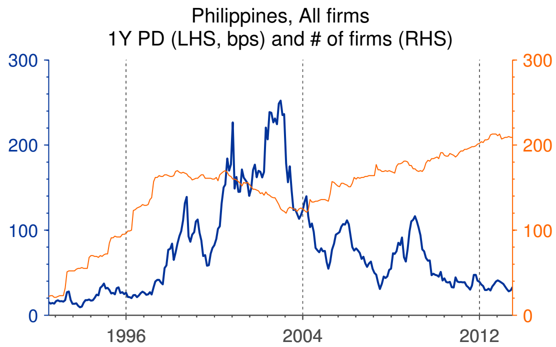
Norway		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	35	33.0	32.2	28.4	22.3	-4.6	18.4
Basic Materials	5	25.2	30.5	23.0	31.3	-2.3	6.8
Communications	9	17.9	18.7	13.0	11.2	-4.9	12.0
Consumer Cyclical	4	12.2	11.0	6.7	3.7	-5.6	9.3
Consumer Non-cyclical	30	27.3	46.0	40.7	140.1	13.4	108.2
Diversified	1	4.7	–	7.3	–	2.6	–
Energy	27	37.0	44.9	37.2	73.0	0.2	41.3
Industrial	49	31.3	57.6	28.5	77.9	-2.8	29.5
Technology	11	53.2	90.8	12.5	10.2	-40.7	92.2
Utilities	2	5.3	1.0	4.9	1.1	-0.4	0.1



Pakistan		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	72	77.2	82.0	63.0	66.5	-14.2	36.0
Basic Materials	33	52.4	102.1	48.5	93.1	-3.9	26.1
Communications	7	88.5	101.0	80.3	88.4	-8.2	21.6
Consumer Cyclical	85	99.6	133.8	93.8	140.8	-5.8	59.8
Consumer Non-cyclical	49	66.2	121.2	59.9	124.2	-6.4	36.7
Energy	10	39.8	49.3	38.6	52.5	-1.2	14.8
Industrial	47	70.9	93.1	50.7	78.5	-20.2	32.0
Technology	1	18.0	–	8.5	–	-9.5	–
Utilities	10	219.5	304.1	102.7	89.8	-116.8	237.2



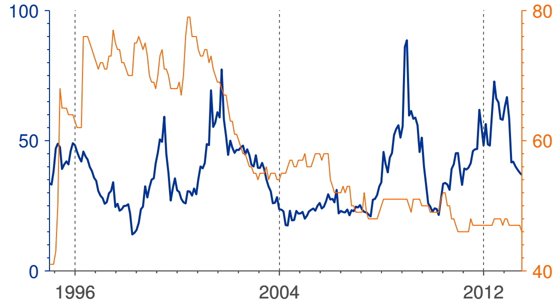
Peru		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	12	8.1	7.8	8.7	8.2	0.6	6.9
Basic Materials	13	31.5	67.5	36.9	67.8	5.4	6.7
Communications	1	12.4	–	11.1	–	-1.3	–
Consumer Cyclical	4	20.1	24.8	20.7	17.3	0.6	7.6
Consumer Non-cyclical	12	26.8	48.4	40.8	60.7	14.0	32.9
Diversified	3	8.7	8.2	10.9	8.4	2.2	2.1
Energy	1	56.5	–	60.0	–	3.5	–
Industrial	2	15.8	10.3	15.3	5.6	-0.5	4.7
Utilities	6	2.9	5.7	3.4	5.8	0.5	1.5



Philippines		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	65	25.3	37.9	35.0	49.3	9.7	30.8
Basic Materials	24	12.9	17.2	23.5	27.7	10.6	17.4
Communications	14	25.0	33.7	23.7	33.0	-1.3	5.6
Consumer Cyclical	19	36.7	69.2	28.8	46.9	-7.9	25.2
Consumer Non-cyclical	31	59.6	111.1	47.5	71.8	-12.1	79.6
Diversified	16	24.1	39.3	27.1	51.3	2.9	43.9
Energy	13	8.6	16.3	14.6	29.4	6.0	14.7
Industrial	10	59.4	80.5	61.9	73.8	2.5	22.5
Technology	3	1.9	0.3	2.7	1.1	0.8	0.9
Utilities	12	25.2	64.9	38.3	73.1	13.1	24.7

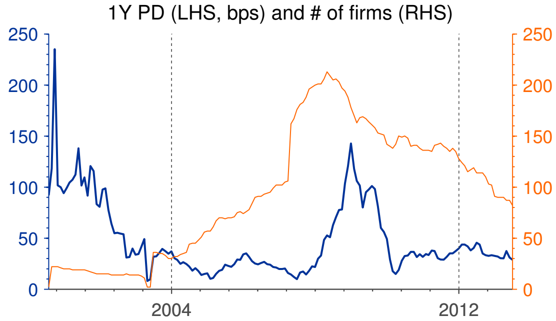
Poland		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	105	59.9	94.9	41.5	40.9	-18.5	74.8
Basic Materials	27	25.9	23.4	23.7	21.2	-2.1	12.0
Communications	71	51.0	69.5	53.6	72.1	2.6	70.1
Consumer Cyclical	84	52.0	81.0	60.0	113.5	8.0	88.2
Consumer Non-cyclical	98	43.4	67.6	45.8	88.5	2.4	51.7
Diversified	2	57.8	6.6	57.7	6.6	-0.2	0.0
Energy	17	46.6	65.8	140.9	346.1	94.3	349.9
Industrial	138	72.1	308.9	51.0	140.6	-21.1	178.2
Technology	50	41.9	81.9	72.5	192.1	30.6	135.6
Utilities	9	66.9	103.2	129.2	304.8	62.3	276.7

Portugal, All firms
1Y PD (LHS, bps) and # of firms (RHS)



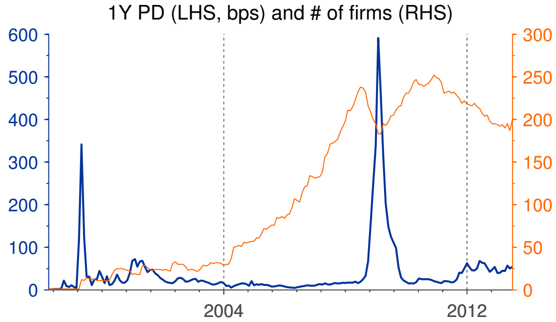
Portugal	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	5	35.7	18.6	28.6	5.0	-7.1	16.4
Basic Materials	6	14.8	14.8	14.1	15.6	-0.7	2.2
Communications	7	25.3	15.3	20.9	13.5	-4.4	12.3
Consumer Cyclical	8	39.9	34.9	38.1	27.9	-1.9	23.3
Consumer Non-cyclical	3	112.6	180.7	77.7	122.6	-34.9	58.0
Diversified	2	47.1	3.1	36.5	2.6	-10.6	0.5
Energy	1	12.7	–	4.7	–	-8.0	–
Industrial	7	42.8	22.3	36.6	21.4	-6.2	7.8
Technology	3	71.2	91.1	129.1	183.6	57.8	92.8
Utilities	2	6.1	0.6	7.4	2.7	1.4	3.3

Romania, All firms
1Y PD (LHS, bps) and # of firms (RHS)



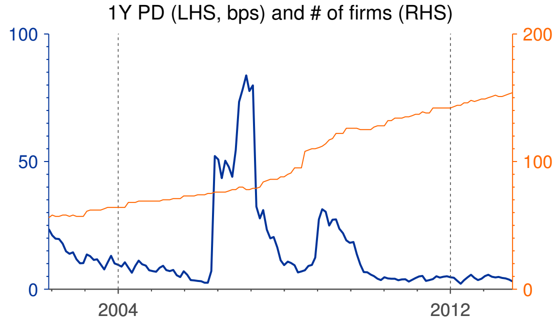
Romania	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	6	21.4	20.1	16.1	13.9	-5.3	7.0
Basic Materials	9	29.6	26.3	22.9	14.4	-6.7	14.9
Communications	1	11.6	–	9.8	–	-1.8	–
Consumer Cyclical	14	28.9	24.7	25.6	23.5	-3.3	11.6
Consumer Non-cyclical	11	14.4	8.9	16.9	12.8	2.5	9.6
Energy	9	21.1	21.0	18.4	18.7	-2.7	6.6
Industrial	29	36.6	31.1	42.5	68.5	5.8	46.2
Utilities	2	11.2	13.0	8.3	9.0	-2.9	4.0

Russia, All firms
1Y PD (LHS, bps) and # of firms (RHS)

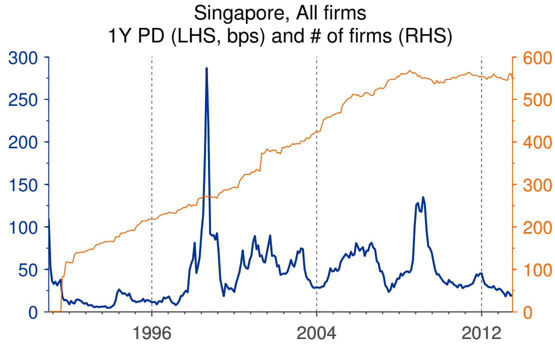


Russia	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	17	53.0	34.3	54.7	26.6	1.7	20.0
Basic Materials	24	21.3	16.9	31.3	27.5	10.0	14.6
Communications	11	22.9	31.3	77.4	115.8	54.5	115.2
Consumer Cyclical	14	34.3	22.7	34.5	24.5	0.2	19.3
Consumer Non-cyclical	19	35.9	36.3	49.0	62.3	13.1	39.6
Diversified	1	93.2	–	139.9	–	46.8	–
Energy	23	45.7	75.3	47.7	59.7	2.0	31.1
Industrial	14	41.4	29.8	38.6	30.6	-2.8	21.4
Technology	2	8.6	1.9	54.6	70.8	45.9	72.7
Utilities	52	67.6	60.9	84.0	71.5	16.5	35.6

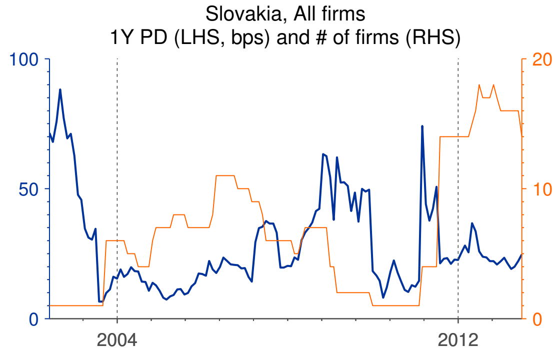
Saudi Arabia, All firms
1Y PD (LHS, bps) and # of firms (RHS)



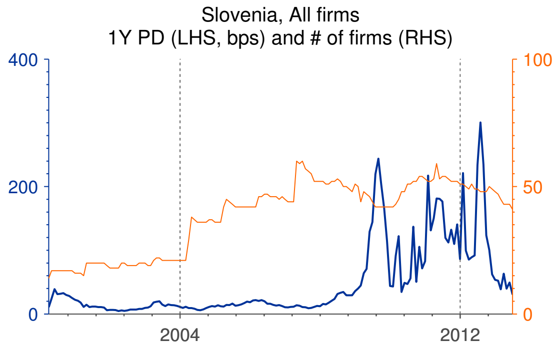
Saudi Arabia	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	54	2.1	4.0	1.3	2.2	-0.8	2.1
Basic Materials	18	4.7	8.0	2.0	2.4	-2.7	6.4
Communications	7	27.9	45.6	21.3	31.6	-6.6	15.7
Consumer Cyclical	15	1.1	1.6	1.2	2.1	0.2	1.1
Consumer Non-cyclical	22	3.4	9.7	3.5	11.9	0.0	2.8
Diversified	3	1.7	0.7	1.3	1.2	-0.4	0.7
Energy	2	5.5	6.3	1.5	0.7	-4.0	5.6
Industrial	27	3.7	7.9	2.4	4.7	-1.4	4.0
Utilities	2	32.2	45.3	21.0	29.4	-11.2	15.9



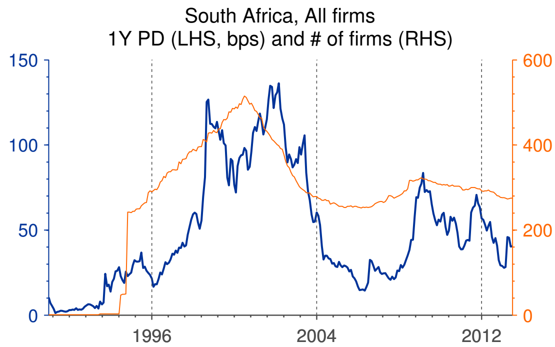
Singapore	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	87	10.3	33.3	17.3	90.2	7.0	70.4
Basic Materials	32	24.7	25.1	26.1	29.2	1.3	15.3
Communications	27	135.5	574.6	48.0	132.6	-87.5	449.0
Consumer Cyclical	79	16.8	29.9	14.6	21.3	-2.2	23.2
Consumer Non-cyclical	71	16.3	34.3	15.2	28.2	-1.0	10.7
Diversified	11	17.5	41.7	15.7	35.9	-1.8	6.9
Energy	24	26.3	33.9	25.1	31.2	-1.2	11.3
Industrial	176	20.3	29.5	19.9	29.4	-0.4	12.6
Technology	25	14.6	14.0	15.2	18.1	0.6	8.4
Utilities	1	4.8	–	3.7	–	-1.1	–



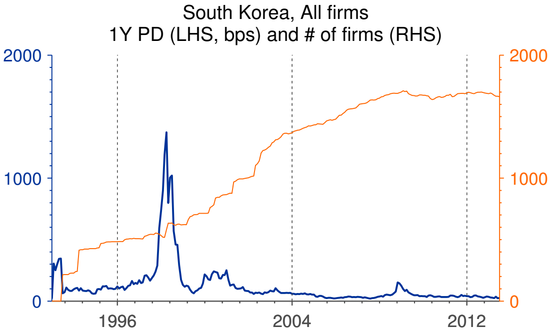
Slovakia	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	3	23.2	11.8	24.9	11.8	1.6	1.4
Basic Materials	2	25.1	20.5	24.9	19.2	-0.1	1.3
Consumer Cyclical	3	0.3	0.5	0.9	1.5	0.6	1.0
Consumer Non-cyclical	1	18.8	–	10.7	–	-8.2	–
Energy	1	20.6	–	16.3	–	-4.3	–
Industrial	3	35.0	42.7	61.3	37.6	26.3	11.1
Technology	1	10.5	–	8.2	–	-2.3	–



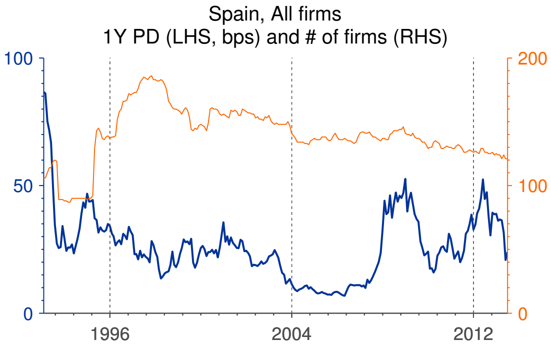
Slovenia	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	9	221.6	315.5	64.1	51.2	-157.5	276.1
Basic Materials	4	15.2	7.0	10.0	2.2	-5.2	4.9
Communications	1	6.5	–	4.4	–	-2.1	–
Consumer Cyclical	10	25.3	19.7	28.1	42.6	2.8	23.4
Consumer Non-cyclical	8	20.7	18.3	19.0	23.9	-1.7	7.1
Diversified	2	407.0	219.3	174.8	48.4	-232.2	171.0
Energy	1	8.3	–	7.7	–	-0.6	–
Industrial	8	21.3	14.3	22.9	26.1	1.7	14.9



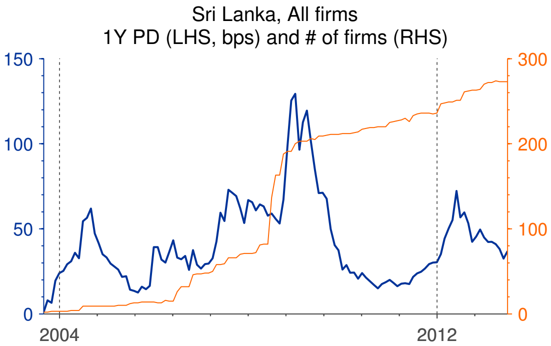
South Africa	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	53	135.7	837.7	82.7	416.5	-53.0	422.1
Basic Materials	42	29.5	81.0	47.7	97.5	18.2	44.4
Communications	14	16.7	26.7	29.1	49.2	12.4	32.1
Consumer Cyclical	36	10.3	27.9	9.5	19.6	-0.8	11.1
Consumer Non-cyclical	39	28.0	49.6	36.0	82.0	8.0	45.3
Diversified	9	16.4	23.6	9.3	8.3	-7.1	19.9
Energy	4	23.0	30.1	25.0	31.5	2.0	9.2
Industrial	58	29.4	45.1	33.8	53.0	4.4	25.6
Technology	15	21.2	34.4	25.3	41.3	4.1	14.4



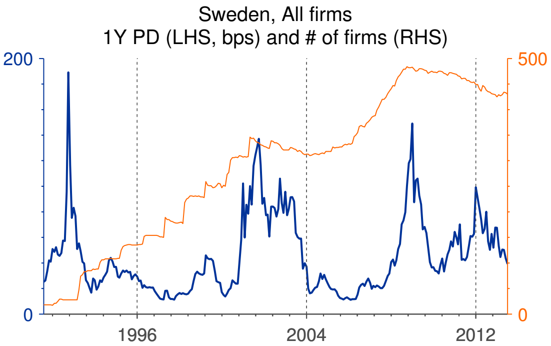
South Korea	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	105	25.9	33.5	35.4	42.2	9.5	33.4
Basic Materials	174	21.9	37.2	26.2	38.6	4.3	21.8
Communications	171	16.5	35.6	22.6	54.7	6.1	26.3
Consumer Cyclical	263	21.1	27.3	24.8	36.9	3.7	27.0
Consumer Non-cyclical	224	11.7	18.4	15.5	22.0	3.8	11.0
Diversified	16	17.4	30.3	84.4	238.7	67.0	214.8
Energy	13	18.6	18.9	29.6	35.6	11.0	18.2
Industrial	474	22.1	39.9	26.5	46.7	4.4	39.1
Technology	190	22.1	52.8	25.0	45.5	2.9	36.4
Utilities	17	17.1	15.1	25.6	21.9	8.5	12.9



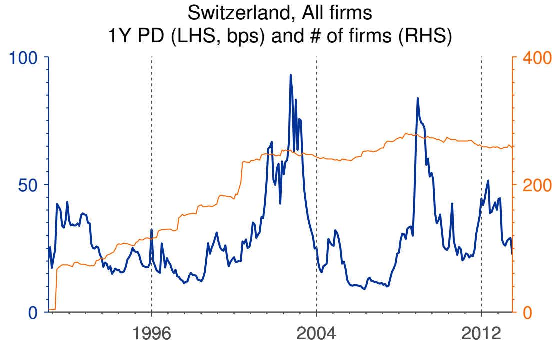
Spain	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	22	43.6	33.7	36.2	27.5	-7.4	18.9
Basic Materials	9	38.0	58.2	37.3	56.8	-0.7	42.1
Communications	11	29.8	30.3	26.1	29.8	-3.7	4.8
Consumer Cyclical	12	26.3	26.6	31.5	40.3	5.2	23.6
Consumer Non-cyclical	25	19.6	30.5	17.0	27.7	-2.6	21.0
Energy	4	23.3	29.8	15.5	19.9	-7.7	9.9
Industrial	23	27.7	24.8	21.1	20.4	-6.6	9.6
Technology	4	18.9	19.5	12.5	14.1	-6.4	5.5
Utilities	6	7.3	3.0	4.9	1.4	-2.4	1.6



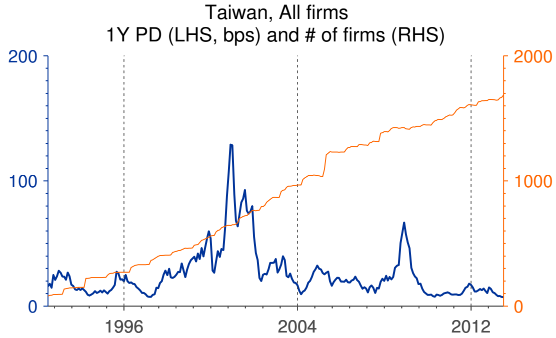
Sri Lanka	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	87	52.1	63.1	49.4	58.8	-2.7	28.9
Basic Materials	14	41.2	45.2	39.9	55.9	-1.3	14.4
Communications	4	6.5	5.6	6.9	3.4	0.4	3.1
Consumer Cyclical	62	33.0	46.5	30.6	48.9	-2.3	20.7
Consumer Non-cyclical	56	32.2	29.8	29.2	26.8	-3.0	15.1
Diversified	16	36.6	33.1	39.2	57.6	2.6	51.9
Energy	3	5.0	8.1	3.1	4.8	-1.8	3.2
Industrial	23	54.1	54.0	34.9	38.4	-19.2	26.1
Technology	3	58.4	81.9	58.8	95.8	0.3	16.1
Utilities	5	6.3	4.6	5.3	2.9	-1.0	2.8



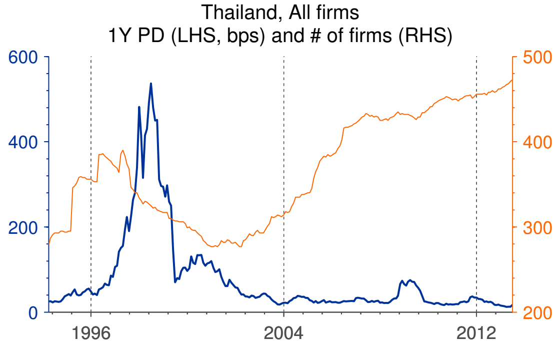
Sweden	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	53	31.3	79.9	23.0	39.3	-8.4	64.9
Basic Materials	27	63.4	146.2	68.4	103.6	4.9	92.7
Communications	46	53.7	127.3	77.8	201.4	24.1	122.5
Consumer Cyclical	47	55.8	180.6	27.3	75.3	-28.5	124.1
Consumer Non-cyclical	102	52.0	269.4	31.0	97.7	-21.0	176.7
Diversified	8	64.9	106.6	63.8	92.9	-1.1	34.1
Energy	14	75.6	197.6	34.2	51.7	-41.5	191.3
Industrial	87	45.1	117.3	40.9	101.9	-4.2	46.1
Technology	36	45.9	99.8	28.8	34.9	-17.1	82.5
Utilities	1	32.8	–	26.3	–	-6.5	–



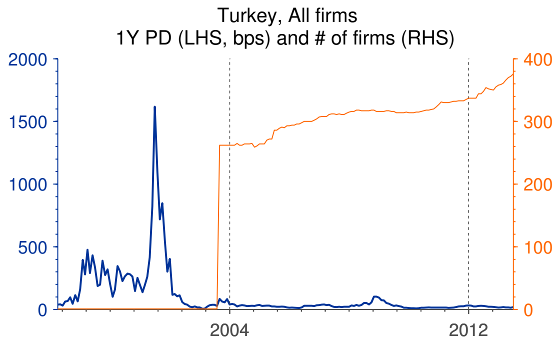
Switzerland	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	70	45.6	159.5	34.2	108.1	-11.4	54.0
Basic Materials	15	19.4	29.3	14.7	20.9	-4.7	13.9
Communications	14	14.0	26.0	13.2	23.0	-0.9	3.4
Consumer Cyclical	21	16.8	26.5	17.9	29.0	1.1	9.0
Consumer Non-cyclical	38	16.5	34.0	15.3	28.3	-1.2	22.8
Diversified	4	42.6	46.8	33.7	31.5	-8.9	23.6
Energy	6	50.5	78.3	86.2	166.4	35.7	89.3
Industrial	66	17.7	29.3	15.5	25.4	-2.2	7.8
Technology	9	20.2	11.4	17.6	10.8	-2.6	7.1
Utilities	9	15.9	17.7	15.4	18.8	-0.5	5.0



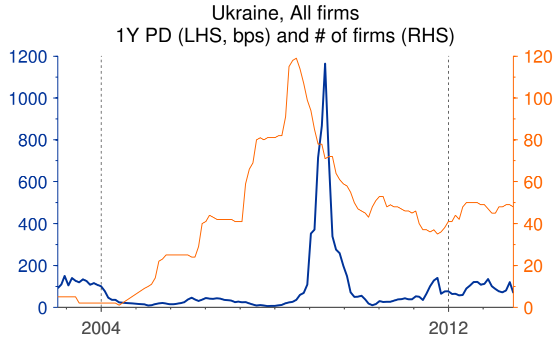
Taiwan	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	106	9.2	11.3	10.8	18.0	1.6	9.3
Basic Materials	112	10.7	40.6	11.8	44.3	1.1	8.0
Communications	83	5.0	10.6	4.3	7.6	-0.7	7.3
Consumer Cyclical	204	5.4	12.6	5.5	14.1	0.0	6.1
Consumer Non-cyclical	147	2.9	10.1	3.0	8.1	0.1	4.1
Diversified	2	1.9	2.2	2.0	2.1	0.2	0.1
Energy	10	16.6	10.9	23.5	19.8	6.9	13.1
Industrial	634	8.0	15.9	7.6	15.6	-0.4	8.1
Technology	329	7.7	17.5	7.5	21.9	-0.2	18.2
Utilities	8	0.3	0.4	0.4	0.4	0.1	0.2



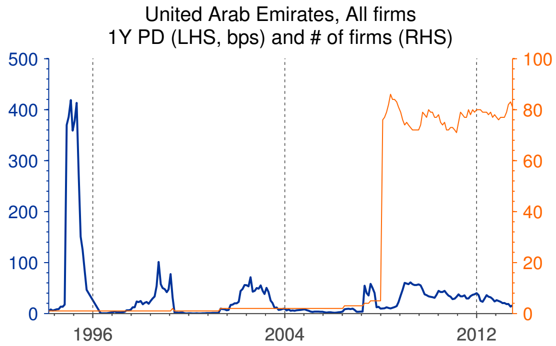
Thailand	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	90	17.5	24.9	25.6	27.5	8.1	17.8
Basic Materials	50	21.9	43.9	33.2	59.8	11.2	23.2
Communications	38	10.8	26.3	13.0	26.2	2.3	9.2
Consumer Cyclical	103	10.1	18.0	13.5	19.5	3.4	13.2
Consumer Non-cyclical	67	7.3	10.5	9.2	11.6	1.9	8.5
Diversified	2	0.8	0.1	3.0	1.9	2.1	1.8
Energy	12	7.3	9.9	16.0	17.5	8.7	10.9
Industrial	86	8.4	11.1	14.4	18.0	6.0	9.7
Technology	10	10.1	9.9	15.8	12.5	5.7	6.8
Utilities	7	16.1	36.3	7.7	12.8	-8.4	23.7



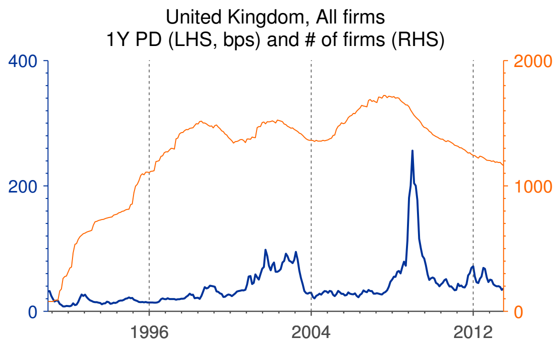
Turkey	#	2013Q1 Mean	2013Q1 St.Dev.	2013Q2 Mean	2013Q2 St.Dev.	Q2-Q1 Mean	Q2-Q1 St.Dev.
Financials	90	12.0	12.2	12.6	11.4	0.7	9.1
Basic Materials	32	15.3	24.9	17.6	26.1	2.3	5.4
Communications	13	12.8	8.9	14.0	10.1	1.2	5.1
Consumer Cyclical	88	18.0	24.3	21.5	32.7	3.5	15.5
Consumer Non-cyclical	51	23.5	43.8	25.5	48.8	2.0	34.5
Diversified	11	17.4	17.0	23.4	26.1	6.0	9.7
Energy	3	10.8	6.9	14.7	10.8	3.8	3.9
Industrial	65	15.1	28.8	19.2	38.1	4.1	18.7
Technology	4	11.4	6.4	11.9	6.5	0.5	6.7
Utilities	6	8.1	6.7	14.6	12.9	6.5	6.7



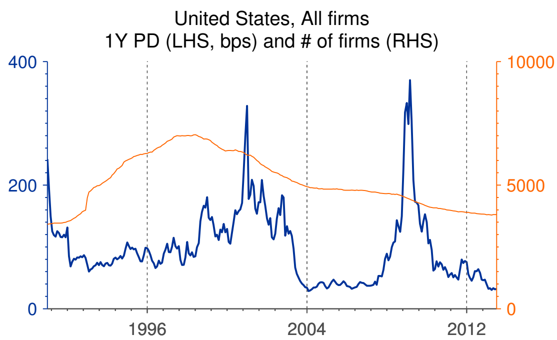
Ukraine		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	5	96.9	61.4	81.7	66.3	-15.2	39.6
Basic Materials	7	98.3	61.7	76.1	35.8	-22.2	28.3
Communications	1	79.3	–	35.0	–	-44.3	–
Consumer Cyclical	3	106.7	138.0	57.7	40.6	-49.0	108.8
Consumer Non-cyclical	11	29.1	16.8	61.1	97.6	32.0	91.6
Diversified	1	15.3	–	14.5	–	-0.8	–
Energy	6	97.0	56.6	112.8	68.0	15.8	56.4
Industrial	9	57.8	57.2	41.7	50.2	-16.2	21.9
Utilities	4	90.1	38.6	75.0	32.1	-15.1	15.6



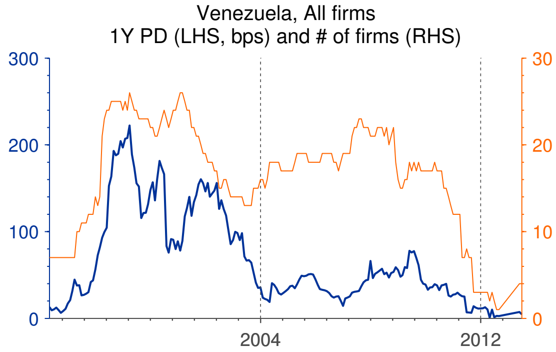
United Arab Emirates		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	42	15.5	27.9	14.9	28.4	-0.5	18.5
Communications	2	0.4	0.4	0.3	0.2	-0.1	0.2
Consumer Cyclical	3	9.9	8.7	7.8	7.0	-2.1	1.7
Consumer Non-cyclical	9	15.6	19.0	15.0	16.6	-0.6	10.5
Energy	3	28.2	33.0	16.5	12.3	-11.6	23.1
Industrial	16	28.7	40.9	23.0	30.1	-5.7	14.9
Utilities	1	41.6	–	38.9	–	-2.7	–



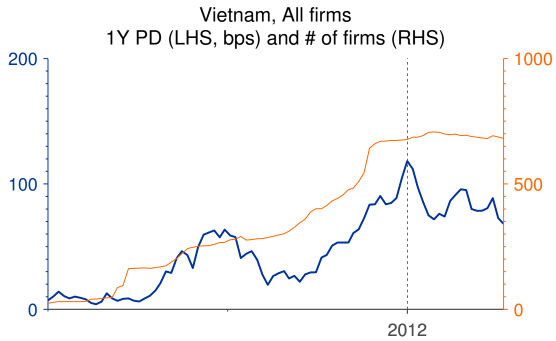
United Kingdom		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	198	28.1	51.3	27.7	61.8	-0.5	36.8
Basic Materials	113	42.8	55.5	80.2	197.7	37.4	165.5
Communications	108	37.5	60.8	48.9	128.4	11.4	105.3
Consumer Cyclical	135	25.6	42.9	29.2	86.3	3.7	62.2
Consumer Non-cyclical	225	43.1	191.5	29.7	101.3	-13.4	96.3
Diversified	10	96.5	184.2	58.0	91.8	-38.6	101.0
Energy	93	39.4	58.5	46.3	114.1	6.9	77.3
Industrial	173	31.2	47.8	26.6	51.7	-4.6	48.5
Technology	80	33.5	70.4	20.4	27.0	-13.1	56.8
Utilities	13	36.7	60.8	29.9	58.7	-6.8	36.7



United States		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	868	34.5	120.9	32.1	93.9	-2.4	93.0
Basic Materials	145	54.2	213.3	73.4	291.4	19.2	200.3
Communications	309	38.4	116.4	37.0	200.7	-1.3	128.3
Consumer Cyclical	445	24.6	111.9	37.2	402.8	12.5	338.0
Consumer Non-cyclical	762	26.0	70.2	27.1	72.5	1.2	52.2
Diversified	10	34.8	57.6	91.9	173.8	57.1	125.6
Energy	289	42.9	108.2	43.2	119.9	0.3	97.6
Industrial	493	19.7	55.4	22.9	94.9	3.2	75.5
Technology	338	17.8	43.5	17.4	47.2	-0.4	34.0
Utilities	89	9.3	39.5	10.2	44.6	0.9	10.7



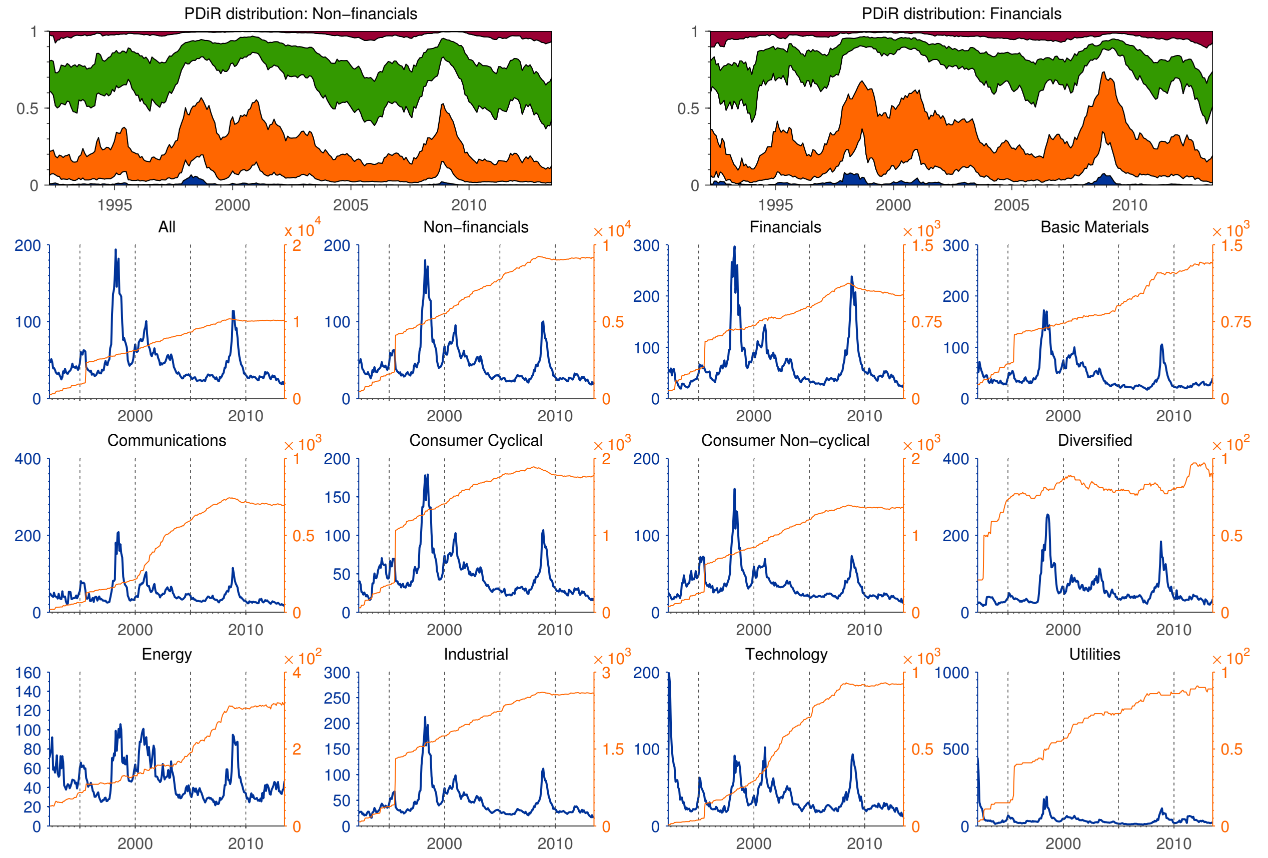
Venezuela		2012Q4		2013Q1		Q1-Q4	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
No companies covered in Q4 or Q1							



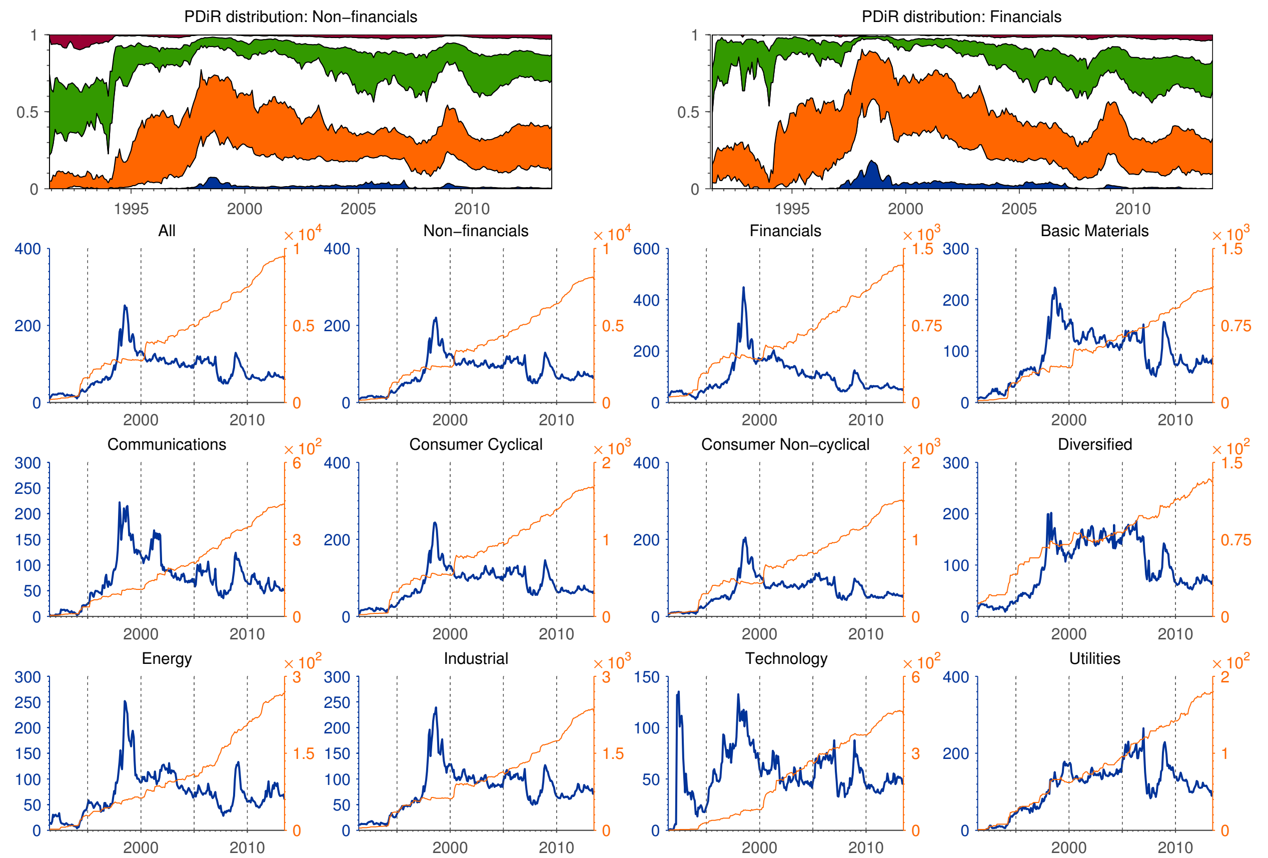
Vietnam		2013Q1		2013Q2		Q2-Q1	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	78	57.0	74.7	59.4	95.0	2.3	35.1
Basic Materials	54	75.8	109.5	61.8	85.4	-13.9	37.6
Communications	21	39.6	47.3	36.2	45.3	-3.5	30.4
Consumer Cyclical	54	58.1	82.4	51.0	58.7	-7.1	37.4
Consumer Non-cyclical	102	56.4	116.3	51.5	134.0	-4.9	59.2
Diversified	17	47.6	74.5	41.5	65.5	-6.1	18.0
Energy	23	59.6	52.1	57.4	63.0	-2.1	28.6
Industrial	279	101.4	110.2	91.6	106.5	-9.9	63.9
Technology	8	63.7	114.8	60.7	108.2	-2.9	11.2
Utilities	24	24.6	34.4	20.8	31.4	-3.8	7.7

B PD by regions

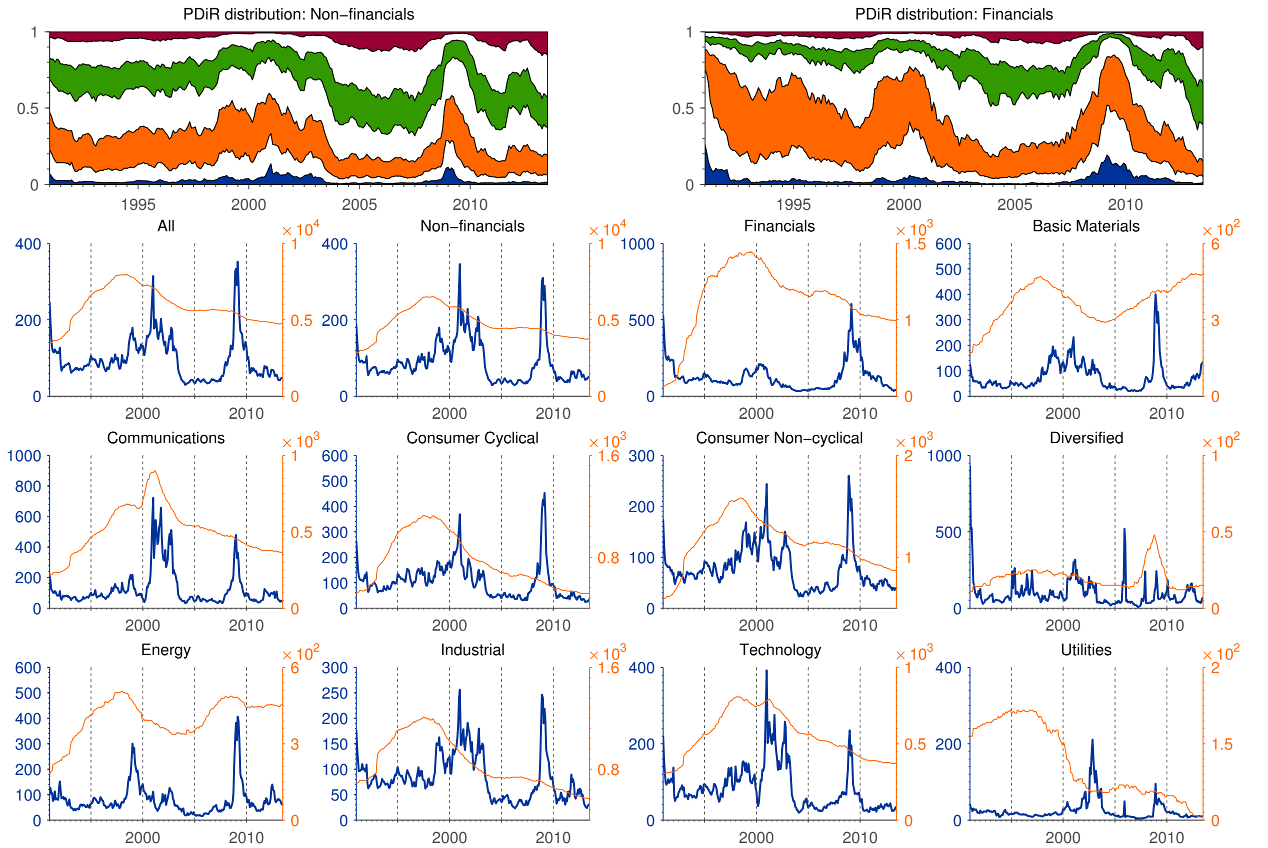
Asia Pacific - developed economies



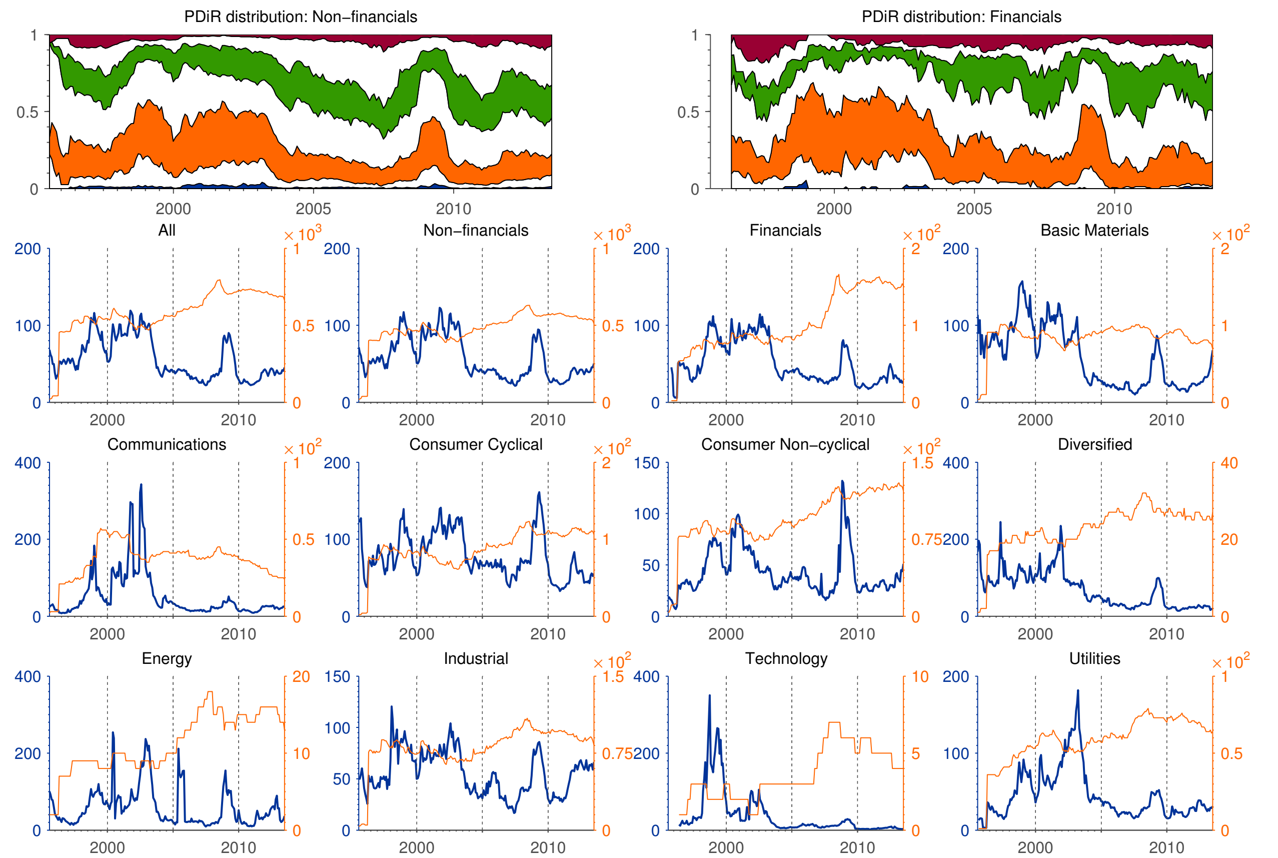
Asia Pacific - emerging economies



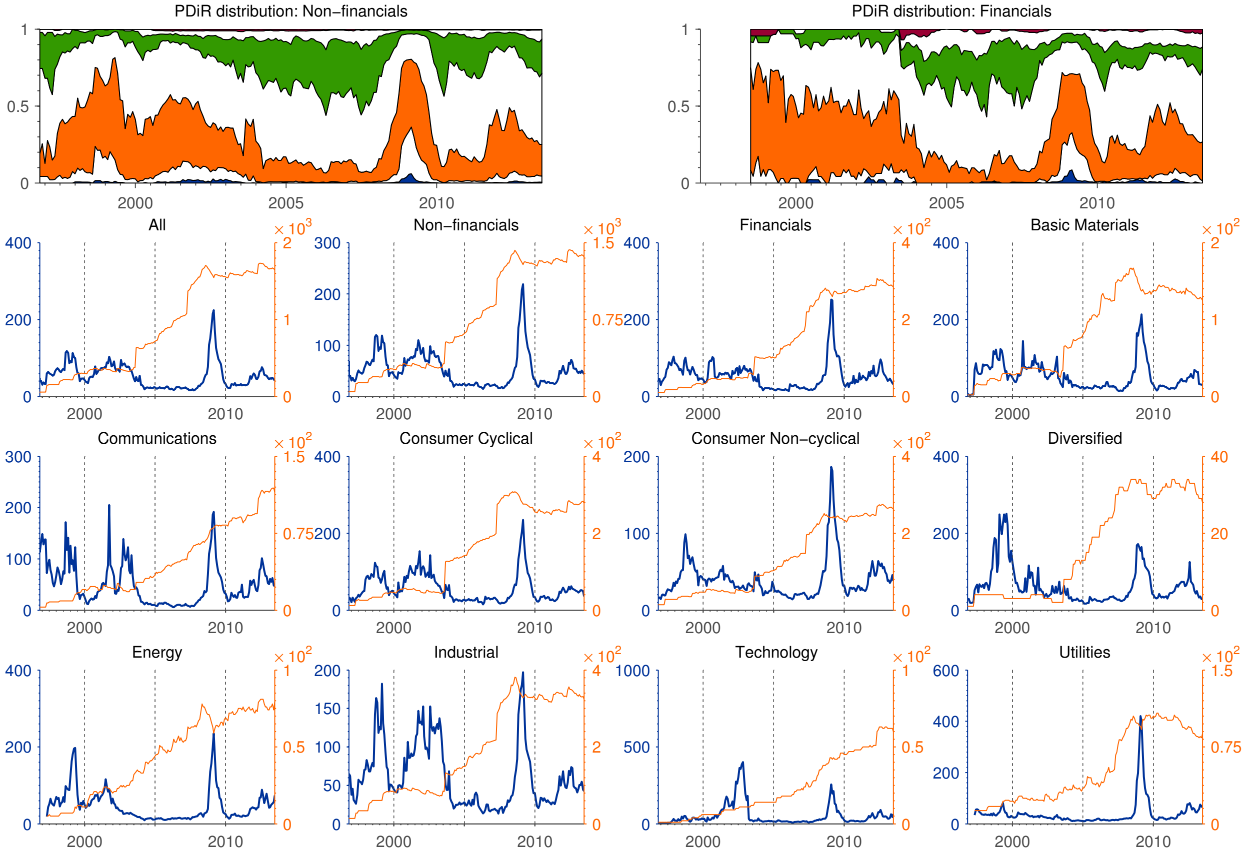
North America



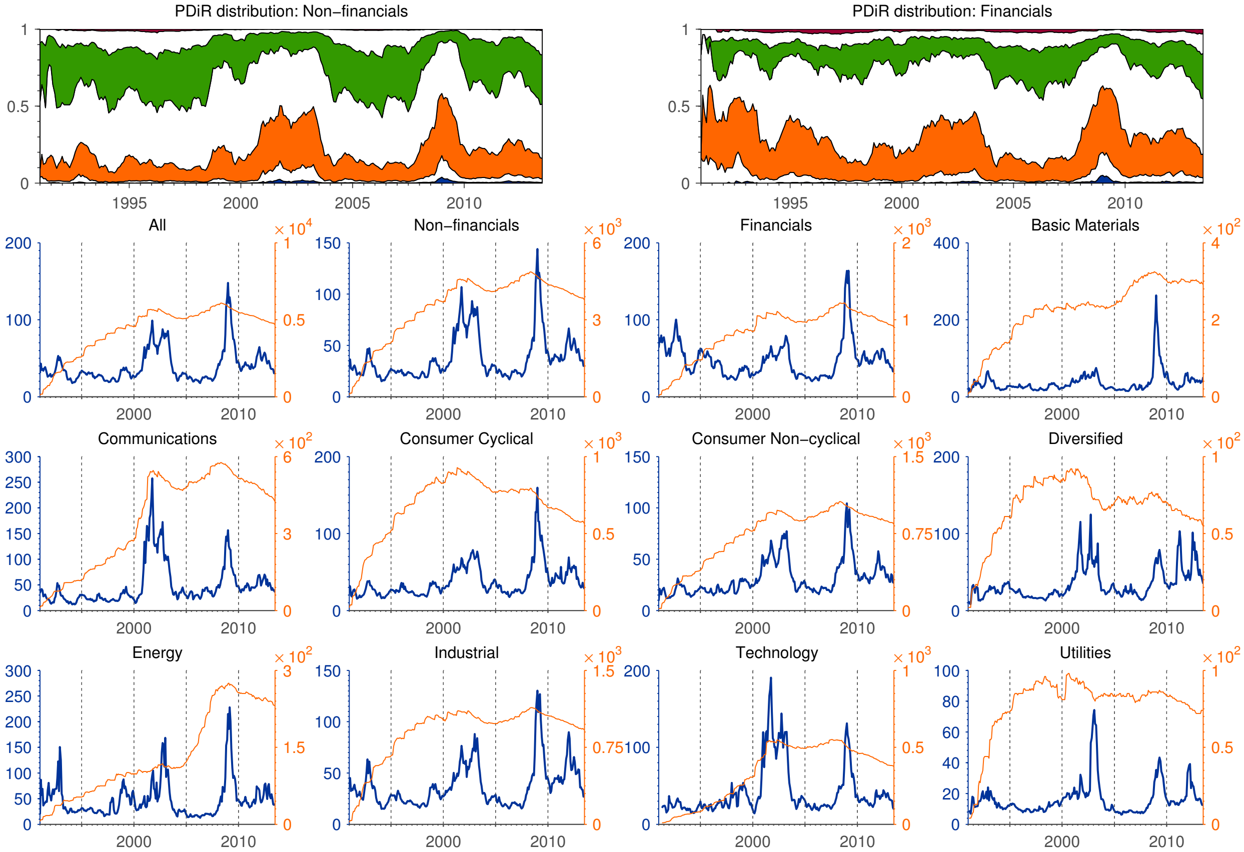
Latin America



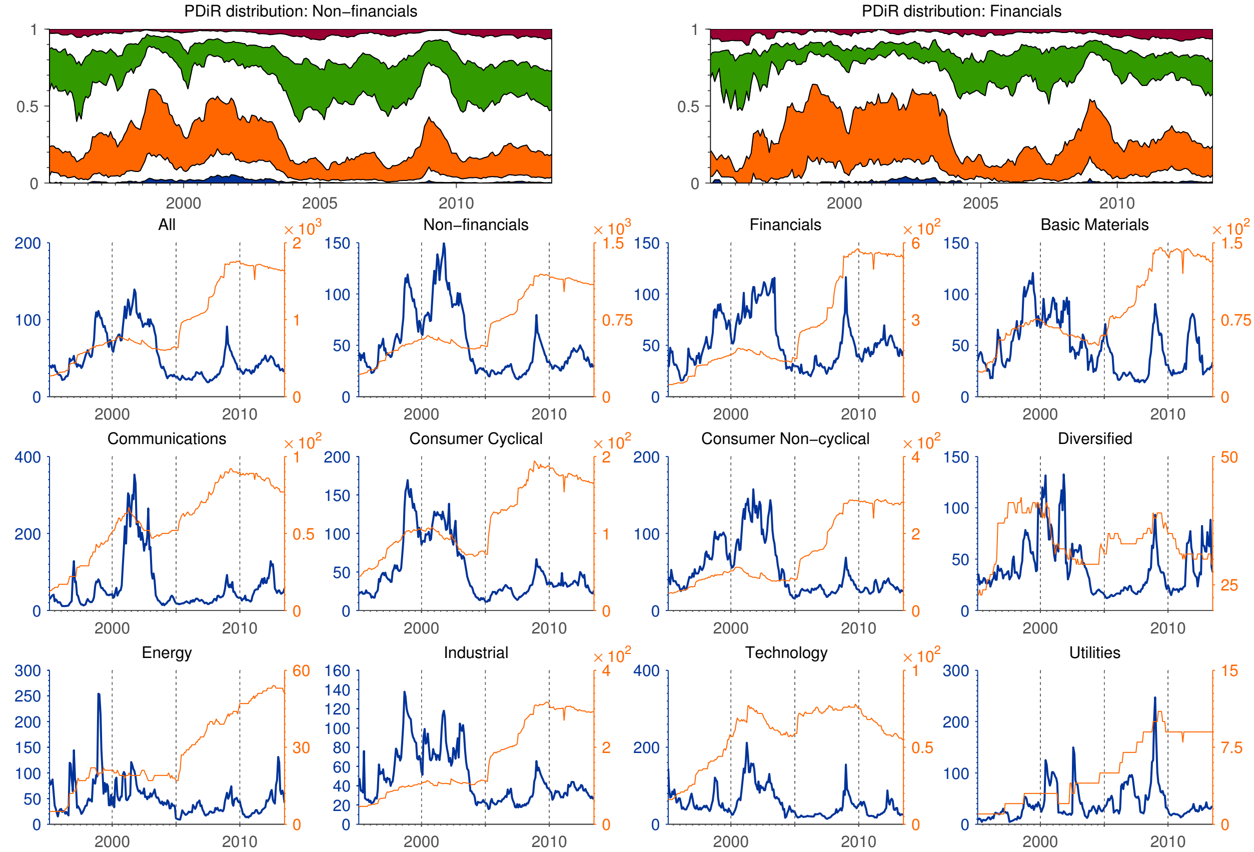
Eastern Europe



Western Europe

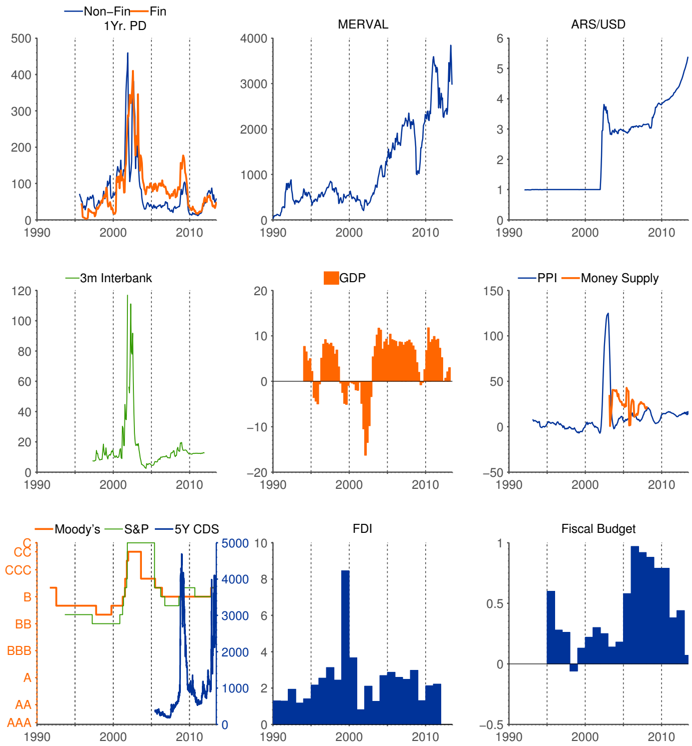


Africa & the Middle East

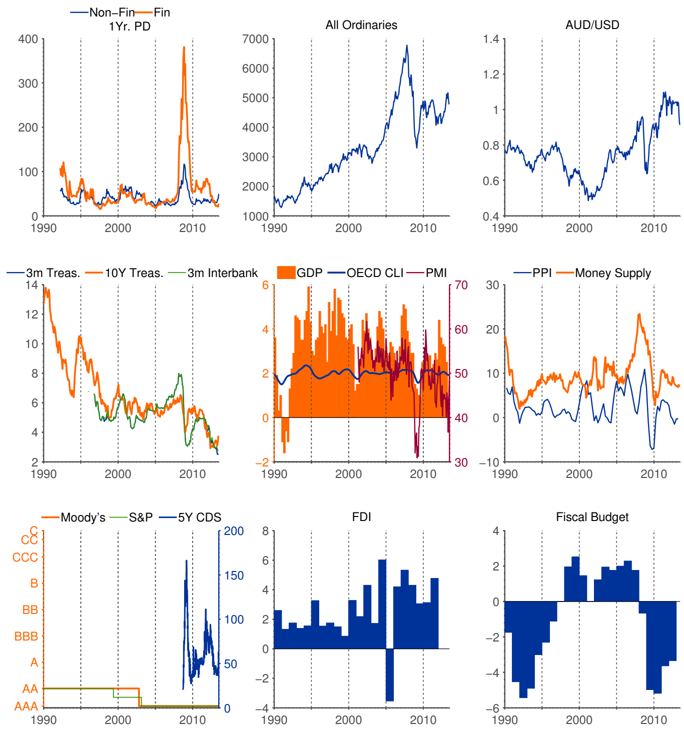


C Macroeconomic Indicators

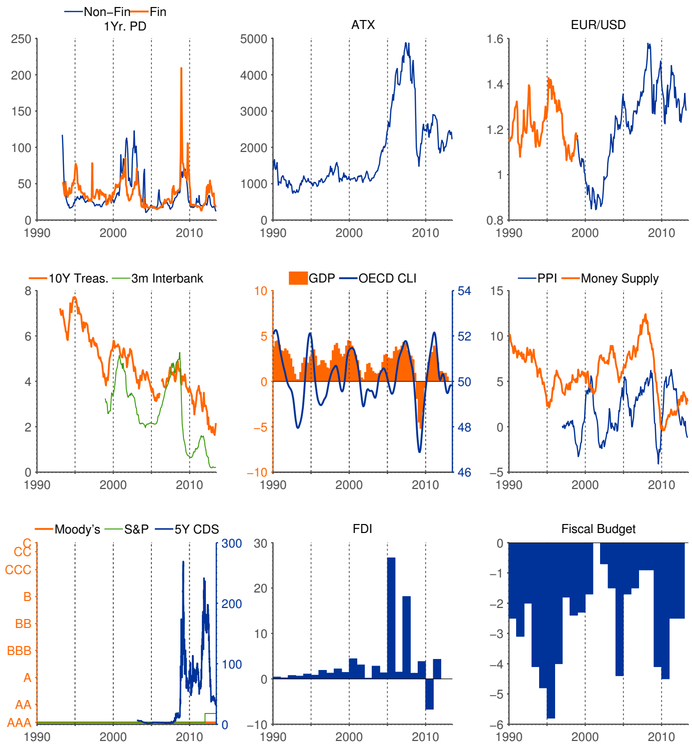
Descriptions of the data contained in this section are provided in Appendix D.



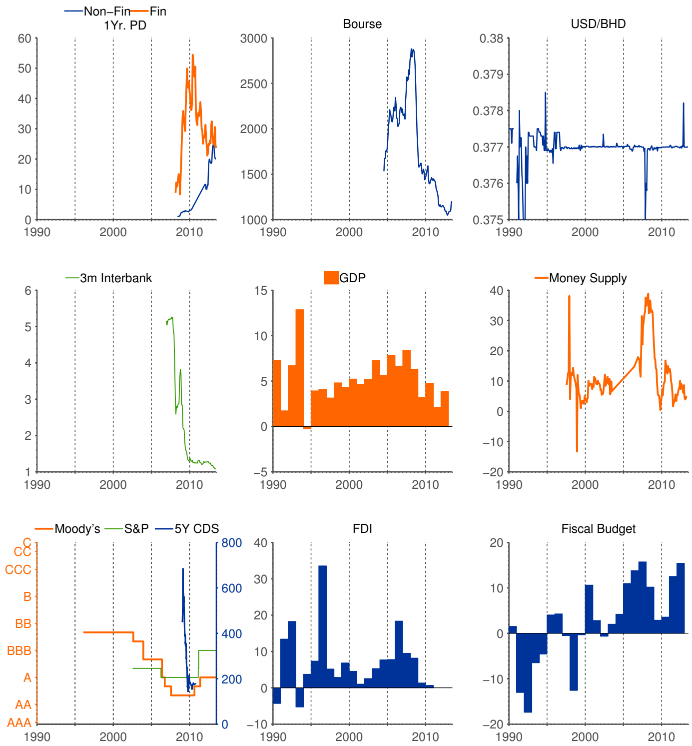
Argentina	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	79.54	72.07	68.54	53.17	59.07
1Yr. PD, Fin.	61.97	53.47	38.19	36.19	49.27
MERVAL	2347	2452	2854	3381	2976
ARS/USD	4.53	4.70	4.92	5.12	5.39
GDP (YoY%)	0.0	0.7	2.1	3.0	–
PPI (YoY%)	12.8	14.3	15.7	14.3	16.6
Sov. Rating, Moody's	B2	B2	B3	B3	B3
Sov. Rating, S&P	B	B	B-	B-	B-
5Y CDS (bps)	1252.89	959.96	1441.52	3753.61	3008.93
Fiscal Budget (%GDP)	–	0.44*	–	–	–



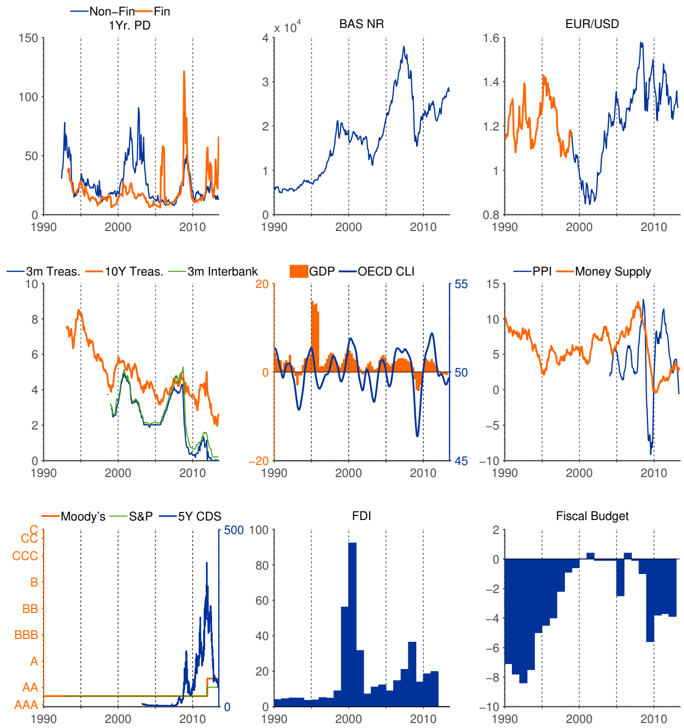
Australia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	37.52	30.01	31.10	31.01	49.62
1Yr. PD, Fin.	46.59	31.57	24.34	23.23	27.17
All Ordinaries	4135	4406	4665	4980	4775
AUD/USD	1.02	1.04	1.04	1.04	0.91
3m Treas. Yield (%)	3.00*	3.29	2.96	2.92	2.53
10Y Treas. Yield (%)	3.04	2.99	3.27	3.41	3.76
3m Interbank (%)	3.52	3.37	3.04	3.04	2.79
GDP (YoY%)	3.6	3.3	3.2	2.5	–
OECD CLI	100.20	100.32	100.05	99.73	99.48*
PMI	47.2	44.1	44.3	44.4	49.6
PPI (YoY%)	-0.4	-1.5	-0.3	-0.3	–
Money Supply (YoY%)	9.2	7.6	7.1	6.9	7.0*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	73.72	57.87	46.33	42.38	55.78
Fiscal Budget (%GDP)	–	–	-3.34	–	–



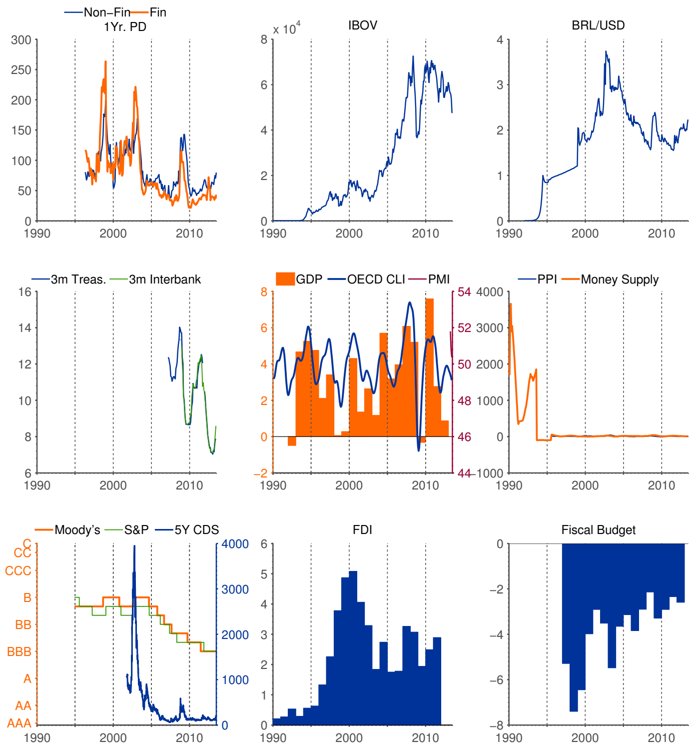
Austria	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	33.39	21.79	17.48	18.80	12.33
1Yr. PD, Fin.	46.72	46.77	33.11	21.72	19.19
ATX	1975	2090	2401	2352	2224
EUR/USD	1.27	1.29	1.32	1.28	–
10Y Treas. Yield (%)	2.42	2.02	1.75	1.70	2.16
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	0.9	0.9	0.5	0.0	–
OECD CLI	100.03	99.54	99.57	99.82	99.80*
PPI (YoY%)	0.2	0.9	0.1	-0.8	-1.2*
Money Supply (YoY%)	3.1	2.9	3.4	2.5	2.8*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AA+	AA+	AA+	AA+	AA+
5Y CDS (bps)	168.1	69.1	44.6	42.3	39.1
Fiscal Budget (%GDP)	–	–	-2.50	–	–



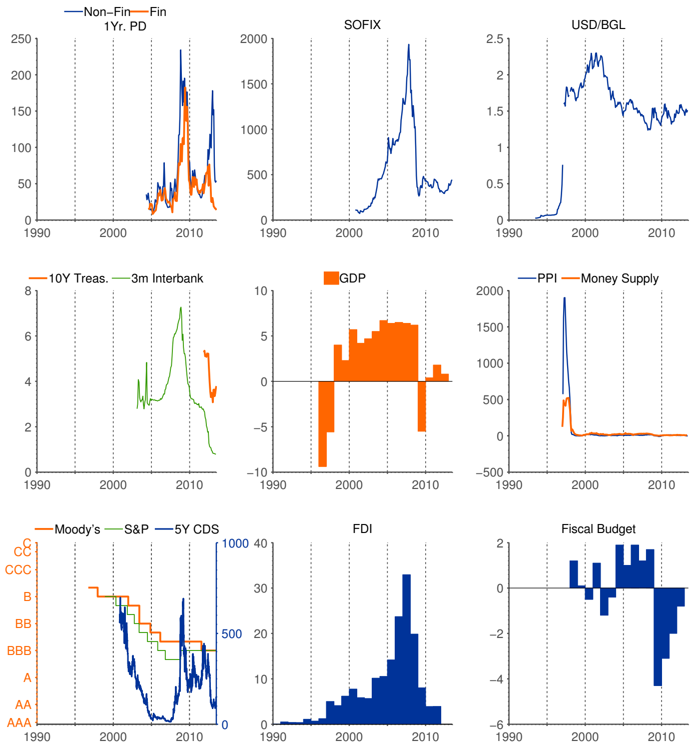
Bahrain	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	18.05	18.74	23.88	21.93	19.89*
1Yr. PD, Fin.	25.02	25.21	27.85	26.92	24.31
Bourse	1127	1087	1066	1092	1188
USD/BHD	0.38	0.38	0.38	0.38	0.38
3m Interbank (%)	1.28	1.24	1.18	1.12	1.08
GDP (YoY%)	–	–	3.85	–	–
Money Supply (YoY%)	7.32	7.54	4.41	4.98	–
Sov. Rating, Moody's	A2	A2	A2	A2	A2
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
Fiscal Budget (%GDP)	–	–	15.43	–	–



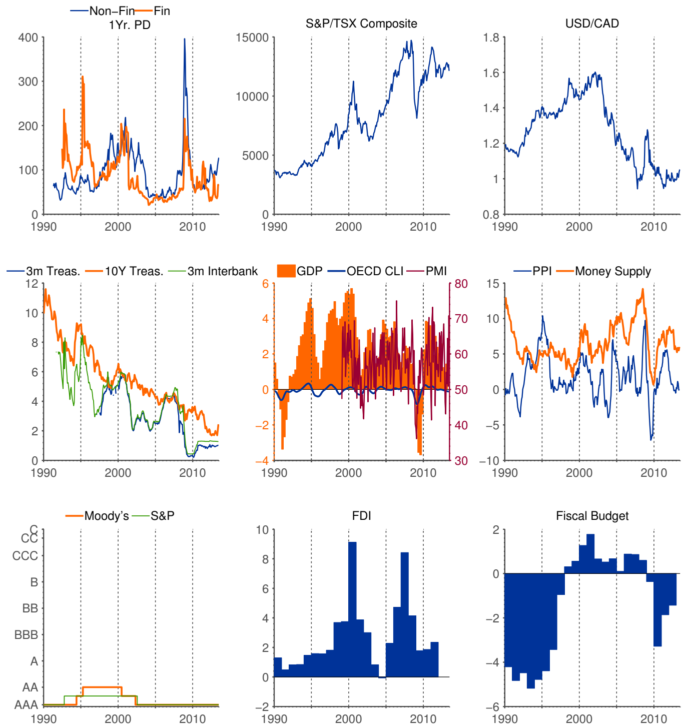
Belgium	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	28.17	18.64	15.97	12.97	12.52
1Yr. PD, Fin.	41.03	14.55	26.45	24.94	66.05
BAS NR	24837	26264	26543	27794	27688
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	0.17	0.01	0.00	0.02	0.04
10Y Treas. Yield (%)	3.19	2.53	2.06	2.23	2.63
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	-0.4	-0.4	-0.5	-0.6	–
OECD CLI	99.85	99.57	99.29	99.44	99.69*
PPI (YoY%)	2.4	4.0	4.3	1.3	-0.6*
Money Supply (YoY%)	3.1	2.9	3.4	2.5	2.8*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA	AA	AA	AA	AA
5Y CDS (bps)	240.43	127.74	83.07	76.31	72.58
Fiscal Budget (%GDP)	–	–	-3.90	–	–



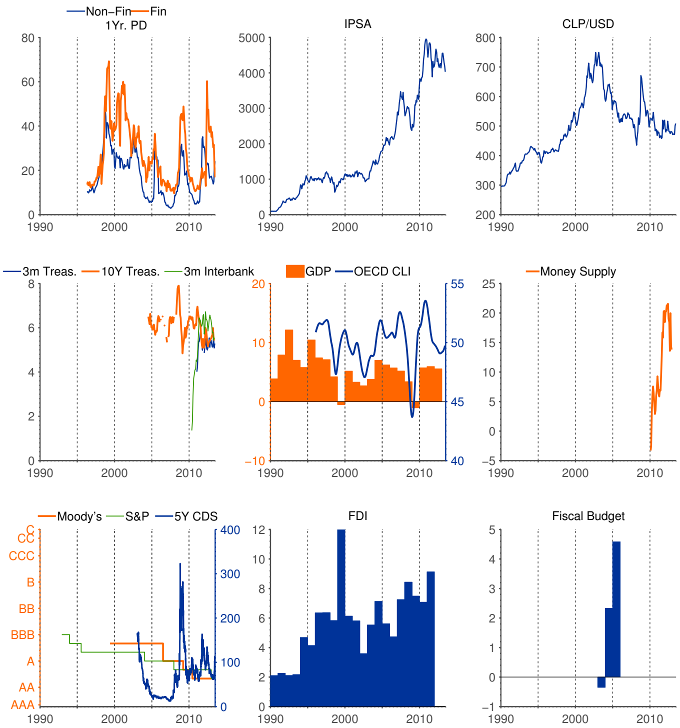
Brazil	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	61.60	52.59	62.41	68.00	79.74
1Yr. PD, Fin.	72.09	33.84	40.03	34.53	43.28
IBOV	54354.6	59175.9	60952.1	56352.1	47457.1
BRL/USD	2.01	2.03	2.05	2.02	2.23
3m Treas. Yield (%)	7.87	7.39	7.11	7.16	7.87
3m Interbank (%)	7.83	7.33	7.13	7.28	8.59
GDP (YoY%)	–	–	0.9	–	–
OECD CLI	99.64	99.91	99.72	99.41	99.11*
PMI	–	–	–	51.8	50.4
PPI (YoY%)	4.9	9.0	8.6	8.9	6.1
Money Supply (YoY%)	14.19	11.18	9.06	8.72	8.46*
Sov. Rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	157.32	111.83	108.45	137.22	185.24
Fiscal Budget (%GDP)	–	–	-2.59	–	–



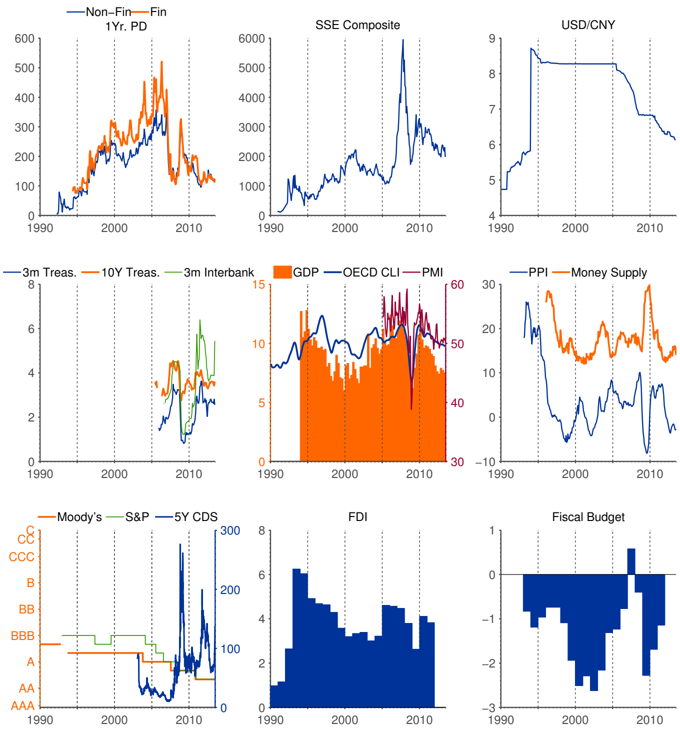
Bulgaria	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	83.56	102.84	178.10	74.31	54.08
1Yr. PD, Fin.	47.23	50.10	30.41	17.66	13.70
SOFIX	293	324	345	384	444
USD/BGL	1.54	1.52	1.48	1.53	1.50
10Y Treas. Yield (%)	5.22	3.55	3.44	3.64	3.71
3m Interbank (%)	1.79	1.09	0.93	0.82	0.79
GDP (YoY%)	–	–	0.8	–	–
PPI (YoY%)	3.3	6.6	5.3	0.6	-0.7*
Money Supply (YoY%)	10.2	8.8	8.4	8.8	7.4*
Sov. Rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	320.80	185.34	99.17	119.82	123.33
Fiscal Budget (%GDP)	–	–	-0.80	–	–



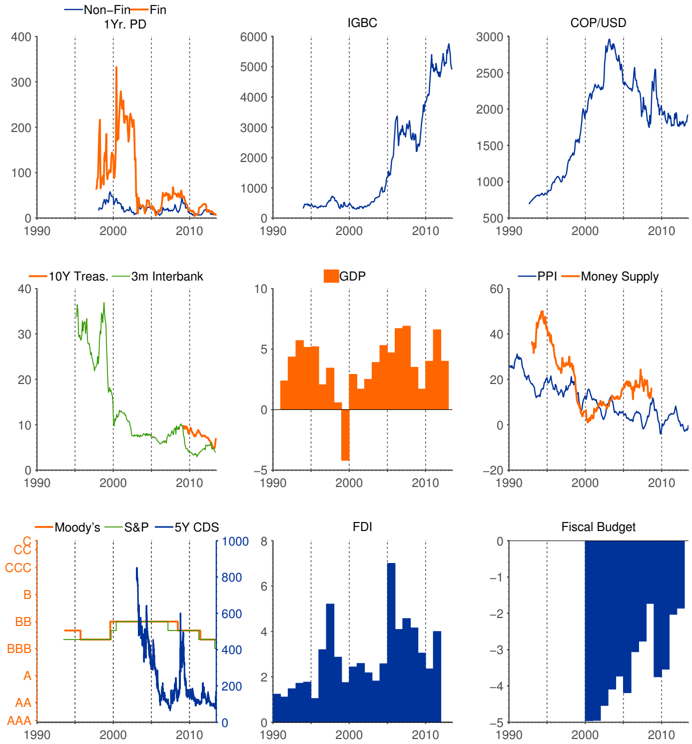
Canada	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	104.69	80.53	97.49	97.39	127.49
1Yr. PD, Fin.	30.45	44.34	44.32	35.66	64.35
S&P/TSX Composite	11597	12317	12434	12750	12129
USD/CAD	1.02	0.98	0.99	1.02	1.05
3m Treas. Yield (%)	0.88	0.97	0.93	0.98	1.02
10Y Treas. Yield (%)	1.74	1.73	1.80	1.87	2.44
3m Interbank (%)	1.31	1.29	1.30	1.28	1.27
GDP (YoY%)	2.6	1.2	1.0	1.4	–
OECD CLI	99.92	99.77	99.59	99.47	99.39*
PMI	55.3	68.5	43.1	64.4	56.6
PPI (YoY%)	0.7	-0.2	0.3	0.9	0.0*
Money Supply (YoY%)	8.1	5.7	5.6	5.5	6.0*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
Fiscal Budget (%GDP)	–	–	-1.43	–	–



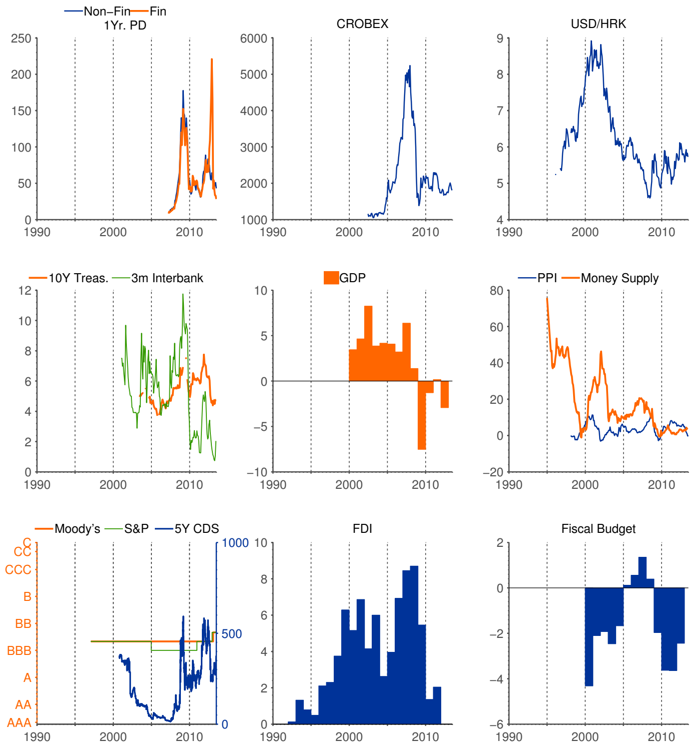
Chile	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	22.78	16.49	17.31	13.83	24.17
1Yr. PD, Fin.	47.07	37.33	35.10	30.34	16.84
IPSA	4400.1	4230.4	4301.4	4432.1	4029.7
CLP/USD	501.07	474.70	479.20	472.15	508.42
3m Treas. Yield (%)	5.00	5.54	5.43	5.17	5.29
10Y Treas. Yield (%)	5.35	5.37	5.51	5.99	5.42*
3m Interbank (%)	6.26	6.39	6.34	5.80	5.53
GDP (YoY%)	–	–	5.5	–	–
OECD CLI	99.30	99.07	99.17	99.37	99.73*
Money Supply (YoY%)	19.0	20.0	13.8*	–	–
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	A+	A+	AA-	AA-	AA-
5Y CDS (bps)	115.85	83.44	72.48	65.94	98.03



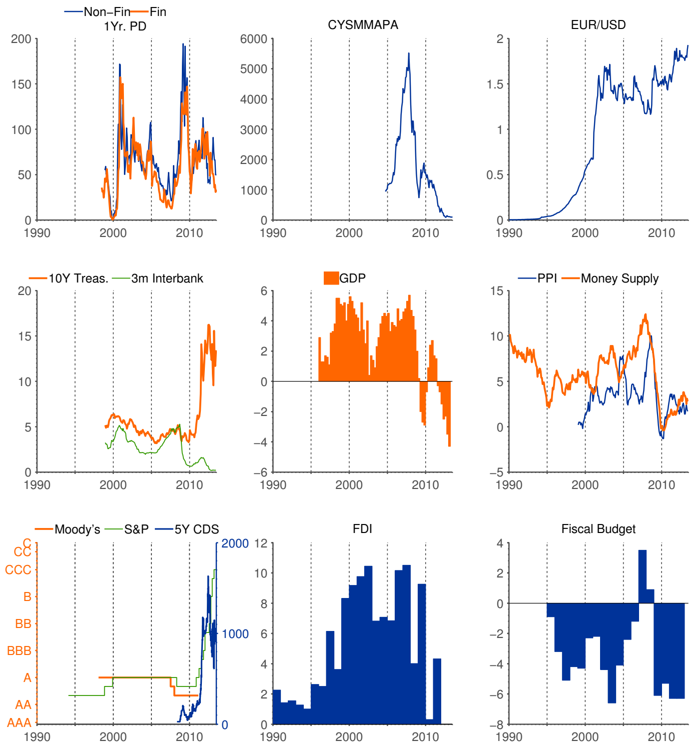
China	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	127.54	131.86	132.36	116.86	123.63
1Yr. PD, Fin.	123.56	134.09	122.50	122.57	121.92
SSE Composite	2225	2086	2269	2237	1979
USD/CNY	6.35	6.28	6.23	6.21	6.14
3m Treas. Yield (%)	2.03	2.64	2.80	2.68	2.55
10Y Treas. Yield (%)	3.34	3.45	3.59	3.59	3.61
3m Interbank (%)	4.08	3.69	3.90	3.88	5.44
GDP (YoY%)	7.6	7.4	7.9	7.7	7.5
OECD CLI	99.99	99.80	99.81	99.66	99.50*
PMI	50.2	49.8	50.6	50.9	50.1
PPI (YoY%)	-2.1	-3.6	-1.9	-1.9	-2.7
Money Supply (YoY%)	13.6	14.8	13.8	15.7	14.0
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	119.8	79.3	59.3	71.3	138.3



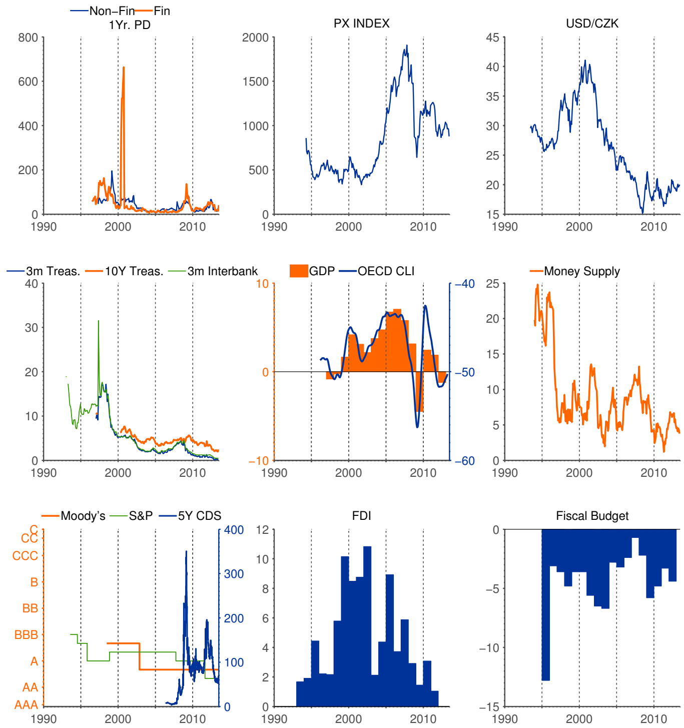
Colombia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	13.64	9.42	7.96	6.90	8.09
1Yr. PD, Fin.	18.05	12.13	12.14	7.58	5.59
IGBC	5023	5135	5679	5442	4905
COP/USD	1783.76	1800.53	1767.00	1825.00	1922.77
10Y Treas. Yield (%)	7.03	6.27	5.47	4.80	6.91
3m Interbank (%)	5.46	5.54	4.59	4.53	3.97
GDP (YoY%)	–	–	4.0	–	–
PPI (YoY%)	-0.7	0.1	-3.0	-1.9	-0.2
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB
5Y CDS (bps)	143.04	102.50	96.21	98.33	141.32
Fiscal Budget (%GDP)	–	–	-1.86	–	–



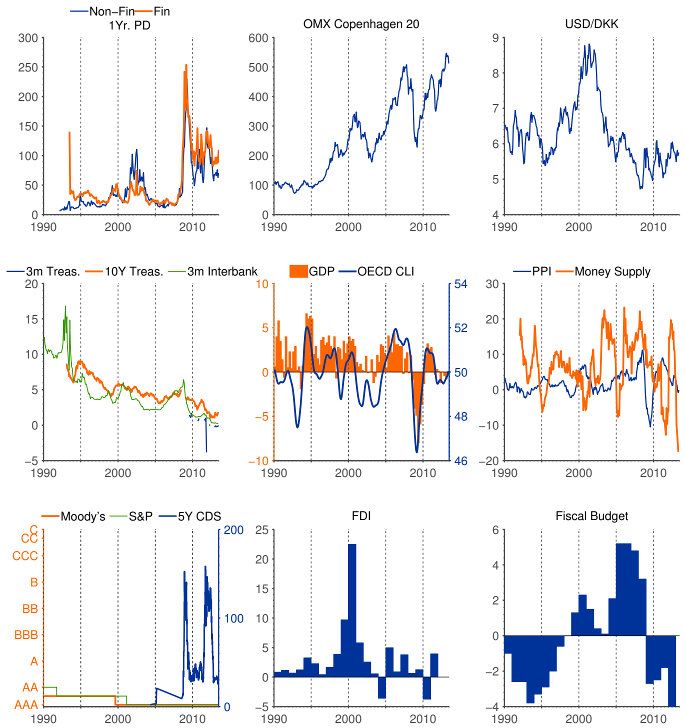
Croatia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	69.79	55.58	58.83	45.56	42.93
1Yr. PD, Fin.	65.86	138.52	165.78	40.70	28.29
CROBEX	1693.8	1715.2	1740.4	2007.9	1804.7
USD/HRK	5.9	5.8	5.7	5.9	5.7
10Y Treas. Yield (%)	6.21	5.07	4.70	4.74	4.78
3m Interbank (%)	2.25	2.62	1.42	0.81	2.04
GDP (YoY%)	–	–	-2.9	–	–
PPI (YoY%)	5.00	6.20	4.90	1.60	-0.10
Money Supply (YoY%)	3.25	2.13	3.15	4.36	3.39*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Ba1	Ba1
Sov. Rating, S&P	BBB-	BBB-	BB+	BB+	BB+
5Y CDS (bps)	511.38	353.68	252.06	333.76	335.85
Fiscal Budget (%GDP)	–	–	-2.44	–	–



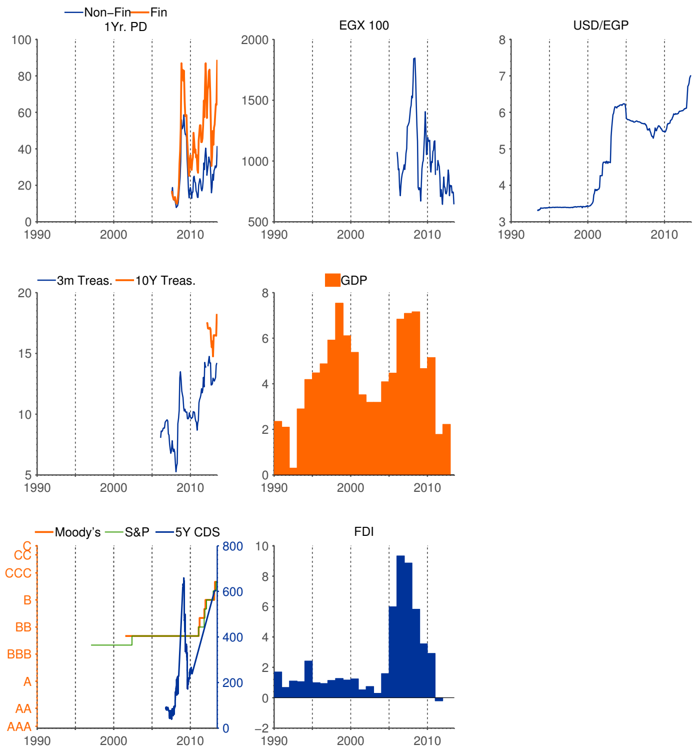
Cyprus	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	44.46	61.25	73.04	66.18	49.55
1Yr. PD, Fin.	68.27	74.23	50.96	35.69	33.60
CYSMMAPA	140	106	115	102	96
EUR/USD	1.27	1.29	1.32	1.28	–
10Y Treas. Yield (%)	16.21	13.70	14.12	15.57	13.13
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	-2.5	-2.3	-3.5	-4.3	–
PPI (YoY%)	1.90	2.40	1.40	2.40	1.70*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, S&P	BB+	BB	CCC+	CCC	CCC
5Y CDS (bps)	1399.38	974.13	1037.70	962.44	1008.29
Fiscal Budget (%GDP)	–	–	-6.30	–	–



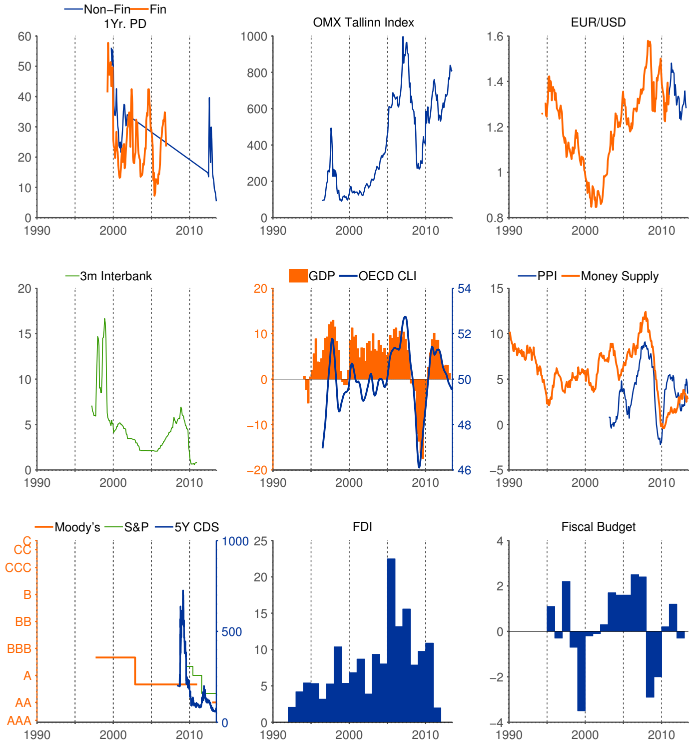
Czech Republic	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	65.94	19.73	18.40	13.20	36.27
1Yr. PD, Fin.	50.08	37.17	15.36	18.61	40.81
PX INDEX	901	953	1039	963	878
USD/CZK	20	20	19	20	20
3m Treas. Yield (%)	0.65	0.52	0.07	0.28	0.14
10Y Treas. Yield (%)	3.13	2.47	2.04	2.24	2.45
3m Interbank (%)	1.08	0.82	0.50	0.47	0.46
GDP (YoY%)	–	–	-1.2	–	–
OECD CLI	-1.63	-1.29	-0.77	-0.26	–
Money Supply (YoY%)	6.52	5.36	4.52	4.51	3.77*
Sov. Rating, Moody's	A1	A1	A1	A1	A1
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	130.5	90.7	67.3	63.4	63.8
Fiscal Budget (%GDP)	–	–	-4.40	–	–



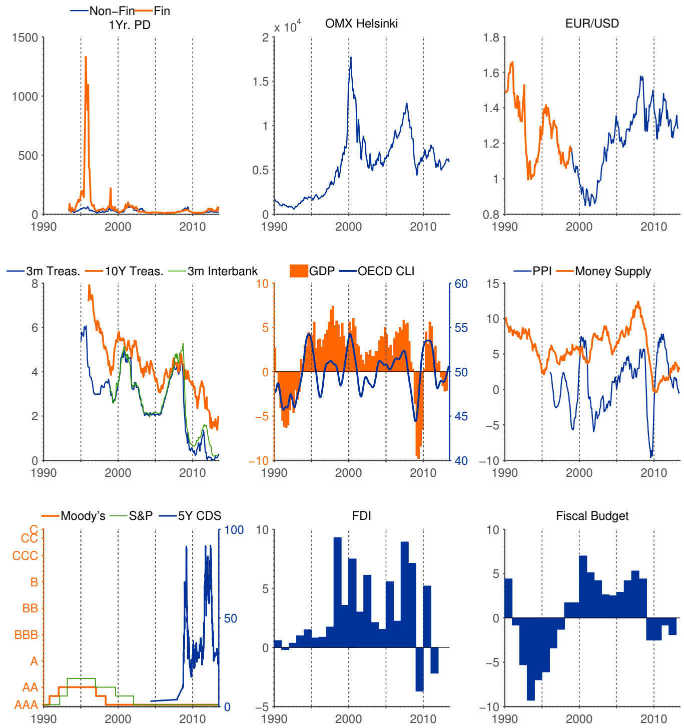
Denmark	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	96.57	64.20	66.51	66.07	70.39
1Yr. PD, Fin.	118.62	82.65	85.87	86.51	109.84
OMX Copenhagen 20	446	493	496	534	512
USD/DKK	5.87	5.80	5.66	5.82	5.73
3m Treas. Yield (%)	0.03*	–	-0.30	-0.22	-0.11
10Y Treas. Yield (%)	1.44	1.26	1.07	1.48	1.87
3m Interbank (%)	0.58	0.34	0.28	0.27	0.27
GDP (YoY%)	-1.2	0.0	-0.4	-0.7	–
OECD CLI	99.58	99.48	99.64	99.81	100.05*
PPI (YoY%)	1.2	4.1	2.9	-0.4	-0.1*
Money Supply (YoY%)	18.6	11.3	2.0	-14.6	-17.5*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	115.7	53.0	32.4	33.3	31.7
Fiscal Budget (%GDP)	–	–	-4.00	–	–



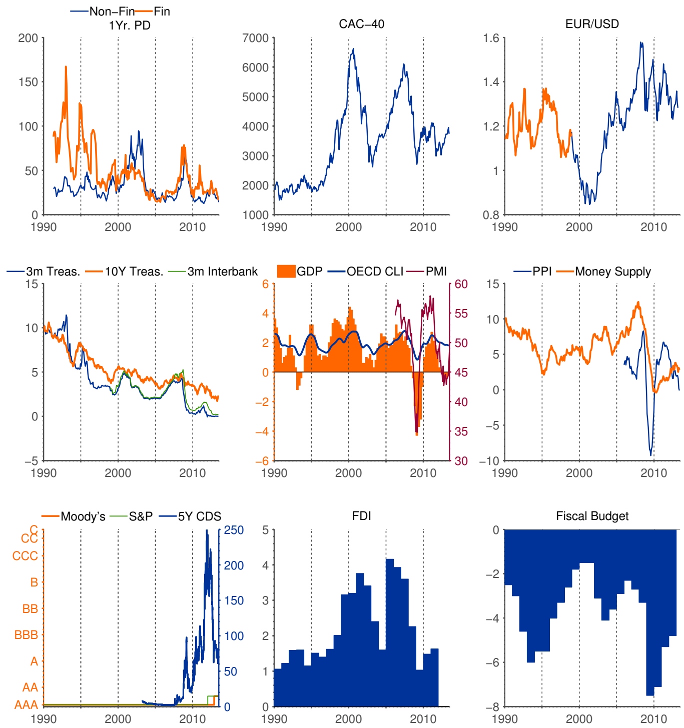
Egypt	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	33.65	15.86	22.79	30.62	41.55
1Yr. PD, Fin.	83.47	30.59	42.21	59.60	88.80
EGX 100	729.5	925.5	800.4	737.3	643.0
USD/EGP	6.06	6.10	6.36	6.80	7.02
3m Treas. Yield (%)	14.75	12.40	12.96	12.87	14.21
10Y Treas. Yield (%)	17.02	16.00	14.75	16.50	18.25
GDP (YoY%)	–	–	2.22	–	–
Sov. Rating, Moody's	B2	B2	B2	Caa1	Caa1
Sov. Rating, S&P	B	B	B-	B-	CCC+
5Y CDS (bps)	–	–	–	597.79*	606.28*



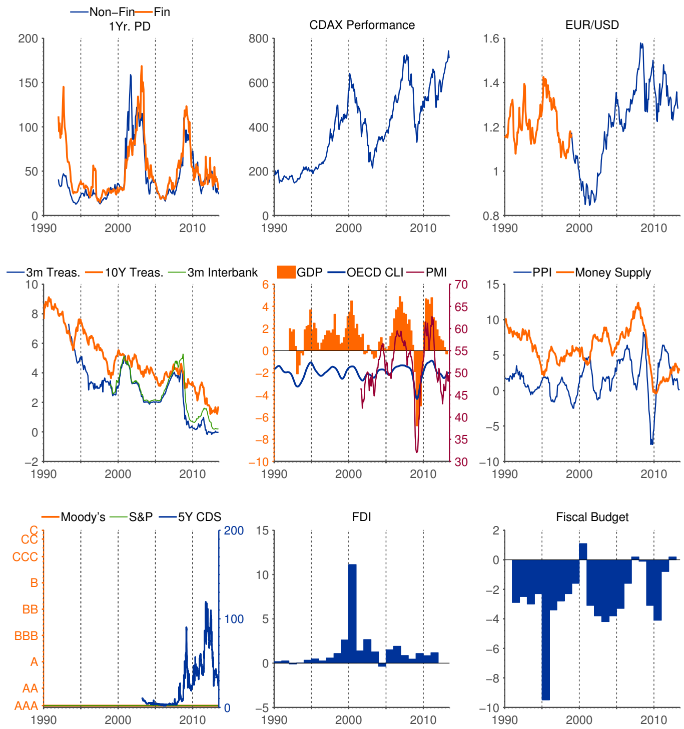
Estonia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	13.48	18.21	14.97	9.46	5.41
OMX Tallinn Index	623	668	734	838	813
EUR/USD	1.27	1.29	1.32	1.28	–
GDP (YoY%)	2.8	3.1	3.0	1.3	–
OECD CLI	100.33	100.18	99.85	99.68	99.53*
PPI (YoY%)	1.5	2.0	2.1	5.0	3.4*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	–	–	Aa2	Aa2	Aa2
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	117.16	92.73	67.60	62.15	71.56
Fiscal Budget (%GDP)	–	–	-0.30	–	–



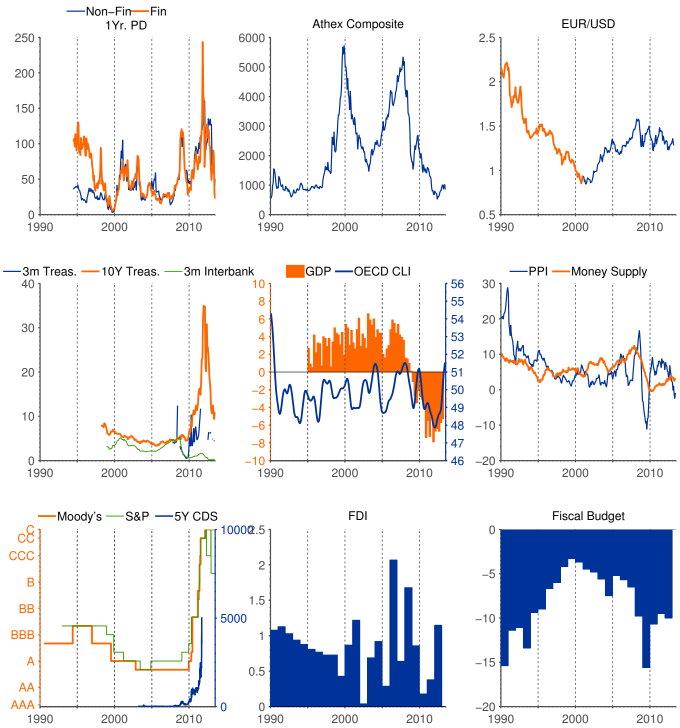
Finland	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	23.70	17.89	18.79	18.47	14.55
1Yr. PD, Fin.	39.73	28.24	29.83	32.06	30.31
OMX Helsinki	5073.4	5465.6	5801.3	6137.7	5895.3
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	0.14	0.04	0.05	0.13	0.26
10Y Treas. Yield (%)	1.93	1.73	1.53	1.55	2.00
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	-0.6	-1.6	-2.2	-2.1	–
OECD CLI	98.93	98.85	99.27	100.06	100.67*
PPI (YoY%)	0.5	1.7	1.5	0.0	-0.4*
Money Supply (YoY%)	3.1	2.9	3.4	2.5	2.8*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	77.83	41.85	29.64	31.56	22.59
Fiscal Budget (%GDP)	–	–	-1.90	–	–



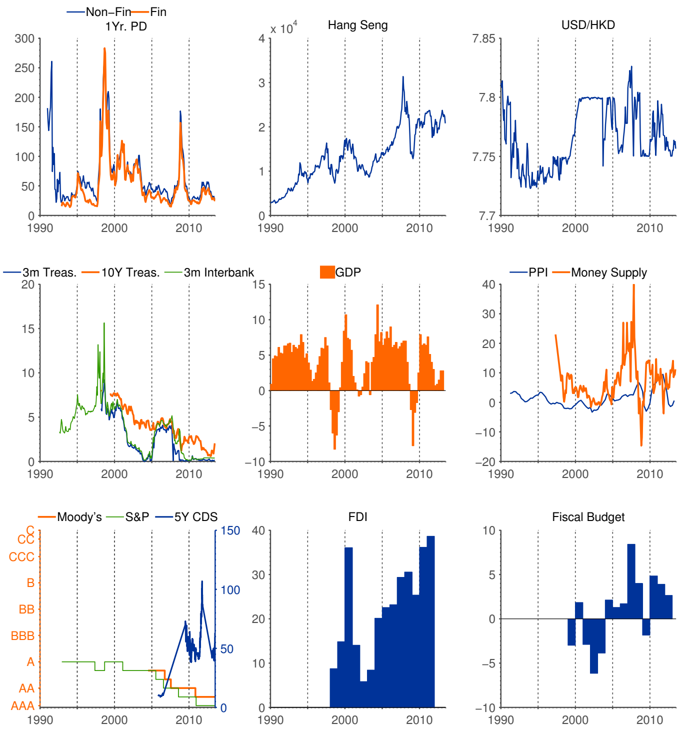
France	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	32.24	22.96	21.77	17.68	14.09
1Yr. PD, Fin.	38.23	24.01	27.68	23.52	17.02
CAC-40	3196.7	3354.8	3641.1	3731.4	3738.9
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	0.04	0.00	-0.01	0.01	0.03
10Y Treas. Yield (%)	2.69	2.18	2.00	2.02	2.35
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	0.1	0.0	-0.3	-0.4	–
OECD CLI	99.91	99.68	99.58	99.56	99.46*
PMI	45.2	42.7	44.6	44.0	48.4
PPI (YoY%)	1.6	2.7	1.9	1.6	-0.1*
Money Supply (YoY%)	3.1	2.9	3.4	2.5	2.8*
Sov. Rating, Moody's	Aaa	Aaa	Aa1	Aa1	Aa1
Sov. Rating, S&P	AA+	AA+	AA+	AA+	AA+
5Y CDS (bps)	188.84	114.01	91.14	76.94	80.49
Fiscal Budget (%GDP)	–	–	-4.80	–	–



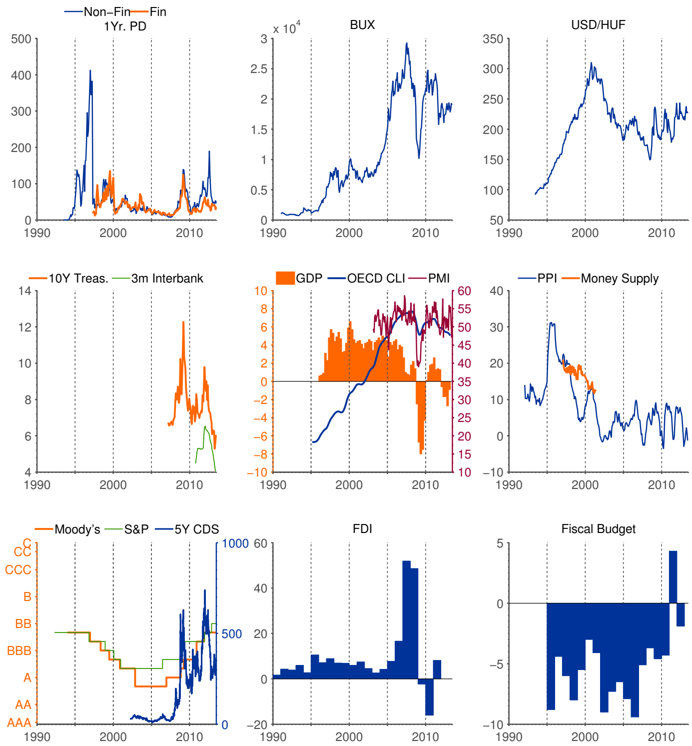
Germany	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	49.91	29.08	33.99	30.73	24.07
1Yr. PD, Fin.	46.72	35.36	37.88	41.33	29.09
CDAX Performance	569	635	673	696	711
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	-0.02	-0.04	-0.05	-0.02	0.00
10Y Treas. Yield (%)	1.58	1.44	1.32	1.29	1.73
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	1.0	0.9	0.3	-0.3	–
OECD CLI	99.31	98.80	99.22	99.87	100.12*
PMI	45.0	47.4	46.0	49.0	48.6
PPI (YoY%)	1.5	1.7	1.5	0.3	0.2*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	102.2	54.1	39.6	36.9	32.3
Fiscal Budget (%GDP)	–	–	0.20	–	–



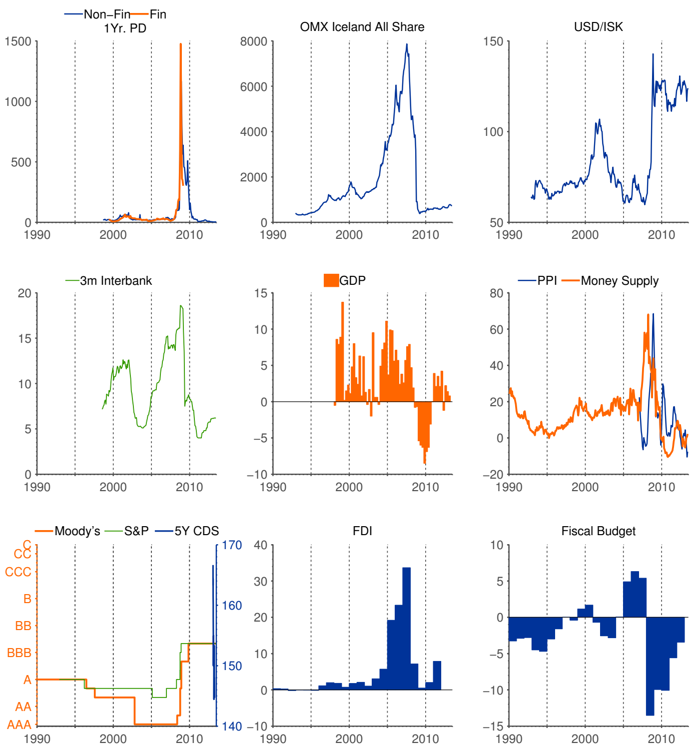
Greece	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	107.69	126.50	127.13	73.24	50.58
1Yr. PD, Fin.	108.60	97.37	48.89	90.55	22.29
Athex Composite	611	739	908	869	848
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	–	6.43*	6.40	4.88	4.46*
10Y Treas. Yield (%)	25.83	19.49	11.90	12.44	10.98
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	-6.4	-6.7	-5.7	-5.3	–
OECD CLI	98.50	98.71	99.45	100.89	101.54*
PPI (YoY%)	3.1	5.1	2.1	-1.3	-0.9*
Money Supply (YoY%)	3.1	2.9	3.4	2.5	2.8*
Sov. Rating, Moody's	C	C	C	C	C
Sov. Rating, S&P	CCC	CCC	B-	B-	B-
FDI (%GDP)	–	–	1.15	–	–
Fiscal Budget (%GDP)	–	–	-10.00	–	–



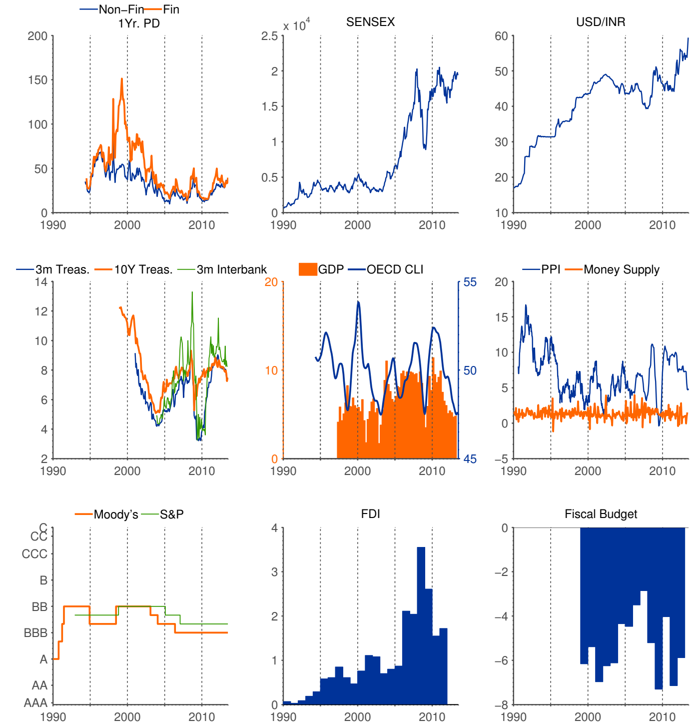
Hong Kong	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	53.42	42.45	34.85	29.71	28.35
1Yr. PD, Fin.	42.49	35.93	30.59	29.37	25.31
Hang Seng	19441	20840	22657	22300	20803
USD/HKD	7.76	7.75	7.75	7.76	7.76
3m Treas. Yield (%)	0.10	0.26	0.06	0.06	0.13
10Y Treas. Yield (%)	0.98	0.76	0.63	1.17	2.05
3m Interbank (%)	0.40	0.40	0.40	0.38	0.38
GDP (YoY%)	0.9	1.5	2.8	2.8	–
PPI (YoY%)	-0.6	-1.4	-1.0	0.6	–
Money Supply (YoY%)	6.1	10.9	12.1	9.2	11.2*
Sov. Rating, Moody's	Aa1	Aa1	Aa1	Aa1	Aa1
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	–	–	–	48.35	63.16
Fiscal Budget (%GDP)	–	–	2.65	–	–



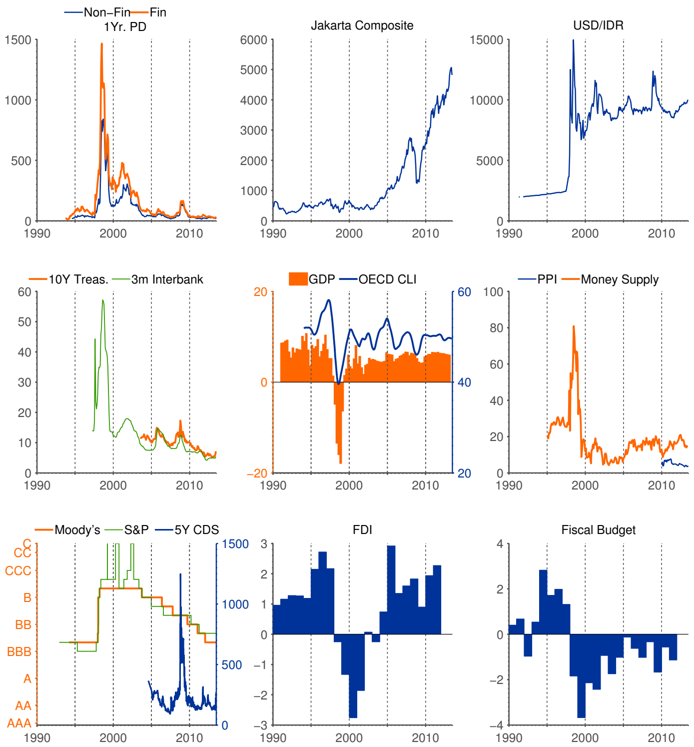
Hungary	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	116.17	87.41	48.66	46.66	46.19
1Yr. PD, Fin.	37.32	25.70	41.74	41.98	36.26
BUX	17341	18589	18173	17857	19024
USD/HUF	226	222	221	237	227
10Y Treas. Yield (%)	7.74	7.26	6.09	6.27	6.05
3m Interbank (%)	6.19	5.72	5.22	4.60	4.05
GDP (YoY%)	-1.7	-1.7	-2.7	-0.9	–
OECD CLI	98.76	98.51	98.26	97.61	–
PMI	52.8	52.4	49.1	55.5	50.8
PPI (YoY%)	6.9	2.5	-1.8	2.2	-1.3*
Sov. Rating, Moody's	Ba1	Ba1	Ba1	Ba1	Ba1
Sov. Rating, S&P	BB+	BB+	BB	BB	BB
5Y CDS (bps)	501.5	386.7	279.5	383.3	318.5
Fiscal Budget (%GDP)	–	–	-1.90	–	–



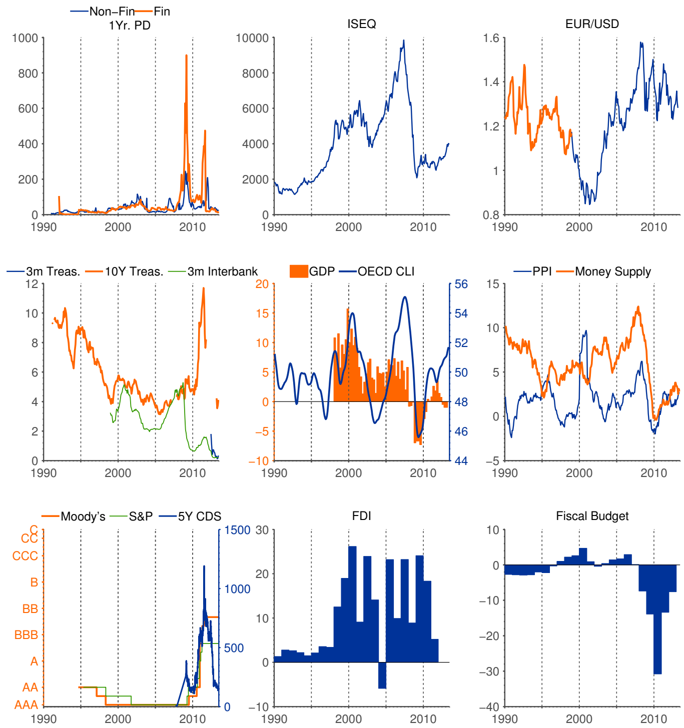
Iceland	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	8.03	5.33	3.84	2.82	2.76
OMX Iceland All Share	678	646	678	781	731
USD/ISK	124.93	124.20	128.02	123.65	123.94
3m Interbank (%)	5.70	5.75	6.15	6.20	6.20
GDP (YoY%)	-1.2	2.2	1.4	0.8	–
PPI (YoY%)	-0.7	-3.7	1.2	-4.4	-7.6*
Money Supply (YoY%)	4.8	-4.7	-2.7	0.5	2.2*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-
5Y CDS (bps)	–	–	–	153.30	144.64*
Fiscal Budget (%GDP)	–	–	-3.43	–	–



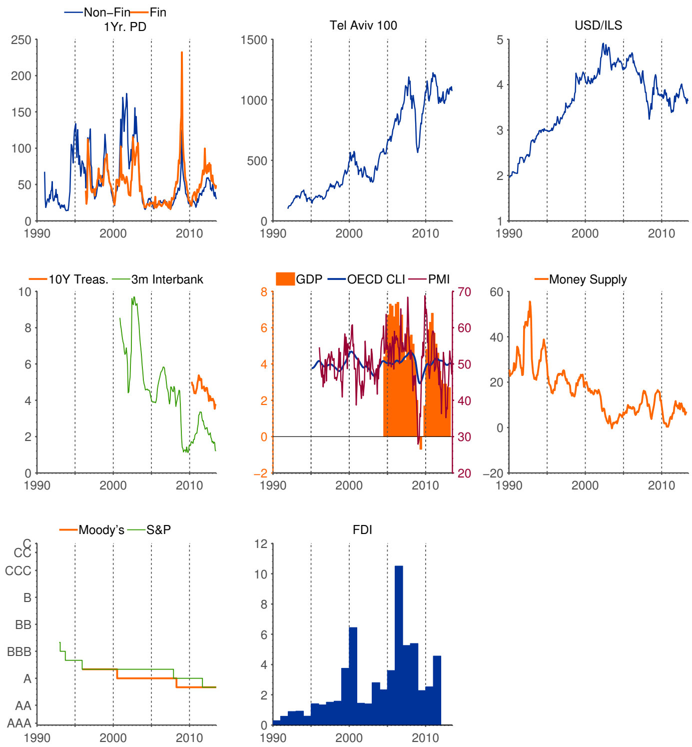
India	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	28.52	29.16	27.93	36.47	38.97
1Yr. PD, Fin.	33.87	35.32	28.85	35.43	39.47
SENSEX	17430.0	18762.7	19426.7	18835.8	19395.8
USD/INR	55.64	52.86	54.99	54.28	59.39
3m Treas. Yield (%)	8.27	8.08	8.18	8.02	7.49
10Y Treas. Yield (%)	8.18	8.15	8.05	7.96	7.46
3m Interbank (%)	9.32	8.57	8.72	8.25	8.25
GDP (YoY%)	5.4	5.2	4.7	4.8	–
OECD CLI	98.87	98.20	97.80	97.49	97.62*
PPI (YoY%)	7.6	8.1	7.3	5.7	4.9
Money Supply (YoY%)	2.84	0.80	1.02	0.92	1.52*
Sov. Rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-
Fiscal Budget (%GDP)	–	–	-5.88	–	–



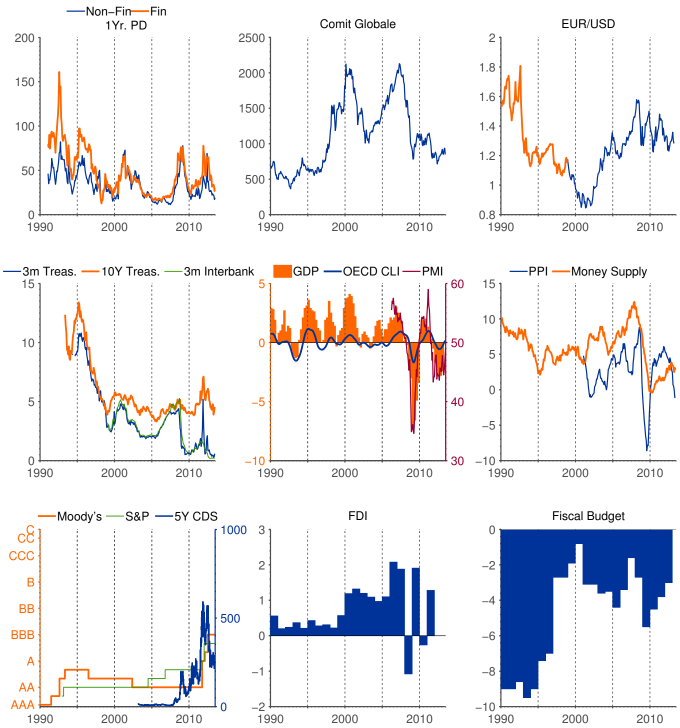
Indonesia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	26.42	24.36	25.65	19.66	20.61
1Yr. PD, Fin.	36.41	29.72	29.12	22.40	31.49
Jakarta Composite	3956	4263	4317	4941	4819
USD/IDR	9433.00	9591.00	9793.00	9735.00	10004.00
10Y Treas. Yield (%)	6.15	5.97	5.19	5.57	7.13
3m Interbank (%)	4.69	4.92	5.02	4.90	5.36
GDP (YoY%)	6.3	6.2	6.1	6.0	–
OECD CLI	99.22	99.49	99.75	99.71	99.55*
PPI (YoY%)	4.9	4.3	3.4	4.0	3.8
Money Supply (YoY%)	20.91	18.24	14.86	14.00	14.41*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BB+	BB+	BB+	BB+	BB+
5Y CDS (bps)	192.87	166.75	123.97	161.36	208.01



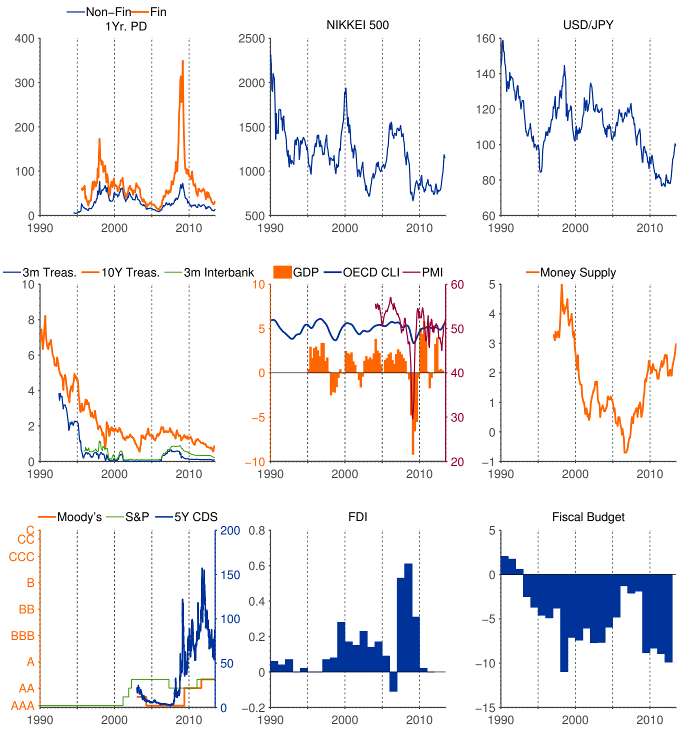
Ireland	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	42.75	28.71	39.82	28.45	24.89
1Yr. PD, Fin.	29.38	27.34	29.09	14.51	16.87
ISEQ	3149	3278	3397	3958	3963
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	1.80	0.72	0.53	0.29	0.34
10Y Treas. Yield (%)	–	–	–	4.22	4.11
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	0.70	-0.50	-1.00	-1.00	–
OECD CLI	100.49	100.84	101.01	101.40	101.67*
PPI (YoY%)	1.1	1.4	1.8	2.4	2.7*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	Ba1	Ba1	Ba1	Ba1	Ba1
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB+
5Y CDS (bps)	553.34	318.87	220.00	190.00	164.99
Fiscal Budget (%GDP)	–	–	-7.60	–	–



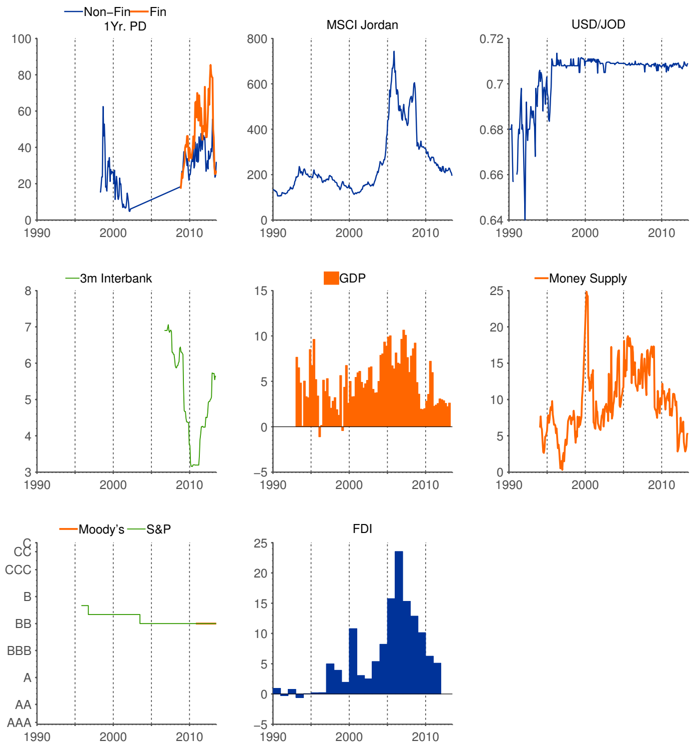
Israel	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	57.83	43.33	50.15	33.82	29.79
1Yr. PD, Fin.	67.66	76.98	62.45	49.72	49.22
Tel Aviv 100	970	1055	1049	1100	1071
USD/ILS	3.91	3.92	3.73	3.65	3.64
10Y Treas. Yield (%)	4.31	4.22	4.00	3.92	3.79
3m Interbank (%)	2.14	2.21	1.69	1.70	1.20
GDP (YoY%)	2.9	2.9	2.7	2.7	–
OECD CLI	100.21	99.75	99.91	100.20	100.02*
PMI	47.8	38.0	44.1	51.8	47.1*
Money Supply (YoY%)	9.06	8.69	7.89	7.00	–
Sov. Rating, Moody's	A1	A1	A1	A1	A1
Sov. Rating, S&P	A+	A+	A+	A+	A+



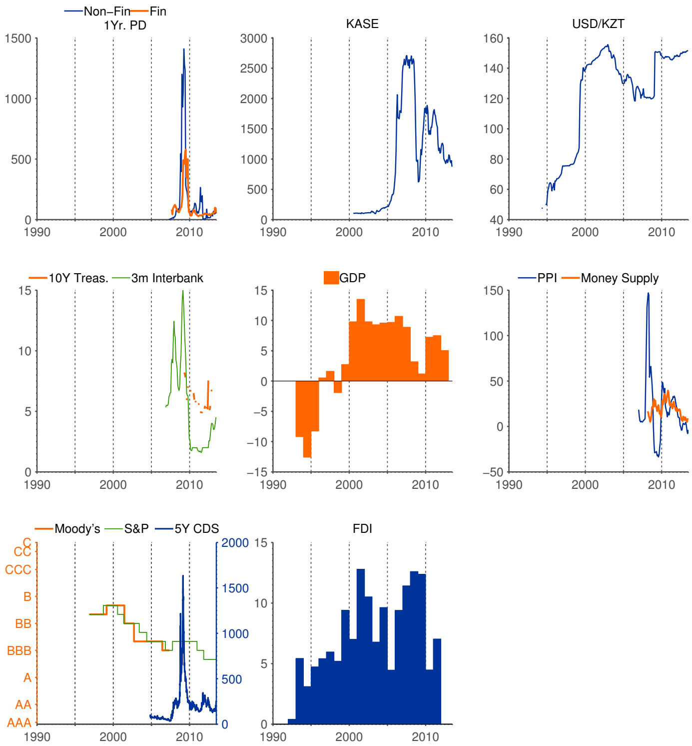
Italy	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	36.74	26.06	25.54	22.19	18.93
1Yr. PD, Fin.	60.10	46.65	41.70	33.83	30.47
Comit Globale	761	825	873	851	849
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	2.10	0.90	0.54	0.46	0.58
10Y Treas. Yield (%)	5.82	5.09	4.50	4.76	4.54
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	-2.5	-2.6	-2.8	-2.4	–
OECD CLI	98.97	98.88	99.19	99.80	100.33*
PMI	44.6	45.7	46.7	44.5	49.1
PPI (YoY%)	4.2	4.2	2.4	0.0	-1.1*
Money Supply (YoY%)	3.1	2.9	3.4	2.5	2.8*
Sov. Rating, Moody's	A3	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB
5Y CDS (bps)	487.79	356.20	278.28	304.50	280.53
Fiscal Budget (%GDP)	–	–	-3.00	–	–



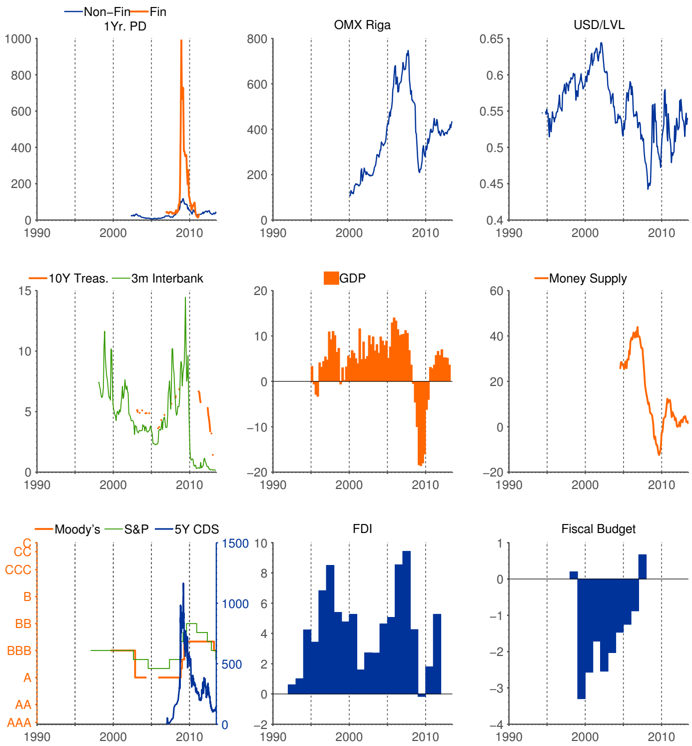
Japan	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	16.25	18.83	12.95	10.54	14.38
1Yr. PD, Fin.	40.80	39.80	32.03	25.31	32.77
NIKKEI 500	789	782	870	1064	1157
USD/JPY	79.79	77.96	86.75	94.22	99.14
3m Treas. Yield (%)	0.10	0.10	0.10	0.04	0.10
10Y Treas. Yield (%)	0.84	0.78	0.79	0.55	0.85
3m Interbank (%)	0.34	0.33	0.31	0.25	0.23
GDP (YoY%)	4.0	0.3	0.4	0.2	–
OECD CLI	99.97	99.73	100.04	100.83	101.32*
PMI	49.9	48.0	45.0	50.4	52.3
Money Supply (YoY%)	2.0	2.1	2.2	2.5	3.0
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	94.66	84.57	76.28	74.56	78.12
Fiscal Budget (%GDP)	–	–	-9.89	–	–



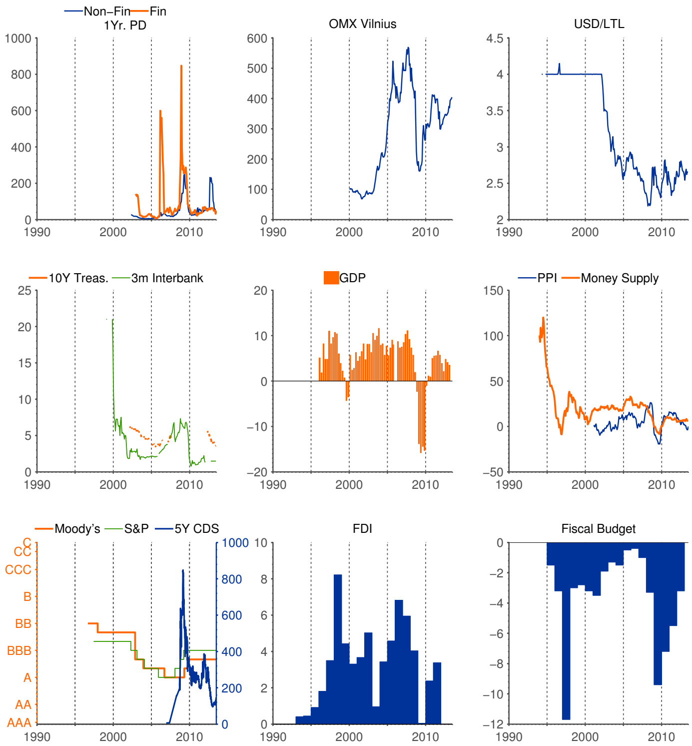
Jordan	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	37.98	35.93	55.54	28.44	32.07
1Yr. PD, Fin.	72.33	85.41	78.41	29.79	27.17
MSCI Jordan	212	216	220	219	195
USD/JOD	0.71	0.71	0.71	0.71	0.71
3m Interbank (%)	4.91	4.99	5.73	5.72	5.65
GDP (YoY%)	2.9	2.6	2.2	2.6	–
Money Supply (YoY%)	7.50	6.10	3.43	3.57	5.38*
Sov. Rating, Moody's	Ba2	Ba2	Ba2	Ba2	Ba2
Sov. Rating, S&P	BB	BB	BB	BB	BB



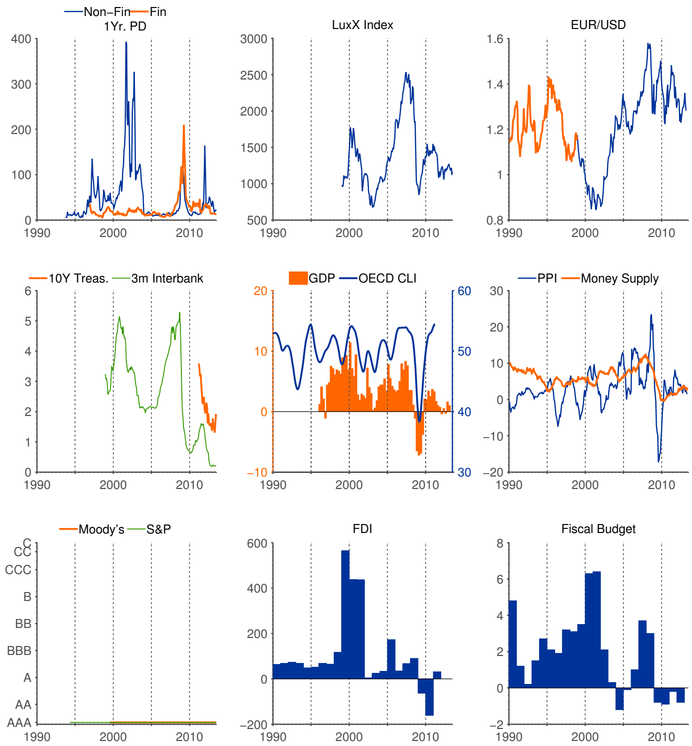
Kazakhstan	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	14.86	19.75	29.11	45.93	51.45
1Yr. PD, Fin.	38.19	37.76	50.26	55.71	57.22
KASE	981	976	970	963	874
USD/KZT	149.49	149.89	150.44	150.92	151.80
10Y Treas. Yield (%)	7.54	5.44	6.71*	–	–
3m Interbank (%)	2.00	3.00	4.00	3.50	4.50
GDP (YoY%)	–	–	5.0	–	–
PPI (YoY%)	-0.4	1.3	2.1	0.6	-3.7
Money Supply (YoY%)	12.17	5.90	7.27	7.56	9.03*
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB+
5Y CDS (bps)	254.12	175.00	142.61	169.53	207.97



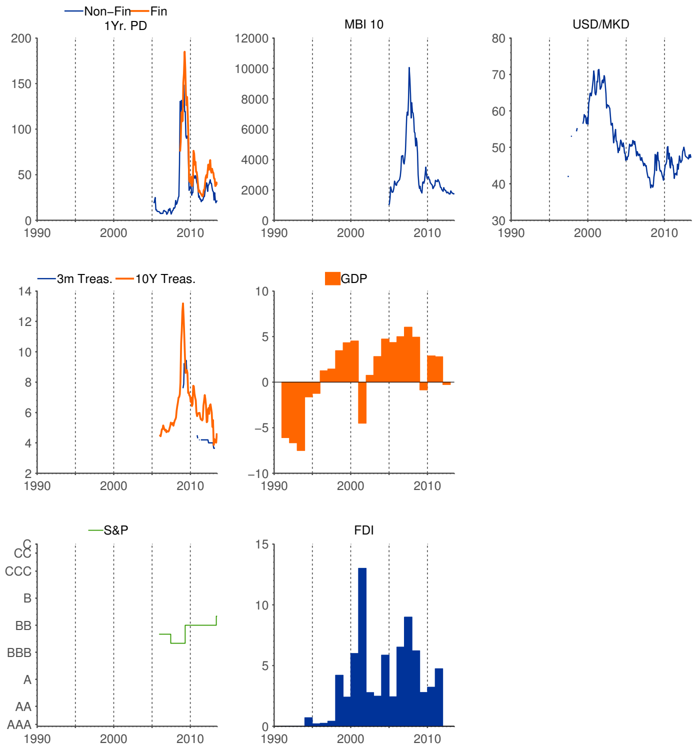
Latvia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	49.05	36.91	30.90	33.63	38.12
OMX Riga	373	385	396	420	435
USD/LVL	0.55	0.54	0.53	0.55	0.54
10Y Treas. Yield (%)	4.75	3.30	3.20*	1.42*	–
3m Interbank (%)	0.45	0.17	0.20	0.18	0.15
GDP (YoY%)	5.2	5.2	5.1	3.6	–
Money Supply (YoY%)	2.44	1.92	3.77	2.06	1.20
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa2	Baa2
Sov. Rating, S&P	BBB-	BBB-	BBB	BBB	BBB+
5Y CDS (bps)	280.92	181.70	116.52	121.17	128.77



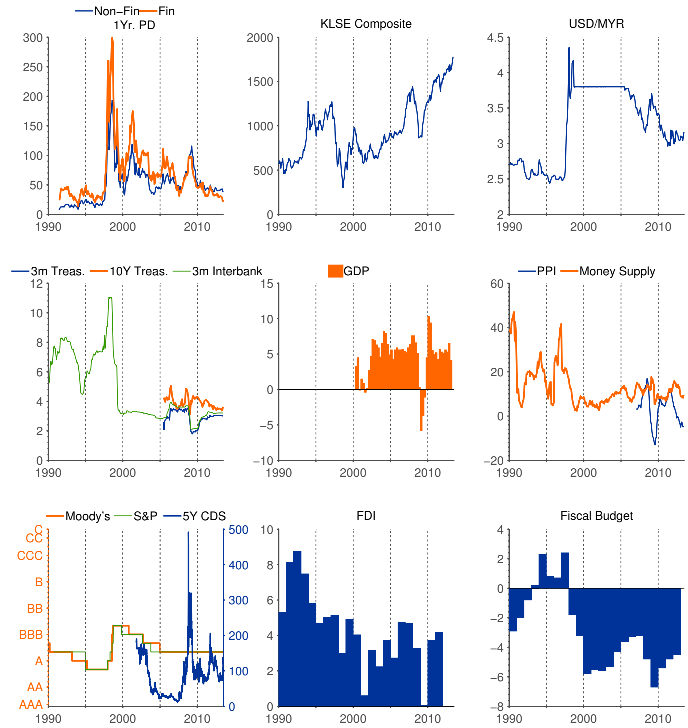
Lithuania	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	61.48	210.03	196.20	54.13	36.32
1Yr. PD, Fin.	54.66	55.75	62.97	48.42	48.56
OMX Vilnius	340	344	355	394	404
USD/LTL	2.73	2.68	2.62	2.69	2.65
10Y Treas. Yield (%)	5.52*	4.88*	4.12*	4.05	3.62
3m Interbank (%)	–	–	1.48	1.48	1.48
GDP (YoY%)	2.1	4.8	4.1	3.5	–
PPI (YoY%)	2.0	5.6	2.0	-2.2	0.0
Money Supply (YoY%)	6.00	5.70	7.20	8.20	5.40*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	263.09	175.56	105.16	117.81	132.45
Fiscal Budget (%GDP)	–	–	-3.20	–	–



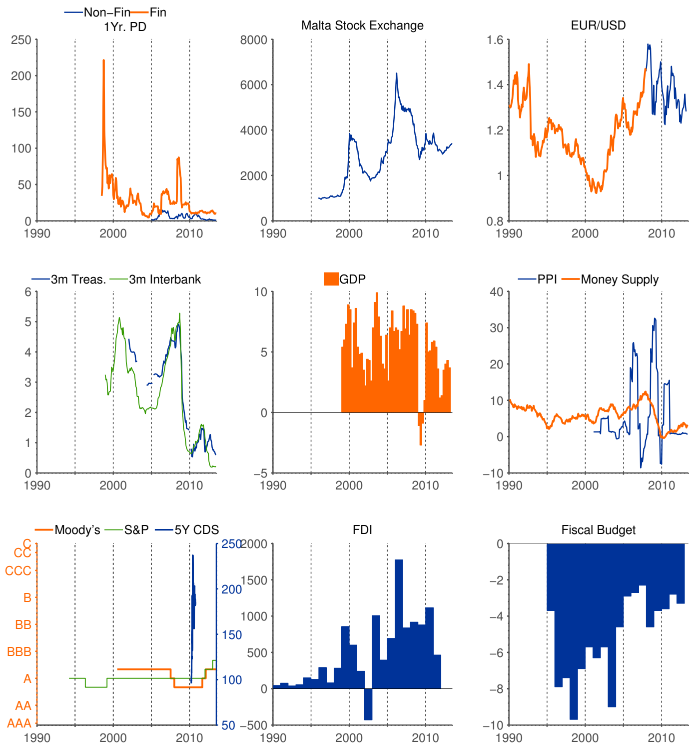
Luxembourg	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	38.86	41.01	41.53	17.83	19.91
1Yr. PD, Fin.	26.20	15.43	13.95	14.70	13.76
LuxX Index	1146	1205	1248	1201	1126
EUR/USD	1.27	1.29	1.32	1.28	–
10Y Treas. Yield (%)	1.92	1.57	1.38	1.52	1.90
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	0.5	-0.3	1.6	1.0	–
PPI (YoY%)	4.0	1.8	3.6	2.1	1.5*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
Fiscal Budget (%GDP)	–	–	-0.80	–	–



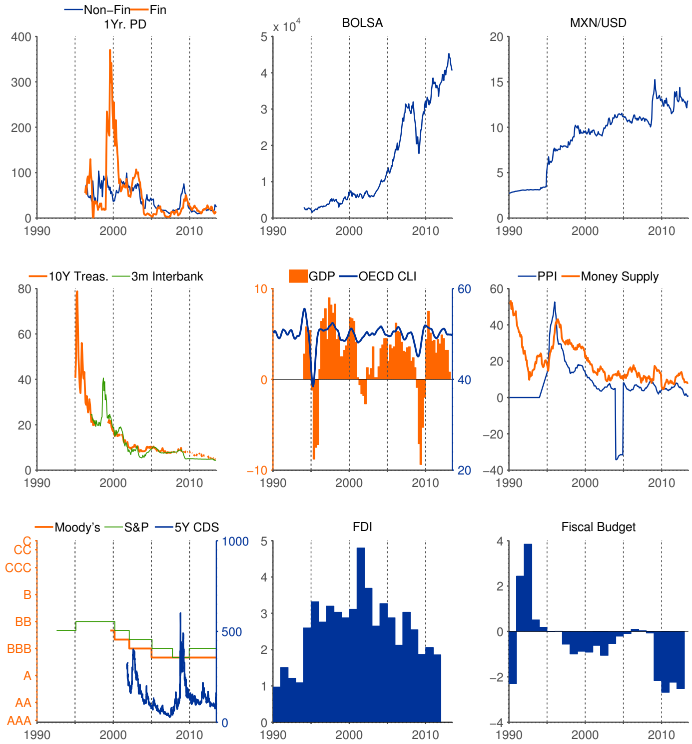
Macedonia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	41.52	40.36	31.16	22.84	21.68
1Yr. PD, Fin.	59.01	52.12	51.78	37.53	38.84
MBI 10	1858	1822	1731	1789	1742
USD/MKD	49.30	47.80	47.17	47.93	47.15
3m Treas. Yield (%)	4.00	4.00	4.00	3.65	–
10Y Treas. Yield (%)	5.91	6.27	5.50	4.04	4.63
GDP (YoY%)	–	–	-0.3	–	–
Sov. Rating, S&P	BB	BB	BB	BB	BB-



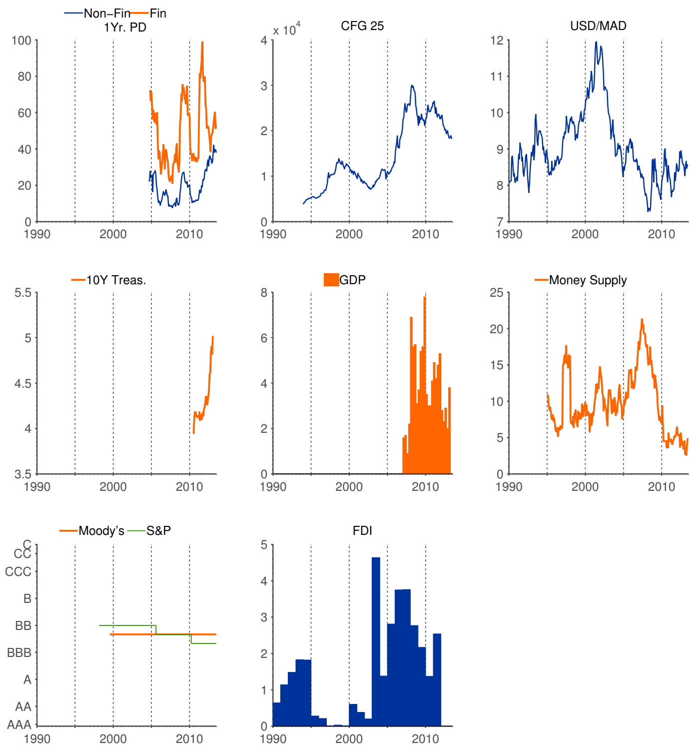
Malaysia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	44.57	39.95	40.70	42.23	37.43
1Yr. PD, Fin.	33.54	33.35	30.28	28.87	23.61
KLSE Composite	1599	1637	1689	1672	1774
USD/MYR	3.18	3.06	3.06	3.09	3.16
3m Treas. Yield (%)	3.04	3.03	3.04	3.04	3.01
10Y Treas. Yield (%)	3.52	3.55	3.50	3.47	3.63
3m Interbank (%)	3.19	3.20	3.21	3.21	3.20
GDP (YoY%)	5.6	5.3	6.5	4.1	–
PPI (YoY%)	-0.9	-1.3	-5.0	-4.2	-4.6*
Money Supply (YoY%)	12.93	12.68	8.96	9.10	9.50*
Sov. Rating, Moody's	A3	A3	A3	A3	A3
Sov. Rating, S&P	A-	A-	A-	A-	A-
5Y CDS (bps)	124.42	95.27	70.40	86.04	118.56
Fiscal Budget (%GDP)	–	–	-4.50	–	–



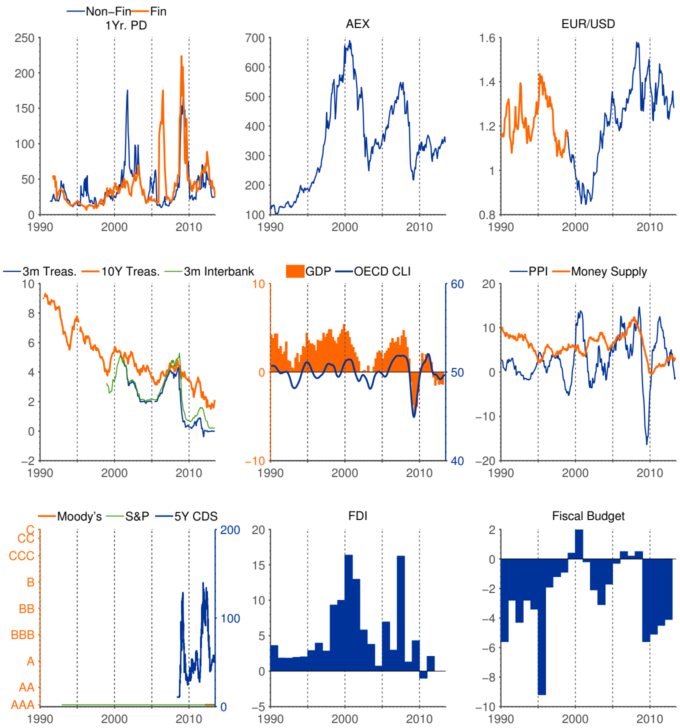
Malta	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	1.68	1.51	1.30	1.01	0.85
1Yr. PD, Fin.	11.39	13.26	14.18	9.63	9.96
Malta Stock Exchange	3022	3136	3212	3323	3417
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	1.04	1.27	0.85	0.71	0.59
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	3.5	4.0	4.3	3.7	–
PPI (YoY%)	0.6	1.1	0.9	0.8	0.7*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	A3	A3	A3	A3	A3
Sov. Rating, S&P	A-	A-	A-	BBB+	BBB+
Fiscal Budget (%GDP)	–	–	-3.30	–	–



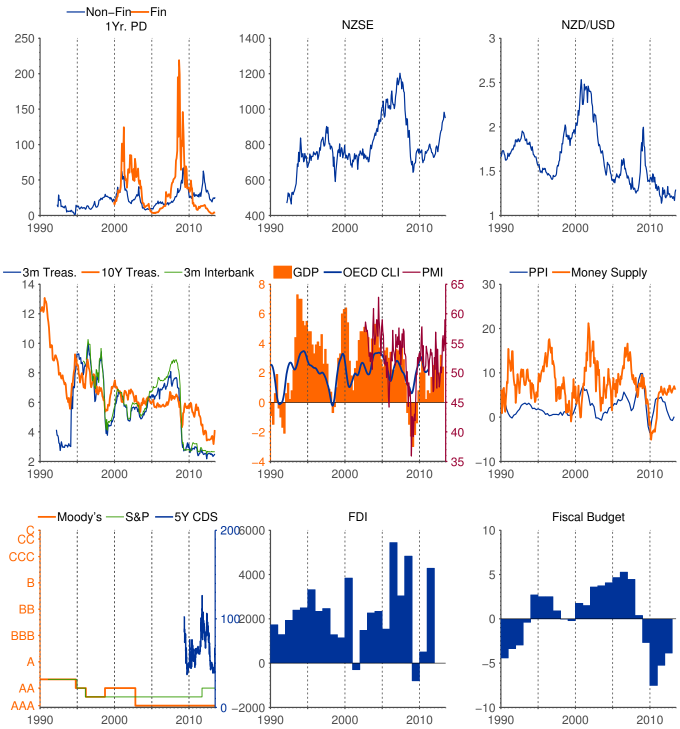
Mexico	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	17.73	16.41	16.03	18.04	23.88
1Yr. PD, Fin.	21.71	18.41	19.04	9.62	14.11
BOLSA	40200	40867	43706	44077	40623
MXN/USD	13.36	12.86	12.85	12.33	12.93
10Y Treas. Yield (%)	5.94	5.44	5.52*	5.03*	4.64*
3m Interbank (%)	4.80	4.82	4.87	4.35	4.33
GDP (YoY%)	4.5	3.2	3.2	0.8	–
OECD CLI	101.02	100.04	99.91	99.88	99.59*
PPI (YoY%)	5.6	4.3	1.2	1.7	1.0
Money Supply (YoY%)	13.60	11.00	8.30	8.40	7.50*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	140.42	101.17	97.82	97.17	131.49
Fiscal Budget (%GDP)	–	–	-2.52	–	–



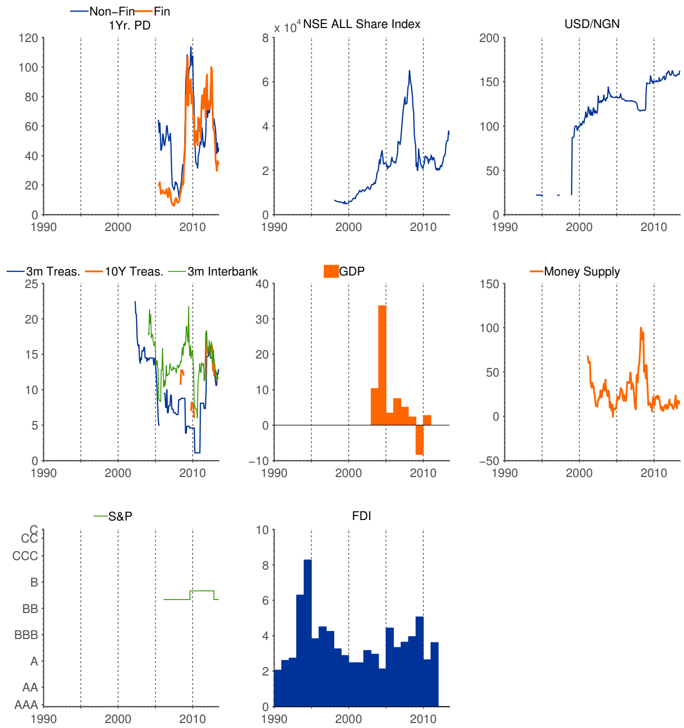
Morocco	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	30.66	34.45	32.98	38.17	37.97
1Yr. PD, Fin.	51.08	38.53	48.88	58.45	53.56
CFG 25	20560	19340	19143	18596	18206
USD/MAD	8.75	8.63	8.46	8.66	8.56
10Y Treas. Yield (%)	4.35	4.61	4.82	5.01*	–
GDP (YoY%)	2.3	2.9	2.0	3.8	–
Money Supply (YoY%)	5.60	4.40	4.50	2.60	4.90*
Sov. Rating, Moody's	Ba1	Ba1	Ba1	Ba1	Ba1
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-



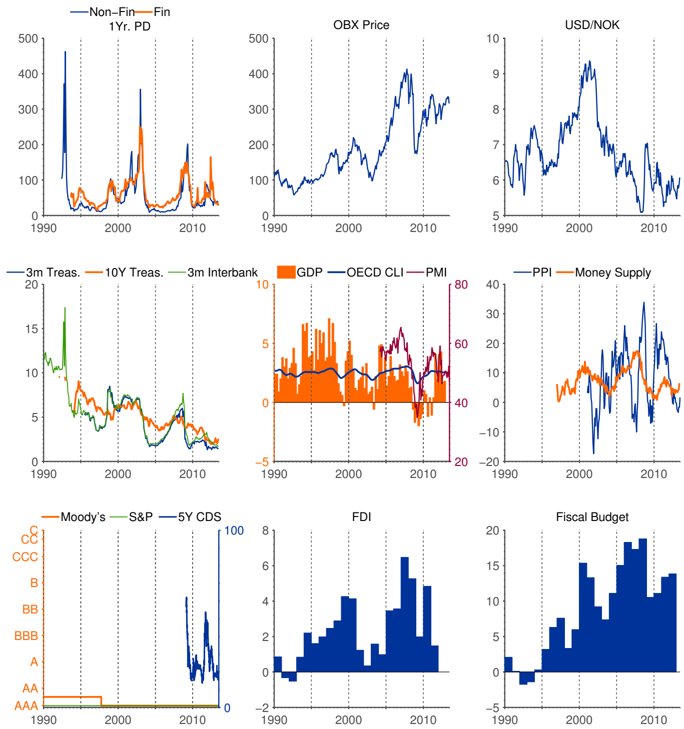
Netherlands	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	49.10	42.11	28.39	24.90	26.33
1Yr. PD, Fin.	81.52	45.16	44.90	39.33	24.19
AEX	307	323	343	348	345
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	0.02	-0.03	-0.02	-0.01	0.00
10Y Treas. Yield (%)	2.10	1.72	1.50	1.77	2.12
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	-0.9	-1.4	-1.3	-1.4	–
OECD CLI	99.39	99.20	99.31	99.59	99.70*
PPI (YoY%)	1.4	4.1	4.1	-0.3	-1.2*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	111.27	65.81	46.42	55.19	56.80
Fiscal Budget (%GDP)	–	–	-4.10	–	–



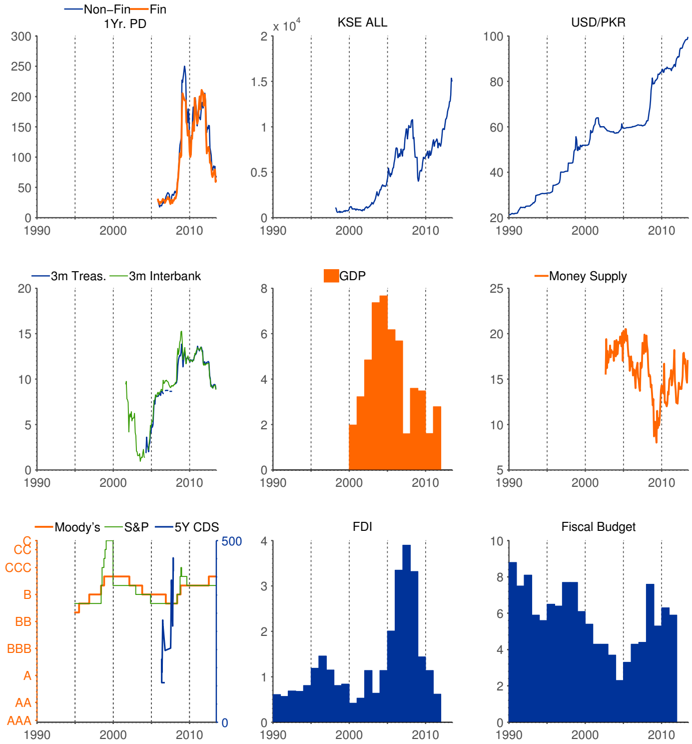
New Zealand	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	34.77	24.10	20.12	24.67	25.50
1Yr. PD, Fin.	8.27	4.41	2.80	2.81	4.11
NZSE	760	840	882	941	949
NZD/USD	1.25	1.20	1.21	1.19	1.29
3m Treas. Yield (%)	2.46	2.54	2.53	2.33	2.51
10Y Treas. Yield (%)	3.43	3.45	3.52	3.49	4.13
3m Interbank (%)	2.68	2.67	2.65	2.65	2.65
GDP (YoY%)	2.6	2.0	3.2	2.4	–
PMI	50.1	48.7	50.9	53.7	54.7
PPI (YoY%)	0.5	-0.6	-0.8	0.1	–
Money Supply (YoY%)	5.70	6.40	6.00	7.00	6.20*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AA	AA	AA	AA	AA
5Y CDS (bps)	89.67	68.50	50.05	43.40	56.62
Fiscal Budget (%GDP)	–	–	-3.87	–	–



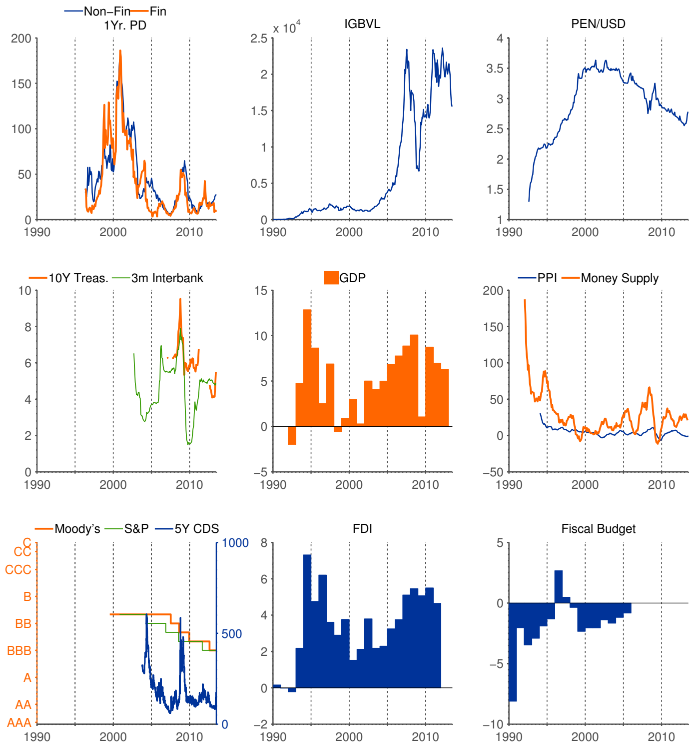
Nigeria	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	87.85	59.98	59.65	41.42	45.08
1Yr. PD, Fin.	99.99	58.38	47.43	29.62	35.37
NSE ALL Share Index	21600	26012	28079	33536	36164
USD/NGN	162.75	157.20	156.15	158.55	162.53
3m Treas. Yield (%)	14.50	12.75	12.80	10.60	12.75
10Y Treas. Yield (%)	16.22	12.90	11.90	–	11.20*
3m Interbank (%)	16.76	13.83	13.79	11.50	11.50
Money Supply (YoY%)	10.77	11.47	12.44	17.43	13.39*
Sov. Rating, S&P	B+	B+	BB-	BB-	BB-



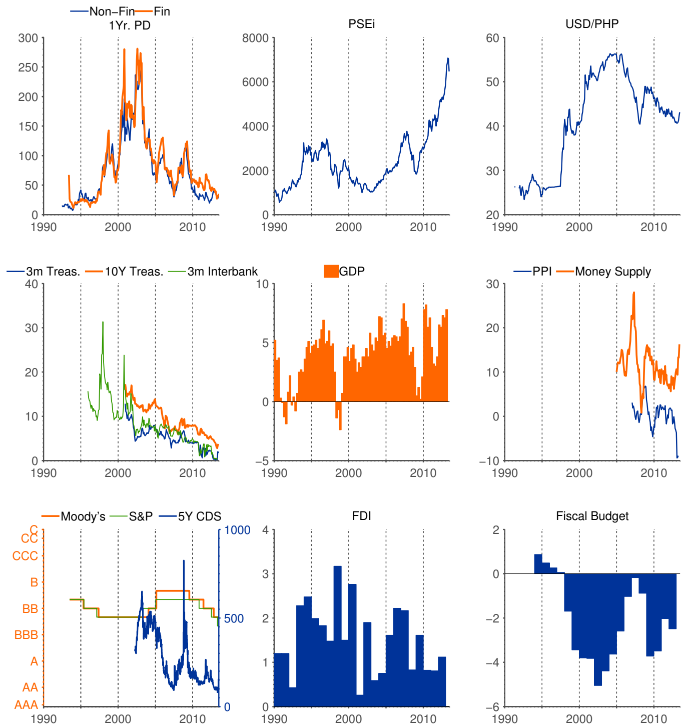
Norway	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	42.27	27.99	39.81	34.07	29.06
1Yr. PD, Fin.	106.53	78.66	41.00	32.98	28.05
OBX Price	287	316	311	329	316
USD/NOK	5.96	5.73	5.56	5.85	6.07
3m Treas. Yield (%)	1.49	1.65	1.49	1.63	1.48
10Y Treas. Yield (%)	2.07	2.14	2.14	2.18	2.56
3m Interbank (%)	2.30	1.97	1.83	1.88	1.66
GDP (YoY%)	4.3	1.7	1.8	0.0	–
OECD CLI	100.21	100.13	100.11	100.10	100.10*
PMI	46.3	49.4	50.2	50.2	46.7
PPI (YoY%)	-0.2	1.4	-0.2	-3.4	1.7
Money Supply (YoY%)	4.70	3.20	3.70	4.20	6.50*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	31.50	23.85	18.50	19.67	15.37
Fiscal Budget (%GDP)	–	–	13.85	–	–



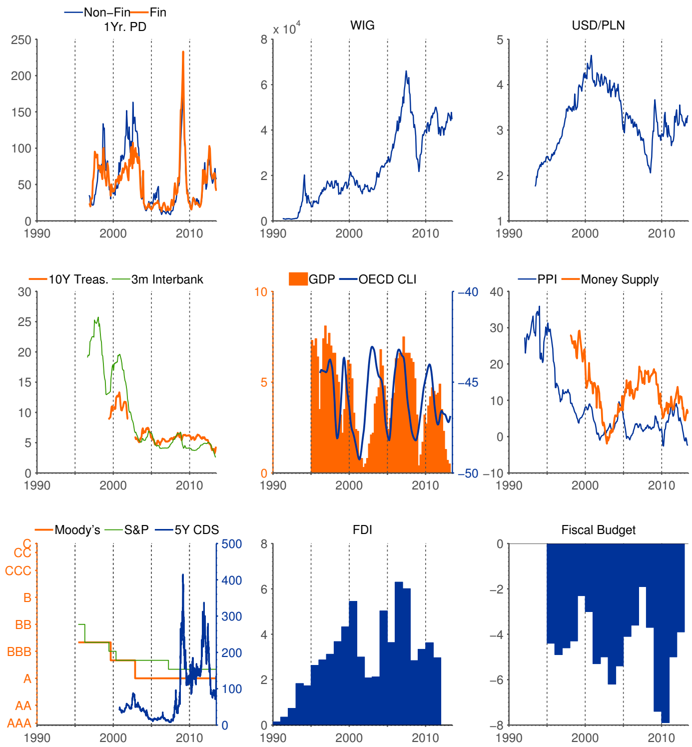
Pakistan	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	152.41	109.99	78.35	81.88	68.95
1Yr. PD, Fin.	116.94	91.83	66.92	78.61	63.02
KSE ALL	9708	10898	11964	12802	14988
USD/PKR	94.58	94.83	97.14	98.43	99.60
3m Treas. Yield (%)	11.93	10.07	9.13	9.41	8.90
3m Interbank (%)	11.74	9.95	9.06	9.28	8.83
Money Supply (YoY%)	14.10	15.30	16.70	15.00	17.10*
Sov. Rating, Moody's	B3	Caa1	Caa1	Caa1	Caa1
Sov. Rating, S&P	B-	B-	B-	B-	B-



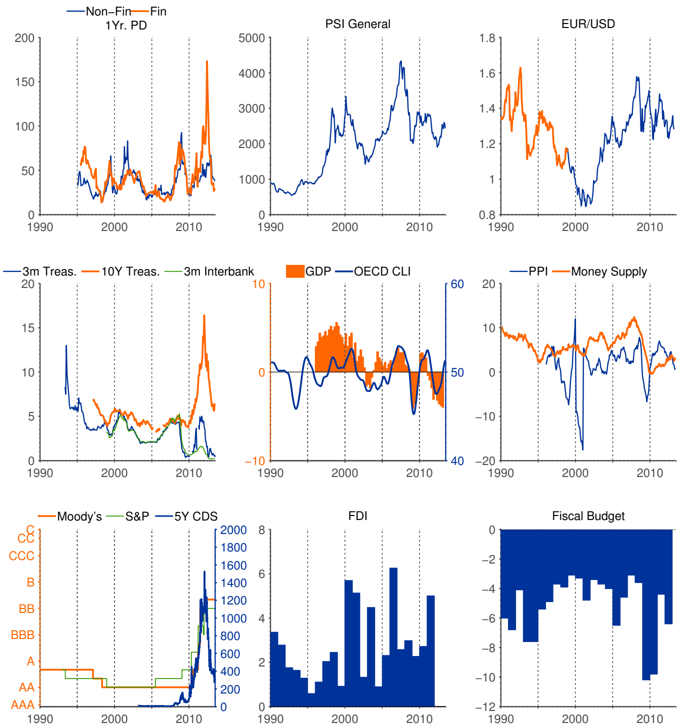
Peru	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	16.86	14.74	19.50	22.43	27.73
1Yr. PD, Fin.	11.97	14.84	16.17	8.09	8.68
IGBVL	20207	21675	20629	19859	15550
PEN/USD	2.67	2.60	2.55	2.59	2.78
10Y Treas. Yield (%)	–	4.58	4.09	4.13	5.51
3m Interbank (%)	5.01	5.01	5.05	4.88	4.88
GDP (YoY%)	–	–	6.3	–	–
PPI (YoY%)	2.0	0.4	-0.6	-1.2	-0.4
Money Supply (YoY%)	25.60	24.60	25.30	25.20	20.90*
Sov. Rating, Moody's	Baa3	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	162.38	106.33	97.34	97.67	145.34



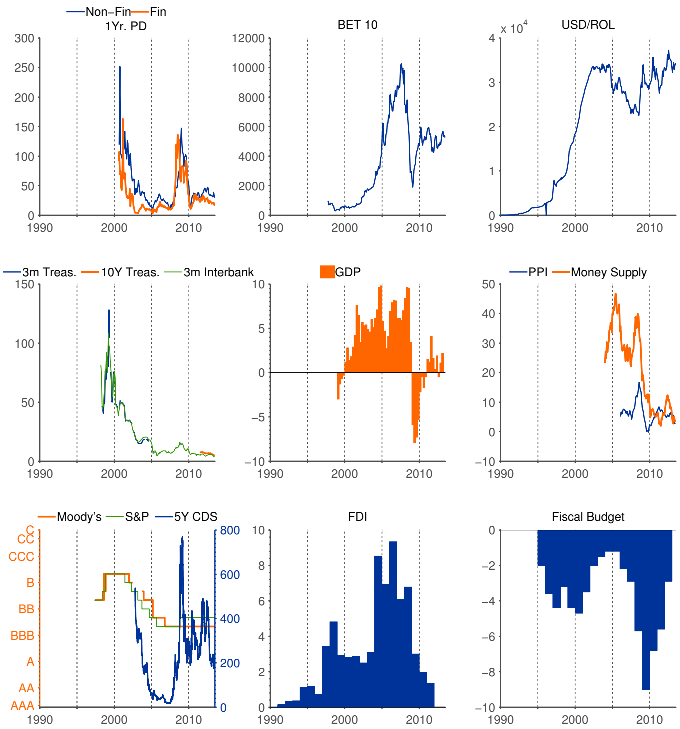
Philippines	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	24.27	38.73	38.18	32.26	32.29
1Yr. PD, Fin.	39.89	41.53	38.18	26.83	35.04
PSEi	5246	5346	5813	6847	6465
USD/PHP	42.15	41.74	41.01	40.81	43.13
3m Treas. Yield (%)	2.20	0.63	0.30	0.25	1.75
10Y Treas. Yield (%)	5.27	4.75	4.15	3.00	3.75
3m Interbank (%)	3.31	1.38	0.56	0.25	0.50*
GDP (YoY%)	6.3	7.3	7.1	7.8	–
PPI (YoY%)	-1.7	-1.2	-3.7	-8.9	–
Money Supply (YoY%)	7.11	7.47	10.64	13.30	16.27*
Sov. Rating, Moody's	Ba2	Ba2	Ba1	Ba1	Ba1
Sov. Rating, S&P	BB	BB+	BB+	BB+	BBB-
5Y CDS (bps)	161.26	129.90	99.78	108.69	126.17
FDI (%GDP)	–	–	1.12	–	–
Fiscal Budget (%GDP)	–	–	-2.49	–	–



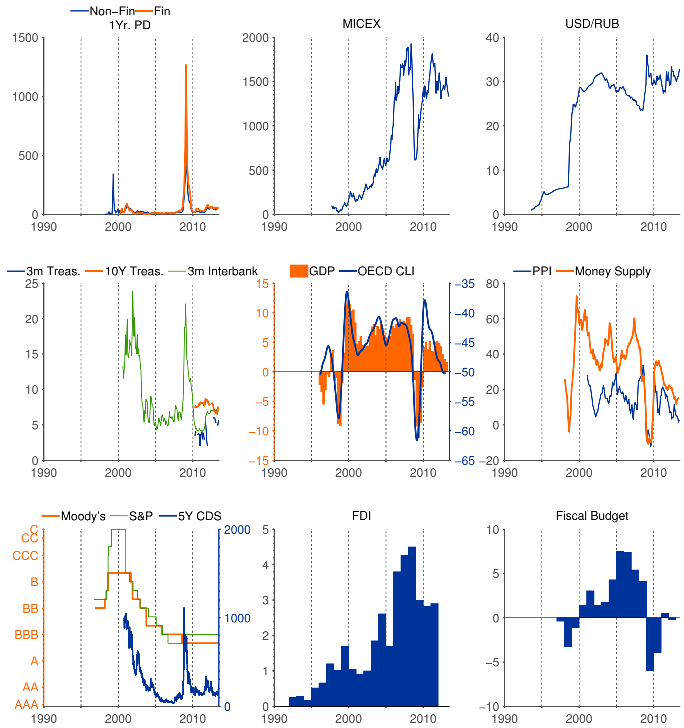
Poland	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	76.68	63.83	51.72	65.33	57.26
1Yr. PD, Fin.	85.21	78.29	57.80	65.96	41.19
WIG	40811	43740	47461	45148	44748
USD/PLN	3.35	3.20	3.09	3.26	3.32
10Y Treas. Yield (%)	5.15	4.68	3.74	3.94	4.34
3m Interbank (%)	5.03	4.82	4.01	3.29	2.63
GDP (YoY%)	2.3	1.3	0.7	0.5	–
OECD CLI	3.24	3.01	2.79	3.14	–
PPI (YoY%)	4.4	1.8	-1.1	-0.7	-2.5*
Money Supply (YoY%)	10.96	7.62	4.53	6.58	7.10
Sov. Rating, Moody's	A2	A2	A2	A2	A2
Sov. Rating, S&P	A-	A-	A-	A-	A-
5Y CDS (bps)	216.66	120.16	80.67	94.64	104.48
Fiscal Budget (%GDP)	–	–	-3.90	–	–



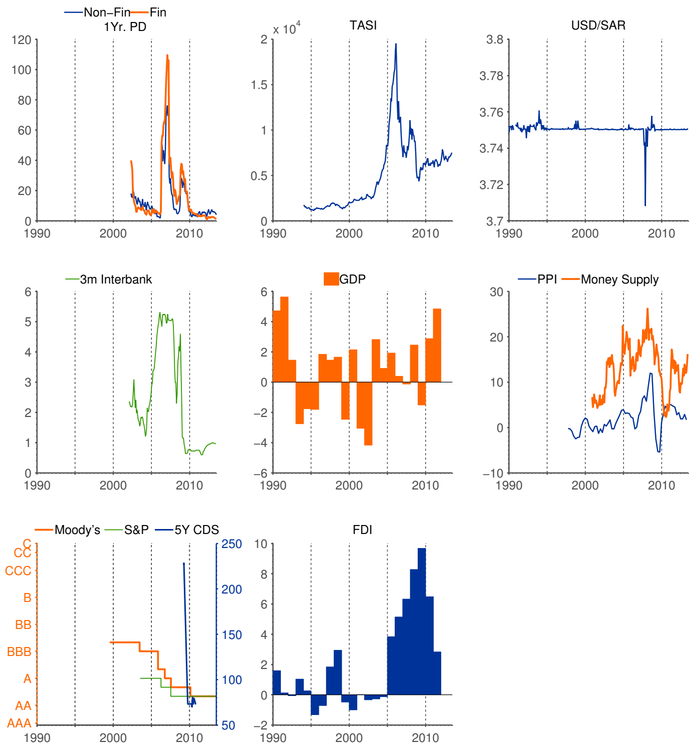
Portugal	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	55.62	56.58	61.20	40.71	37.94
1Yr. PD, Fin.	139.75	67.67	37.03	35.72	29.76
PSI General	1952	2156	2334	2428	2434
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	1.60	0.83	1.03	0.81	0.58
10Y Treas. Yield (%)	10.16	9.00	7.01	6.37	6.45
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	-3.2	-3.6	-3.8	-4.0	–
OECD CLI	97.80	98.27	99.14	100.56	101.31*
PPI (YoY%)	2.7	4.5	3.4	1.4	0.8*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	Ba3	Ba3	Ba3	Ba3	Ba3
Sov. Rating, S&P	BB	BB	BB	BB	BB
5Y CDS (bps)	804.91	515.06	448.62	403.14	400.38
Fiscal Budget (%GDP)	–	–	-6.40	–	–



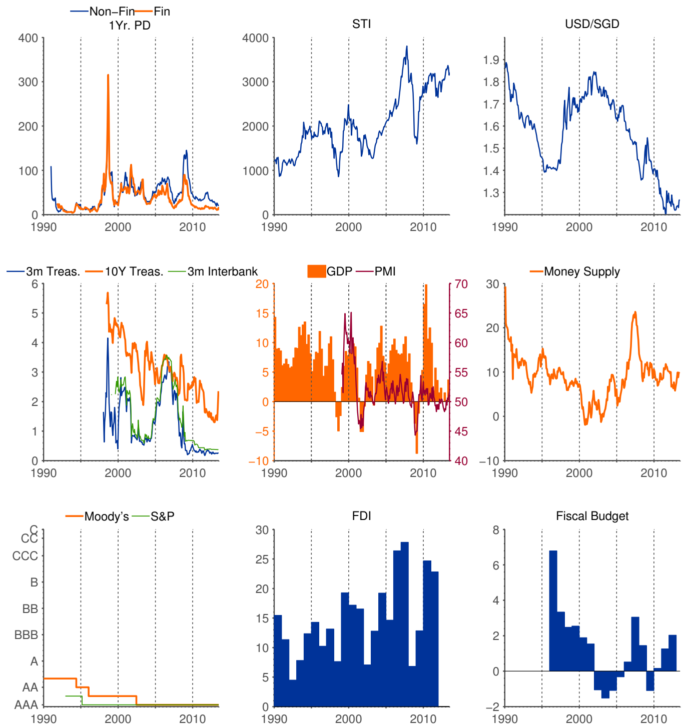
Romania	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	47.36	34.82	33.78	30.90	29.75
1Yr. PD, Fin.	28.87	20.39	21.77	20.96	16.10
BET 10	4528	4725	5150	5637	5262
USD/ROL	35143.50	35289.00	33677.50	34451.01	34295.50
10Y Treas. Yield (%)	6.58	6.54	6.35	5.75	5.53
3m Interbank (%)	5.03	5.38	5.80	4.95	4.36
GDP (YoY%)	1.9	-0.5	1.1	2.2	–
PPI (YoY%)	5.1	5.9	4.8	4.5	2.6*
Money Supply (YoY%)	10.38	7.81	4.61	5.05	3.32*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BB+	BB+	BB+	BB+	BB+
5Y CDS (bps)	415.30	320.22	214.59	234.71	214.20
Fiscal Budget (%GDP)	–	–	-2.90	–	–



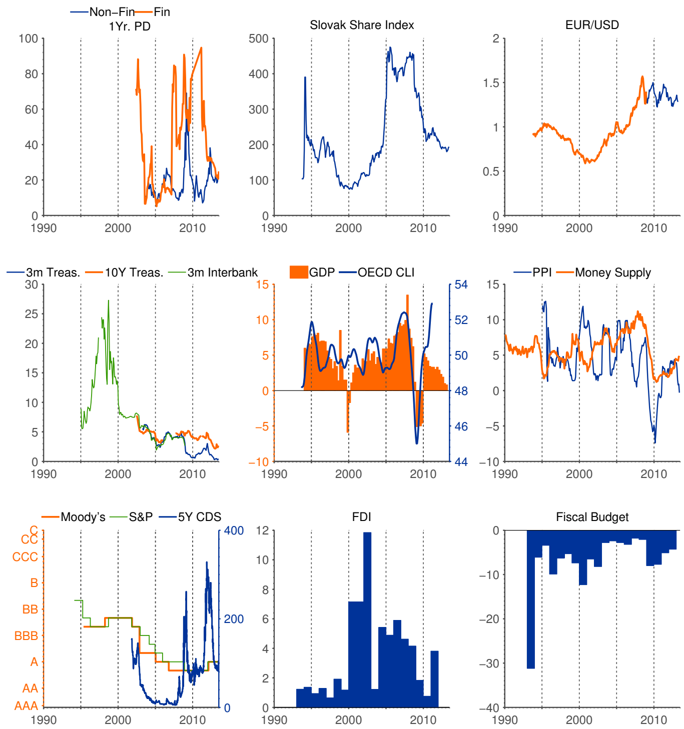
Russia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	64.39	41.65	37.89	43.47	54.22
1Yr. PD, Fin.	56.46	50.38	56.78	52.55	54.72
MICEX	1388	1458	1475	1439	1330
USD/RUB	32.42	31.18	30.52	31.06	32.84
3m Treas. Yield (%)	–	5.97	5.98	5.28*	5.68
10Y Treas. Yield (%)	7.99*	7.88	6.90	7.11	7.61
3m Interbank (%)	7.08	7.12	7.12	6.96	6.96
GDP (YoY%)	4.3	3.0	2.1	1.6	–
OECD CLI	0.32	-0.17	-0.28	–	–
PPI (YoY%)	4.3	11.6	5.1	3.4	2.7*
Money Supply (YoY%)	19.10	14.80	11.90	14.60	15.30*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	230.56	150.34	131.62	164.32	195.24
Fiscal Budget (%GDP)	–	–	-0.24	–	–



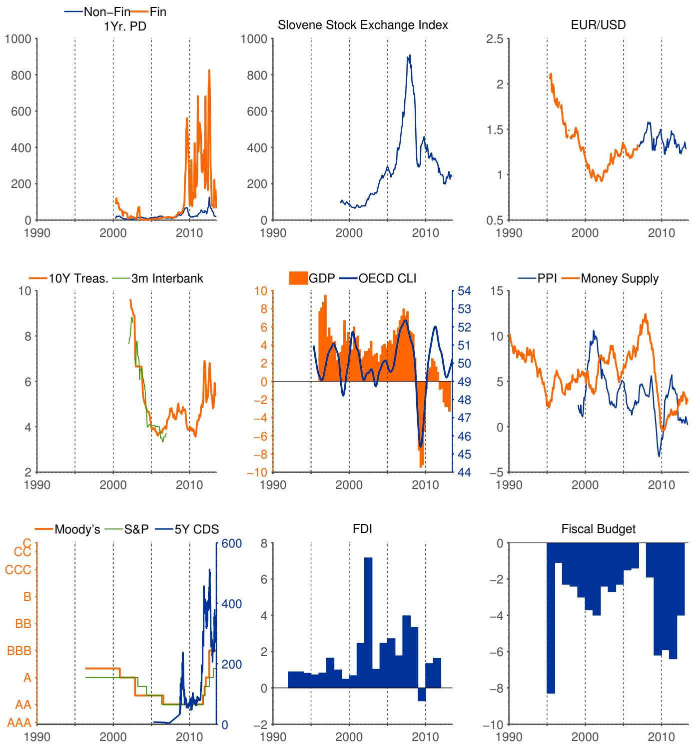
Saudi Arabia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	7.36	5.13	6.16	5.72	4.00
1Yr. PD, Fin.	2.58	2.12	2.55	2.08	1.27
TASI	6710	6840	6801	7126	7497
USD/SAR	3.75	3.75	3.75	3.75	3.75
3m Interbank (%)	0.93	0.96	1.00	0.99	0.96
PPI (YoY%)	1.9	1.9	2.9	1.7	–
Money Supply (YoY%)	9.80	11.40	13.90	12.30	16.20*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-



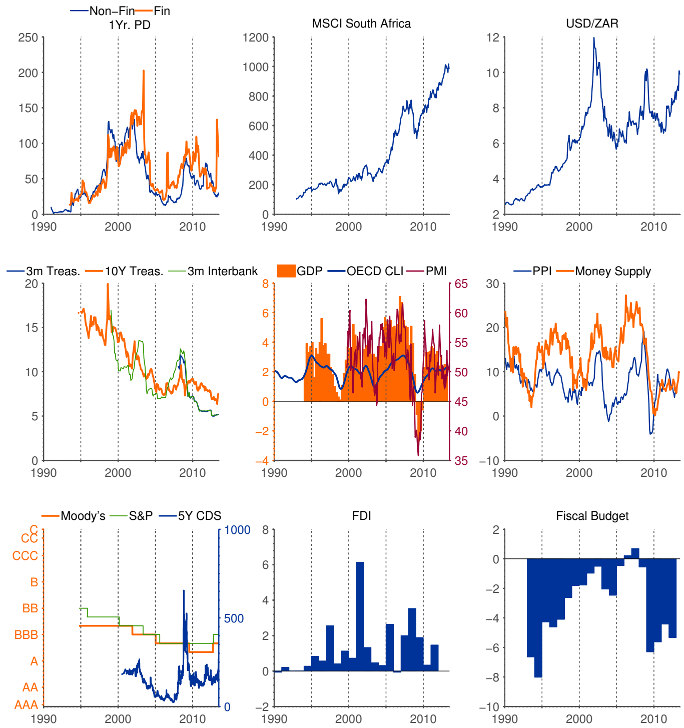
Singapore	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	31.16	27.96	25.80	26.19	20.68
1Yr. PD, Fin.	14.10	12.56	15.58	10.28	17.04
STI	2878	3060	3167	3308	3150
USD/SGD	1.27	1.23	1.22	1.24	1.27
3m Treas. Yield (%)	0.28	0.29	0.23	0.25	0.27
10Y Treas. Yield (%)	1.61	1.47	1.30	1.54	2.35
3m Interbank (%)	0.39	0.38	0.38	0.38	0.37
GDP (YoY%)	2.3	0.0	1.5	0.2	3.7
PMI	50.4	48.7	48.6	50.6	51.7
Money Supply (YoY%)	6.90	6.50	7.60	8.80	10.00*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
Fiscal Budget (%GDP)	–	–	2.03	–	–



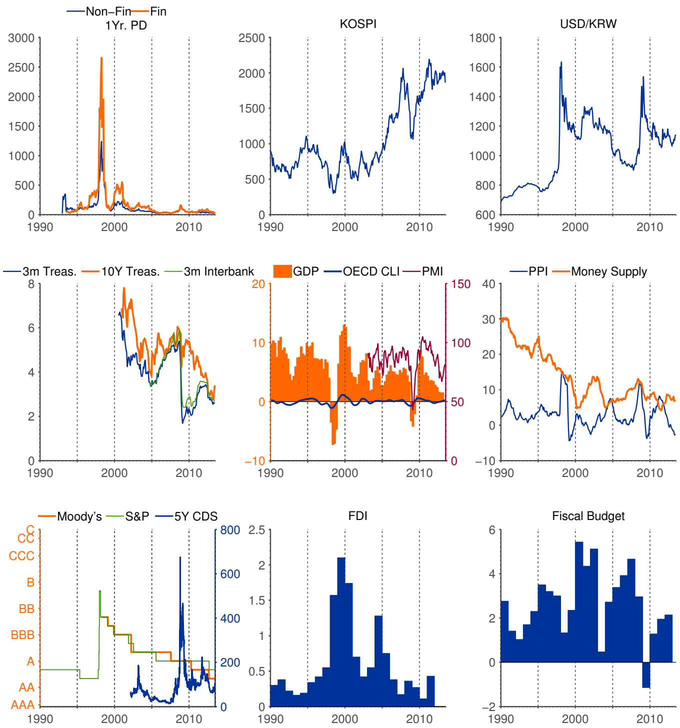
Slovakia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	23.46	19.78	20.52	18.33	24.69
1Yr. PD, Fin.	32.23	29.59	26.62	21.48	24.86
Slovak Share Index	188	190	192	182	194
EUR/USD	1.27	1.29	1.32	1.28	–
3m Treas. Yield (%)	1.16	0.73	0.29	0.47	0.45
10Y Treas. Yield (%)	3.50	2.63	2.19	2.91	2.68
GDP (YoY%)	2.3	1.9	1.0	0.8	–
PPI (YoY%)	4.0	4.4	3.9	0.8	-0.3*
Money Supply (YoY%)	3.10	3.30	4.40	4.20	4.70*
Sov. Rating, Moody's	A2	A2	A2	A2	A2
Sov. Rating, S&P	A	A	A	A	A
5Y CDS (bps)	234.45	144.97	97.09	91.83	101.55
Fiscal Budget (%GDP)	–	–	-4.30	–	–



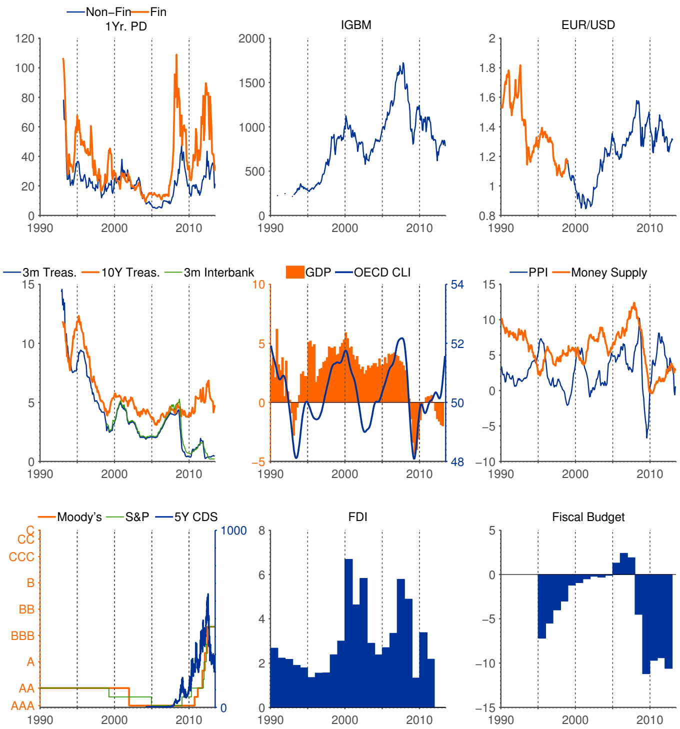
Slovenia	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	73.60	63.68	46.03	21.37	20.89
1Yr. PD, Fin.	727.21	302.33	78.46	221.59	64.09
Slovene Stock Exchange Index	205	237	248	225	244
EUR/USD	1.27	1.29	1.32	1.28	–
10Y Treas. Yield (%)	5.63	6.32	5.33	5.09	5.35*
GDP (YoY%)	-2.3	-2.8	-2.8	-3.3	–
OECD CLI	99.51	99.21	99.44	99.78	100.23
PPI (YoY%)	0.7	0.7	0.4	0.8	0.2*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	A2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	A+	A	A	A-	A-
5Y CDS (bps)	401.00	392.38	229.95	353.39	330.91
Fiscal Budget (%GDP)	–	–	-4.00	–	–



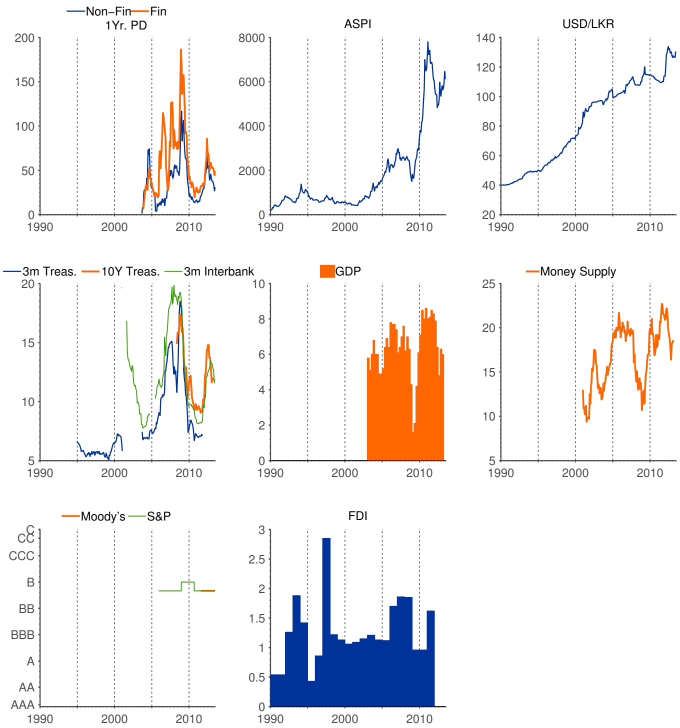
South Africa	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	46.93	42.85	28.19	24.22	30.55
1Yr. PD, Fin.	41.29	32.82	31.71	133.52	80.41
MSCI South Africa	875	932	1011	987	983
USD/ZAR	8.16	8.31	8.47	9.24	9.88
3m Treas. Yield (%)	5.67	4.98	5.05	5.17	5.22
10Y Treas. Yield (%)	7.39	6.91	6.81	6.89	7.59
3m Interbank (%)	5.61	5.06	5.13	5.13	5.15
GDP (YoY%)	3.1	2.3	2.5	1.9	–
OECD CLI	100.12	100.31	100.61	100.74	100.82*
PMI	48.8	48.3	47.4	49.3	51.6
PPI (YoY%)	6.6	4.2	5.2	–	–
Money Supply (YoY%)	7.00	7.54	5.17	8.07	9.75*
Sov. Rating, Moody's	A3	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB+	BBB+	BBB	BBB	BBB
5Y CDS (bps)	163.00	149.29	142.82	181.32	216.33
Fiscal Budget (%GDP)	–	–	-5.33	–	–



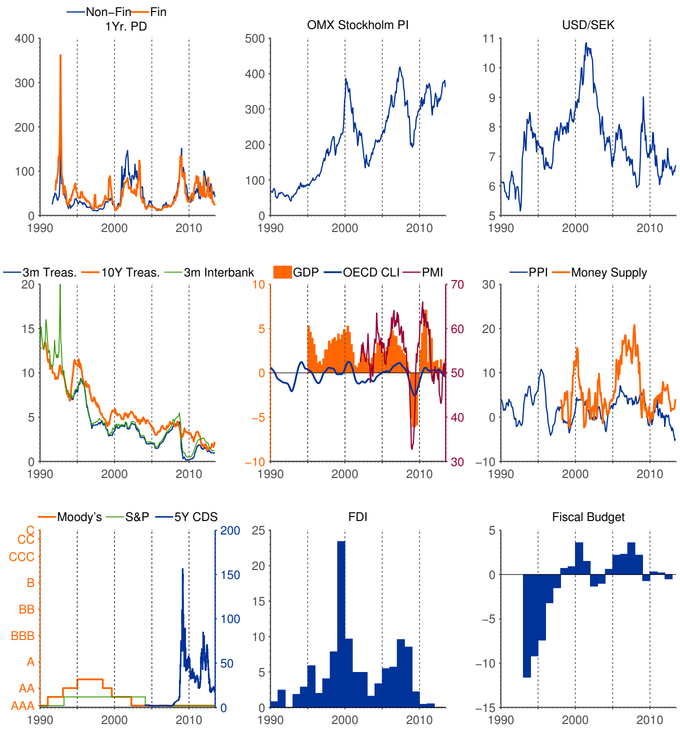
South Korea	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	34.21	25.80	33.20	23.01	24.45
1Yr. PD, Fin.	88.04	42.99	47.01	44.50	35.39
KOSPI	1854	1996	1997	2005	1863
USD/KRW	1145.40	1111.38	1064.40	1111.35	1142.06
3m Treas. Yield (%)	3.29	2.84	2.74	2.54	2.58
10Y Treas. Yield (%)	3.62	3.02	3.16	2.80	3.40
3m Interbank (%)	3.50	3.05	2.87	2.75	2.69
GDP (YoY%)	2.4	1.6	1.5	1.5	–
OECD CLI	99.53	99.80	100.22	100.82	101.22*
PMI	85.0	75.0	67.0	76.0	82.0
PPI (YoY%)	0.0	0.2	-1.2	-2.4	-2.6*
Money Supply (YoY%)	8.50	7.60	7.30	6.80	6.80*
Sov. Rating, Moody's	A1	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	A	A+	A+	A+	A+
5Y CDS (bps)	121.15	87.90	63.50	76.73	108.14
Fiscal Budget (%GDP)	–	–	2.14	–	–



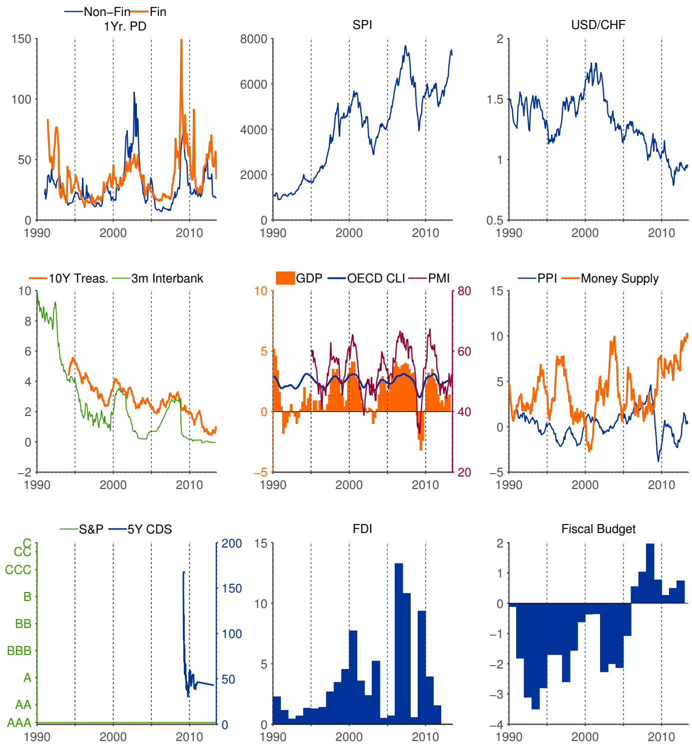
Spain	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	33.35	24.40	33.10	35.03	21.49
1Yr. PD, Fin.	82.81	51.51	59.94	41.76	34.12
IGBM	718	777	825	798	782
EUR/USD	1.27	1.29	1.32	1.31*	–
3m Treas. Yield (%)	0.38	0.38	0.38	0.47	0.45
10Y Treas. Yield (%)	6.33	5.94	5.26	5.06	4.77
3m Interbank (%)	0.65	0.22	0.19	0.21	0.22
GDP (YoY%)	-1.4	-1.6	-1.9	-2.0	–
OECD CLI	100.19	100.15	100.47	101.10	101.57*
PPI (YoY%)	2.7	4.3	3.3	-0.1	0.6*
Money Supply (YoY%)	3.10	2.90	3.40	2.50	2.80*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BBB+	BBB+	BBB-	BBB-	BBB-
5Y CDS (bps)	531.21	387.45	294.81	302.26	281.47
Fiscal Budget (%GDP)	–	–	-10.60	–	–



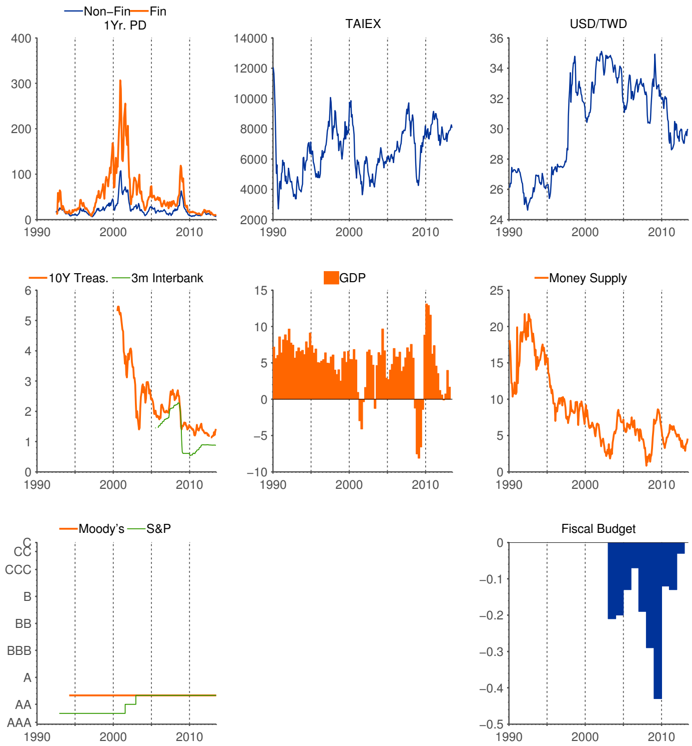
Sri Lanka	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	52.36	38.95	40.22	35.80	30.97
1Yr. PD, Fin.	66.90	50.13	55.05	52.06	49.40
ASPI	4966	5972	5643	5736	6121
USD/LKR	133.90	129.43	127.70	126.75	130.60
10Y Treas. Yield (%)	14.43	13.71	12.55	11.91	11.77
3m Interbank (%)	12.16	12.74	13.20	12.79	11.54
GDP (YoY%)	6.4	4.8	6.3	6.0	–
Money Supply (YoY%)	19.50	17.40	18.30	18.50	–
Sov. Rating, Moody's	B1	B1	B1	B1	B1
Sov. Rating, S&P	B+	B+	B+	B+	B+



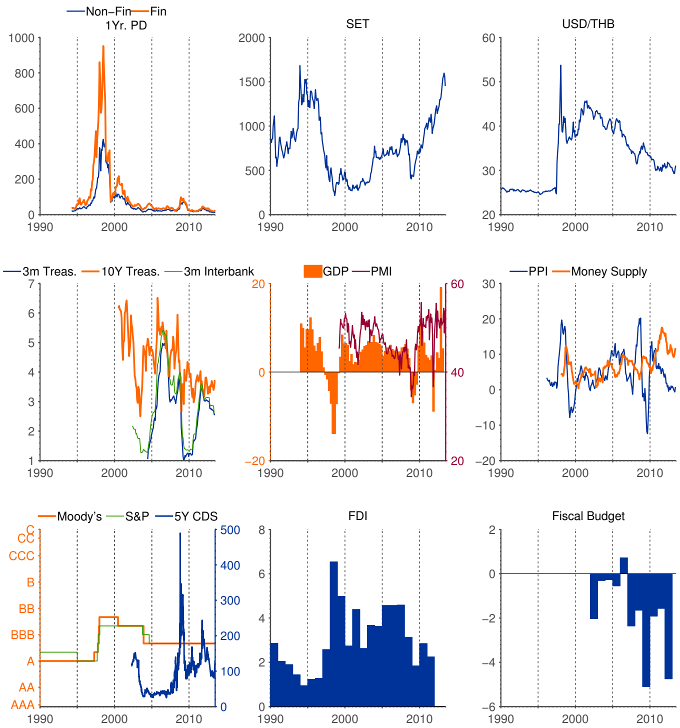
Sweden	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	82.50	64.87	67.76	53.22	41.58
1Yr. PD, Fin.	62.52	46.93	65.64	31.35	22.68
OMX Stockholm PI	316	332	344	375	362
USD/SEK	6.92	6.57	6.50	6.53	6.70
3m Treas. Yield (%)	1.10	1.25	0.95	0.97	0.91
10Y Treas. Yield (%)	1.60	1.48	1.54	1.81	2.21
3m Interbank (%)	2.14	1.59	1.29	1.24	1.21
GDP (YoY%)	1.4	0.6	1.5	–	–
OECD CLI	100.74	100.60	99.96	99.44	99.07*
PMI	48.4	44.7	44.6	52.1	53.5
PPI (YoY%)	0.4	-1.9	-2.4	-4.4	-4.9*
Money Supply (YoY%)	5.13	2.56	1.92	1.87	4.06*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	59.49	31.12	19.50	21.52	22.61
Fiscal Budget (%GDP)	–	–	-0.50	–	–



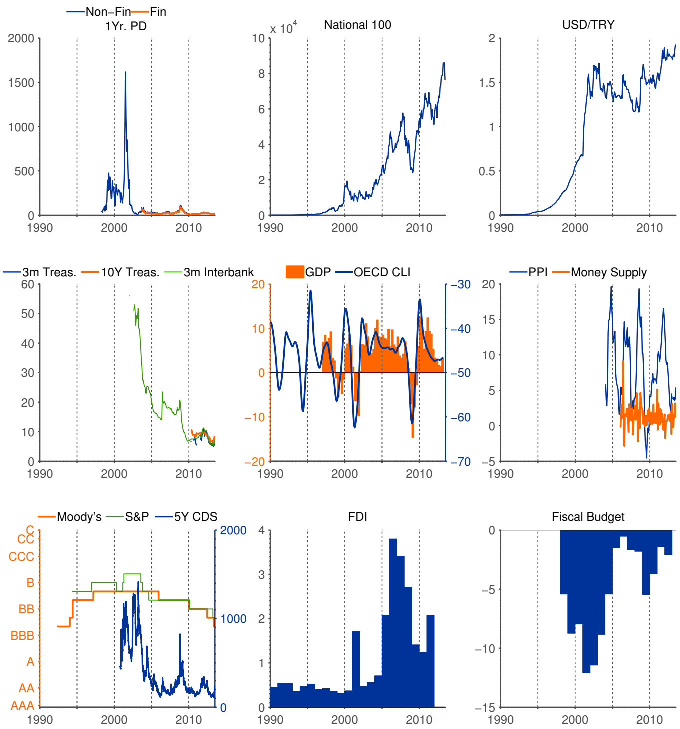
Switzerland	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	34.71	33.91	21.11	19.49	18.23
1Yr. PD, Fin.	51.33	56.20	46.95	49.67	33.74
SPI	5633	6011	6291	7243	7248
USD/CHF	0.95	0.94	0.92	0.95	0.94
10Y Treas. Yield (%)	0.67	0.54	0.53	0.72	1.03
3m Interbank (%)	0.02	-0.02	-0.05	-0.04	-0.04
GDP (YoY%)	0.4	1.3	1.2	1.4	–
OECD CLI	99.57	100.00	100.15	99.96	99.72*
PMI	48.0	44.3	49.2	48.3	51.9
PPI (YoY%)	-1.2	0.4	1.3	0.3	0.3*
Money Supply (YoY%)	8.56	8.81	9.84	9.88	9.74*
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	–	–	–	42.96	–
Fiscal Budget (%GDP)	–	–	0.74	–	–



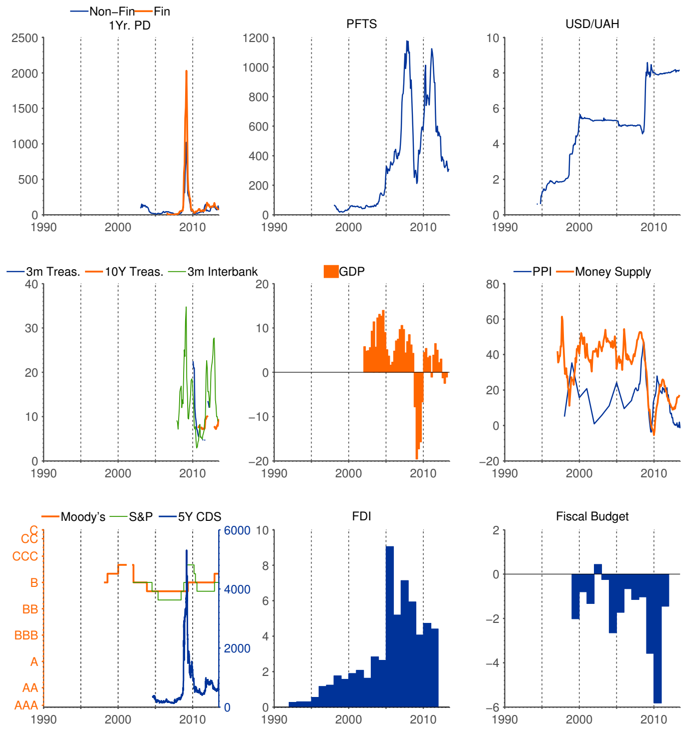
Taiwan	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	12.42	10.14	11.01	7.76	6.91
1Yr. PD, Fin.	17.57	12.84	11.23	9.17	10.70
TAIEX	7296	7715	7700	7919	8062
USD/TWD	29.87	29.31	29.03	29.82	29.98
10Y Treas. Yield (%)	1.24	1.19*	1.17	1.31	1.42
3m Interbank (%)	0.89	0.89	0.88	0.88	0.88
GDP (YoY%)	-0.1	0.7	4.0	1.7	–
Money Supply (YoY%)	4.20	3.71	3.46	3.86	4.58*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
Fiscal Budget (%GDP)	–	–	-0.03	–	–



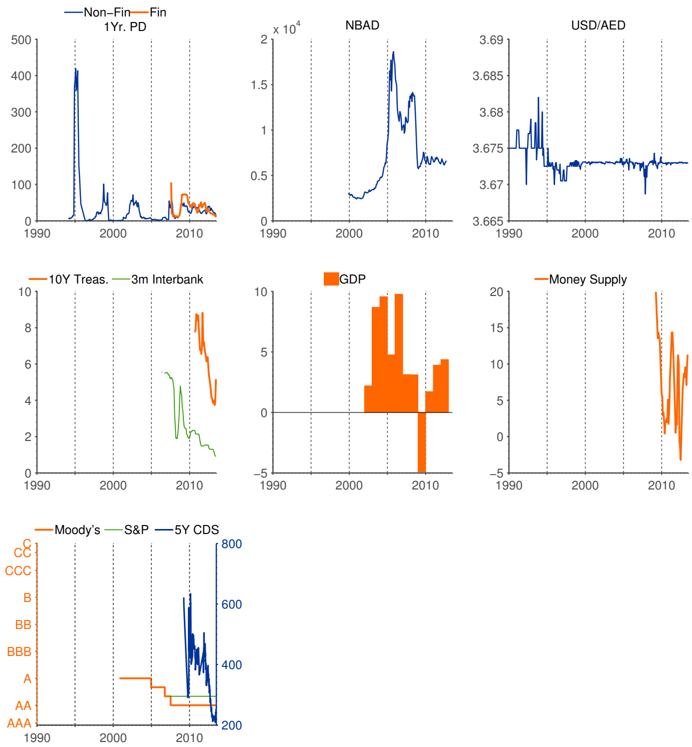
Thailand	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	21.18	15.78	14.01	10.90	15.30
1Yr. PD, Fin.	31.43	24.58	21.26	17.60	25.55
SET	1172	1299	1392	1561	1452
USD/THB	31.56	30.83	30.59	29.26	31.05
3m Treas. Yield (%)	3.03	3.02	2.76	2.70	2.54
10Y Treas. Yield (%)	3.48	3.51	3.51	3.51	3.73
3m Interbank (%)	3.14	3.13	2.87	2.86	2.60
GDP (YoY%)	4.4	3.1	19.1	5.3	–
PMI	51.5	49.9	50.6	54.4	53.9*
PPI (YoY%)	-0.4	0.1	0.9	-0.3	0.8*
Money Supply (YoY%)	11.09	12.64	10.33	9.46	11.75*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB+
5Y CDS (bps)	150.66	132.66	87.32	92.04	130.59
Fiscal Budget (%GDP)	–	–	-4.75	–	–



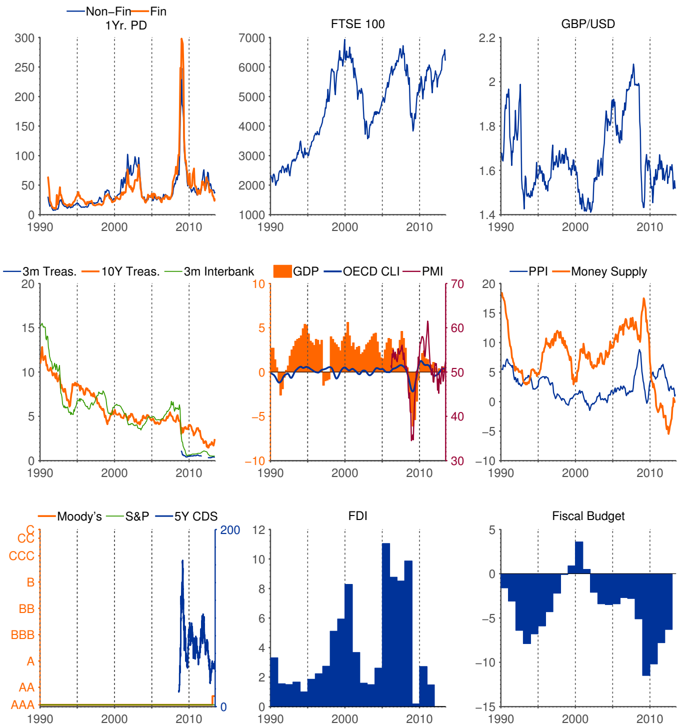
Turkey	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	28.42	21.80	16.55	18.00	20.31
1Yr. PD, Fin.	24.41	19.39	11.65	12.87	12.81
National 100	62543	66397	78208	85899	76295
USD/TRY	1.81	1.80	1.78	1.81	1.93
3m Treas. Yield (%)	8.81	6.24	6.10	6.08	6.08
10Y Treas. Yield (%)	8.59	8.16	6.55	7.02	8.49
3m Interbank (%)	9.63	6.49	5.79	6.30	7.25
GDP (YoY%)	2.9	1.6	1.4	3.0	–
OECD CLI	2.97	2.85	3.15	3.37	–
PPI (YoY%)	6.9	2.5	3.8	4.0	5.4
Money Supply (YoY%)	1.53	1.52	3.06	1.61	1.65
Sov. Rating, Moody's	Ba1	Ba1	Ba1	Ba1	Baa3
Sov. Rating, S&P	BB	BB	BB	BB+	BB+
5Y CDS (bps)	241.03	160.67	127.03	146.59	190.83
Fiscal Budget (%GDP)	–	–	-2.09	–	–



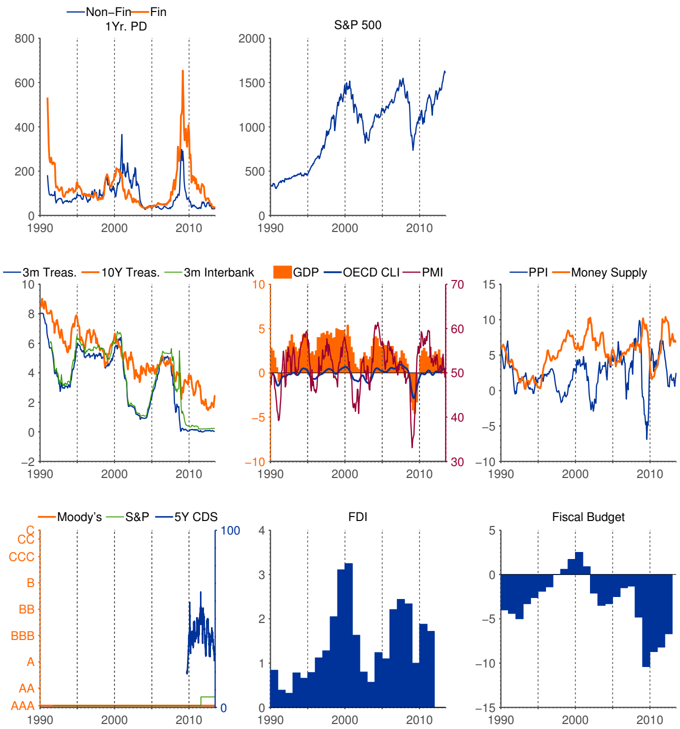
Ukraine	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	101.58	105.66	97.38	68.51	65.86
1Yr. PD, Fin.	117.39	124.09	127.24	96.92	81.69
PFTS	362	369	329	329	310
USD/UAH	8.08	8.15	8.05	8.13	8.16
10Y Treas. Yield (%)	–	–	7.70	7.62	9.45
3m Interbank (%)	20.00	24.00	24.00	10.00	9.05
GDP (YoY%)	3.0	-1.3	-2.5	-1.1	–
PPI (YoY%)	4.5	0.3	0.3	0.2	-1.6
Money Supply (YoY%)	8.90	10.50	12.80	15.90	17.20*
Sov. Rating, Moody's	B2	B2	B3	B3	B3
Sov. Rating, S&P	B+	B+	B	B	B
5Y CDS (bps)	840.14	706.98	626.65	594.98	815.49



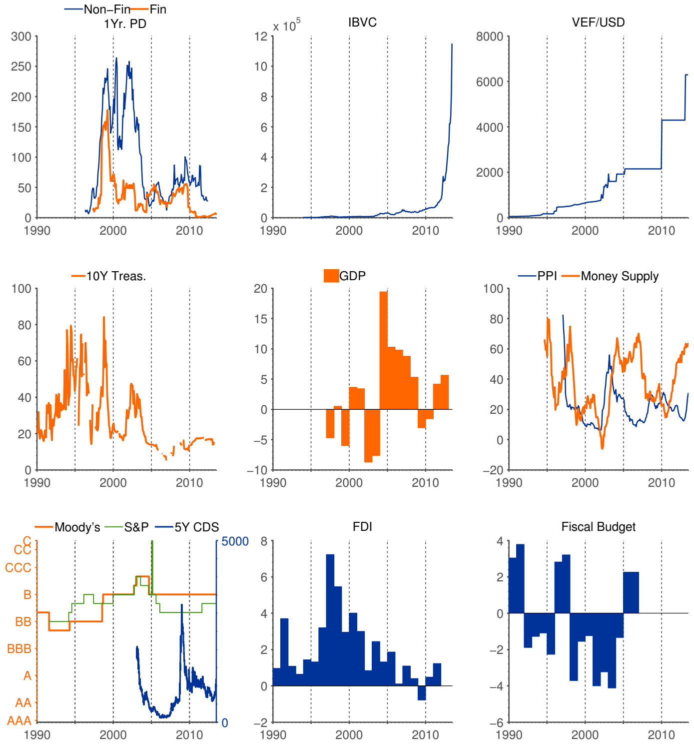
United Arab Emirates	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	37.93	28.39	28.16	22.23	17.62
1Yr. PD, Fin.	29.19	20.11	18.90	15.55	14.58
NBAD	6168	6616	–	–	–
USD/AED	3.67	3.67	3.67	3.67	3.67
10Y Treas. Yield (%)	5.86	4.86	4.12	4.00	5.12
3m Interbank (%)	1.53	1.30	1.30	1.13	0.91
GDP (YoY%)	–	–	4.4	–	–
Money Supply (YoY%)	-3.21	6.41	8.16	7.10	11.29*
Sov. Rating, Moody's	Aa2	Aa2	Aa2	Aa2	Aa2
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	358.18	285.61	231.53	229.19	254.51



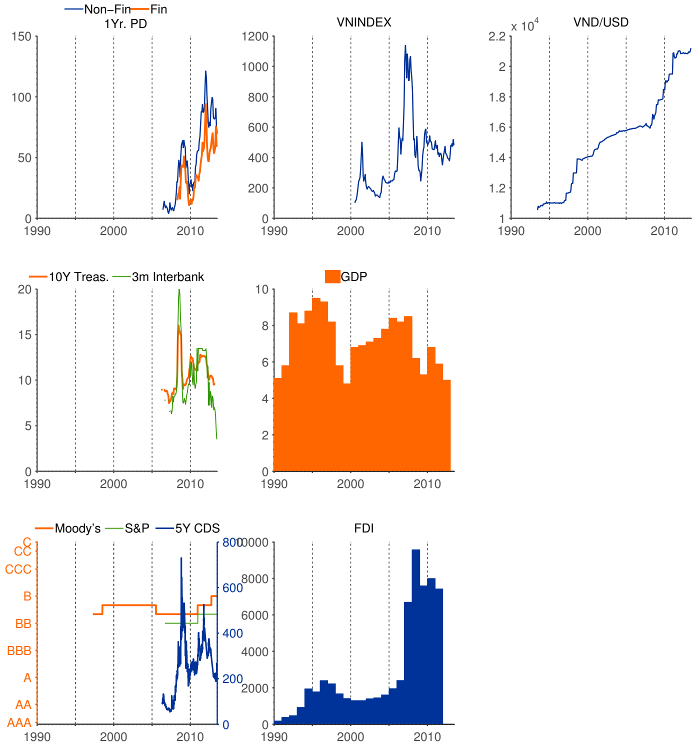
United Kingdom	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	71.74	48.46	43.08	41.85	38.13
1Yr. PD, Fin.	56.79	37.52	41.29	31.46	27.35
FTSE 100	5571	5742	5898	6412	6215
GBP/USD	1.57	1.62	1.63	1.52	1.52
3m Treas. Yield (%)	–	0.32	0.34	0.41	0.41
10Y Treas. Yield (%)	1.73	1.73	1.83	1.77	2.44
3m Interbank (%)	0.90	0.60	0.52	0.51	0.51
GDP (YoY%)	0.0	0.4	0.2	0.6	–
OECD CLI	99.54	100.16	100.67	100.77	100.66*
PMI	48.4	48.1	51.2	48.6	52.5
PPI (YoY%)	2.0	2.5	2.1	1.9	1.2*
Money Supply (YoY%)	-5.50	-3.80	-1.00	0.30	-0.10*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aa1	Aa1
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	69.52	51.52	39.13	44.31	49.57
Fiscal Budget (%GDP)	–	–	-6.30	–	–



United States	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	55.68	41.71	35.88	29.32	31.79
1Yr. PD, Fin.	77.26	65.13	51.67	34.23	31.86
S&P 500	1362	1441	1426	1569	1606
3m Treas. Yield (%)	0.08	0.09	0.04	0.07	0.03
10Y Treas. Yield (%)	1.64	1.63	1.76	1.85	2.49
3m Interbank (%)	0.21	0.22	0.24	0.24	0.24
GDP (YoY%)	2.1	2.6	1.7	1.6	–
OECD CLI	100.15	100.22	100.60	100.91	101.05*
PMI	50.2	51.6	50.2	51.3	50.9
PPI (YoY%)	0.7	2.1	1.4	1.1	2.5
Money Supply (YoY%)	9.20	6.70	8.00	6.90	6.80
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AA+	AA+	AA+	AA+	AA+
5Y CDS (bps)	48.78	33.01	37.90	37.73	28.17
Fiscal Budget (%GDP)	–	–	-6.70	–	–



Venezuela	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	27.71*	–	–	–	–
1Yr. PD, Fin.	1.23	2.66*	–	–	4.61
IBVC	251838	308083	471437	619868	1150135
VEF/USD	4294.70	4294.70	4294.70	6292.10	6292.10
10Y Treas. Yield (%)	16.74	16.84	17.00	15.50	–
GDP (YoY%)	–	–	5.6	–	–
PPI (YoY%)	14.5	13.1	13.6	19.5	31.0
Money Supply (YoY%)	56.10	57.20	60.90	61.00	64.00
Sov. Rating, Moody's	B2	B2	B2	B2	B2
Sov. Rating, S&P	B+	B+	B+	B+	B+
5Y CDS (bps)	894.19	776.66	646.67	738.90	1012.94



Vietnam	2012			2013	
	Q2	Q3	Q4	Q1	Q2
1Yr. PD, Non-Fin. (bps)	79.12	94.83	82.84	83.38	69.28
1Yr. PD, Fin.	53.71	62.82	57.94	59.34	58.64
VNINDEX	422	393	414	491	481
VND/USD	20905.00	20885.00	20840.00	20935.00	21205.00
10Y Treas. Yield (%)	10.03	10.50	10.20	9.50	–
3m Interbank (%)	9.75	8.25	8.00	6.75	3.50
GDP (YoY%)	–	–	5.0	–	–
Sov. Rating, Moody's	B1	B2	B2	B2	B2
Sov. Rating, S&P	BB-	BB-	BB-	BB-	BB-
5Y CDS (bps)	336.37	303.27	–	217.07	269.91

D Data notes

This Appendix provides a comprehensive list of the macroeconomic and capital market data provided in Appendix C as well as their sources. Most of the data was obtained from Bloomberg. In some cases, the data was not available in Bloomberg and was obtained directly from primary sources. In either case, the primary sources for the data are listed in the tables below. The data was retrieved on July 26 and every effort has been made to verify its accuracy.

The last section of this Appendix describes the Probability of Default implied Rating (PDiR). The PDiR has been introduced to aid intuition about PD values for individual companies.

Stock index (top-center graph) The one-year return on an economy's stock index is one input variable for RMI's default forecast model. The stock indices used in the model are the ones that are displayed in Appendix C. A list of the stock indices included in Appendix C can be found here.

FX rate (top-right graph) Foreign exchange (FX) rates are quoted by market convention against the US dollar. For Eurozone countries, a fixed official rate is used to convert the domestic currency to the Euro prior to the introduction of the common currency. In the graphs, the FX rate for the domestic currency before the economy adopted the Euro is in orange, and the FX rate for the Euro after the Euro was adopted is in blue. The table below shows the conversion dates and rates. The exchange rate for the Cypriot Pound is excluded due to scaling reasons.

Conversion to Euro

Economy	Conversion Date	Conversion Rate (per Euro)
Austria	31/12/1998	13.7603
Belgium	31/12/1998	40.3399
Estonia	31/12/2010	15.6466
Finland	31/12/1998	5.94573
France	31/12/1998	6.55957
Germany	31/12/1998	1.95583
Greece	31/12/2000	340.75
Ireland	31/12/1998	0.787564

Economy	Conversion Date	Conversion Rate (Per Euro)
Italy	31/12/1998	1936.27
Luxembourg	31/12/1998	40.3399
Malta	31/12/2007	0.4293
Netherlands	31/12/1998	2.20371
Portugal	31/12/1998	200.482
Slovakia	31/12/2008	30.126
Slovenia	31/12/2006	239.64
Spain	31/12/1998	166.386

10-year treasury bond yield (middle-left graph) All 10-year treasury bond yields are based on Bloomberg indices except for the following list: Bank Negara Malaysia for Malaysia, Korea Financial Investment Association for South Korea and Philippine Dealing & Exchange Corp for Philippines.

3-month government bond yield (middle-left graph) The primary sources of the 3-month government bond yields are listed in here.†

3-month interbank rate (middle-left graph) The primary sources of the 3-month interbank rates can be found here.

†The RMI CRI model uses Germany's three-month Bubill rate for all eurozone countries after their adoption of the euro. For the period before joining the eurozone, their own interest rates are used where available.

GDP (middle-center graph, left axis) Real GDP YoY changes are seasonally-adjusted except for China, Hong Kong, Iceland, India, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand. A list of primary sources of the GDP data can be found here.

OECD CLI (middle-center graph, right axis) The OECD Composite Leading Indicator for each economy is intended to provide early signals of turning points between different trends in the economic cycle. For forecasting purposes, peaks in CLI are candidate early signals of downturns in the economic cycle, and troughs in the CLI are candidate early signals of upturns in the economic cycle. More information can be obtained at www.oecd.org/std/clits. The OECD CLI shown in Appendix C is amplitude adjusted with a deduction of 50 for the purpose of presentation along with the PMI.

PMI (middle-center graph, right axis) The Purchasing Managers Index or similar indices are used to reflect an economy's manufacturing activities. An index reading above 50 indicates an expansion of manufacturing activity while a reading below 50 indicates a contraction. An exception is the Business Survey Index used in South Korea, which has 100 as its benchmark. A list of primary sources of the Purchasing Managers Index data can be found here.

PPI (middle-right graph) The Producers' Price Index or similar indices are presented as YoY changes. A list of primary sources of the Producers' Price Index data can be found here.

Money Supply (middle-right graph) YoY growth of money supply uses M3 when it is available for an economy. The exceptions are: Brazil, Chile, China, Cyprus, the Czech Republic, Indonesia, Jordan, Kazakhstan, Latvia, Lithuania, Mexico, Nigeria, Norway, Pakistan, Peru, Romania, Russia, Sri Lanka, Taiwan, Thailand, the US and Venezuela where M2 is used; and Croatia and the UK where M4 is used. For Eurozone countries, data after the adoption of the Euro represents total money supply growth of the Euro. A list of primary sources of the Money Supply data can be found here.

Sovereign credit ratings (bottom-left graph, left axis) For most of the economies, the Standard & Poor's and Moody's sovereign ratings are for foreign currency long term debt. Moody's ratings for France, Germany, India, Japan, Netherlands, Singapore, Switzerland, Taiwan, United Kingdom and the United States are foreign currency long term issuer ratings instead. Among the above mentioned economies, France, Germany, Switzerland, United Kingdom and the United States ratings are cited from Moody's website directly, with the remainder of the data from Moody's and S&P retrieved from Bloomberg. For graphical purposes, selective or restricted defaults are reflected as C grades in the graphs. For example, according to S&P data, Indonesia had selective default events on March 29, 1999; April 17, 2000 and April 23, 2002, seen as C grades in the graphs above.

5Y CDS spread (bottom-left graph, right axis) 5-year Credit Default Swap spreads are for each economy's long term sovereign debt. All of the CDS data is sourced from Bloomberg.

FDI (bottom-center graph) FDI into each economy is presented as a percentage of GDP. The World Bank is the primary source of all FDI data.

Fiscal budget (bottom-right graph) Fiscal budget is presented as a percentage of GDP. A list of primary sources of the Fiscal Budget data can be found here.

PDiR

The Probability of Default implied Rating (PDiR) has been introduced to aid intuition about what different values of 1-year PD from RMI's default forecast model imply about a firm's credit quality. In short, the 1-year PD for a firm is used to imply a credit rating based on historically observed default rates for credit rating agency ratings.

The table at right classifies firms into S&P-equivalent PDiR based on their 1-year PD. For example, if a firm has a 1-year PD of 50bps, then it will be assigned an S&P-equivalent rating of BB. The upper bounds for each PDiR are derived using default and rating transition data provided by credit rating agencies to the European Securities and Markets Authority (ESMA) Central Ratings Repository.[†] RMI uses this data to compute issuer-weighted 1-year average default rates (ADR) for each ratings cohort, using ratings data from 2003-2012.

PDiR	Upper bound (bps)
AAA	0.16
AA	2.55
A	10.1
BBB	39.7
BB	157
B	617
CCC/C	–

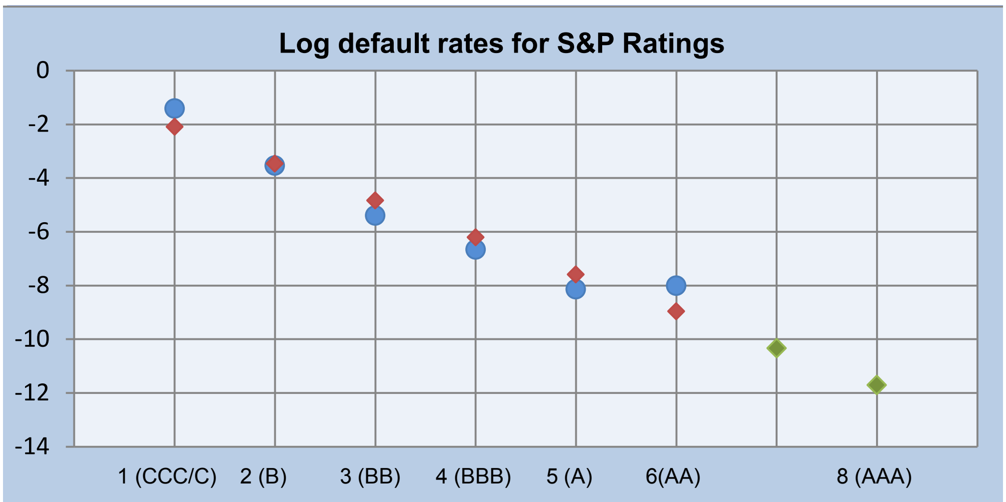
Computing the boundaries between different PDiR classes: The blue circles in the graph below indicate the logarithm of the observed ADR for firms rated by S&P with ratings from AA down to CCC/C.

Given the linear relationship between the observed log default rates and the ratings, we interpolate the log default rate for each rating notch from this result by plotting a line of best fit through the observed points (red diamonds). We then take the boundary between PDiR classes as the mid-point of the interpolated log default rates.

For example, the upper bound for BBB is computed as:

$$\mathrm{UB}\left(\mathrm{BBB}\right) = \exp\left(\frac{\log\left(\mathrm{ADR}\left(\mathrm{BBB}\right)\right) + \log\left(\mathrm{ADR}\left(\mathrm{BB}\right)\right)}{2}\right).$$

For the upper boundary for AAA firms, a mid-point of observed log ADR cannot be taken as the ADR is zero for S&P rated AAA firms. Instead, a line of best fit can be plotted through the six observed points for the other rating classes in order to extrapolate the green diamonds. However, taking the default rate based on the first extrapolated green diamond results in a boundary that leads to a far larger fraction of PDiR-rated AAA firms as compared to actual rated AAA firms. Thus, the boundary between AA and AAA is taken as the mid-point between the first and second green diamond.



[†]Central Ratings Repository, European Securities and Markets Authority (ESMA).

About RMI and the Credit Research Initiative

The NUS Risk Management Institute (RMI) was established in August 2006 as a research institute at NUS dedicated to the area of financial risk management. The establishment of RMI was supported by the Monetary Authority of Singapore (MAS) under its program on Risk Management and Financial Innovation. RMI seeks to complement, support and develop Singapore's financial sector's knowledge and expertise in risk management, and thereby help to take on the challenges arising from globalization, structural change and volatile financial markets.

Credit Research Initiative (CRI) is a non-profit project undertaken by NUS-RMI in response to the 2008-2009 GFC. The CRI takes a "public good" approach to credit ratings by providing the outputs from our default forecast system in a transparent, non-profit basis. In the current phase, the CRI model generates probabilities of default (PD) on a daily basis for corporate entities in 106 economies in Africa, Asia-Pacific, Europe, Latin America, the Middle East and North America. Our PD can serve as a benchmark against traditional rating agencies' systems or internal credit analyses for industry analysts and business professionals. For more information about RMI and the CRI project, please visit our main site at http://rmicri.org

Usage, redistribution and publication of data

For more information please contact us:

Telephone: +65 6516 3380

Email: rmicri@nus.edu.sg

QCR Editor:

James Weston

Contributors to this issue:

Syed Ammar A. Ali
Ang Chung Yuh
Oliver Chen
Thomas Cho
Foo Yuk Sam
Alistair Andrew Gill
Hou Li
Jonathan Ne Win
Dexter Tan
Kelvin Yap
Zheng Wangwei