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# Quarterly Credit Report

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Q3/2012

*Volume 2, No 2*



# 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 Institutes's (RMI) default forecast model, a part of the RMI Credit Research Initiative at the National University of Singapore (NUS). The objective of the QCR is to provide insights on trends in credit outlooks to credit professionals, investors and researchers.

QCR Volume 2, Issue 2 covers the third quarter of 2012. The QCR commentary is divided into four regions: the developed economies of Asia-Pacific; the emerging economies of Asia-Pacific; Latin America North America and Europe. For each region we discuss the general credit outlook based on relevant indicators and relate them to RMI's default forecasts. Important and noteworthy economies and sectors within each region are discussed in greater detail.

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 two 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.

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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 46 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, Malaysia, the Philippines, Thailand and Vietnam.

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

North America includes: Canada and the US.

Europe includes: Austria, Belgium, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Italy, Ireland, Luxembourg, Malta, the Netherlands, Norway, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, and the UK.

## 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 the RMI's operational PD system, which is accessible at:

[www.rmicri.org](http://www.rmicri.org)

As of October 2012, the PD system covers 46 economies in Asia-Pacific, Latin America, North America and Europe. The probabilities of default for nearly 50,000 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 2,300 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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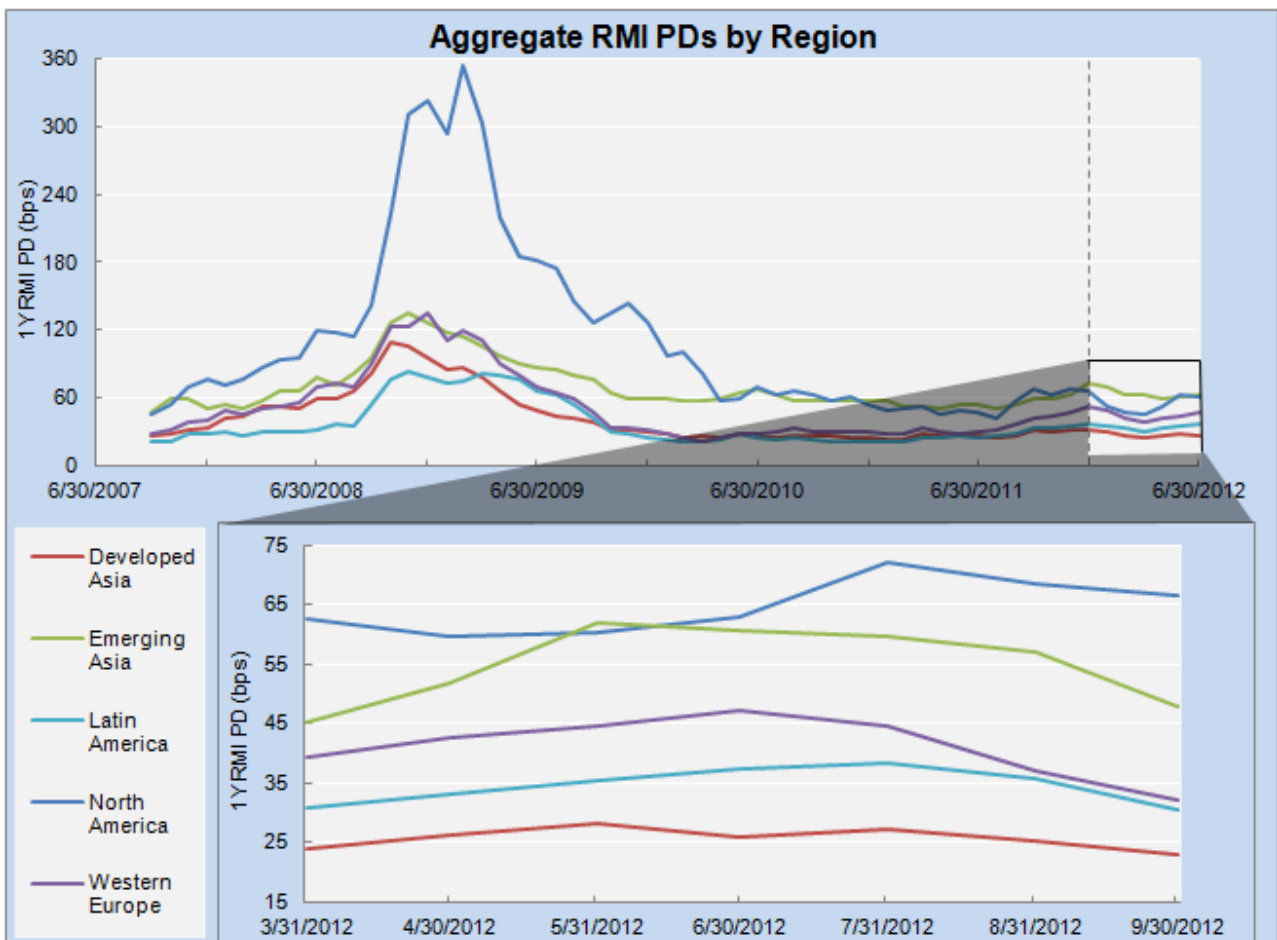
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# Acronyms

BIS	Bank for International Settlements
BOE	The Bank of England
CRA	Credit Rating Agency
CRR	Cash Reserve Ratio
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 Estadística
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 income 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

# Global Overview

Aggregate global credit risk decreased during Q3, as the largest central banks around the world implemented another round of monetary easing. Concerns about a potential eurozone breakup faded as the ECB committed to holding the single currency block together, including a new and potentially unlimited sovereign bond purchasing program that would lower the cost of borrowing for struggling eurozone countries. Based on RMI CRIs default forecast model, the aggregate 1-year RMI PDs for the five major regions increased or remained heightened during Q3. This followed heightened aggregate regional RMI PDs seen during Q2, indicating the overall credit outlook for each region has improved. However, the general global credit outlook remains negative, in light of increasing macroeconomic headwinds.



Continued central bank easing has led to a significant decline in corporate bond yields globally, as investors seek higher yielding securities. This has allowed many companies to refinance at record low levels.<sup>1</sup> However, banks continued to reduce lending in most economies during Q3, due to higher risk aversion, incoming Basel III rules and slowing demand for credit. This has offset the positive effect of lower funding costs in debt capital markets. Moreover, banks around the world have not reduced interest rates on loans significantly, with bad loan levels increasing in many economies.

Moreover, many trends seen during Q2 persisted through Q3. The slowdown in bank lending continued to amplify the effect of slowing growth and generally worsening business conditions around the world. Ongoing economic contraction in Europe, driven by fiscal austerity and high unemployment, is likely to continue to weigh upon global markets going forward, and curtail corporate earnings.

Growth in many emerging markets has moderated somewhat as exports slowed globally, with firms in export reliant Asian nations exposed to further slowdown in Europe, despite ample international reserves and lower reliance on European banks and wholesale funding markets. The World Bank recently cut its 2012 growth forecast for developing East Asia to 7.2%, down from a previous projection of 7.6%, and cut its 2013 forecast to 7.6% from 8%, due to slowing growth in China.<sup>2</sup> Demand from developing East Asian economies has been the engine preventing further global contraction over the last year. Lower regional growth may slow international trade further, transmitting slowing growth to other nations.

Reflecting this, the IMF cut its 2013 global growth forecast to 3.3% in October 2012, the slowest since 2009, from a previous estimate of 3.6% in July.<sup>3</sup> The IMF's forecast assumes that governments around the world will take sufficient actions to ease market uncertainty in the eurozone and stimulate growth. According to the World Bank, Asian nations continue to prepare or implement fiscal stimulus measures. However, questions remain about the ability and willingness of Western European governments to promote growth, given ongoing budget deficits and fiscal austerity. The US Federal Reserve continues to implement a third round of quantitative easing, but a new round of fiscal stimulus is unlikely until after the presidential election.

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<sup>1</sup>Sep 30, 2012, [Low Rates Spur Record Debt Sales](#), WSJ.

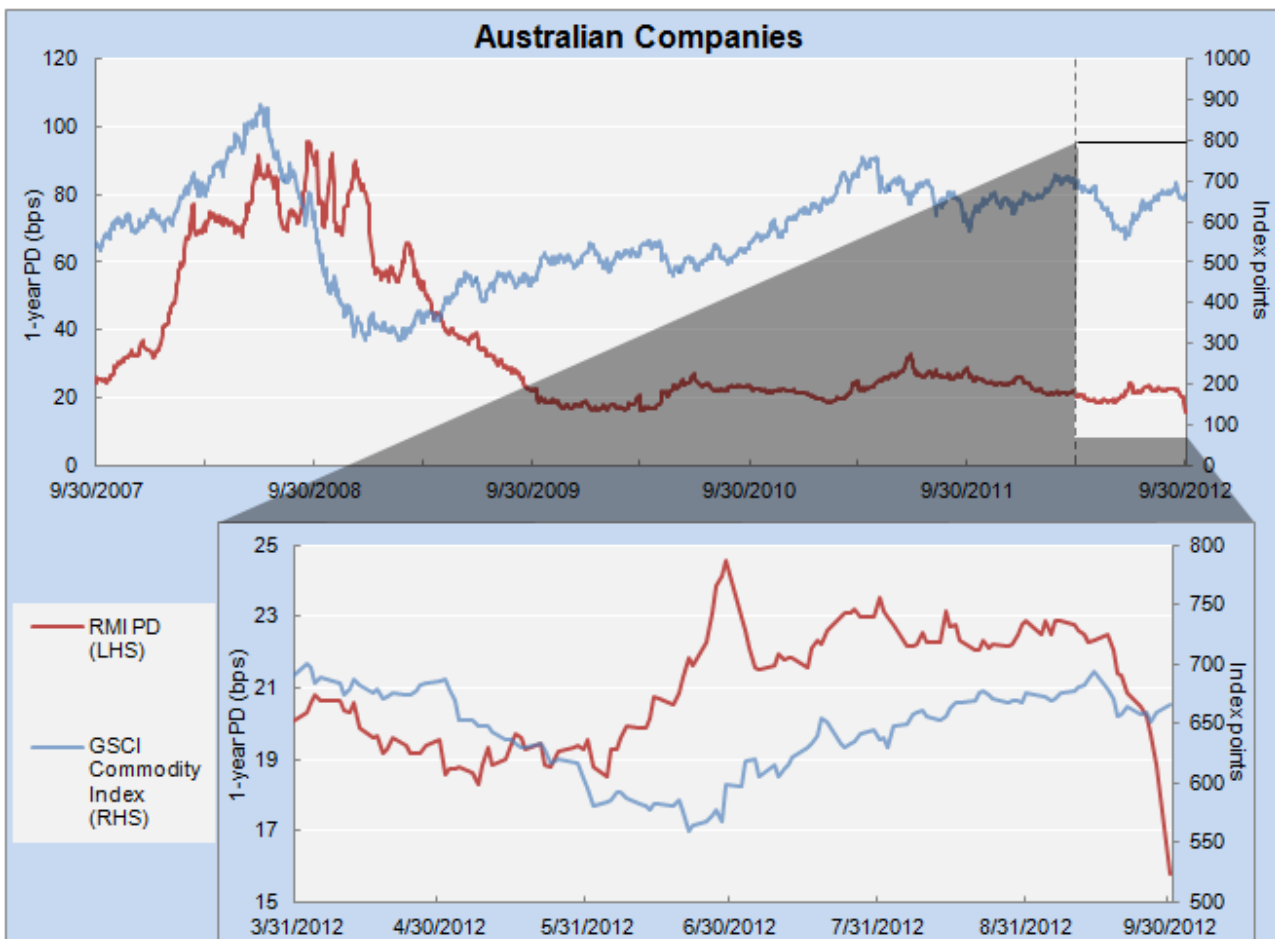
<sup>2</sup>Oct 8, 2012, [World Bank Cuts Asia Growth Forecast](#), WSJ.

<sup>3</sup>Oct 8, 2012, [IMF cuts global growth forecast; prods Europe, US](#), FT.

# Asia-Pacific - Developed economies

## Australian Companies

The aggregate 1-year RMI PD for Australian companies declined noticeably during Q3, falling to the lowest level in over two years during September. This improvement came in spite of a moderation in economic growth and ongoing contraction in business activity. Unemployment increased and retail sales slowed slightly, weighing upon earnings. Offsetting this, funding costs improved during Q3, and are likely to improve further pending expected central bank rate cuts. However, aggregate liquidity may become constrained going forward as banks slow lending. Earnings may come under pressure if contraction in Asian markets continues, as income from and confidence in commodities exports is a primary driver of domestic demand. The effect of new corporate taxes implemented at the start of Q3 remains uncertain, but higher government revenues leave room for fiscal stimulus if global growth stalls.



## Economy

- Economic growth moderated during Q2, as the economy grew 0.6% QoQ, down from 1.4% growth in Q1. Growth is mainly concentrated in the resources sector, and is expected to remain steady: the IMF reduced its 2012 YoY growth forecast to 3.3% at the end of Q3, down from a previous estimate of 3.5%.<sup>4,5</sup>
- The unemployment rate increased to 5.4% in September, the highest level in over 2 years, up from a quarterly low of 5.1% in August.<sup>6</sup>



- Retail sales growth slowed during Q3, but remains above growth levels seen during 2011. Sales increased 3.2% YoY in August, after growing 3.5% in July.<sup>7</sup>
- Contraction in the services industry accelerated during Q3, with the Australian Performance of Services Index falling to 41.9 in September, the lowest level in six months. Weak domestic demand and uncertainty in the mining sector continued to weigh on sales and new orders.<sup>8</sup>
- Manufacturing activity contracted in September as the Australian PMI fell 1.2 points to 44.1, up slightly from a three-year low of 40.3 recorded in July. Contraction in new orders and therefore production continued, but the rate of decline slowed towards the end of Q3.<sup>9</sup>
- Woes in the Chinese economy continue to affect commodities exports. The average price of iron ore seen at Tianjin hit a three-year low of USD 86.7 per tonne on September 5, closing at USD 104 per tonne at the end of Q3. Coal prices continued to decline during Q3.

## Monetary

- The RBA left its key cash rate target at 3.5% for the quarter.\* The broad money base grew 0.67%, while the money base increased by 1.26%.<sup>10</sup>

## Funding & Liquidity

- Yields on 10-year Australian government bonds, after increasing to almost 3.5% during the middle of Q3, fell to 2.98% at the end of Q3.
- Fixed interest rates on 3-year loans to small businesses declined further during Q3, to 6.45% per annum in September from 6.6% in June, the lowest point since February 2009.<sup>11</sup>
- Bank lending to non-financial businesses expanded at the slowest rate since early-2011 during Q3, increasing 0.5% to AUD 648.6bn between August and June, after increasing 1.95% QoQ in Q2.<sup>12</sup>

## Political

- The effect of new taxes on carbon emissions and the mining sector has not yet become apparent, as Australian companies are not required to file financial statements on a quarterly basis.

## Sovereign Credit Ratings

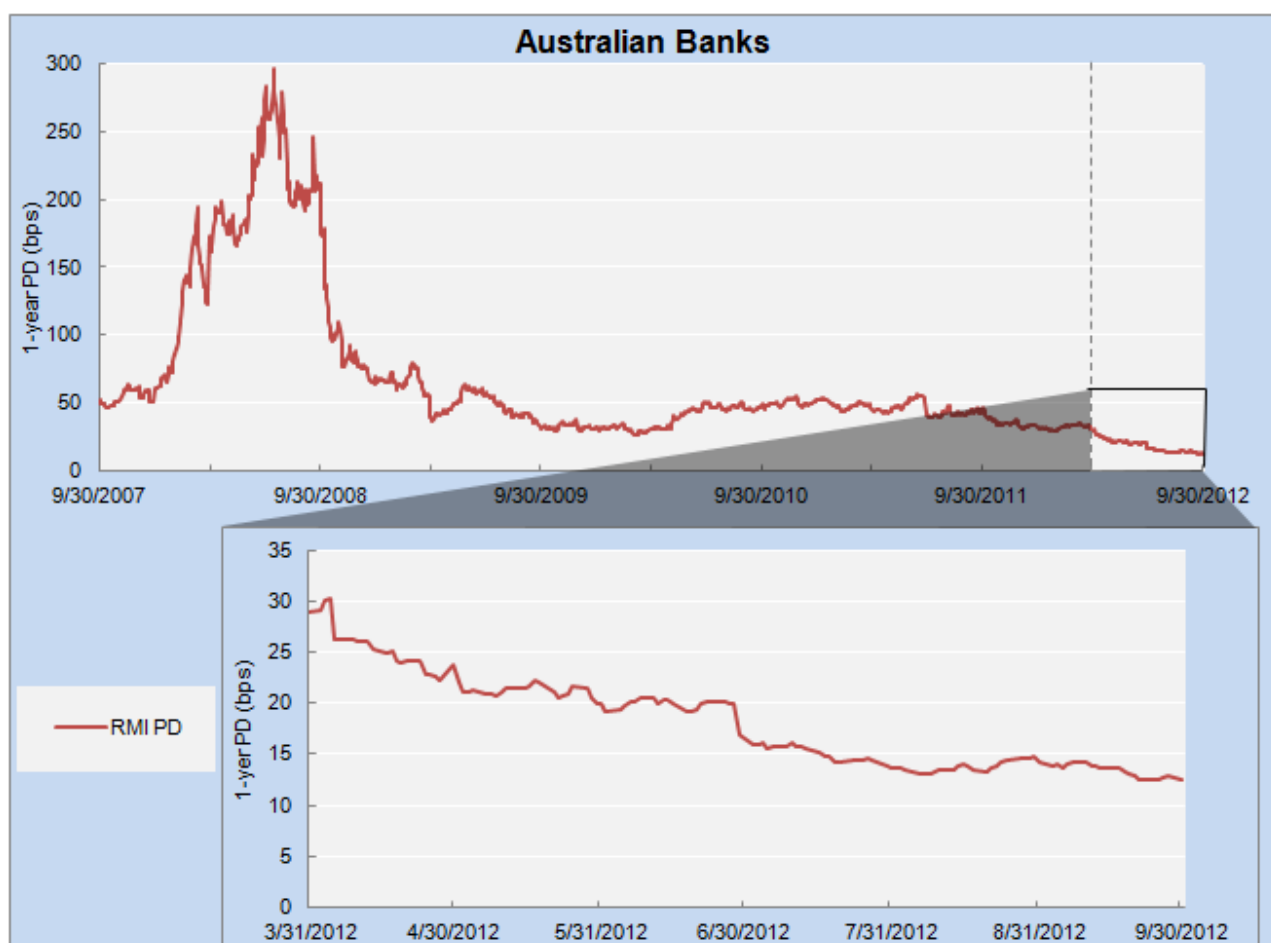
- The three major CRAs retained AAA-equivalent ratings on Australia during Q3, with stable outlooks.

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\*The RBA subsequently decreased the cash rate by 25bps to 3.25% on October 3

## Australian Banks

The aggregate 1-year RMI PD for Australian banks continued to decline during Q3, falling to the lowest level in twelve months in September. Earnings remain strong despite a decline in NIMs, as banks focus on cost cutting. Funding and liquidity profiles improved significantly during Q3, as funding costs fell and deposit growth increased. However, banks may see deposit costs increase on higher competition going forward, which will also reduce NIMs. Overall asset quality has improved somewhat, excluding commercial real estate portfolios. Slowing commodities exports will likely weigh upon manufacturing and SME loan portfolios. Resilient earnings should at least partially offset this, with lenders likely to continue to pass on only a fraction of central bank rate cuts to protect margins, resulting in an overall positive sectoral credit outlook.



### Profitability

- Aggregate net income at Australian banks likely remained near record highs during Q3, with the largest banks, aside from ANZ, reporting slight earning declines in their latest reporting periods.
- A proxy for the aggregate NIM fell 30bps to 2% during Q3. NIMs may improve during Q4, as banks passed on just 20bps of a 25bps central bank rate cut to residential and commercial borrowers.
- All major banks have resorted to cost containment as NIMs fall and regulatory compliance pushes up costs.

## Funding & Liquidity

- Average coupon rates on 5-year fixed USD-denominated bonds issued by Australian banks fell below 1.5% in Q3, down from rates near 2% in Q2, according to prices on Westpac and National Australia Bank bonds.
- Deposit growth at Australian banks increased at the fastest rate since the start of the GFC, increasing 2.04% MoM and 12.05% YoY in August to AUD 1.71tr.<sup>13</sup>
- Average deposit rates fell 5bps during Q3, to 3.7% per annum in September, the lowest level in 3 years. However, competition for deposits remains high.<sup>14</sup>
- Overall liquidity in the Australian banking system remained stable during Q2, with the aggregate LATDB ratio for listed banks falling slightly to 9.3% from 9.45% in Q1.

## Capital Levels & Regulations

- All major banks have increased their capital levels through 2012, but will have to raise additional capital or trim risk-weighted assets to satisfy new Basel III rules, which will be phased in starting January 2013.<sup>15</sup>

## Asset Quality

- Provisions for bad loans at Australian banks increased 21.6% to AUD 3bn in the second half of 2012, from AUD 2.5bn in the previous six months, largely driven by higher provisioning by NAB in its UK operations.<sup>16</sup>
- The ratio of non-performing to total assets has declined as a result of a fall in the share of loans classified as impaired. Commercial property exposures continue to account for a large portion of impaired assets.
- Non-performing loans in domestic loan portfolios have decreased, but a majority are classified as impaired and may therefore generate future write-offs.

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<sup>4</sup>Sep 6, 2012, [Gross Domestic Product](#), Reserve Bank of Australia, rba.gov.au

<sup>5</sup>Sep 20, 2012, [2012 Article IV Consultation with Australia Preliminary Concluding Statement](#), International Monetary Fund, imf.org

<sup>6</sup>Oct 12, 2012, [Labour Force](#), Reserve Bank of Australia, rba.gov.au

<sup>7</sup>Sep 12, 2012, [Consumer Sentiment rises slightly but remains weak](#), Westpac Bank, westpac.com.au

<sup>8</sup>Oct 3, 2012, [AiG/CBA Performance of Services Index](#), Markit, markiteconomics.com

<sup>9</sup>Oct 1, 2012, [AiG/PWC Australian PMI](#), Markit, markiteconomics.com

<sup>10</sup>Sep 28, 2012, [Monetary Aggregates](#), Reserve Bank of Australia, rba.gov.au

<sup>11</sup>Oct 3, 2012, [Indicator Lending Rates](#), Reserve Bank of Australia, rba.gov.au

<sup>12</sup>Sep 28, 2012, [Bank Lending Classified by Sector](#), Reserve Bank of Australia, rba.gov.au

<sup>13</sup>Sep 28, 2012, [Bank Liabilities](#), Reserve Bank of Australia, rba.gov.au

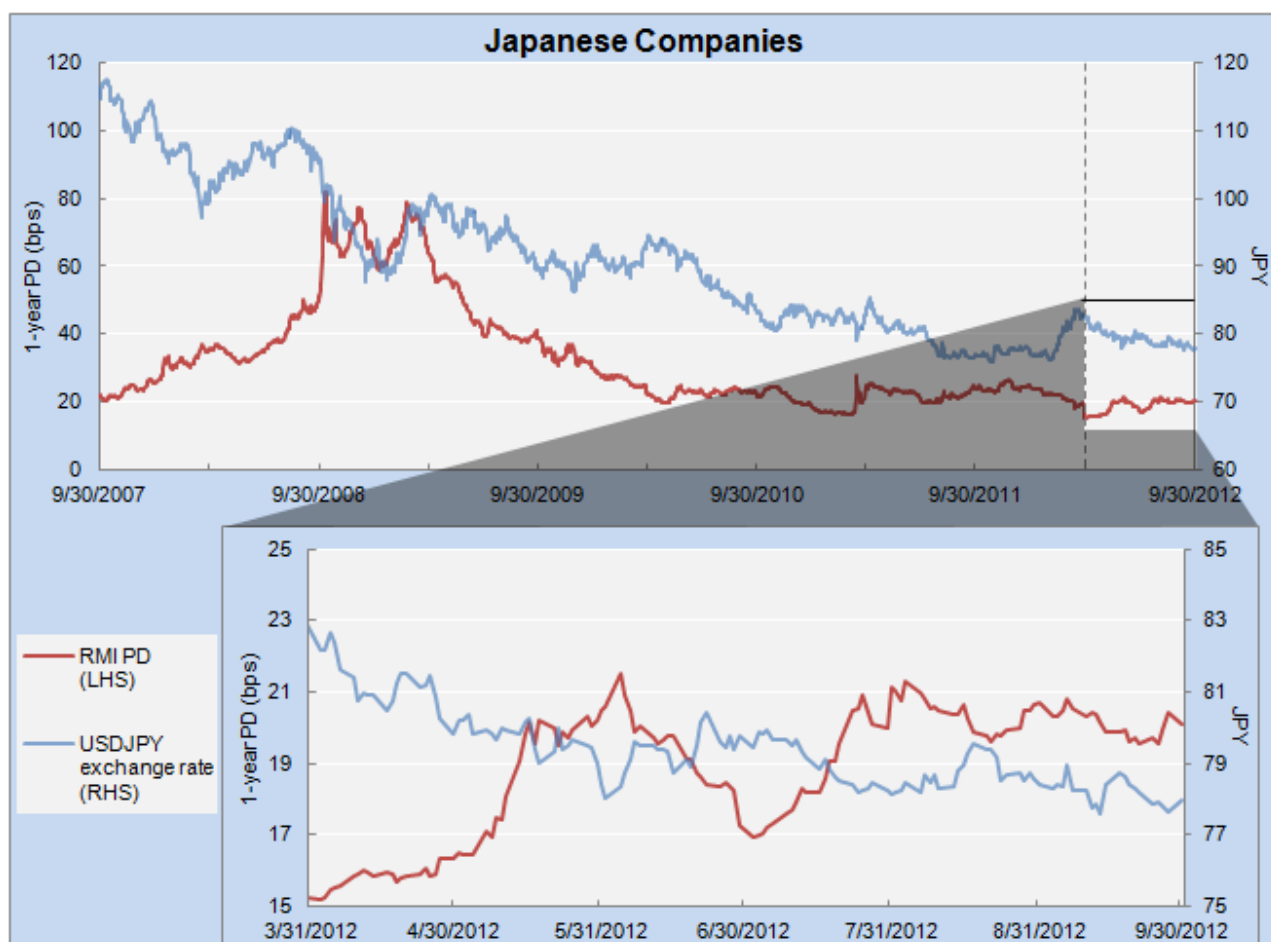
<sup>14</sup>Oct 3, 2012, [Retail Deposit and Investment Rates](#), Reserve Bank of Australia, rba.gov.au

<sup>15</sup>Sep 25, 2012, [Australian banks warned not to ease lending standards](#), Reuters.

<sup>16</sup>Sep, 2012, [Major Australian Banks: Half Year Results 2012](#), KPMG, kpmg.com/au

## Japanese Companies

The aggregate 1-year RMI PD for Japanese companies increased slightly during Q3, from five year lows seen in April. Earnings came under pressure from slowing growth, as business activity continued to slow in line with a large decline in exports. Funding and liquidity profiles remain almost unchanged, despite a decline in yields on government bonds. Going forward, the credit outlook for Japanese companies remains negative, as earnings will likely come under further pressure from currency appreciation and slowing exports. A solution to a territorial dispute with China is unlikely to be resolved in the near-term, and will place further pressure on exports, while new environmental taxes may further slow economic recovery.



## Economy

- The Japanese economy grew by 0.2% QoQ in Q2 2012, after a mild recovery of 1.3% in Q1. Growth will likely remain subdued as the IMF recently cut Japan's GDP growth forecasts to 2.2% from 2.4% for 2012 and 1.2% from 1.5% for 2013.<sup>17,18</sup>
- The unemployment rate in Japan decreased to 4.2% in August from a 4.3% in July. The unemployment rate, after hitting peak of 5.1% in August 2009 has been improving and is currently at a 3-year low.<sup>19</sup>
- Retail sales for Japan increased by 0.4% YoY in September, after rising 1.7% in August and falling 0.7% during July.<sup>20</sup>
- The Japan Services PMI recorded a modest decline falling to 48.9 in September compared to 49.3 in August as subdued economic activity weighed upon new business.<sup>21</sup>

- The Japan Manufacturing PMI improved to a three month high of 48 in September against 47.7 in August. However, new orders and operating conditions in the manufacturing sector remain weak.<sup>22</sup>
- Exports fell significantly during Q3, declining 11.1% YoY during September, 4.2% in August and 10.2% in July. Exports to China have fallen sharply as a territorial dispute continues.
- The JPY decreased by 1.61% against the USD during Q3. However, the IMF said the JPY is still moderately overvalued. Japanese policymakers are working to counter the strong JPY from hurting the export-reliant economy.

### Monetary

- The Bank of Japan increased the size of its asset purchase program to JPY 80tn from JPY 70tn on September 19. With interest rates already near zero, this program will remain the central bank's main tool to stimulate demand.<sup>23</sup>

### Funding & Liquidity

- Yields on 10-year Japanese bonds decreased during Q3, falling to a 9-year low of 0.72% on July 23, but increased through to close Q3 at 0.77%.
- Interest rates on new bank loans by Japanese banks fell to 0.95% per annum during August, from 1.07% per annum during July.<sup>24</sup>
- Bank lending continued to fall during Q3, with outstanding loans to non-financials falling slightly by 0.4% to JPY 415.7tr between July and August, after decreasing by 0.75% during Q2.<sup>25</sup>

### Political

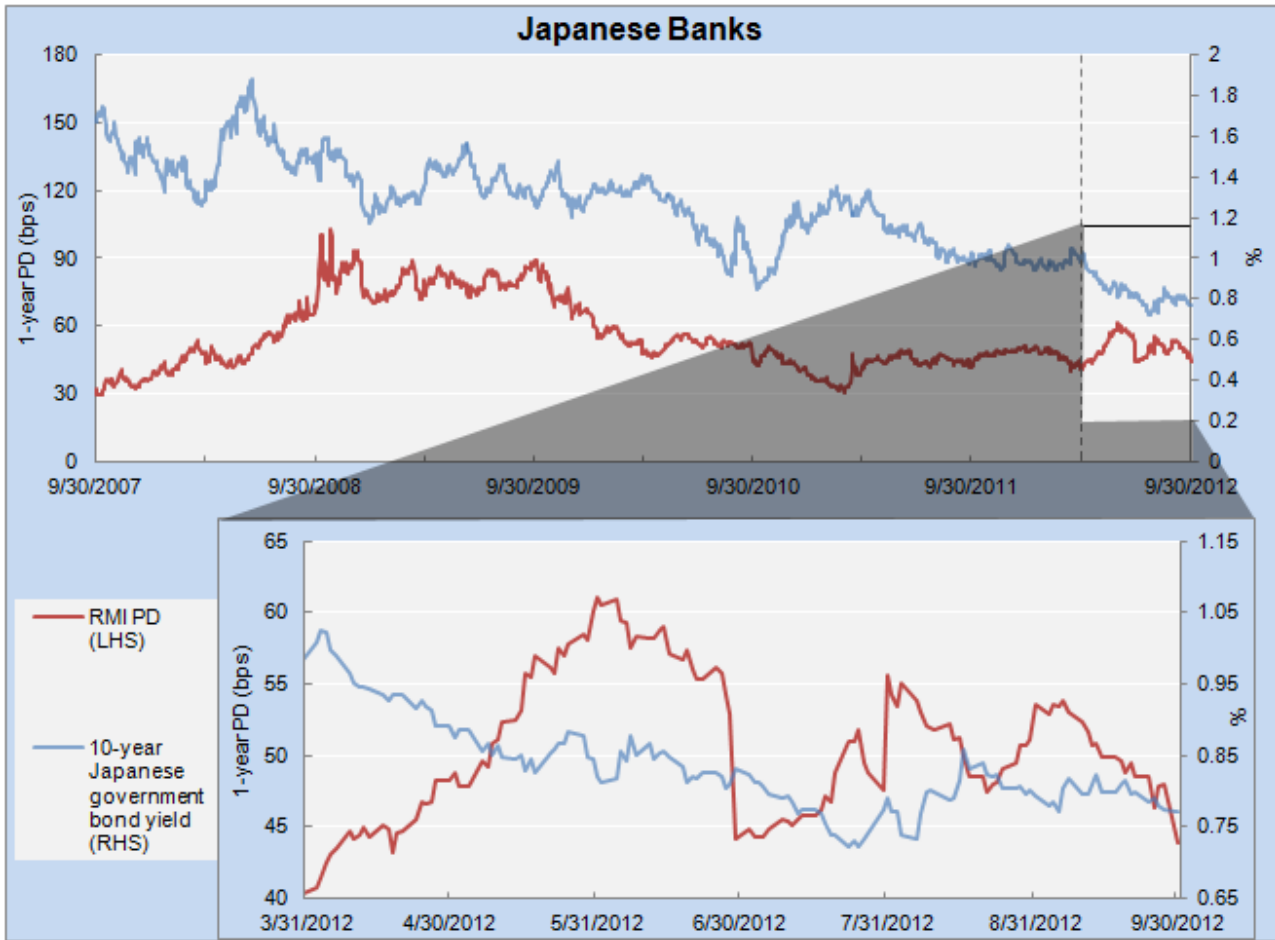
- Deteriorating relations between China and Japan over the Senkaku/Diaoyu islands have led to a sharp contraction in Japanese exports to China.
- The government plans to introduce a carbon emission tax aimed at reducing greenhouse gas emissions. The plans have been attacked by business lobbyists as the step will add to energy costs and slow already dwindling economic growth.<sup>26</sup>

### 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 aggregate 1-year RMI PD for Japanese banks declined during Q3, after increasing noticeably during May. Funding conditions remained largely unchanged during Q3, but banks continue to see slow deposit outflow due to the current low interest rate environment. Overall liquidity likely continued to improve slightly, as the central bank expanded its asset purchase program. Going forward, lower trading gains and deteriorating asset quality could continue to place pressure on earnings growth. Overseas expansion will probably slow, especially with greater regulatory oversight.



## Profitability

- Aggregate earnings at listed Japanese banks increased during Q2, rising 2.7% to JPY 831tn. Earnings growth will likely remain subdued in Q3 as economic growth is slow and borrowers continue to struggle.
- Trading gains likely remained low as yields on government bonds were volatile, but remained in similar territory at the end of Q3. Banks' large holdings of government bonds leave them vulnerable to ongoing market volatility.

## Funding & Liquidity

- Coupon rates on 5-year fixed JPY-denominated bonds issued by Japanese banks remained stable at 0.4% after falling from 0.5% in Q1.
- Deposits at Japanese banks fell slightly from JPY 607tr in July to JPY 601tr in August.<sup>27</sup>
- Deposit rates remained stable during Q3, with the average rate on ordinary deposits at 0.08% per annum through Q3.
- Overall liquidity in the Japanese banking system improved during Q2, as the aggregate LATDB ratio for listed banks increased to 8.6% from 7.8% in Q1.

## Capital Levels & Regulations

- As Japanese banks seek expansion in foreign markets to offset lower domestic interest margins, the IMF believes that the Japanese regulatory body will have to strengthen regulations, including capital requirements and risk limits.<sup>28</sup>

## Asset Quality

- Overall asset quality for Japanese Banks likely remained stable during Q3, as provisions for loan losses declined by 1% during July and August 2012.<sup>29</sup>
- With the economic slowdown, many borrowers have turned unprofitable; provisions may increase if the economy deteriorates further. Banks have also extended additional credit lines to borrowers in order to recover loans extended previously.<sup>30</sup>

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<sup>17</sup>Sep 2012, [Economic and Financial Data of Japan](#), Statistics Bureau of Japan, [stat.go.jp/english](http://stat.go.jp/english)

<sup>18</sup>Oct 8, 2012, [IMF trims Japan GDP outlook, says may need more easing to hit CPI goal](#), Reuters.

<sup>19</sup>Sep 28, 2012, [Japan's jobless rate falls to 4.2% in August](#), Channel News Asia.

<sup>20</sup>Aug 2012, [Preliminary Report on the Current Survey of Commerce](#), Ministry of Economy, Trade and Industry, [meti.go.jp/english/](http://meti.go.jp/english/)

<sup>21</sup>Sep 2012, [Markit Japan Services PMI](#), Markit, [markiteconomics.com](http://markiteconomics.com)

<sup>22</sup>Sep 2012, [Markit/JMMA Japan Manufacturing PMI](#), Markit, [markiteconomics.com](http://markiteconomics.com)

<sup>23</sup>Sep 19, 2012, [Japan Eases Monetary Policy in Surprise Move](#), Wall Street Journal.

<sup>24</sup>Oct 2012, [Average Contract Interest Rates on Loans and Discounts](#), Bank of Japan, [boj.or.jp/en](http://boj.or.jp/en)

<sup>25</sup>Aug 2012, [Assets and Liabilities of Domestically Licensed Banks](#), Bank of Japan, [boj.or.jp/en](http://boj.or.jp/en)

<sup>26</sup>Sep 28, 2012, [Japan Introducing Carbon Tax Prompts Backlash From Businesses](#), Bloomberg.

<sup>27</sup>Aug 2012, [Amounts Outstanding of Deposits by Depositor](#), Bank of Japan, [boj.or.jp/en](http://boj.or.jp/en)

<sup>28</sup>Aug 2012, [Japan: Financial Sector Stability Assessment Update](#), International Monetary Fund, [imf.org](http://imf.org)

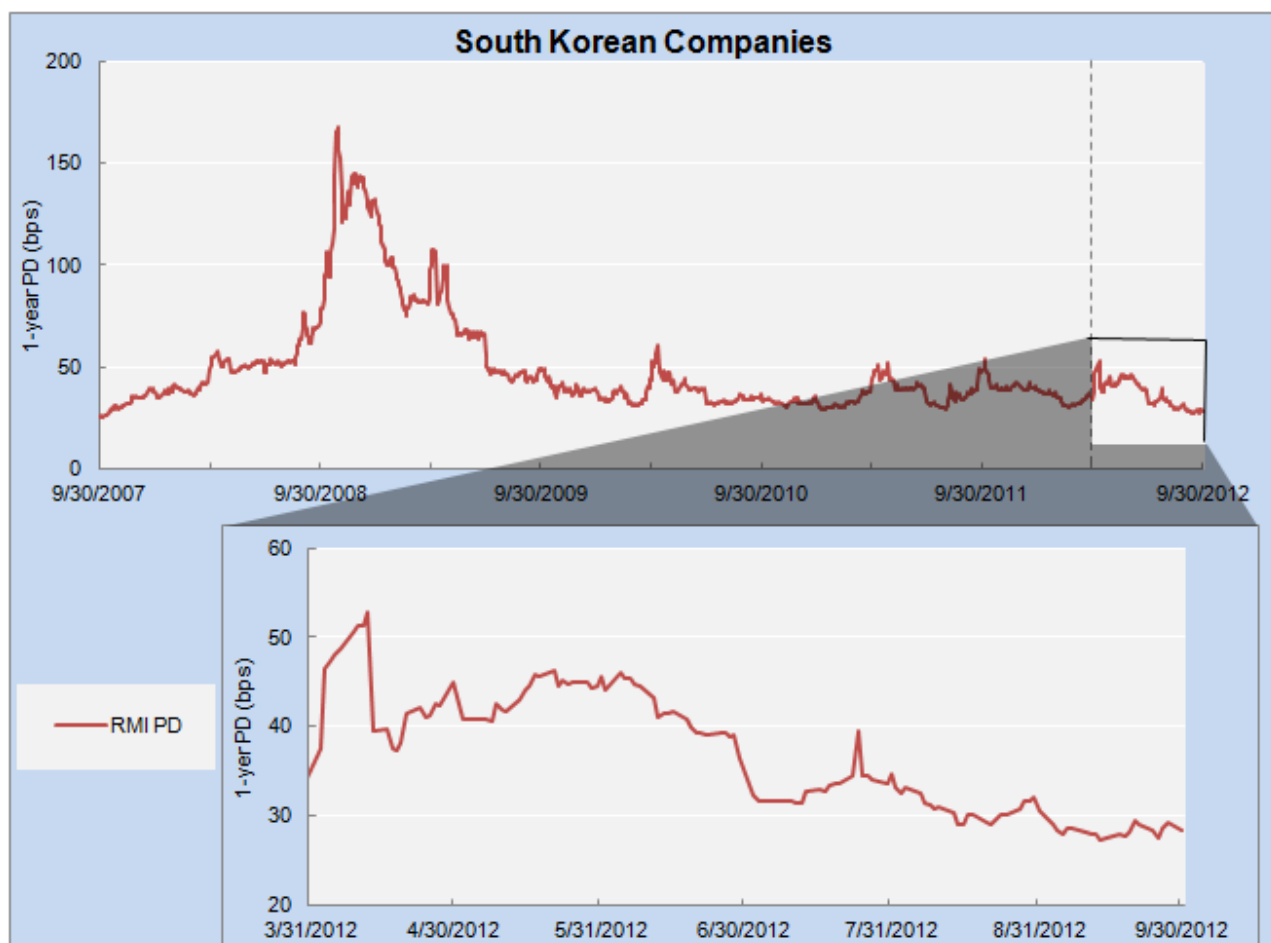
<sup>29</sup>Aug 2012, [Reserve for Possible Loan Losses/Assets](#), Bank of Japan, [boj.or.jp/en](http://boj.or.jp/en)

<sup>30</sup>Sep 28, 2012, [Japanese banks stake \\$6 billion on electronics bailouts](#), Reuters.



## South Korean Companies

The aggregate 1-year RMI PD for South Korean companies decreased during Q3, reaching the lowest level since late-2007 in September. This improvement came despite a significant decline in manufacturing activity and exports, suggesting that domestic demand continues to support the earnings profiles of Korean firms. Strong domestic demand was largely attributed to central bank easing in July and fiscal stimulus measures that reached the real economy during Q3. Moreover, funding and liquidity profiles remained favorable, and could improve further following additional central bank action. Going forward, the credit outlook for Korean companies is uncertain. Further government spending and tax cuts will lend support to earnings profiles, but corporate earnings in the export orientated economy will continue to be subject to global macroeconomic headwinds.



## Economy

- The South Korean economy expanded 0.3% QoQ in Q2, down from a preliminary estimate of 0.4% growth. Economic growth will likely improve slightly during Q3; the IMF reduced its 2012 YoY growth forecast to 2.7% at the end of Q3, from a previous forecast of 3%.
- Unemployment steadily fell to 3.1% in Q3 due to government policies to encourage longer-term employment as demand increased for jobs in health, social welfare and education.<sup>31</sup>



- Exports of goods and services declined 5.6% YoY during Q3, following a 1.7% YoY contraction in Q2. Exports have slowed despite various stimulus measures undertaken by the government.
- The South Korea manufacturing PMI fell to 45.7 in September, the fourth consecutive month of contraction and the lowest reading since Q1. Output and orders declined; with strikes in the automobile industry increased lost working days.<sup>32</sup>
- Retail sales continued to slow during Q3, falling 1% YoY in August after increasing 2.4% in July, the smallest increase in 3 years.

### Monetary

- The Bank of Korea cut its Official Bank Rate by 25bps to 3% on July 12, the first change in 12 months, in an effort to revive domestic demand.\*

### Funding & Liquidity

- Yields on 10-year South Korean government bonds fell during Q3, to 3.07% on September 28, from 3.63% on July 2.
- Banks slowed lending to non-financials slightly during Q2, with loan growth slowing to 6.7% YoY growth in August, but remaining well above levels seen in 2011.<sup>33</sup>
- Interest rates on new loans to Korean corporates fell 31bps in the first two months of Q3, to 5.36% per annum in August.<sup>34</sup>

### Political

- In addition to a KRW 8.5tr stimulus package announced on June 28, the government is readying another round of fiscal support to stimulate domestic demand offset a large decline in exports.<sup>35</sup>
- The long anticipated stimulus package includes tax breaks that will save taxpayers around KRW 2.3tr in personal income taxes, home transaction levies and sales duties on automobiles and large electronics appliances.<sup>36</sup>

### Sovereign Credit Ratings

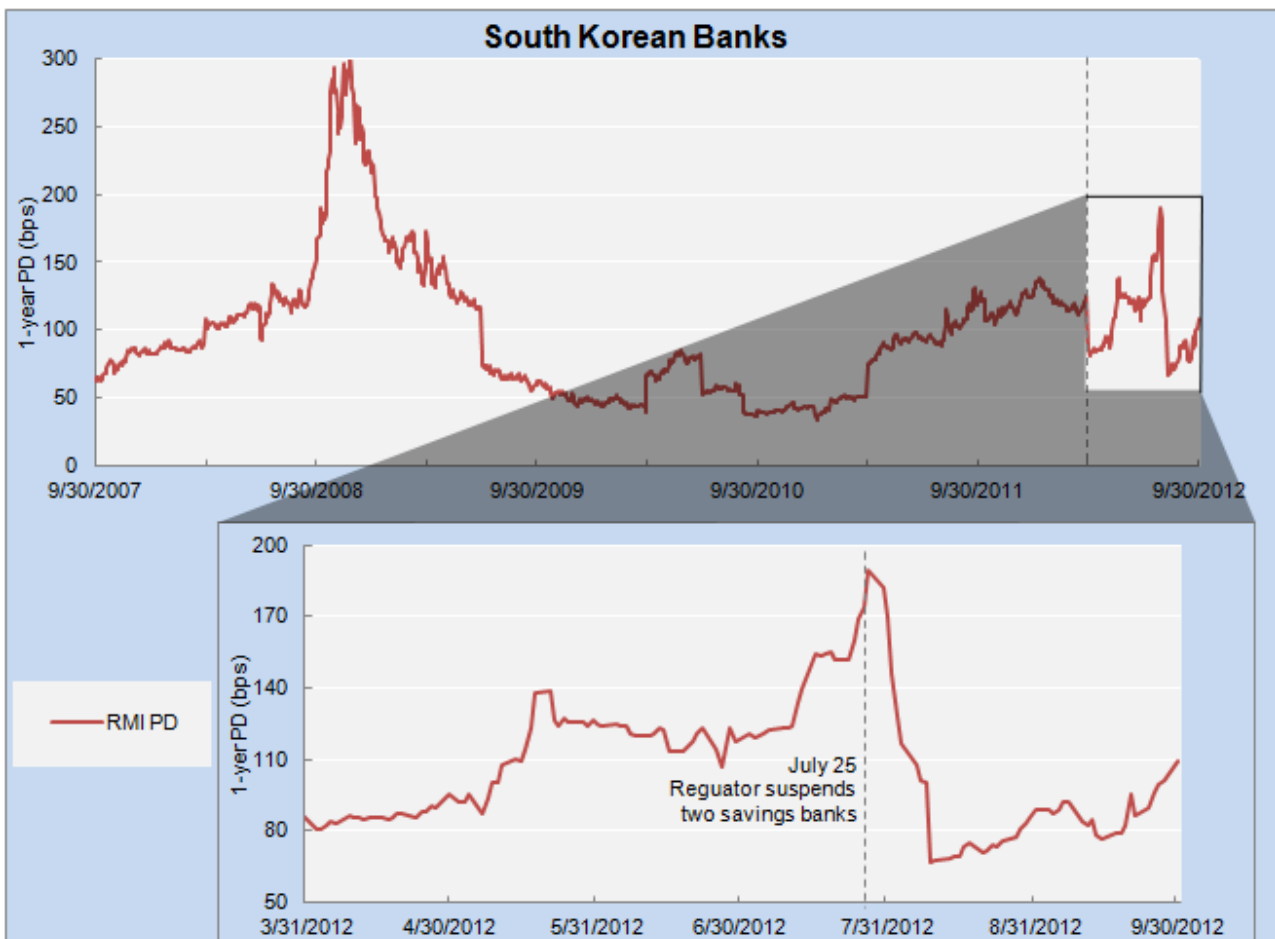
- The Korean government's foreign currency rating was upgraded at all three major CRAs during Q3: to AA- at Fitch on September 6, to Aa3 at Moody's on August 27 and to A+ at S&P on September 14. All three CRAs now have a stable outlook on the country.

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\*The Bank of Korea reduced the rate by a further 25bps to 2.75 on October 11.

## South Korean Banks

The aggregate 1-year RMI PD for South Korean banks increased exhibited noticeable volatility during Q3, falling sharply after the Korean banking regulator suspended a number of savings banks in July and increasing slightly thereafter. Earnings profiles have come under pressure, despite an increase in the average NIM, as tougher regulation and higher provisioning affect profitability. Funding and liquidity profiles have improved slightly as costs have fallen and banks have improved their foreign currency liquidity. Ongoing asset quality problems continued through Q3 as provisions increased, but showed some signs of receding as total delinquencies fell. Going forward, the sectoral credit outlook is negative as increasing curbs on household lending could curtail loan growth, impairing profitability, while declining exports may weaken commercial loan portfolios. Moreover, the suspension of a number of savings banks over capital adequacy problems continues to weigh upon the industry's credit outlook.



### Profitability

- South Korean banks' combined net income dropped 46% QoQ during Q2, as increasing administrative costs and heavier provisioning squeezed profitability. Tougher regulatory guidance aimed at reducing the risk of household loan defaults may weigh on future earnings.
- The banks will face continued profit pressure this year as loan growth stalls and the government looks set to take further action on heavy household debt.<sup>37</sup>
- However, an increase in NIMs to 2.17% during August, up from 2.04 at the end of Q2, may offset aforementioned earnings pressures.

## Funding & Liquidity

- Average coupon rates on new issuances of 3-year KRW-denominated bank bonds fell to 3% during Q3, down from rates above 3.4% during Q2. However, banks may still face funding pressures as they are somewhat dependent on external commercial paper markets.
- South Korean banks are better prepared to withstand a credit crunch in Q3 than ever before as they rolled over a larger proportion of long-term debt relative to short-term debt. Long-term foreign funding surged in August after the government was upgraded by the major CRAs.
- Deposit growth slowed during Q3, increasing 5.9% YoY in August, the slowest rate since June 2008, to KRW 975.5tr. Mid-size Korean savings banks are still reeling after a series of closures last year, with deposits at such banks down 29% YoY in August.<sup>38</sup>
- Interest rates on new time or savings deposits fell 44bps in the first two months of Q3, almost double the central bank's 25bps policy rate reduction, to 3.19% per annum in August.<sup>39</sup>
- Overall liquidity in the South Korean banking system declined during Q2, with the aggregate LATDB ratio for listed banks falling slightly to 6.9% from 7.1% in Q1.

## Capital Levels & Regulations

- A number of smaller savings banks remain suspended by the central bank as their capital adequacy ratios had fallen below regulatory limits. Savings banks posted large losses in late-2011 due to loan defaults in the real estate sector.

## Asset Quality

- Overall asset quality may have degraded significantly during Q3, as listed Korean banks increased provisions for loan losses by 22.6% during Q2 to KRW 2tr.
- Corporate, household and credit card loan delinquencies declined during June, after reaching almost the highest level on record in May.<sup>40</sup>

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<sup>31</sup> May 16, 2012, [South Korea Labor Force Grows as Unemployment Rate Unchanged](#), Bloomberg.

<sup>32</sup> Oct 2, 2012, [HSBC South Korea Manufacturing PMI](#), Markit, markiteconomics.com

<sup>33</sup> Sep 2012, [CBs and Depository Corporations: Loans and Discounts by Industry](#), Bank of Korea, ecos.bok.or.kr

<sup>34</sup> Sep 2012, [CBs and SBs: Interest rates on loans, newly extended](#), Bank of Korea, ecos.bok.or.kr

<sup>35</sup> Sep 10, 2012, [5th Economic Revitalization Meeting](#), Ministry of Strategy and Finance, South Korea, english.mosf.go.kr

<sup>36</sup> Sep 9, 2012, [South Korea to inject \\$2 billion of tax breaks to boost economy](#), Reuters.

<sup>37</sup> Jul 30, 2012, [South Korean Banks Profit Drops 59% in Absence of Asset Sales](#), Bloomberg.

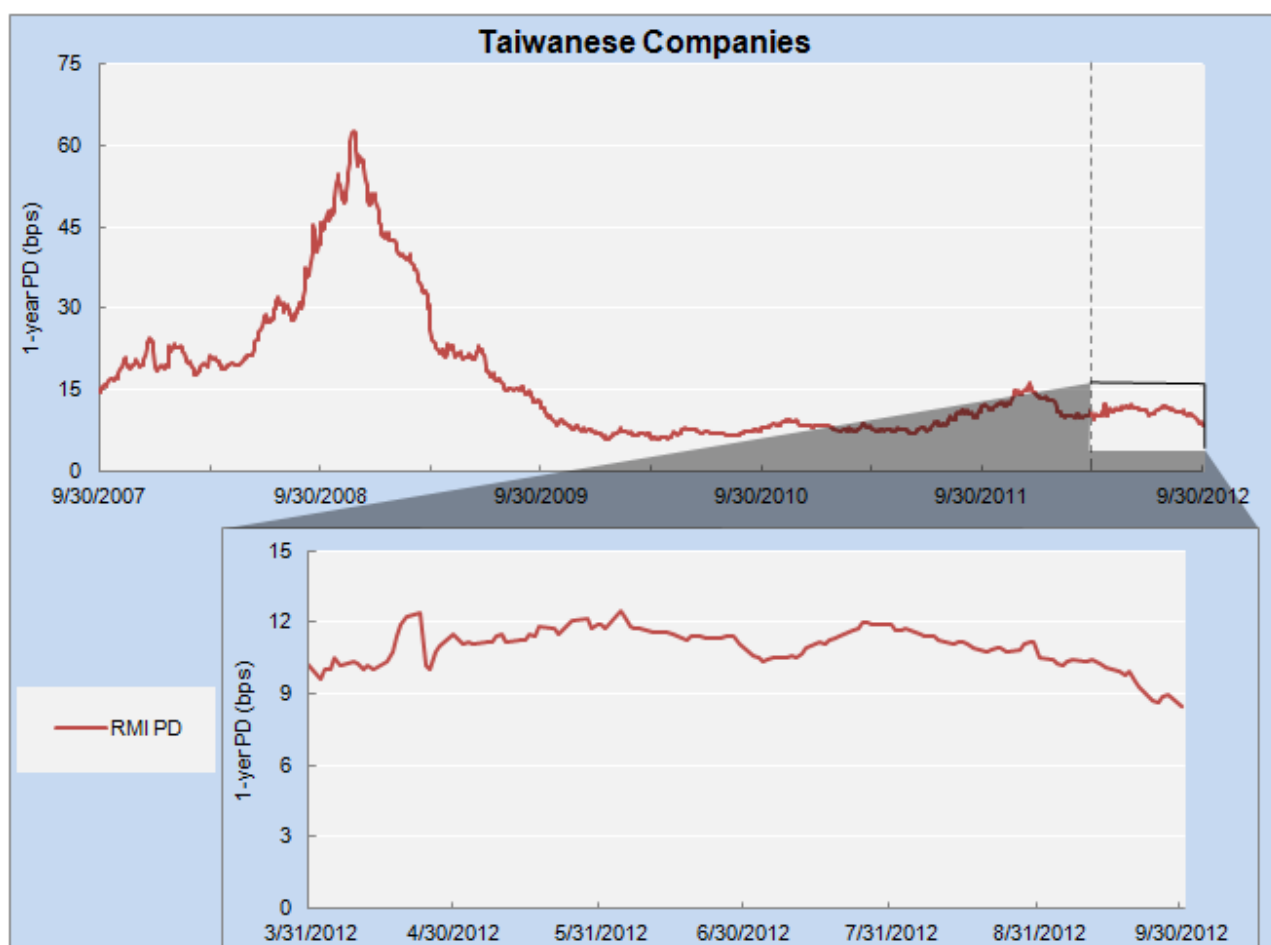
<sup>38</sup> Sep 2012, [Deposits at CBs and SBs By Type](#), Bank of Korea, ecos.bok.or.kr

<sup>39</sup> Sep 2012, [CBs and SBs: Interest rates on deposits, newly extended](#), Bank of Korea, ecos.bok.or.kr

<sup>40</sup> Sep 2012, [Delinquency ratio for bank loans](#), Bank of Korea, ecos.bok.or.kr

## Taiwanese Companies

The aggregate 1-year RMI PD for Taiwanese companies decreased during Q3, as the economy began to recover from a significant slowdown in export growth during the first half of the year. Corporate earnings likely improved slightly as the economy continued to expand following a recovery from a technical recession in Q1. Stable employment and retail sales likely lent support to earnings. However, exports remain below levels seen during the first half of 2011, and the manufacturing sector continued to contract. Funding and liquidity profiles stabilized during Q3, with monetary easing by the central bank offsetting a slight increase in funding costs. Going forward, the credit outlook for Taiwanese companies remains clouded by the possibility of a contraction in overall global demand. Prudent fiscal stimulus may partially offset negative headwinds, but a large dependence on exports leaves a majority of companies exposed.



## Economy

- The Taiwanese economy expanded 0.85% QoQ in Q2, continuing an exit from a brief recession in the second half of 2011. Growth will likely remain low through the end of 2012, as Taiwan's government revised down its 2012 YoY GDP forecast in August to 1.66% from a previous 2.08% estimate.<sup>41</sup>
- The unemployment rate in Taiwan in September was 4.3%, relatively unchanged from previous months.
- Retail sales growth slowed during Q3, increasing just 0.45% YoY in September after increasing by 3.87% in August and 3.71% in July.

- The Taiwan manufacturing PMI in September was 45.6, lower than 46.1 during August. This was the fourth successive fall, as new orders and business fell due to lower domestic and international demand.<sup>42</sup>
- Export growth slowed during Q3, increasing 1% QoQ after increasing 7.3% during Q2. However, total quarterly exports remain well below levels seen during mid-2011. The government expects 2012 exports will contract 1.72% YoY.

### Monetary

- The Central Bank of the Republic of China (Taiwan) maintained its official interest rate at 1.875% during Q3, unchanged since July 2011.
- However, the central bank used open market operations to improve overall liquidity, reducing overnight lending rates eight times in just one week in mid-July. The interbank call rate remained around .39% for the rest of Q3.

### Funding & Liquidity

- Yields on 10-year Taiwanese government bonds fell during Q3, to 1.17% on September 28, from 1.23% on July 2, but up from a record low of 1.13% on July 26.
- Total lending by banks to the private sector grew at the slowest pace since 2010 during August, increasing 4% YoY to TWD 20tr.<sup>43</sup>
- Taiwanese base lending rates increased slightly to 2.923% at the end of August, up from 2.887% at the end of Q2.<sup>44</sup>

### Political

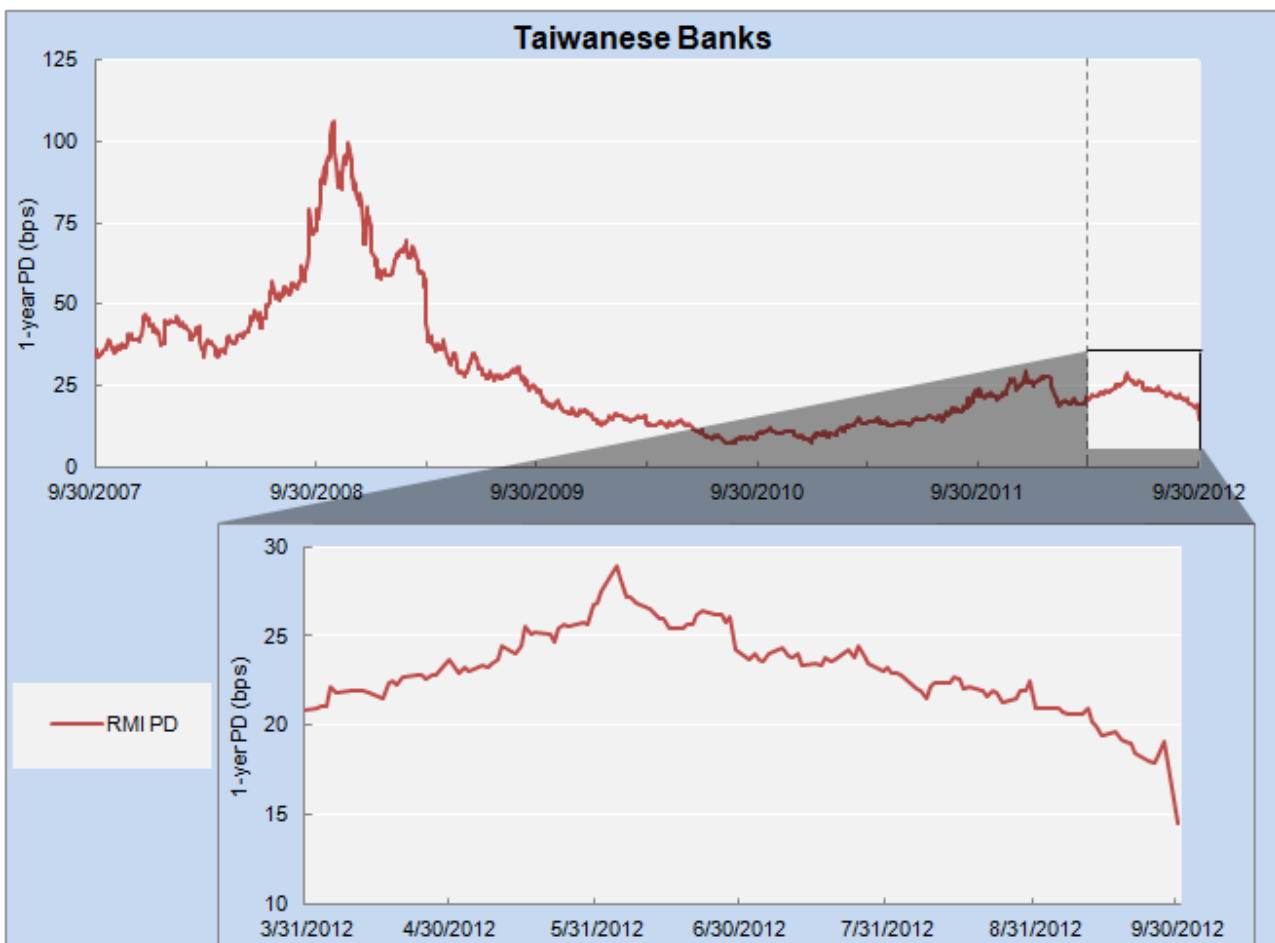
- Amid global economic turmoil, the Taiwanese government plans to employ an expansionary fiscal policy until at least 2013, financing infrastructure projects to boost employment and domestic demand.<sup>45</sup>
- A proposed capital gains tax passed by the legislature is slated to take effect in January 2013. The tax will likely affect 10,000 investors and could make it more difficult for Taiwanese companies to raise capital.<sup>46</sup>

### Sovereign Credit Ratings

- Moody's and S&P maintained AA- equivalent ratings on the Taiwanese government during Q3, while Fitch did not change its A+ rating. All three CRAs maintained stable outlooks.

## Taiwanese Banks

The aggregate 1-year RMI PD for Taiwanese banks decreased during Q3, as a tepid economic recovery continued. This likely led to a slight increase in profitability, supported by increased lending to SMEs. Overall funding and liquidity conditions remained favorable, supported by a recovery in deposit growth and central bank efforts to improve liquidity in the economy. Overall asset quality improved markedly due to the ongoing economic recovery, despite increasing credit card delinquencies. Going forward, banks will likely benefit from fiscal stimulus measures via their intermediary roles, and may see an improvement in asset quality as government spending filters through the economy.



### Profitability

- Aggregate earnings at Taiwanese banks increased by 6.8% QoQ during Q2. Earnings likely increased through Q3 as an economic recovery continued.
- Domestic banks in Taiwan increased lending to SMEs during Q3, which now account for 53.05% of bank loan portfolios. Such loans are usually more profitable due to higher interest rate margins.<sup>47</sup>

## Funding & Liquidity

- Average coupon rates on new issuances of 7-year subordinated TWD-denominated bank bonds fell to 1.5% during Q3, down from rates above 2% during Q2.
- Deposits at Taiwanese banks grew by 0.93% to TWD 32,912bn in the first two months of Q3, after falling 0.19% during Q2. The variable interest rate on 1-year deposits remained stable at 1.33% during Q3.<sup>48</sup>
- Overall liquidity in the Taiwanese banking system remained stable during Q2, with the aggregate LATDB ratio for listed banks falling slightly to 14.3% from 14.7% in Q1. Liquidity likely improved in Q3 due to central bank actions.

## Asset Quality

- Overall asset quality likely improved during Q3, as listed Taiwanese banks reversed provisions for loan losses by TWD 1bn during Q2, after recording TWD 5.6bn in provisions in the previous three quarters.
- The average NPL for loans made to SMEs remained low during Q3, at 0.58% during August.
- Monthly write-offs for credit card debt at Taiwanese banks was around TWD 400mn in August, after increasing to TWD 460mn in July from TWD 350mn in June. Aggregate credit card delinquency rates remained below 3% in August.<sup>49</sup>

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<sup>41</sup>Aug 17, 2012, [Taiwan 2Q GDP Shrinks on Year; Government Trims 2012 Growth Forecast](#), WSJ.

<sup>42</sup>Oct 1, 2012, [HSBC Taiwan Manufacturing PMI](#), Markit, markiteconomics.com

<sup>43</sup>Sep, 2012, [Taiwanese MFIs: Loans & investments](#), Central Bank of the Republic of China (Taiwan), cbc.gov.tw

<sup>44</sup>Sep 2012, [Taiwanese MFIs: Selected interest rates](#), Central Bank of the Republic of China (Taiwan), cbc.gov.tw

<sup>45</sup>Sep 30, 2012, [Taiwan MoF: To Run Budget Deficit for Fifth Year in 2013 to Spur Growth](#), WSJ.

<sup>46</sup>Jul 26, 2012, [Taiwan's Capital-Gains Tax on Trading May Raise \\$365.6 Million](#), Bloomberg.

<sup>47</sup>Sep 6, 2012, [Outstanding SME Loans by Domestic Banks as of July 2012](#), Financial Supervisory Commission, banking.gov.tw/en

<sup>48</sup>Sep 2012, [Taiwanese MFIs: Consolidated deposits](#), Central Bank of the Republic of China (Taiwan), cbc.gov.tw

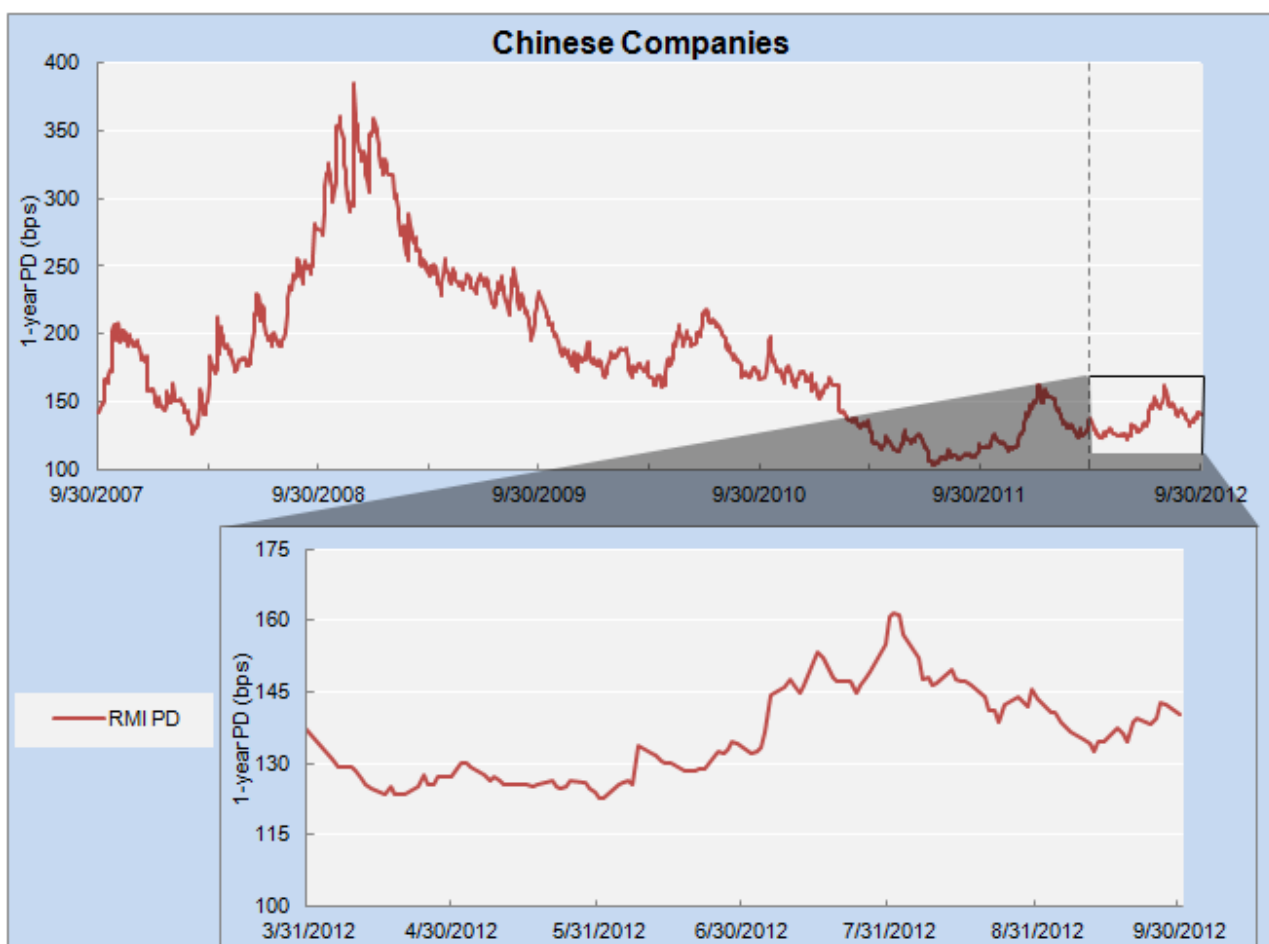
<sup>49</sup>Oct 4, 2012, [Statistics of Credit Card & Cash Card Business Operation as of August 2012](#), Financial Supervisory Commission, banking.gov.tw/en



# Asia-Pacific - Emerging economies

## Chinese Companies

The aggregate 1-year RMI PD for Chinese companies reached a two-year high in July, declining slightly through the rest of Q3. Earnings continued to come under pressure from slowing economic growth, due to insipid domestic demand and slower export growth. Funding and liquidity profiles weakened during Q3 as banks constrained lending, increasing corporate funding costs. Ongoing central bank policy easing and liquidity injections appear to have had only a minor affect; more drastic policy actions going forward would lend support to aggregate funding and liquidity conditions. The credit outlook for Chinese companies will continue to be negative in the short term, as manufacturing activity is expected to remain weak. Despite new fiscal stimulus measures, many firms will find it hard to adjust to 'new normal' growth conditions.



## Economy

- The Chinese economy slowed during Q3, to 7.4% YoY growth from 7.6% YoY growth in Q2. The IMF recently cut its 2012 and 2013 YoY growth forecast to 7.8% and 8.2%, from previous respective forecasts of 8% and 8.5%. Lower growth rates reflect 'new normal' conditions, with the economy likely to avoid a hard landing.<sup>50</sup>
- The urban employment rate stood at 4.1% during Q2, unchanged since Q3 2010. This figure is well below the country's target of keeping urban unemployment under 5% through 2015. However, this number excludes migrant workers and the actual situation might be much worse.<sup>51</sup>



- The Chinese manufacturing PMI from HSBC posted a reading of 47.9 in September, the eleventh consecutive month of contraction in the manufacturing sector. New export orders dropped at the sharpest rate in 42 months, indicating economic prospects will remain gloomy.<sup>52</sup>
- Exports recovered in September, increasing 9.9% YoY to USD 186.4bn. However, total exports in Q3 increased just 4.46% YoY, the slowest growth since 2009.<sup>53</sup>
- The HSBC Composite PMI for China posted a reading of 50.3 at the end of Q3, falling from 50.6 in Q2. The measure continues to show stagnant growth in manufacturing and service activities.<sup>54</sup>

### Monetary

- The PBOC cut one of its key interest rates on July 8, the second time this year. The one-year loan rate was cut by 0.31% to 6%, while the one-year benchmark deposit rate was left at 3%.
- Moreover, the lower limit of the floating range for loan rates was adjusted to 0.7 times the benchmark rate while the floating range of interest rates of mortgage loans was left unchanged.
- The PBOC injected CNY 365bn of liquidity into the banking system through reverse repurchase agreements during the week ending September 28, the biggest ever weekly injection. The PBOC has offered CNY 2.4tr of reverse repos since late June.<sup>55</sup>
- The central bank is reluctant to make high-profile changes to avoid fueling inflation, such as reducing the reserve requirement ratio, which remained unchanged at 20% through Q3.

### Funding & Liquidity

- Yields on 10-year Chinese government bonds increased during Q2, to 3.49% on Sep 28 from 3.35% on July 2.
- Loans to non-financials grew slowly during Q3, increasing 1.7% MoM to CNY 48.2tr in August, and increased 15.7% YoY.<sup>56</sup>
- Market interest rates increased during Q3, with the monthly weighted interbank CNY lending rate at 2.93% in September, up from 2.72% in June.<sup>57,58</sup>

### Political

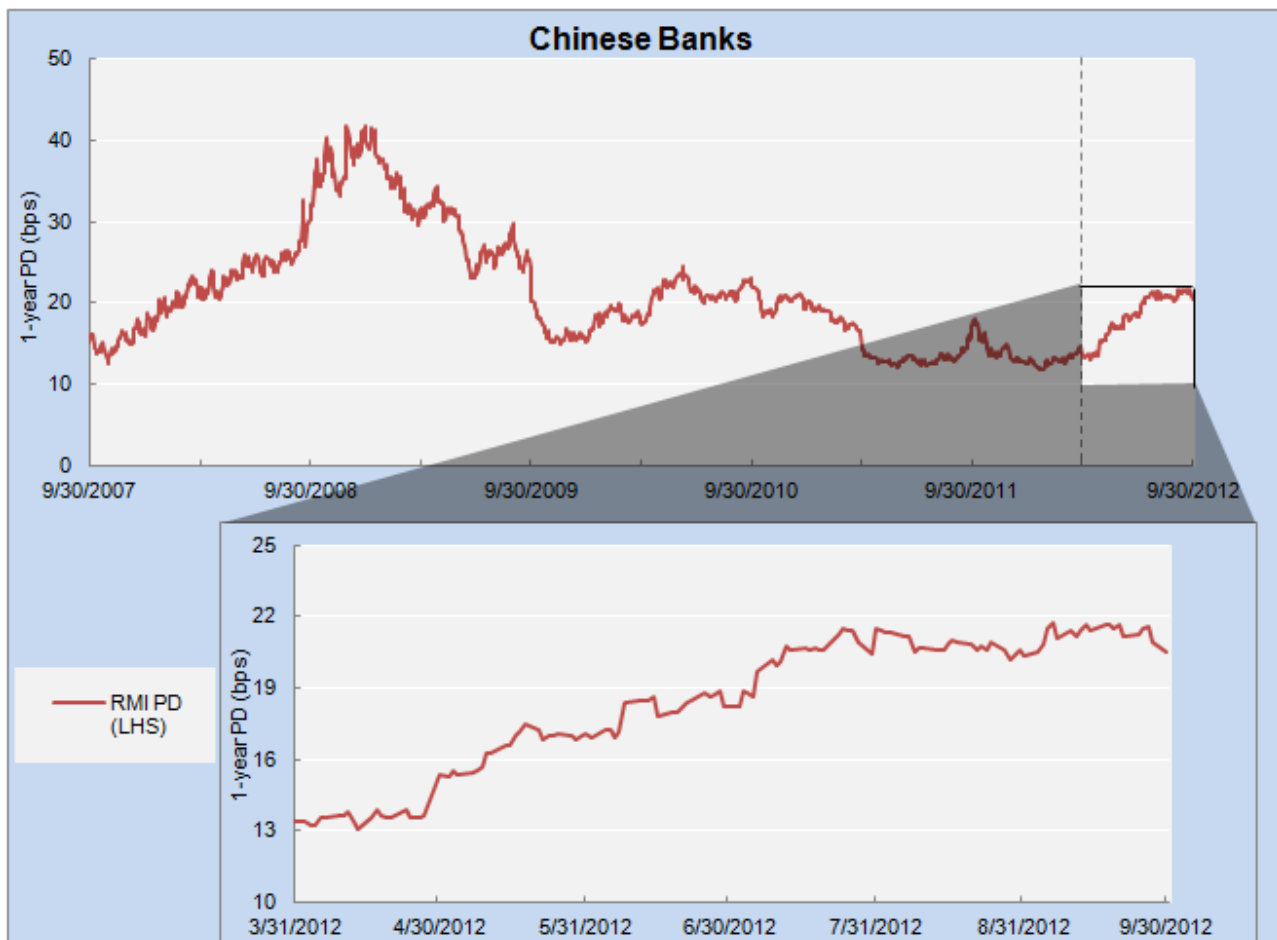
- The Chinese government approved more than CNY 1tr of infrastructure projects in early September to boost growth, including construction of railways, subways and sewage-treatment plants. Analysts expect these projects will speed up urbanization and increase social welfare.<sup>59</sup>

### Sovereign Credit Ratings

- Moody's maintained an Aa3 rating on the Chinese government with a positive outlook during Q3. Fitch and S&P both retained stable outlooks, with respective ratings of AA- and A+.

## Chinese Banks

The aggregate 1-year RMI PD for Chinese banks reached a two-year high during September. Earnings growth has slowed as a weakening economy and higher provisioning affects lenders' ability and willingness to lend. Funding profiles have improved slightly, but ongoing excessive liquidity due to a lack of higher yielding investment options negatively affects the industry's credit outlook. Moreover, earnings will continue to come under pressure from market-oriented interest rate liberalization, which is likely to reduce NIMs significantly. Asset quality problems may continue as domestic firms adjust to 'new normal' growth rates. Systemic risk remains a concern as interbank assets have skyrocketed during the last two years, but a plan to implement a deposit insurance scheme may partially offset increasing risk.



## Profitability

- Earnings growth at Chinese banks slowed during Q2, despite reaching new record highs. Aggregate earnings at listed Chinese banks increased just CNY 70mn to CNY 274bn.
- Net interest and fee-based income accounted for 79% and 18% of total revenues, respectively. Fees and commissions earned from custodial service charges and management fees have become a larger part of aggregate revenues, as interest rate liberalization reduces NIMs.

## Funding & Liquidity

- Average coupon rates on 5-year CNY-denominated bank bonds climbed back to 4% during Q3 after falling below that level in Q2.
- Total deposits increased just CNY 80bn from June to August, to CNY 90.9tr. Deposit growth will likely continue in the following months as the PBOC is unlikely to introduce a new round of monetary easing policy.<sup>60</sup>
- Deposit rates fell slightly in Q3, with the rate on savings deposits falling 5bps to 0.35% in July. Rates on 12-month fixed deposits also dropped 25bps to 3.00%.
- Overall liquidity in the banking sector increased during Q2, with the aggregate LATDB ratio for listed banks rising to 33.11%. The ratio remains high due to lending constraints set by regulators and a surge in interbank assets over the last 18 months.

## Capital Levels & Regulations

- The government's latest five-year plan, released in September, reiterated the need to deepen capital market development and continuing financial reform. It also included calls for establishing a deposit insurance system and mechanism to handle failing banks.<sup>61</sup>

## Asset Quality

- Non-performing loans rose 4% QoQ in Q2, to CNY 456.4bn, while aggregate provisions for loan losses increased 5.2% QoQ to CNY 1.32tr. Slowing economic growth may weigh on loans made during the post-GFC lending expansion.<sup>62,63</sup>
- The steel, cement and solar sectors account for a large proportion of current NPLs, as companies within these industries are suffering from low profitability due to current excess capacity and low demand. The situation might become worse if the industry slowdown continues.<sup>64</sup>

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<sup>50</sup>Oct 18, 2012, [Overall Economic Development](#), National Bureau of Statistics of China, stats.gov.cn

<sup>51</sup>Jul 25, 2012, [China Urban Unemployment Rate at 4.1% at End June](#), WSJ.

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<sup>54</sup>Oct 8, 2012, [HSBC China Services PMI](#), Markit, markiteconomics.com

<sup>55</sup>Sep 26, 2012, [PBOC Makes Record Weekly Liquidity Injection](#), Nasdaq.

<sup>56</sup>Sep 11, 2012, [Sources & Uses of Credit Funds of Financial Institutions](#), PBOC, pbc.gov.cn

<sup>57</sup>Jul 12, 2012, [Financial Statistics for the rst half of 2012](#), PBOC, pbc.gov.cn

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<sup>59</sup>Sep 7, 2012, [Chinas Roads-to-Subways Construction Spurs Stocks Rally](#), Bloomberg.

<sup>60</sup>Sep 11, 2012, [Summary of Sources & Uses of Funds of Financial Institutions](#), PBOC, pbc.gov.cn

<sup>61</sup>Sep 17, 2012, [China Releases Financial 5-Year Plan, Mostly Reiterates Existing Policy](#), WSJ.

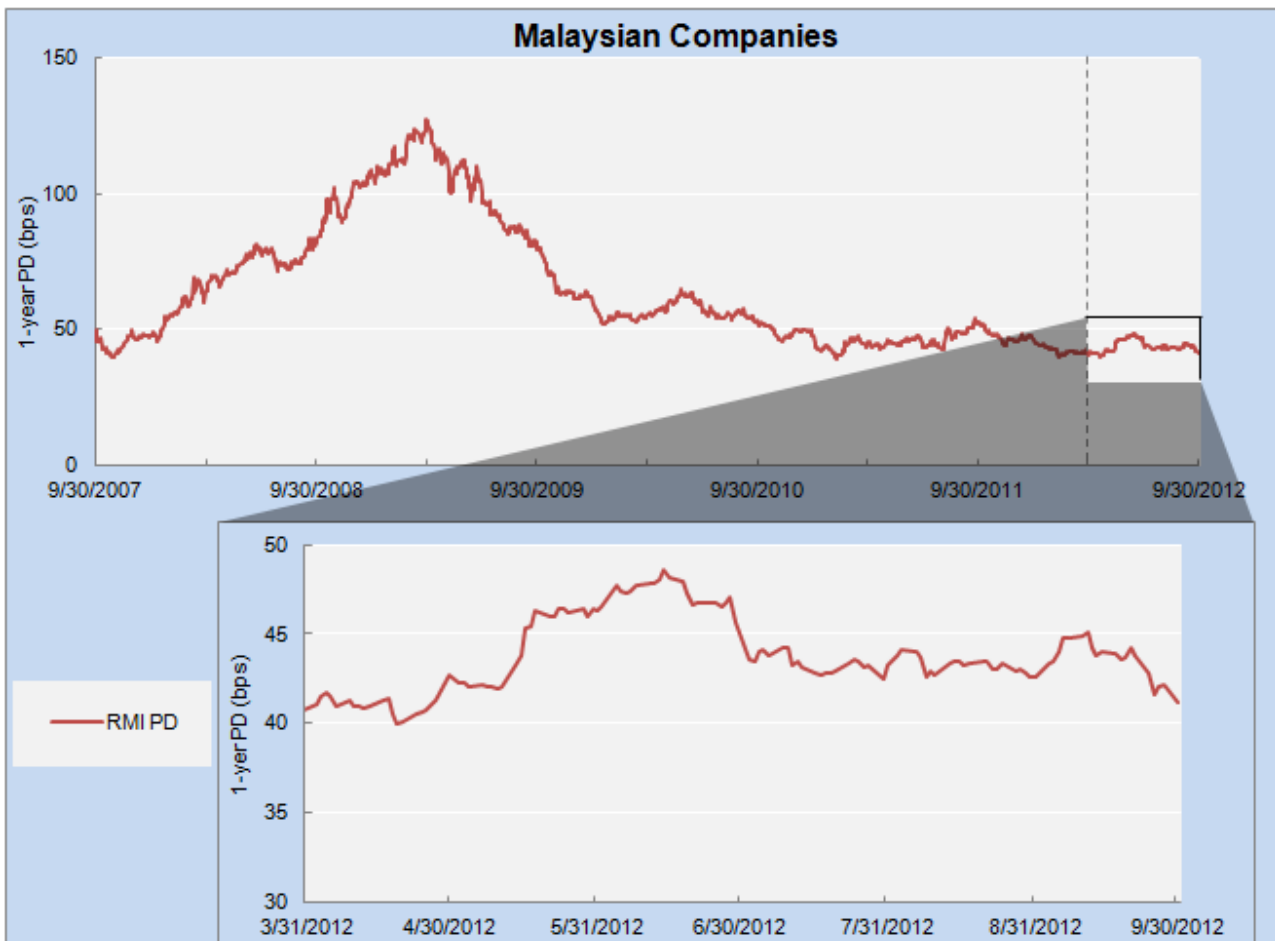
<sup>62</sup>Aug 15, 2012, [Commercial Banking Key Indicators](#), CBRC, crbc.gov.cn

<sup>63</sup>Aug 21, 2012, [China's Banks Risk Credit Crunch](#), WSJ.

<sup>64</sup>Sep 2, 2012, [China's steel traders expose banks' bad debts](#), Reuters.

## Malaysian Companies

The aggregate 1-year RMI PD for Malaysian companies declined slightly in Q3, returning to post-GFC lows, although it rose slightly in the month of September. Earnings remain healthy, due to strong domestic demand as growth remained stable in the last three months. Healthy unemployment levels likely prevailed through Q3, helped by fiscal incentives for employment. Funding and liquidity profiles remained stable during Q3, with extremely favorable funding conditions in local equity markets offsetting slightly higher funding costs in debt capital markets, higher bank rates and slower lending. Going forward, the credit outlook for Malaysian companies is favorable, as the central bank has room to support aggregate funding and liquidity, with inflation expected to remain moderate. In addition, resilient domestic growth and strong government spending are expected to support the earnings profiles of Malaysian companies. However, higher government debt levels will likely affect the government’s ability to provide support to Malaysian companies and the real economy.



## Economy

- The Malaysian economy grew by 3% QoQ in Q2. Growth was likely at a lower level during Q3, and will likely remain resilient with the IMF forecasting 4.4% YoY growth through 2012, and 4.7% growth through 2013.
- Unemployment remained stable at 3% during Q2, unchanged since Q4 2011. Higher government spending likely offset labor force expansion of 1.14% QoQ during Q3.<sup>65</sup>

- According to a government report, the special economic zone in Iskandar Malaysia has attracted MYR 95.5bn, or over 25% of its investment target as of June. The project has created 54,000 jobs since inception in 2006. Employment opportunities are expected to double in the next five years.<sup>66</sup>
- The MIER Consumer Confidence Index improved slightly during Q2, while retail sales grew 6.9% during Q1, lower than forecast. Analysts expect that retail sales remained muted during Q2, but may have increased during Q3 due to the Hari Raya holidays.<sup>67</sup>
- The MIER Business Conditions Index fell to 111.5 during Q2, from 116.5 during Q1. Industrial production contracted 0.7% YoY in August, as manufacturing sales slowed.

### Monetary

- Bank Negara Malaysia left its Overnight Policy Rate at 3% during Q3. The central bank said domestic demand continues to support economic growth, and inflation is expected to remain moderate.

### Funding & Liquidity

- Yields on 10-year government bonds increased slightly during Q3, to 3.56% at the end of September, from 3.52% at the end of June.
- Banks may have slowed lending during Q3, with disbursements of new loans to non-financial Malaysian companies growing 13.6% YoY in August, down from YoY growth of 27.8% during July and 24.7% growth during June.<sup>68</sup>
- Commercial bank base lending rates in Malaysia stayed stable at 6.53% per annum during Q3, while the base lending rate at investment banks increased slightly to 7.11% per annum in August.<sup>69</sup>

### Political

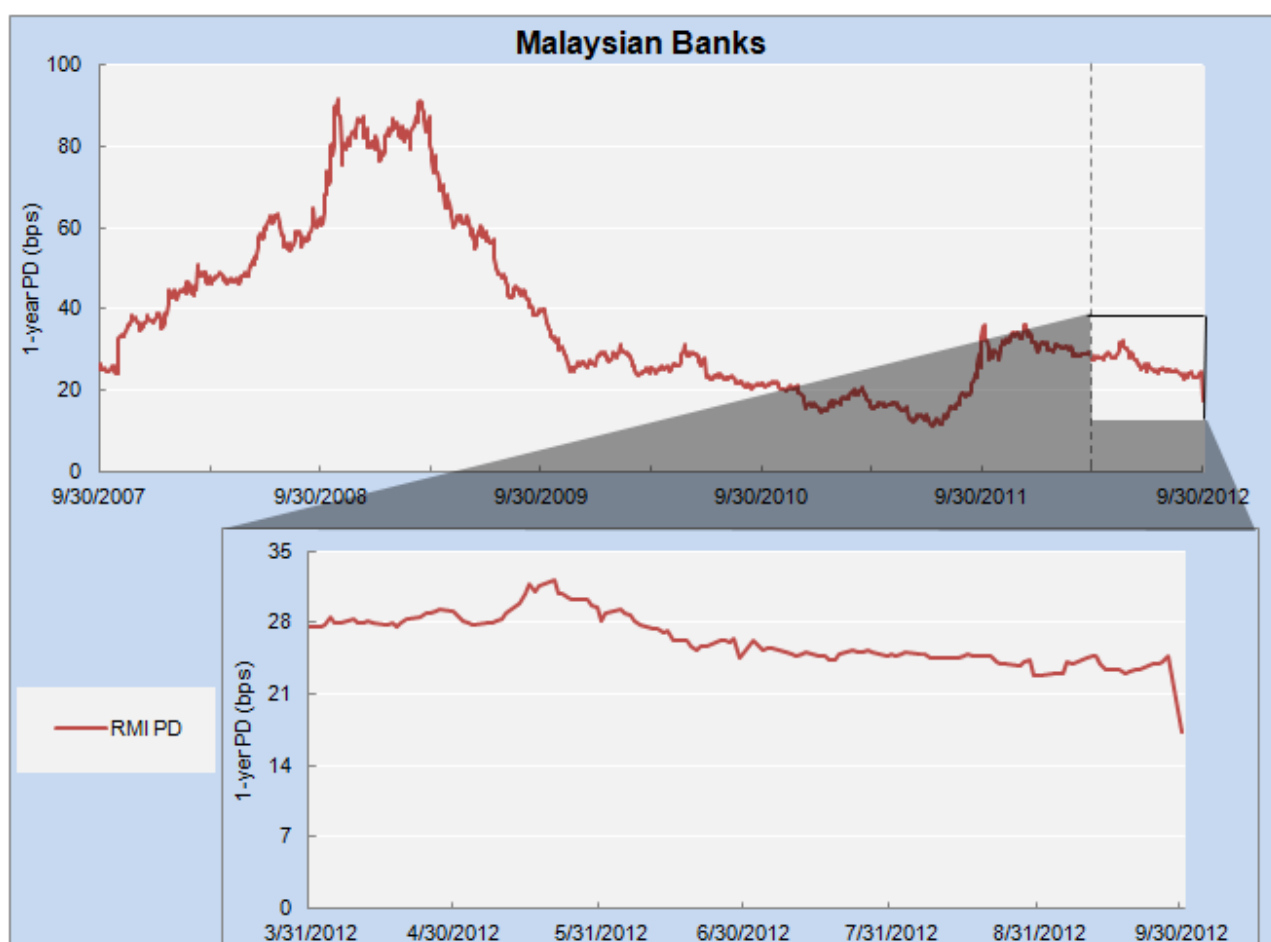
- The government deficit narrowed to 4.7% of GDP during the first half of 2012, down from 7% in 2009.<sup>70</sup>
- As of the end of 2011, the government debt to GDP ratio was 53.2%. According to IMF projections for 2016 the ratio will reach levels beyond 55% which is the statutory limit imposed in Malaysia.

### Sovereign Credit Ratings

- The three major CRAs retained A- equivalent ratings on the Malaysian government during Q3, with each CRA maintaining a stable outlook for the country.

## Malaysian Banks

The aggregate 1-year RMI PD for Malaysian banks declined significantly during Q3, falling to the lowest level in over a year during September. Earnings growth improved as lower funding costs in debt capital markets offset a decline in NIMs, the difference between the cost of deposits and interest earned on loans. Furthermore, fee income from higher IPO activity and strong domestic growth also contributed to resilient earnings growth. Aggregate liquidity has fallen from comparatively high levels considered unhealthy, and likely lent support to earnings as banks invested spare cash. Capital positions remain healthy and asset quality has improved somewhat. Going forward, the credit outlook for Malaysian banks is positive, despite a potential decrease in earnings, as asset quality and funding conditions are likely to continue to improve.



## Profitability

- Earnings at Malaysian banks increased 4.92% QoQ in Q2 to a record high of MYR 5.1bn, an improvement over earnings growth of 3.19% in Q1.
- Total loan applications shrunk during Q3, falling 10.8% and 18.5% MoM in August and July, respectively.<sup>71</sup>
- A proxy for NIMS at Malaysian banks based on average interest rates decreased during Q3, falling to 1.74% in August from 1.89% during June.<sup>72</sup>

## Funding & Liquidity

- The yield on Maybank's 5-year 3% bond fell to 2.15% in Q3, from 2.64% at the end of Q2. Maybank is the largest domestic bank by total assets.
- Deposit growth continued during Q3, albeit at a slightly slower pace, with total deposits increasing 13.5% YoY in both August and July, down from monthly YoY growth of 14% during Q1.<sup>73</sup>
- Deposit rates fell slightly in Q3, with the rate on savings deposits falling 1bps to 1.03% in August. Rates on 12-month fixed deposits also fell 1bps to 3.17%.
- Overall liquidity in the Malaysian banking system decreased slightly in Q2, with the aggregate LATDB ratio for listed banks falling slightly to 18.6% from 19.2% in Q1.

## Capital Levels & Regulations

- The banking system maintained adequate capital in Q3, as the aggregate risk-weighted capital ratio and core Tier 1 capital ratio stood at 14.6% and 12.7% respectively in August.<sup>74</sup>

## Asset Quality

- Total impaired loans at Malaysia banks fell to MYR 23.4bn, or 1.5% of total loans in August, continuing a gradual declining trend seen since February. The aggregate loan loss coverage ratio increased to 101.7% in August.<sup>75</sup>
- Aggregate provisions for loan losses increased slightly during Q3, after reaching an 18-month low in June.
- Concerns remain about market speculation in the property market. Analysts believe a proposed property gains tax will not curb ongoing speculation.<sup>76</sup>

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<sup>65</sup>Oct 6, 2012, [Malaysia IPOs break all-time record](#), The Star.

<sup>66</sup>Sep 28, 2012, [Iskandar Malaysia succeeds in drawing investments earlier than targeted date](#), Sinchew.

<sup>67</sup>Aug 28, 2012, [Malaysia's Q1 retail sales below forecast](#), The Star.

<sup>68</sup>Sep 28, 2012, [Banking System: Loans Disbursed by Sector](#), Bank Negara Malaysia, [bnm.gov.my](#)

<sup>69</sup>Sep 28, 2012, [Interest Rates: Banking Institutions](#), Bank Negara Malaysia, [bnm.gov.my](#)

<sup>70</sup>Sep 28, 2012, [Malaysia budget aimed to spur growth, win votes](#), Asiaone.

<sup>71</sup>Sep 28, 2012, [Banking System: Loans Applied by Purpose](#), Bank Negara Malaysia, [bnm.gov.my](#)

<sup>72</sup>Aug 27, 2012, [Net interest margins will still be under pressure](#), The Star.

<sup>73</sup>Sep 28, 2012, [Banking System: Statement of Capital and Liabilities](#), Bank Negara Malaysia, [bnm.gov.my](#)

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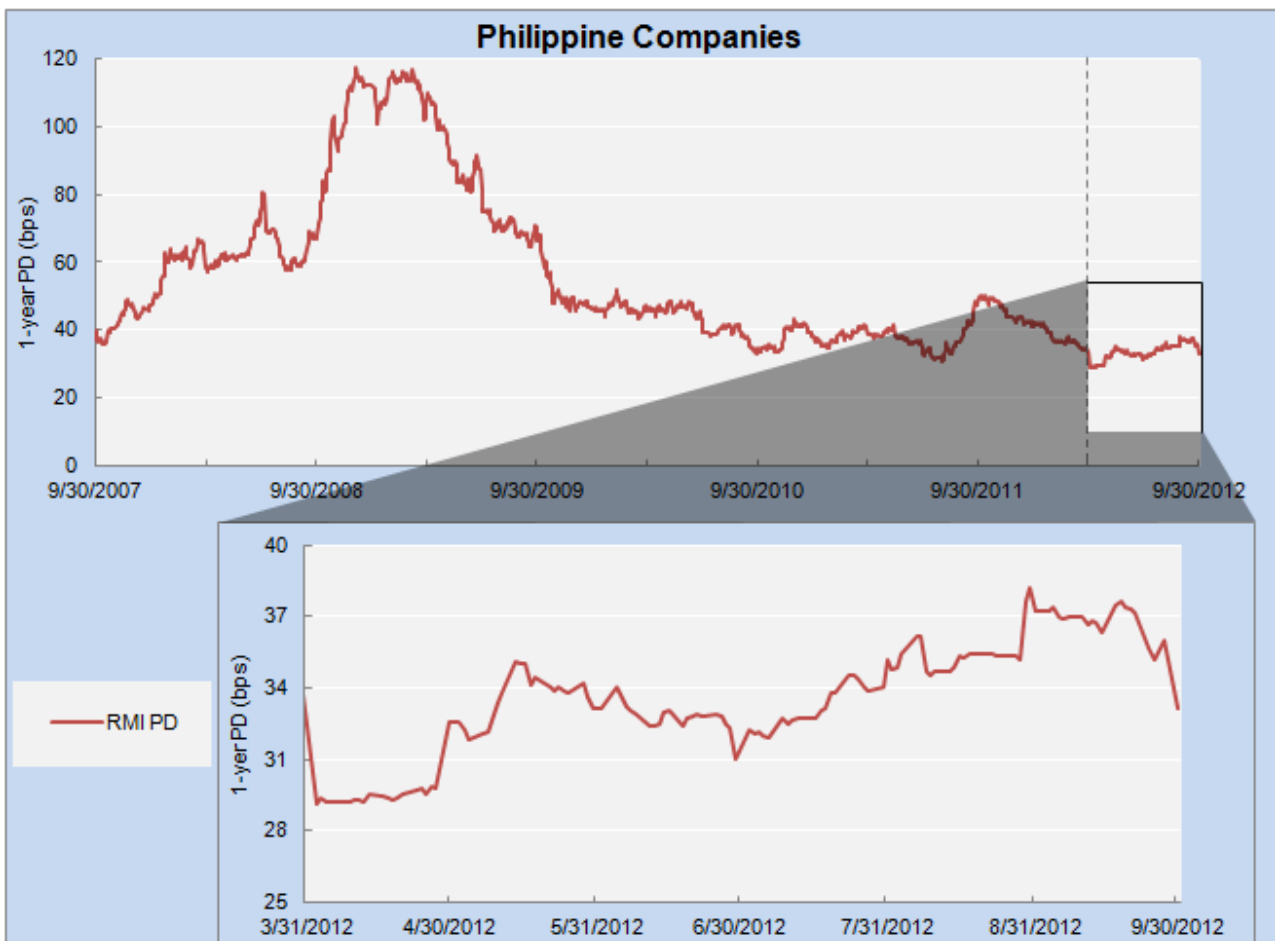
<sup>75</sup>Sep 28, 2012, [Monthly Statistical Bulletin Aug 2012](#), Bank Negara Malaysia, [bnm.gov.my](#)

<sup>76</sup>Oct 1, 2012, [Budget 2013: Revised RPGT has minimal impact, say analysts](#), Malaysian Reserve.



## Philippine Companies

The aggregate 1-year RMI PD for companies in the Philippines increased slightly during Q3, as a global slowdown in exports curtailed the earnings profiles of domestic firms, and also weighed upon overall business conditions. However, improving business optimism and stronger retail sales prevented a larger deterioration in credit quality. Funding and liquidity profiles remain favorable, and will improve in line with a likely continuing easing in monetary policy. The credit outlook for companies in the Philippines is positive, as improving Government finances allow for fiscal stimulus if required, while a potential final settlement with militant rebels will likely increase foreign investment inflows, improving the earnings prospects of Philippines companies.



## Economy

- The economy of the Philippines grew 0.2% QoQ during Q2, following growth of 3% during Q1. Growth likely improved during Q3, as the IMF increased its 2012 GDP forecast to 4.8% YoY growth, from an original projection of 4.2%.
- The unemployment rate at the end of Q3 was 7%, marginally higher compared to 6.9% in Q2. This increase may partly be explained by a relatively fast-expanding adolescent population.
- Exports remained unstable during Q3, falling 9% YoY in August after increasing 6% in July. Analysts expect further contraction as global demand slows.<sup>77</sup>



- A central bank index of business sentiment declined slightly during Q3, after increasing for four consecutive quarters. However, an index of expectations for future business conditions jumped in Q3, after decreasing during Q2
- Retail sales increased by 2% YoY in August, continuing the previous quarter's accelerating growth.
- The monthly government surplus improved to PHP 2.5bn at the end of August, from a deficit of PHP 39.2bn at the end of July on higher government revenues, improving the government's ability to support the economy.

### Monetary

- The Central Bank of the Philippines reduced its key policy rates by 25bps for the third time in a year on July 26, reducing the overnight borrowing and lending rates to 3.75% and 5.75% respectively.
- Interest rates may be reduced further in October, as the head of the central bank said there was room to cut rates to stimulate growth, due to a benign inflation forecast.<sup>78</sup>

### Funding & Liquidity

- Yields on 10-year bonds issued by the Government of the Philippines fell significantly during Q3, to 4.7% in September from 5.3% at the start of July.
- Total outstanding loans to the non-financial sector from banks in the Philippines fell 0.14% in July to PHP 2.2tr, after increasing 3.20% during Q2.<sup>79</sup>
- Average quoted interest rates on bank loans to companies in the Philippines fell around 35bps during Q3, to a range of 5.37% to 7.59% per annum in September from a range of 5.69% to 7.98% at the end of Q2.<sup>80</sup>

### Political

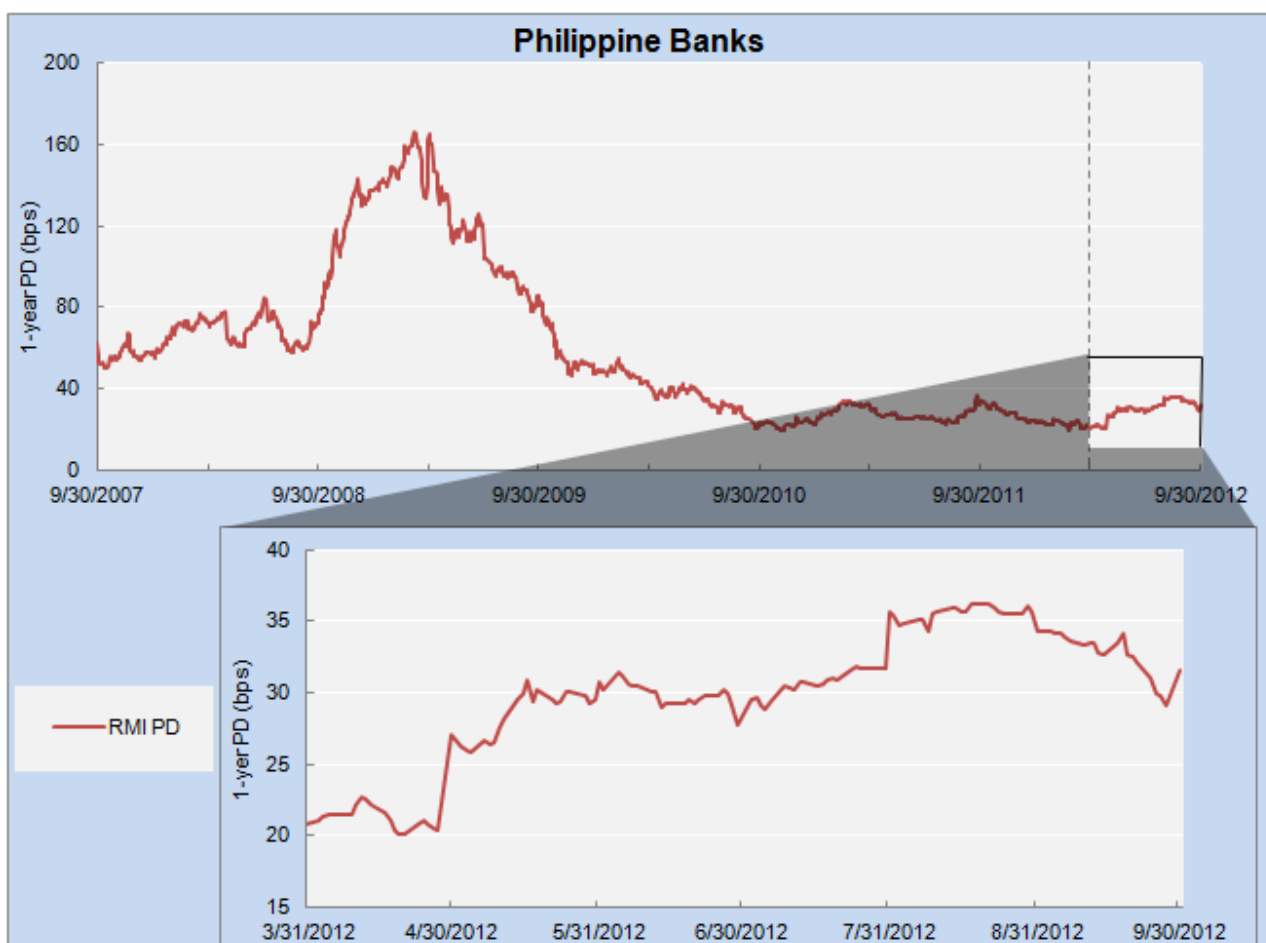
- The Government reached a preliminary deal with militant rebels in the south which will see a new political entity known as Bangsamoro replace the autonomous region of Mindanao. The agreement may prompt new investment in the resource rich region.<sup>81</sup>

### Sovereign Credit Ratings

- The Philippine National Government was upgraded to BB+ from BB S&P in July, the same level as Fitch's rating and one level below investment grade. The government remains on stable outlook at Fitch and S&P, and rated Ba2 by Moody's with a positive outlook.

## Philippine Banks

The aggregate 1-year RMI PD for banks in the Philippines declined in the last two months of Q3, after reaching a twelve month high in July, but closed above lows seen in the first half of 2012. Funding and liquidity profiles improved despite more expensive and slowing deposit growth. Banks will likely find bond markets less expensive going forward following strong sovereign issuance during Q3, and a regional pursuit of higher yielding securities. However, earnings are unlikely to reach levels seen in Q1, given lower trading gains and a possible reduction in net interest margins going forward. The sectoral credit outlook remains positive, as asset quality will likely continue to improve given increased oversight by the central bank.



## Profitability

- Combined net income of listed banks in the Philippines decreased 13.35% QoQ in Q2 to PHP 19.63bn, in the absence of massive trading gains seen in Q1.
- Banks in Philippines will most likely see loan issuance continue to grow, mainly from strong demand for real estate loans. Such loans continued to grow at over 20% YoY in July.<sup>82</sup>
- The average NIM at the end of Q1 for Philippine banks was 3.53%. A possible rate cut in Q4 may place pressure on NIM.<sup>83</sup>

## Funding & Liquidity

- Yields on 5-year 4.5% USD-denominated bonds issued by BDO Unibank, the largest bank in the Philippines, fell sharply during Q3, to 3.5% on September 28 from 4.22% at the start of Q3. Bank access to bond markets likely improved following a sovereign upgrade and strong issuance by the state.
- Total deposits at banks in the Philippines fell 2.2% during July, after increasing steadily during Q2. Banks continue to focus on increasing low-cost deposits, with time deposits decreasing during July.<sup>84</sup>
- Overall liquidity in the banking system of the Philippines improved slightly in Q2, with the aggregate LATDB ratio for listed banks increasing to 22.87% from 20.4% in Q1.

## Capital Levels & Regulations

- The central bank ordered banks to provide more details regarding real-estate exposures in August, including investments in securities that fund property transactions, in order to improve its ability to prevent the occurrence of a property bubble.<sup>85</sup>
- The central bank is also examining transactions in the domestic 'shadow banking' system in order to formulate regulations to prevent over concentration in any particular sector of the economy.<sup>86</sup>

## Asset Quality

- Asset quality likely improved during Q3, as listed banks reduced provisions for bad loans by 32.3% during Q2, to PHP 4.1bn or 0.2% of total assets, down from provisions of PHP 6.1bn during Q1.
- The non-performing loan ratio for commercial banks increased slightly to 2.08% in July, up slightly from a record low of 2.06% in June, but down from 2.36% at the end of Q1.<sup>87</sup>

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<sup>77</sup>Oct 10, 2012, [Philippine Exports Decline 9% In August](#), RTT News.

<sup>78</sup>Oct 10, 2012, [Philippines Sees Room for Interest-Rate Cut](#), WSJ.

<sup>79</sup>Oct 3, 2012, [Philippine Universal and Commercial Banking System: Outstanding loans](#), Bangko Sentral Ng Pilipinas, bsp.gov.ph

<sup>80</sup>Aug, 2012 [Selected Domestic Interest Rates](#), Bangko Sentral Ng Pilipinas, bsp.gov.ph

<sup>81</sup>Oct 8, 2012, [Philippine Deal May End Violence, Lure Investors: Southeast Asia](#), Bloomberg.

<sup>82</sup>Sep 30, 2012, [Real Estate Loans Surge 19%](#), Manila Bulletin.

<sup>83</sup>Sep 3, 2012, [Income Statement and Key Ratios](#), Bangko Sentral Ng Pilipinas, bsp.gov.ph

<sup>84</sup>Sep 3, 2012, [Philippine Universal and Commercial Banking System: Balance sheet and key ratios](#), Bangko Sentral Ng Pilipinas, bsp.gov.ph

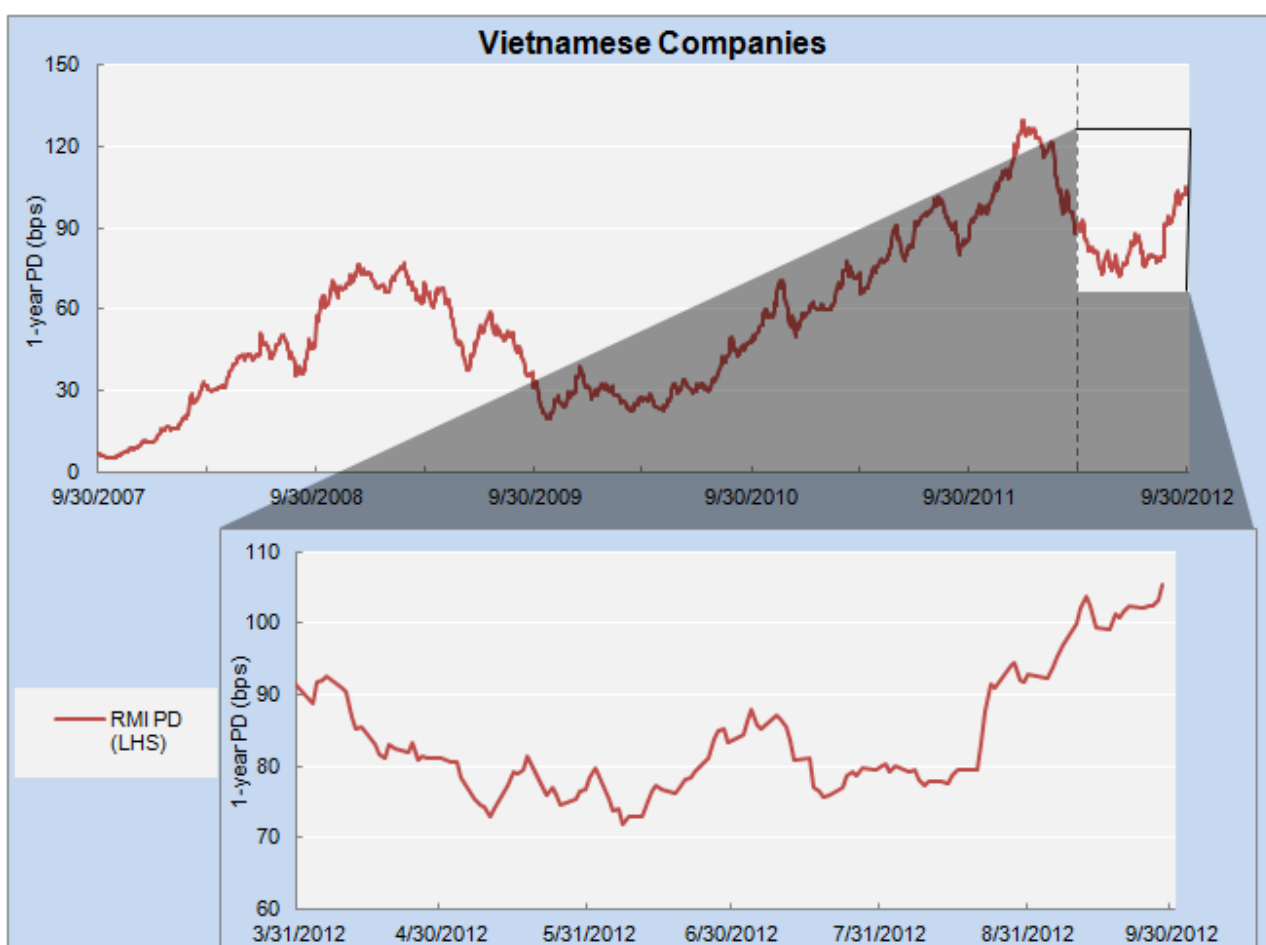
<sup>85</sup>Sep 10, 2012, [Philippines Oversight Aims to Avert Asset Bubble: Southeast Asia](#), Bloomberg.

<sup>86</sup>Sep 30, 2012, [Shadow banking a concern for BSP](#), Business World.

<sup>87</sup>Sep 3, 2012, [Philippine Universal and Commercial Banking System: Selected asset quality indicators](#), Bangko Sentral Ng Pilipinas, bsp.gov.ph

## Vietnamese Companies

The aggregate 1-year RMI PD for Vietnamese companies increased sharply during Q3, after falling to a 12-month low during Q2. Corporate profitability weakened as economic growth continued to moderate. A decline in exports led to a further slowdown in manufacturing. Unemployment remained stable during Q3, but a large number of companies are planning to downsize in the near future. Retail sales slowed at the fastest rate on record, while inflation once again increased. This may reduce the scope the central bank has to stimulate the economy, after reducing key interest rates at the beginning of Q3. Despite easing monetary policy, funding and liquidity conditions deteriorated somewhat as banks reduced lending to focus on cleaning up bad loans. The credit outlook for Vietnamese companies will likely remain negative, as growth and employment forecasts remain negative, weighing on profitability, while funding profiles remain unfavorable.



## Economy

- The Vietnamese economy grew 5.35% YoY during Q3 as the government enacted stimulus measures, following 4.66% growth in Q2. This is down from growth of 5.9% during Q4 2011. Growth will likely moderate during Q4, as the IMF predicts growth of 5.1% YoY during 2012. However, this would be the lowest level of growth since 1999.<sup>88</sup>
- Unemployment fell slightly during Q3, to a yearly low of 2.17% from 2.29% at the end of Q2. The General Statistics Office said that unemployment is likely to increase, as 31.7% of companies plan to downsize.<sup>89</sup>
- Retail sales slowed during Q3, with year-to-date sales increasing at the slowest pace on record in August and September. Consumer prices in Vietnam increased 6.48% YoY during September after a 5.04% increase during August, the lowest rate in three years.

- The Vietnam Manufacturing PMI remained in contraction territory during Q3, increasing slightly to 49.2 in September, up from 47.9 in August and a record low of 43.6 in July.<sup>90</sup>
- Vietnamese exports decreased by 5.89% MoM to USD 9.7bn during September.<sup>91</sup>

### Monetary

- The State Bank of Vietnam eased monetary policy at the start of Q3, leaving its base interest rate at 9%, but cutting the refinancing and discount rates to 10% and 8% respectively in order to encourage bank lending.
- The central bank maintained previous reserve requirements for VND-denominated deposits during Q3, but reduced the reserve requirements on foreign currency deposits by 100bps in order to quell inflation and reduce pressure on the VND.<sup>92</sup>

### Funding & Liquidity

- Yields on 10-year Vietnamese government bonds increased to 10.5% at the end of Q3, from 10.3% at the end of Q2.
- Domestic banks reduced lending to non-financial companies in the six months ending Q2, and likely continued to reduce credit growth through Q3, as they are unwilling to lend due to soaring bad loan levels.
- The three month VNIBOR deposit fixing increased slightly during Q3, to 7.45% on September 28, from a record low of 6.3% in August.
- The interest rates on ordinary VND-denominated lending by commercial banks decreased slightly during Q3, to a range of 12% to 15% in September, from a range of 12% to 16% in July.<sup>93</sup>

### Political

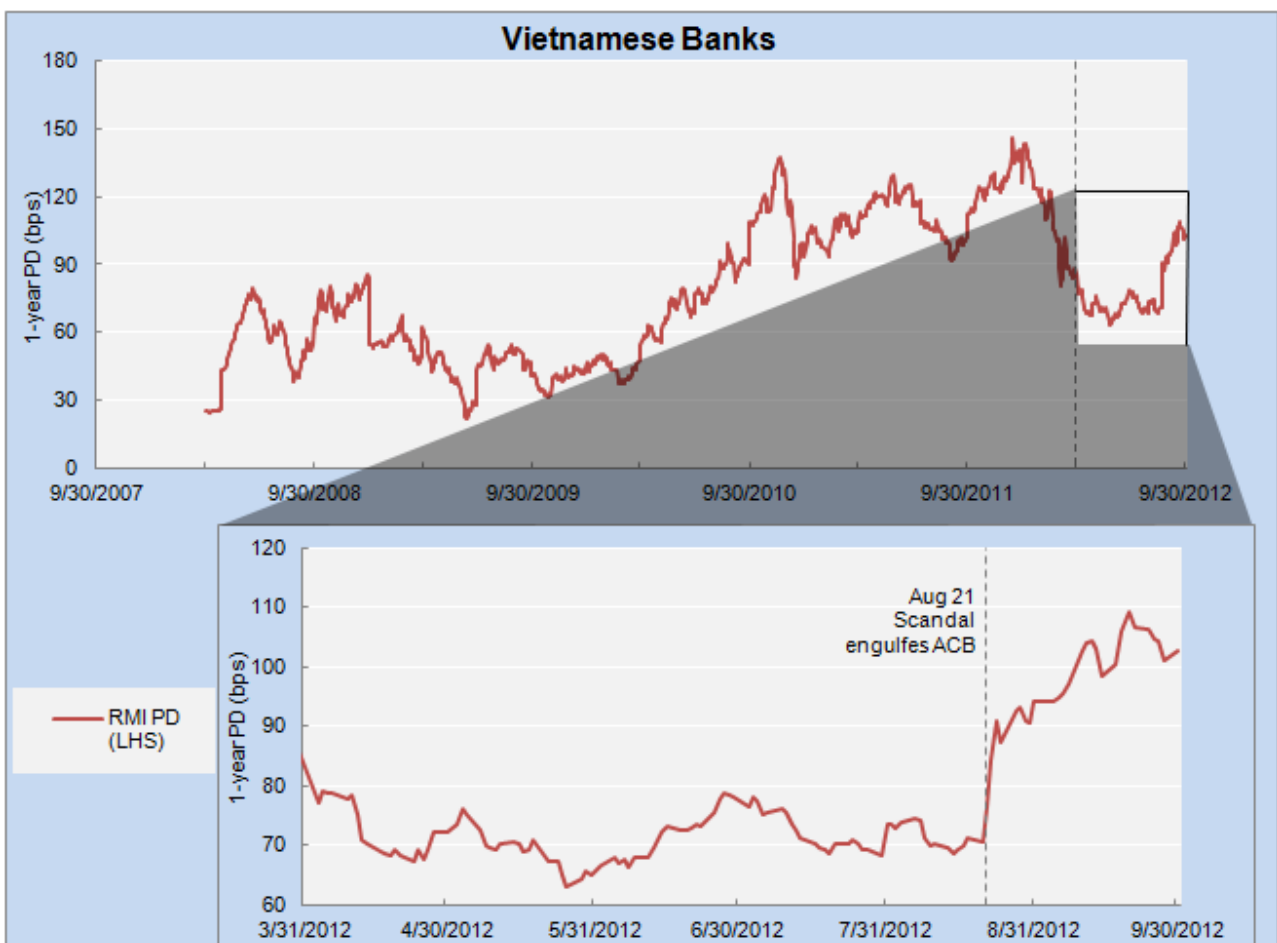
- A State Bank of Vietnam official said the country had no plans to ask the IMF for aid, after a parliamentary committee suggested the country ask for a loan to restructure its banks in September.<sup>94</sup>
- The Vietnamese government cut the corporate income tax for small and medium-sized enterprises (SMEs) by 30% on September 20, and deferred payments of personal income taxes for low income earners due July 1 until the end of the year.<sup>95</sup>

### Sovereign Credit Ratings

- At the end of Q3, Moody's downgraded Vietnam's sovereign rating to B2 from B1. Fitch maintained its B+ rating on the country, while S&P retained a BB- rating. The country is on stable outlook at all three ratings agencies.

## Vietnamese Banks

The aggregate 1-year RMI PD for Vietnamese banks increased dramatically during Q3, as bad loan levels increased and a scandal engulfed Vietnam’s largest non-state owned lender, Asia Commercial Bank (ACB). Weakening loan quality, due to poor performance by previously favored state-owned enterprises, and slower economic growth likely impaired profitability through Q3, after earnings contracted significantly in Q2. Funding & liquidity profiles stabilized somewhat as banks sought to address asset-liability mismatches, but this will likely contribute to an increase in overall funding costs going forward. Moreover, asset quality will continue to weigh on the sector’s credit outlook in the near term, as the government forces banks to deal with bad loans and lenders increase their risk appetite in the real estate sector to offset declining profitability in other business segments.



### Profitability

- Aggregate earnings of listed Vietnamese banks fell 29.5% QoQ during Q2, and likely declined further during Q3 as slowing exports placed pressure on trade finance earnings.

## Funding & Liquidity

- The ACB scandal triggered a large outflow of deposits, highlighting systemic vulnerabilities. ACB required support from the state to maintain adequate liquidity.<sup>96</sup>
- The only bond issuance by a domestic bank in 2012 was Vietnam Joint Stock Commercial Bank's 8% five-year USD-denominated notes issued in May. This is the largest Vietnamese lender. Yields on these notes increased to 8.65% during Q3, from 8.25% at issuance.
- The government said bank deposits increased 11.2% year to date at the end of August, resulting in higher liquidity in the banking system.<sup>97</sup>
- To offset a large mismatch in asset and liability maturities, banks are looking to increase their deposit bases by offering rates above the 9% ceiling stipulated by the central bank.<sup>98</sup>

## Capital Levels & Regulations

- The arrest of the founder of ACB and several senior executives for breaching central bank regulations, highlighted ongoing problems with transparency and weak corporate governance in the banking system.

## Asset Quality

- The Government of Vietnam announced that the quality of favorable loans made to state-owned companies has deteriorated, and nonperforming loans could be as high as 10% of the banking system.<sup>99</sup>
- Managing bad debts and settling poor banks remain the key priorities of a government-led restructuring of wholly and partly state owned lenders. However the lack of expertise in such operations might be a concern.<sup>100</sup>
- A number of commercial banks began offering preferential loans at attractive rates for real estate purchases during Q3, offering loans of up to 70% of a property's value.<sup>101</sup>

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<sup>88</sup>Oct 1, 2012, [Economic growth continues to accelerate](#), State Bank of Vietnam, sbv.gov.vn

<sup>89</sup>Jul 1, 2012, [Vietnam unemployment up slightly to 2.29%](#), Thanh Nien News.

<sup>90</sup>Oct 1, 2012, [HSBC Vietnam Manufacturing PMI](#), Markit, markiteconomics.com

<sup>91</sup>Oct, 2012, [Social and Economic Situation](#), Statistical Office of Vietnam, gso.gov.vn

<sup>92</sup>Aug 29, 2012, [Vietnam Raises Dollar Reserve Ratios](#), Bloomberg.

<sup>93</sup>Sep 27, 2012, [Weekly Information on Banking Activities](#), State Bank of Vietnam, sbv.gov.vn

<sup>94</sup>Sep 8, 2012, [Vietnam Has No Plans to Seek IMF Loan to Resolve Bad Debt](#), Bloomberg.

<sup>95</sup>Aug 3, 2012, [Vietnam to cut SME corporate tax by 30%](#), Thanh Nien News.

<sup>96</sup>Aug 24, 2012, [Vietnam arrests point to greater malaise](#), Financial Times.

<sup>97</sup>Oct 5, 2012, [Vietnam Downgrade Adds Momentum to Clean Up State Loans: Economy](#), Bloomberg.

<sup>98</sup>Sep 28, 2012, [Banks still rush to pay much for deposits, despite weak credit demand](#), VietNamNet.

<sup>99</sup>Sep 10, 2012, [Vietnam Loses Glow as a Market Darling](#), WSJ.

<sup>100</sup>Sep 28, 2012, [Govt prioritizes inflation curb and macroeconomic stability](#), The State Bank of Vietnam.

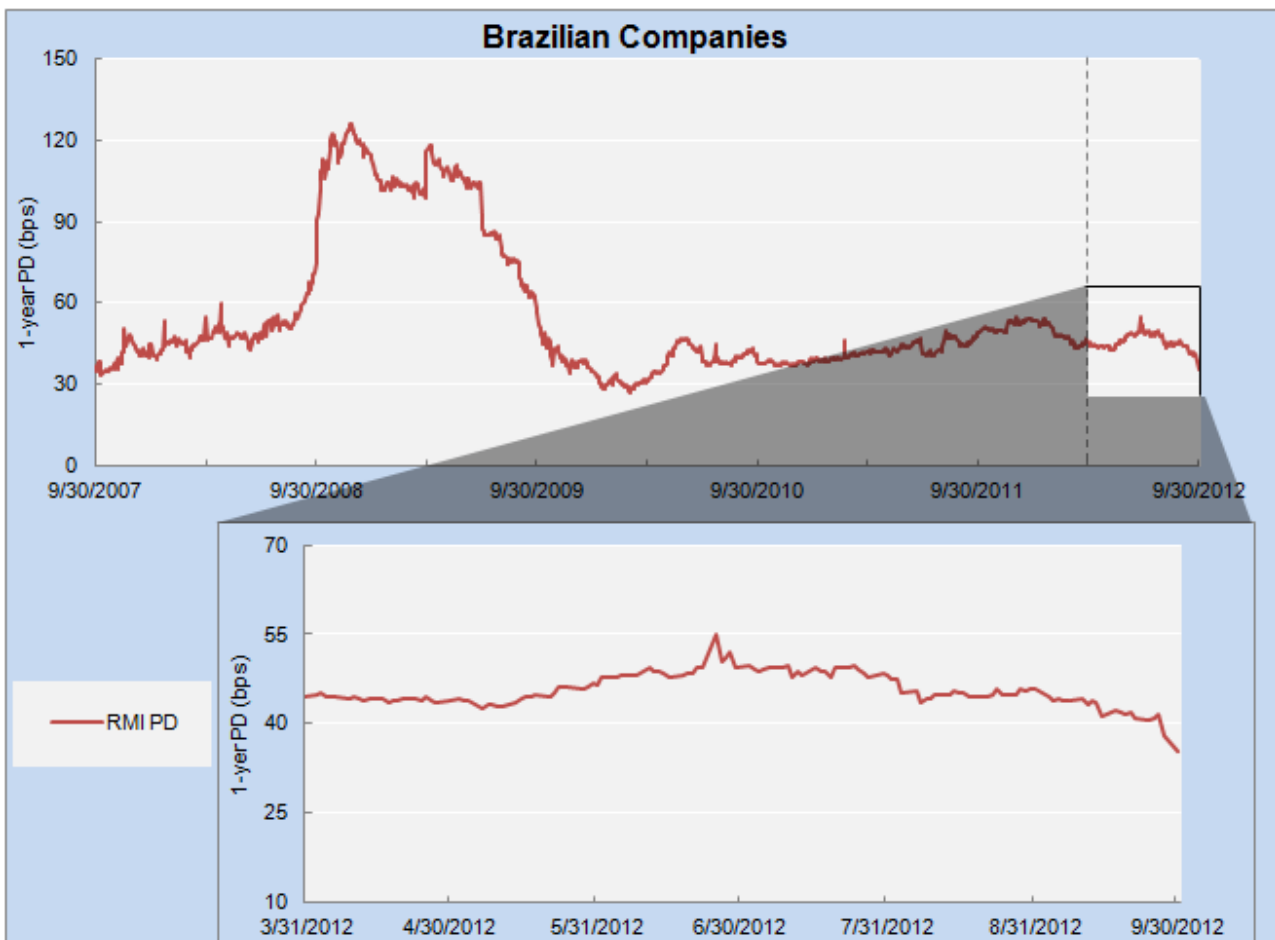
<sup>101</sup>Aug 4, 2012, [Banks resume real-estate lending](#), Vietnam News.



# Latin America

## Brazilian Companies

The aggregate 1-year RMI PD for Brazilian companies fell slightly during Q3, to the lowest level seen since early-2010. However, earnings profiles have been negatively affected by a slowdown in key exports, and continued slow growth in the manufacturing sector. However, renewed growth in the retail and services sectors and an improvement in unemployment levels appear to have offset macroeconomic headwinds. Moreover, the central bank has continued to ease monetary policy in order to restart growth, contributing to a slight improvement in funding and liquidity profiles. Going forward, growth is expected to improve, albeit unevenly. Government investment will lend support to earnings profiles but a favorable turnaround in trade and credit conditions will continue to depend on China's growth, stability in the eurozone and a global economic revival.



## Economy

- Sluggish economic growth continued in Q2, with the economy expanding 0.4% QoQ after growing 0.14% during Q1. Growth is likely to remain slow going forward, as a survey of 2012 growth expectations fell for seven consecutive weeks in Q3, to 1.57% YoY. The IMF expects the Brazilian economy to grow 2.5% YoY in 2012.<sup>102</sup>
- The unemployment rate in Brazil was last reported at 5.3% in August, down from a yearly high of 6.5% in March.
- Retail sales recovered during Q3, increasing 10.1% YoY during September and 7.2% in August, after growing just 6% in May.



- A fall in both the volume and price of key exports such as iron-ore and sugar has dragged down Brazil's trade surplus this year, causing the government to forecast zero growth in exports at best. In August, Brazil's export revenues fell 3.7% YoY.<sup>103</sup>
- The USDBRL exchange rate remained favorable to Brazilian exporters during Q3, after falling 7.6% against the USD and 5.1% against the EUR in the first half of the year.
- The Brazil manufacturing PMI increased slightly to 49.8 in September, up from 49.3 in August, as production preparation for new product launches offset a decline in new orders and exports.<sup>104</sup>
- The PMI for the Brazilian services sector rose to 52.8 in September, up from 48.1 in August, while the Composite Output Index increased to 52.2, up from 48.6 in August, indicating that stronger growth in the services sector is offsetting slower exports.<sup>105</sup>

### Monetary

- The central bank cut its benchmark Selic rate twice in Q3, reducing the rate by a total of 100bps to an historic low of 7.5%.<sup>\*</sup> The second 50bps cut on August 29 was the ninth consecutive rate reduction.
- Inflation picked up again during Q3, with an index of consumer prices increasing to 5.28% in September from an 18-month low of 4.92% in June.

### Funding & Liquidity

- Yields on 10-year Brazilian bonds fluctuated between 9.5% and 10% during Q3, closing at 9.82% on September 28 from 10.2% on June 29, down 20bps.
- Banks slowed lending during Q3, with lending to the private sector increasing just 13.33% YoY during August, the slowest rate since mid-2010.<sup>106</sup>
- Money market interest rates fell to 7.36% per annum in September, following monetary easing by the central bank. The average quoted bank lending rate fell to 30% per annum in August, from 31.1% in June.<sup>107</sup>

### Political

- Brazil has announced a BRL 133bn stimulus plan intended to revive the country's road and railway systems and help bolster the economy. More than half of the funds are expected to be spent in the next five years, in preparation for the upcoming 2014 World Cup and 2016 Olympics.<sup>108</sup>

### Sovereign Credit Ratings

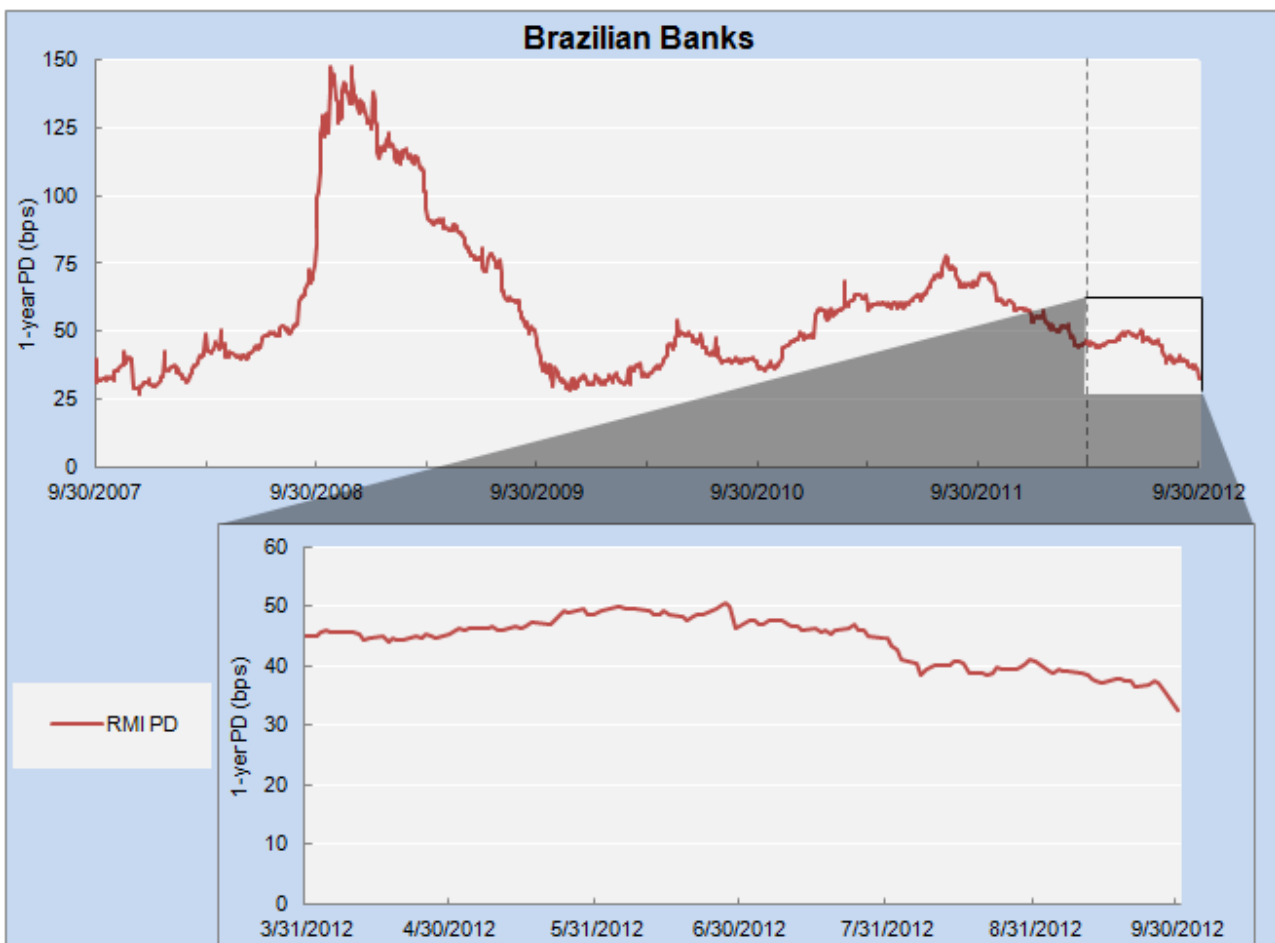
- The three major CRAs retained BBB-equivalent ratings on the Brazilian government during Q3, with Moody's maintaining a Positive outlook, while Fitch and S&P retained stable outlooks.

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<sup>\*</sup>The central bank cut the Selic rate again October 10, by 25bps to 7.25%

## Brazilian Banks

The aggregate 1-year RMI PD for Brazilian banks fell in Q3, reaching levels not seen since late-2009 after the central bank seized and then liquidated the sixth largest lender, Banco Cruzeiro do Sul. However, earnings remain stagnant and banks continue to face asset quality problems, a contributing factor in Cruzeiro's demise. Funding and liquidity profiles improved slightly, with strong deposit growth amid lower interest rates offsetting higher overseas funding costs. Going forward, the credit outlook for Brazilian banks is negative as net income margins are expected to contract further and asset quality problems may remain persistent as uneven economic growth continues.



## Profitability

- Earnings at Brazilian banks remained stagnant during Q2, as aggregate earnings grew just 0.16% QoQ, after falling 5.82% in Q1.
- Net interest margins will likely decline from the current 23%, the highest level in the world, as the government has said an average lending rate of 30.7% is unrealistic going forward.<sup>109</sup>

## Funding & Liquidity

- Average coupon rates on 5-year senior unsecured USD denominated bank bonds increased to 5% at the end of Q3, from close to 4% in July, and 4.5% in the first half of 2012.
- Deposits growth continued to accelerate during Q3, increasing 15.7% YoY in both July and August, up from growth rates seen during Q2.
- Deposit rates fell 57bps to 7.29% in the first two months of Q3, down from 7.85% at the end of Q2. Deposit rates likely declined another 40bps, in line with central bank monetary easing.

## Capital Levels & Regulations

- The central bank-led liquidation of Banco Cruzeiro do Sul, the sixth largest Brazilian bank, in September has raised concerns about the regulatory ability of the Brazilian central bank. Market participants believe poor oversight of Cruzeiro's risk profile and lax accounting controls caused the bank to fail.<sup>110</sup>

## Asset Quality

- Provisions for loan losses at listed Brazilian banks increased 6% during Q2, to BRL 14bn. The aggregate default ratio remained at 5.9% during August, the highest level on record.<sup>111</sup>
- The driver behind an increase in loan defaults was a slight increase in consumer loan delinquencies, which remained near 8% through Q3, while corporate loans remained at 4.1%.<sup>112</sup>
- Lower interest rates and reduced tax burdens will likely allow many borrowers to catch up on missed loan payments through Q4, reducing defaults.<sup>113</sup>

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<sup>102</sup>Sep 17, 2012, [Brazil Economists Cut '12 GDP Growth Forecast to 1.57% From 1.62%](#), WSJ.

<sup>103</sup>Sep 3, 2012, [Brazil cuts 2012 exports view as global headwinds hit demand](#), Bloomberg.

<sup>104</sup>Oct 1, 2012, [HSBC Brazil Manufacturing PMI](#), Markit, markiteconomics.com

<sup>105</sup>Oct 3, 2012, [HSBC Brazil Services PMI](#), Markit, markiteconomics.com

<sup>106</sup>Sep 2012, [Financial System Historical Series](#), Banco Central Do Brasil, bcb.gov.br

<sup>107</sup>Oct 5, 2012, [Interest rates](#), Banco Central Do Brasil, bcb.gov.br

<sup>108</sup>Aug 15, 2012, [Brazil announces \\$60bn stimulus package](#), BBC.

<sup>109</sup>Aug 30, 2012, [Brazil banks put the brakes on lending as defaults rise](#), Reuters.

<sup>110</sup>Sep 14, 2012, [Brazil shuts 2 mid-sized banks, raises oversight doubts](#), Reuters.

<sup>111</sup>Sep 26, 2012, [Summary of interest rate reference credit operations](#), Banco Central Do Brasil, bcb.gov.br

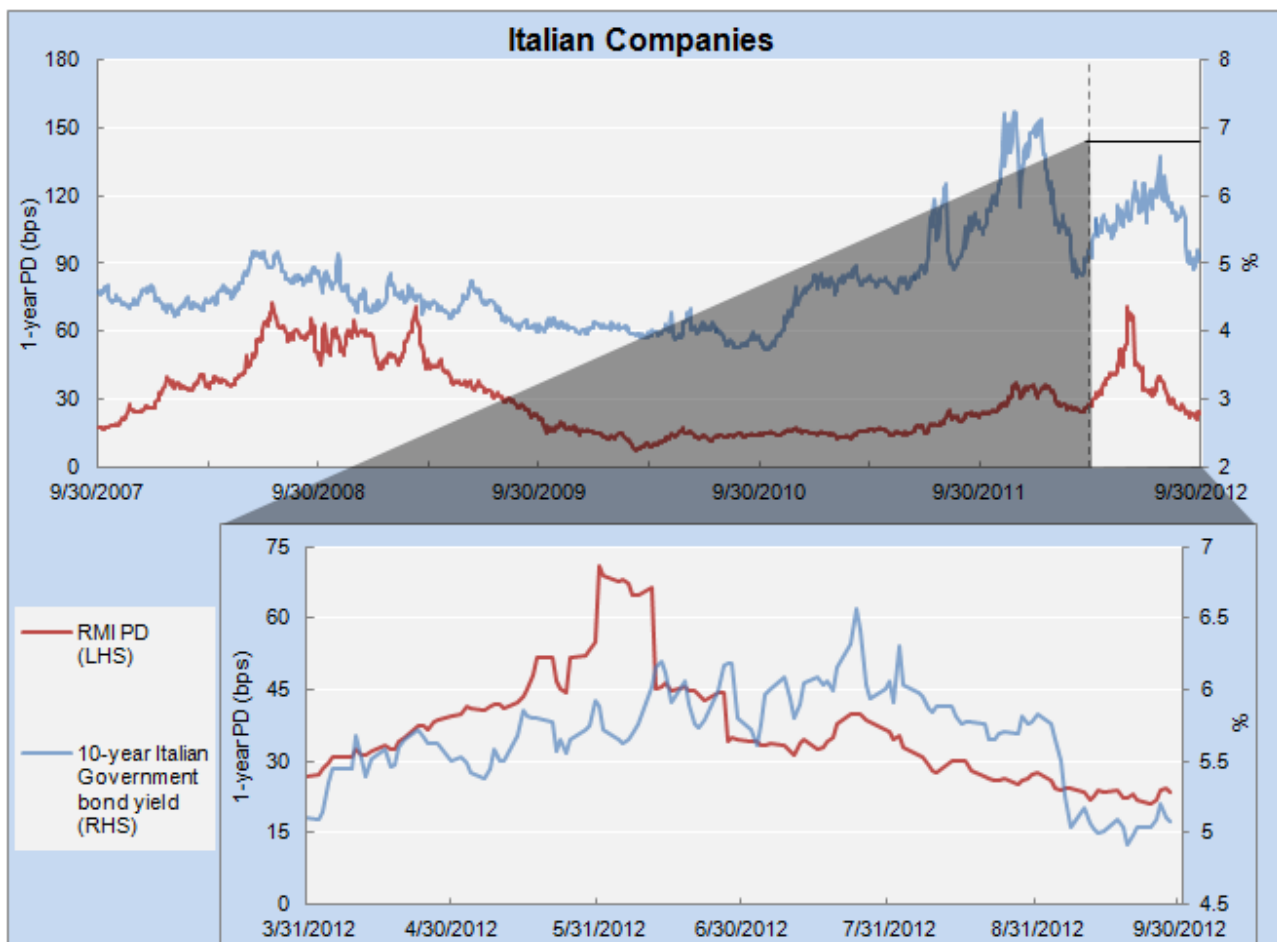
<sup>112</sup>Jun 26, 2012, [Brazil loan defaults hit record high as borrowing costs fall](#), Reuters.

<sup>113</sup>Aug 30, 2012, [State banks lead Brazil lending rise; defaults steady](#), Reuters.

# Europe

## Italian Companies

The aggregate 1-year RMI PD for Italian companies fell during Q3, after increasing significantly during Q2, as general market sentiment improved following the announcement of potential ECB bond purchases. However, the RMI PD remains high relative to levels seen before the Global Financial Crisis, indicating a deepening recession continues to weigh upon the credit profiles of Italian companies. Profitability will likely be impaired by slowing business activity and extremely high unemployment levels, which have severely affected consumer confidence. Overall liquidity conditions remain tight, as a slowdown in bank lending has offset a decline in funding costs. Going forward, the credit outlook for Italian companies remains negative. Economic contraction will continue to curtail earnings, while ongoing austerity measures may reduce the government's ability and willingness to support Italian companies.



## Economy

- The Italian economy contracted by 0.8% QoQ again in Q3, as an ongoing recession deepened. The government revised down its GDP forecasts in Q3, with the economy now expected to shrink by 2.4% YoY in 2012, and 0.5% during 2013.<sup>114</sup>
- The unemployment rate reached a new 12-year high of 10.7% in June, and remained at the same level through Q3. High unemployment among under-25s continued in Q3, leveling off at 34.5% in August.

- The Italy Manufacturing PMI rose to 45.7 in September from a yearly low of 43.6 in August, while the Services PMI also increased to 44.5 in September from 44.0 in August. However, both indices continue to indicate a decline in business activity.<sup>115,116</sup>
- Markit reported that new orders in both sectors continue to decline, with employers continuing to shed jobs in response.
- An index of consumer confidence increased slightly in Q3, to 86.2 in September, after falling to an all time low of 85.5 in June. Retail sales likely remained slow in Q3, falling 0.2% MoM in July after recovering slightly from a record low in April.

### **Funding & Liquidity**

- Yields on 10-year Italian bonds fell significantly during Q3, after the ECB announced new and potentially unlimited bond purchasing plans. Italian bond yields fell to 5.1% at the end of Q3, after reaching a six month high of 6.6% on July 24.
- Interest rates on new bank loans to non-financial Italian companies dropped to 5.16% per annum in August.<sup>117</sup>
- Despite lower interest rates, bank lending to non-financials fell 0.84% between June and August, as banks slowed lending amidst an ongoing recession, tightening overall credit conditions.<sup>118</sup>

### **Political**

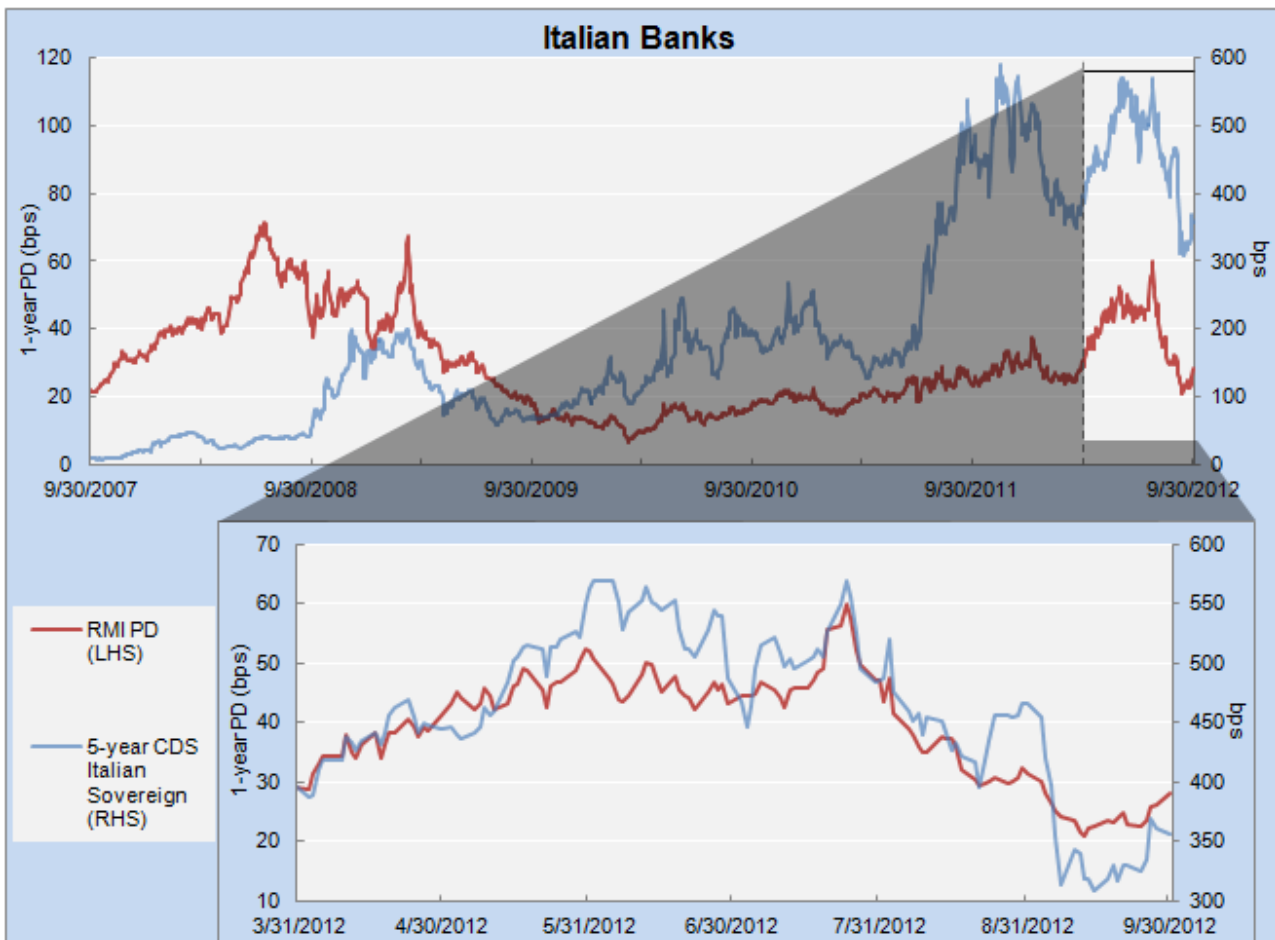
- Despite the implementation of austerity measures, the government revised its forecast of the deficit to GDP ratio to 2.6% for 2012, up from an original forecast of 1.7%. Tax receipts have been lower than expected, and spending cuts could be increased if the deficit breached the EU-mandated 3% level.<sup>119</sup>
- The government also said the public debt-to-GDP ratio would remain at 120% through 2015; the government must raise EUR 415bn in funding, or 25% of GDP, in the next fiscal year.
- Despite progress, the OECD said in September that Italy must pursue more extensive structural reforms to raise competitiveness, for example, by reducing worker protections that increase the cost of labor.<sup>120</sup>

### **Sovereign Credit Ratings**

- Moody's downgraded the Italian government to Baa2 from A3 on July 13. Fitch and S&P maintained respective A- and BBB+ ratings on Italy during Q3. The country remains on negative watch at all three CRAs.

## Italian Banks

The aggregate 1-year RMI PD for Italian banks fell during Q3, reaching the lowest level since March in September. The ECB's bond buying program, announced during September, led to a rally in Italian government bonds, reducing concerns over large holdings of such debt at Italian banks. Lenders likely booked trading gains on these holdings during Q3. Despite lower yields on sovereign bonds, lenders continue to face elevated funding costs. This is partially due to a competition for deposits, as lenders fight against deposit outflows that continued through Q3. However, liquidity conditions have improved significantly, as banks have increased cash holdings. The sectoral credit outlook remains negative, as earnings quality is likely to remain weak as an ongoing recession weighs upon asset quality.



### Profitability

- Aggregate earnings at listed Italian banks remained weak during Q2, and will likely remain as the economy contracts.
- However, Q3 earnings will likely be boosted by one-off gains on sovereign bond holdings, as government yields fell sharply after the ECB announced a bond buying plan on September 5.

### Funding & Liquidity

- Despite easing yields on government bonds, average coupons on new 5-year Italian bank bond issuances remained between 4.5% and 5% during Q2.

- Italian lenders will likely face a large financing gap when EUR 255 of cheap ECB LTRO loans expire at the end of 2014. ECB funds currently cover 28% of Italian lenders' aggregate funding gap.<sup>121</sup>
- A significant outflow of corporate deposits during July likely slowed deposit growth during Q3, with total deposits at Italian banks rising only slightly during August after falling 1.23% during July.
- Deposit rates remained elevated during Q3, with rates on redeemable deposits at 1.82% per annum, the highest level since early 2009.<sup>122</sup>
- Overall liquidity in the Italian banking system improved significantly during Q2, with the aggregate LATDB ratio for listed banks increasing to 12.6% from 11.3% in Q1.

### Capital Levels & Regulations

- All Italian banks except for Banca Monte dei Paschi di Siena met the 9% core Tier 1 capital ratio prescribed by the EBA before June 30. This may make it difficult for Monte dei Paschi, the third-largest Italian lender, to raise EUR 1bn in new capital from investors, after receiving EUR 3.9bn from the Italian state during Q3.<sup>123</sup>
- Italian lenders have asked the government to review the Bank of Italy's equity value, as a way to boost their capital levels. The central bank is currently valued at a symbolic value of EUR 156,000, but may be worth as much as EUR 10bn.<sup>124</sup>

### Asset Quality

- Aggregate provisions for loan losses at listed banks increased 15.6% QoQ during Q2. Continuing economic contraction will likely lead to continued high provisioning during 2012.
- Total holdings of bonds issued by eurozone governments at Italian banks fell slightly during Q3, to EUR 341bn in August, down from a record high of EUR 342.4bn in July. A majority of this is believed to be Italian sovereign debt.<sup>125</sup>

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<sup>114</sup>Sep 20, 2012, [Italy boosts deficit forecast as recession worse than expected](#), Bloomberg.

<sup>115</sup>Oct 1, 2012, [Markit/ADACI Italy Manufacturing PMI](#), Markit, markiteconomics.com

<sup>116</sup>Oct 3, 2012, [Markit/ADACI Italy Services PMI](#), Markit, markiteconomics.com

<sup>117</sup>Oct 4, 2012, [Italian MFIs: Interest per annum on new loans to non-financial corporations](#), ECB, [sdw.ecb.europa.eu](#)

<sup>118</sup>Sep 27, 2012, [Italian MFIs: Total loans to non-financial corporations](#), ECB, [sdw.ecb.europa.eu](#)

<sup>119</sup>Sep 21, 2012, [Austerity in the dock as Europe's debt-stricken leaders meet](#), Reuters.

<sup>120</sup>Sep 24, 2012, [OECD urges Italy not to backtrack on reform](#), Financial Times.

<sup>121</sup>Oct 4, 2012, [Italy banks may need ECB loans rollover to avoid credit crunch](#), Reuters.

<sup>122</sup>Oct 4, 2012, [Italian MFIs: Interest per annum on deposits redeemable at notice](#), ECB, [sdw.ecb.europa.eu](#)

<sup>123</sup>Oct 8, 2012, [Paschi May Struggle to Find New Investors as Aid Stalls](#), Bloomberg.

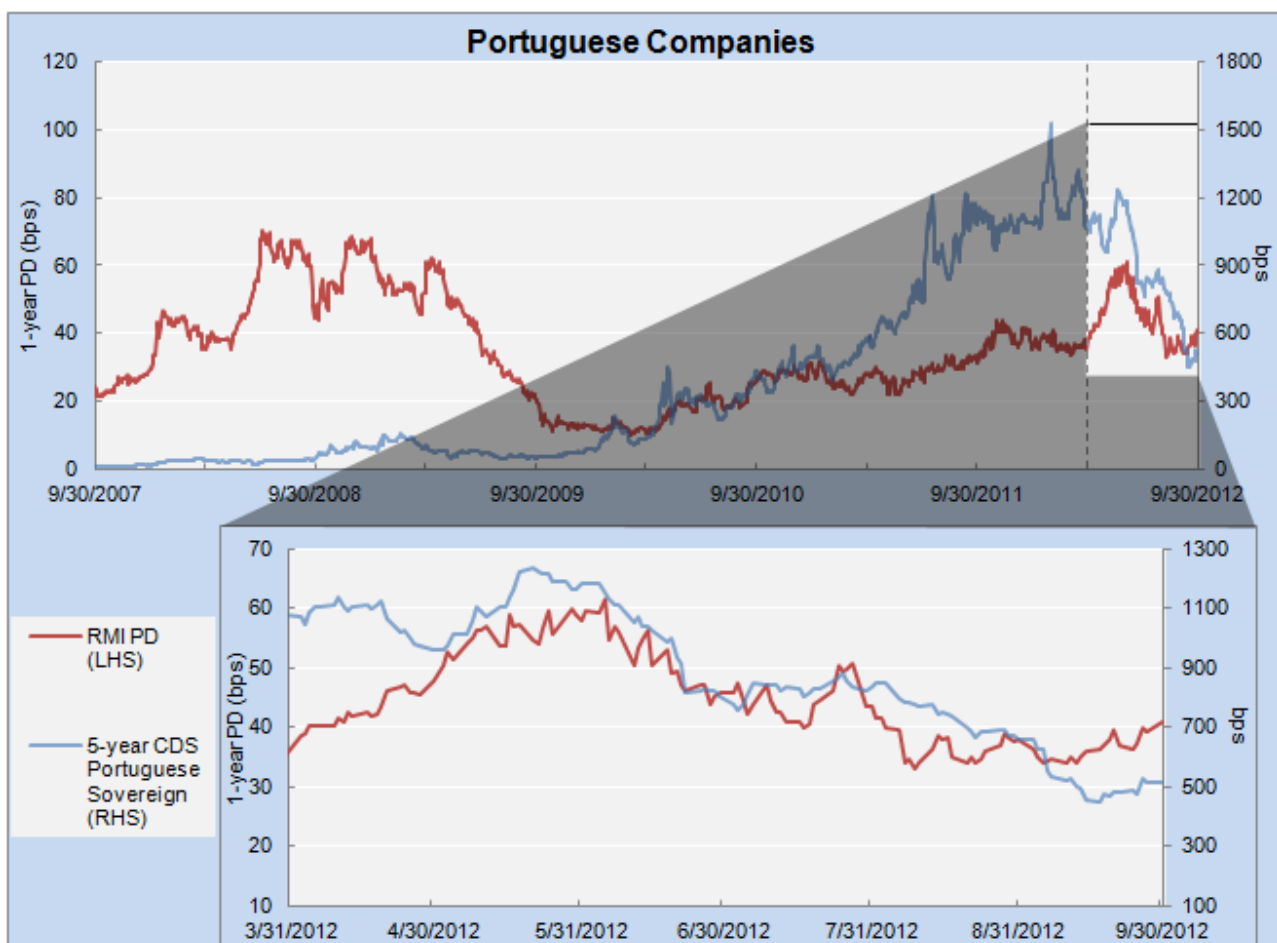
<sup>124</sup>Aug 14, 2012, [Italian Lenders Want Valuation of Central Bank Stakes Boosted](#), Bloomberg.

<sup>125</sup>Sep 27, 2012, [Italian MFIs: Securities issued by eurozone governments](#), ECB, [sdw.ecb.europa.eu](#)



## Portuguese Companies

The aggregate 1-year RMI PD for Portuguese companies declined during Q3, reaching the lowest level in 18 months in September. However, the aggregate RMI PD remains above levels seen before the government sought an EU bailout in April 2011. Related austerity measures will continue to place pressure on the earnings prospects of Portuguese firms, along with continuing economic contraction and poor business conditions. Both the consumer and industrial sectors remained depressed during Q3, while unemployment reached record highs and is forecasted to climb further. Despite a government return to bond markets, funding conditions remain unfavorable, as a decline in new bank lending accelerated during Q3, while interest rates on new loans increased significantly. The credit outlook for Portuguese companies remains negative, as continued economic deterioration in Spain, Portugal's largest trading partner, will likely lead to further earnings pressures.



## Economy

- The Portuguese economy contracted 1.2% QoQ in Q2, the seventh consecutive quarterly economic contraction, following a 0.1% contraction during Q1. The government expects the economy to shrink 3% YoY in 2012, and 1% in 2013.
- The unemployment rate rose to a record high of 15.0% in Q2. Unemployment among under-25s fell during Q3, to 35.9% in August from a peak 37.6% in May. The government forecasts unemployment will climb to 15.5% by the end of 2012, and to 16.4% in 2013.<sup>126</sup>
- INE data shows consumer confidence declined sharply in Q3, approaching record lows seen in late-2011. Retail sales continued to decline YoY.



- An INE index of Industrial production continued to decline YoY in Q3, albeit at a slower pace, while an INE index of new industrial orders continued to fall YoY during Q3. An INE business climate indicator improved slightly during Q3, but remained close to record lows.<sup>127</sup>

### **Funding & Liquidity**

- Yields on 10-year Portuguese bonds fell slightly during Q3, reaching an 18-month low of 8.1% on September 12, and closing higher at 9% at the end of Q3.
- An 18-month government bond issuance, and a sovereign debt exchange at the end of Q3, will likely facilitate a full return to bond markets by the government and Portuguese companies.
- Interest rates on new loans to non-financials increased 25bps to 6.2% per annum in August, after falling in July.<sup>128</sup>
- An ongoing decline in bank lending accelerated during Q3, with total outstanding loans to the non-financial sector falling 1.55% between June and August.<sup>129</sup>

### **Political**

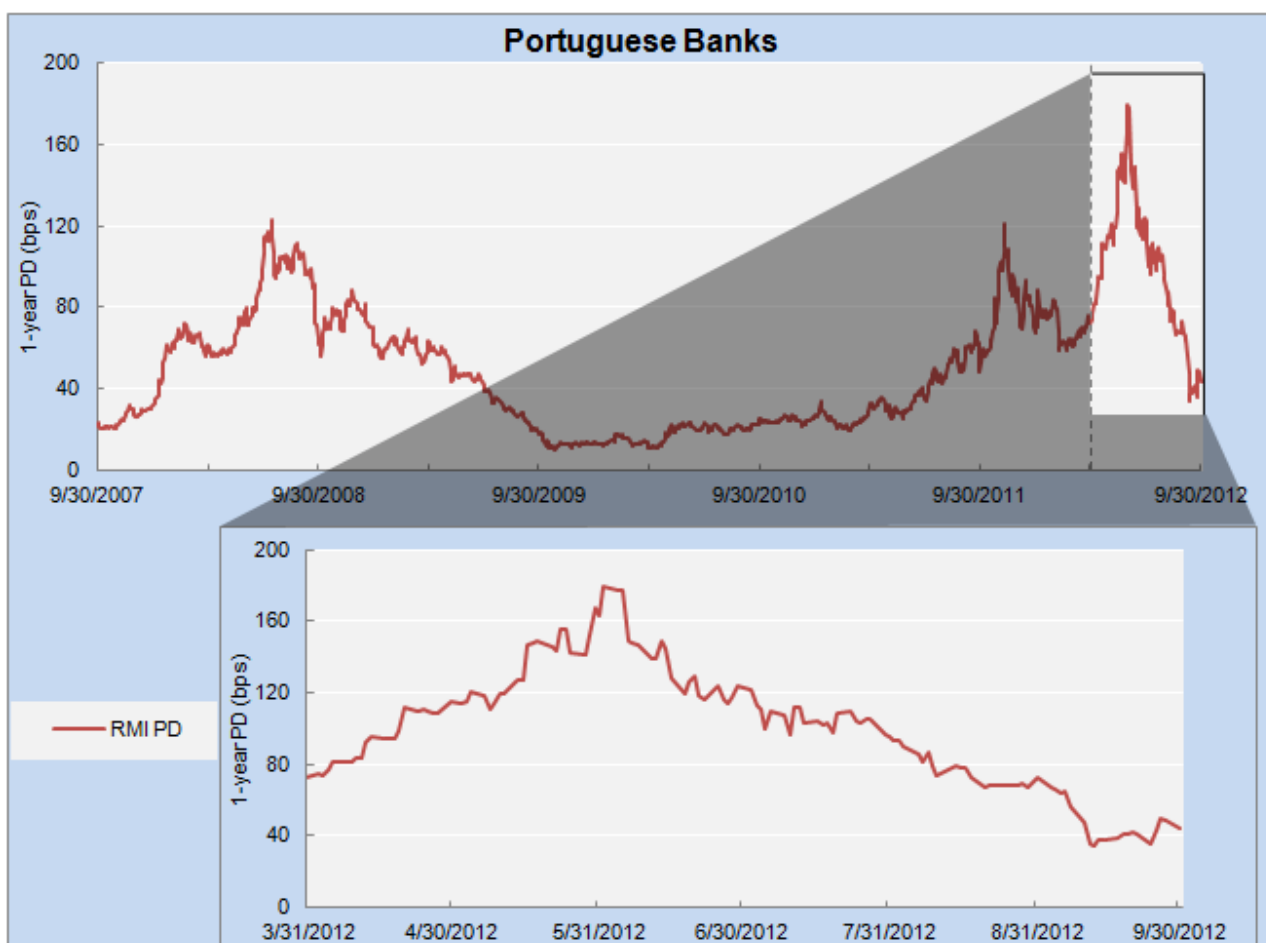
- Portugal's budget deficit likely reached 7.1% of GDP in the first half of 2012, well off an EU-mandated target of 4.5% for 2012.
- The government is determined to push through an austerity plan, which will involve a EUR 10bn cut to government spending.<sup>130</sup>
- New austerity measures also involve an enormous increase in income and other taxes, which will likely significantly reduce consumer spending and corporate earnings.<sup>131</sup>

### **Sovereign Credit Ratings**

- The three major CRAs retained non-investment grade ratings on the Portuguese government during Q3, with each CRA maintaining a negative outlook for the country.

## Portuguese Banks

The aggregate 1-year RMI PD for Portuguese banks decreased significantly during Q3, falling from record highs seen in Q2 as banks received capital injections from the government and raised further private capital towards the end of Q3. Funding and liquidity profiles improved, as banks reduced ECB borrowing, and deposit outflow slowed. The possibility of renewed access to longer-term debt markets is also a credit positive. However, earnings pressures will continue to weigh upon credit profiles going forward, as a deep domestic recession continues, reducing demand for credit and negatively affecting asset quality. Moreover, large sovereign holdings remain a large sectoral tail risk, given governmental finances.



### Profitability

- Bank earnings improved slightly during Q2, excluding around EUR 500bn of impairment charges at Banco Comercial Portugues, but remained in negative territory in aggregate. Earnings are likely to remain weak as domestic economic contraction continues.

### Funding & Liquidity

- Long-term unsecured bond markets remained inaccessible to all Portuguese banks except Banco BPI during Q3. Issuance by the sovereign in September may facilitate a return to markets by other banks in Q4.
- The Bank of Portugal established a platform for domestic banks to trade EUR among themselves in September. The absence of an active interbank money market, and a shutout from bond markets had led to a dependence on ECB funding during Q2.<sup>132</sup>

- Portuguese banks decreased their dependence on ECB financing during Q3, with borrowings falling to EUR 55.6bn in September from EUR 60.5bn in June.
- Total deposits at Portuguese banks declined slightly during Q3, as total retail deposits fell 0.6% between July and August, while corporate deposits remained close to a six-year low.
- Overall liquidity in the Portuguese banking sector improved significantly during Q2, with the aggregate LATDB ratio for listed banks increasing to 10.8% from 8.6% during Q1.

### Capital Levels & Regulations

- The three largest listed Portuguese lenders raised EUR 1.7bn of capital through Q3, following a EUR 4.5bn state recapitalization in July. The largest lenders will provide smaller Banif with capital if it is unable to raise sufficient amounts by November.<sup>133,134</sup>
- Capital increases are aimed at meeting a target 10% Core Tier 1 capital ratio mandated by the Bank of Portugal by end-2012.

### Asset Quality

- Aggregate provisions for loan losses at listed banks increased 158% QoQ during Q2. Continuing economic contraction will likely lead to continued high provisioning during 2012.
- Banks' holdings of sovereign debt remained stable during Q3. A majority of these holdings are believed to be Portuguese government debt.<sup>135</sup>

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<sup>126</sup>Oct 4, 2012, [Portuguese unemployment rate to rise to 16.4% in 2013](#), Global Times.

<sup>127</sup>Oct 15, 2012, [Main Indicators: Industrial and Energy](#), Statistics Portugal, ine.pt/

<sup>128</sup>Oct 4, 2012, [Portuguese MFIs: Interest per annum on new loans to non-financial corporations](#), ECB, sdw.ecb.europa.eu

<sup>129</sup>Sep 27, 2012, [Portuguese MFIs: Outstanding loans to non-financial corporations](#). ECB, sdw.ecb.europa.eu

<sup>130</sup>Sep 3, 2012, [Portugal determined to push through austerity plan](#), Channel News Asia.

<sup>131</sup>Oct 3, 2012, [Bailed-out Portugal hikes more taxes to cut debt despite public outrage over austerity](#), Fox News.

<sup>132</sup>Aug 28, 2012, [Banco de Portugal on Interbank money market](#), Bank of Portugal.

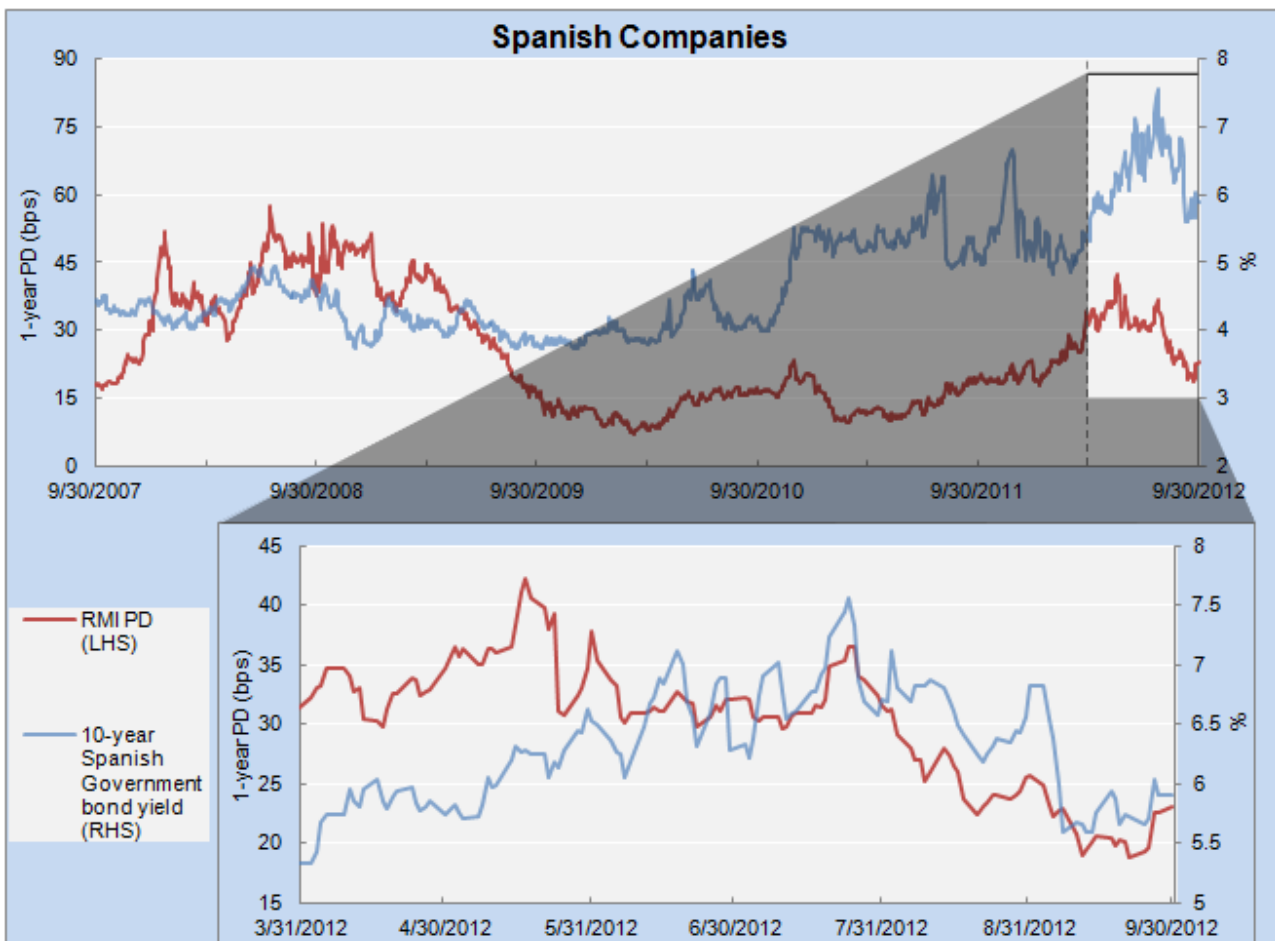
<sup>133</sup>Jul 2, 2012, [Portugal Finalizes Capital Injection Into Banks](#), Euroinvestor.

<sup>134</sup>Oct 4, 2012, [Portuguese banks can support the recapitalization of Banif, Pblico](#).

<sup>135</sup>Sep 27, 2012, [Portuguese MFIs: Total holdings of eurozone government debt](#). ECB, sdw.ecb.europa.eu

## Spanish Companies

The aggregate 1-year RMI PD for Spanish Companies decreased during Q3 as investor sentiment improved following an EU extension of government budget targets to 2014, confirmation of a banking sector bailout and the possibility of ECB sovereign bond purchases. However, earnings at Spanish companies likely remained weak during Q3, as economic contraction continued. Unemployment reached record highs, while retail sales continued to contract. Funding and liquidity conditions remain unfavorable, despite a decline in sovereign bond yields. Bank lending continued to contract and capital outflows increased during Q3. Bond markets remain shut to all but the most creditworthy non-financial issuers. Going forward, corporate credit profiles will likely remain tied to the health of the sovereign. Ongoing curtailments to the national and local government’s budgets reduce the likelihood of governmental support, and could continue to weigh upon earnings profiles. Moreover, earnings will likely remain insipid as weakness in both the services and manufacturing sectors continues, and unemployment remains high.



## Economy

- The Spanish economy contracted by 0.3% in Q3 2012, following a 0.4% contraction during Q2 2012, as a deep recession continued.
- The unemployment rate reached a record high of 25% at the end of Q3, with 52.9% of under-25s out of work at the end of August. Job cuts in the service and manufacturing sectors continued at a faster pace in September.
- Retail sales continued to decline in Q3, albeit at a slower pace. Sales fell 12.6% YoY in September, and declined by 2% in August.

- The services PMI contracted at the sharpest pace since late-2011 in September, falling to 40.2 from 44 in August, as poor economic conditions negatively impacted activity.<sup>136</sup>
- The Spanish manufacturing PMI remained in the contraction zone in Q3, rising slightly to 44.5 in September from 44 in August. Raw material costs soared in Q3.<sup>137</sup>

### Funding & Liquidity

- Yields on 10-year Spanish government bonds fell significantly in Q3, reaching as low as 5.6% on September 13, after increasing to a record high of 7.6% on July 24. However, yields remain at levels considered unsustainable by the government, closing at 5.9% at the end of Q3.<sup>138</sup>
- Banks reduced lending at a faster pace in Q3, with total outstanding loans to the non-financial sector falling 2.4% between June and August.<sup>139</sup>
- Interest rates on new bank loans to non-financials declined during Q3, falling to 3.36% per annum in August from a 3-year high of 3.87% in May, in line with falling yields on government bonds.<sup>140</sup>

### Political

- Eurozone finance ministers agreed to give Spain another year to meet a budget deficit target of 3% in July, extending the target to 2014.
- However, EUR 13bn of budget cuts to public ministries, education, health and infrastructure investments, along with a freeze on public worker's wages will likely place pressure on consumer spending and the profitability of Spanish companies.<sup>141</sup>
- Budget cutting by autonomous regions, which account for 50% of public spending, is also likely to increase. Governments from five regions representing 48% of the Spanish economy have requested aid from the central government.<sup>142</sup>
- Spain's public debt increased to 75.9% of GDP in Q2 2012, from 66.7% in the same period of 2011. The government anticipates that public debt will reach 85.3% of GDP by end-2012, and 90.5% by end-2013.<sup>143</sup>

### Sovereign Credit Ratings

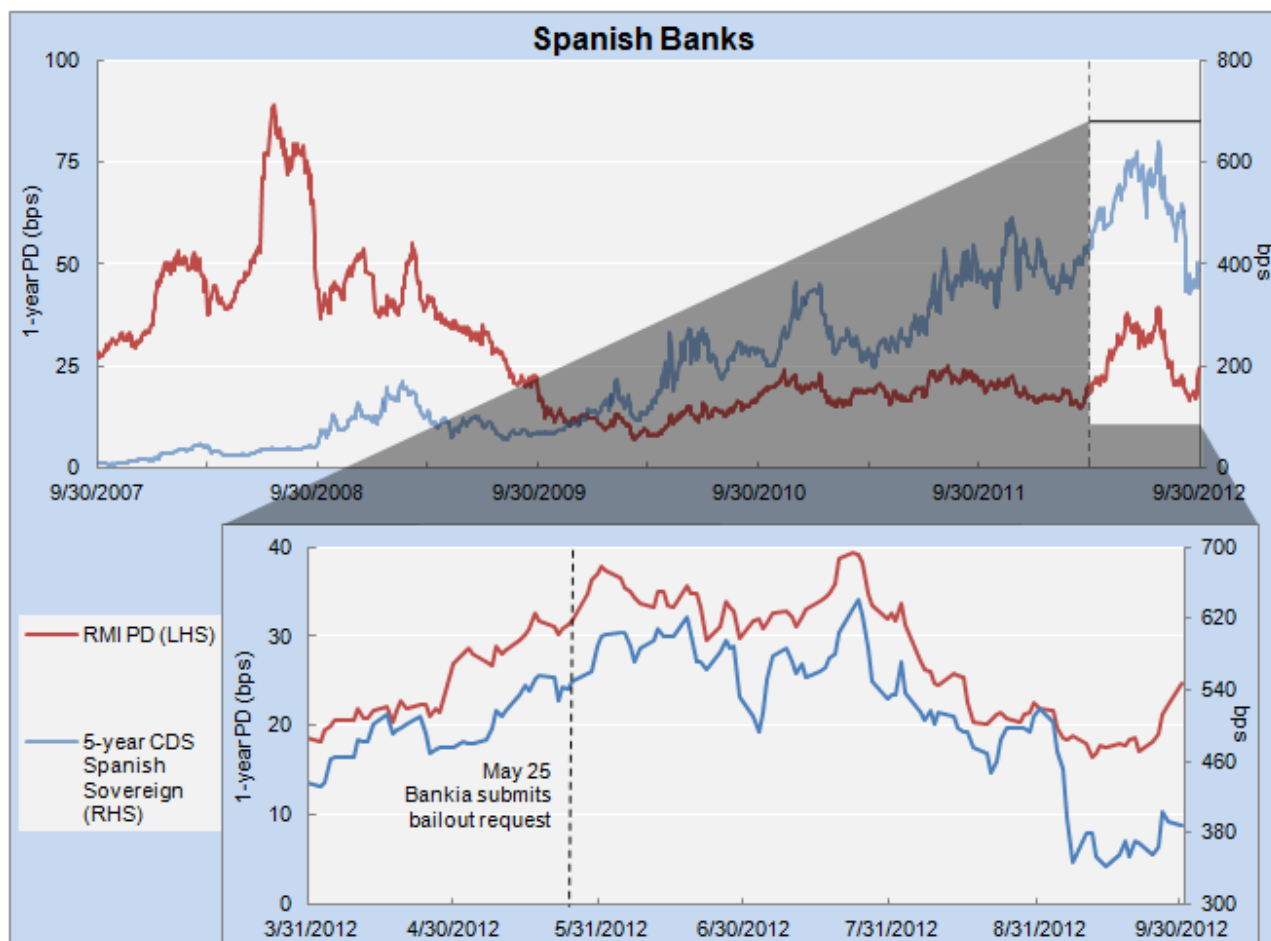
- The major ratings agencies maintained Spain's ratings during Q3; as of September 30 the country was rated BBB by Fitch, Baa3 by Moody's and BBB+ by S&P.\* All three maintained a negative outlook for Spain.

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\*S&P subsequently downgraded the nation two notches to BBB- October 10

## Spanish Banks

The aggregate 1-year RMI PD for Spanish banks increased towards the end of Q3, after falling slightly during August. Earnings profiles continue to weaken, as banks struggle with bad debts amidst a deepening recession. A sectoral recapitalization will partly offset earnings and asset quality pressures, but will likely be inadequate if economic conditions deteriorate further. The funding and liquidity profiles of Spanish banks are likely to remain weak, as banks increased dependence on the ECB as deposit outflows continued and bond markets remained effectively shut. Going forward, access will remain dependent on the perceived health of the sovereign. Spanish banks continued to increase sovereign bond holdings, which will weigh on the industry's credit outlook if the negative feedback loop between state and banks continues. This is likely as banks continue to help keep the state and regions solvent. Asset quality will also remain poor, with loan losses likely to crystallize as poor economic conditions weigh upon borrowers.



### Profitability

- Aggregate net income for listed Spanish banks fell dramatically during Q2, as ongoing contraction in the Spanish economy and increasing unemployment impaired earnings.
- The steep drop in earnings highlighted the one-off profits arising from LTRO-funded sovereign debt carry trades booked by Spanish banks in Q1; banks may record similar profits in Q3 due to a decline in government yields.

### Funding & Liquidity

- Unsecured long-term bond markets remained effectively shut to Spanish banks during Q3, with only Banco Santander issuing unsecured 3.5-year notes.

- Total deposits at Spanish banks continued to fall in Q3, decreasing 2.73% MoM in July and barely increasing in August. Commercial deposits fell a record 7.55% MoM in July, while steady retail deposit outflow continued through August.
- Overall liquidity in the Spanish banking sector declined during Q2, with the aggregate LATDB ratio for listed banks falling to 13.3% in Q2 from 14.1% in Q1.
- Increased funding and liquidity stresses have contributed to record ECB borrowing by Spanish banks, which reached EUR 412bn in August. Borrowings fell in September to EUR 400bn.

### Capital Levels & Regulations

- Results of an independent stress test released on September 28 showed banks need recapitalization of EUR 59.3bn, lower than the EUR 100bn in bailout funds requested by the government in June.<sup>144</sup>
- The stress test results will likely guide the deployment of bailout funds, with a sectoral recapitalization a major credit positive. However, market participants criticized the leniency of the test, with many expecting the sector to require further recapitalization.

### Asset Quality

- Large listed Spanish banks continued to increase their holdings of Spanish government bonds in Q3, looking to profit from potential sovereign bond purchases by the ECB. Total holdings reached a euro-era high of EUR 166bn in August.<sup>145</sup>
- The negative feedback loop between sovereign and banking sector risk will likely continue. Spanish lenders agreed to provide a majority of the EUR 18bn in funding needed to bail-out the country's regions.<sup>146</sup>
- Aggregate provisions for loan losses at Spanish banks increased by 34% during Q2, as the economy shrunk and unemployment reached record highs. The aggregate bad loan ratio reached 10.5% in August, the highest level on record.
- The creation of a bad bank will likely improve the quality of banks' balance sheets. Lenders who receive state aid must transfer non-performing loans to the vehicle.<sup>147</sup>

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<sup>136</sup>Oct 3,2012, [Markit Spain Services PMI](#), Markit, markiteconomics.com

<sup>137</sup>Oct 1, 2012, [Markit Spain Manufacturing PMI](#), Markit, markiteconomics.com

<sup>138</sup>Sep 1, 2012, [Spain's Rajoy says euro zone yields not sustainable](#), Reuters.

<sup>139</sup>Sep 27, 2012, [Spanish MFIs: Outstanding loans to non-financial corporations](#), ECB, sdw.ecb.europa.eu

<sup>140</sup>Oct 4, 2012, [Spanish MFIs: Interest per annum on new loans to non-financial corporations](#), ECB, sdw.ecb.europa.eu

<sup>141</sup>Sep 29, 2012, [Spain debt rises on aid to banks, regions, finance cost](#), Reuters.

<sup>142</sup>Sep 3, 2012, [Spain's Andalucia seeks 1 billion euro lifeline from Madrid](#), Reuters.

<sup>143</sup>Sep 14, 2012, [Spanish public debt hits record 75.9% at end of June](#), AFP.

<sup>144</sup>Sep 28,2012, [Asset quality review and bottom-up stress test exercise](#) , Oliver Wyman, oliverwyman.com

<sup>145</sup>Sep 19, 2012, [High returns keep Spanish banks hooked on sovereign debt](#), Reuters.

<sup>146</sup>Sep 3, 2012, [Spain's Andalucia seeks 1 billion euro lifeline from Madrid](#), Reuters.

<sup>147</sup>Oct 18, 2012, [Spain Limits Size of Real Estate Bad Bank to 90 Billion Euros](#), Bloomberg.



# 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 two 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 October 15, 2012, using data up to September 30, 2012. 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 Q2 2012 and Q3 2012. 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 four regions of Asia-Pacific developed, Asia-Pacific emerging, Latin America, North America and Western Europe. 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.

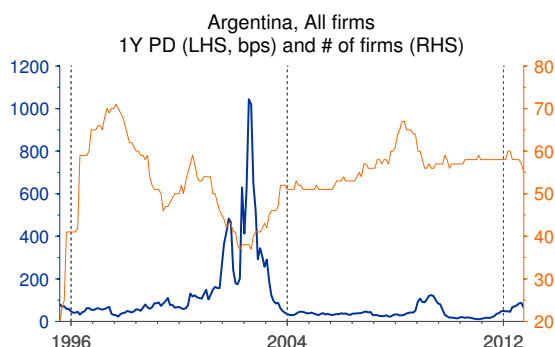
The bottom 12 graphs in each region show the time series of 1-year aggregate PD for all exchange listed firms in the region, all non-financial firms in the region, and firms in each of the ten industry sectors in the region. Each graph shows the PD in thick blue on the left axis and the count of firms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

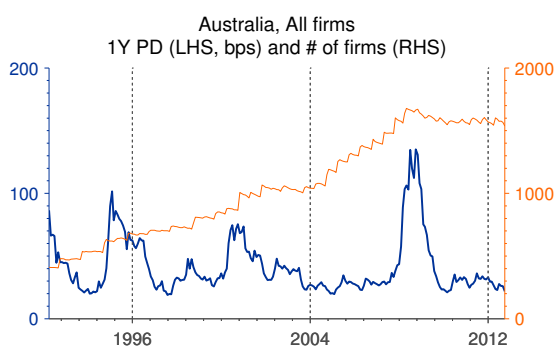
Appendix [D](#) gives a more detailed description of the data in Appendix [C](#), along with a description of the PDiR.



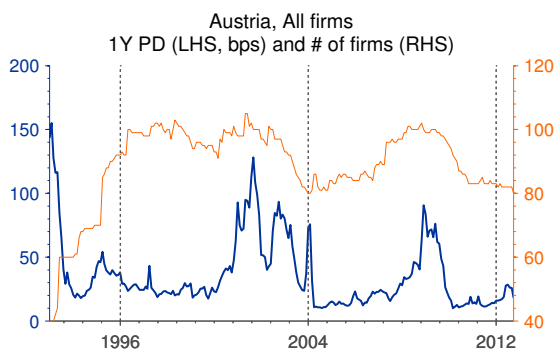
## A PD by economies



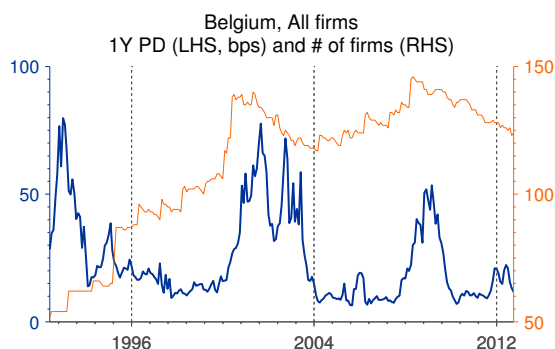
Argentina	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	5	63.8	49.8	54.0	38.4	-9.8	14.2
Basic Materials	6	57.8	63.2	70.0	82.5	12.3	21.5
Communications	2	60.3	35.4	70.5	45.0	10.2	9.7
Consumer Cyclical	6	84.8	99.2	84.2	107.8	-0.6	16.3
Consumer Non-cyclical	11	38.2	38.6	33.8	37.2	-4.4	6.1
Energy	1	43.0	-	30.3	-	-12.7	-
Industrial	5	42.8	27.2	40.6	25.8	-2.2	4.4
Utilities	4	105.6	118.0	115.6	138.1	10.0	20.3



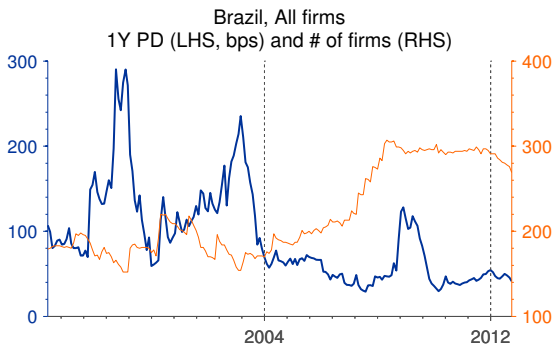
Australia	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	145	27.0	52.0	21.7	49.4	-5.4	25.7
Basic Materials	678	22.6	52.8	19.5	55.2	-3.1	46.8
Communications	67	42.1	72.8	47.6	114.8	5.5	73.0
Consumer Cyclical	76	29.0	91.3	16.5	42.9	-12.5	51.9
Consumer Non-cyclical	172	29.2	78.7	22.6	62.2	-6.5	25.1
Diversified	6	16.1	30.3	10.3	14.3	-5.8	16.5
Energy	198	27.5	74.5	20.1	55.7	-7.4	28.8
Industrial	112	26.9	44.1	27.7	47.9	0.8	37.9
Technology	42	21.3	32.8	19.3	33.6	-2.0	13.0
Utilities	14	42.6	86.8	25.3	48.6	-17.3	49.1



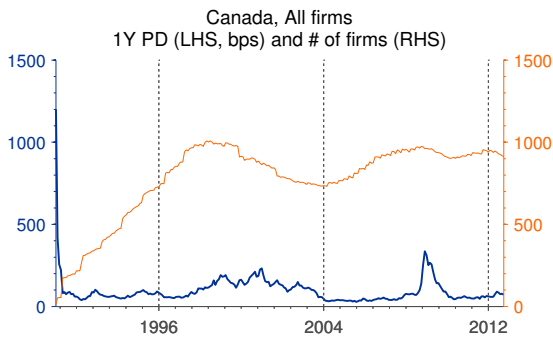
Austria	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	19	30.7	77.3	30.1	85.9	-0.6	16.0
Basic Materials	2	9.9	10.1	5.5	6.3	-4.4	3.8
Communications	1	2.3	-	1.5	-	-0.8	-
Consumer Cyclical	10	24.3	36.5	15.6	24.1	-8.7	16.0
Consumer Non-cyclical	7	83.6	194.1	25.8	55.2	-57.8	139.0
Energy	2	6.2	2.9	3.0	1.9	-3.2	1.0
Industrial	16	18.9	22.8	14.6	20.6	-4.3	5.3
Technology	4	28.7	23.5	16.4	13.2	-12.3	10.9
Utilities	1	4.7	-	1.9	-	-2.7	-



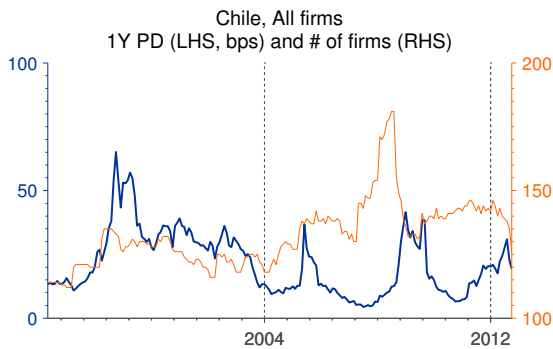
Belgium	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	30	26.5	103.0	10.8	33.6	-15.7	69.8
Basic Materials	7	9.8	5.9	5.6	4.0	-4.2	2.7
Communications	7	30.7	46.9	15.3	22.7	-15.3	24.3
Consumer Cyclical	5	20.7	31.8	10.5	15.3	-10.2	16.6
Consumer Non-cyclical	24	11.1	19.3	7.8	17.8	-3.3	5.0
Diversified	6	76.8	173.8	46.5	105.5	-30.2	68.4
Industrial	21	10.2	9.1	7.4	6.4	-2.8	4.1
Technology	6	9.6	9.9	6.4	6.6	-3.1	3.8



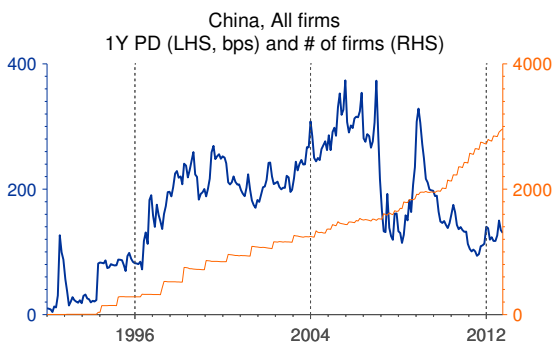
Brazil	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	57	49.9	142.5	30.2	60.1	-19.7	84.5
Basic Materials	20	33.2	31.5	25.9	24.5	-7.2	22.0
Communications	6	35.3	27.9	19.7	13.7	-15.6	25.3
Consumer Cyclical	52	60.6	106.3	48.4	88.0	-12.1	37.5
Consumer Non-cyclical	46	39.9	103.8	34.5	96.0	-5.4	40.3
Diversified	7	76.5	86.1	70.1	97.5	-6.4	24.4
Energy	4	70.7	99.5	54.1	68.4	-16.6	34.3
Industrial	29	88.3	137.8	79.4	156.6	-8.8	43.6
Technology	2	3.2	4.2	3.0	4.0	-0.2	0.1
Utilities	29	32.2	53.5	33.8	59.0	1.6	19.8



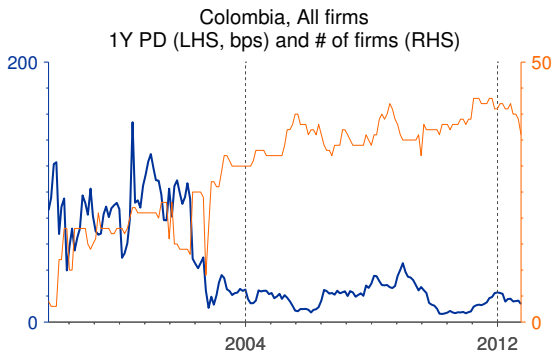
Canada	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	103	22.2	35.0	26.7	68.0	4.5	60.1
Basic Materials	302	66.0	219.7	61.4	186.4	-4.6	130.3
Communications	50	105.2	354.7	91.3	289.7	-13.9	154.6
Consumer Cyclical	62	49.8	102.5	41.2	86.1	-8.6	31.4
Consumer Non-cyclical	103	72.5	159.7	78.1	216.6	5.6	171.9
Diversified	4	76.7	144.1	76.6	146.3	-0.1	2.3
Energy	157	125.5	534.7	122.4	467.1	-3.1	128.4
Industrial	70	46.1	99.7	46.1	115.1	0.0	74.4
Technology	29	76.2	99.7	90.8	147.8	14.6	97.9
Utilities	11	3.5	5.9	4.1	8.2	0.6	2.6



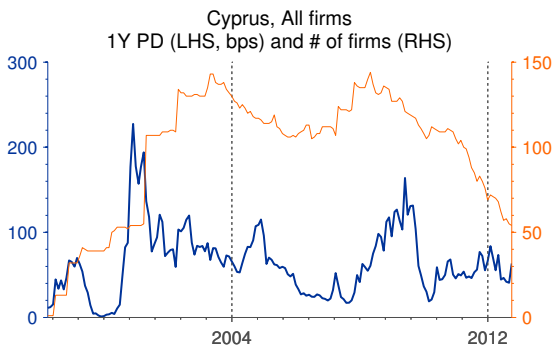
Chile	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	28	24.2	33.6	20.5	40.4	-3.7	11.7
Basic Materials	12	7.1	8.1	6.0	7.0	-1.1	2.6
Communications	1	14.9	-	14.1	-	-0.8	-
Consumer Cyclical	13	105.0	319.1	49.3	132.5	-55.7	187.1
Consumer Non-cyclical	24	20.2	33.9	22.5	44.2	2.3	13.6
Diversified	5	5.8	7.2	4.1	5.6	-1.6	1.7
Industrial	17	25.2	35.0	19.2	30.3	-6.1	12.0
Utilities	11	14.9	38.4	10.1	25.8	-4.8	12.7



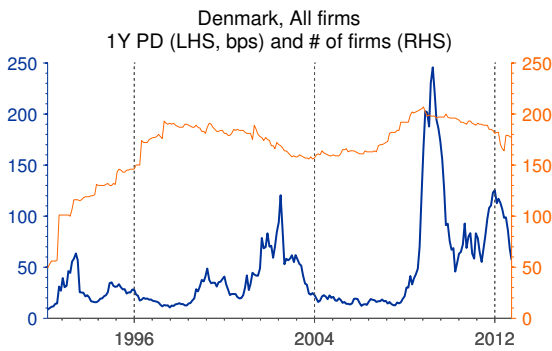
China	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	214	121.4	148.3	131.2	142.4	9.8	75.3
Basic Materials	344	166.7	170.9	168.7	156.6	2.0	71.8
Communications	151	88.7	131.4	93.7	161.8	5.0	123.0
Consumer Cyclical	496	131.0	154.7	139.0	158.3	8.0	54.9
Consumer Non-cyclical	446	101.9	143.5	104.8	135.7	2.9	71.7
Diversified	28	191.0	128.2	196.6	110.7	5.6	64.1
Energy	83	137.9	249.8	156.3	363.8	18.5	211.7
Industrial	800	123.3	155.2	134.0	149.1	10.6	95.5
Technology	161	89.7	130.5	93.0	150.4	3.2	67.8
Utilities	76	177.2	131.7	198.4	136.5	21.2	33.4



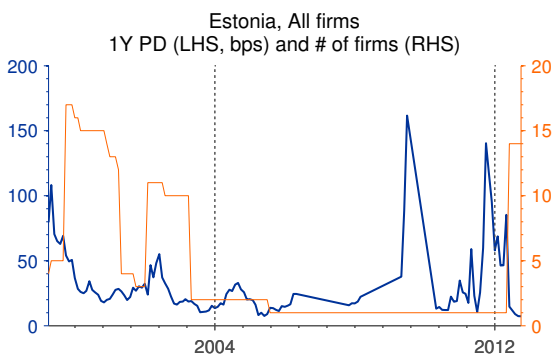
Colombia	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	13	16.0	18.0	9.4	8.4	-6.5	13.3
Basic Materials	1	12.0	-	10.5	-	-1.5	-
Consumer Cyclical	3	17.9	19.8	15.4	19.0	-2.5	0.9
Energy	3	5.5	4.6	5.1	4.2	-0.4	1.0
Industrial	2	17.0	8.9	7.5	1.2	-9.5	7.7
Utilities	3	37.5	44.5	12.8	9.5	-24.7	36.5



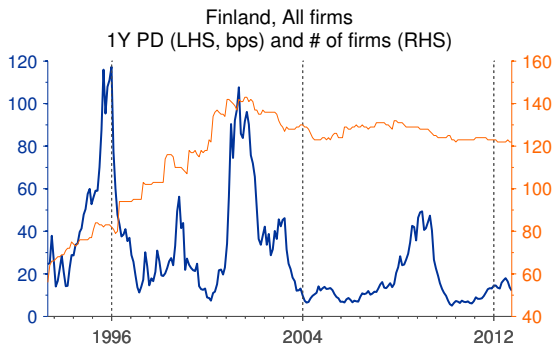
Cyprus	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	15	50.7	89.7	73.4	130.9	22.7	125.6
Consumer Cyclical	10	29.0	28.6	36.8	43.3	7.7	31.1
Consumer Non-cyclical	8	47.6	67.4	63.4	88.0	15.8	87.3
Energy	2	59.0	15.0	36.1	8.9	-23.0	6.2
Industrial	6	44.8	58.2	43.8	57.5	-1.0	5.9



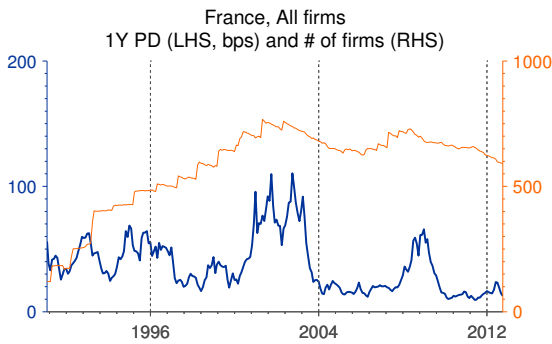
Denmark	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	66	113.9	179.8	63.6	96.0	-50.3	94.3
Basic Materials	1	20.5	-	21.5	-	1.0	-
Communications	7	45.2	51.3	33.6	39.2	-11.6	17.4
Consumer Cyclical	17	108.9	135.0	53.3	63.0	-55.6	88.8
Consumer Non-cyclical	22	81.8	279.4	52.5	150.2	-29.3	134.2
Diversified	1	105.7	-	50.6	-	-55.1	-
Industrial	35	89.1	142.4	60.6	118.4	-28.6	50.6
Technology	12	148.1	175.1	57.5	56.4	-90.6	134.0



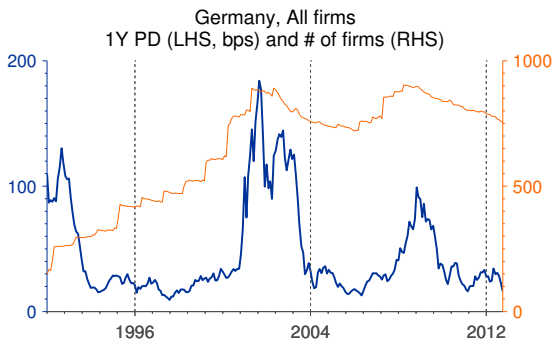
Estonia	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Consumer Cyclical	3	15.4	14.1	6.4	5.4	-9.0	9.9
Industrial	3	4.4	0.6	5.4	4.7	0.9	4.4



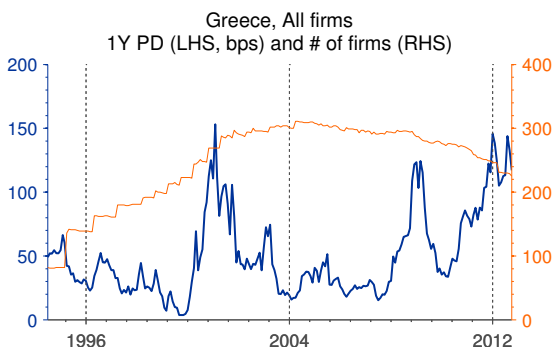
Finland	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	13	31.5	58.0	20.4	38.9	-11.0	20.3
Basic Materials	8	20.6	19.7	15.9	14.1	-4.7	7.1
Communications	15	15.7	17.8	10.9	13.0	-4.8	10.7
Consumer Cyclical	7	9.2	8.1	5.7	4.1	-3.5	4.9
Consumer Non-cyclical	15	12.9	9.2	9.3	7.8	-3.5	6.3
Industrial	35	19.8	31.6	12.1	13.9	-7.7	21.8
Technology	13	20.5	27.6	14.6	22.3	-5.8	7.6



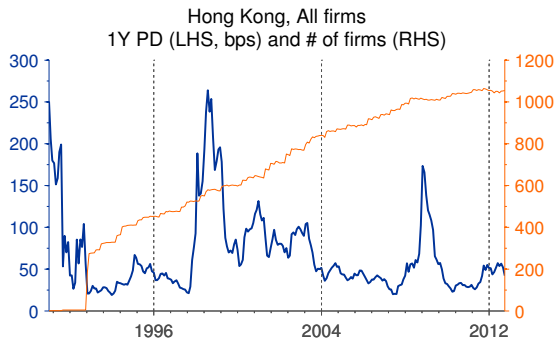
France	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	98	23.6	56.2	12.6	20.1	-11.0	37.9
Basic Materials	18	23.9	22.3	23.1	40.3	-0.8	28.9
Communications	68	19.0	21.4	11.3	12.7	-7.7	13.7
Consumer Cyclical	76	55.2	297.9	21.6	82.3	-33.6	216.1
Consumer Non-cyclical	113	12.0	17.7	7.4	10.9	-4.6	9.9
Diversified	6	15.3	16.4	8.2	8.8	-7.1	7.7
Energy	14	35.0	50.2	14.5	20.0	-20.5	39.6
Industrial	96	17.5	23.0	11.0	13.9	-6.5	13.1
Technology	74	21.1	26.8	12.6	15.6	-8.6	17.0
Utilities	7	22.8	30.9	10.4	8.9	-12.4	24.3



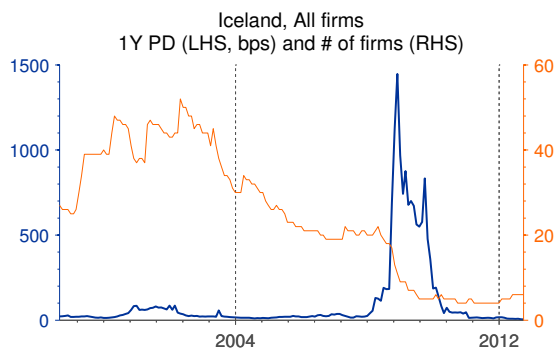
Germany	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	184	26.7	52.1	18.4	49.5	-8.3	45.0
Basic Materials	23	16.5	35.5	9.9	24.7	-6.6	11.1
Communications	70	25.3	73.8	12.2	24.5	-13.1	52.0
Consumer Cyclical	99	38.5	220.8	18.3	91.2	-20.2	130.0
Consumer Non-cyclical	103	23.2	78.2	16.2	48.0	-7.1	81.0
Diversified	4	10.3	13.2	6.4	9.4	-3.9	3.9
Energy	17	60.0	151.8	14.5	18.2	-45.5	153.3
Industrial	147	35.2	176.8	17.3	66.8	-17.9	111.2
Technology	78	13.9	19.7	7.8	9.3	-6.1	15.0
Utilities	8	9.1	8.1	5.5	5.5	-3.6	2.8



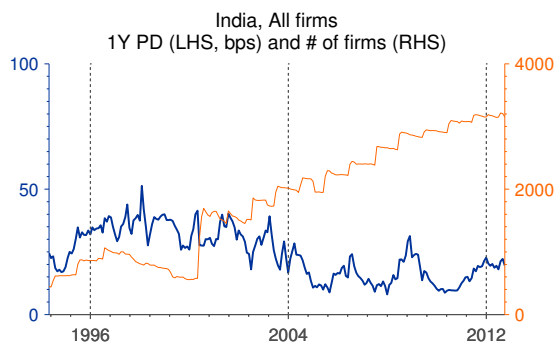
Greece	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	16	78.3	71.8	57.0	65.4	-21.3	83.2
Basic Materials	12	52.3	49.8	65.3	141.9	13.0	139.3
Communications	12	210.3	218.5	108.8	132.9	-101.4	204.5
Consumer Cyclical	39	80.3	122.5	60.9	85.6	-19.5	71.6
Consumer Non-cyclical	41	69.2	66.1	52.1	50.6	-17.1	38.9
Diversified	1	70.0	-	44.9	-	-25.1	-
Energy	4	29.8	18.4	17.3	10.3	-12.4	9.9
Industrial	69	157.2	250.5	206.0	573.0	48.8	438.6
Technology	10	80.3	48.9	121.3	172.7	41.0	152.6
Utilities	1	7.6	-	5.4	-	-2.2	-



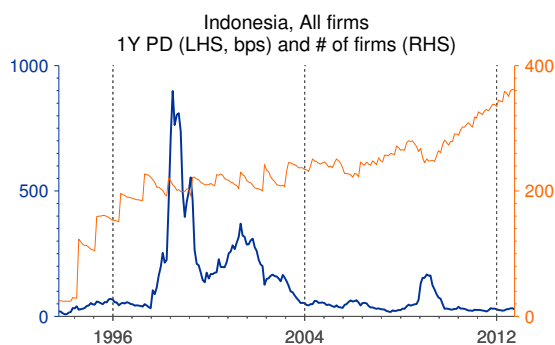
Hong Kong	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	213	40.1	60.5	32.4	53.5	-7.7	39.5
Basic Materials	48	81.6	95.3	68.7	107.2	-13.0	45.2
Communications	81	56.6	111.0	40.3	66.2	-16.4	67.1
Consumer Cyclical	246	47.5	74.9	34.1	50.2	-13.4	41.6
Consumer Non-cyclical	114	35.0	60.1	27.7	43.0	-7.2	26.2
Diversified	41	40.1	37.0	28.0	31.5	-12.1	12.9
Energy	34	86.1	97.1	87.4	114.5	1.4	56.3
Industrial	173	64.5	122.4	58.6	104.3	-6.0	56.5
Technology	56	91.9	320.0	62.0	122.5	-29.9	223.2
Utilities	14	25.6	37.0	25.9	44.5	0.3	27.9



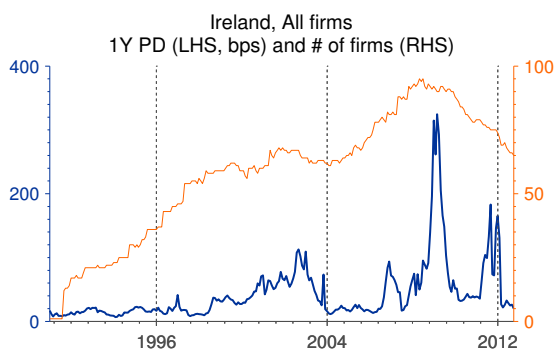
Iceland	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Consumer Cyclical	1	5.8	-	1.0	-	-4.8	-
Consumer Non-cyclical	1	1.9	-	1.8	-	-0.1	-



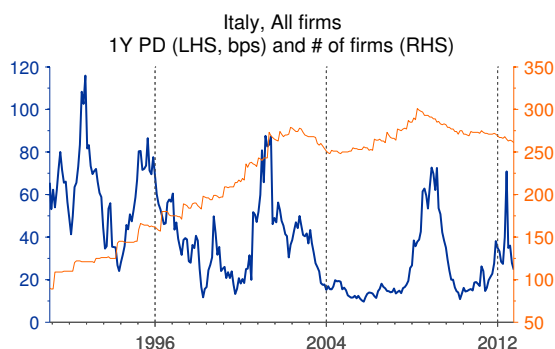
India	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	441	19.4	40.3	24.4	57.8	5.0	46.9
Basic Materials	440	20.9	62.1	21.3	41.1	0.5	38.1
Communications	119	18.7	31.3	19.7	36.2	0.9	23.9
Consumer Cyclical	620	18.1	24.6	19.9	26.9	1.7	16.4
Consumer Non-cyclical	484	15.6	32.9	14.8	26.1	-0.9	12.7
Diversified	22	20.0	20.2	20.4	20.0	0.3	5.6
Energy	54	29.2	44.0	26.1	30.6	-3.1	21.0
Industrial	667	17.0	24.2	18.4	27.2	1.4	21.5
Technology	192	12.8	24.1	18.8	47.5	6.1	42.0
Utilities	31	16.4	18.2	23.0	26.4	6.6	17.2



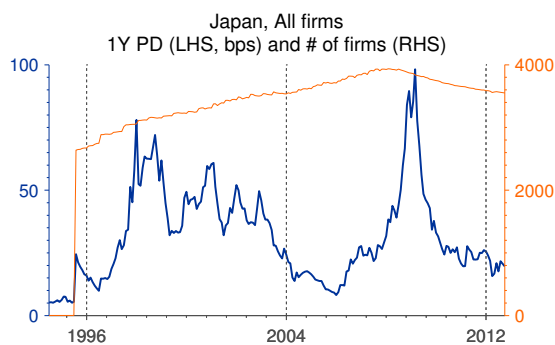
Indonesia	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	91	41.5	46.9	35.6	38.4	-5.9	17.7
Basic Materials	37	25.8	25.9	28.8	38.2	3.0	19.5
Communications	20	26.1	31.5	29.9	66.2	3.8	47.4
Consumer Cyclical	48	20.3	21.7	17.5	19.2	-2.8	13.4
Consumer Non-cyclical	53	13.3	19.0	12.2	18.6	-1.1	6.9
Energy	24	51.1	97.0	54.9	134.8	3.9	40.8
Industrial	49	22.3	28.9	22.4	29.7	0.2	14.1
Technology	4	62.8	114.7	123.2	234.3	60.4	119.6



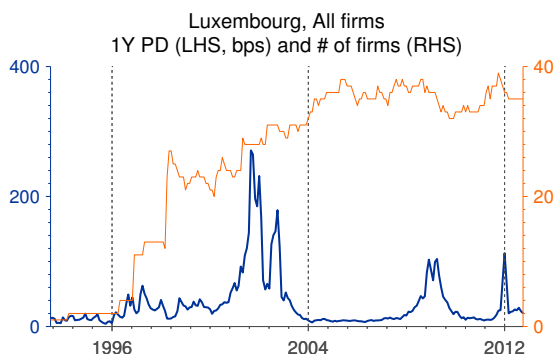
Ireland	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	9	19.3	19.2	16.0	20.5	-3.3	4.6
Basic Materials	6	71.4	120.3	42.3	56.7	-29.2	68.6
Communications	4	40.5	70.7	13.2	21.5	-27.3	49.1
Consumer Cyclical	2	1.6	1.3	0.9	0.8	-0.7	0.5
Consumer Non-cyclical	16	18.0	28.2	13.0	19.4	-5.0	15.0
Energy	9	28.7	30.3	21.5	20.4	-7.3	16.8
Industrial	3	17.4	15.8	8.0	6.5	-9.5	9.4



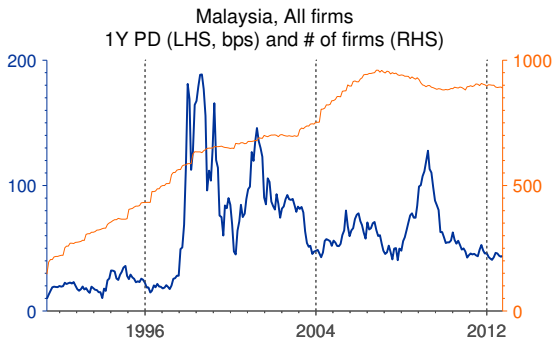
Italy	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	55	63.2	70.0	47.4	76.7	-15.8	50.8
Basic Materials	5	43.8	46.8	33.4	30.6	-10.4	19.0
Communications	28	30.3	31.0	23.7	44.2	-6.5	22.9
Consumer Cyclical	40	27.7	27.0	20.1	24.5	-7.6	14.7
Consumer Non-cyclical	31	31.7	56.6	17.9	23.9	-13.8	38.7
Diversified	3	25.9	20.2	13.4	9.2	-12.5	11.0
Energy	12	26.8	29.5	17.9	17.1	-8.9	22.3
Industrial	48	18.4	19.0	13.3	17.2	-5.2	10.4
Technology	11	35.4	31.1	28.4	25.9	-6.9	18.5
Utilities	11	18.1	12.5	12.0	10.6	-6.2	4.6



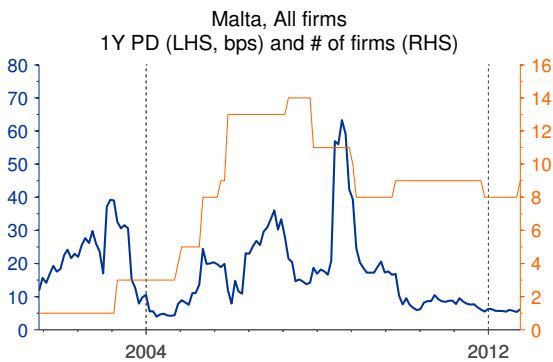
Japan	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	314	37.6	50.2	38.8	55.8	1.2	25.9
Basic Materials	241	16.9	22.7	21.7	34.0	4.7	15.8
Communications	243	12.1	19.6	12.0	20.4	-0.1	9.7
Consumer Cyclical	868	15.4	22.5	17.5	26.8	2.1	13.7
Consumer Non-cyclical	572	10.5	30.5	15.2	116.7	4.7	91.5
Energy	15	27.3	33.3	31.7	35.8	4.3	14.5
Industrial	978	18.5	26.9	20.7	28.7	2.3	14.9
Technology	257	12.6	23.3	13.1	23.7	0.5	13.7
Utilities	23	28.5	68.0	37.1	64.2	8.6	19.8



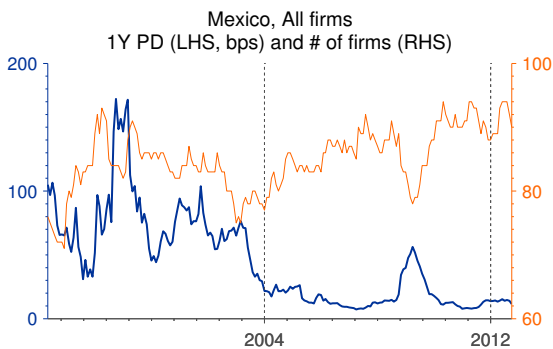
Luxembourg	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	11	27.1	52.7	16.8	19.7	-10.3	36.2
Basic Materials	2	10.1	2.5	7.9	2.2	-2.2	0.2
Communications	1	2.9	-	1.2	-	-1.7	-
Consumer Non-cyclical	7	7.3	5.4	3.8	2.3	-3.5	3.9
Industrial	1	3.0	-	1.9	-	-1.1	-



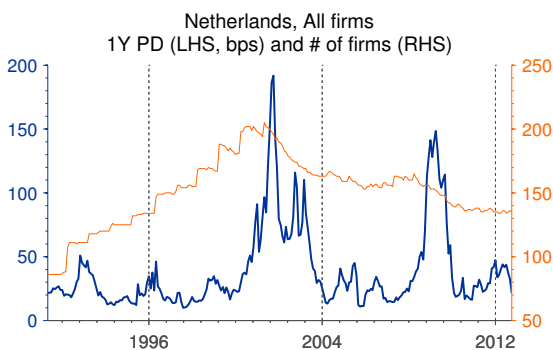
Malaysia	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	125	40.5	62.0	39.7	93.7	-0.8	49.1
Basic Materials	64	65.3	91.2	60.1	89.9	-5.2	31.1
Communications	35	39.6	61.8	82.9	218.9	43.4	181.8
Consumer Cyclical	120	44.0	57.7	41.3	60.7	-2.7	25.8
Consumer Non-cyclical	143	30.6	63.6	28.6	68.0	-2.0	25.6
Diversified	22	27.2	25.2	24.5	23.3	-2.7	11.3
Energy	21	72.2	169.1	83.0	191.1	10.8	123.8
Industrial	268	56.4	97.6	48.0	83.0	-8.5	51.8
Technology	60	35.8	48.7	39.2	63.2	3.5	36.0
Utilities	4	5.4	5.4	4.5	4.8	-0.9	0.9



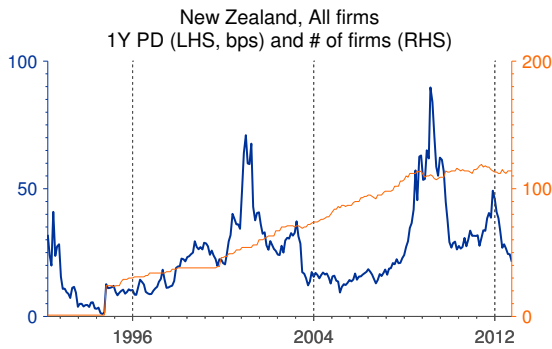
Malta	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	4	6.9	4.7	7.4	4.7	0.5	2.2
Consumer Cyclical	1	13.5	-	6.2	-	-7.4	-



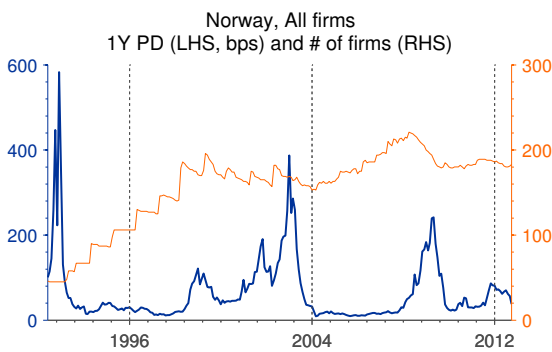
Mexico	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	14	13.5	12.7	11.8	13.1	-1.7	2.8
Basic Materials	7	10.3	17.2	2.4	2.6	-7.9	16.9
Communications	5	9.0	13.9	8.5	9.4	-0.5	10.0
Consumer Cyclical	18	20.1	29.7	19.2	28.8	-0.9	5.3
Consumer Non-cyclical	15	3.9	5.5	2.0	2.7	-1.9	4.0
Diversified	3	2.4	2.7	1.5	1.4	-0.9	1.3
Industrial	14	22.0	25.7	17.1	18.5	-4.9	12.6



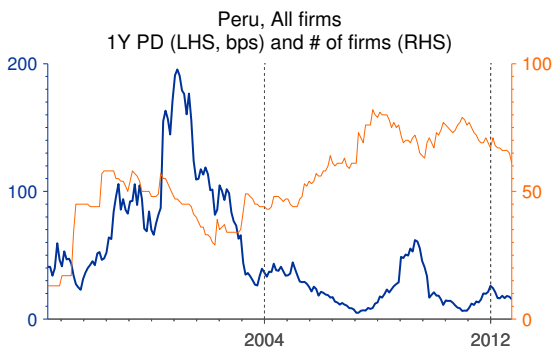
Netherlands	2012Q2			2012Q3		Q3-Q2	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	18	57.8	76.1	28.6	32.1	-29.2	55.4
Basic Materials	4	12.4	10.7	5.8	4.2	-6.6	6.7
Communications	8	33.1	81.5	6.9	9.2	-26.2	72.7
Consumer Cyclical	10	22.4	36.0	11.3	13.0	-11.1	23.2
Consumer Non-cyclical	25	74.6	322.8	35.0	136.0	-39.6	187.1
Energy	5	92.8	161.6	26.8	20.3	-66.0	151.8
Industrial	31	20.8	26.7	16.6	23.7	-4.2	6.8
Technology	14	16.1	18.1	25.3	59.1	9.2	50.8



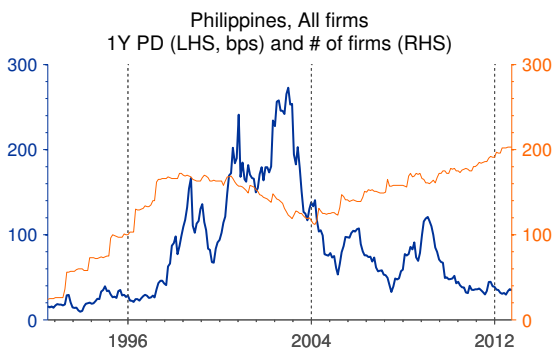
New Zealand	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	16	8.8	17.5	4.6	8.8	-4.2	8.7
Basic Materials	3	40.6	38.4	28.1	21.1	-12.5	20.7
Communications	3	4.6	7.7	5.7	9.7	1.1	2.0
Consumer Cyclical	20	33.6	46.2	22.6	37.0	-11.0	17.3
Consumer Non-cyclical	27	40.5	114.2	36.1	93.1	-4.4	76.4
Diversified	2	34.7	44.8	19.6	26.1	-15.1	18.7
Energy	4	24.7	37.4	17.4	20.9	-7.4	16.9
Industrial	10	14.9	26.7	14.7	32.3	-0.2	6.5
Technology	5	72.4	92.9	54.1	81.8	-18.3	37.1
Utilities	3	0.7	0.6	0.4	0.3	-0.3	0.3



Norway	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	33	58.2	62.8	57.0	77.4	-1.2	63.6
Basic Materials	4	68.4	108.7	27.2	39.9	-41.2	68.8
Communications	7	19.7	13.3	17.4	17.0	-2.3	8.6
Consumer Cyclical	2	50.3	59.1	30.0	32.7	-20.3	26.4
Consumer Non-cyclical	31	47.1	68.8	24.7	33.8	-22.4	44.2
Energy	27	67.6	88.7	46.4	48.1	-21.2	54.5
Industrial	47	70.0	156.9	26.4	26.7	-43.6	140.8
Technology	10	67.8	97.7	97.0	228.5	29.2	151.2
Utilities	1	5.3	-	3.3	-	-2.1	-

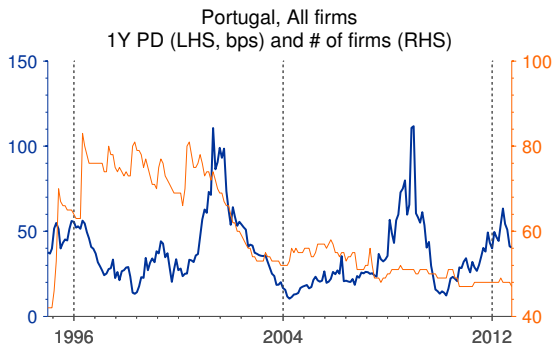


Peru	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	10	20.0	31.4	17.0	23.8	-2.9	9.1
Basic Materials	14	10.2	16.5	7.2	9.8	-3.0	7.4
Consumer Non-cyclical	12	15.9	11.1	13.6	11.2	-2.3	3.4
Diversified	2	8.5	2.7	7.4	2.2	-1.1	0.6
Industrial	4	37.8	8.5	66.3	73.6	28.6	67.1
Utilities	4	8.7	10.0	4.8	5.7	-3.9	4.5

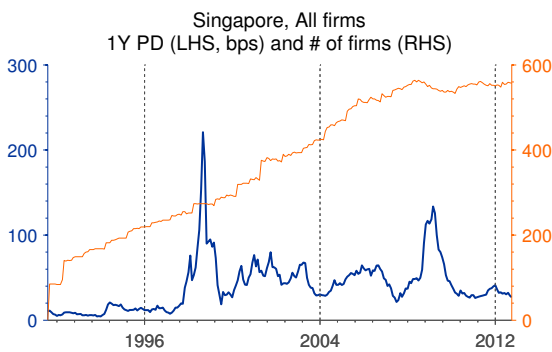


Philippines	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	62	42.5	53.8	42.1	55.7	-0.4	24.0
Basic Materials	21	15.2	20.9	11.7	14.3	-3.5	11.0
Communications	11	27.7	37.1	37.7	51.1	10.0	20.1
Consumer Cyclical	14	22.4	29.3	41.8	82.2	19.4	63.8
Consumer Non-cyclical	29	30.8	59.6	49.9	102.9	19.1	98.2
Diversified	15	24.9	31.6	33.1	43.6	8.2	34.5
Energy	10	8.8	21.7	11.3	25.4	2.5	6.6
Industrial	10	51.7	64.8	64.3	83.2	12.6	24.4
Technology	1	1.6	-	1.8	-	0.2	-
Utilities	9	11.6	13.1	10.5	11.9	-1.1	2.3

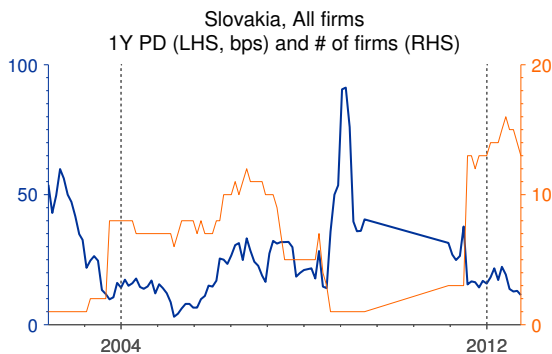




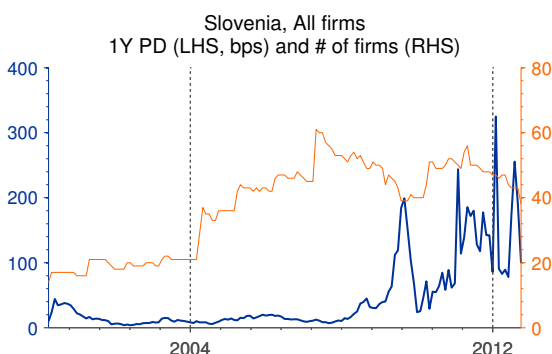
Portugal	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	3	156.4	141.1	58.0	39.2	-98.4	107.5
Basic Materials	5	11.9	11.0	10.5	8.6	-1.4	4.9
Communications	5	68.5	104.4	24.9	21.0	-43.6	86.0
Consumer Cyclical	6	52.4	42.0	39.1	31.6	-13.3	33.7
Consumer Non-cyclical	4	55.1	67.0	71.1	102.1	16.0	39.4
Diversified	1	41.7	-	50.8	-	9.0	-
Industrial	5	37.7	14.8	32.4	19.4	-5.2	17.1
Technology	2	35.9	40.7	23.5	25.7	-12.4	15.0
Utilities	1	3.7	-	4.3	-	0.5	-



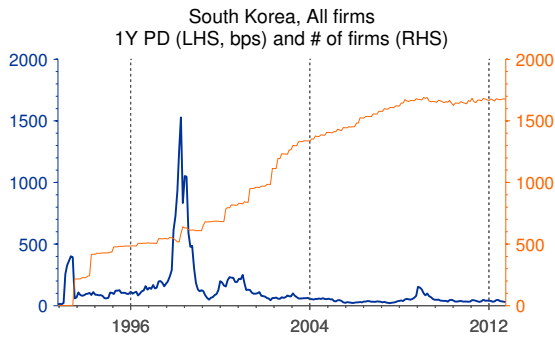
Singapore	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	82	13.5	27.3	11.0	19.1	-2.5	11.6
Basic Materials	30	43.3	49.9	45.0	57.6	1.7	21.6
Communications	25	33.9	44.3	28.5	39.9	-5.3	14.4
Consumer Cyclical	79	27.5	45.1	24.6	44.9	-2.9	14.3
Consumer Non-cyclical	71	23.7	36.3	22.5	41.3	-1.2	17.4
Diversified	8	12.8	19.5	11.3	14.8	-1.5	9.3
Energy	24	39.5	36.4	33.1	32.7	-6.4	13.6
Industrial	186	38.2	55.9	32.9	49.9	-5.4	26.3
Technology	25	28.2	25.6	30.3	32.1	2.1	13.8



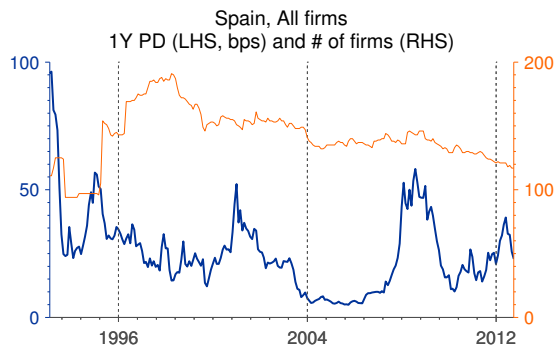
Slovakia	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	2	16.4	4.3	13.3	4.8	-3.0	0.5
Consumer Non-cyclical	1	19.6	-	13.1	-	-6.6	-
Industrial	2	24.0	13.1	23.5	11.2	-0.5	1.9



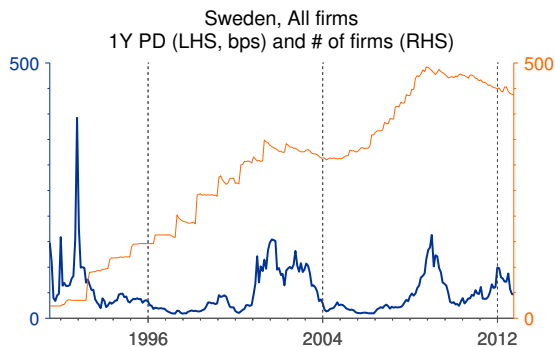
Slovenia	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	10	535.1	816.8	187.8	220.4	-347.4	628.3
Basic Materials	1	8.3	-	7.7	-	-0.6	-
Consumer Cyclical	4	69.5	101.9	55.4	77.3	-14.1	25.6
Consumer Non-cyclical	4	16.2	13.1	14.5	14.1	-1.6	3.7
Diversified	1	161.9	-	72.0	-	-89.9	-
Industrial	4	124.6	206.8	58.1	96.0	-66.5	111.2



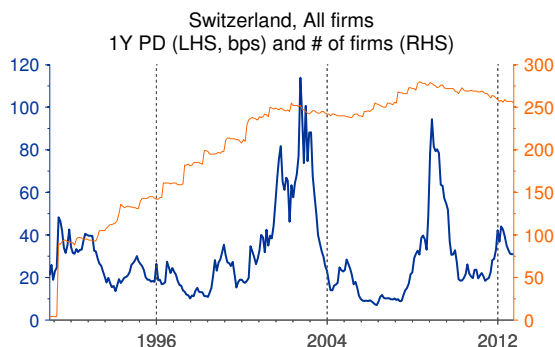
South Korea	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	106	62.5	93.8	60.3	196.4	-2.2	178.8
Basic Materials	173	37.9	48.9	40.5	158.4	2.6	149.9
Communications	175	26.3	33.0	25.6	48.8	-0.6	36.0
Consumer Cyclical	257	34.4	46.2	26.0	38.1	-8.4	25.9
Consumer Non-cyclical	218	23.9	29.1	15.3	32.9	-8.6	26.3
Diversified	24	14.7	31.0	8.0	17.3	-6.7	15.7
Energy	9	32.6	23.1	19.3	15.1	-13.3	13.0
Industrial	471	37.2	48.1	32.3	66.9	-4.9	46.8
Technology	189	33.0	71.7	26.5	47.2	-6.5	56.3
Utilities	16	33.9	22.0	16.6	12.8	-17.3	17.4



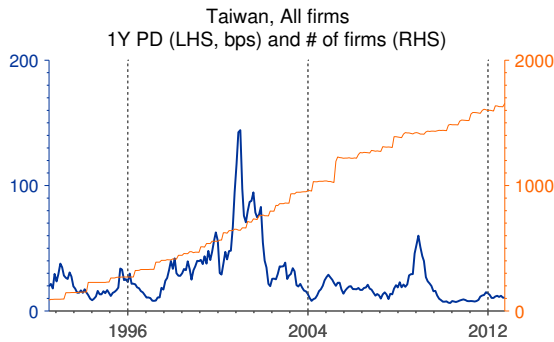
Spain	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	25	58.5	54.1	45.2	45.8	-13.3	27.9
Basic Materials	6	64.7	119.0	30.4	50.5	-34.3	68.6
Communications	8	15.0	11.1	18.1	15.3	3.1	10.1
Consumer Cyclical	10	27.0	18.7	18.7	16.0	-8.3	5.1
Consumer Non-cyclical	23	20.8	47.4	11.8	26.7	-9.0	21.7
Energy	2	41.0	36.8	21.1	18.8	-19.9	18.0
Industrial	21	29.5	33.8	18.5	19.8	-11.0	16.1
Technology	1	51.1	-	30.6	-	-20.5	-
Utilities	5	6.1	2.3	4.6	2.3	-1.5	0.3



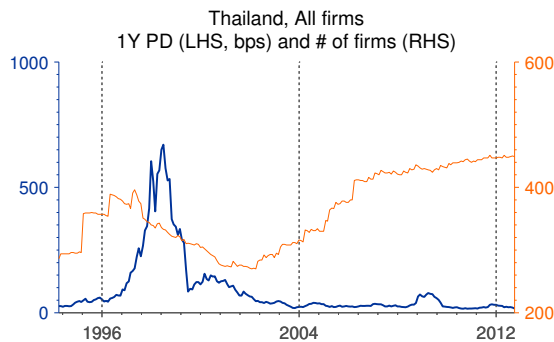
Sweden	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	50	73.5	228.9	49.3	135.9	-24.2	108.7
Basic Materials	26	65.3	74.7	57.6	65.0	-7.7	46.2
Communications	47	60.4	78.8	67.6	100.2	7.2	78.6
Consumer Cyclical	47	34.7	47.4	23.6	29.7	-11.2	22.7
Consumer Non-cyclical	98	32.9	54.5	28.6	45.6	-4.2	44.4
Diversified	5	18.6	14.4	18.9	16.5	0.4	6.6
Energy	13	38.3	41.9	31.3	28.6	-7.0	26.0
Industrial	92	76.8	247.0	67.0	231.2	-9.8	199.9
Technology	35	51.1	108.3	33.1	68.1	-18.0	51.0



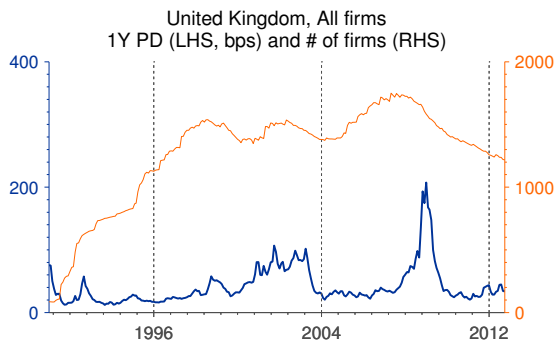
Switzerland	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	67	35.6	85.8	26.1	43.4	-9.5	57.8
Basic Materials	15	29.4	37.9	37.0	86.7	7.6	60.2
Communications	11	65.6	151.7	68.7	187.4	3.1	38.0
Consumer Cyclical	19	23.7	24.7	110.6	412.7	86.9	406.5
Consumer Non-cyclical	37	38.6	105.0	20.5	47.8	-18.0	58.8
Diversified	2	23.9	28.1	16.4	17.7	-7.5	10.4
Energy	5	125.1	101.6	71.8	58.3	-53.3	77.5
Industrial	66	20.3	26.5	13.4	18.0	-6.9	16.9
Technology	7	13.5	6.0	13.1	10.9	-0.4	12.0
Utilities	6	30.0	38.1	18.2	18.5	-11.8	20.5



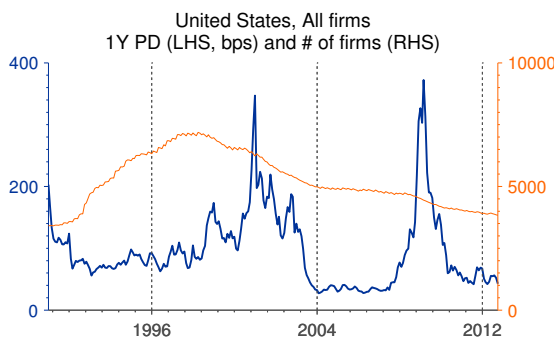
Taiwan	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	96	13.2	11.6	9.6	9.8	-3.6	6.6
Basic Materials	109	9.9	27.3	7.0	17.6	-2.8	12.8
Communications	82	7.8	12.7	6.0	9.5	-1.8	8.9
Consumer Cyclical	196	9.3	20.7	8.0	41.5	-1.4	29.2
Consumer Non-cyclical	140	4.9	10.2	4.9	19.8	-0.1	11.6
Energy	10	26.8	18.1	28.4	19.1	1.5	5.2
Industrial	631	12.5	27.6	11.3	34.5	-1.2	28.9
Technology	337	13.0	31.9	15.2	56.4	2.1	37.4
Utilities	6	0.4	0.8	0.2	0.5	-0.1	0.3



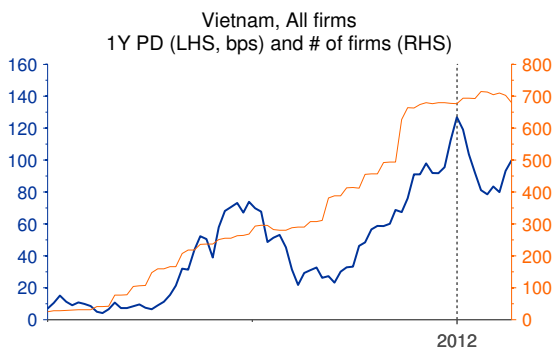
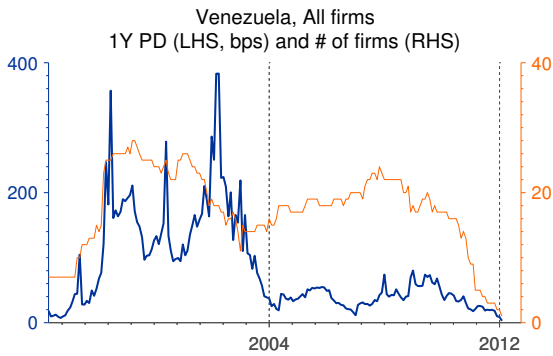
Thailand	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	84	34.1	45.9	27.4	40.2	-6.7	24.5
Basic Materials	45	23.7	32.9	17.4	27.4	-6.2	12.5
Communications	33	20.9	54.1	12.4	27.4	-8.5	33.9
Consumer Cyclical	96	14.7	23.6	16.1	68.4	1.4	51.2
Consumer Non-cyclical	63	12.1	19.1	8.9	14.7	-3.2	15.0
Diversified	1	5.7	-	2.8	-	-2.9	-
Energy	10	17.4	19.3	13.5	20.2	-3.9	3.9
Industrial	82	23.9	58.9	16.7	44.3	-7.2	17.8
Technology	8	25.8	15.2	16.0	14.9	-9.8	14.6
Utilities	5	14.6	24.4	8.3	11.6	-6.3	13.2



United Kingdom	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	201	30.8	56.0	19.8	34.7	-10.9	33.4
Basic Materials	113	32.3	36.4	22.5	26.4	-9.9	21.1
Communications	110	39.9	70.7	40.5	155.1	0.6	108.8
Consumer Cyclical	141	33.2	62.2	66.9	423.5	33.7	404.7
Consumer Non-cyclical	234	25.6	67.2	19.8	51.4	-5.8	30.2
Diversified	10	199.0	578.6	131.2	368.9	-67.8	211.0
Energy	97	64.4	243.4	37.3	95.2	-27.2	164.3
Industrial	181	30.8	72.5	29.4	106.0	-1.4	49.5
Technology	84	31.5	100.4	37.8	200.3	6.3	107.7
Utilities	10	6.1	8.6	11.6	28.3	5.5	20.9



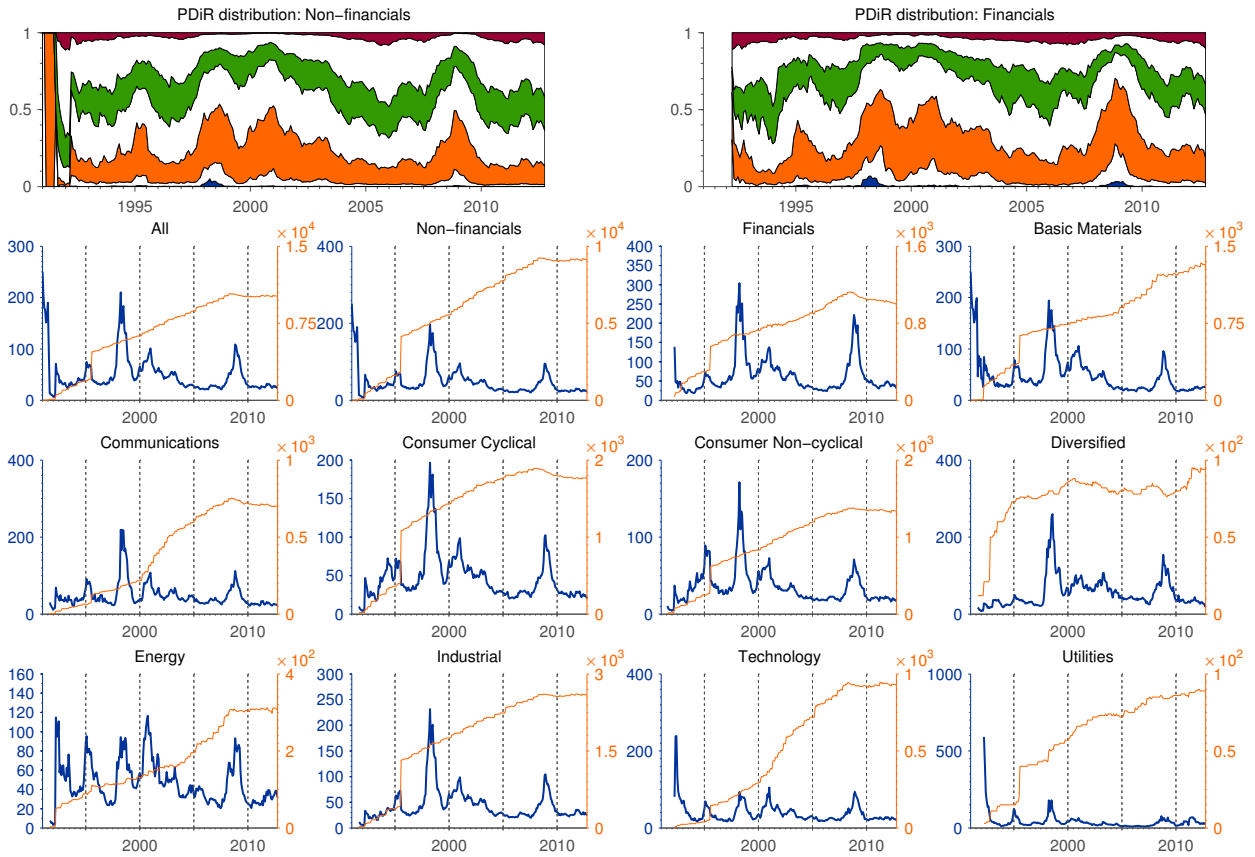
United States	#	2012Q2		2012Q3		Q3-Q2	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	884	56.4	302.9	47.5	322.4	-8.9	96.6
Basic Materials	149	50.1	157.8	42.7	164.2	-7.4	53.5
Communications	321	76.7	243.7	70.4	239.8	-6.4	112.1
Consumer Cyclical	451	32.7	61.0	27.8	58.7	-4.9	37.3
Consumer Non-cyclical	774	39.6	122.1	36.1	134.5	-3.5	118.6
Diversified	7	158.3	238.6	125.8	184.5	-32.5	124.0
Energy	292	87.6	437.8	58.8	222.5	-28.8	224.9
Industrial	507	43.9	128.0	42.5	176.0	-1.4	134.8
Technology	342	33.6	94.7	31.6	118.3	-2.0	63.6
Utilities	87	10.8	27.3	7.6	21.6	-3.2	12.5



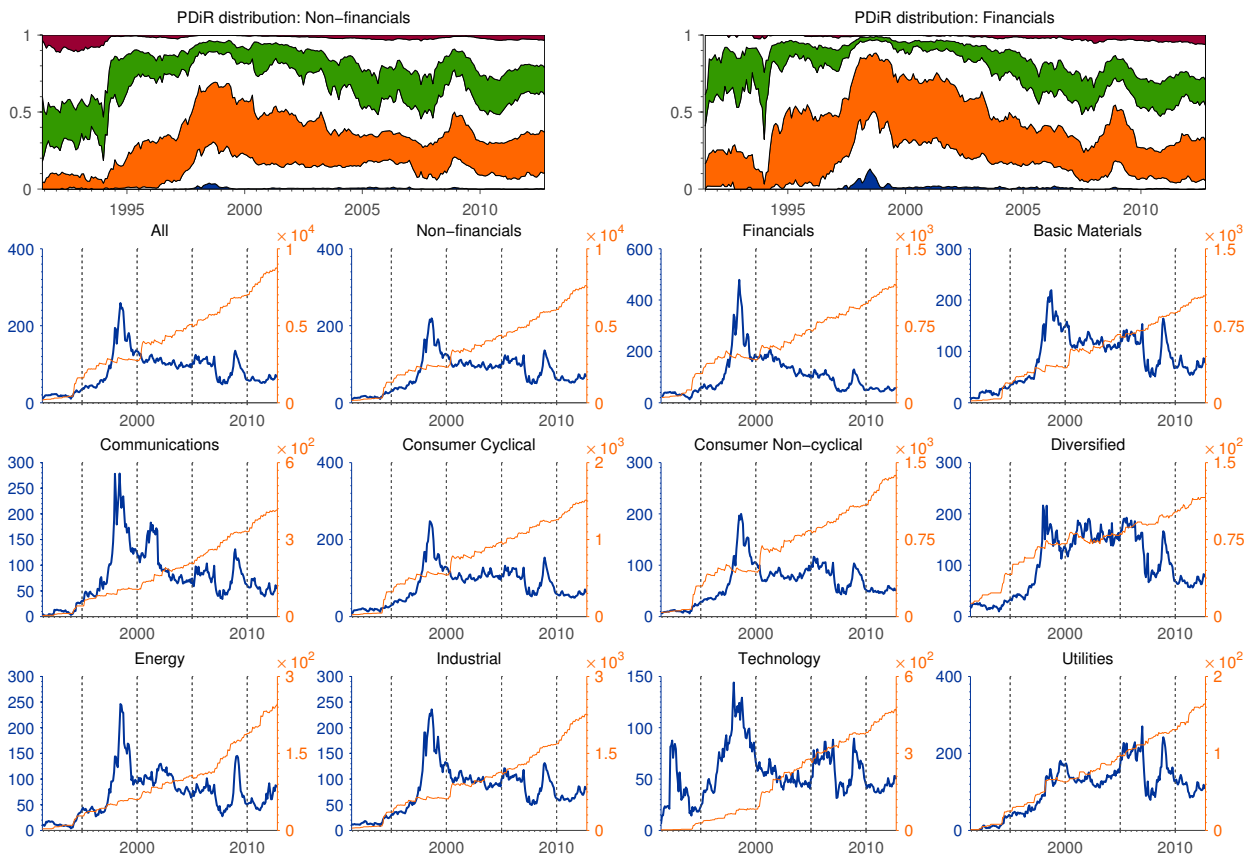
Vietnam	2012Q2		2012Q3		Q3-Q2		
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	75	65.5	71.6	80.8	83.1	15.3	43.4
Basic Materials	49	61.5	71.9	88.6	115.4	27.1	55.8
Communications	21	50.4	50.6	59.9	65.7	9.5	31.9
Consumer Cyclical	53	61.8	72.0	74.3	86.1	12.5	39.7
Consumer Non-cyclical	99	50.4	90.6	61.4	111.5	11.1	44.3
Diversified	17	57.8	78.1	66.6	99.1	8.9	35.7
Energy	20	71.6	43.9	99.2	76.4	27.7	53.2
Industrial	283	106.6	95.2	141.1	144.5	34.5	76.2
Technology	8	51.8	64.3	75.2	96.3	23.4	32.7
Utilities	23	31.3	46.2	27.1	30.8	-4.2	31.5

## B PD by regions

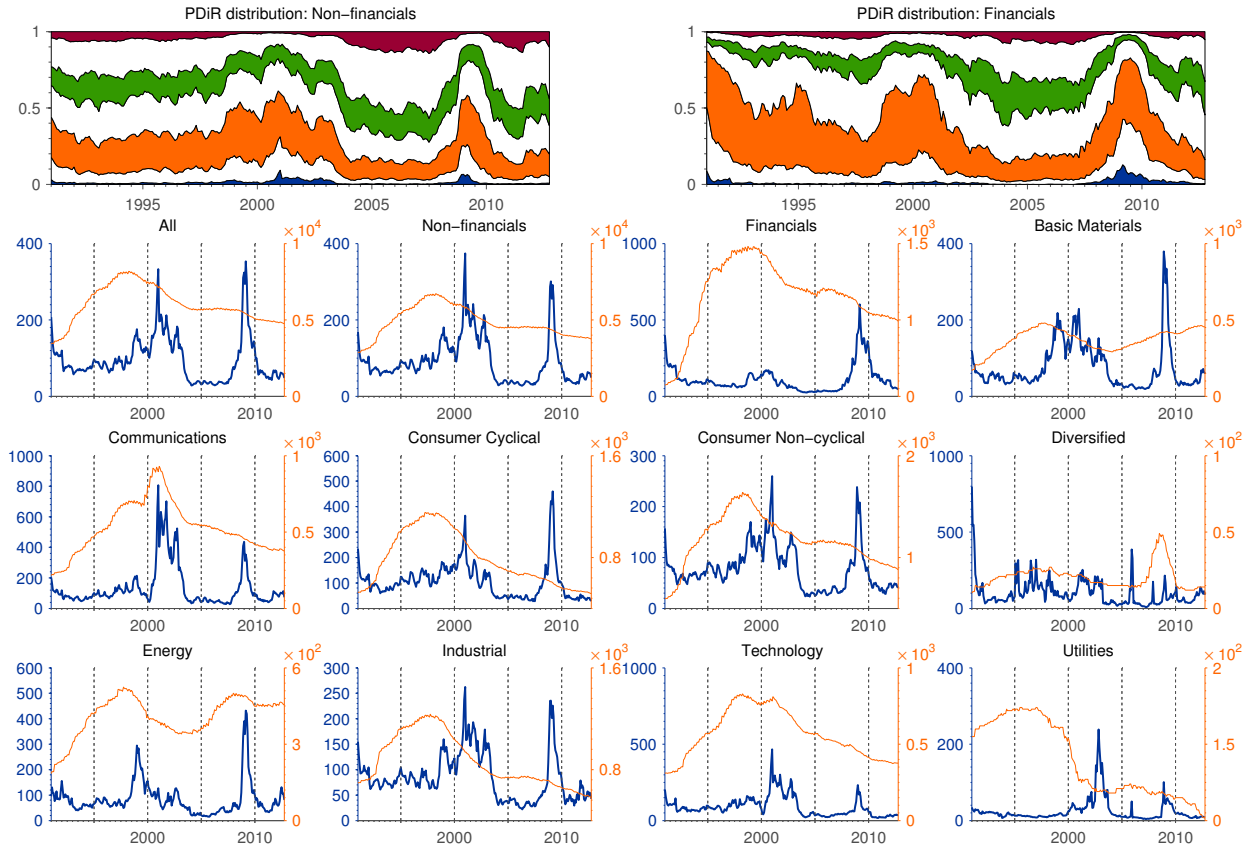
### Asia Pacific - developed economies



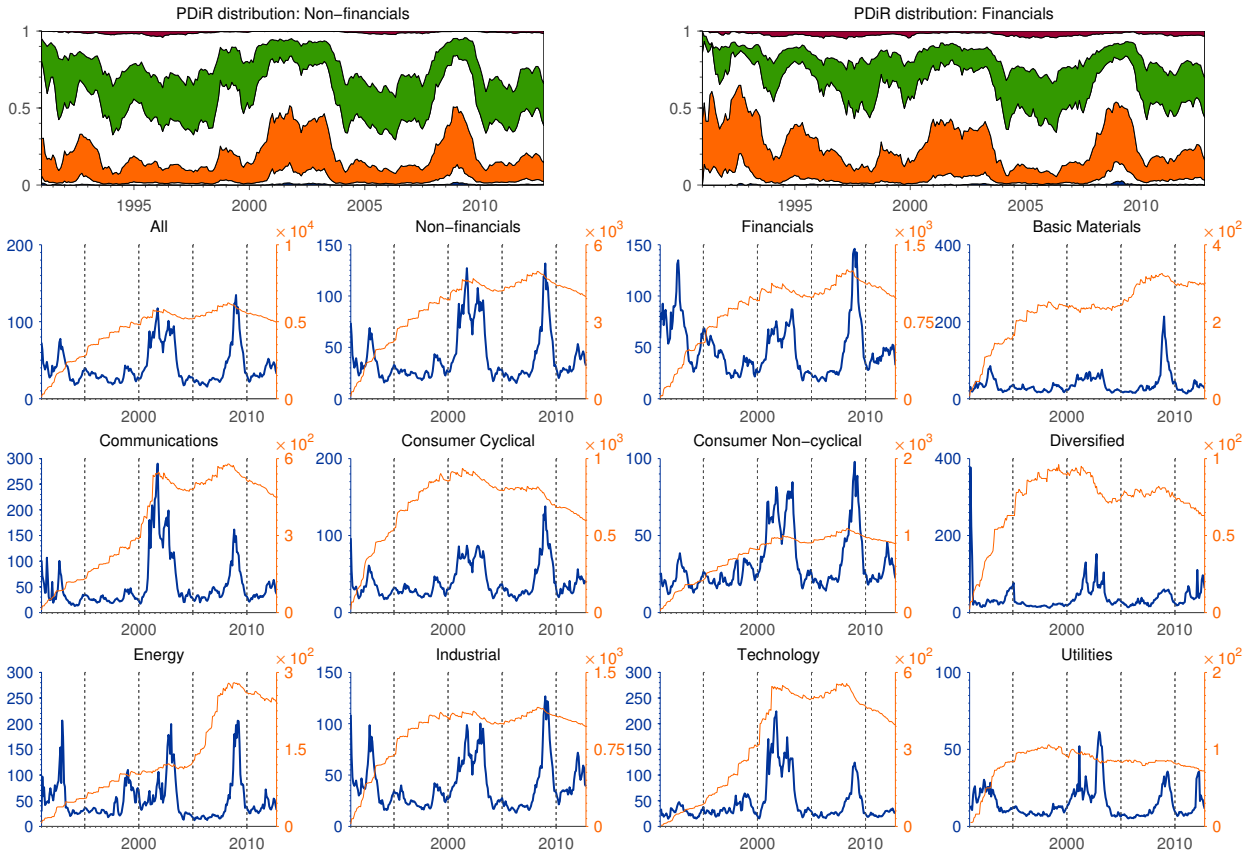
### Asia Pacific - emerging economies



### North America

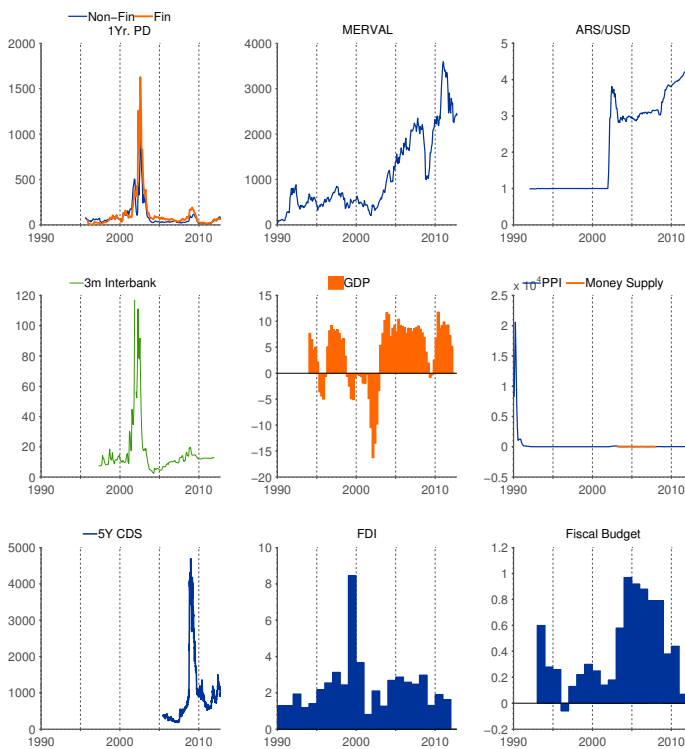


Western Europe

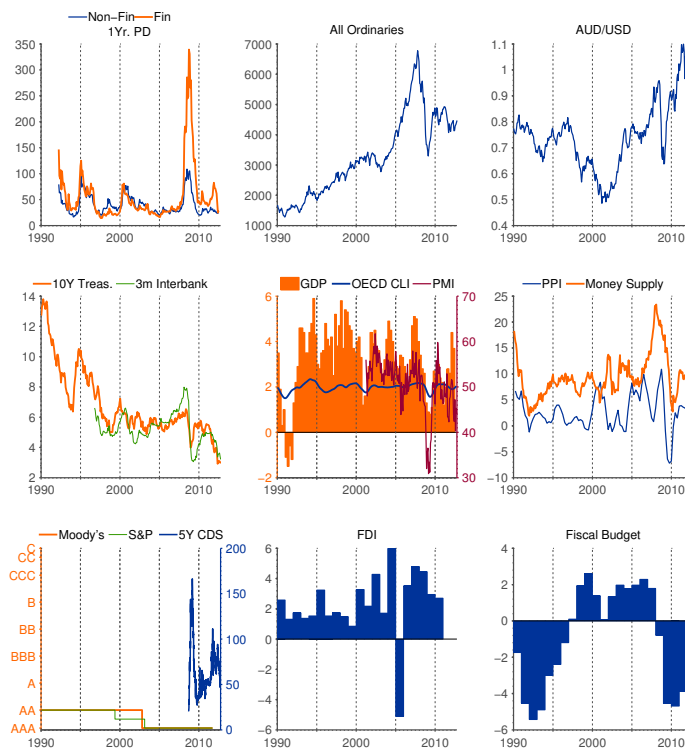


# C Macroeconomic Indicators

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

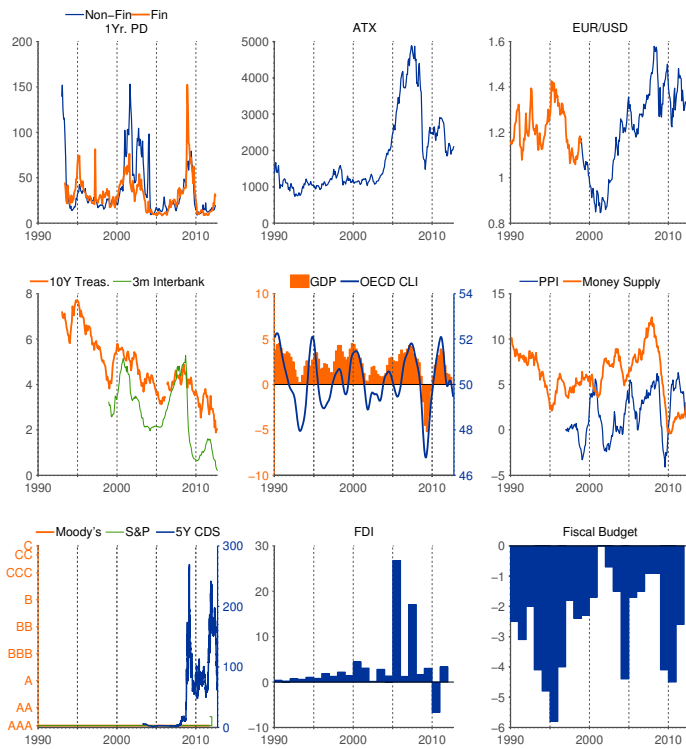


Argentina	2011		2012		
	Q3	Q4	Q1	Q2	Q3
MERVAL	2464	2463	2684	2347	2452
ARS/USD	4.20	4.30	4.38	4.53	4.70
3m Interbank (%)	12.44	12.75	-	-	-
GDP (YoY%)	9.3	7.3	5.2	0.0	-
PPI (YoY%)	13.3	11.1	12.4	12.8	14.0*
5Y CDS (bps)	1084.27	921.98	822.80	1252.89	959.96
FDI (%GDP)	-	1.62	-	-	-
Fiscal Budget (%GDP)	-	0.07	-	-	-

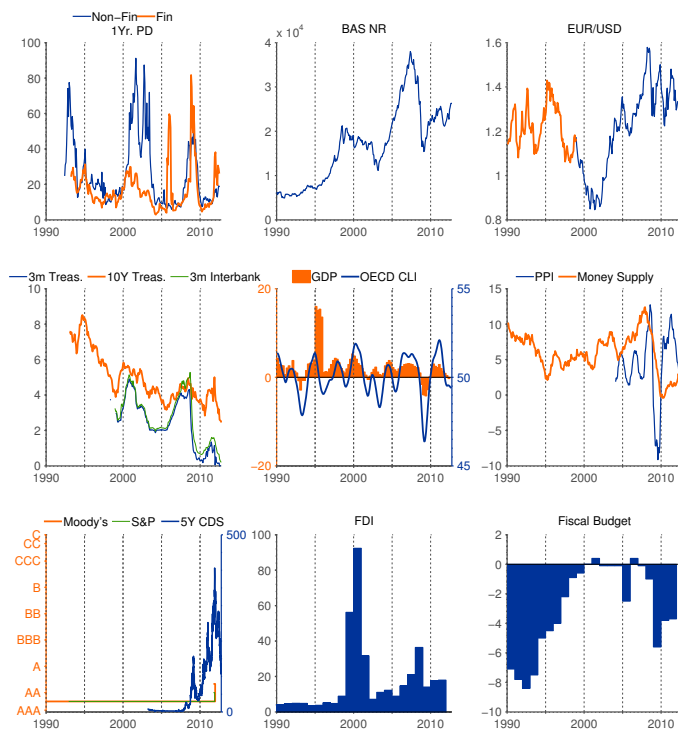


Australia	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	32.13	30.08	24.03	27.92	-
1Yr. PD, Fin.	58.21	72.44	61.41	28.64	-
All Ordinaries	4070	4111	4420	4135	4406
AUD/USD	0.97	1.02	1.03	1.02	1.04
10Y Treas. Yield (%)	4.22	3.67	3.98	3.04	2.99
3m Interbank (%)	4.87	4.50	4.32	3.52	3.37
GDP (YoY%)	2.8	2.6	4.4	3.7	-
OECD CLI	99.92	99.59	99.51	99.83	100.19*
PMI	42.3	50.2	49.5	47.2	44.1
PPI (YoY%)	3.4	2.7	0.3	-0.4	-
Money Supply (YoY%)	9.8	8.1	7.5	9.3	7.9*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	98.90	81.83	72.38	73.72	57.87
Fiscal Budget (%GDP)	-	-3.88	-	-	-



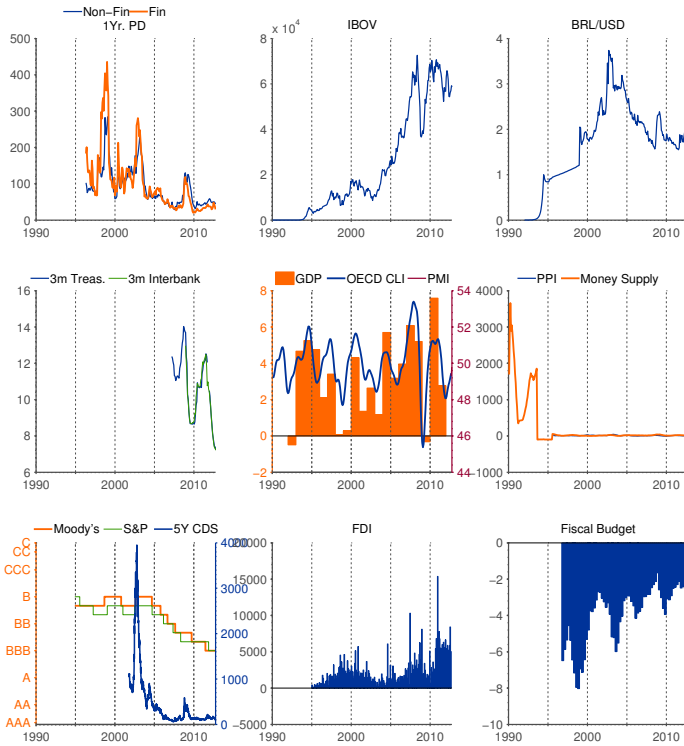


Austria	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	13.38	16.87	14.19	19.77	-
1Yr. PD, Fin.	12.27	13.44	22.39	29.30	-
ATX	1948	1892	2159	1975	2090
EUR/USD	1.34	1.30	1.33	1.27	1.29
10Y Treas. Yield (%)	2.68	2.90	2.75	2.42	2.02
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	2.1	1.2	1.1	0.8	-
OECD CLI	100.18	99.96	100.18	99.87	99.45*
PPI (YoY%)	4.2	3.1	1.5	0.2	1.1*
Money Supply (YoY%)	1.7	1.7	3.0	3.2	2.8*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AA+	AA+	AA+	AA+	AA+
5Y CDS (bps)	171.0	190.4	154.7	168.1	69.1
FDI (%GDP)	-	3.34	-	-	-
Fiscal Budget (%GDP)	-	-2.60	-	-	-

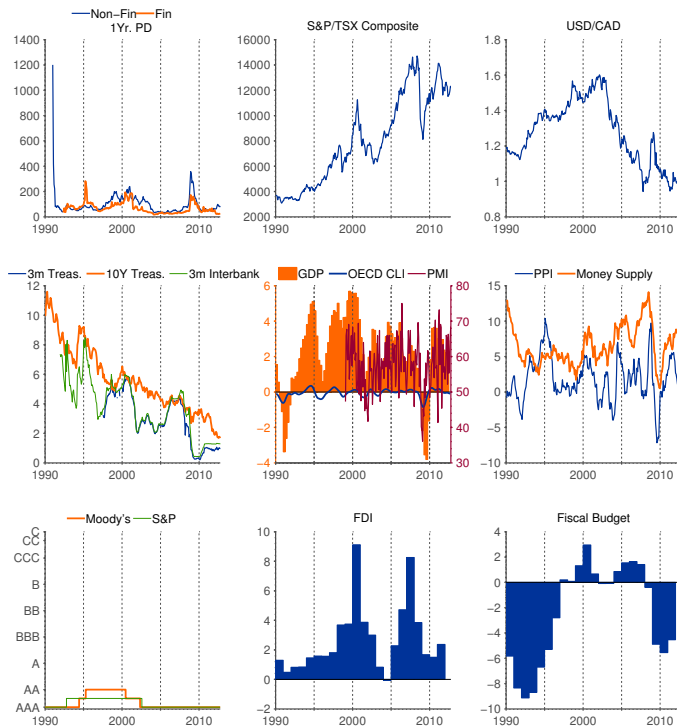


Belgium	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	12.39	15.57	12.90	18.47	-
1Yr. PD, Fin.	12.71	38.17	19.56	26.12	-
BAS NR	21347	21997	23992	24837	26264
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	0.83	0.05	0.17	0.17	0.01
10Y Treas. Yield (%)	3.65	4.09	3.40	3.19	2.53
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	1.40	0.90	0.40	-0.30	-
OECD CLI	100.29	99.61	99.55	99.48	99.39*
PPI (YoY%)	8.00	5.60	3.90	2.40	4.00*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA	AA	AA	AA	AA
5Y CDS (bps)	260.04	316.25	232.67	240.43	127.74
FDI (%GDP)	-	17.95	-	-	-
Fiscal Budget (%GDP)	-	-3.70	-	-	-

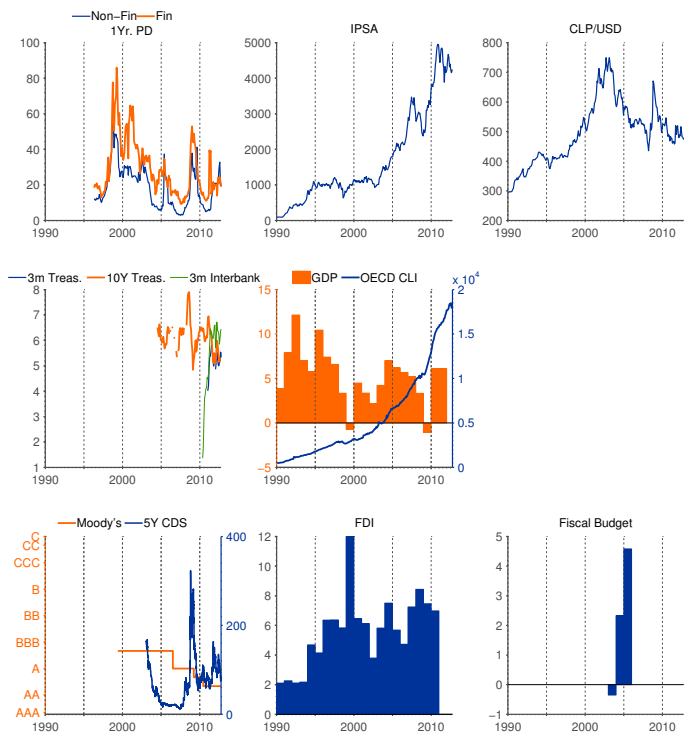




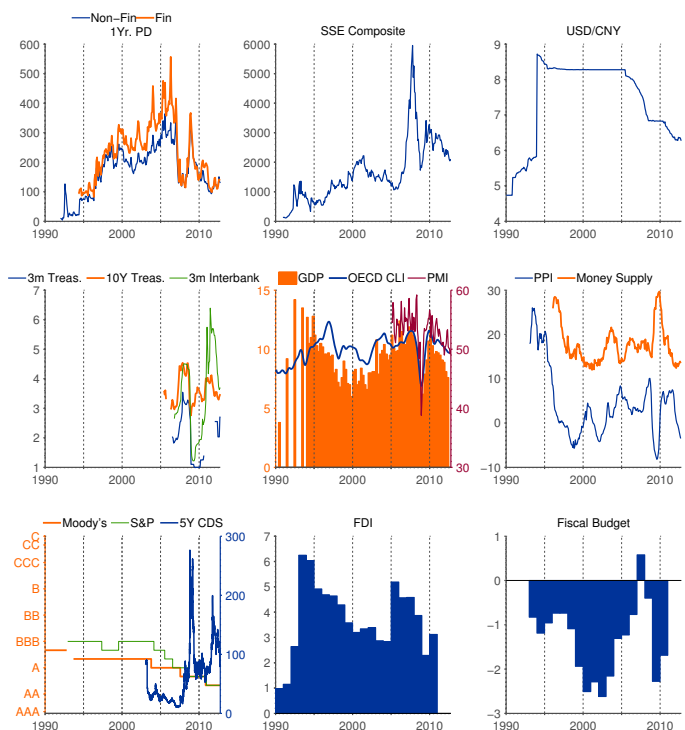
Brazil	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	50.88	58.97	49.18	50.30	44.34
1Yr. PD, Fin.	43.34	37.80	29.60	48.18	29.70
IBOV	52324	56754	64511	54355	59176
BRL/USD	1.88	1.87	1.83	2.01	2.03
3m Treas. Yield (%)	12.05	10.49	9.07	7.87	7.39
3m Interbank (%)	10.76	10.42	9.07	7.83	7.33
GDP (YoY%)	-	2.8	-	-	-
OECD CLI	98.51	98.07	98.63	99.09	99.45*
PMI	-	-	-	-	49.8
PPI (YoY%)	7.6	4.3	1.8	4.9	9.0
Money Supply (YoY%)	21.9	18.9	15.8	14.1	12.3*
Sov. Rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB-	BBB	BBB	BBB	BBB
5Y CDS (bps)	201.76	161.59	122.01	157.32	111.84
FDI (%GDP)	6305.00	6644.00	5887.00	5822.00	5034.00*
Fiscal Budget (%GDP)	-2.12	-2.49	-2.39	-2.49	-



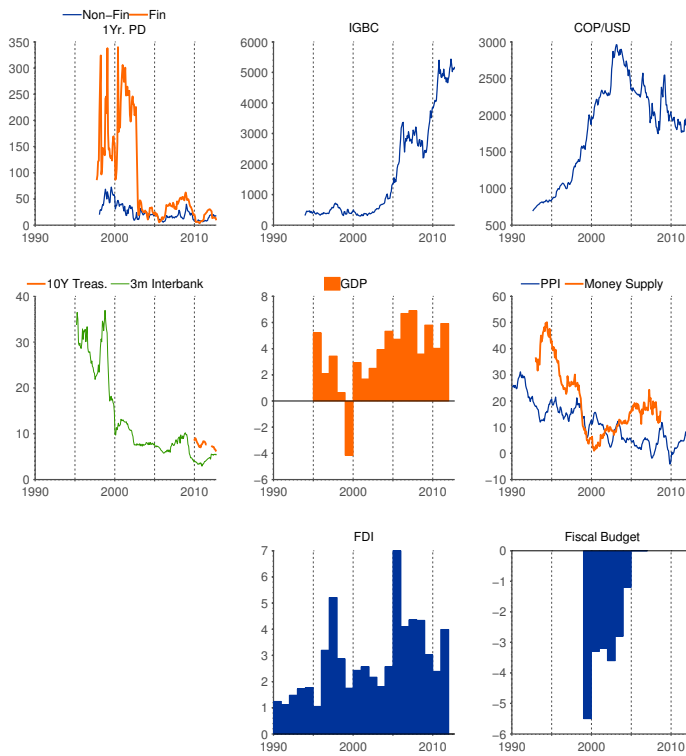
Canada	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	64.36	62.20	63.50	92.61	76.43
1Yr. PD, Fin.	43.48	54.59	21.50	21.88	26.35
S&P/TSX Composite	11623.8	11955.1	12392.2	11596.6	12317.5
USD/CAD	1.05	1.02	1.00	1.02	0.98
3m Treas. Yield (%)	0.81	0.80	0.91	0.88	0.97
10Y Treas. Yield (%)	2.15	1.94	2.11	1.74	1.73
3m Interbank (%)	1.28	1.28	1.28	1.31	1.29
GDP (YoY%)	2.9	2.4	2.2	2.9	-
OECD CLI	99.88	99.74	99.80	99.65	99.55*
PMI	63.4	53.6	65.0	55.3	68.5
PPI (YoY%)	5.6	2.7	1.1	0.5	-0.3*
Money Supply (YoY%)	8.22	8.45	8.30	8.39	7.31*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
FDI (%GDP)	-	2.37	-	-	-
Fiscal Budget (%GDP)	-	-4.54	-	-	-



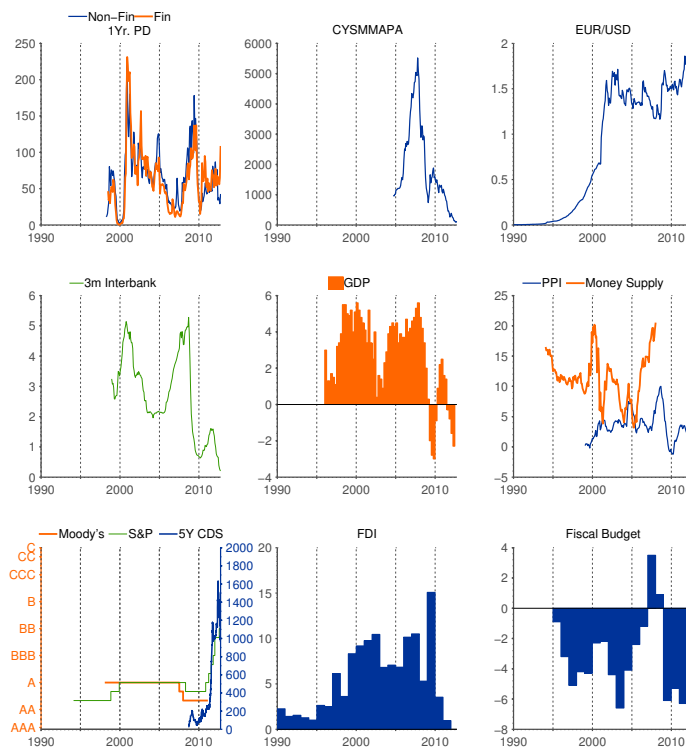
Chile	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	20.23	20.21	18.70	29.69	19.17
1Yr. PD, Fin.	21.72	20.21	13.91	21.20	19.11
IPSA	3889	4178	4671	4400	4230
CLP/USD	519.75	519.55	488.35	501.07	474.70
3m Treas. Yield (%)	5.30	5.13*	5.28	5.00	5.54
10Y Treas. Yield (%)	5.30	5.35	5.99	5.35	5.32*
3m Interbank (%)	6.07	6.60	6.72	6.26	6.39
GDP (YoY%)	-	6.1	-	-	-
OECD CLI	16816.20	17724.60	17919.80	18274.10	17915.90*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
5Y CDS (bps)	154.47	132.13	91.84	115.85	83.44



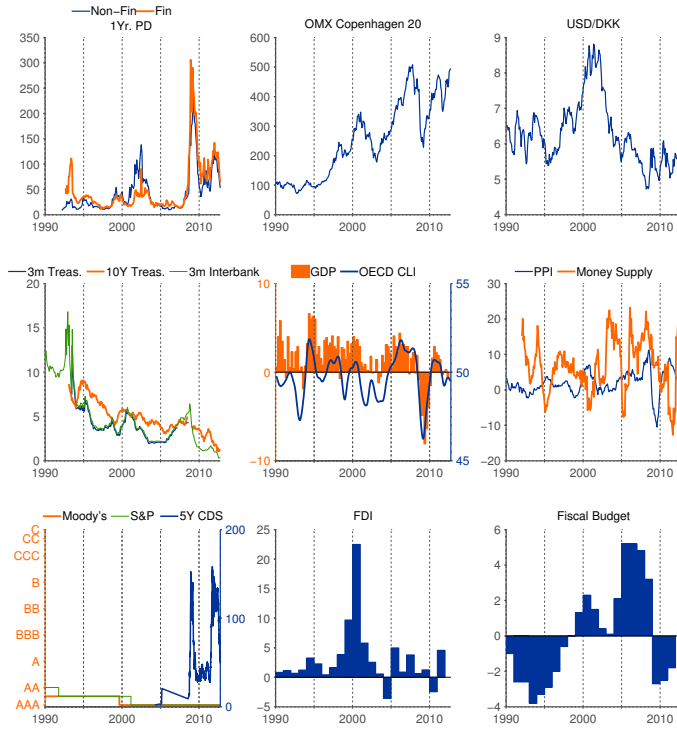
China	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	108.48	139.65	123.57	126.48	129.45
1Yr. PD, Fin.	115.26	145.69	122.82	122.42	140.05
SSE Composite	2359	2199	2263	2225	2086
USD/CNY	6.38	6.29	6.30	6.35	6.28
3m Treas. Yield (%)	-	-	2.55	2.03	2.70
10Y Treas. Yield (%)	3.93	3.44	3.52	3.34	3.45
3m Interbank (%)	5.65	5.47	4.88	4.08	3.69
GDP (YoY%)	9.1	8.9	8.1	7.6	-
OECD CLI	100.53	100.13	99.74	99.39	99.40*
PMI	51.2	50.3	53.1	50.2	49.8
PPI (YoY%)	6.5	1.7	-0.3	-2.1	-3.5*
Money Supply (YoY%)	13.0	13.6	13.4	13.6	13.5*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	190.25	148.74	112.25	119.82	79.34



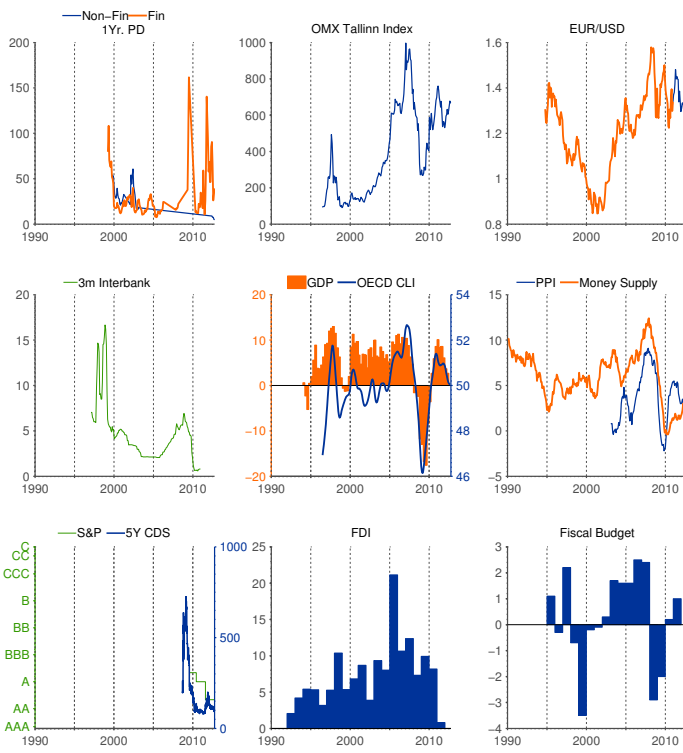
Colombia	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	13.48	19.19	16.90	16.12	16.70
1Yr. PD, Fin.	28.85	29.67	13.32	15.17	9.24
IGBC	4683.9	4785.0	5210.5	5023.3	5135.5
COP/USD	1931.98	1938.50	1788.75	1783.76	1800.53
10Y Treas. Yield (%)	7.60*	-	7.25	7.03	6.27
3m Interbank (%)	4.53	4.80	5.44	5.46	5.54
GDP (YoY%)	-	5.9	-	-	-
PPI (YoY%)	6.7	5.5	1.6	-0.7	0.1
FDI (%GDP)	-	3.99	-	-	-



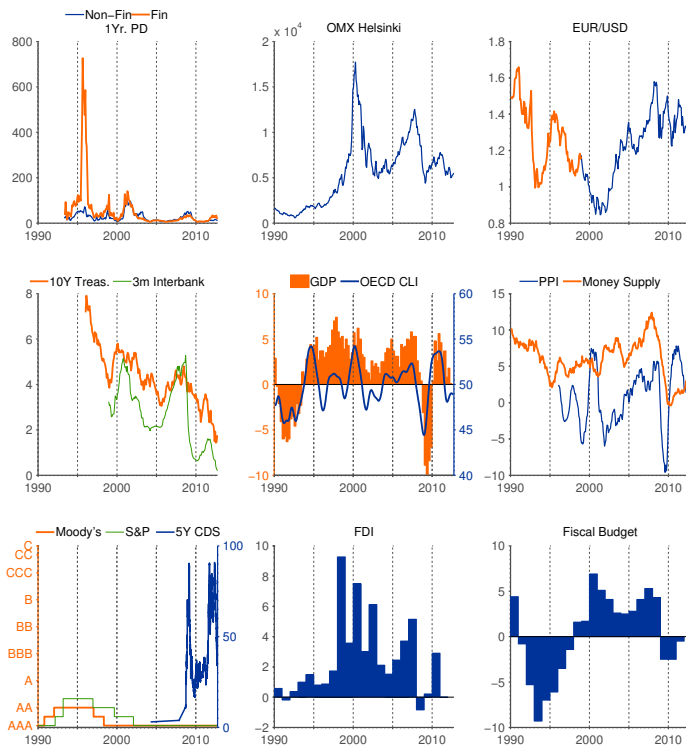
Cyprus	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	80.91	71.79	56.08	37.87	42.59
1Yr. PD, Fin.	69.55	54.07	54.32	63.45	108.74
CYSMMAPA	460	296	247	140	106
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	-0.3	-0.8	-1.6	-2.3	-
PPI (YoY%)	3.1	2.3	1.7	2.0	2.0*
Sov. Rating, S&P	BBB+	BBB	BB+	BB+	BB
5Y CDS (bps)	1165.7	1012.4	1162.3	1399.4	974.1
FDI (%GDP)	-	0.96	-	-	-
Fiscal Budget (%GDP)	-	-6.30	-	-	-



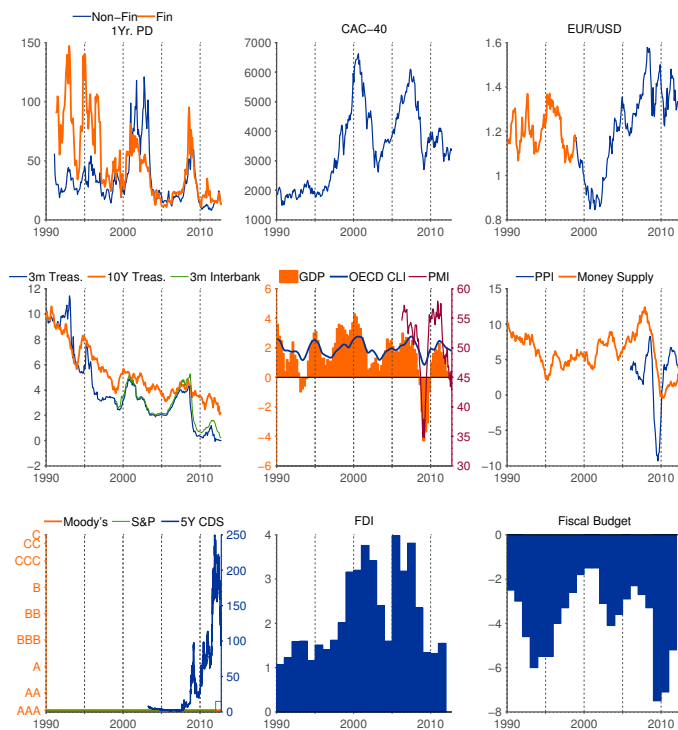
Denmark	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	106.87	115.17	112.19	89.70	52.85
1Yr. PD, Fin.	110.08	142.14	113.78	113.77	63.23
OMX Copenhagen 20	350	390	445	446	493
USD/DKK	5.56	5.73	5.58	5.87	5.80
10Y Treas. Yield (%)	2.08	1.68	1.83	1.44	1.26
3m Interbank (%)	1.38	1.00	0.98	0.58	0.34
GDP (YoY%)	-0.3	0.1	0.3	-0.6	-
OECD CLI	99.42	99.29	99.64	99.66	99.50*
PPI (YoY%)	5.9	4.1	2.7	1.2	3.2*
Money Supply (YoY%)	-5.2	-5.9	15.8	18.6	16.4*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	143.64	137.00	113.94	115.72	52.97
FDI (%GDP)	-	4.56	-	-	-
Fiscal Budget (%GDP)	-	-1.80	-	-	-



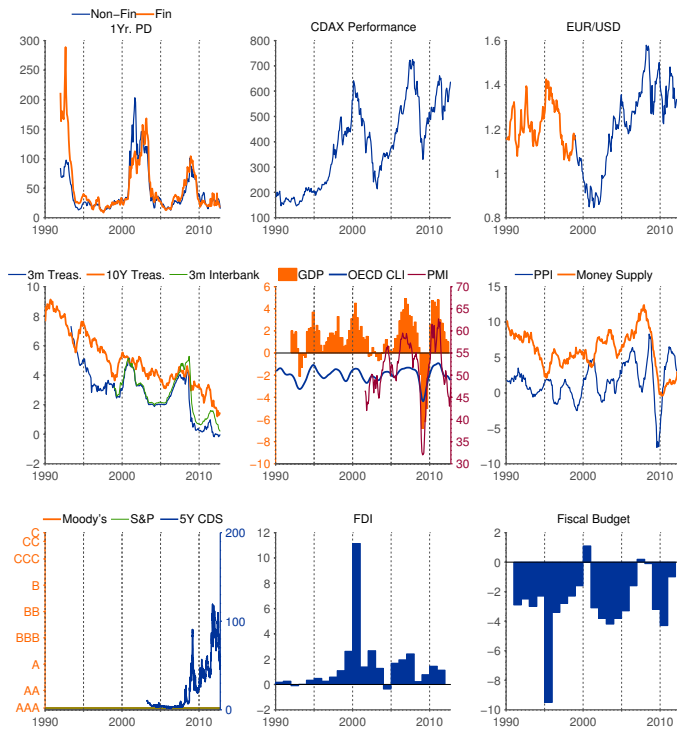
Estonia	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	-	-	-	7.50	4.70
1Yr. PD, Fin.	140.36	57.90	46.41	67.02	39.31
OMX Tallinn Index	536.6	531.2	602.6	623.3	668.2
EUR/USD	1.3	1.3	1.3	1.3	1.3
GDP (YoY%)	8.6	6.1	3.7	2.7	-
OECD CLI	100.97	100.85	100.41	100.09	100.04*
PPI (YoY%)	3.70	3.00	3.20	1.50	2.20*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	157.02	166.27	113.87	117.16	92.73
FDI (%GDP)	-	0.81	-	-	-
Fiscal Budget (%GDP)	-	1.00	-	-	-



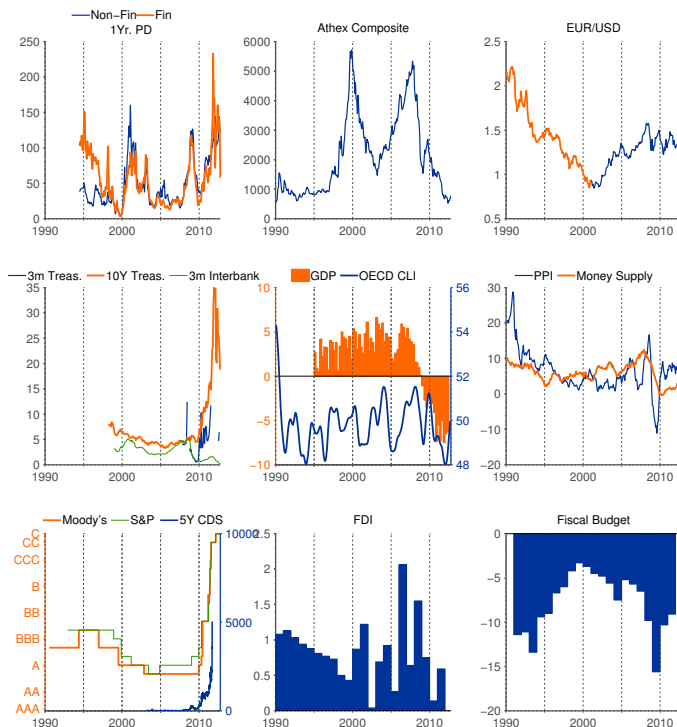
Finland	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	12.14	13.11	11.31	16.44	11.16
1Yr. PD, Fin.	17.38	24.68	25.68	28.56	18.37
OMX Helsinki	5272	5355	6035	5073	5466
EUR/USD	1.34	1.30	1.33	1.27	1.29
10Y Treas. Yield (%)	2.34	2.31	2.22	1.93	1.73
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	3.7	0.8	1.8	0.1	-
OECD CLI	98.47	98.20	98.84	99.02	98.89*
PPI (YoY%)	4.30	1.80	1.40	0.50	1.50*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	80.89	77.83	66.55	77.83	41.85
FDI (%GDP)	-	-0.01	-	-	-
Fiscal Budget (%GDP)	-	-0.50	-	-	-



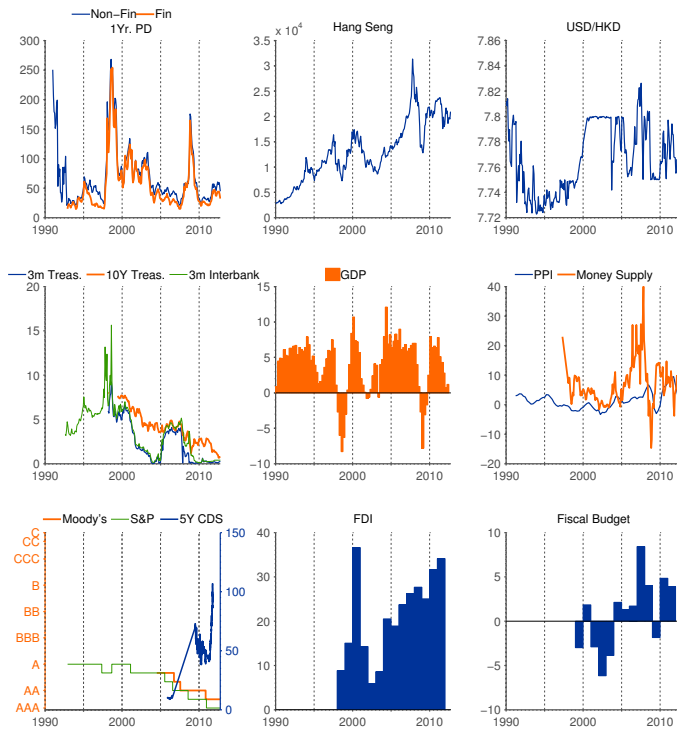
France	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	12.28	16.51	14.77	23.35	12.58
1Yr. PD, Fin.	16.16	15.97	14.25	23.06	12.58
CAC-40	2982	3160	3424	3197	3355
EUR/USD	1	1	1	1	1
3m Treas. Yield (%)	0.38	-0.06	0.07	0.04	0.00
10Y Treas. Yield (%)	2.60	3.15	2.89	2.69	2.18
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	1.5	1.2	0.4	0.3	-
OECD CLI	100.41	100.02	99.80	99.65	99.47*
PMI	48.2	48.9	46.7	45.2	42.7
PPI (YoY%)	6.10	4.60	3.80	1.30	2.60*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AA+	AA+	AA+
5Y CDS (bps)	187.3	222.3	169.4	188.8	114.0
FDI (%GDP)	-	1.55	-	-	-
Fiscal Budget (%GDP)	-	-5.20	-	-	-



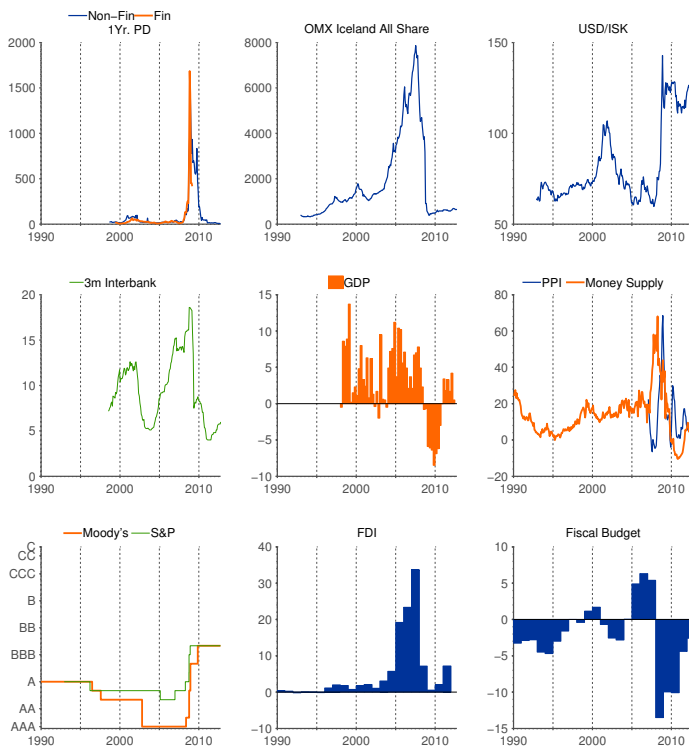
	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	27.95	30.16	25.53	32.20	15.13
1Yr. PD, Fin.	41.74	20.69	20.97	26.33	18.32
CDAX Performance	487	521	612	569	635
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	0.11	-0.18	-0.03	-0.02	-0.04
10Y Treas. Yield (%)	1.89	1.83	1.79	1.58	1.44
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	2.7	1.9	1.2	1.0	-
OECD CLI	100.32	99.78	99.84	99.40	98.89*
PMI	50.3	48.4	48.4	45.0	47.4
PPI (YoY%)	5.5	4.0	3.3	1.6	1.5*
Money Supply (YoY%)	1.7	1.7	3.0	3.2	2.8*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	112.2	103.7	73.7	102.2	54.1
FDI (%GDP)	-	1.13	-	-	-
Fiscal Budget (%GDP)	-	-1.00	-	-	-



	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	100.52	143.57	102.39	112.32	122.24
1Yr. PD, Fin.	139.90	169.17	131.47	122.40	57.84
Athex Composite	798.4	680.4	728.9	611.2	739.1
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	11.71*	-	-	-	6.43*
10Y Treas. Yield (%)	22.69	34.96	21.08	25.83	19.49
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	-5.00	-7.50	-6.50	-6.20	-
OECD CLI	98.45	98.02	98.21	99.21	99.97*
PPI (YoY%)	8.1	5.7	6.7	3.1	6.8*
Money Supply (YoY%)	1.7	1.7	3.0	3.2	2.8*
Sov. Rating, Moody's	Ca	Ca	C	C	C
Sov. Rating, S&P	CC	CC	CSD	CSD	CSD
5Y CDS (bps)	3535.66	-	-	-	-
FDI (%GDP)	-	0.59	-	-	-
Fiscal Budget (%GDP)	-	-9.10	-	-	-

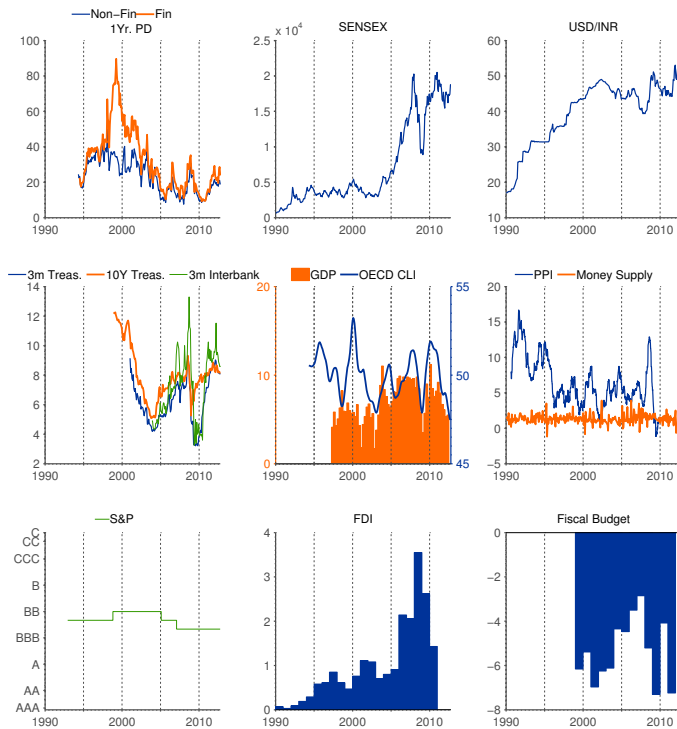


Hong Kong	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	56.88	52.51	48.98	56.39	44.80
1Yr. PD, Fin.	44.37	47.08	36.90	42.86	32.33
Hang Seng	17592	18434	20556	19441	20840
USD/HKD	7.79	7.77	7.77	7.76	7.75
3m Treas. Yield (%)	0.13	0.24	0.14	0.10	0.26
10Y Treas. Yield (%)	1.31	1.51	1.28	0.98	0.76
3m Interbank (%)	0.28	0.38	0.40	0.40	0.40
GDP (YoY%)	4.3	2.8	0.7	1.2	-
PPI (YoY%)	9.5	6.6	3.6	-0.7	-
Money Supply (YoY%)	-0.40	4.60	7.30	6.10	8.50*
Sov. Rating, Moody's	Aa1	Aa1	Aa1	Aa1	Aa1
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	104.18	86.63*	-	-	-
FDI (%GDP)	-	34.13	-	-	-
Fiscal Budget (%GDP)	-	3.90	-	-	-

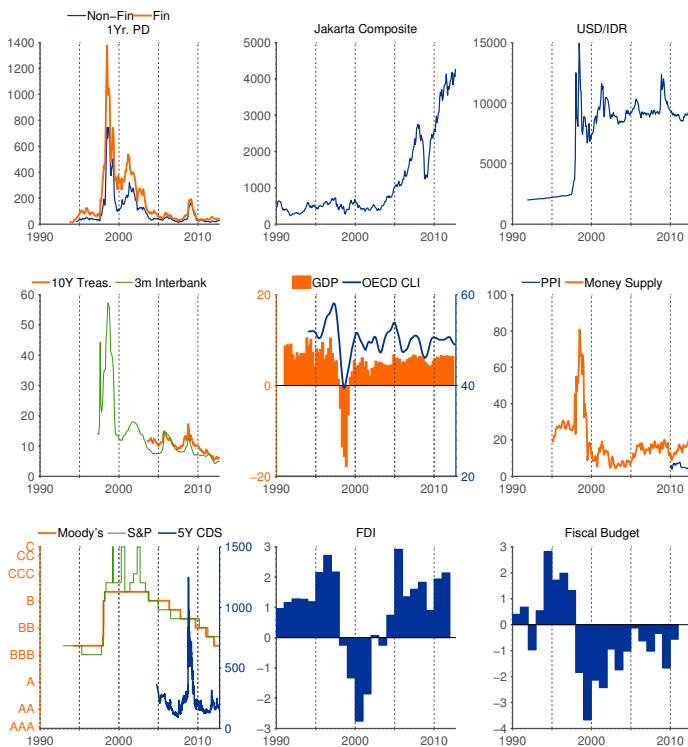


Iceland	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	13.57	16.77	9.39	7.16	4.63
OMX Iceland All Share	576.8	580.7	663.4	677.6	646.2
USD/ISK	118.27	122.65	126.50	124.93	124.20
3m Interbank (%)	4.60	4.80	5.10	5.70	5.75
GDP (YoY%)	3.3	1.7	4.2	0.5	-
PPI (YoY%)	13.9	6.8	6.4	-0.7	-4.2*
Money Supply (YoY%)	5.5	7.1	4.5	4.8	0.9*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-
FDI (%GDP)	-	7.20	-	-	-
Fiscal Budget (%GDP)	-	-4.39	-	-	-

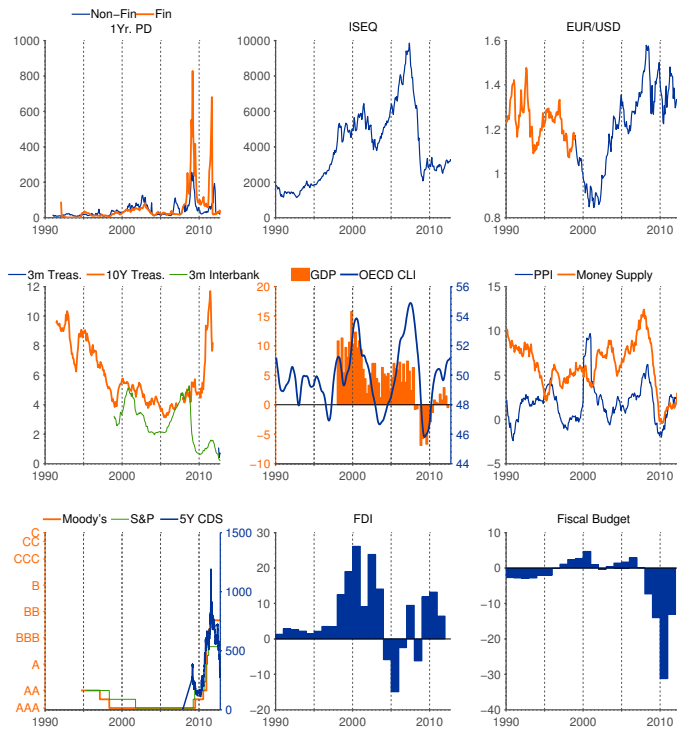




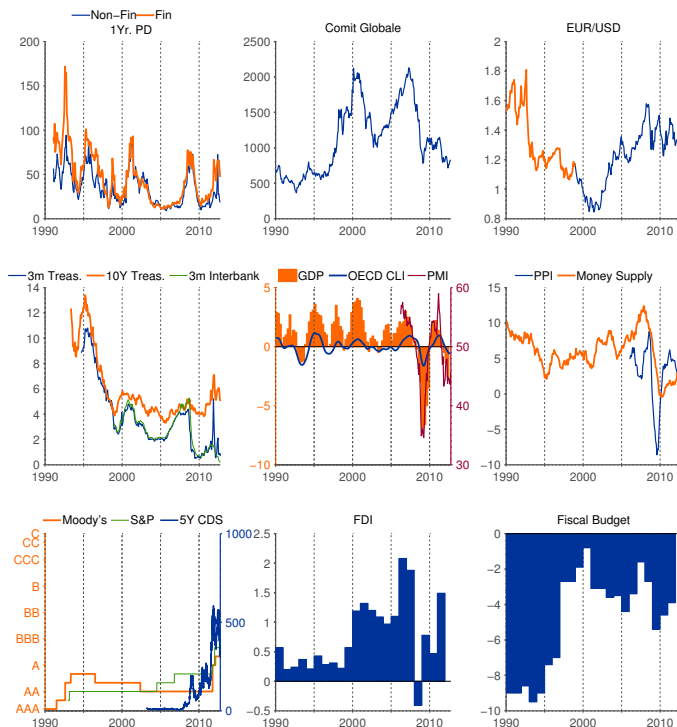
India	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	18.08	21.58	19.81	17.74	18.75
1Yr. PD, Fin.	24.14	29.27	22.42	19.53	23.88
SENSEX	16453.8	15454.9	17404.2	17430.0	18762.7
USD/INR	48.97	53.06	50.88	55.64	52.86
3m Treas. Yield (%)	8.42	8.53	8.93	8.27	8.08
10Y Treas. Yield (%)	8.43	8.57	8.54	8.18	8.15
3m Interbank (%)	8.88	9.60	11.53	9.32	8.57
GDP (YoY%)	6.7	6.1	5.3	5.5	-
OECD CLI	98.89	99.00	98.56	97.83	97.47*
Money Supply (YoY%)	0.4	2.5	-0.3	2.8	-
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-
Fiscal Budget (%GDP)	-	-7.24	-	-	-



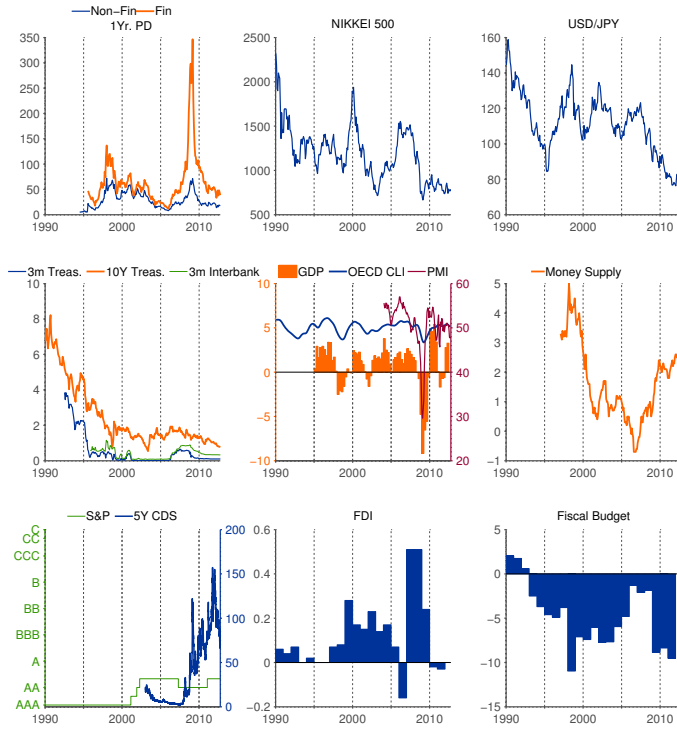
Indonesia	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	23.21	21.34	17.68	24.44	25.37
1Yr. PD, Fin.	58.30	48.37	35.84	40.46	35.09
Jakarta Composite	3549	3822	4122	3956	4263
USD/IDR	8875.00	9069.00	9146.00	9433.00	9591.00
10Y Treas. Yield (%)	6.92	6.03	5.93	6.15	5.97
3m Interbank (%)	6.10	5.27	4.21	4.69	4.92
GDP (YoY%)	6.5	6.4	6.3	6.4	-
OECD CLI	100.62	100.61	99.80	99.18	98.91*
PPI (YoY%)	4.9	4.4	4.6	4.9	4.6*
Money Supply (YoY%)	16.19	16.43	18.79	20.91	17.84*
Sov. Rating, Moody's	Ba1	Ba1	Baa3	Baa3	Baa3
Sov. Rating, S&P	BB+	BB+	BB+	BB+	BB+
5Y CDS (bps)	291.5	210.0	166.5	192.9	166.7
FDI (%GDP)	-	2.14	-	-	-



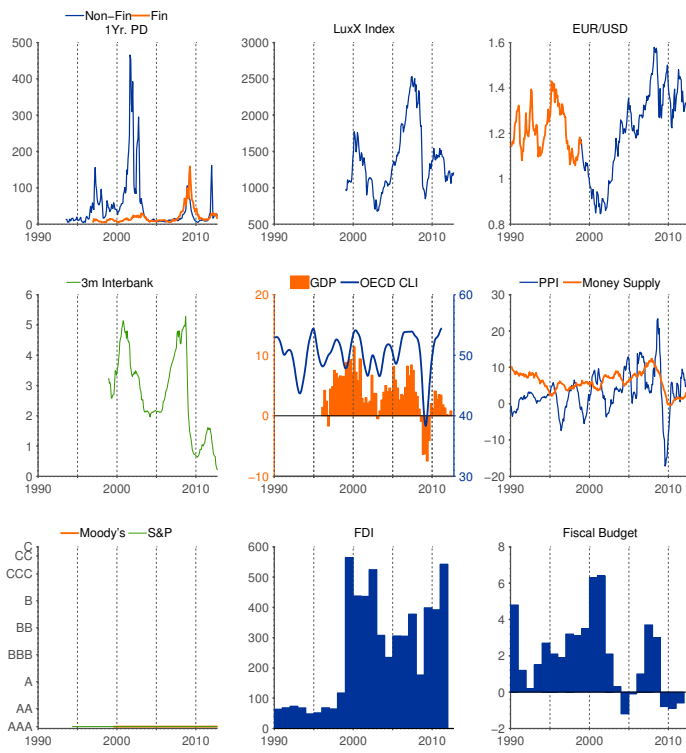
Ireland	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	83.59	192.86	22.01	28.82	18.49
1Yr. PD, Fin.	21.90	22.56	19.83	28.48	27.35
ISEQ	2503	2902	3255	3149	3278
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	-	-	-	-	0.72
10Y Treas. Yield (%)	7.64	8.21*	-	-	-
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	0.8	2.9	1.5	-0.5	-
OECD CLI	99.64	100.17	100.86	101.04	101.18*
PPI (YoY%)	1.6	2.4	1.6	1.1	1.2*
Money Supply (YoY%)	1.7	1.7	3.0	3.2	2.8*
Sov. Rating, Moody's	Ba1	Ba1	Ba1	Ba1	Ba1
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB+
5Y CDS (bps)	700.4	726.1	571.6	553.3	318.9
FDI (%GDP)	-	6.43	-	-	-
Fiscal Budget (%GDP)	-	-13.10	-	-	-



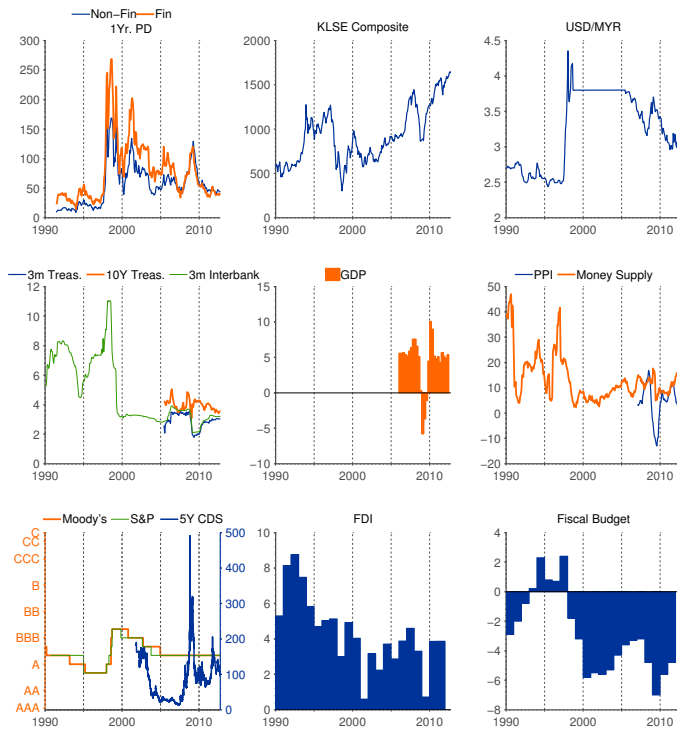
Italy	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	20.32	28.31	22.87	27.29	18.56
1Yr. PD, Fin.	31.79	59.39	44.07	62.30	47.05
Comit Globale	796	806	859	761	825
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	1.60	2.86	0.59	2.10	0.90
10Y Treas. Yield (%)	5.54	7.11	5.12	5.82	5.09
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	0.4	-0.5	-1.4	-2.6	-
OECD CLI	100.78	100.01	99.40	98.93	98.83*
PMI	48.3	44.3	47.9	44.6	45.7
PPI (YoY%)	4.7	3.9	2.8	2.2	3.0*
Money Supply (YoY%)	1.7	1.7	3.0	3.2	2.8*
Sov. Rating, Moody's	Aa2	A2	A3	A3	A3
Sov. Rating, S&P	A	A	BBB+	BBB+	BBB+
5Y CDS (bps)	469.98	503.21	396.76	487.79	356.20
FDI (%GDP)	-	1.49	-	-	-
Fiscal Budget (%GDP)	-	-3.90	-	-	-



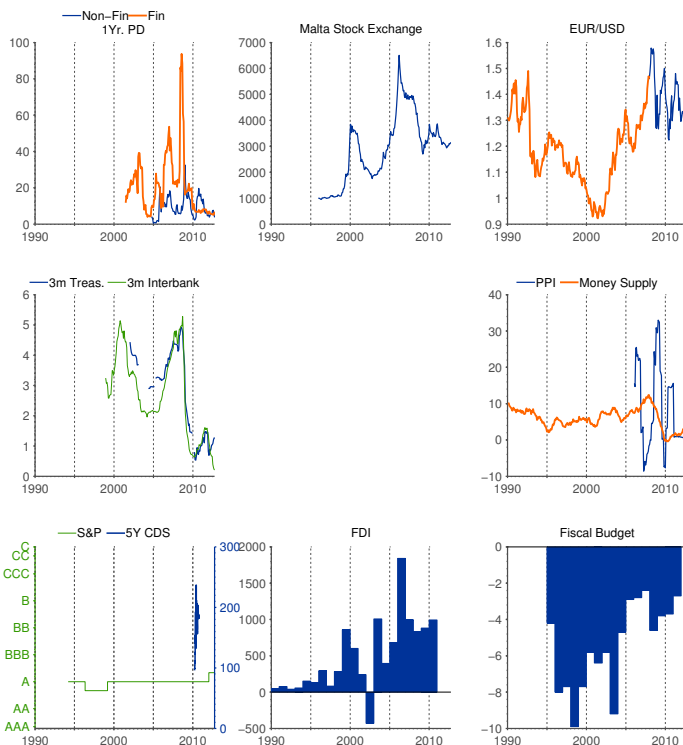
Japan	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	22.22	22.82	13.96	15.63	17.74
1Yr. PD, Fin.	52.83	52.51	33.28	37.83	38.44
NIKKEI 500	770	739	856	789	782
USD/JPY	77	77	83	80	78
3m Treas. Yield (%)	0.10	0.10	0.10	0.10	0.10
10Y Treas. Yield (%)	1.03	0.99	0.99	0.84	0.78
3m Interbank (%)	0.34	0.34	0.34	0.34	0.33
GDP (YoY%)	-0.7	-0.6	2.8	3.3	-
OECD CLI	100.34	100.64	100.85	100.55	100.26*
PMI	49.3	50.2	51.1	49.9	48.0
Money Supply (YoY%)	2.3	2.6	2.6	2.0	2.1*
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	146.5	143.1	99.9	94.7	84.6
FDI (%GDP)	-	-0.03	-	-	-
Fiscal Budget (%GDP)	-	-9.52	-	-	-



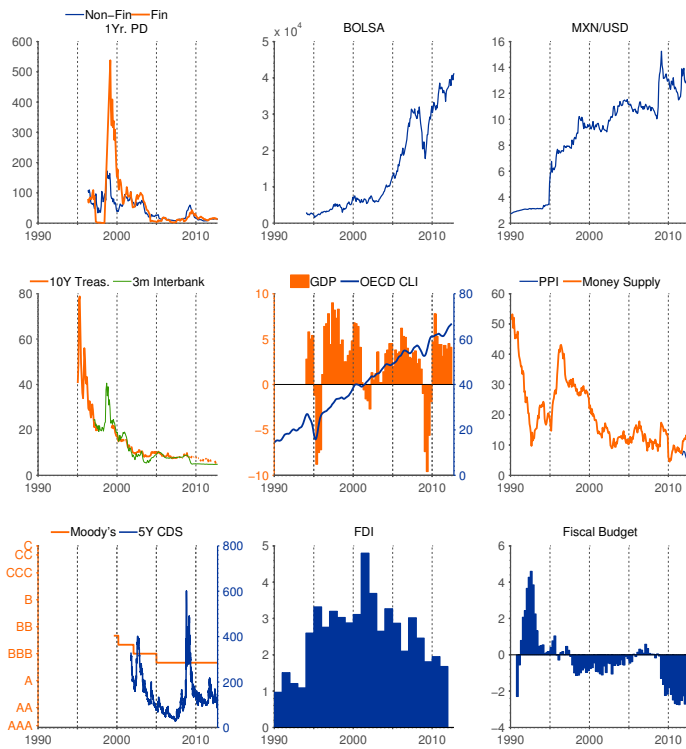
Luxembourg	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	28.29	161.74	17.83	25.76	23.70
1Yr. PD, Fin.	16.94	25.80	29.87	23.27	14.33
LuxX Index	1084	1135	1231	1146	1205
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	1.3	0.2	0.1	0.8	-
PPI (YoY%)	9.5	6.5	4.9	4.3	2.3*
Money Supply (YoY%)	1.7	1.7	3.0	3.2	2.8*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
FDI (%GDP)	-	542.88	-	-	-
Fiscal Budget (%GDP)	-	-0.60	-	-	-



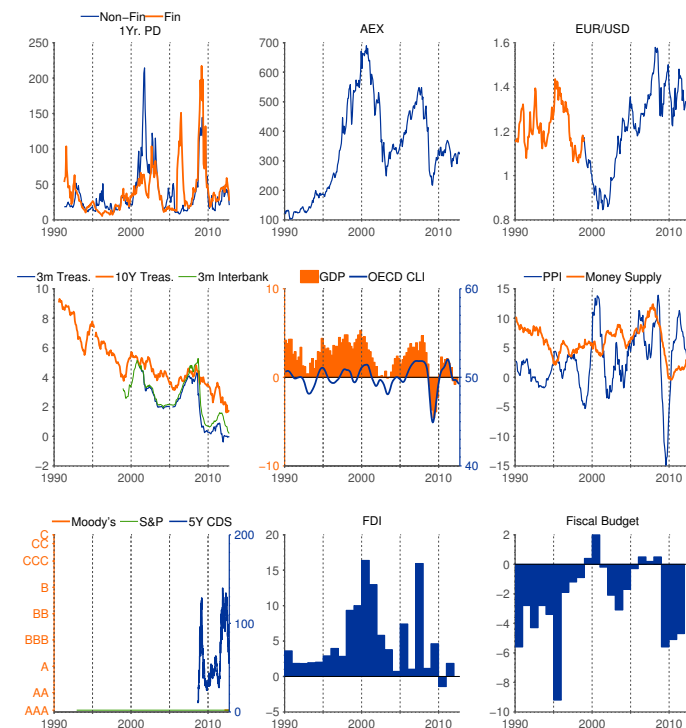
Malaysia	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	52.58	46.18	41.08	46.65	44.77
1Yr. PD, Fin.	52.93	45.32	38.39	40.46	39.46
KLSE Composite	1387.1	1530.7	1596.3	1599.2	1636.7
USD/MYR	3.19	3.17	3.06	3.18	3.06
3m Treas. Yield (%)	3.05	2.99	3.04	3.04	3.03
10Y Treas. Yield (%)	3.70	3.70	3.68	3.52	3.55
3m Interbank (%)	3.26	3.22	3.19	3.19	3.20
GDP (YoY%)	5.7	5.2	4.9	5.4	-
PPI (YoY%)	11.2	6.2	2.9	-0.9	-0.5*
Money Supply (YoY%)	12.47	14.39	14.99	12.84	14.04*
Sov. Rating, Moody's	A3	A3	A3	A3	A3
Sov. Rating, S&P	A-	A-	A-	A-	A-
5Y CDS (bps)	196.85	142.74	100.26	124.42	95.27
FDI (%GDP)	-	3.87	-	-	-
Fiscal Budget (%GDP)	-	-4.80	-	-	-



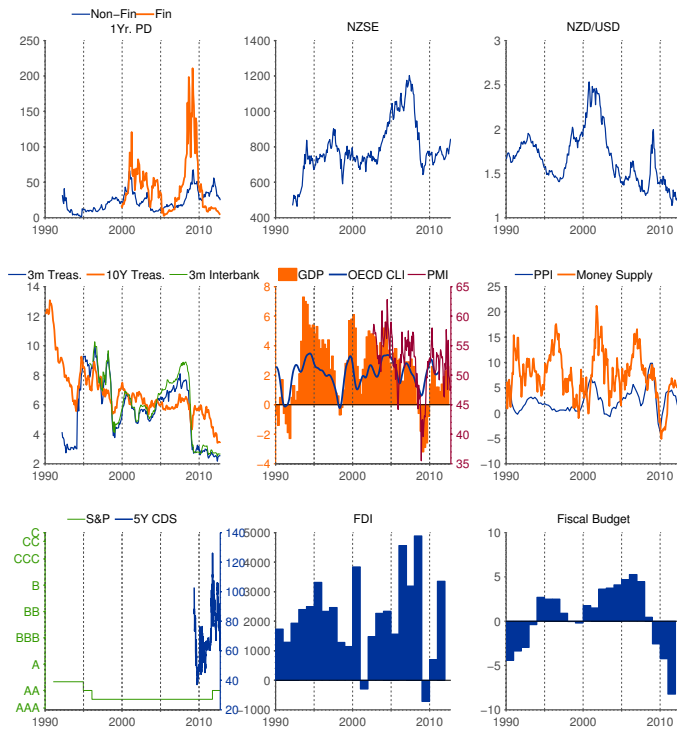
Malta	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	7.34	5.14	5.70	7.33	3.73
1Yr. PD, Fin.	6.68	6.63	5.61	5.51	6.86
Malta Stock Exchange	3108	3095	2939	3022	3136
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	1.47	0.82	0.84	1.04	1.27
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
PPI (YoY%)	0.9	0.8	0.6	0.6	0.8*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, S&P	A	A	A-	A-	A-
Fiscal Budget (%GDP)	-	-2.70	-	-	-



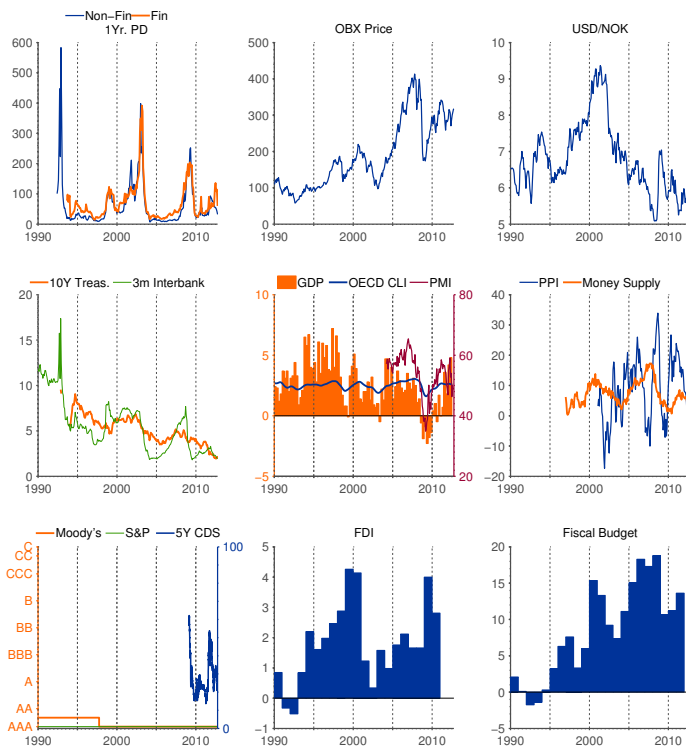
Mexico	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	12.96	13.73	12.67	13.93	11.31
1Yr. PD, Fin.	14.17	13.87	16.53	14.56	11.84
BOLSA	33503	37078	39521	40200	40867
MXN/USD	13.90	13.94	12.81	13.36	12.86
10Y Treas. Yield (%)	5.78*	6.46	-	5.94	5.12*
3m Interbank (%)	4.81	4.82	4.79	4.80	4.82
GDP (YoY%)	4.30	3.90	4.50	4.10	-
OECD CLI	112.97	114.77	115.92	116.75	-
PPI (YoY%)	6.6	7.8	5.9	5.6	4.3
Money Supply (YoY%)	9.10	12.00	13.20	13.60	12.90*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
5Y CDS (bps)	197.32	153.53	117.68	140.42	101.17
FDI (%GDP)	-	1.68	-	-	-
Fiscal Budget (%GDP)	-2.51	-2.26	-2.72	-2.45	-



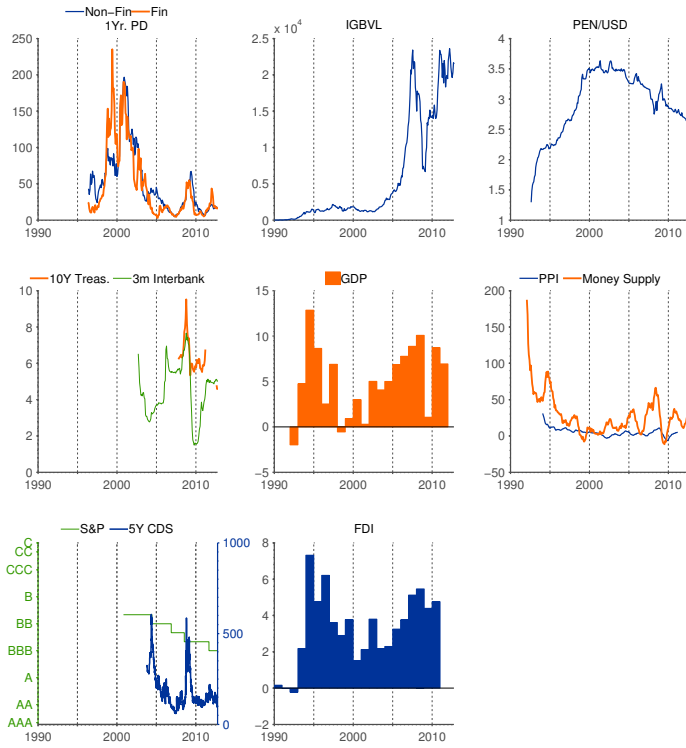
Netherlands	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	26.40	47.35	38.42	41.97	20.67
1Yr. PD, Fin.	45.38	46.41	49.01	53.33	26.99
AEX	280	312	324	307	323
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	0.16	-0.39	0.02	0.02	-0.03
10Y Treas. Yield (%)	2.29	2.19	2.33	2.10	1.72
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	1.1	-0.4	-0.8	-0.5	-
OECD CLI	100.00	99.68	99.69	99.40	99.25*
PPI (YoY%)	7.70	4.90	4.00	2.00	4.10*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, Moody's	-	-	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	105.1	121.8	117.6	111.3	65.8
FDI (%GDP)	-	1.86	-	-	-
Fiscal Budget (%GDP)	-	-4.70	-	-	-



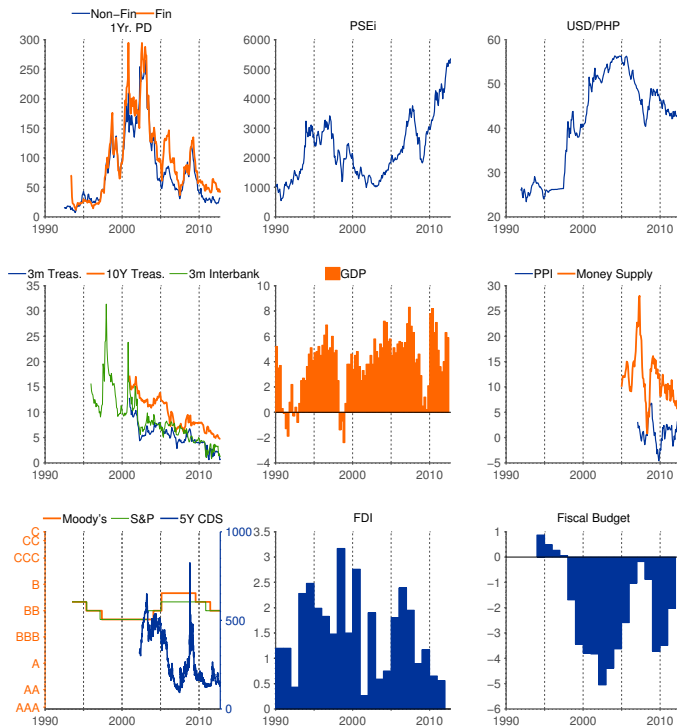
New Zealand	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	45.79	52.10	38.06	30.19	24.68
1Yr. PD, Fin.	13.20	13.05	9.95	7.85	4.11
NZSE	754	730	782	760	840
NZD/USD	1.31	1.29	1.22	1.25	1.20
3m Treas. Yield (%)	2.61	2.47	2.54	2.46	2.54
10Y Treas. Yield (%)	4.42	3.81	4.08	3.43	3.45
3m Interbank (%)	2.87	2.74	2.74	2.68	2.67
GDP (YoY%)	1.4	1.9	2.3	2.6	-
PMI	50.8	52.0	53.9	50.0	48.2
PPI (YoY%)	3.5	3.4	1.6	0.5	-
Money Supply (YoY%)	5.0	5.9	5.0	5.7	7.2*
Sov. Rating, S&P	AA	AA	AA	AA	AA
5Y CDS (bps)	111.56	94.50	77.82	89.67	68.50
FDI (%GDP)	-	3354.90	-	-	-
Fiscal Budget (%GDP)	-	-8.24	-	-	-



Norway	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	74.63	83.86	70.67	54.86	32.12
1Yr. PD, Fin.	49.96	70.16	58.55	135.91	59.97
OBX Price	259	284	312	287	316
USD/NOK	5.87	5.98	5.69	5.96	5.73
10Y Treas. Yield (%)	2.38	2.40	2.45	2.07	2.14
3m Interbank (%)	3.03	2.89	2.28	2.30	1.97
GDP (YoY%)	3.6	1.8	4.2	4.8	-
OECD CLI	100.38	100.50	100.50	100.31	100.28*
PMI	53.8	46.9	59.1	46.3	48.9
PPI (YoY%)	15.3	8.2	6.6	-0.2	1.4
Money Supply (YoY%)	7.7	6.0	6.2	5.9	5.2*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	50.03	44.28	21.50	31.50	23.85
Fiscal Budget (%GDP)	-	13.63	-	-	-

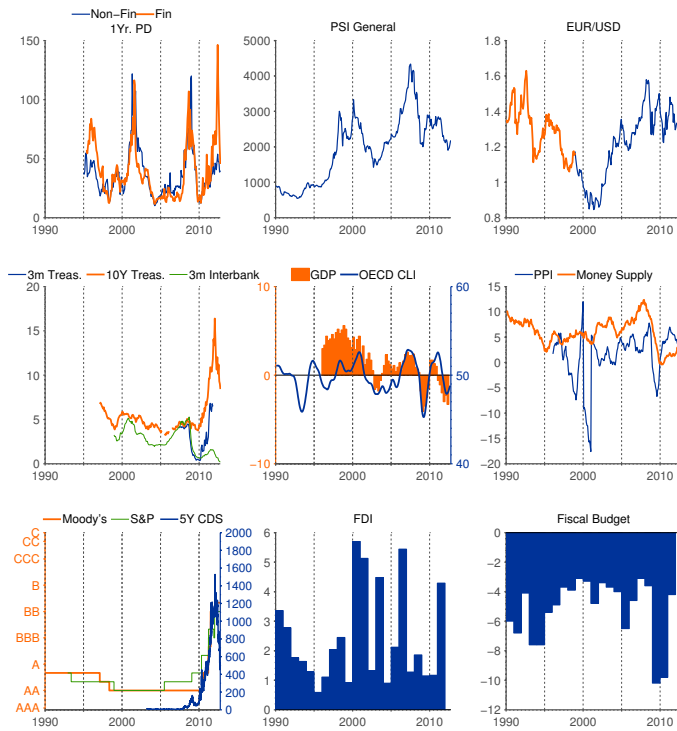


Peru	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	19.16	21.78	15.52	16.42	15.60
1Yr. PD, Fin.	22.95	43.53	20.01	16.30	14.99
IGBVL	18329	19473	23612	20207	21675
PEN/USD	2.77	2.70	2.67	2.67	2.60
10Y Treas. Yield (%)	-	-	-	-	4.58
3m Interbank (%)	4.94	4.96	4.92	5.01	5.01
GDP (YoY%)	-	6.9	-	-	-
Money Supply (YoY%)	12.70	12.80	19.60	25.40	23.10*
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	202.50	172.42	121.85	162.38	106.33

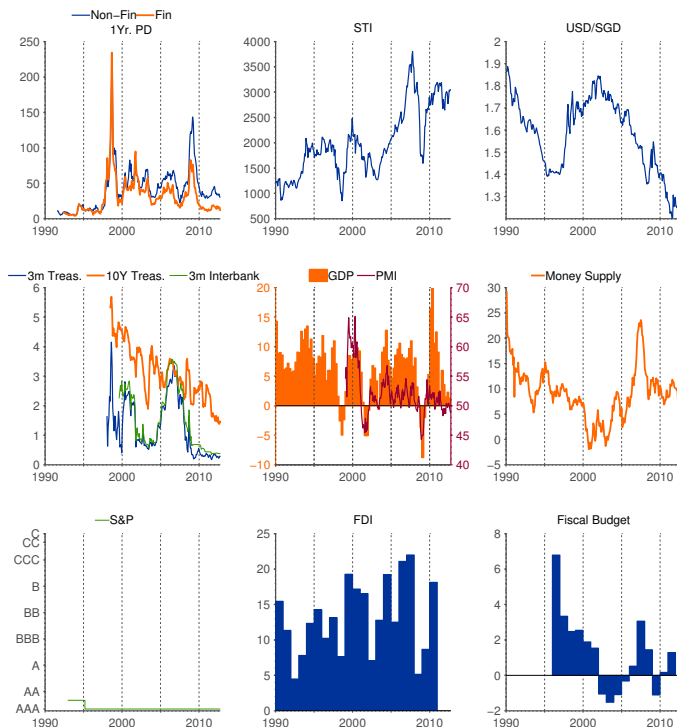


Philippines	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	34.15	28.76	21.96	23.35	31.39
1Yr. PD, Fin.	63.80	57.77	51.82	42.73	40.94
PSEI	4000	4372	5108	5246	5346
USD/PHP	43.77	43.84	42.91	42.15	41.74
3m Treas. Yield (%)	2.75	1.45	2.35	2.20	0.63
10Y Treas. Yield (%)	5.86	5.07	5.30	5.27	4.75
3m Interbank (%)	2.38	2.25	3.38	3.31	1.38
GDP (YoY%)	3.2	4.0	6.3	5.9	-
PPI (YoY%)	-0.8	1.6	3.2	-2.2	-0.3*
Money Supply (YoY%)	7.41	6.31	5.64	7.11	6.17*
Sov. Rating, Moody's	Ba2	Ba2	Ba2	Ba2	Ba2
Sov. Rating, S&P	BB	BB	BB	BB	BB
5Y CDS (bps)	256.63	193.49	146.30	161.26	129.90
FDI (%GDP)	-	0.56	-	-	-
Fiscal Budget (%GDP)	-	-2.03	-	-	-

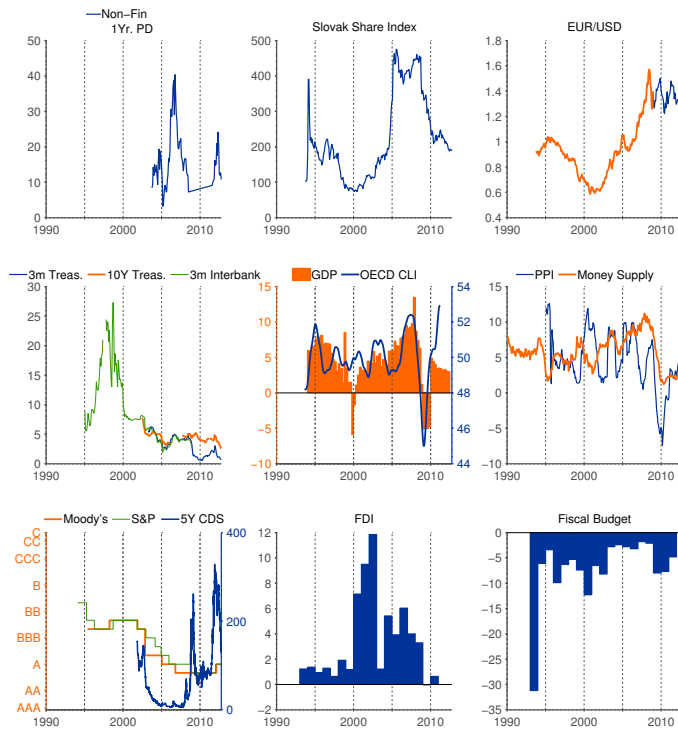




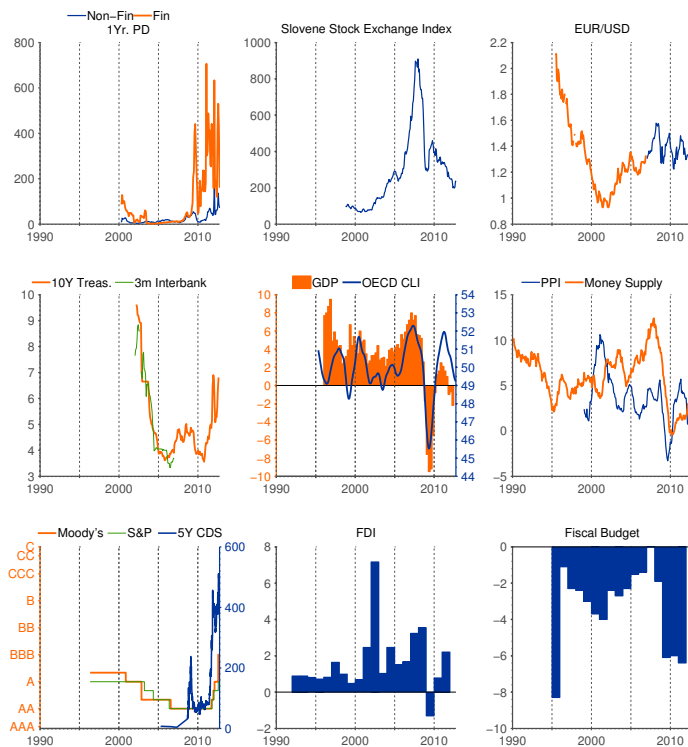
Portugal	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	37.26	36.81	40.58	47.56	39.85
1Yr. PD, Fin.	43.73	61.82	70.65	111.68	45.42
PSI General	2292	2167	2189	1952	2156
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	6.78	6.48*	-	-	-
10Y Treas. Yield (%)	10.93	13.36	11.53	10.16	9.00
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	-2.0	-3.0	-2.3	-3.3	-
OECD CLI	99.62	98.34	97.88	98.35	98.81*
PPI (YoY%)	5.5	4.4	3.7	2.7	4.0*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, Moody's	Ba2	Ba2	Ba3	Ba3	Ba3
Sov. Rating, S&P	BBB-	BBB	BB	BB	BB
5Y CDS (bps)	1109.57	1092.68	1075.63	804.91	515.06
FDI (%GDP)	-	4.29	-	-	-
Fiscal Budget (%GDP)	-	-4.20	-	-	-



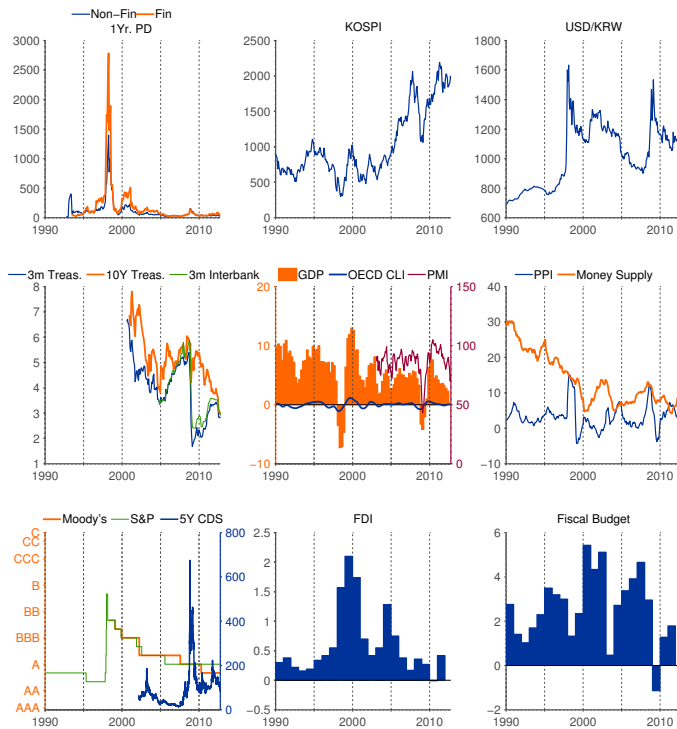
Singapore	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	40.10	45.63	36.22	33.36	29.72
1Yr. PD, Fin.	18.73	16.90	13.73	14.28	10.85
STI	2675	2646	3010	2878	3060
USD/SGD	1.31	1.30	1.26	1.27	1.23
3m Treas. Yield (%)	0.22	0.37	0.30	0.28	0.29
10Y Treas. Yield (%)	1.62	1.63	1.66	1.61	1.47
3m Interbank (%)	0.38	0.39	0.39	0.39	0.38
GDP (YoY%)	6.0	3.6	1.5	2.3	1.3
PMI	48.3	49.5	50.2	50.4	48.7
Money Supply (YoY%)	11.30	10.10	10.00	6.90	7.70*
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
Fiscal Budget (%GDP)	-	1.29	-	-	-



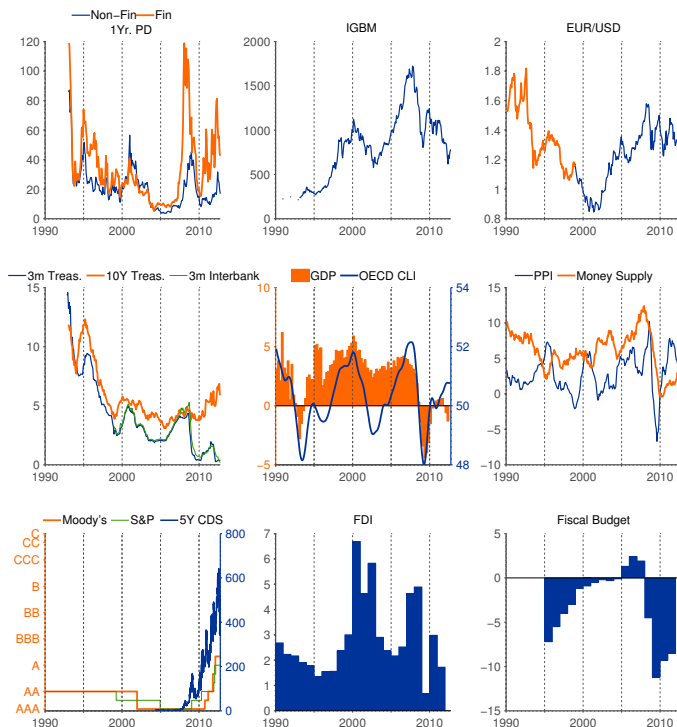
Slovakia	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	10.52	14.74	17.60	12.42	10.78
Slovak Share Index	222	215	204	188	190
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	2.07	3.04	1.36	1.16	0.73
10Y Treas. Yield (%)	3.92	4.67	3.79	3.50	2.63
GDP (YoY%)	3.2	3.3	3.1	3.0	-
PPI (YoY%)	2.4	2.4	4.2	4.0	4.1*
Money Supply (YoY%)	2.40	2.00	3.10	3.10	3.20*
Sov. Rating, Moody's	A1	A1	A2	A2	A2
Sov. Rating, S&P	A+	A+	A	A	A
5Y CDS (bps)	246.46	298.29	214.93	234.45	144.97
Fiscal Budget (%GDP)	-	-4.80	-	-	-



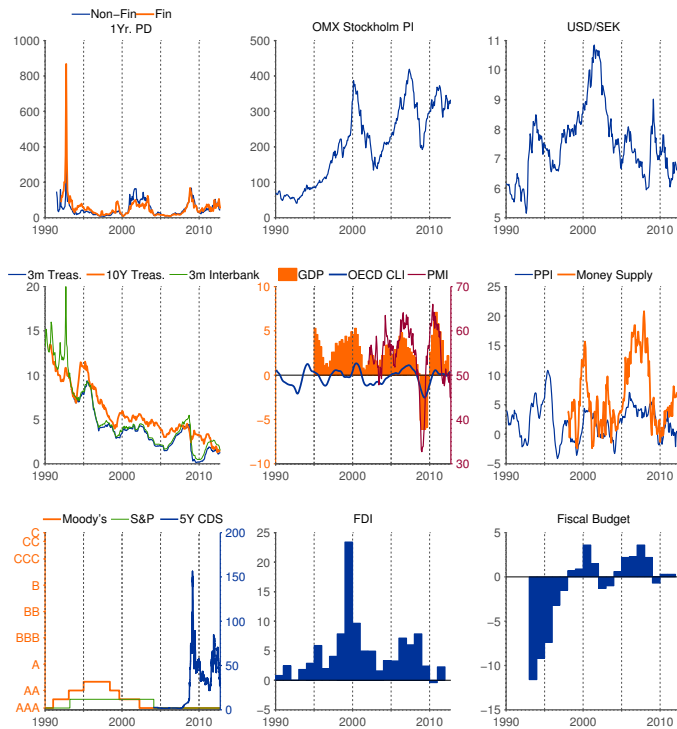
Slovenia	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	45.65	52.38	41.86	67.76	71.43
1Yr. PD, Fin.	441.57	157.65	179.28	415.88	159.96
Slovene Stock Exchange Index	262	252	249	205	237
EUR/USD	1.34	1.30	1.33	1.27	1.29
10Y Treas. Yield (%)	4.86	6.90	5.08	5.63	6.81*
GDP (YoY%)	1.0	-1.0	-0.7	-2.2	-
OECD CLI	100.97	100.64	100.17	99.56	99.22
PPI (YoY%)	4.1	3.6	0.7	0.7	0.4*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, Moody's	Aa3	A1	A2	A2	Baa2
Sov. Rating, S&P	AA	AA-	A+	A+	A
5Y CDS (bps)	282.43	400.08	321.98	401.00	392.38
FDI (%GDP)	-	2.21	-	-	-
Fiscal Budget (%GDP)	-	-6.40	-	-	-



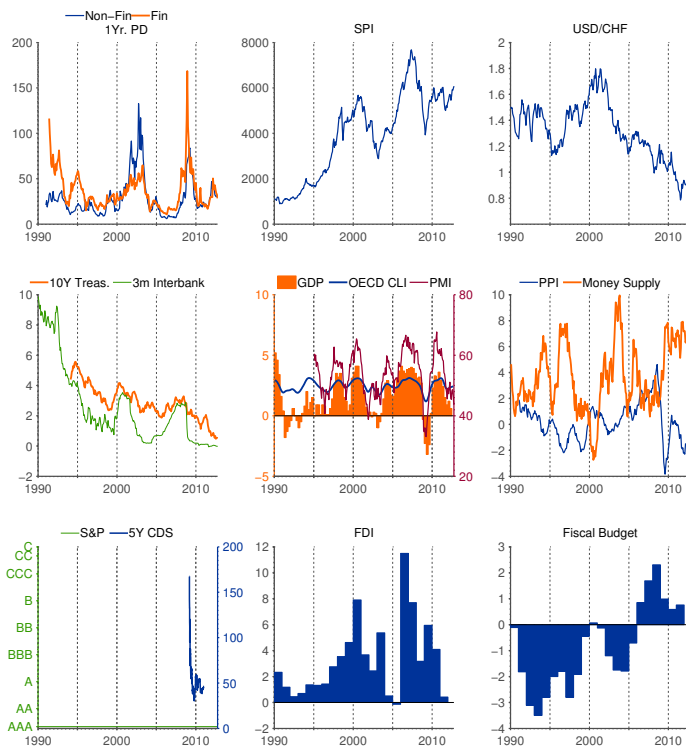
South Korea	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	46.10	37.55	33.09	33.41	27.41
1Yr. PD, Fin.	73.30	60.10	51.02	79.79	59.97
KOSPI	1770	1826	2014	1854	1996
USD/KRW	1178.10	1152.45	1133.10	1145.40	1111.38
3m Treas. Yield (%)	3.31	3.36	3.43	3.29	2.84
10Y Treas. Yield (%)	3.95	3.79	3.96	3.62	3.02
3m Interbank (%)	3.57	3.56	3.53	3.50	3.05
GDP (YoY%)	3.6	3.3	2.8	2.3	-
OECD CLI	99.43	99.34	99.95	100.35	100.31*
PMI	89.0	84.0	86.0	85.0	75.0
PPI (YoY%)	5.7	4.3	2.8	0.8	1.0
Money Supply (YoY%)	5.70	6.20	8.70	8.50	7.80*
Sov. Rating, Moody's	A1	A1	A1	A1	Aa3
Sov. Rating, S&P	A	A	A	A	A+
5Y CDS (bps)	215.24	169.38	123.75	121.15	87.90
FDI (%GDP)	-	0.42	-	-	-
Fiscal Budget (%GDP)	-	1.79	-	-	-



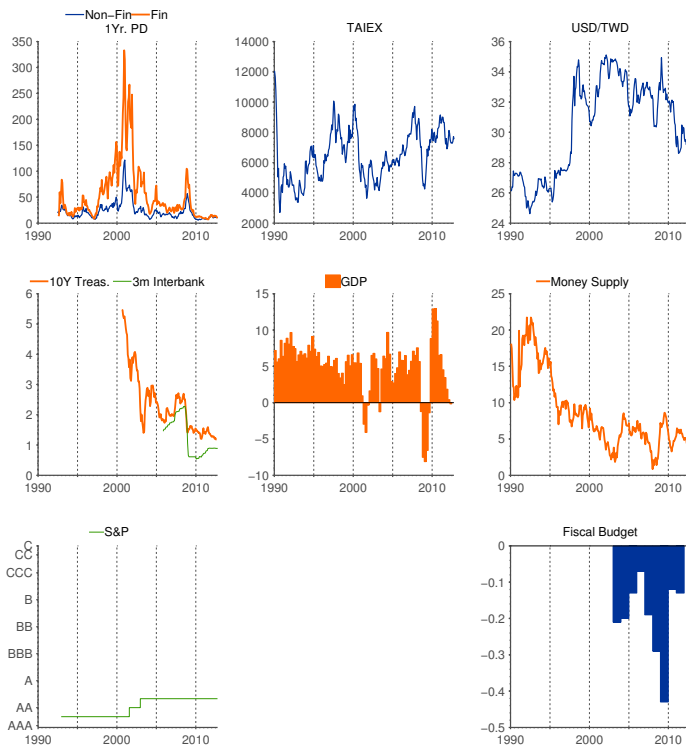
Spain	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	15.30	16.42	16.39	25.99	16.98
1Yr. PD, Fin.	43.74	34.71	79.64	54.40	42.64
IGBM	863	858	807	718	777
EUR/USD	1.34	1.30	1.33	1.27	1.29
3m Treas. Yield (%)	1.75	1.10	0.25	0.38	0.38
10Y Treas. Yield (%)	5.14	5.09	5.35	6.33	5.94
3m Interbank (%)	1.55	1.36	0.78	0.65	0.22
GDP (YoY%)	0.6	0.0	-0.6	-1.3	-
OECD CLI	100.48	100.67	100.78	100.77	100.77*
PPI (YoY%)	7.1	5.5	4.4	2.5	4.1*
Money Supply (YoY%)	1.70	1.70	3.00	3.20	2.80*
Sov. Rating, Moody's	Aa2	A1	A3	A3	A3
Sov. Rating, S&P	AA	AA-	A	A	A
5Y CDS (bps)	382.24	393.52	436.64	531.21	387.45
FDI (%GDP)	-	1.72	-	-	-
Fiscal Budget (%GDP)	-	-8.50	-	-	-



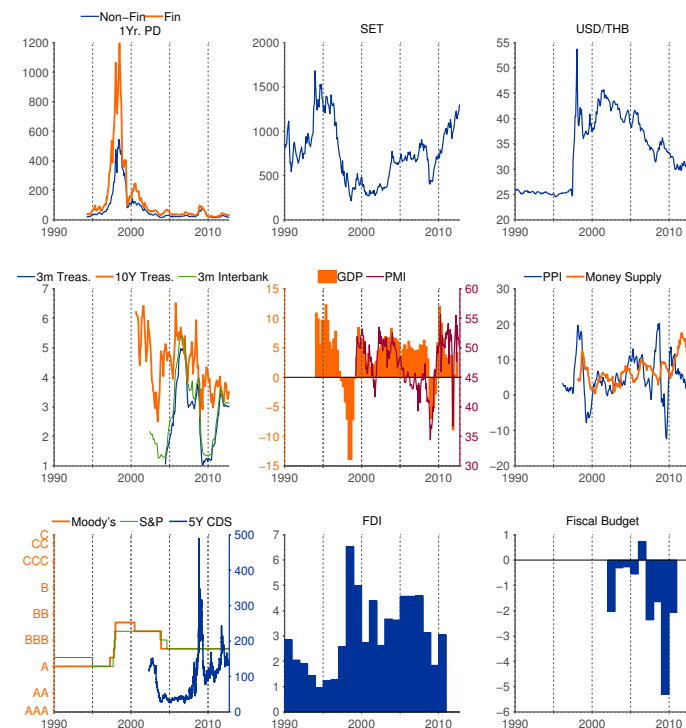
Sweden	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	69.84	98.71	77.77	87.18	45.91
1Yr. PD, Fin.	43.32	101.30	78.27	88.98	51.19
OMX Stockholm PI	284	307	338	316	332
USD/SEK	6.87	6.89	6.61	6.92	6.57
3m Treas. Yield (%)	1.55	1.40	1.45	1.10	1.25
10Y Treas. Yield (%)	1.74	1.62	1.98	1.60	1.48
3m Interbank (%)	2.51	2.64	2.27	2.14	1.59
GDP (YoY%)	3.9	1.2	1.6	2.2	-
OECD CLI	100.30	100.06	99.90	100.49	100.77*
PMI	48.1	48.9	50.2	48.4	44.7
PPI (YoY%)	-0.2	-2.1	0.2	0.4	-1.9*
Money Supply (YoY%)	8.13	6.52	6.62	5.28	3.49*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	61.49	77.83	42.91	59.49	31.12
FDI (%GDP)	-	2.28	-	-	-
Fiscal Budget (%GDP)	-	0.30	-	-	-



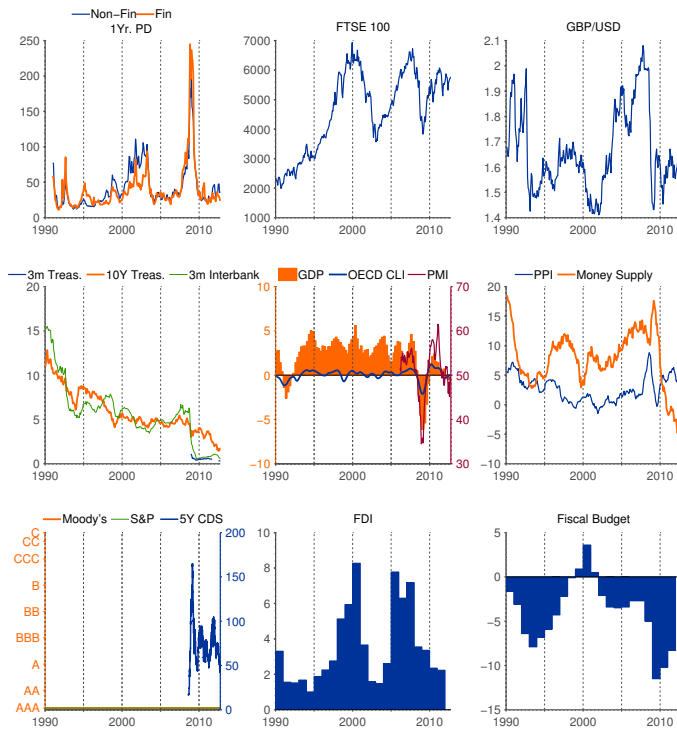
Switzerland	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	28.86	46.71	42.84	31.09	31.93
1Yr. PD, Fin.	26.30	29.78	41.83	38.14	28.35
SPI	5006	5344	5716	5633	6011
USD/CHF	0.91	0.94	0.90	0.95	0.94
10Y Treas. Yield (%)	0.94	0.66	0.87	0.67	0.54
3m Interbank (%)	-0.04	-0.01	0.05	0.02	-0.02
GDP (YoY%)	1.5	0.9	1.2	0.6	-
OECD CLI	99.14	98.88	99.35	99.55	99.73*
PMI	49.3	49.1	51.1	48.1	43.6
PPI (YoY%)	-1.9	-2.2	-1.5	-1.2	0.2*
Money Supply (YoY%)	7.82	7.19	6.51	8.53	8.47*
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
FDI (%GDP)	-	0.42	-	-	-
Fiscal Budget (%GDP)	-	0.76	-	-	-



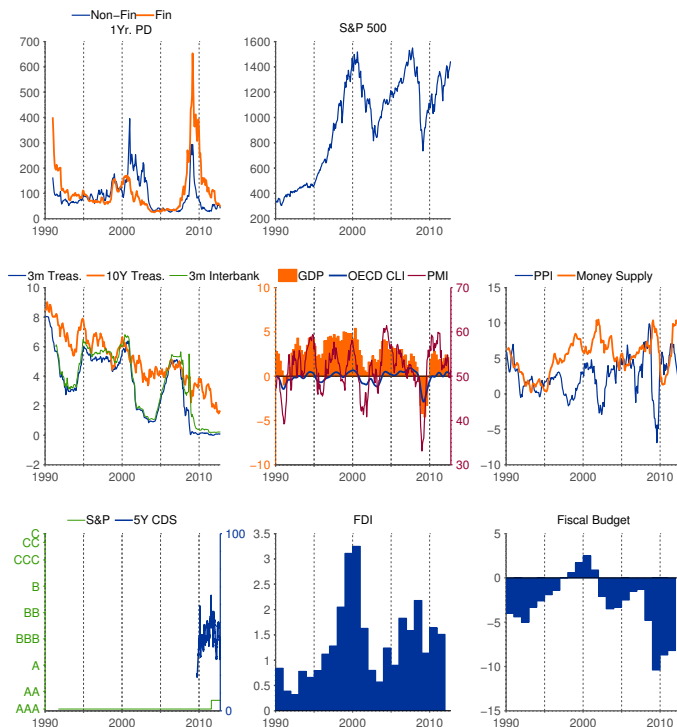
Taiwan	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	12.26	14.05	10.19	11.05	10.49
1Yr. PD, Fin.	12.63	15.59	12.34	13.34	9.67
TAIEX	7225	7072	7933	7296	7715
USD/TWD	30.48	30.28	29.50	29.87	29.31
10Y Treas. Yield (%)	1.38	1.29	1.28	1.24	1.19*
3m Interbank (%)	0.90	0.89	0.89	0.89	0.89
GDP (YoY%)	3.5	1.9	0.4	-0.2	-
Money Supply (YoY%)	5.73	4.84	5.13	4.20	4.31*
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
Fiscal Budget (%GDP)	-	-0.13	-	-	-



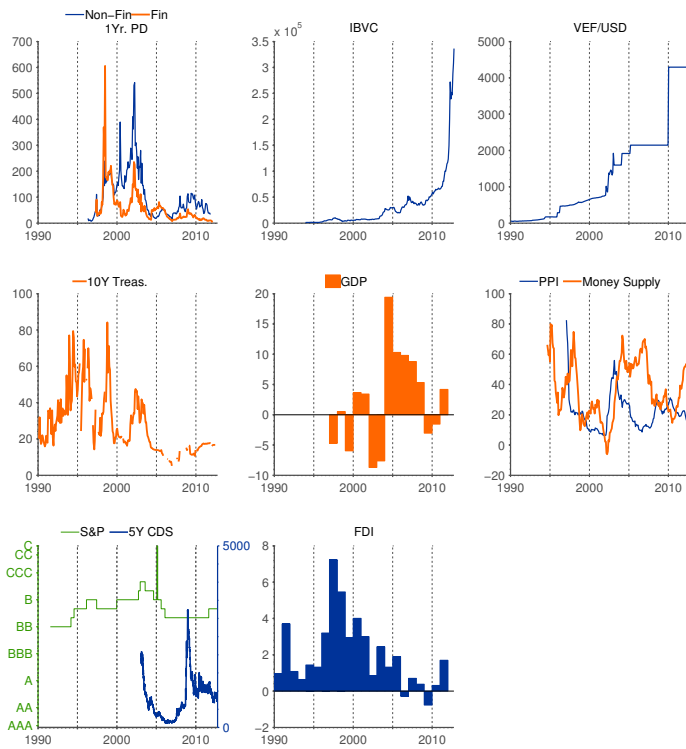
Thailand	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	29.01	28.92	24.39	19.20	14.50
1Yr. PD, Fin.	42.70	42.60	36.82	32.65	26.90
SET	916	1025	1197	1172	1299
USD/THB	31.19	31.55	30.83	31.56	30.83
3m Treas. Yield (%)	3.50	3.14	3.02	3.03	3.02
10Y Treas. Yield (%)	3.69	3.29	3.81	3.48	3.51
3m Interbank (%)	3.60	3.26	3.11	3.14	3.13
GDP (YoY%)	3.7	-8.9	0.4	4.2	-
PMI	48.5	48.5	55.5	51.5	50.2*
PPI (YoY%)	5.6	4.5	1.8	-0.4	0.1
Money Supply (YoY%)	16.16	15.20	13.14	11.09	10.70*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB+
5Y CDS (bps)	236.96	182.00	126.84	150.66	132.66



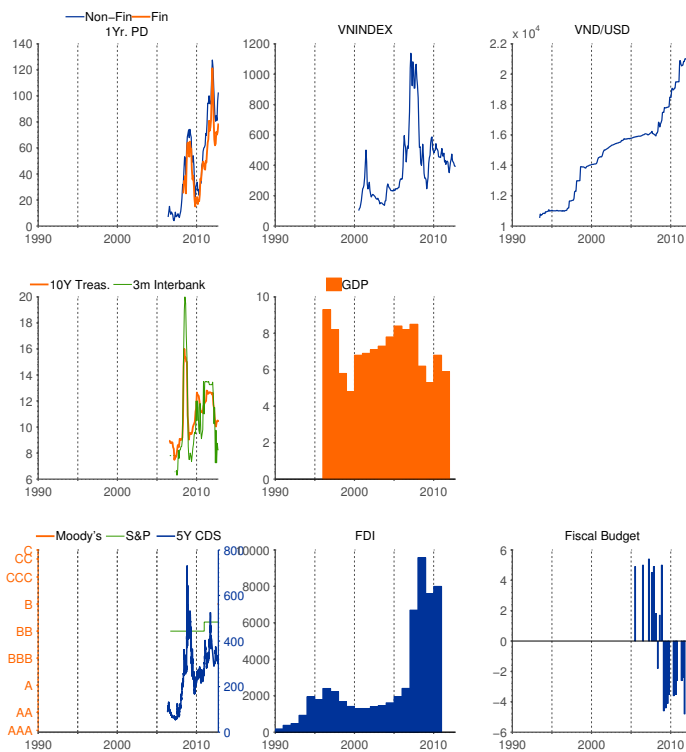
United Kingdom	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	40.55	46.72	27.66	46.96	35.75
1Yr. PD, Fin.	34.96	29.13	32.22	31.50	23.69
FTSE 100	5128	5572	5768	5571	5742
GBP/USD	1.56	1.55	1.60	1.57	1.62
3m Treas. Yield (%)	0.53	-	-	-	0.32
10Y Treas. Yield (%)	2.43	1.98	2.20	1.73	1.73
3m Interbank (%)	0.95	1.08	1.03	0.90	0.60
GDP (YoY%)	0.6	0.7	-0.1	-0.5	-
OECD CLI	99.75	99.32	99.60	99.86	100.12*
PMI	50.8	49.7	51.9	48.4	48.4
PPI (YoY%)	6.3	4.8	3.7	2.0	2.2*
Money Supply (YoY%)	-1.70	-2.50	-4.80	-5.20	-4.10*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	94.41	97.50	62.86	69.52	51.52
FDI (%GDP)	-	2.23	-	-	-
Fiscal Budget (%GDP)	-	-8.30	-	-	-



United States	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	55.58	54.55	37.95	53.28	41.13
1Yr. PD, Fin.	114.33	110.21	55.28	60.63	47.43
S&P 500	1131	1258	1408	1362	1441
3m Treas. Yield (%)	0.02	0.01	0.07	0.08	0.09
10Y Treas. Yield (%)	1.92	1.88	2.21	1.64	1.63
3m Interbank (%)	0.20	0.22	0.20	0.21	0.22
GDP (YoY%)	1.6	2.0	2.4	2.1	-
OECD CLI	99.91	100.45	100.92	100.71	100.55*
PMI	52.5	53.1	53.4	49.7	51.5
PPI (YoY%)	7.0	4.7	2.8	0.7	2.0*
Money Supply (YoY%)	9.70	9.70	10.00	9.20	6.30*
Sov. Rating, S&P	AA+	AA+	AA+	AA+	AA+
5Y CDS (bps)	51.41	51.00	29.66	48.78	33.01
FDI (%GDP)	-	1.51	-	-	-
Fiscal Budget (%GDP)	-	-8.20	-	-	-



Venezuela	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	38.83	33.07*	-	-	-
1Yr. PD, Fin.	10.17	9.09	2.66*	-	-
IBVC	99611	117036	199719	251838	308083
VEF/USD	4294.65	4294.70	4294.70	4294.70	4294.70
10Y Treas. Yield (%)	17.55	17.74*	16.70	16.71	-
GDP (YoY%)	-	4.2	-	-	-
PPI (YoY%)	21.5	22.7	17.2	14.5	13.1
Money Supply (YoY%)	40.80	51.10	53.50	56.10	58.10*
Sov. Rating, S&P	B+	B+	B+	B+	B+
5Y CDS (bps)	1223.71	927.61	721.51	894.19	776.66
FDI (%GDP)	-	1.70	-	-	-



Vietnam	2011		2012		
	Q3	Q4	Q1	Q2	Q3
1Yr. PD, Non-Fin. (bps)	93.78	127.55	95.32	84.91	102.63
1Yr. PD, Fin.	75.70	121.16	66.44	72.29	78.76
VNINDEX	428	352	441	422	393
VND/USD	20830.00	21034.00	20850.00	20905.00	20885.00
10Y Treas. Yield (%)	12.67	12.50	11.46	10.03	10.50
3m Interbank (%)	13.25	13.25	10.25	9.75	8.25
GDP (YoY%)	-	5.9	-	-	-
Sov. Rating, Moody's	-	-	-	-	B2
Sov. Rating, S&P	BB-	BB-	BB-	BB-	BB-
5Y CDS (bps)	490.37	411.32*	289.32	336.37	303.27
Fiscal Budget (%GDP)	-2.40	-	-4.80	-	-



## 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 October 17 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. The following table lists the name of each stock index.

### Stock Indices

Economy	Index Name	Economy	Index Name
Argentina	Buenos Aires Merval Index	Italy	BCI Comit Globale Index
Australia	All Ordinaries Index	Japan	Nikkei 500
Austria	Vienna Traded Index	Luxembourg	LuxX Index
Belgium	Brussels All-Share Net Return Index	Malaysia	FTSE Bursa Malaysia KLCI
Brazil	Bovespa Index	Malta	Maltex Index
Canada	S&P/TSX Composite Index	Mexico	Mexican Bolsa IPC Index
Chile	Santiago IPSA Index	Netherlands	AEX Index
China	Shanghai Composite Index	New Zealand	NZX Ordinaries Index
Colombia	FTSE Colombia Index	Norway	OBX Price Index
Cyprus	CSE General Index	Peru	Bolsa de Valores Lima Index
Denmark	OMX Copenhagen 20 Index	Philippines	PSEi Index
Estonia	OMX Tallinn Index	Portugal	PSI All-Share Index
Finland	OMX Helsinki Index	Singapore	Straits Times Index
France	CAC-40 Index	Slovakia	Slovak Share Index
Germany	CDAX Performance Index	Slovenia	HSBC Slovenia Index
Greece	Athex Composite Index	South Korea	KOSPI Index
Hong Kong	Hang Seng Index	Spain	Madrid General Index
Iceland	OMX Iceland Index	Sweden	OMX Stockholm Index
India	BSE SENSEX 30 Index	Switzerland	Swiss Performance Index
Indonesia	Jakarta Composite Index	Taiwan	Taiwan TAIEX Index
Ireland	ISE Overall Index	Thailand	Bangkok SET Index
		United Kingdom	FTSE 100 Index
		United States	S&P 500 Index
		Vietnam	Ho Chi Minh Stock Index
		Venezuela	Caracas Stock Index

**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*

<b>Economy</b>	<b>Conversion Date</b>	<b>Conversion Rate (per Euro)</b>	<b>Economy</b>	<b>Conversion Date</b>	<b>Conversion Rate (Per Euro)</b>
Austria	31/12/1998	13.7603	Italy	31/12/1998	1936.27
Belgium	31/12/1998	40.3399	Luxembourg	31/12/1998	40.3399
Estonia	31/12/2010	15.6466	Malta	31/12/2007	0.4293
Finland	31/12/1998	5.94573	Netherlands	31/12/1998	2.20371
France	31/12/1998	6.55957	Portugal	31/12/1998	200.482
Germany	31/12/1998	1.95583	Slovakia	31/12/2008	30.126
Greece	31/12/2000	340.75	Slovenia	31/12/2006	239.64
Ireland	31/12/1998	0.787564	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 the table below. The asterisk indicates that data was retrieved directly from the indicated source, and not from Bloomberg.<sup>†</sup>

*3-month government bond yields*

<b>Economy</b>	<b>Source</b>	<b>Economy</b>	<b>Source</b>	<b>Economy</b>	<b>Source</b>
Australia	Reserve Bank of Australia*	Hong Kong	Bloomberg	Portugal	Bloomberg
Belgium	National Bank of Belgium	India	Bloomberg	Singapore	Monetary Authority of Singapore
Brazil	Bloomberg	Ireland	Bloomberg	Slovakia	Bloomberg
Canada	Bloomberg	Italy	Bloomberg	South Korea	Korea Financial Investment Association
Chile	Bloomberg	Japan	Bloomberg	Spain	Corretaje E Informacion Monetaria Y De Divisas, S.
China	Bank of Tianjin	Malaysia	Bank Negara Malaysia	Sweden	Bloomberg
Denmark	Nykredit Bank	Malta	Central Bank of Malta	Thailand	Bloomberg
Finland	Svenska Handelsbanken	Netherlands	Bloomberg	United Kingdom	Thomson Reuters*
France	Bloomberg	New Zealand	Bloomberg	United States	Bloomberg
Germany	Bloomberg	Norway	Norges Bank		
Greece	Bloomberg	Philippines	Philippine Dealing & Exchange Corp.		

<sup>†</sup>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.

**3-month interbank rate (middle-left graph)** The primary sources of the 3-month interbank rates are listed in the following table.

*Interbank Lending Rates*

Economy	Interbank Rate	Source
Argentina	Baibor 3-month	Central Bank of Argentina
Australia	AUD Bank Bill 3-month	CMPT Tokyo
Austria	Euribor 3-month	EBF
Belgium	Euribor 3-month	EBF
Brazil	Selic fixed rate 3-month	Central Bank of Brazil
Canada	Canada Bankers Acceptances 3-month	Moneyline Telerate
Chile	TAB Nominal Avg Interbank Rate 3-month	Association of Banks in Chile
China	Shibor 3-month Fixing	National Interbank Funding Center
Colombia	TBS Money Market Rates 90 Days	Financial Superintendent of Colombia
Cyprus	Euribor 3-month	EBF
Denmark	Cibor 3-month	Danish Central Bank
Estonia	Talibor 3-month	Bank of Estonia
Finland	Euribor 3-month	EBF
France	Euribor 3-month	EBF
Germany	Euribor 3-month	EBF
Greece	Euribor 3-month	EBF
Hong Kong	Hibor 3-month	HIBOR Fixing
Iceland	Reibor 3-month Fixing	Central Bank of Iceland
India	INR 3-month Deposit	CMPN New York
Indonesia	Jibor 3-month	Bank Indonesia
Ireland	Euribor 3-month	EBF
Italy	Euribor 3-month	EBF
Japan	Tibor 3-month	Japanese Bankers Association
Luxembourg	Euribor 3-month	EBF
Malaysia	KLIBOR 3-month	Bank Negara Malaysia

Economy	Interbank Rate	Source
Malta	Euribor 3-month	EBF
Mexico	Mexico Interbank TIIE 91 Days	Bank of Mexico
Netherlands	Euribor 3-month	EBF
New Zealand	NZD Bank Bill 3-month	CMPL London
Norway	Nibor Fixing 3-month	Bloomberg
Peru	Asbanc Peru 3-month Nominal Rate	Association of Banks in Peru
Philippines	Phibor 3-month	Bankers Association of the Philippines
Portugal	Euribor 3-month	EBF
Singapore	Sibor Fixing 3-month	Association of Banks in Singapore
Slovakia	Bratislava Interbank Rate 3-month	National Bank of Slovakia
Slovenia	SITIBOR 3-month	Bank of Slovenia
South Korea	Koribor 3-month	Bank of Korea
Spain	Euribor 3-month	EBF
Sweden	Stockholm Interbank Offered Rates 3-month	NASDAQ OMX
Switzerland	LIBOR Libid Limean CHF 3-month	Bloomberg
Taiwan	TAIBOR Fixing Rate 3-month	Taiwan Interbank Money Center
Thailand	Thailand Bibor Fixings 3-month	Bank of Thailand
United Kingdom	BA LIBOR GBP 3-month	BBA
United States	Domestic Fed Funds 3-month	ICAP
Vietnam	VND 3-month Deposit	CMPL London

**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. The following is a list of primary sources of the GDP data.

*Real GDP growth*

Economy	Source	Economy	Source	Economy	Source
Argentina	Bloomberg	Indonesia	OECD	Spain	Eurostat
Australia	ABS	Ireland	Eurostat	Sweden	Eurostat
Austria	Eurostat	Italy	Eurostat	Switzerland	State Secretariat for Economic Affairs
Belgium	Eurostat	Japan	OECD	Taiwan	Directorate General of Budget Accounting & Statistics
Brazil	Bloomberg	Luxembourg	Eurostat	Thailand	National Economic Development Board
Canada	Statistics Canada	Malaysia	Dept of Stats Malaysia	United Kingdom	UK National Statistics
Chile	Bloomberg	Malta	IMF	United States	Bureau of Economic Analysis
China	National Bureau of Statistics	Mexico	Bloomberg	Venezuela	Bloomberg
Colombia	Bloomberg	Netherlands	Eurostat	Vietnam	Bloomberg
Cyprus	Eurostat	New Zealand	Statistics New Zealand		
Denmark	Eurostat	Norway	Statistics Norway		
Estonia	Eurostat	Peru	Bloomberg		
Finland	Eurostat	Philippines	NSO Philippines		
France	Eurostat	Portugal	Eurostat		
Germany	Eurostat	Singapore	Ministry of Trade & Industry		
Greece	Eurostat	Slovakia	Eurostat		
Hong Kong	Census & Statis Department	Slovenia	Eurostat		
Iceland	Statistics Iceland	South Korea	Bank of Korea		
India	Central Statistical Organisation				

**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/cli](http://www.oecd.org/std/cli). 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. The following table lists the indices as well as their primary sources.

## PMI

Economy	Index name	Source	Economy	Index name	Source
Australia	Australian Performance of Manufacturing Index	Australian Industry Group	Norway	Norway PMI (Seasonally Adjusted)	Danske Bank
Canada	Ivey Purchasing Managers Index (Canada)	Purchasing Management Association of Canada	Singapore	Singapore Manufacturing PMI	Singapore Institute of Purchasing & Materials Management
China	China Manufacturing PMI (seasonally adjusted)	China Federation of Logistics & Purchasing	South Korea	Business Survey Index on business conditions Manufacturing sector	Bank of Korea
Brazil	Brazil PMI Total	NTC Economics	Sweden	Swedbank PMI (seasonally adjusted)	Swedbank Markets
France	Markit France Manufacturing PMI	Markit	Switzerland	Switzerland procure.ch PMI	Credit Suisse
Germany	Markit/BME Germany Manufacturing PMI	Markit	Thailand	Thailand Business Sentiment Index	Bank of Thailand
Italy	Markit/ADACI Italy Manufacturing PMI	Markit	United Kingdom	Markit/CIPS UK Manufacturing PMI	Markit
Japan	Nomura/JMMA PMI (seasonally adjusted)	Markit/Nomura Securities Co.Ltd	United States	ISM Manufacturing PMI (seasonally adjusted)	Institute for Supply Management
New Zealand	New Zealand PMI Surveys Manufacturing	Bank of New Zealand			

**PPI (middle-right graph)** The Producers' Purchasing Index or similar indices are presented as YoY changes. The following table shows the indices used and the primary sources for the indices.

## PPI

Economy	Index name	Source	Economy	Index name	Source
Argentina	PPI YoY	INDEC	Luxembourg	PPI Industry Ex Construction YoY	Eurostat
Australia	Manufacturing PPI YoY	ABS	Malaysia	PPI Goods in Domestic Economy YoY	Dept of Stats Malaysia
Austria	PPI Industry Excluding Construction YoY	Eurostat	Malta	PPI Industry Ex Construction YoY	Eurostat
Belgium	PPI YoY	Statistics Belgium	Mexico	PPI YoY	INEGI
Brazil	Wholesale Prices IPA-M YoY	FGV	Netherlands	PPI Industry Ex Construction YoY	Eurostat
Canada	STCA Industrial Product Price YoY NSA	Statistics Canada	New Zealand	Producer Prices Output YoY	Statistics New Zealand
China	PPI YoY	CEInet	Norway	PPI Domestic & Export Industry YoY	Statistics Norway
Colombia	PPI YoY	BRC	Peru	Wholesale Price YoY	Peru INEI
Cyprus	PPI All Industry Ex Construction & Energy YoY	Eurostat	Philippines	PPI Manufacturing YoY	NSO Philippines
Denmark	Wholesale Prices YoY	Statistics Denmark	Portugal	Producer Prices Total YoY	INE Portugal
Estonia	PPI YoY	Statistics Estonia	Slovakia	PPI YoY	Stats Office of the Slovakia
Finland	PPI YoY	Statistics Finland	Slovenia	PPI YoY	Stats Office of Slovenia
France	PPI YoY	INSEE	South Korea	PPI YoY	Bank of Korea
Germany	Producer Prices YoY SA	Deutsche Bundesbank	Spain	PPI YoY	INE
Greece	PPI Industry Ex Construction YoY	Eurostat	Sweden	Producers Prices YoY	Statistics Sweden
Hong Kong	PPI All Manufacturing Industries YoY	Census & Stats Dept HK	Switzerland	PPI YoY	SFSO
Iceland	PPI Main Index YoY	Statistics Iceland	Thailand	PPI All Products YoY	Commerce Ministry
India	Wholesale Price All Commodities YoY	PIB India	United Kingdom	PPI Manufactured Products YoY NSA	UK National Statistics
Indonesia	Wholesale Prices YoY	BPS Indonesia	United States	PPI By Processing Stage Finished Goods Total YoY NSA	US BLS
Ireland	PPI All Industry Ex Construction & Energy YoY	Eurostat	Venezuela	PPI YoY	BCV
Italy	PPI Manufacturing YoY	Istat			



**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, Indonesia, Mexico, Norway, Peru, Taiwan, Thailand, the US and Venezuela where M2 is used; 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. The following is a list of primary sources for the money supply data.

*Money Supply*

Economy	Source	Economy	Source	Economy	Source
Argentina	Banco Central de la Republica Argentina	India	OECD	Slovenia	Eurostat
Australia	Reserve Bank of Australia	Indonesia	Bank Indonesia	South Korea	Bank of Korea
Austria	Eurostat	Italy	Eurostat	Spain	Eurostat
Belgium	Eurostat	Ireland	Eurostat	Sweden	Sveriges Riksbank
Brazil	Banco Central do Brasil	Japan	Bank of Japan	Switzerland	Swiss National Bank
Canada	Bank of Canada	Luxembourg	Eurostat	Taiwan	The Central Bank of China
Chile	Banco Central de Chile	Malaysia	Bank Negara Malaysia	Thailand	Bank of Thailand
China	The People's Bank of China	Malta	Eurostat	United Kingdom	Bank of England
Colombia	Banco Central de la Republica de Colombia	Mexico	Banco de Mexico	United States	Federal Reserve
Cyprus	Eurostat	Netherlands	Eurostat	Venezuela	Central Bank of Venezuela
Denmark	Danish Central Bank	New Zealand	Reserve Bank of New Zealand		
Estonia	Eurostat	Norway	Central Bank of Norway		
Finland	Eurostat	Peru	Banco Central de Reserva del Peru		
France	Eurostat	Philippines	Bangko Sentral ng Pilipinas		
Germany	Deutsche Bundesbank /Eurostat	Portugal	Banco de Portugal /Eurostat		
Greece	Eurostat	Singapore	Monetary Authority of Singapore		
Hong Kong	Hong Kong Monetary Authority	Slovakia	Eurostat		
Iceland	Statistics Iceland				

**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. The primary sources are shown in the following table.

*Fiscal Budget*

<b>Economy</b>	<b>Source</b>	<b>Economy</b>	<b>Source</b>	<b>Economy</b>	<b>Source</b>
Argentina	Bloomberg Indices	Iceland	OECD	South Korea	Bloomberg Indices
Australia	Bloomberg Indices	India	Bloomberg Indices	Spain	Eurostat
Austria	Eurostat	Indonesia	World Bank	Sweden	Eurostat
Belgium	Eurostat	Ireland	Eurostat	Switzerland	Bloomberg Indices
Brazil	Bloomberg Indices	Italy	Eurostat	Taiwan	Bloomberg Indices
Canada	Bloomberg Indices	Luxembourg	Eurostat	Thailand	Bloomberg Indices
Chile	Bloomberg Indices	Japan	Bloomberg Indices	United Kingdom	Eurostat
China	Bloomberg Indices	Malaysia	Bloomberg Indices	United States	US Treasury
Colombia	Ministerio de Hacienda y Credito Publico	Malta	Eurostat	Venezuela	Bloomberg Indices
Cyprus	Eurostat	Mexico	Bloomberg Indices	Vietnam	Bloomberg Indices
Denmark	Eurostat	Netherlands	Eurostat		
Estonia	Eurostat	New Zealand	Bloomberg Indices		
Finland	Eurostat	Norway	Bloomberg Indices		
France	Eurostat	Peru	Bloomberg Indices		
Germany	Eurostat	Philippines	Bloomberg Indices		
Greece	Eurostat	Portugal	Eurostat		
Hong Kong	Bloomberg Indices	Singapore	World Bank		
		Slovakia	Eurostat		
		Slovenia	Eurostat		

## 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 is used to classify firms into PDiR based on their 1-year PD. For example, if a firm has a 1-year PD of 50bps, then it will be classified as BB. The upper bounds for each PDiR are derived using S&P's historical default rates.<sup>†</sup> These default rates are taken as the average one-year default rates (ADR) from 1992-2010 to coincide with the period of RMI's PD.

PDiR	Upper bound (bps)
AAA	0.28
AA	5
A	13
BBB	42
BB	194
B	1075
CCC/C	–

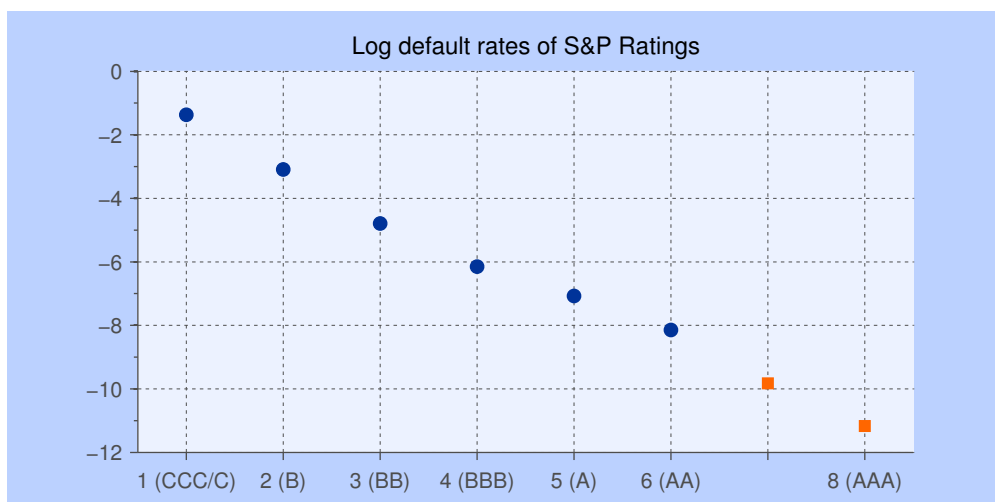
**Computing the boundaries between different PDiR classes:** The blue circles in the graph below indicate the logarithm of the ADR for S&P firms with ratings from AA down to CCC/C. There have been no defaults within one year for S&P rated AAA firms.

Given the linear relationship between the log default rates and the ratings, it makes sense to take the boundary between PDiR classes as the mid-point of the log default rates.

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

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

For the upper boundary of AAA firms, a mid-point of observed log ADR cannot be taken since the ADR is zero for S&P rated AAA firms. Instead, a line of best fit can be plotted through the six observed points (blue circles) in order to extrapolate the orange squares. Taking the default rate based on the the first extrapolated orange square results in a boundary that leads to far larger fraction of PDiR AAA firms as compared to S&P rated AAA firms. Therefore, the boundary between AA and AAA is taken as the mid-point between the first and second orange square.



<sup>†</sup>March 2011, [Default, Transition, and Recovery: 2010 Annual Global Corporate Default Study And Rating Transitions](#), Standard & Poor's.

# 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 46 economies in Asia-Pacific, Europe, Latin America 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

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