
Quarterly Credit Report

Q4/2012

Volume 2, No 3



Introduction

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

QCR Volume 2, Issue 3 covers the fourth quarter of 2012. We discuss the general credit outlook for a selection of economies from around the world, based on relevant indicators, and relate this discussion to forecasts provided by RMI's probability of default model.

The appendices in this volume include a comprehensive overview of various outputs that are produced by the operational PD system of RMI. While the PD system outputs default forecasts at horizons ranging from one month to 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.

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

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

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

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

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

North America includes: Canada and the US.

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

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

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

Credit Research Initiative

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

These publications supplement the RMI's operational PD system, which is accessible at:

www.rmicri.org

As of December 2012, the PD system covers 106 economies in Africa, Asia-Pacific, Latin America, North America, the Middle East and Europe. The probabilities of default for around 60,400 firms are available, including historical data for firms that are now delisted from exchanges or firms that have defaulted. PDs aggregated at the region, economy and sector level are also available. The full list of firms are freely available to users who can give evidence of their professional qualifications to ensure that they will not mis-use the data. General users who do not request global access are restricted to a list of 3,000 firms. The PD system operates in a transparent manner, and a detailed description of our model is provided in a [Technical Report](#) available on our website.

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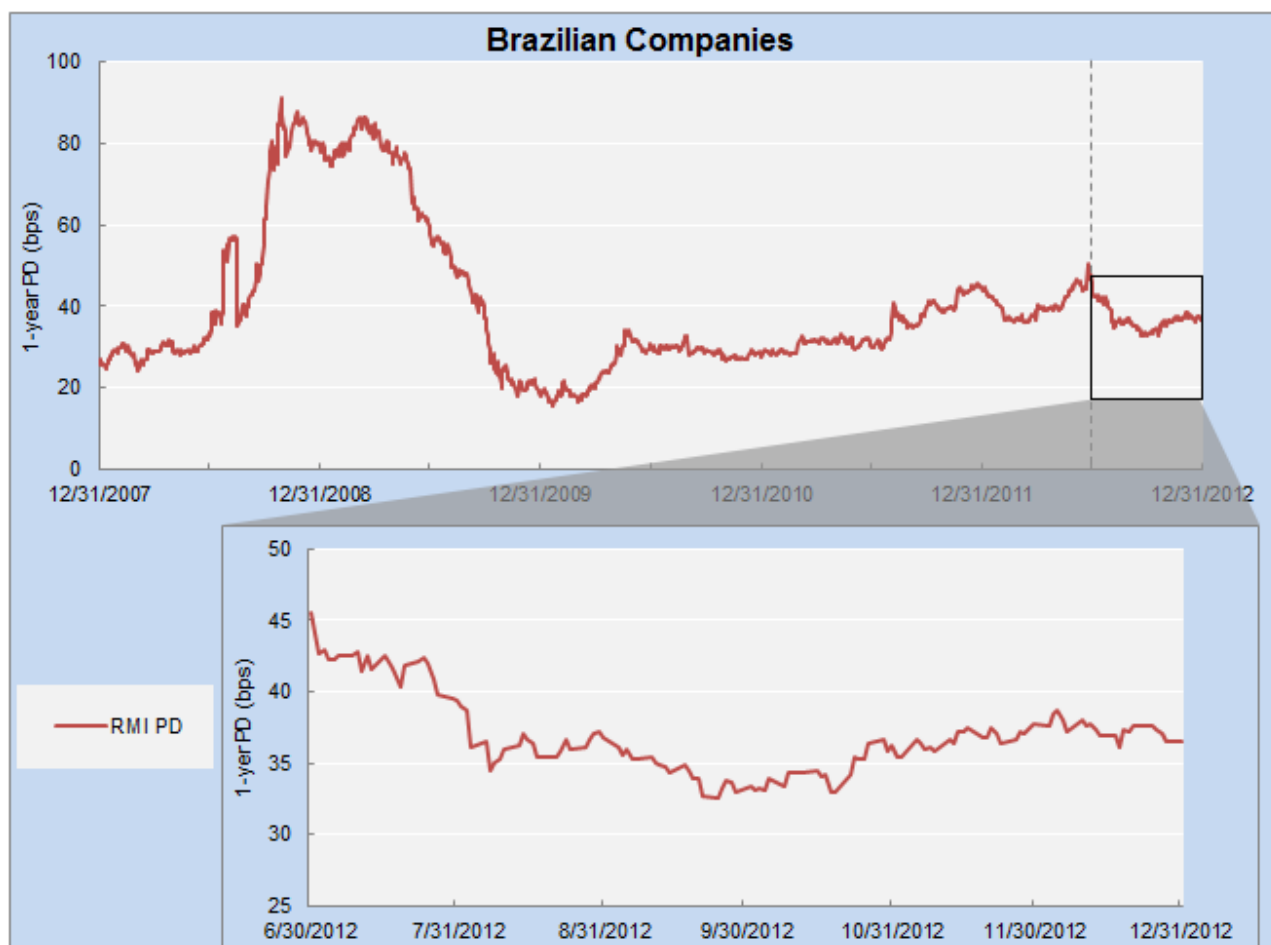
Acronyms

BIS	Bank for International Settlements
BOE	The Bank of England
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 Interest margin
NPL	Non-performing loan
OECD	Organisation for Economic Co-operation and Development
PBOC	The People's Bank of China
PMI	Purchasing Managers Index
QoQ	Quarter on Quarter
RBA	Reserve Bank of Australia
RBI	Reserve Bank of India
RHS	Right-hand side of graph
RRR	Reserve requirement ratio
YoY	Year On Year

BRIC

Brazilian Companies

The 1-year RMI PD for Brazilian companies remained range bound during Q4, after falling to the lowest level in two years in October. Stimulus measures introduced as growth slowed in Q3 appear to have arrested economic contraction, with improvements in the services, manufacturing and retail sectors supporting the earnings profiles of Brazilian companies. Moreover, a significant loosening of monetary policy has improved overall funding and liquidity. Going forward, a recovery in the service and manufacturing sectors will probably support stronger earnings, especially with continued government stimulus. This positive credit outlook is also supported by stronger than expected growth in China and improved global confidence.



Economy

- Third quarter GDP in Brazil contracted slightly by 0.3% QoQ as the poor international environment hit the economy mainly via foreign trade, aggressive competition on the Brazilian market and adverse economic conditions in developed countries.
- Economists cut their estimates for economic growth in Brazil to 0.98% in 2012, highlighting a sharp slowdown in growth. The revised estimate is significantly lower than the previous growth expectation of 3.3%. Growth may recover going forward, as the IMF projects 4% YOY GDP growth in 2013.¹
- The unemployment rate in Brazil decreased to 4.9% in November 2012 from a previous 5.3% in October. The government has achieved this by reducing payroll taxes; thereby reducing hiring costs without harming workers' purchasing power.²

- Retail sales continued to recover during Q4, increasing 8.2% YoY in November and 9.5% in October. Taking into account the holiday lead-up in December, growth was likely higher than Q3, when sales grew 8.9% on average each month.³
- The BRL ended the quarter at 2.0516 BRL per USD. The government responded to speculative inflows in early 2012 by implementing capital controls, helping to keep the BRL between 2.00 and 2.10 against the USD. Market participants expect the BRL will weaken to between 2.10 and 2.20 in Q1 2013.⁴
- The PMI for the Brazilian services sector rose to 53.5 in December, after increasing to 52.5 in November, and up from 50.4 in October. The Composite Output Index increased to 53.2 in December, up from 50.7 in October, representing solid growth and the fastest overall pace of expansion in eight months.⁵
- The Brazil manufacturing PMI decreased to 51.1 in December, down from 52.2 in November. Although slow, this level still signals growth in the manufacturing sector.⁶

Monetary

- The central bank cut the Selic target rate to 7.25% in October, the seventh consecutive reduction in 2012. The government has said there will be fewer policy cuts in 2013, although economists believe that the central bank may slash the policy rate further.
- The central bank announced it would allow banks to partially offset their reserve requirements with certain outstanding loans, freeing up approximately BRL 15bn of lending capacity from January 30, 2013. This follows similar measures and reductions in reserve requirements in October that freed BRL 30bn of funds for lending.^{7,8}

Funding & Liquidity

- Yields on 10-year Brazilian bonds fell by 64bps in Q4, to 9.2% on December 28 from 9.828% at the end of Q3.
- Bank lending to the private sector recovered during Q4, growing 13.6% YoY in November and 14.1% in October, up from a two year low of 12.2% growth in September.⁹
- Money market interest rates fell to 6.94% per annum in December from over 7% after the policy rate cut in October. The average quoted bank lending rate fell to 28.92 in November, from close to 30% in Q3. Rates may decline further as the government works on stabilizing inflation and stimulating growth.¹⁰

Policy

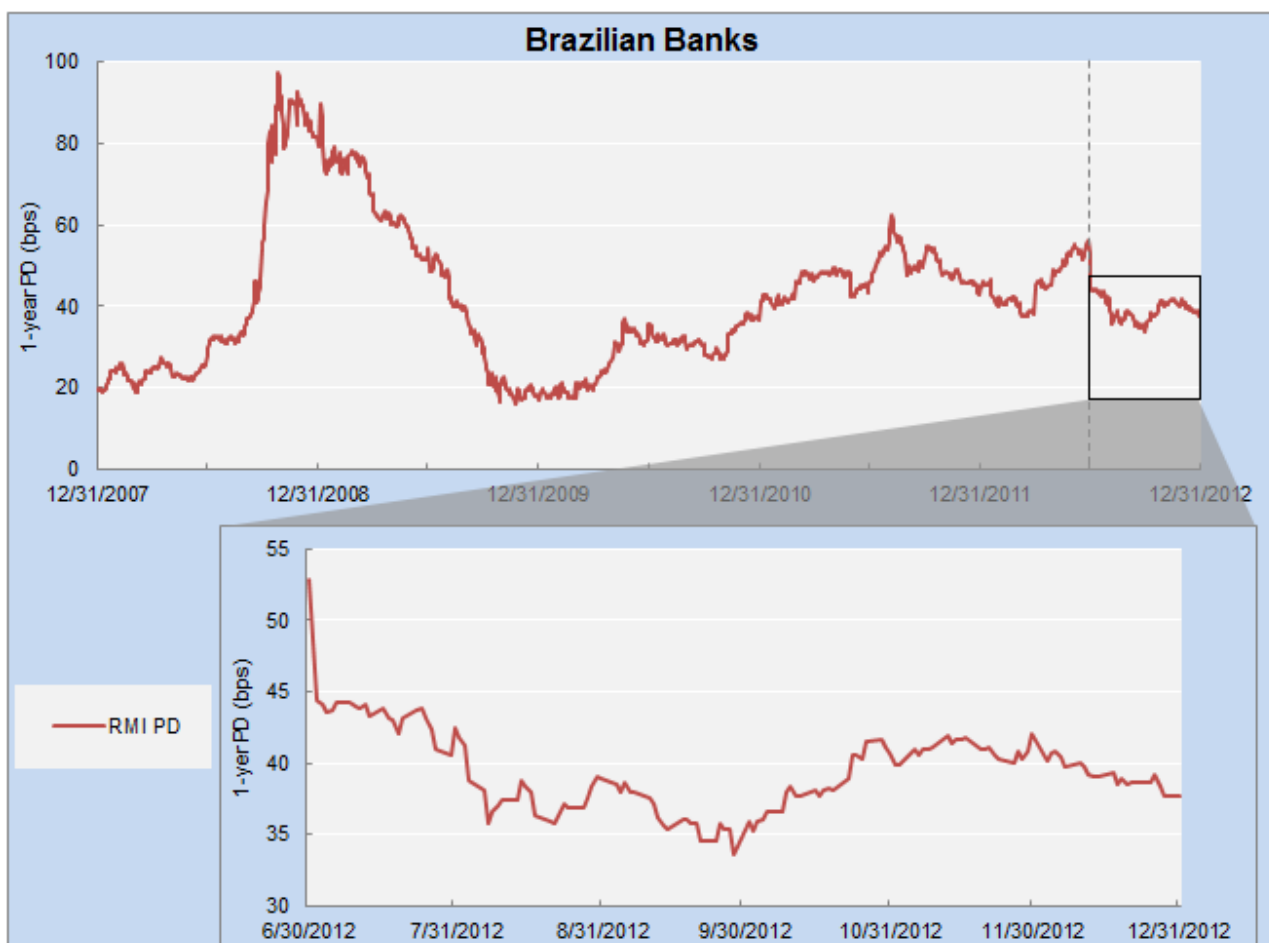
- The positive effects of a BRL 133bn stimulus plan continued to filter through the economy during Q4, with the government continuing payroll tax breaks and lower levies on consumer goods through Q4. The government also pressured energy companies to reduce prices.¹¹
- Brazil unveiled a BRL 18.7bn plan to overhaul two of its international airports and upgrade others to accommodate a potential surge in air traffic in the 2014 soccer World Cup and 2016 Olympic Games.¹²

Sovereign Credit Ratings

- The three major CRAs retained BBB equivalent ratings on the Brazilian government during Q4, with Moody's maintaining a positive outlook, while Fitch and S&P retained their stable outlooks.

Brazilian Banks

The 1-year aggregate RMI PD for Brazilian banks, after rising at the start of Q4, returned to levels seen in Q3 in December. Funding conditions and asset quality improved during Q4. A fragile economic recovery may have lent some support to earnings during Q4, as demand for credit increased modestly and the central bank reduced reserve requirements, but a decline in NIMs may have offset these earning positives. Going forward continued economic recovery should support earnings, while a delay to the phase-in of Basel III will help banks build capital organically. However, high household debt levels continue to fuel uncertainty about asset quality. Pressure from the government to lend to preferred companies also causes asset quality concerns. Implied government support for lenders other than state-owned banks is also increasingly unlikely, following several central bank interventions.



Profitability

- Aggregate net income at Brazilian banks fell by 2.5% QoQ in Q3, compared with a meager increase of 0.16% in Q2.
- Average NIM for Q3 was recorded at 7.2% as compared to 6.38% in Q3 2012. The average bank spread, or the difference between the lending and funding interest rates, fell to an all-time-low of 21.6 % per annum in November, down from 22.36% at the end of Q3.¹³

Funding & Liquidity

- Average coupon rates on 5-year senior unsecured USD denominated bank bonds issued by Brazilian banks remained near 4.5% during Q4, down from close to 5% in Q3.
- Deposits in November grew at 17.08% YoY, the highest growth in 2012, compared to 16.22% growth in October and 15.87% in September.¹⁴

- Time deposit rates fell 28bps to 6.85% in the first two months of Q3, down from 7.13% at the end of Q3.¹⁵

Capital Levels & Regulations

- The phase in of Basel III in Brazil has been delayed to later in 2013, as the finance ministry is concerned state-owned banks require funds from the treasury to meet the new regulatory standards, and the government is concerned the regulations could hamper a fragile economic recovery.¹⁶
- The Brazilian central bank seized tiny lender BVA in October, the third such intervention in four months. This followed the central bank's liquidation of the country's sixth largest lender, Banco Cruzeiro do Sul, in September.¹⁷

Asset Quality

- Total provisions for non-performing loans in the financial system increased by 14.42% YoY in November, the slowest pace on record, after increasing 16.2% in October and 18.7% in September. The aggregate default ratio fell slightly to 5.8% during November, from 5.9% in Q3.^{18,19}
- Brazilian households' debt rose to 43.4% of disposable income in the first half of the year. Households set aside more of their disposable income to pay debt, but rising wages and lower borrowing costs may change the trend in coming months.²⁰

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²November 2012, [Brazil: National Statistics](#), Trading Economics, tradingeconomics.com

³Dec 12, 2012, [Brazil's Retail Sales Pick Up Pace in October](#), 4 Traders.

⁴Dec 28, 2012, [Brazil Real Ends 2012 Weaker vs. Dollar](#), Wall Street Journal.

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⁶Jan 2, 2013, [HSBC Brazil Manufacturing PMI](#), Markit, markiteconomics.com

⁷Dec 27, 2012, [Brazil Reduces Reserve Requirements on Demand Deposits](#), Fox Business.

⁸Sep 14, 2012, [Brazil cuts reserve requirements to bolster credit](#), Reuters.

⁹November 2012, [Financial system credit operations: Balance by economic activity.](#), Banco Central Do Brasil, bcbr.gov.br

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¹¹Jan 4, 2013, [Brazil to Ease Back on Stimulus Measures](#), WSJ.

¹²Dec 20, 2012, [Brazil seeks private investors in key airports](#), The Globe and Mail.

¹³December 2012, [Average bank spread: General total](#), Banco Central Do Brasil, bcbr.gov.br

¹⁴December 2012, [Savings and Deposits](#), Banco Central Do Brasil, bcbr.gov.br

¹⁵December 2012, [Medium rate of funding, CDB.](#), Banco Central Do Brasil, bcbr.gov.br

¹⁶Dec 14, 2012, [Brazil may delay adoption of Basel III rules](#), Reuters.

¹⁷Oct 19, 2012, [Central bank seizes control of Rio bank](#), Financial Times.

¹⁸November 2012, [Financial system credit operations: Risk classification and provisions](#), Banco Central Do Brasil, bcbr.gov.br

¹⁹Dec 19, 2012, [Brazil defaults fall as lending shows signs of recovery](#), Reuters.

²⁰Oct 2, 2012, [Brazil household debt up, seen subsiding - central bank](#), Reuters.

Russian Companies

The aggregate 1-year RMI PD for Russian companies fell to a 12-month low in October, before increasing and then decreasing in the final two months of Q4. Despite a slowdown in growth during Q3, earnings at Russian firms likely recovered through Q4 as key export prices stabilized at higher levels and the service sector expanded rapidly. However, funding and liquidity conditions deteriorated somewhat, as tight conditions in interbank markets affected banks ability to meet demand for credit. The completion of domestic bond market liberalization may improve funding profiles going forward, as domestic companies will have significantly greater access to foreign capital. The latter, combined with strong domestic demand, results in a positive credit outlook for Russian companies.



Economy

- Economic growth continued to slow during Q3, as the economy grew 2.9% YoY, down from 4% growth in Q2. The IMF expects the economy will grow by 3.7% YoY during 2012, and expand by 3.8% during 2013.
- The unemployment rate increased to 5.4% in November, up slightly from a four year low of 5.2% observed in September.
- Retail sales growth continued during Q4, with sales increasing 11.7% YoY in November, down slightly from 12% in September. Holiday sales during December likely supported growth through Q4.
- The services sector expanded at the fastest pace in four-years during Q4, as the HSBC Russia Services PMI increased to 57.3 in October, from 54.5 in September, and remained high at 57.1 and 54.1 in November and December, respectively.²¹

- Manufacturing activity slowed towards the end of Q4. The HSBC Russia Manufacturing Index fell to 50 during December, indicating no-change in manufacturing growth, falling from 52.2 in November and 52.9 in October.²²
- Oil prices remained stable during Q4, with Brent Crude closing at USD 111.11 per barrel on December 31, down from USD 112.21 on September 28. Natural gas prices rose slightly to USD 419.04 per 1000 m³ on November 31, from USD 409.68 on September 30.

Monetary

- Russia's central bank kept its benchmark refinancing rate on hold at 8.25% during Q4, after increasing the rate by 25bps in September.
- However, the central bank narrowed its interest rate corridor by increasing the fixed-term deposit rate by 25bps to 4.5% and cut the cost to swap foreign currency into RUB by 25bps to 6.5%. This should strengthen the effect of monetary policy and help tame inflation running above 6%.²³

Funding & Liquidity

- Yields on 10-year Russian government bonds fell to 6.9% during Q4, from 7.89% at the end of Q3.
- Interest rates on RUB loans to non-financial organizations with maturities up to 1-year increased during Q4 to 10.3%, up from 9.7% in September.²⁴
- Russian banks slowed lending to non-financial organizations slightly during Q4, with RUB loan growth slowing to 23.1% YoY growth in October, down from as high as 25.42% in Q3.²⁵

Policy

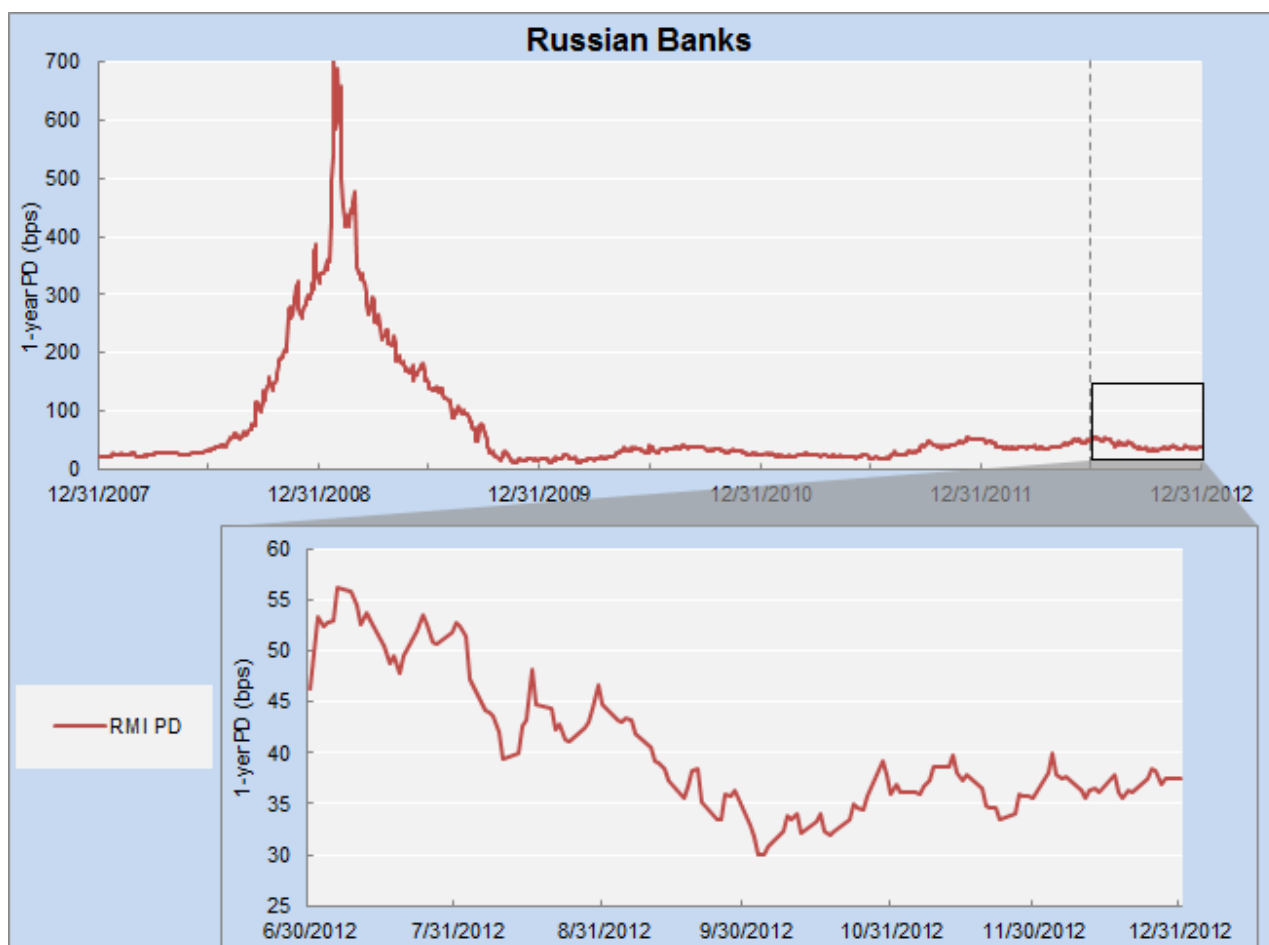
- The government will fully reopen the country's domestic bond market to foreign investors in early-2013, completing a liberalization process started in 2011. A majority of the country's bond markets have been closed to international investors since Russia's 1998 debt default.²⁶
- In late December, the Federal government said it would delay its 2013 Eurobond issuances to avoid crowding the market, giving Russian corporate issuers room to meet their borrowing needs.²⁷

Sovereign Credit Ratings

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

Russian Banks

The aggregate 1-year RMI PD for Russian banks moderated during Q4, down from relatively high levels seen in Q3. Earnings strengthened as NIMs recovered and demand for credit surged in Q3. However, funding and liquidity conditions deteriorated as banks competed to raise funds to meet a surge in demand for credit. Overall asset quality improved during Q4; although increasing demand for credit raises concerns about a credit bubble. However, the positive effects of a rebound in commodities prices will likely filter through to loan portfolios. Going forward, liquidity conditions will likely remain tight, as banks have almost exhausted foreign bank demand for Russian debt, and rates in interbank markets remain elevated. Possible liquidity provision from the central bank may ease overall liquidity, improving the earning profiles of Russian banks, resulting in an overall positive sectoral credit outlook.



Profitability

- Aggregate net income at listed Russian banks increased 21.8% during Q3, after falling 18.9% during Q2, as consumer credit demand surged almost 40% during 2012.
- A proxy for the aggregate NIM recovered some ground towards the end of Q4, increasing by 30bps to 3.2% after falling to 2.9% in October from 3.4% in September.

Funding & Liquidity

- Average coupon rates on 3-year fixed RUB-denominated bonds issued by Russian banks increased slightly during Q4, to 8.41% in October, from around 8% during Q3.
- Russian lenders continued to squeeze funding from international lenders in Q4, raising USD 3.8bn in syndicated loans, despite many global banks reaching country credit limits for Russia.²⁸

- Deposit growth may have recovered during Q4, increasing by 20.4% YoY in October, after increasing just 16.4% in September.^{29,30}
- Average deposit rates increased to 7.1% per annum during Q4, from 6.8% in September. Interest rates on non-demand deposits increased to 8.2% in November, from 7.8% in September.³¹
- Liquidity levels in the Russian banking system remained high during Q3, with the aggregate LATDB ratio for listed banks falling slightly to 16% from 16.2% in Q2.
- However, liquidity in interbank markets tightened significantly during Q4, as the 3-month MosPrime rate reached 7.55% on December 6, the highest level in three years, easing slightly to 7.47% on December 31.

Capital Levels & Regulations

- The central bank may increase liquidity provision to the banking system or increase the term of repurchase agreements, under pressure from state-owned banks, so lenders can meet surging demand for new loans.³²
- The Russian central bank believes a majority of banks are currently in compliance with Basel III capital adequacy rules due to be phased in starting October 2013 in Russia. Russian banks are required to report capital ratios under both Basel II and III from April 2013.

Asset Quality

- Provisions for bad loans at listed Russian banks increased at a slower pace during Q3, increasing 5.3% QoQ to RUB 32.8bn, after increasing 26% QoQ in Q2.
- Overdue RUB denominated loans rose at a slower pace during Q4, increasing 12.15% YoY in both October and November, after increasing by around 16% YoY in each month of Q3.³³

²¹Dec 28, 2012, [HSBC Russia Services PMI](#), Markit, markiteconomics.com

²²Dec 27, 2012, [HSBC Russia Manufacturing PMI](#), Markit, markiteconomics.com

²³Dec 10, 2012, [Russia Cuts Ruble Swap Rate in Pivot Toward Easing](#), Bloomberg.

²⁴Dec 21, 2012, [Interest Rates on Ruble-denominated Loans to Non-financial Organizations](#), The Central Bank of the Russian Federation, cbr.ru/eng

²⁵Dec 29, 2012, [Loans, Deposits and Other Funds Extended to Organizations, Individuals and Credit Institutions](#), The Central Bank of the Russian Federation, cbr.ru/eng

²⁶Dec 19, 2012, [Debt Investors Turn Page on Russia](#), WSJ.

²⁷Dec 28, 2012, [Government Giving Way to Companies in 2013 Bonds](#), Bloomberg.

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³⁰Dec 29, 2012, [Deposits of Individuals Accepted by Credit Institutions](#), The Central Bank of the Russian Federation, cbr.ru/eng

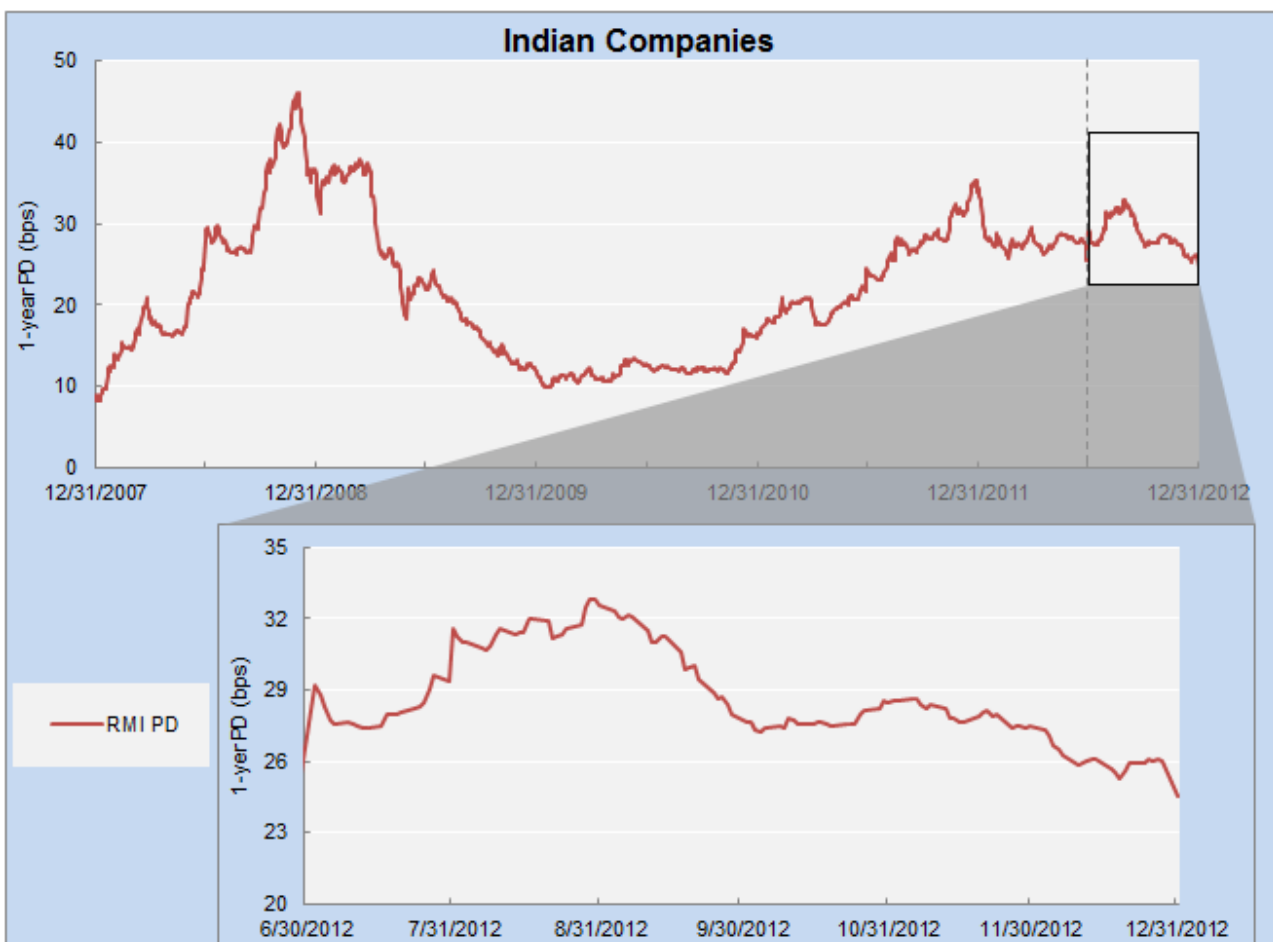
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³²Nov 29, 2012, [Russian lenders push again for central bank liquidity extension](#), Reuters.

³³Dec 6, 2012, [Overdue Debt on Ruble-Denominated Loans Extended by 30 Largest Banks](#), The Central Bank of the Russian Federation, cbr.ru/eng

Indian Companies

The aggregate 1-year RMI PD for Indian companies decreased over Q4 backed up by better than expected earnings and stronger company balance sheets. Economic growth appears to be growing at a healthy pace in Q4 following reports of increased activity in both the manufacturing and service sectors, providing support to overall earnings. Moreover, a slight depreciation of the INR against major currencies benefited a number of major exporters. Funding and liquidity conditions improved, due to a recovery in bank lending and stronger foreign direct investment over the quarter because of a reduction in taxes on interest income for foreign investors. Going forward, funding conditions are likely to remain favorable as the central bank is expected to continue to loosen monetary policy as it focuses on promoting healthy credit expansion in the economy. The credit outlook for Indian companies is likely to improve in a slow and gradual fashion, as businesses benefit from loose monetary conditions and economic growth improves.



Economy

- Real GDP grew at 5.3% YoY during Q3, slowing from 5.5% YoY growth the previous quarter. The IMF projects an annual economic growth rate of 4.9% YoY in 2012, and growth of 6% in 2013.
- The HSBC India Purchasing Managers' Index, a measure of manufacturing operating conditions, rose to 54.7 in December, the fastest rate in six months and up from 53.7 in November and 52.9 in October. New orders increased at the fastest pace since June while export sales witnessed their third consecutive monthly expansion.³⁴

- The HSBC India Services PMI posted a reading of 56.3 in December, the largest increase in 10 months and up from 53.2 in November, which was the slowest rate of expansion in 12 months. The December data reflects an increase in new business and stronger demand.³⁵
- The INR fell 3.81% against the USD and 6.61% against the Euro during Q4.

Monetary

- The Reserve Bank of India left the bank rate at 9% during Q4. The Cash Reserve Ratio for commercial banks was reduced to 4.25% of their net demand and time liabilities from November 3, injecting INR 175bn into the economy. The repo rate under the liquidity adjustment facility remained at 8%.
- In their monthly policy review, the central bank said that a sufficient flow of credit should be maintained to the productive sectors of the economy. The bank also expects inflation to moderate in future through recent monetary policies.
- The central bank hinted that interest rates will be cut in future and purchased USD 1.5bn of securities through open market auctions at the end of Q4 to release liquidity into the financial system.³⁶

Funding & Liquidity

- Yields on 10-year Indian government bonds fell below 8% in December, after reaching 8.22% in November.
- The interest rate on borrowings over one year remained stable in Q4, at 14.5% per annum, after a 25bps reduction at the end of Q3.
- Banks expanded lending during Q4, with aggregate non-food bank credit increasing by 4.3% after increasing by 1.4% during Q3.³⁷

Policy

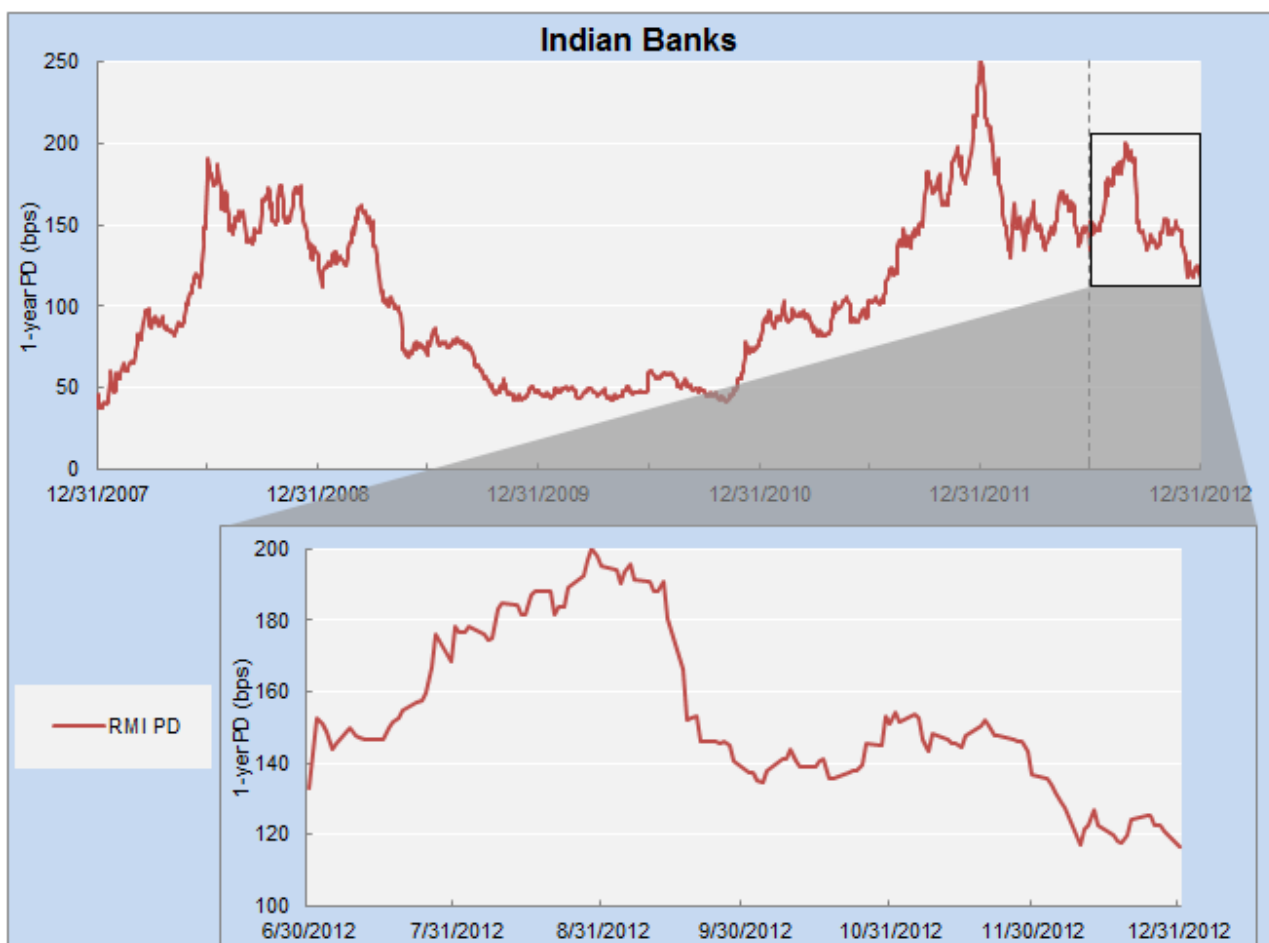
- The Ministry of Finance reduced interest taxes on overseas loans for a period of 3 years, to allow Indian companies to benefit from the low yield environment overseas. The favorable tax would be applicable to all loans issued between July 2012 and June 2015.³⁸

Sovereign Credit Ratings

- Moody's maintained a Baa3 rating on the Indian government during Q4, with a stable outlook. Both S&P and Fitch rated the Indian sovereign BBB-, with a negative outlook.

Indian Banks

The aggregate 1-year RMI PD for Indian banks declined sharply during Q4. Banks could report stronger earnings growth over Q4 as government bond prices increased and credit demand recovered. The RBI provided support to the former, reducing reserve requirements and lending to Indian banks at a record high rate. Moreover, market funding conditions also improved through Q4. Bank bond issuances fetched lower coupon rates, and interbank rates also fell. However, a lower interest rate environment led to lower deposit growth over Q4 and a decline in overall liquidity. Going forward, the credit outlook for Indian banks is uncertain. A slow economic recovery will likely support credit growth, while surging government bond prices will provide further mark-to-market revenue gains. However, earnings are likely to come under some pressure from lower NIMs and continuing asset quality problems.



Profitability

- Aggregate bank earnings increased 42.8% QoQ and 22.5% YoY in Q3, as revenues improved from Q2.
- Gross bank credit increased 18% YoY in November to INR 46.61tr. As of March 23, gross bank credit amounted to INR 43.71tr.
- Net interest margins for Indian banks, using the State Bank of India as a proxy, decreased 0.3% QoQ from 3.6% to 3.3%.
- Banks may report mark-to-market gains on their government bond holdings, as prices increased sharply in December. Banks are mandated to keep 23% of their net time and demand liabilities in government securities.

Funding & Liquidity

- Average coupon rates on 10-year INR-denominated Indian bank bonds issued during Q4 fell to around 9%, down from an average of 9.1% in Q3.
- The weighted average call rate, the interest rate on short term finance repayable on demand, remained close to 8% during Q4, but fell sharply towards the end of December, to 7.57% on December 15.³⁹
- Loans and advances to Indian banks by the RBI reached a record high of INR 286.8bn in December, up from INR 188.1bn at the end of Q3. Bank deposits at the RBI fell to INR 2.97tr at the end of Q4, down from 3.44tr at the end of Q3.^{40,41}
- Aggregate deposits at Indian banks grew at the slowest pace on record in December, increasing 11.1% YoY after growing 14% in November and 13.6% in October.⁴²
- Deposit rates remained stable during Q4, with rates on deposits with maturities less than 1-year between 4% and 8% per annum, and rates on longer-term deposits between 8.5% and 9%.⁴³
- Overall, the liquidity of the Indian banking sector likely declined over Q4 as the LATDB ratio decreased to 7.6% on December 28, from 7.88% on September 21.

Capital Levels & Regulations

- The RBI delayed the phase-in of Basel III rules within India to April 1, 2013, from the a planned introduction on January 1. Indian banks are unlikely to face problems complying with the new rules until 2017, when capital requirements increase well beyond current aggregate capitalization levels.⁴⁴

Asset Quality

- The quality of loans on banks' balance sheets appear to be deteriorating. In Q2 and Q3, banks referred 74 corporate debt restructuring cases, which could lead to INR 400bn of losses.
- At the same time, at least 35 Indian banks have seen their non-performing loans increased by 28% on average over the six months ending Q3.⁴⁵

³⁴ Jan 2, 2013, [HSBC India Manufacturing PMI](#), Markit, [markiteconomics.com](#)

³⁵ Jan 4, 2013, [HSBC India Services PMI.](#), Markit, [www.markiteconomics.com](#)

³⁶ December 27, 2012, [Indian Bonds Gain a Fifth Day on Debt Purchases, Easing Optimism](#), Bloomberg.

³⁷ Dec 28, 2012, [All Scheduled Commercial Banks: Business In India](#), Reserve Bank of India, [rbi.org.in](#)

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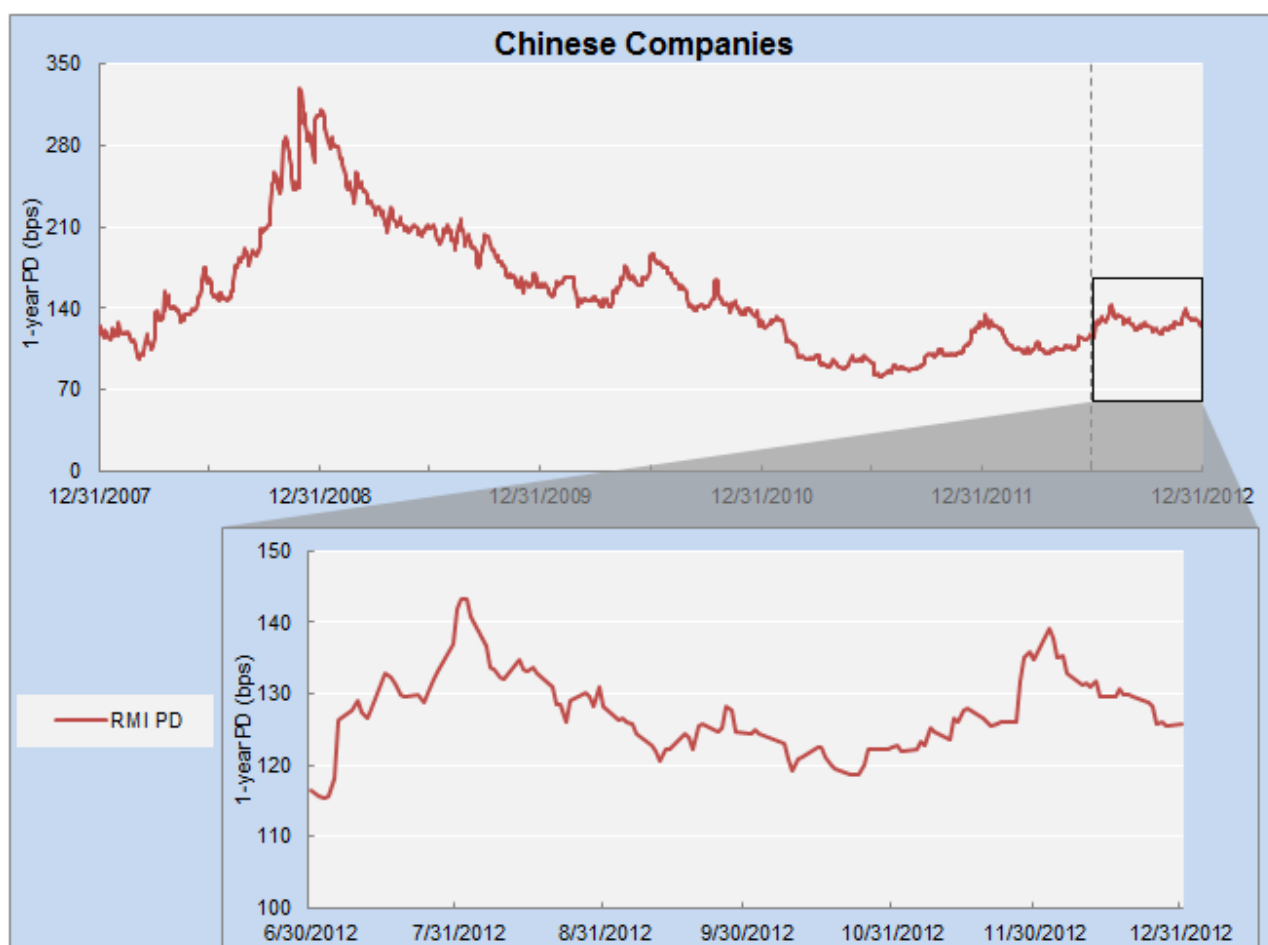
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⁴⁴ Dec 29, 2012, [RBI postpones Basel-III kick-off](#), DNA India.

⁴⁵ Nov 18, 2012, [Bank NPAs soar by 86% in first half of FY13](#), Business Standard.

Chinese Companies

The aggregate 1-year RMI PD for Chinese companies stayed almost unchanged during Q4, yet remained near two-year highs. The economy recovered with rising domestic demand and reinvigorated export growth. The funding profiles of Chinese companies weakened during Q4, due to banks slowing their lending as bad loans started to take their toll on banks' risk appetite. Ongoing central bank policy involves maintaining market liquidity; however improved liquidity conditions may not necessarily lead to higher bank lending. The overall credit outlook for Chinese companies is likely to stay unfavorable in the short-term, as the transforming economic structure could weigh on a number of already distressed companies and industries, further weakening their credit risk profiles.



Economy

- Chinese GDP recorded a 7.8% YoY growth during Q4, rebounding from 7.4% in Q3. The IMF forecasts 2013 YoY growth of 8.2%, anticipating a rebound from the new government's introduction of a massive stimulus package, with the economy likely to avoid a hard landing.
- The official urban unemployment rate stood at 4.1% during Q3, where it has remained for nine consecutive quarters, well below the ceiling of 4.6% set by the government in 2012.
- However, this measure does not include migrant workers who account for the majority of the urban labor force. An unofficial survey suggested that the real unemployment rate stood at 8.05% in June, nearly twice as high as the official rate.^{46,47}
- The HSBC Composite PMI for China posted a level of 51.8 at the end of Q4, rising from 50.3 in Q3. The indicator showed preliminary signs of a recovery in the manufacturing and service sectors.⁴⁸

- The Chinese Manufacturing PMI from HSBC posted a level of 51.5 in December, the highest figure since May 2011, up from 50.5 in November. This modest improvement in business activity was due to a faster growth in new orders.⁴⁹
- Growth in exports picked up in December, increasing by 14.1% YoY to USD 199.2bn. Aggregate exports in Q4 rose 2.42% QoQ to USD 554.2bn.⁵⁰

Monetary

- The PBOC has maintained its benchmark interest rate since the start of Q3, with the loan rate and time deposit rate for maturities of one year at 6% and 3% respectively.
- Instead of cutting interest rates, which has a relatively long-term effect on the economy, the PBOC deployed reverse repurchase agreements to inject liquidity into the market for flexibility in its operations. The PBOC has offered CNY 3.18tr of reverse repos in Q4, a 38% increase from Q3.⁵¹

Funding & Liquidity

- Yields on 10-year Chinese government bonds increased during Q4 to 3.60% on Dec 31 from 3.49% on Sep 28.
- Loans to non-financials grew at a slower pace during Q4, increasing by 2.3% QoQ to CNY 49.8tr in December, the slowest QoQ growth since Q1 2011.⁵²
- Trust companies are increasingly providing funding that banks are not willing to, with trust loans increasing 679% YoY to CNY 264bn in December, accounting for 16% of aggregate financing. Such loans are typically short term with higher interest rates.⁵³
- Market interest rates decreased during Q4, with the monthly weighted interbank CNY lending rate at 2.61% in December, down from 2.93% in September.^{54,55}
- Interbank lending totaled CNY 3.8tr in November, which remained at the same level from the end of Q3. For the first eleven months, the amount increased 43.2% YoY to CNY 42.2tr, indicating the elevated liquidity demand from the market.^{56,57}

Policy

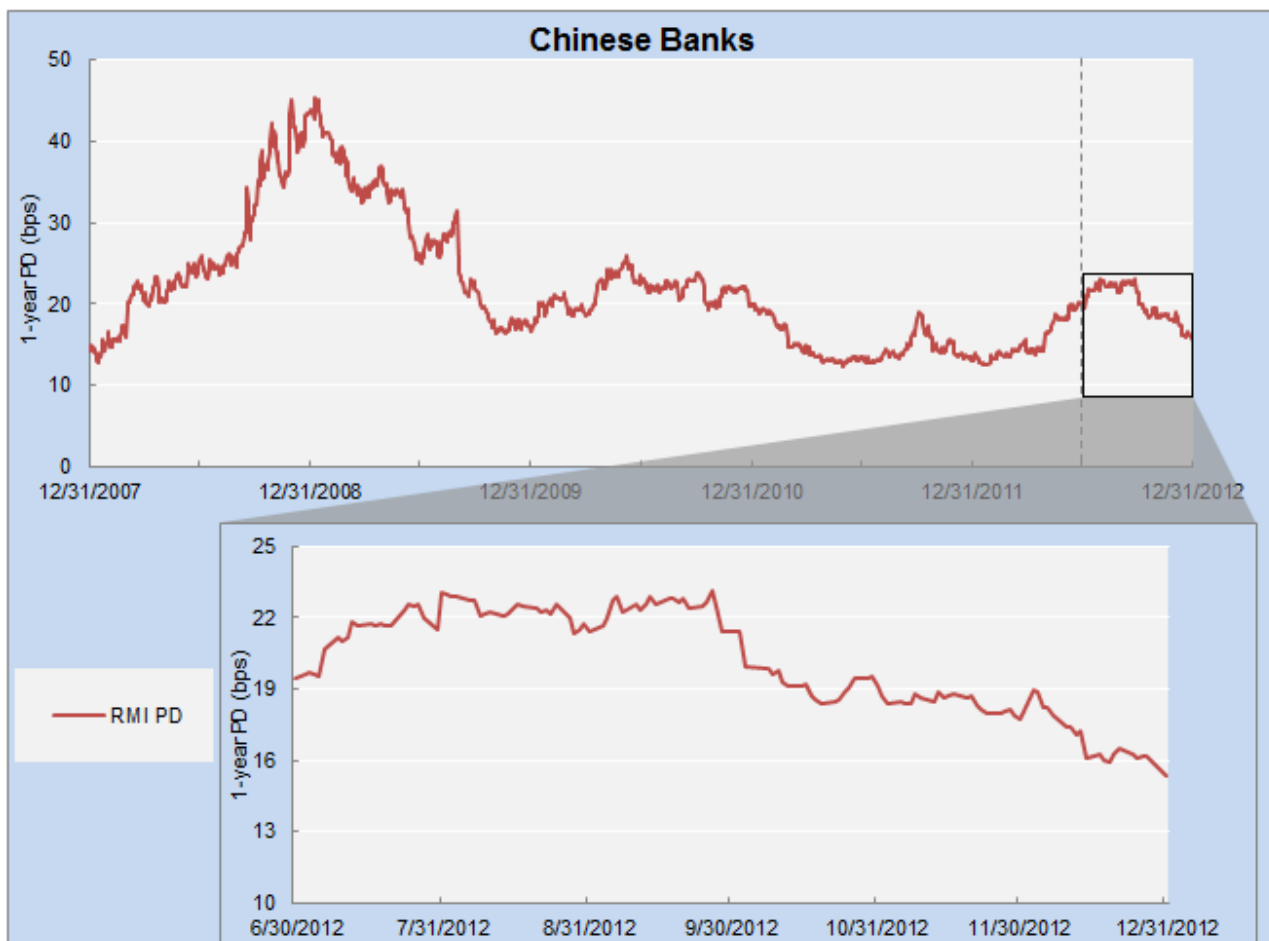
- The Chinese government plans to implement a massive urbanization program to boost economic growth in the next five years. According to premier-designate Li Keqiang, China's urban population is just above 50% compared to 80% in developed countries, suggesting that urbanization could be a driving force for the Chinese economy. It is likely that the program will benefit the cement, steel and real estate industries.^{58,59}
- Instead of continuing to seek fast growth like previous administrations, the new Chinese government has decided to maintain a prudent monetary and proactive fiscal policy. Analysts expect that China will reform its economy to boost domestic demand.⁶⁰

Sovereign Credit Ratings

- Moody's maintained an Aa3 rating on the Chinese government with a positive outlook during Q4. Fitch and S&P both retained stable outlooks, with respective ratings of AA- and A+.

Chinese Banks

The aggregate 1-year RMI for Chinese banks fell during Q4, back to low levels seen in Q1 2012. Funding conditions remained favorable, while overall liquidity fell slightly from excessively high levels. The prospect of higher dividend payouts is a credit negative for bond holders, as it will reduce cash retention and does not address the lack of higher yielding investment options for excess cash. Increasing NPLs and provisions highlight continued loan quality problems. The introduction of stricter capital ratios may help protect creditors from these problems, and provide support to a positive sectoral credit outlook.



Profitability

- Earnings at Chinese banks contracted during Q3 for the first time since Q4 of 2011. Aggregate earnings at listed Chinese banks fell by 1.9% to CNY 269bn.
- The average NIM for listed banks rose to 3.37% in Q3, from 3.24% in Q2. Nevertheless, the market-oriented rate liberalization may reduce NIMs in the short-term.
- For listed banks in China, net interest and fee-based income accounted for 81% and 18% of total revenues in Q3 respectively, compared to 79% and 18% in the previous quarter.
- Fees and commissions earned from custodial service charges and management fees could become a larger part of revenues, but are more vulnerable to overall business activity.

Funding & Liquidity

- Average coupon rates on 5-year CNY-denominated bank bonds remained at 4% during Q4.

- Total deposits increased by 1.8% QoQ to CNY 94.3tr during Q4. Deposits grew 14.1% YoY in 2012.⁶¹
- Overall liquidity in the banking sector decreased during Q3, with the aggregate LATD ratio for listed banks falling to 31.02%, down from 32.9% at the end of Q2.
- The Shanghai Stock Exchange has published guidance that encourages companies to make higher dividend payments. Companies that pay out less than 30% of earnings will need to provide justification. This could undermine cash retention at smaller Chinese lenders, where payout ratios are relatively low.⁶²

Capital Levels & Regulations

- The China Banking Regulatory Commission proposed a timeline for commercial banks to gradually meet the stipulated capital ratios. Systemically important banks are required to maintain a Core Tier 1 common equity ratio of 6.5% by the end of 2013, while other banks need to attain a ratio of 5.5%.⁶³

Asset Quality

- Non-performing loans rose 4.9% QoQ in Q3, to CNY 478.8bn, while aggregate provisions for loan losses increased by 4.8% QoQ to CNY 1.39tr.
- Banks' loan exposure to specific industries like property and steel has increased market concerns, since slowing economic growth may reduce these lenders' ability to pay. However, a greater focus on urbanization going forward may lead to an improvement in these loan portfolios.^{64,65}

⁴⁶Oct 25, 2012, [China's urban unemployment rate stays at 4.1%](#), China Daily.

⁴⁷Dec 7, 2012, [Chinese Survey Shows a Higher Jobless Rate](#), WSJ.

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⁴⁹31 Dec, 2012, [HSBC China Manufacturing PMI](#), Markit, markiteconomics.com

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⁵²Jan 10, 2013, [Sources & Uses of Funds of Financial Institutions](#), PBOC, pbc.gov.cn

⁵³Jan 16, 2013, [Default Alarm Rings as Trust Loans Jump Sevenfold](#), Bloomberg.

⁵⁴Oct 13, 2012, [Financial Statistics, Q3 2012](#), PBOC, pbc.gov.cn

⁵⁵Jan 10, 2013, [Financial Statistics, 2012](#), PBOC, pbc.gov.cn

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⁵⁷Oct 30, 2012, [Operations in Financial Market, September 2012](#), PBOC, pbc.gov.cn

⁵⁸Nov 14, 2012, [Chinas Urban Champion Li Gets Task of Reviving Reform](#), Bloomberg.

⁵⁹Nov 21, 2012, [Li Keqiang Urges More Urbanization to Support Chinas Growth](#), Bloomberg.

⁶⁰Dec 17, 2012, [China Signals Tolerance of Slower Growth After Meeting](#), Bloomberg.

⁶¹Jan 10, 2013, [Sources & Uses of Funds of Financial Institutions](#), PBOC, pbc.gov.cn

⁶²Jan 7, 2013, [Dividend Distribution Guidelines](#), Shanghai Stock Exchange, sse.com.cn

⁶³Dec 07, 2012, [Announcement of implementing minimum capital in commercial bank](#), CBRC, crbc.gov.cn

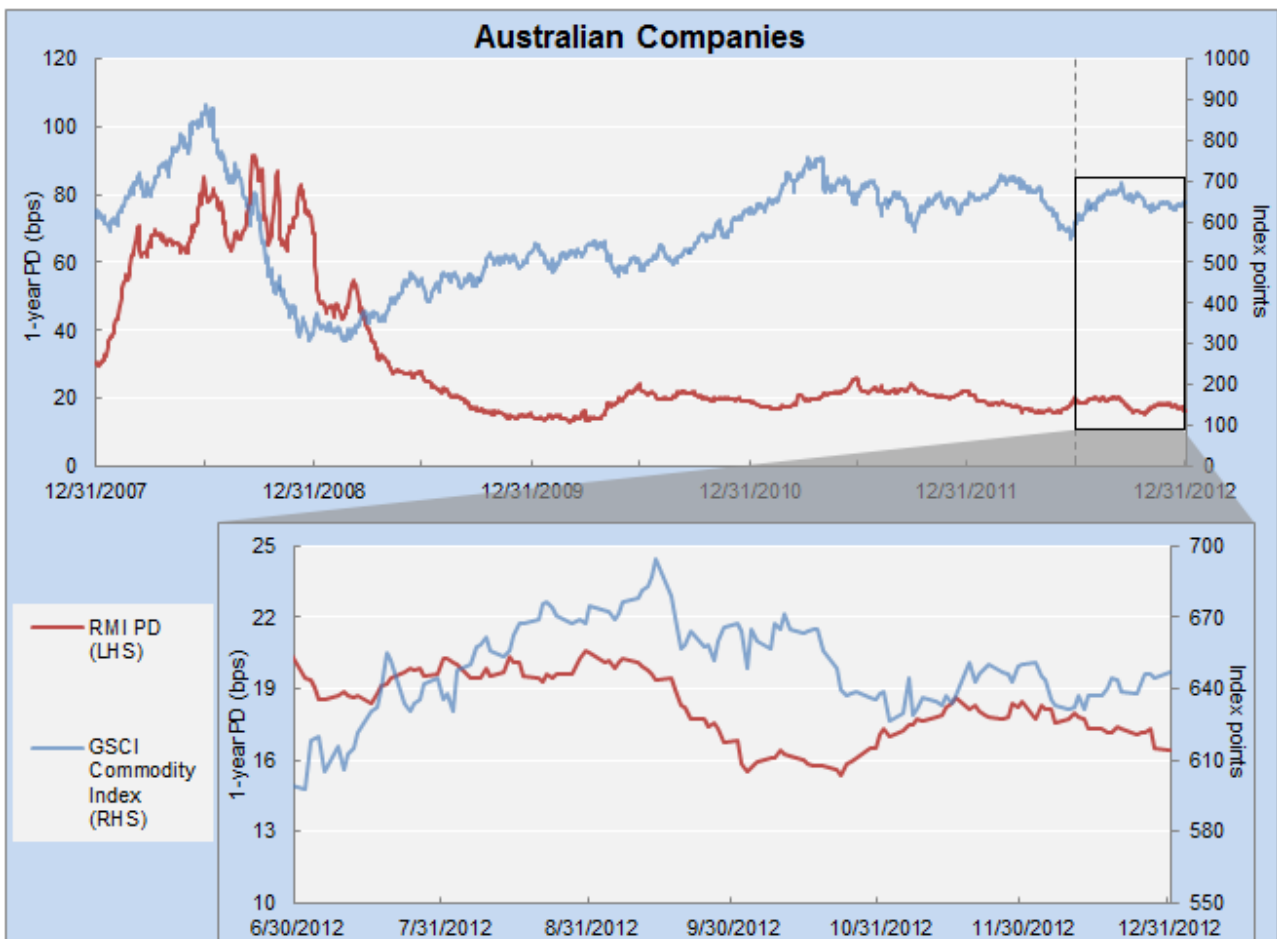
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⁶⁵Nov 15, 2012, [Bad loans at Chinese banks rise \\$4 bln in Q3-regulator](#), Reuters.

Asia-Pacific - Developed economies

Australian Companies

The aggregate 1-year RMI PD for Australian companies stabilized during Q4, remaining close to levels seen at the end of Q3. Growth continued to slow, with contraction in the services and manufacturing sectors affecting overall demand. In addition, low consumer confidence weighed on retail sales, despite the run-in to the holiday season. However, commodity prices recovered during Q4. Income from and confidence in commodities exports are primary drivers of domestic demand. Funding costs improved during Q4 as the central bank reduced its key interest rates, while moves to improve bond market access should improve funding conditions going forward. Earnings may come under pressure as resource investment declines, weighing upon the credit outlook for Australian firms. A retreat by the government from a balanced budget in 2013 is a credit positive, as it reduces the risk of spending cuts while confidence remains low, and gives the government room to support Australian firms.



Economy

- Economic growth continued to moderate during Q3, as the economy grew 0.5% QoQ, down from 0.6% growth in Q2. The IMF expects the economy will grow by 3.3% YoY during 2012, and expand by 3% during 2013.
- The unemployment rate returned to 5.4% in December, the same two year high observed in October and September, after falling to 5.2% in November.
- Retail sales growth declined during Q4, with sales increasing 2.9% YoY in November and 3.1% YoY in October, down from growth of 3.4% in September.

- Contraction in the services industry continued during Q4, with the Australian Performance of Services Index falling to 43.2 in December, after regaining some ground in November. Low household confidence has weighed upon service sub-sectors directly exposed to household spending.⁶⁶
- Manufacturing activity continued to contract during Q4, as the Australian PMI was at 45.2 in October, and 44.3 in both November and December. The continued strength of the AUD has made imports more competitive which, combined with softening demand, has negatively affected the manufacturing sector.⁶⁷
- Key export prices recovered during Q4. The average price of iron ore seen at Tianjin increased to USD 144.9 per ton on December 31, from a three-year low of USD 86.7 on September 5. Coal prices also recovered ground during Q4.

Monetary

- The RBA decreased the cash rate twice during Q4, by 25bps to 3.25% on October 3, followed by another 25bps cut to 3.0% on December 4.

Funding & Liquidity

- Yields on 10-year Australian government bonds increased to 3.27% at the end of Q4, after falling to 2.98% at the end of Q3.
- The government recently released draft legislation that would ease disclosure requirements for companies selling bonds to individual investors, which could direct a greater proportion of the country's AUD 1.4tr in pension savings into corporate debt.⁶⁸
- Fixed interest rates on 3-year loans to small businesses declined further during Q4, to 6.30% per annum in December from 6.45% in September, with banks passing on less than half of the 50bps of central bank rate reductions to lenders in Q4.⁶⁹
- Bank lending to non-financial businesses continued to slow during Q4, decreasing 0.14% to AUD 652.5bn between September and November, after increasing by 0.6% QoQ in Q3. Demand for credit has slowed as business confidence falls.⁷⁰

Policy

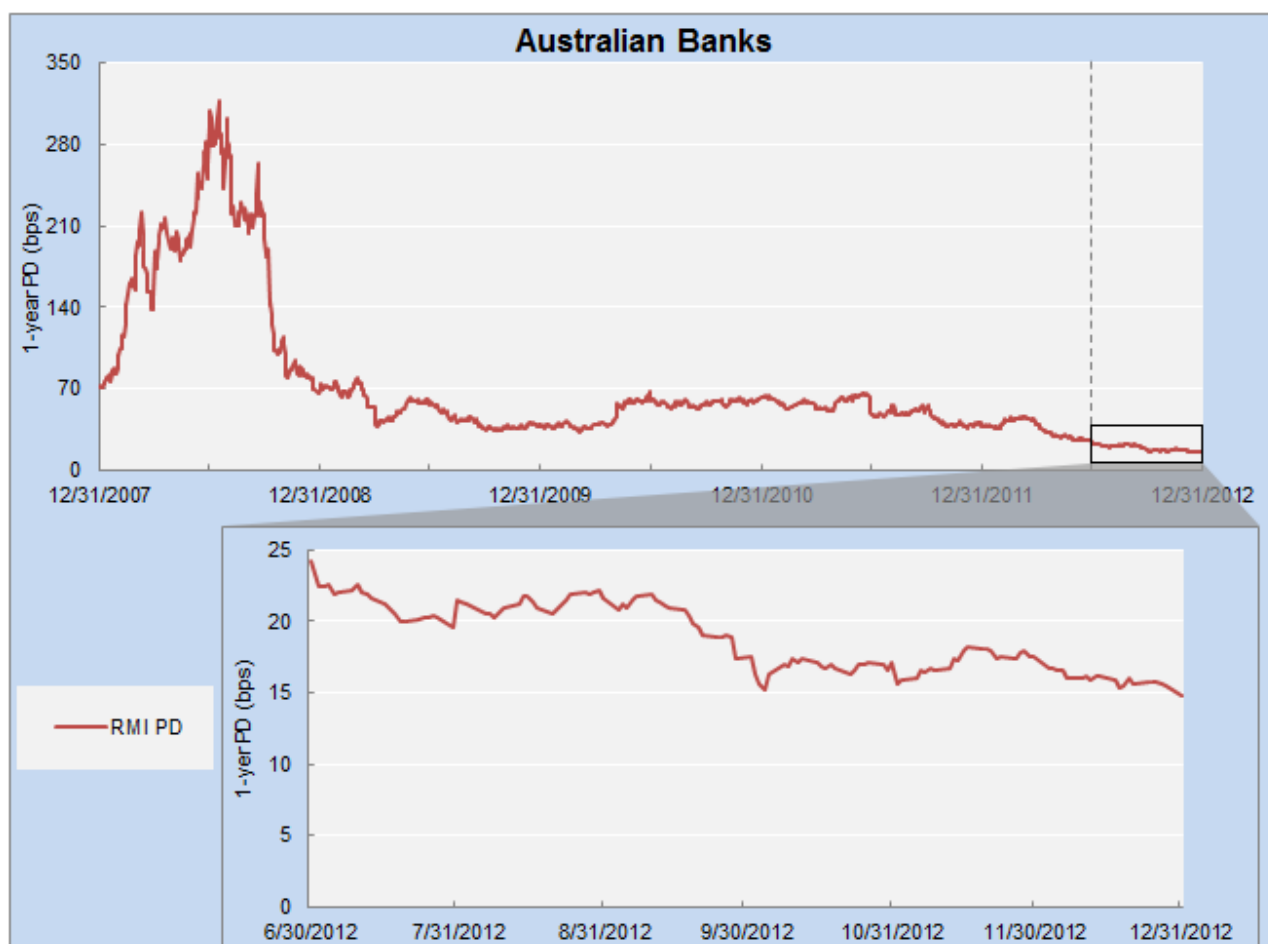
- In late December, the Federal government retreated from a promise to return the national budget to a surplus during the fiscal year ending June 2013. This was driven by a sharp decline in revenues; the government does not plan to cut spending in order to stick to the surplus promise.

Sovereign Credit Ratings

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

Australian Banks

The aggregate 1-year RMI PD for Australian banks continued to decline during Q4, falling to the lowest level in ten years in December. Earnings prospects remain strong despite a decline in NIMs, as banks focus on cost cutting, but may come under pressure as demand for credit slows. Funding and liquidity profiles continued to improve during Q4, as funding costs fell and liquidity remained stable. However, banks saw a slight outflow in deposits during Q4, as they only passed on a part of central bank rate cuts to preserve NIMs. Overall asset quality has improved somewhat, excluding commercial real estate portfolios. The positive effects of a rebound in commodities prices will likely filter through to manufacturing and SME loan portfolios. However, non-mining companies remain exposed to a potential economic slowdown, which would weigh upon overall asset quality, profit growth and capital ratios. Resilient earnings should at least partially offset this, resulting in an overall positive sectoral credit outlook.



Profitability

- Aggregate net income at listed Australian banks fell slightly to AUD 11.4bn during the six month period ending September 30, down from a record high of AUD 12.3bn seen in the first half of 2012.
- A proxy for the aggregate NIM recovered some ground during Q4, increasing by 10bps to 2.1% after falling by 30bps in Q3.
- Revenue growth will likely continue to slow amid slowing demand for credit and increased competition for deposits. Banks are expected to continue to focus on cost containment to protect margins.

Funding & Liquidity

- Average coupon rates on 5-year fixed USD-denominated bonds issued by Australian banks fell as low as 1.1% in Q4, down from rates near 2% in Q3, according to prices on bonds issued by Westpac.
- Banks have improved their funding mix amid strong demand for Australian assets among international investors. In addition, banks continued to repurchase GFC-era government guaranteed bonds in Q4, which are expensive relative to current market issuance costs.⁷¹
- Deposits at Australian banks fell during Q4, declining by 2.25% MoM in October and increasing just 0.7% MoM in November to AUD 1.71bn, after increasing at the fastest rate since the start of the GFC in Q3.⁷²
- Average deposit rates fell 25bps during Q4, to 3.45% per annum in December, the lowest level since October 2009. However, competition for deposits remains high.⁷³
- Overall liquidity in the Australian banking system remained stable during Q3, with the aggregate LATDB ratio for listed banks falling slightly to 9.28% from 9.34% in Q2.

Capital Levels & Regulations

- The phase-in of Basel III rules started in January 2013 in Australia. All listed banks significantly exceeded the minimum prescribed Basel III Common Equity Tier One Capital Ratio of 4.5% according to their latest financial reports.
- The Australian banking regulator is likely to adopt relaxed requirements for the liquidity coverage ratio announced by the Basel Committee on Banking Supervision, as low stock of liquid assets in Australia would make it hard for banks to meet the current rules.⁷⁴

Asset Quality

- Provisions for bad loans at Australian banks remained close to AUD 3bn in the 6 months ending September 30, from AUD 2.5bn in the previous six months. High provisions at National Australia Bank's UK units continued.
- An economic slowdown is the largest risk to asset quality, as Australian households and corporations are among the most highly leveraged in the world. A slowdown would increase bad debt charges, in particular on loans to non-mining companies.

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⁶⁹Jan 3, 2013, [Indicator Lending Rates](#), Reserve Bank of Australia, rba.gov.au

⁷⁰Dec 31, 2012, [Bank Lending Classified by Sector](#), Reserve Bank of Australia, rba.gov.au

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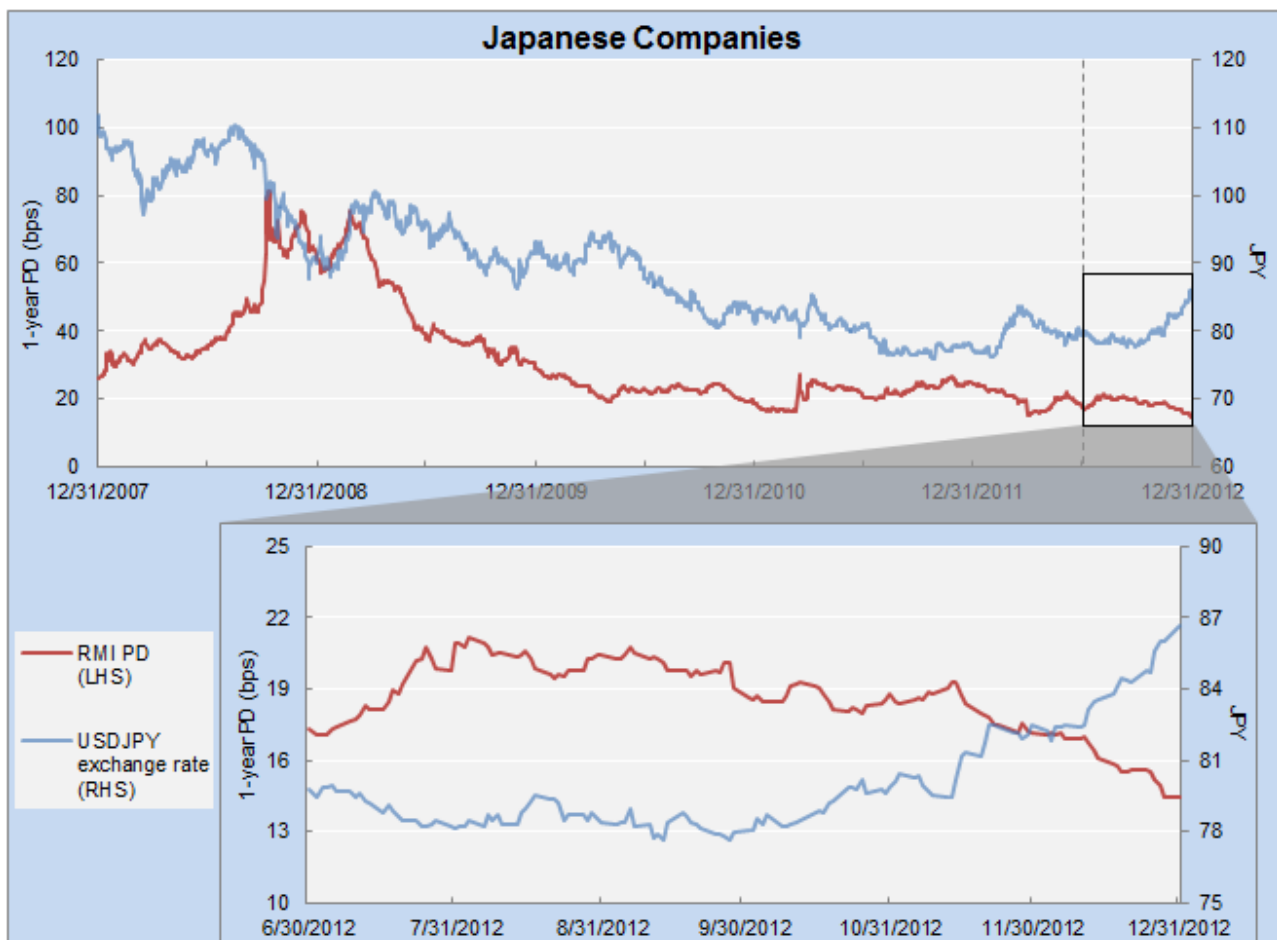
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Japanese Companies

The 1-year RMI PD for Japanese companies decreased during Q4, falling to the lowest level since April 2006 in December. The election of a conservative government committed to bold monetary easing policies, aimed at overcoming deflation and improving exports, has increased market confidence in Japanese companies, despite soft global demand during Q4. Economic conditions have stabilized, but remain challenging. Profits continued to come under pressure, as manufacturing activity slowed in line with a slowdown in exports. However, lower unemployment, continued expansion of the services sector and improving retail sales likely lent support to earnings. Funding and liquidity conditions deteriorated somewhat during Q4, but will likely improve going forward as the central bank expands easy monetary policy. Moreover, a stable political environment aids growth, especially with incoming fiscal spending, supporting a positive credit outlook for Japanese companies.



Economy

- A soft global demand and weakening domestic consumption led to the beginning of a technical recession in Japan during Q3. The economy shrank by 0.9%QoQ in Q3, after contracting 0.1% in Q2. The IMF forecasts growth of 2.2% for 2012 and 1.5% for 2013, as it expects temporary strengthening in GDP as a result of reconstruction activity and a rebound in manufacturing activity.^{75,76,77}
- Economic data released in November showed a mild improvement as the unemployment rate fell to 4.1% from October's 4.2%. Despite coming down from its July 2009 high of 5.6%, unemployment still remains higher than the 50 year average of 2.67%.^{78,79}
- Retail sales increased by 1.2% YoY in November after contracting 1.2% in October 2012, indicating improved consumer confidence.⁸⁰

- The Japan Services PMI was at 51.5 in December, 51.4 in November and 50 in October, up from a reading of 48.9 at the end of Q3. The gain was attributable to a slight increase in new businesses and the launch of new products.⁸¹
- The Japan Manufacturing PMI deteriorated as output and new orders contracted at the fastest pace in almost two years. The PMI posted a level of 45 in December, down from 46.5 in November.⁸²
- The JPY fell 10% against the USD during Q4, with a majority of the decline occurring in December. The new government led by Shinzo Abe intends to further weaken the currency in order to spur inflation in the country and boost exports.
- Japanese exports continued to contract during Q4, decreasing by 6.5% in October and by 4.1% in November. Japan's exports to the EU have declined by 20% in the year to November as the EU continues to struggle. A territorial dispute with China has exacerbated the export slowdown.

Monetary

- New Prime Minister Shinzo Abe has asked the BoJ to adopt a 2% inflation target, up from a previous goal of 1%, as he believes that a more aggressive monetary policy will create inflation expectations and stimulate economic activity.
- The Bank of Japan further increased the size of its asset purchase program to JPY 101tr from JPY 90tr in December, while keeping its key short term rate steady at 0.1%. The Bank of Japan aims to weaken the JPY and increase domestic prices enough for Japan to exit deflation through aggressive quantitative easing.⁸³

Funding & Liquidity

- Yields on 10-year Japanese bonds increased by 168bps during Q4 to a three month high of 0.79% on December 31, from as low as 0.69% in early December, and up from 0.72% at the end of Q3.
- Interest rates on new bank loans by Japanese banks fell to 0.929% during November, after reaching 1.031% per annum during October, up from 0.982% per annum during September.⁸⁴
- Bank lending growth slowed during Q4, with outstanding loans to non-financials falling by 0.79% MoM in October, and increasing by 0.18% MoM in November, after increasing by 1.04% QoQ during Q3.⁸⁵

Policy

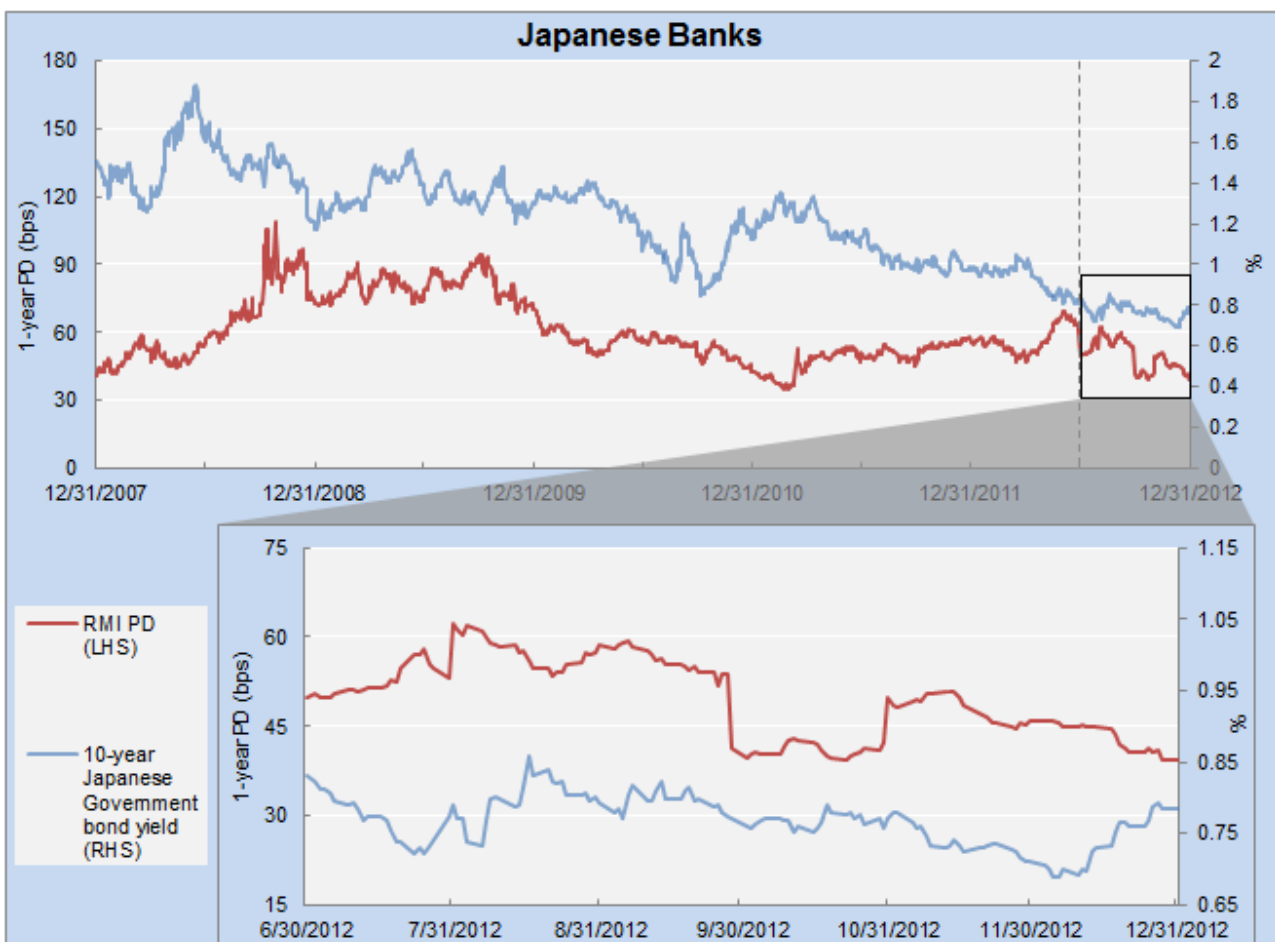
- The government will introduce a JPY 10.3tr package of spending measures in 2013 aimed at revitalizing the economy through extensive investments in public works. Fiscal stimulus could reach JPY 20tr if local-government spending is included.⁸⁶

Sovereign Credit Ratings

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

Japanese Banks

The 1-year aggregate RMI PD for Japanese banks decreased significantly during Q4, falling to a 20-month low in December. Funding conditions improved, as strong deposit inflows continued and funding costs fell. Liquidity improved as the central bank expanded its asset purchase program once more. Earnings remained strong in Q3, but were down from levels seen in Q2 following large trading gains on sovereign holdings. NIMs continued to decline through Q4, but large fiscal stimulus measures may give banks leeway to increase NIMs, as demand for credit could increase. Moreover, banks continued to expand overseas to offset lower returns in domestic markets. These factors should bolster earnings going forward. Asset quality remains a concern, with a number of large borrowers under pressure from declining demand for Japanese exports. Stricter regulatory requirements should help protect creditors from the aforementioned, supporting a positive credit outlook for Japanese banks.



Profitability

- Aggregate earnings at listed Japanese banks dropped by 20% during Q3, to JPY 664tr, after increasing 2.65% in Q2.
- A proxy for the NIM of Japanese banks continued to decline through Q4, falling to 0.947% per annum in November, from as high as 1.011% in Q3.
- The government’s aim to increase inflation will in turn also increase interest rates. As Japanese financial institutions hold massive amounts of Japanese government bonds, higher yields may lead to mark-to-market losses on these holdings
- Japanese banks are expanding into aircraft leasing in order to improve returns, taking advantage of a retreat by European lenders.⁸⁷

Funding & Liquidity

- Coupon rates on 5-year fixed JPY-denominated bonds issued by Japanese banks dropped to around 0.35% from 0.4% in Q2.
- Deposits at Japanese banks increased by 2.6% YoY in the third quarter from JPY 593tr in September 2011 to JPY 609tr in September 2012.⁸⁸
- Deposit rates continued to fall during Q4, with interest rates on time deposits falling to 0.028% per annum on December 31, from 0.032% at the end of Q3. Rates on ordinary deposits remained stable at 0.02%.⁸⁹
- Overall liquidity in the Japanese banking system improved during Q3, as the aggregate LATDB ratio for listed banks increased to 10.82% from 8.66% in Q2.

Capital Levels & Regulations

- Basel III will begin taking effect in March 2013 in Japan. Japan's FSA may require a wider range of banks to maintain the same capital ratios as the three globally systemically important Japanese banks.⁹⁰
- The FSA plans to place a stricter limit on the size of loans Japanese banks can provide to corporate borrowers, lowering the amount a bank can lend to a corporate group to 25% of the borrower's equity capital, from a previous 40%.⁹¹

Asset Quality

- Overall asset quality at Japanese banks deteriorated through the first two months of Q4, as provisions for loan losses increased by 4.8% between October and November, after falling 5% QoQ during Q3.⁹²

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⁷⁶Dec 09, 2012, [Japans Economy Contracts 0.9% In Q3: Revised GDP Data](#), International Business Times.

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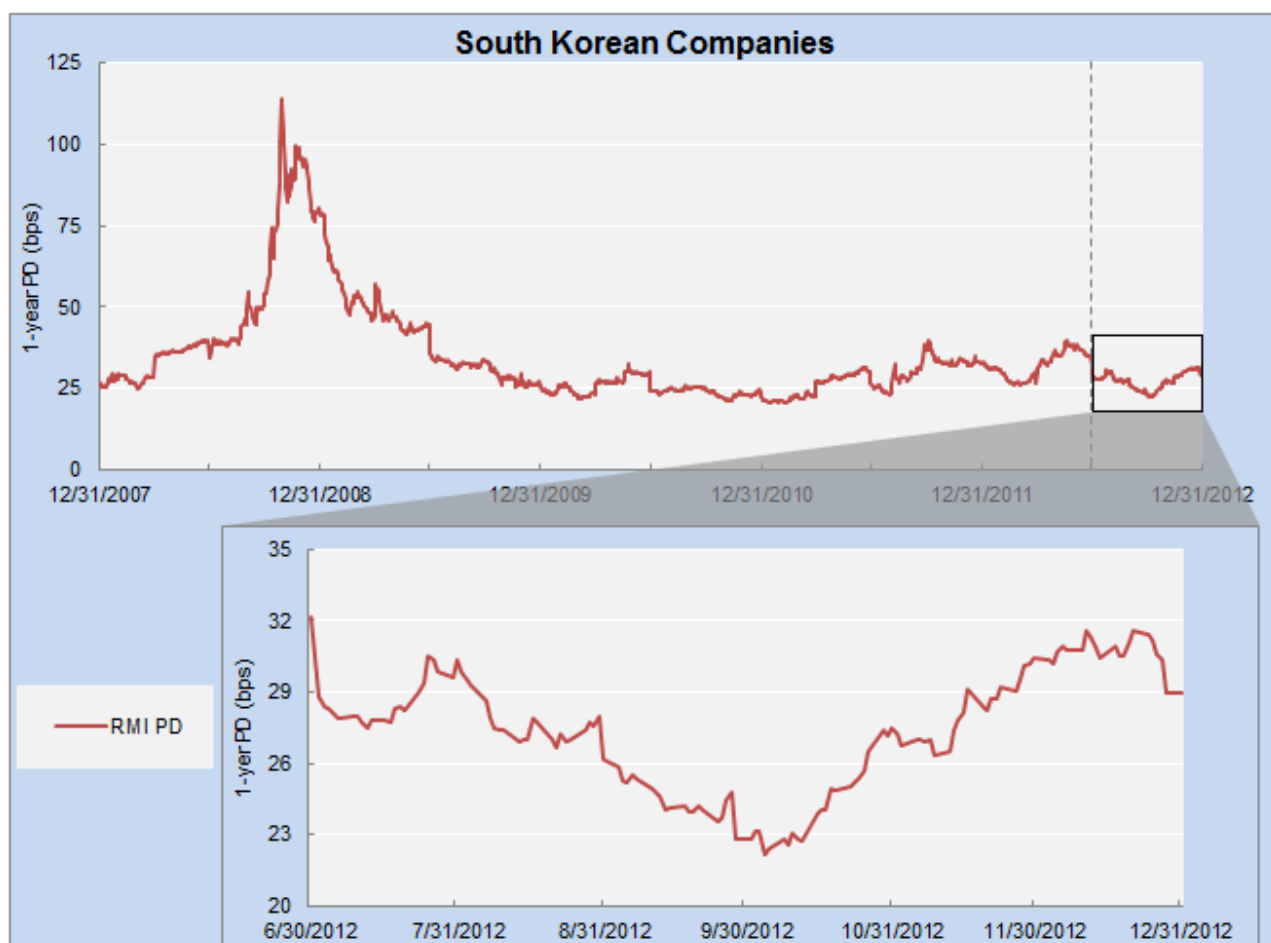
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⁹¹Oct 15, 2012, [Japan's FSA plans tougher lending limits on banks](#), Reuters.

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South Korean Companies

The aggregate 1-year RMI PD for South Korean companies increased towards the end of Q4, up from five year lows seen during October. A global slowdown continued to affect exports and manufacturing, dampening economic growth and the earnings profiles of Korean firms, and overpowering the positive affect of strong domestic demand. The latter was largely caused by fiscal stimulus flowing through the real economy during Q4. Funding and liquidity conditions deteriorated but remained favorable, despite monetary easing by the central bank. Going forward, the credit outlook for Korean companies is uncertain. Significant government spending in the first half of 2013 will lend support to earnings profiles, which will continue to come under pressure from global macroeconomic headwinds. In addition, high household debt may place downwards pressure on consumption, reducing the government's ability to reduce the country's dependence on exports.



Economy

- The South Korean economy expanded 0.1% QoQ in Q3, the slowest gain since 2009, after increasing by 0.3% during Q2. The Finance Ministry revised down its 2012 YoY growth forecast to 2.1% in December, from 3.3%. The 2013 forecast was also cut, to 3% from a previous estimate of 4%.
- Unemployment steadily fell to 3.0% in Q4, the lowest level since 2008. However, job creation slowed to a 14-month low in November.⁹³
- Exports recovered slightly during Q4, down just 0.3% YoY after falling 5.6% YoY during Q3. An unexpected decline in exports during December tempered improvements in October and November.⁹⁴

- The South Korea manufacturing PMI increased to 50.1 in December, after six consecutive months of contraction. However, the rate of growth in new orders was small, with new export orders continuing to fall through December.⁹⁵
- Retail sales rebounded during Q4, increasing 5.5% YoY in November and 3.4% in October, following a significant YoY contraction in Q3. This was in part driven by a KRW 5.9tr package of tax breaks and other stimulus measures that went into effect during Q4.⁹⁶
- An index of consumer sentiment increased to 99 during Q4, from 98 during Q3. A reading above 100 indicates that optimists outnumber pessimists.

Monetary

- The Bank of Korea cut its Official Bank Rate by 25bps to 2.75% on October 11, the second cut in four months, in an effort to revive domestic demand. The central bank said in December it would focus on preventing low external growth from dampening the economy's growth potential in 2013.
- The central bank reduced the ceiling on currency forward positions in December, to 150% of equity from 200% for foreign lenders, and to 30% from 40% for domestic lenders, in an effort to curtail appreciation of the KRW.

Funding & Liquidity

- Yields on 10-year South Korean government bonds increased during Q4, to 3.2% on December 31, up from 3.03% on September 28.
- Banks increased lending to non-financials slightly during Q3, although total loan growth slowed to 3.6% YoY growth in November.⁹⁷
- Interest rates on new loans to Korean corporates fell 25bps in the first two months of Q4, to 5.05% per annum in November, after falling 37bps during Q3.⁹⁸

Policy

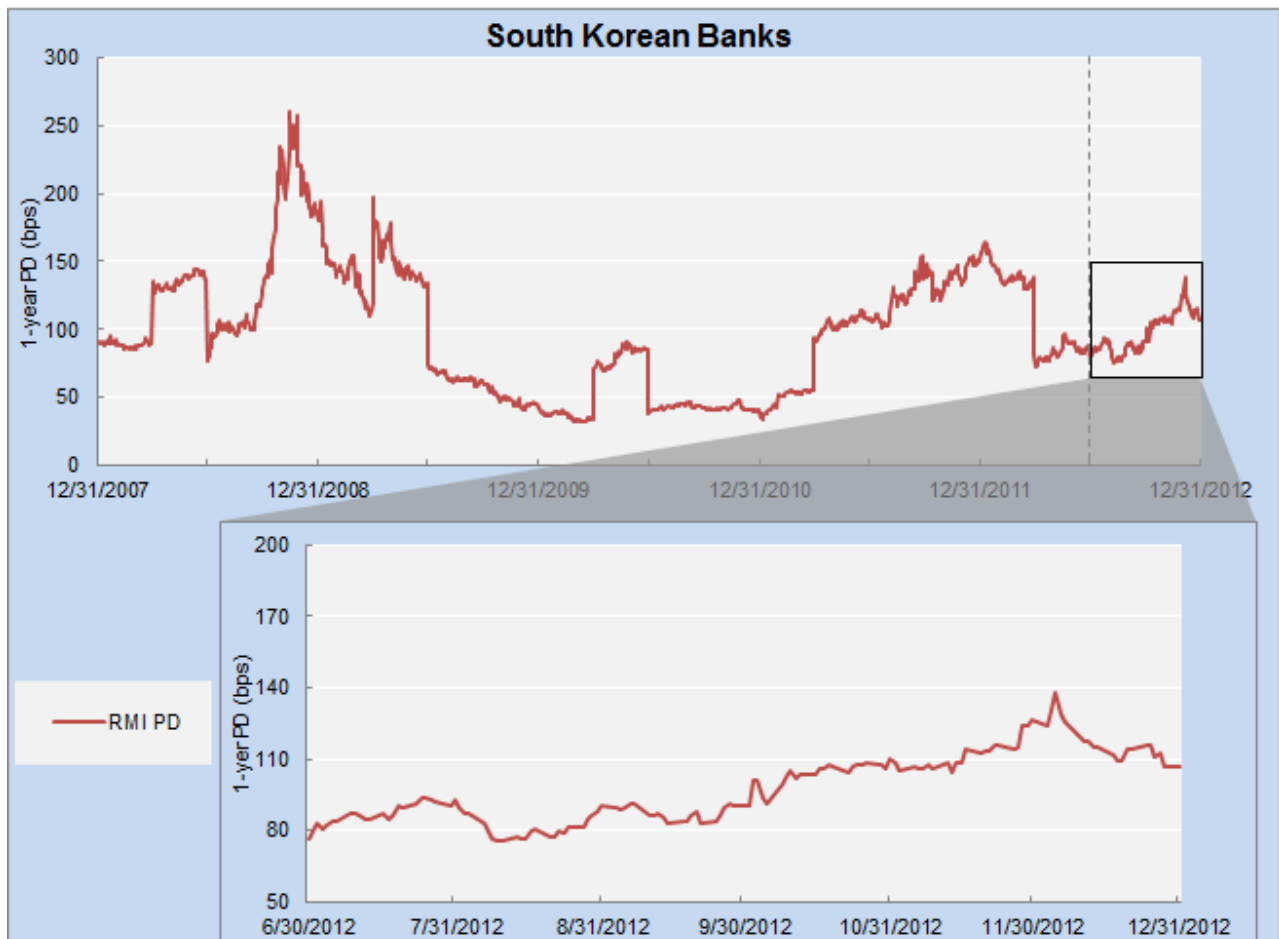
- The new government elected in December plans to spend 72%, or KRW 213.6tr, of the 2013 Budget in the first half of 2013, to help counter the current economic slowdown. The spending will be concentrated in new jobs and providing support to the working class.⁹⁹

Sovereign Credit Ratings

- The Korean government's foreign currency rating remained stable during Q4 after upgrades from all three major agencies during Q3. The Korean sovereign is rated AA- by Fitch, Aa3 by Moody's and A+ by S&P. All three CRAs maintained a stable outlook on the country.

South Korean Banks

The aggregate 1-year RMI PD for South Korean banks increased slightly during Q4, up from lows seen in Q3, and exhibiting noticeable volatility in November. While earnings recovered in Q3, a decrease in NIMs and increased focus on risk management at Korean banks may have affected earnings in Q4. Funding and liquidity conditions declined slightly during Q4, as a decrease in deposits and overall liquidity outweighed a decrease in funding costs. Asset quality problems likely moderated through Q4 as banks reduced provisions, while a government-run fund aimed at reducing defaults should help lenders work through NPLs stemming from high household debt levels. Going forward, the sectoral credit outlook is negative, as a renewed focus on risk management by banks and increased regulatory oversight of suspected abusive sales practices at banks could impair profitability. In addition, declining exports may weaken commercial loan portfolios. Smaller savings banks are unlikely to pose systemic risk to the rest of the banking system, as the central bank has taken over operational control of more troubled savings banks.



Profitability

- South Korean banks' combined net income increased 17.7% QoQ during Q3, after falling 46% QoQ during Q2. Continued losses at mutual savings banks during Q3 weighted on aggregate earnings.
- NIMs declined during Q4, falling to 1.92% during November and 1.89% in October, from levels as high as 2.03% in Q3.
- Banks are forecasted to increase lending restrictions during Q1, as they place greater focus on risk management amid concerns about record-high household debt. Banks also face increasing competition from less regulated non-bank entities.^{100,101}

Funding & Liquidity

- Average coupon rates on new issuances of 3-year KRW-denominated bank bonds remained stable at 3% during Q4.
- Deposit growth slowed during Q4, increasing 3.6% YoY in October, the slowest rate since December 2007, to KRW 973.2tr.¹⁰²
- Interest rates on new time or savings deposits fell 16bps in the first two months of Q4, to 3.02% per annum in November.¹⁰³
- Overall liquidity in the South Korean banking system continued to decline during Q3, with the aggregate LATDB ratio for listed banks falling to 6.46% from 6.9% in Q2.

Capital Levels & Regulations

- The aggregate Basel II Tier 1 capital ratio of Korean bank's continued to improve during Q3, increasing to 11.15% from 11.03% during Q2. The phase-in of Basel III will begin in Korea during 2013.¹⁰⁴
- The Korean Financial Supervisory Service plans to increase its focus on uncompetitive or abusive pricing behavior by Korean banks. This could affect banks earnings going forward, as banks may be forced to lower fees and margins further.

Asset Quality

- Overall asset quality may have improved slightly during Q4, as listed Korean banks decreased provisions for loan losses by 15.9% during Q3 to KRW 1.76tr, after increasing provision by 22.6% during Q2 to KRW 2tr.
- The incoming government is planning to introduce a KRW 18tr fund to help avoid defaults on loans, which should lend support to asset quality.¹⁰⁵
- Smaller savings banks continue to struggle with loan delinquencies, due to concentrated exposures to high-risk real estate and construction projects.

⁹³Dec 12, 2012, [S. Korea's job creation slows to 14-month low in Nov](#), Yonhap News.

⁹⁴Jan 1, 2013, [South Korea Exports Slide More Than Expected](#), WSJ.

⁹⁵Jan 2, 2013, [HSBC South Korea Manufacturing PMI](#), Markit, markiteconomics.com

⁹⁶Dec 27, 2012, [South Korea lowers its growth forecast](#), BBC.

⁹⁷Dec 2012, [CBs and Depository Corporations: Loans and Discounts by Industry](#), Bank of Korea, ecos.bok.or.kr

⁹⁸Dec 2012, [CBs and SBs: Interest rates on loans, newly extended](#), Bank of Korea, ecos.bok.or.kr

⁹⁹Jan 3, 2013, [72% of Budget to be Spent in First Half](#), Ministry of Strategy and Finance, South Korea, mosf.go.kr

¹⁰⁰Jan 3, 2012, [Banks forecast to tighten grip on lending in Q1](#), Yonhap News.

¹⁰¹Nov 26, 2012, [S. Korean insurers' household loans continue to rise](#), Shanghai Daily.

¹⁰²Sep 2012, [Deposits at CBs and SBs By Type](#), Bank of Korea, ecos.bok.or.kr

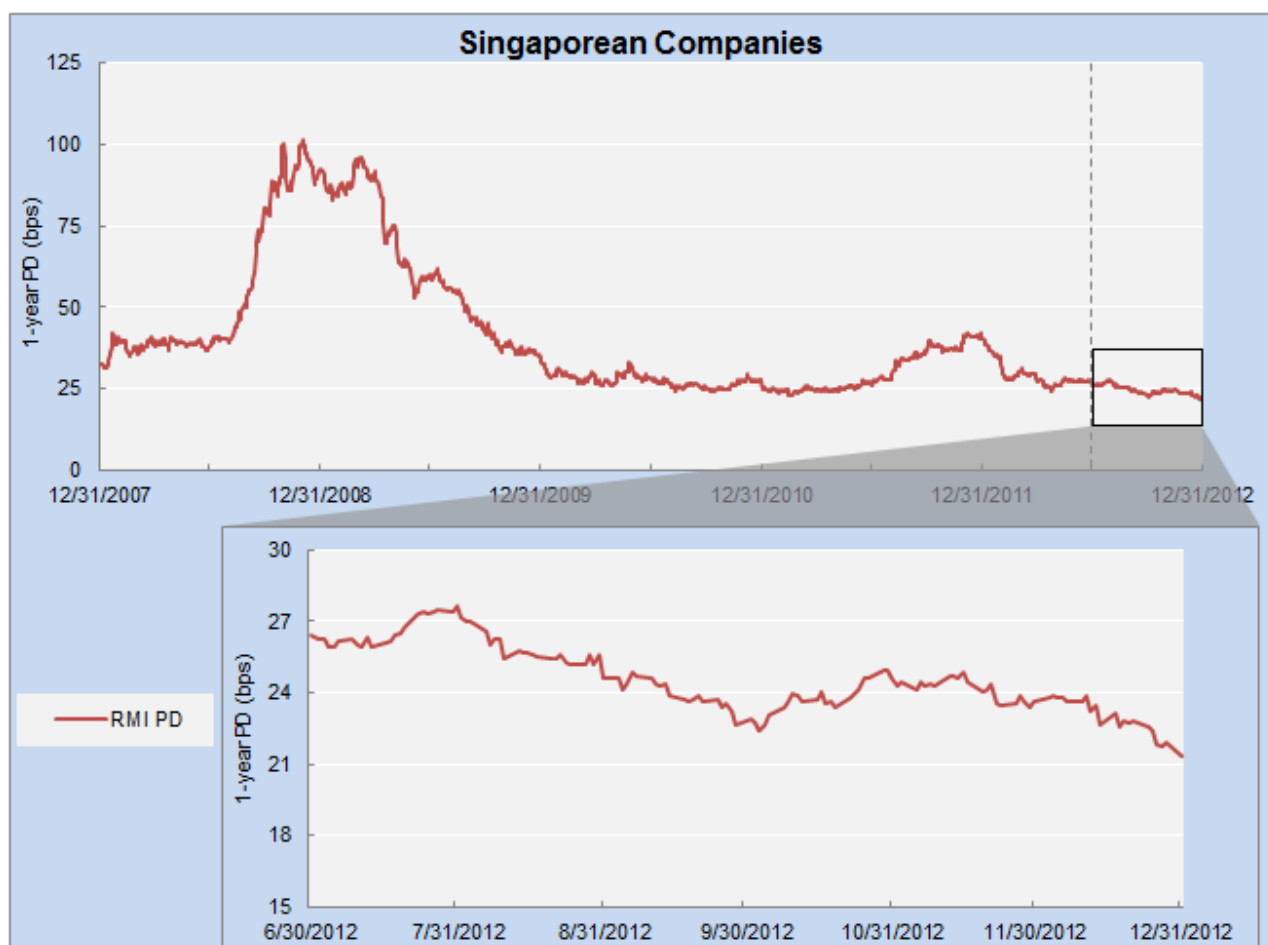
¹⁰³Dec 2012, [CBs and SBs: Interest rates on deposits, newly extended](#), Bank of Korea, ecos.bok.or.kr

¹⁰⁴Nov 28, 2012, [Domestic Banks BIS Capital Ratios, Q3 2012](#), Financial Supervisory Service, fss.or.kr

¹⁰⁵Jan 11, 2013, [Bank of Korea Holds Rates as Park Vows Measures to Boost Growth](#), Bloomberg.

Singaporean Companies

The aggregate 1-year RMI PD for Singaporean companies continued to fall during Q4, to the lowest level in five years. This decline came in spite of a slowing economy, which averted a technical recession during Q4. The slowdown was mainly caused by a slowdown in manufacturing and exports. The services sector continues to support a healthy employment environment and resilient retail spending growth, feeding through to corporate profitability, which remains strong. Funding and liquidity profiles remain healthy, with a slowdown in lending in Q4 mainly caused by a contraction in demand for bank credit amid a slowing economy and favorable access to bond markets. Going forward, continuing appreciation of the SGD on strong safe-haven inflows could pressure corporate earnings slightly. This could lead to a slight deterioration in the credit outlook for Singaporean companies, especially as global macroeconomic confidence remains weak.



Economy

- The Singapore economy grew by 1.8% QoQ in Q4, after contracting 6.3% during Q3, avoiding a technical recession. YoY growth of 1.5% in 2012 was less than a quarter of 2011's pace. The government warned of a subdued 2013 due to the potential negative impacts of the eurozone crisis and US fiscal cutbacks.¹⁰⁶
- Unemployment rates remained low, reflecting strong demand for labor amid the tightening of foreign labor controls. The overall unemployment rate dipped to 1.9% in September 2012 from 2.0% in Q2, while the unemployment rates for residents and Singapore citizens were unchanged at 2.8% and 3.0% respectively.¹⁰⁷
- The PMI fell slightly in Q4 to 48.6 in December from 48.7 at the end of Q3, as new orders and production output declined.¹⁰⁸

- Non-oil domestic exports fell by 16.3% YoY in December, after falling 2.6% YoY in November and expanding 1.6% in October. The new export orders index fell to 47.4 in Q4 from 49.4 in the previous quarter.¹⁰⁹
- Retail sales decreased by 1.1% YoY in November, after decreasing 1% in October. The slowdown was mainly due to lower sales of motor vehicles. Retail sales excluding motor vehicles rose by 1.3%.¹¹⁰

Monetary

- The SGD has appreciated towards the upper bound of the policy band set in April 2012, reflecting positive risk sentiment arising from recent policy responses in the US and Europe. MAS Core Inflation, which averaged around 2.5% in 2012, will face upward pressure due to supply side constraints in the economy. Therefore, MAS is expected to maintain gradual appreciation of the SGD to fight inflationary pressures.¹¹¹

Funding & Liquidity

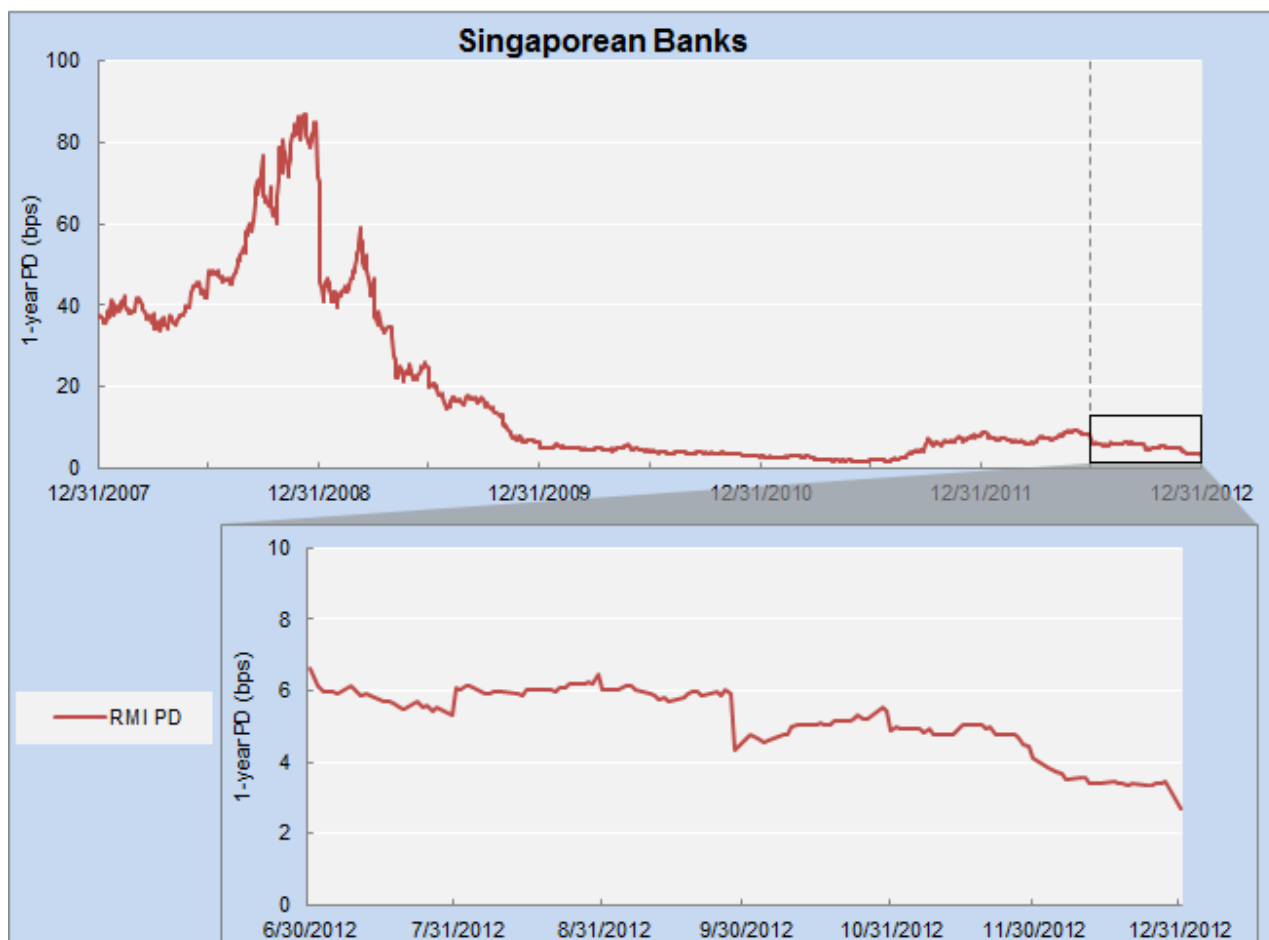
- Yields on 10-year Singapore government bonds declined to 1.29% on December 31 from 1.46% on September 28. The average coupon rate on SGD-denominated corporate bonds issued during Q3 and Q4 was 3.91% pa.
- Bond issuance hit a record high during 2012, up by 108% YoY. Overall issuance slowed to USD 3.8bn during Q4, down 69.8% from a record quarterly high of USD 12.6bn in Q3.
- Bank lending to non-financial Singaporean companies slowed during Q4, with outstanding loans growing just 0.25% between September and November, after a 3.6% expansion in Q3.¹¹²
- The prime lending rate remained at 5.38% through Q4, unchanged since January 2008.

Sovereign Credit Ratings

- Singapore retained its AAA rating at all three major rating agencies during Q4, and remains one of only seven countries worldwide with top credit ratings and stable outlooks.

Singaporean Banks

The aggregate 1-year RMI PD for Singapore banks continued to decline through Q4, falling to the lowest level since August 2011. This followed an improvement in risk sentiment over Singapore equity banking counters, an increase in liquidity ratios and a drop in the 3 month SGD interbank rate. The pace of loan growth grew at its slowest pace in more than a year. Funding costs continued to remain favorable, with banks able to lock in record low coupons in bond markets and deposits growth continuing despite low interest rates. The credit outlook for Singaporean banks remains positive, with banks capitalized well in excess of incoming requirements under Basel III.



Profitability

- Earnings at the three major Singaporean banks slowed in Q3, with aggregate net income falling by 1% QoQ, after excluding OCBC's gains from the sale of its stake in F&N. This followed an 11.4% contraction in earnings during Q2.
- Loan growth advanced 15.9% YoY in November and 17.9% YoY in October. The pace of lending activity is expected to moderate in future given the recent set of property cooling measures introduced by the government in January.
- The amount of residential housing loans issued in November was SGD 150.28bn, representing 42.5% of the total banks' portfolios, while loans to non-financials totaled SGD 214.18bn, or 44.46% of the banks' portfolio in the same month.¹¹³

Funding & Liquidity

- The coupon rate on a benchmark 10-year USD-denominated bond issued by UOB in Q4 was 2.875, lower than the 3.15 coupon on a similar issuance by OCBC in Q3 and a 3.625 coupon on a similar issuance by DBS in Q1.

- Total deposits at the major domestic banks increased to SGD 512.95bn in November from SGD 503.95bn at the end of September. Banks face stiff competition from an increased number of foreign banks operating in Singapore.¹¹⁴
- Deposit rates remained stable during Q3, with rates on fixed deposits at 0.32% per annum, and rates on savings deposits unchanged at 0.11% per annum. Fixed deposits made up 42% of outstanding deposits in November, while savings deposits accounted for 32.61%.^{115,116}
- The aggregate LATDB ratio for Singapore banks increased to 32.4% during Q3, up from 32.2% at the end of Q2. The statutory liquidity ratio of banks was 17% in November; it was 16.9% in September and 16% in June.¹¹⁷

Capital Levels & Regulations

- The phase-in of Basel III in Singapore started in January 2013. The Tier 1 common equity ratio requirement will increase from the current 4.5% to 6.5% in January 2015, 200 bps higher than required by global Basel III standards. All three Singaporean banks already meet these requirements.
- Total bank reserves and capital declined to SGD 66.49bn in November from SGD 67.46bn in September.¹¹⁸

Asset Quality

- Banks decreased provisions for loan losses by 18% QoQ in Q3, to SGD 201mn.
- Written-off credit card debts have been steadily increasing since April and came to approximately SGD 20mn in November.¹¹⁹
- Aggregate substandard and doubtful debts as a percentage of total exposures fell by 0.01% and 0.04% respectively in Q3 from 0.39% and 0.26% in Q2.¹²⁰

¹⁰⁶Jan 2, 2013, [Singapore's GDP Grew 1.1% in Q4 of 2012](#), Ministry of Trade and Industry, mti.gov.sg

¹⁰⁷Oct 31, 2012, [Unemployment Remained Low Amid Growth Concerns](#), Ministry of Manpower, mom.gov.sg

¹⁰⁸Jan 3, 2013, [Singapore PMI shrinks for 6th month, orders fall](#), Reuters.

¹⁰⁹Jan 17, 2013, [Singapore's External Trade: December 2012](#), IE Singapore, iesingapore.gov.sg

¹¹⁰Jan 15, 2013, [Retail Sales Index: November 2013](#), Department of Statistics, singstat.gov.sg

¹¹¹Oct 12, 2012, [MAS Monetary Policy Statement, October](#), Monetary Authority of Singapore, mas.gov.sg

¹¹²November 2012, [Banks: Loans and Advances of DBUs](#), Monetary Authority of Singapore, mas.gov.sg

¹¹³November 2012, [Banking loans to non-financial sectors.](#), Monetary Authority of Singapore, mas.gov.sg

¹¹⁴November 2012, [Banks: Deposits](#), Monetary Authority of Singapore, mas.gov.sg

¹¹⁵November 2012, [Interest Rates of Banks](#), Monetary Authority of Singapore, mas.gov.sg

¹¹⁶November 2012, [Banks: Liabilities of DBUs](#), Monetary Authority of Singapore, mas.gov.sg

¹¹⁷November 2012, [Statutory Liquidity Position of DBUs](#), Monetary Authority of Singapore, mas.gov.sg

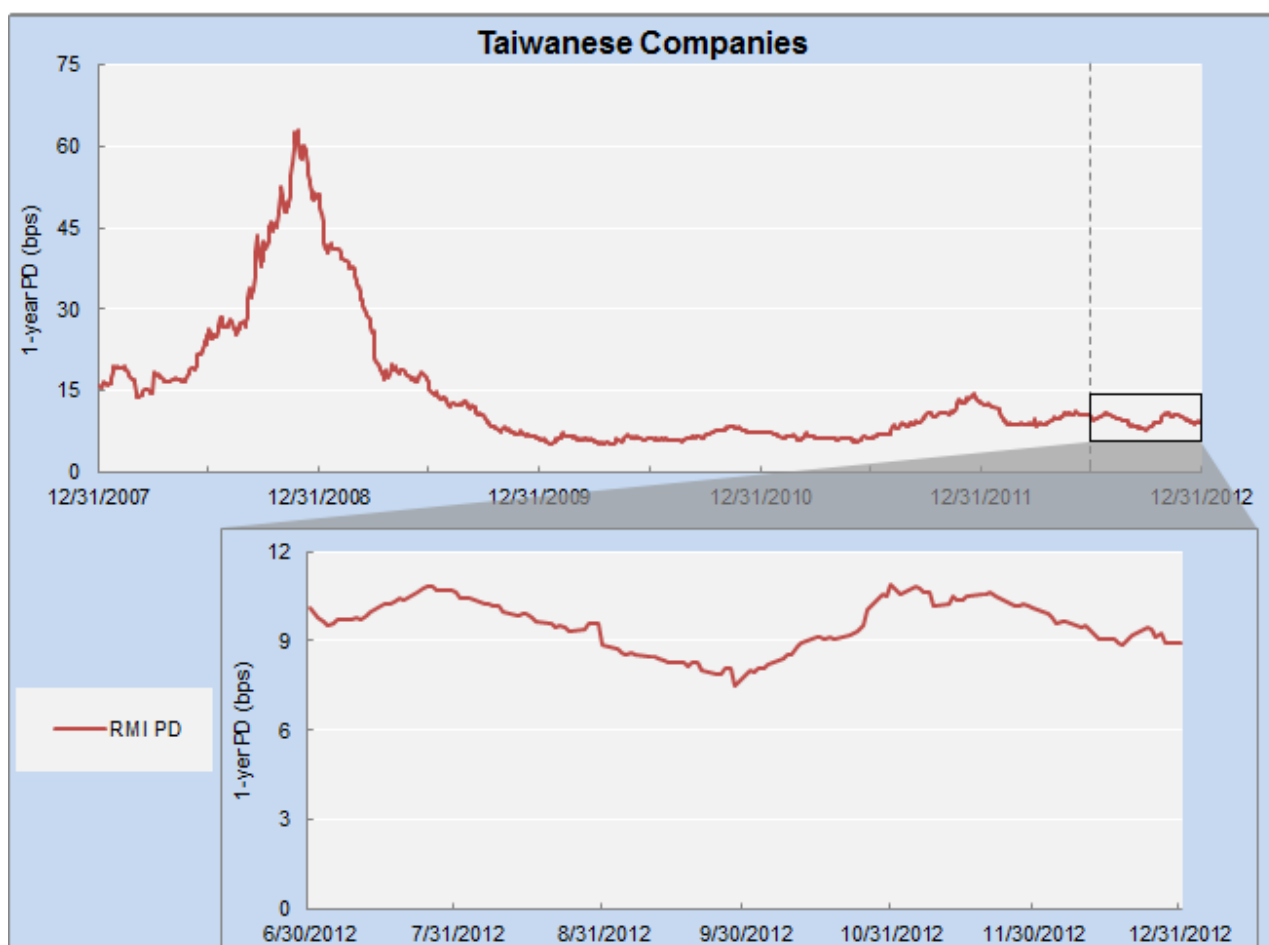
¹¹⁸November 2012, [Bank capital and reserves.](#), Monetary Authority of Singapore, mas.gov.sg

¹¹⁹November 2012, [Credit and Charge Card Statistics](#), Monetary Authority of Singapore, mas.gov.sg

¹²⁰November 2012, [Banks: Classified Exposures](#), Monetary Authority of Singapore, mas.gov.sg

Taiwanese Companies

The aggregate 1-year RMI PD for Taiwanese companies increased slightly during Q4, peaking at a 1-year high in October before retreating slightly in December. The credit outlook for Taiwanese companies depends largely on global demand. A global slowdown has adversely affected exports and manufacturing, dampening the earnings prospects of Taiwanese firms. Exports remained below levels seen during the first half of 2011. However, the manufacturing sector has started to show signs of growth, and stable employment and retail sales continue to provide some support to earnings. Funding and liquidity profiles stabilized during Q4, 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 further 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 by 0.96% QoQ in Q3, growing slightly faster than previously estimated. The government expects the economy will grow by 3.15% during 2013.¹²¹
- The unemployment rate fell to 4.22% in December, from a 12 month high of 4.3% at the end of September.
- The Taiwan manufacturing PMI increased to 50.6 in December, an 8 month high and up from 47.4 in November. This signals a potential expansion of output for the first time in seven months.¹²²
- Export growth slowed during Q4, increasing by 0.9% QoQ after increasing 1% during Q3. However, total exports remain well below a mid-2011 peak. The government

expects 2012 exports will contract by 2.16% YoY.¹²³

- Taiwan's inflation increased by 1.61% YoY in Q4. This unexpected increase is a result of a sharp rise in food and transportation prices.¹²⁴
- Retail sales recovered during Q4, increasing 1.81% and 1.93% YoY respectively in November and October, up from an increase of 0.23% in September.

Monetary

- The Central Bank of the Republic of China (Taiwan) maintained its official interest rate at 1.875% during Q4, unchanged since July 2011.
- The Central Bank has continued its buying of USD to counter the appreciation of the TWD. December was the ninth consecutive month of central bank purchases.¹²⁵

Funding & Liquidity

- Yields on 10-year Taiwanese government bonds returned to 1.17% in Q4, the same level as at the end of Q3, after falling to a record low of 1.12% on November 21.
- Total bank claims on the private sector increased 4.41% YoY in November to TWD 20.3tr, up from respective growth of 4.21% and 3.81% in October and September.¹²⁶
- Taiwanese base lending rates decreased slightly to 2.883 % at the end of November, down from 2.915 % at the end of Q2.¹²⁷

Policy

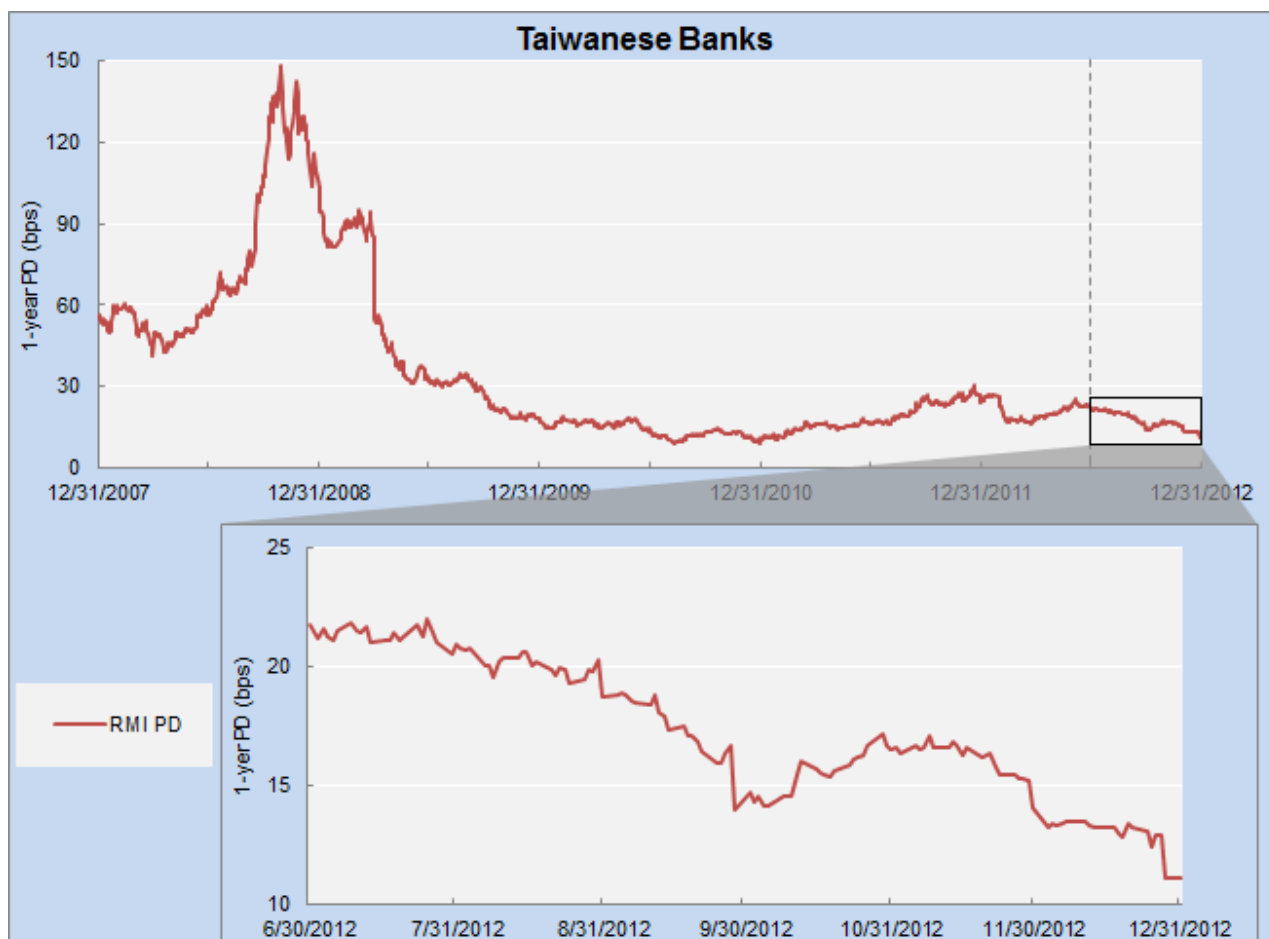
- To bolster economic growth, the Taiwanese government seeks to attract TWD 150bn in returning investment in 2013 from Taiwanese companies with overseas operations. To this end, the government plans to extend benefits such as lower tariffs on equipment imports and higher quotas for hiring foreign workers. The island has so far approved eight applications for returning investment.

Sovereign Credit Ratings

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

Taiwanese Banks

The aggregate 1-year RMI PD for Taiwanese banks decreased during Q4, amidst a tepid economic recovery. Earnings prospects improved as banks expanded lending. 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. 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

- Taiwanese banks' combined net income increased by 10.15% QoQ to TWD 12bn during Q3 after increasing 7% in Q2. It is likely this trend will persist as the economic recovery continues.
- Domestic banks in Taiwan increased lending to SMEs during Q4. These institutions now account for 52.96% of bank loan portfolios. These loans are usually more profitable due to higher interest rate margins.¹²⁸
- A proxy for the NIM of Taiwanese banks declined during Q4, falling to 0.989% from a one year high of 1.007% in Q3.

Funding & Liquidity

- Average coupon rates on new issuances of 7-year subordinated TWD-denominated bank bonds fell to 1.43% during Q4, down from rates close to 1.5% during Q3.
- Deposit growth at Taiwanese banks slowed during the first two months of Q4, with total deposits increasing 0.27% between September and November, after growing 0.71% in Q3.¹²⁹

- Deposit rates remained stable for the sixth consecutive quarter, with average 1-year fixed rates at 1.408% per annum and 1-year floating rates at 1.385%.¹³⁰
- Overall liquidity in the Taiwanese banking system remained stable during Q3, with the aggregate LATDB ratio for listed banks increasing slightly to 14.4% from 14.3% in Q2. Liquidity likely improved in Q4 due to central bank actions.

Asset Quality

- The average NPL for loans made to SMEs fell further to 0.47% in November from 0.58% during August, indicating a healthier loan book.¹³¹

¹²¹ Nov 23, 2012, [Taiwan 3Q GDP Expands Faster Than Estimated, Govt Raises Outlook](#), WSJ.

¹²² Jan 2, 2013, [HSBC Taiwan Manufacturing PMI](#), Markit, markiteconomics.com

¹²³ December 19, 2012, [Taiwan Holds Rate for Sixth Meeting as Economy Starts to Rebound](#), Bloomberg.

¹²⁴ January 7, 2013, [Taiwan Inflation Unexpectedly Quickened in December on Transport](#), Bloomberg.

¹²⁵ January 8, 2013, [Taiwan Dollar Forwards Decline on Stock Outflows; Bonds Steady](#), Bloomberg.

¹²⁶ December 2012, [Taiwanese MFIs: Loans & investments](#), Central Bank of the Republic of China (Taiwan), cbc.gov.tw

¹²⁷ December 2012, [Taiwanese MFIs: Selected interest rates](#), Central Bank of the Republic of China (Taiwan), cbc.gov.tw

¹²⁸ December 2012, [Preliminary Report on the Current Survey of Commerce](#), Financial Supervisory Commission, cens.com

¹²⁹ December 2012, [Taiwanese MFIs: Consolidated deposits](#), Central Bank of the Republic of China (Taiwan), cbc.gov.tw

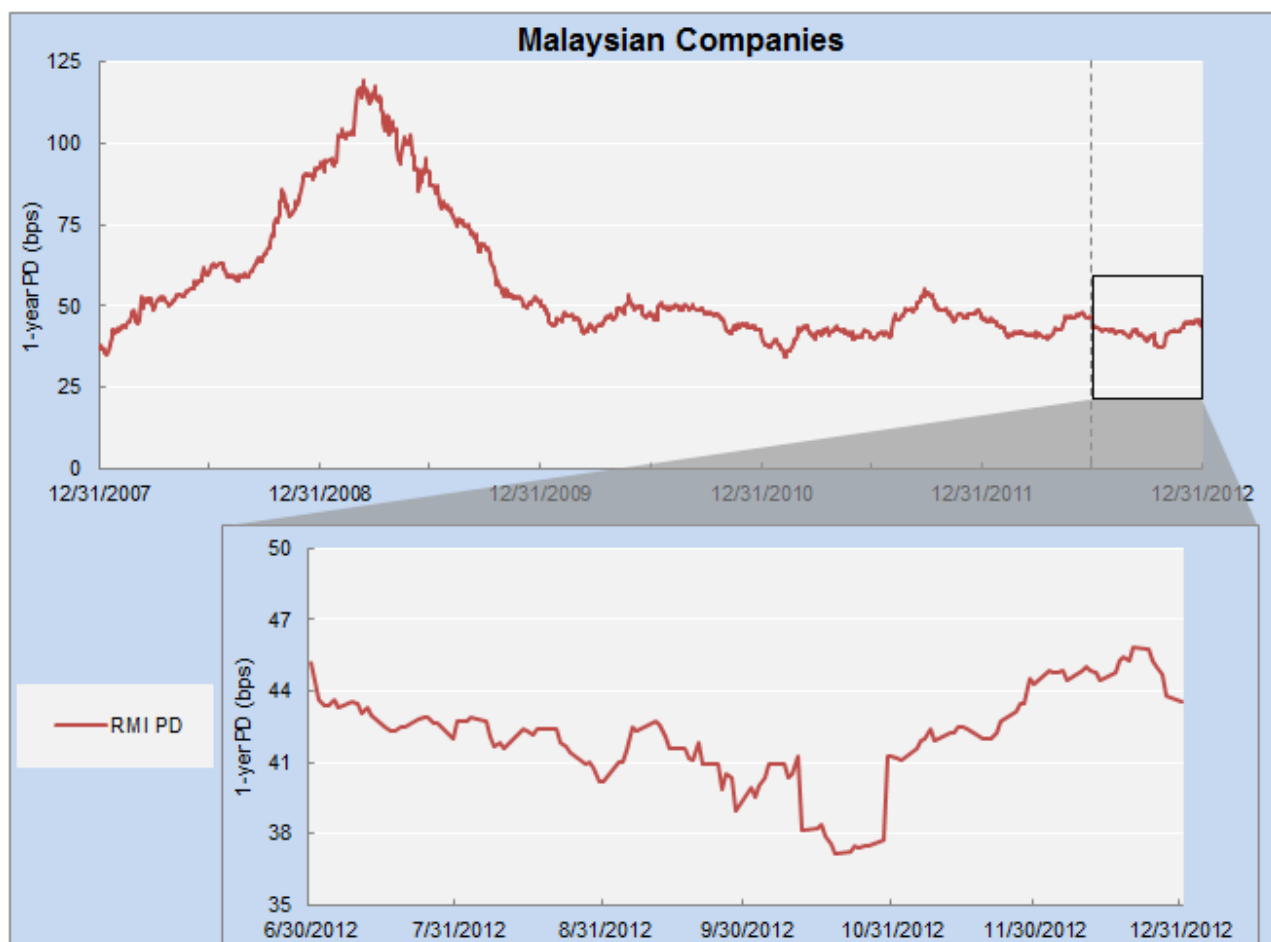
¹³⁰ December 2012, [Taiwanese MFIs: Deposit and benchmark rates of five major banks](#), Central Bank of the Republic of China (Taiwan), cbc.gov.tw

¹³¹ January 3, 2013, [Press Release: Asset Quality of Domestic Banks](#), Financial Supervisory Commission, banking.gov.tw

Asia-Pacific - Emerging economies

Malaysian Companies

The aggregate 1-year RMI PD for Malaysian companies increased slightly in Q4, up from post-GFC lows seen in October. Earnings profiles improved, as the economy expanded on strong domestic demand, which offset external pressures. Stable employment conditions lent support to private consumption. Funding and liquidity conditions improved during Q4, as banks expanded lending and funding costs fell. Going forward, the credit outlook for Malaysian companies is favorable, as the central bank has room to support aggregate funding and liquidity, with inflation is expected to remain moderate. In addition, resilient domestic growth and strong government spending are expected to support the earnings profiles of Malaysian companies. However, an increased focus on fiscal discipline may decrease the ability of the government to support Malaysian companies and the real economy. Spending targeted at enhancing international competitiveness and the possibility of lower corporate taxes may offset this somewhat.



Economy

- The Malaysian economy grew by 3.3% QoQ in Q3, after increasing by 3% during Q2. Growth will likely remain resilient with the IMF forecasting 4.4% YoY growth through 2012, and 4.7% growth through 2013.
- The unemployment rate fell to 3% during November, from 3.5% in October and 3.3% at the end of Q3.¹³²
- The MIER Consumer Confidence Index improved during Q3, while retail sales grew 5.9% during Q1, down from 6.9% during Q2. Analysts expect that government incentive programs supported retail spending through Q4.¹³³

- The MIER Business Conditions Index fell to 96 during Q3, from 111.5 during Q2. Industrial production recovered through Q4, as the mining and manufacturing sectors posted strong growth.¹³⁴

Monetary

- Bank Negara Malaysia left its Overnight Policy Rate at unchanged 3% during Q4. The central bank said that domestic demand continues to offset weakness abroad, supporting the Malaysian economy, while inflation is expected to remain moderate.

Funding & Liquidity

- Yields on 10-year government bonds fell slightly during Q4, to 3.51% at the end of December, from 3.56% at the end of September.
- Bank lending rebounded during Q4, with disbursements of new loans to non-financial Malaysian companies growing 31% YoY in November and 26% in October, up from YoY growth of 14.6% in September and 13.6% in August.¹³⁵
- Average commercial bank lending rates in Malaysia fell 7bps to 4.65% per annum during November. The average lending rate at investment banks also fell, by 42bps to 6.69% per annum in November.¹³⁶

Policy

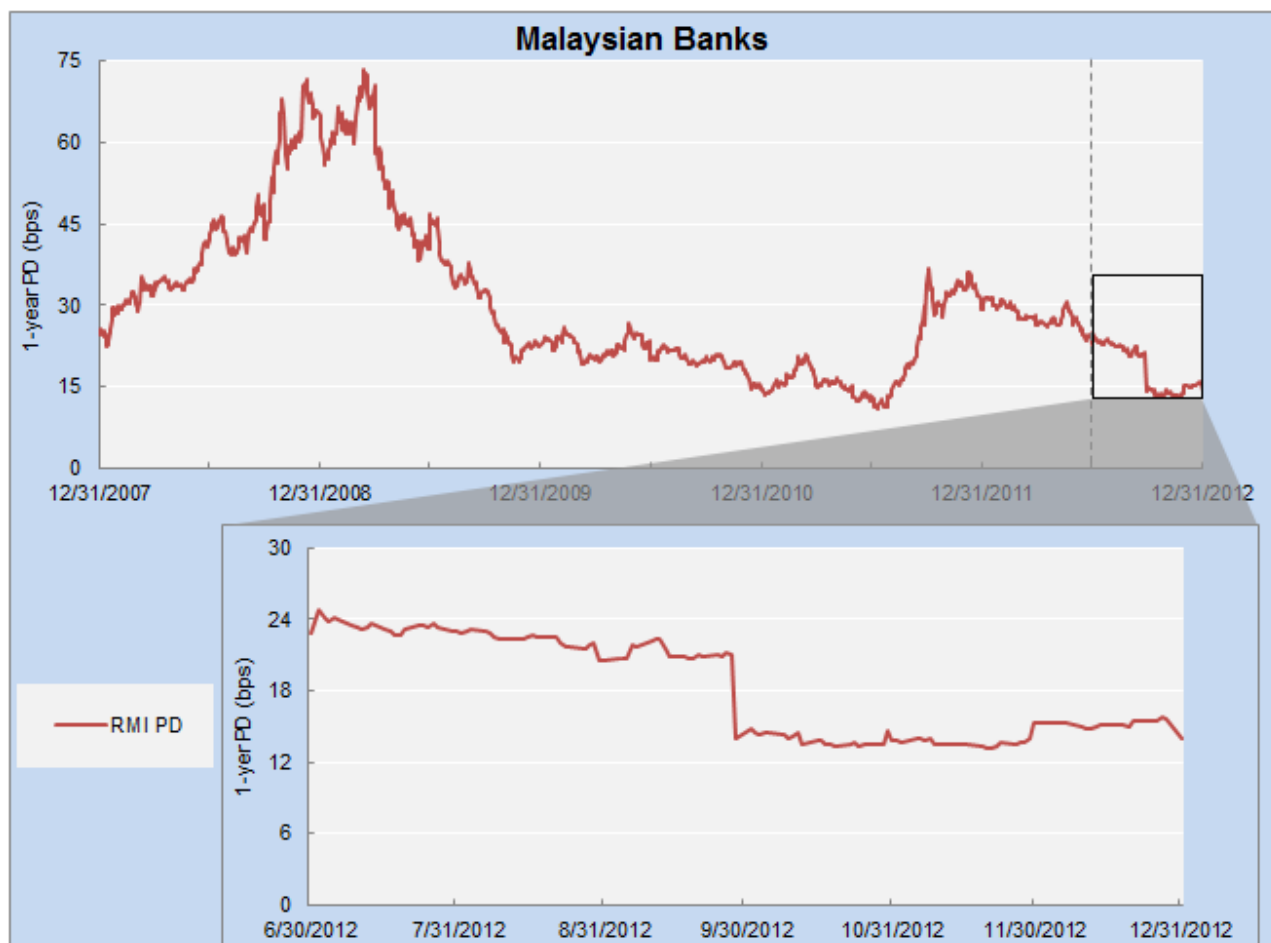
- The Malaysian Prime Minister outlined a plan to trim the budget deficit from 4.5% in 2012 to 3% by 2015. Expected fiscal consolidation following elections in the first half of 2013 will help in this regard, with the government looking to refocus spending on promoting international competitiveness.¹³⁷
- The possible implementation of a GST after the general elections could give the government room to reduce income and corporate taxes, which would make the Malaysian economy more competitive internationally.¹³⁸

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 increased slightly during Q4, up from a yearly low in September. New loan applications and NIMs decreased during Q4. Funding and liquidity conditions remained stable during Q4, as funding costs fell slightly while deposit growth slowed. Banks continued to reduce liquidity from levels considered to be overly conservative. Asset quality continued to improve, while capital positions remain healthy. Going forward, the credit outlook for Malaysian banks is positive, as asset quality is likely to continue to improve. However, competition from Singaporean banks for fee income in 2013 may place further pressure on earnings.



Profitability

- Strong earnings at Malaysian banks continued during Q3, with aggregate net income increasing 5.1% QoQ in Q3 to a record high of MYR 5.4bn, after increasing 4.92% during Q2.
- Total loan applications fell during Q4, falling 16.6% MoM in November and increasing just 1.9% MoM in October, after recovering some ground through a 12.9% increase in September.¹³⁹
- A proxy for the average NIM of Malaysian banks based on average interest rates decreased during Q3, falling to 1.67% in November from 1.78% during September.

Funding & Liquidity

- The yield on Maybank's 5-year 3% USD-denominated bond fell to 1.92% in Q4, from 2.15% at the end of Q3. Maybank is the largest domestic bank by total assets.

- A slowdown in deposit growth continued through Q4, with total deposits increasing 11.3% YoY in November and 12.5% during October, down from monthly YoY growth of around 13% during Q3.¹⁴⁰
- Deposit rates remained stable at 1.03% during Q4. Rates on 12-month fixed deposits also fell 1bps to 3.15% in November.¹⁴¹
- Overall liquidity in the Malaysian banking system decreased in Q3, with the aggregate LATDB ratio for listed banks falling to 17.5% from 18.6% in Q2.

Capital Levels & Regulations

- The transition to Basel III begins in January 2013 in Malaysia. Domestic banks are well positioned to meet the new requirements, given more than adequate core capitalization under previous Basel II rules.
- The aggregate risk-weighted capital ratio and core Tier 1 capital ratio stood at 15.3% and 13.4% respectively in November.¹⁴²

Asset Quality

- Total impaired loans at Malaysia banks fell to MYR 22.9bn, or 1.4% of total loans in November, continuing a gradual declining trend seen since February.¹⁴³
- Aggregate provisions for loan losses continued to fall in Q3. The aggregate loan loss coverage ratio increased to 101.9% in November.

¹³²Jan 22, 2013, [Labour Force Statistics, November](#), Department of Statistics, Malaysia, [statistics.gov.my](#)

¹³³Oct 10, 2012, [Retail records 5.9pc growth in Q2](#), Business Times.

¹³⁴Dec 11, 2012, [Industrial Production Index](#), Department of Statistics, Malaysia, [statistics.gov.my](#)

¹³⁵Dec 28, 2012, [Banking System: Loans Disbursed by Sector](#), Bank Negara Malaysia, [bnm.gov.my](#)

¹³⁶Dec 28, 2012, [Interest Rates: Banking Institutions](#), Bank Negara Malaysia, [bnm.gov.my](#)

¹³⁷Oct 4, 2012, [Balanced budget after 2015](#), New Straits Times.

¹³⁸Sep 27, 2012, [Budget 2013: Economists call for prudent spending and GST](#), Malaysian Insider.

¹³⁹Dec 28, 2012, [Banking System: Loans Applied by Purpose](#), Bank Negara Malaysia, [bnm.gov.my](#)

¹⁴⁰Dec 28, 2012, [Banking System: Statement of Capital and Liabilities](#), Bank Negara Malaysia, [bnm.gov.my](#)

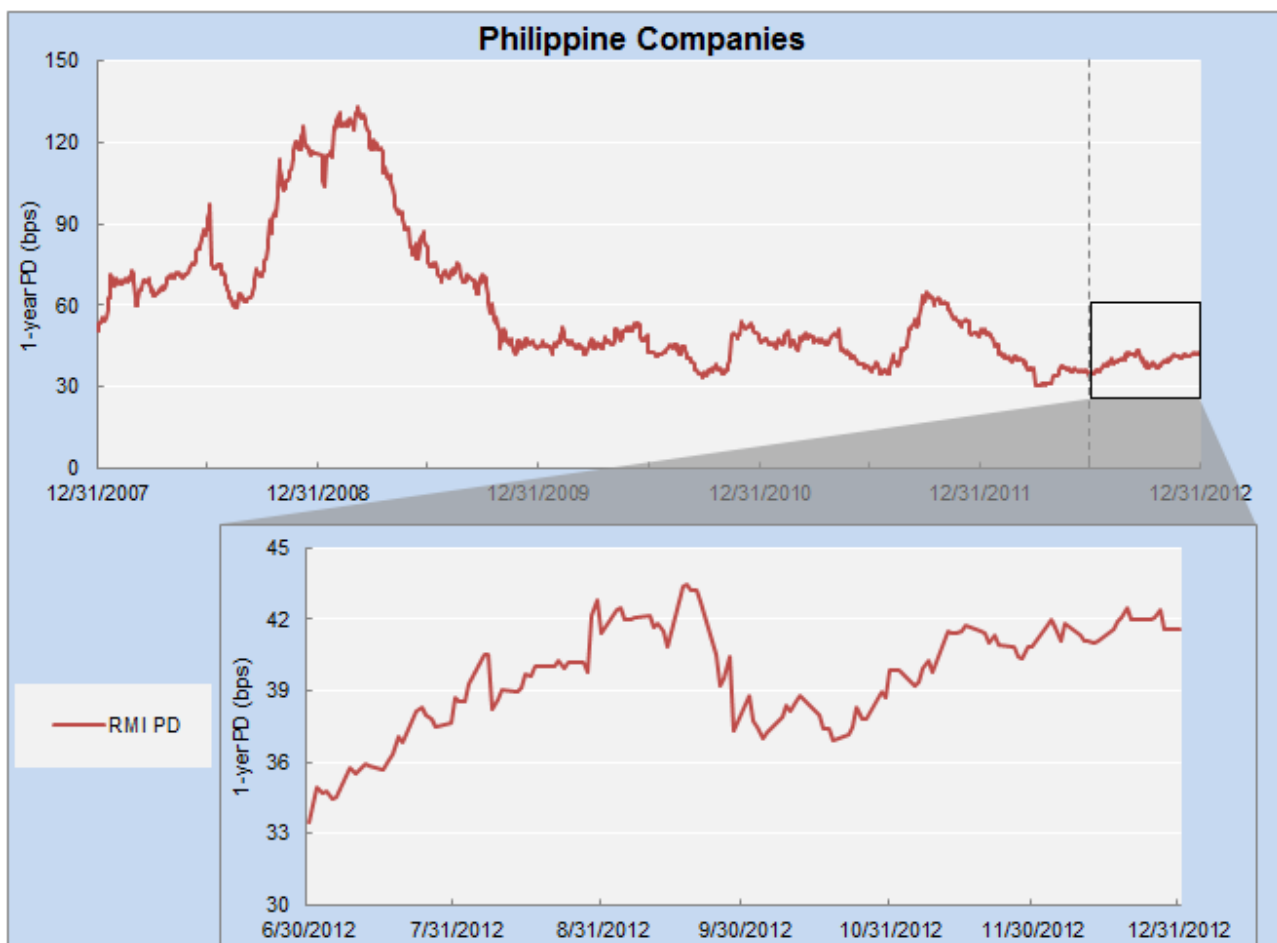
¹⁴¹Dec 28, 2012, [Monthly Statistical Bulletin Nov 2012](#), Bank Negara Malaysia, [bnm.gov.my](#)

¹⁴²Dec 28, 2012, [Banking System: Constituents of Capital](#), Bank Negara Malaysia, [bnm.gov.my](#)

¹⁴³Dec 28, 2012, [Banking System: Impaired Loans and Impairment Provisions](#), Bank Negara Malaysia, [bnm.gov.my](#)

Philippine Companies

The aggregate 1-year RMI PD for companies in the Philippines increased slightly during Q4, but remains below highs seen in the same period in 2011. Business activity surged, mainly due to a large recovery in exports and buoyant domestic demand. Funding and liquidity profiles improved significantly, as the central bank continued to ease monetary policy. Looking ahead, a possible upgrade of the government's credit rating to investment grade may lead to even more favorable funding conditions. The credit outlook for companies in the Philippines is positive, as improving government finances allow for fiscal stimulus if required, especially with the introduction of sales-based taxes. Strong business confidence and central bank measures to curtail the appreciation of the PHP will lend support to the earnings prospects of companies in the Philippines going forward. However, the lack of a final government agreement with militant rebels creates some uncertainty.



Economy

- The economy of the Philippines grew 1.3% QoQ during Q2, following growth of 1.2% during Q2. The economy grew 7.1% YoY in Q3, the fastest pace in two years. Strong growth likely continued during Q4, as both the government and the World Bank revised their 2012 YoY growth forecasts upwards, to over 7% and to 6.2%, respectively.¹⁴⁴
- The unemployment rate fell to 6.8% during Q4, down from 7% in Q3, as hiring surged amid strong economic growth.
- Exports continued to recover in Q4, increasing 5.5% YoY in November and 6.1% in October, after surging by 22.8% in September, reversing previous forecasts of a strong contraction.¹⁴⁵
- A central bank index of business sentiment increased to the highest level in two years during Q4, after declining slightly during Q3. Auto loans, a proxy for consumer and

overall economic sentiment, surged during Q4, with banks reporting over 10% growth in loan portfolios.

Monetary

- The Central Bank of the Philippines reduced its key policy rates by 25bps for the fourth time in a year on October 25, reducing the overnight borrowing and lending rates to 3.5% and 5.5% respectively.
- The central bank imposed a ceiling on non-deliverable currency forwards, at 20% of capital for domestic lenders and 100% for foreign lenders, in an effort to curtail appreciation of the PHP.¹⁴⁶

Funding & Liquidity

- Yields on 10-year PHP-denominated bonds issued by the Government of the Philippines fell significantly during Q4, to 4.2% at the end of December from 4.7% at the start of October.
- Total outstanding loans to the non-financial sector surged 2.17% MoM in October to PHP 2.26tr, after increasing 0.32% MoM on average in Q3.¹⁴⁷
- Average quoted interest rates on bank loans to companies in the Philippines fell slightly during Q4, to a range of 5.27% to 7.53% per annum in October from a range of 5.41% to 7.65% at the end of Q3.¹⁴⁸

Policy

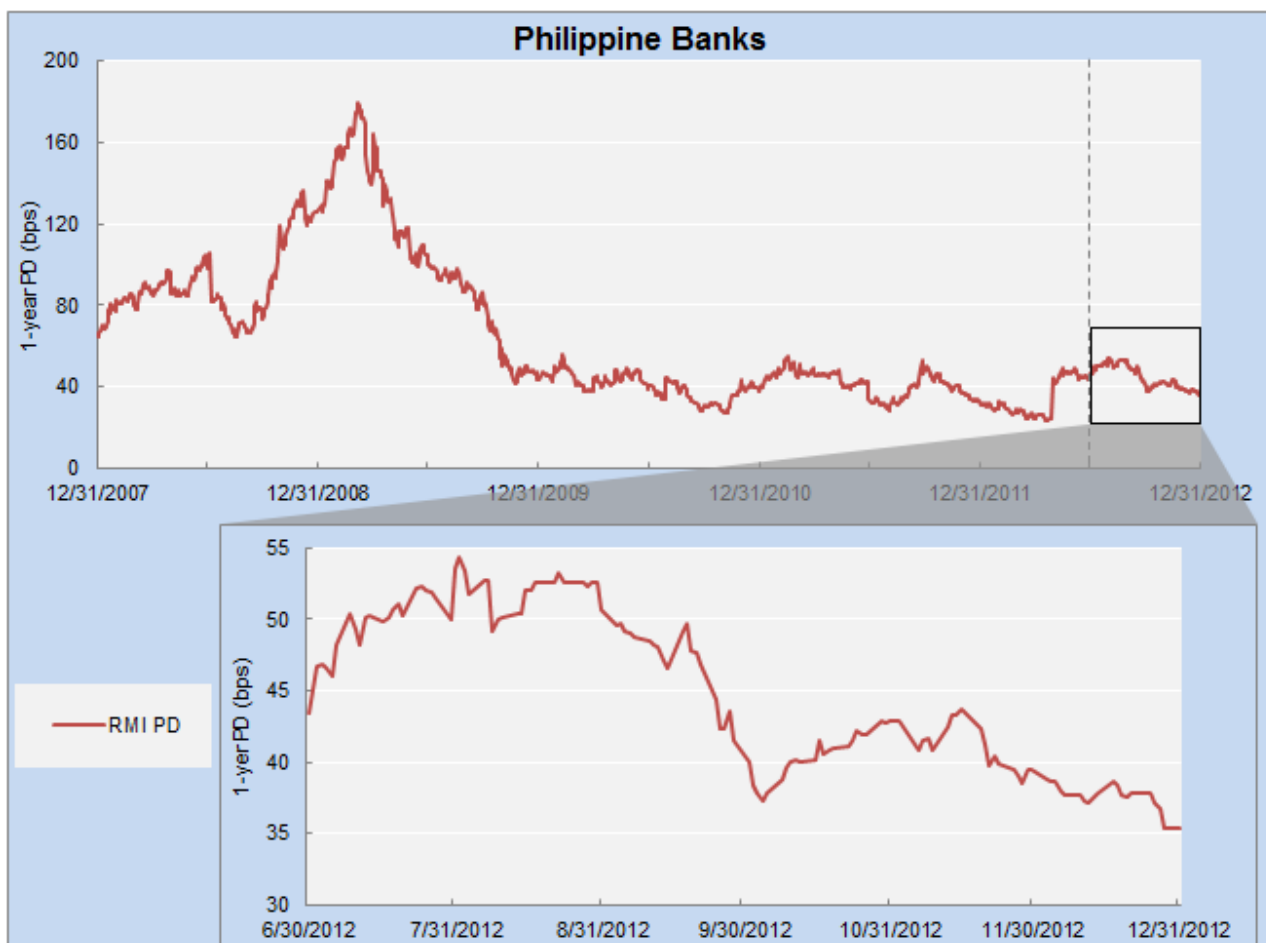
- Questions have arisen over a landmark peace agreement the government signed with militant rebels in the south in October, as rebels in the autonomous region of Mindanao remain armed. The peace deal was expected to prompt new investment in the agricultural and resource rich region.¹⁴⁹
- The introduction of higher excise taxes on tobacco and liquor from January 1 is expected to generate additional government revenues of PHP 34bn, increasing funds available for health and infrastructure spending.¹⁵⁰

Sovereign Credit Ratings

- The Philippine National Government was upgraded to Ba1 from Ba2 by Moody's in October and is now rated one level below investment grade at all three CRAs, with stable outlooks at Fitch and Moody's, and a positive outlook at S&P.

Philippine Banks

The aggregate 1-year RMI PD for banks in the Philippines continued to fall during Q4, after reaching a 12 month high in Q3. Consumer credit demand was strong, but NIMs were weaker through Q4. Funding conditions improved significantly, on strong deposit growth and record low costs. Strong liquidity will likely support continued loan growth going forward as domestic credit demand surges, supporting a healthy earnings outlook. Banks may have over provisioned during Q3, and could recognize earnings gains from reversals as strong economic growth in the second half of 2012 came as a surprise. Moreover, asset quality may continue to improve on faster growth, supporting a positive sectoral credit outlook.



Profitability

- Combined net income of listed banks in the Philippines increased by 5.17% during Q3 to PHP 20.733bn, after decreasing by 13.35% QoQ in Q2.
- Banks in Philippines will most likely see loan issuance continue to grow, supported by strong demand for auto loans, which may have grown 50% YoY in 2012, and real estate. Total annual loan growth could reach 15% in 2013.¹⁵¹
- The average interest spread at the end of Q3 for Philippine banks was 3.19%, down from 3.26% in Q2. A reduction in key rates by the central bank in Q4 may have placed further downwards pressure on NIMs.¹⁵²

Funding & Liquidity

- Yields on 5-year 4.5% USD-denominated bonds issued by BDO Unibank, the largest bank in the Philippines, continued to fall during Q4, to 3.37% on December 31 from 3.5% at the end of Q3.

- Total deposits at banks in the Philippines increased 7.2% YoY during October, after increasing 5% on average in each month of Q3.¹⁵³
- Average funding costs fell to the lowest level on record in Q3, with the aggregate ratio of interest expenses to interest bearing liabilities falling to 1.74 from 1.78 in Q2.
- Overall liquidity in the banking system of the Philippines remained stable during Q3, with the aggregate LATDB ratio for listed banks falling slightly to 22.19% from 22.87% in Q2.

Capital Levels & Regulations

- Basel III will be phased in within the Philippines from January 1, 2014. The central bank said the aggregate capital adequacy ratio of banks in the Philippines was 18% in March, under current Basel II rules.

Asset Quality

- Listed banks increased provisions for bad loans by 34.4% during Q3, to PHP 5.58bn or 0.12% of total assets, up from provisions of PHP 4.1bn during Q2.
- The non-performing loan ratio for commercial banks fell to a record low of 2% in October, down from 2.09% in July.¹⁵⁴

¹⁴⁴Dec 22, 2012, [Philippines to exceed its growth forecast for 2012](#), PhilStar.

¹⁴⁵Dec 26, 2012, [Record-breaking year for auto loans](#), Business Inquirer.

¹⁴⁶Dec 27, 2012, [Philippines Joins Korea in Restraining Currency Gains](#), Bloomberg.

¹⁴⁷January 2012, [Philippine Universal and Commercial Banking System: Outstanding loans](#), Bangko Sentral Ng Pilipinas, bsp.gov.ph

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¹⁵¹Jan 21, 2013, [Double-digit growth for bank lending seen](#), Business Inquirer.

¹⁵²January 2012, [Income Statement and Key Ratios](#), Bangko Sentral Ng Pilipinas, bsp.gov.ph

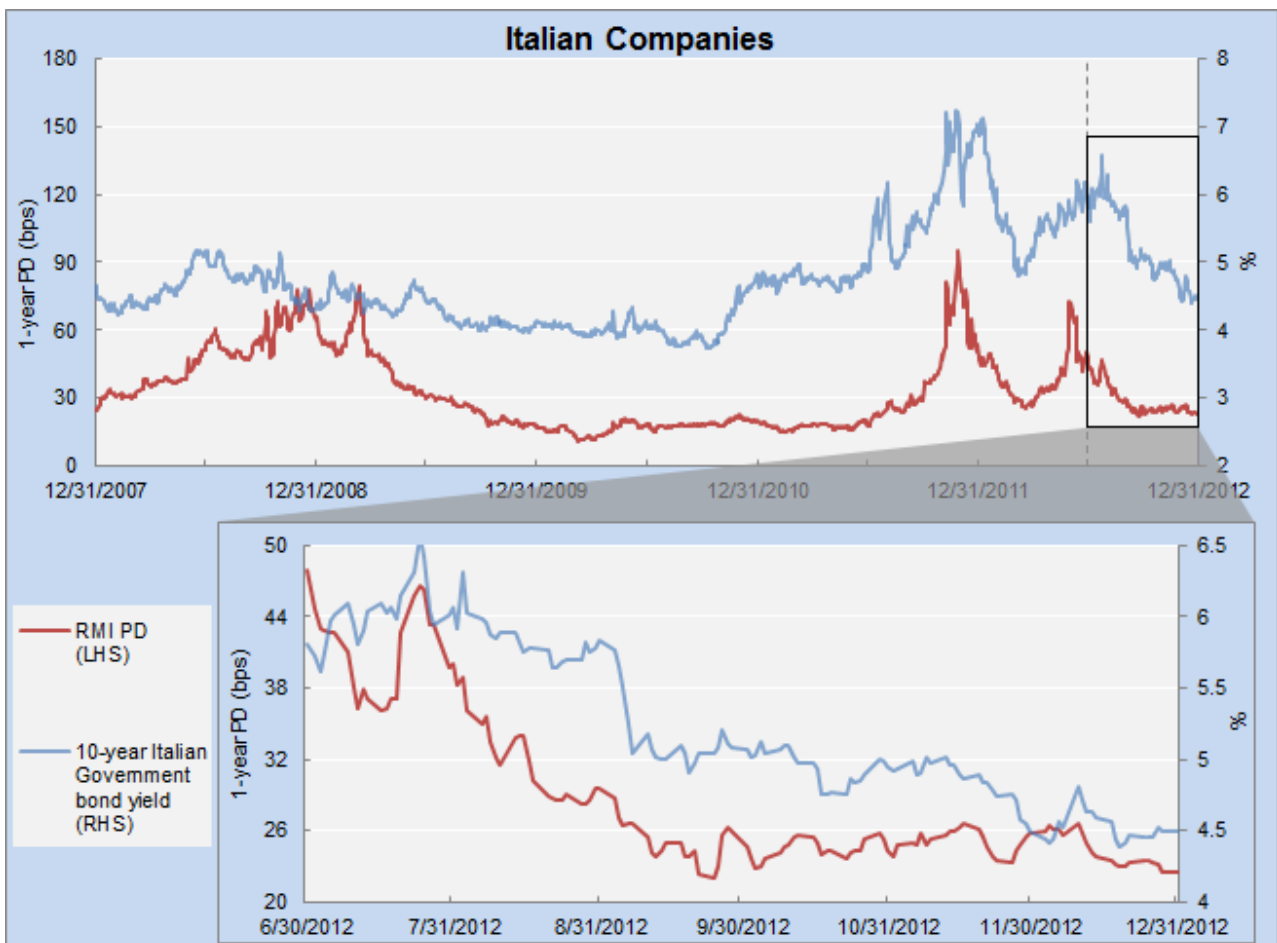
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¹⁵⁴January 2012, [Philippine Universal and Commercial Banking System: Selected asset quality indicators](#), Bangko Sentral Ng Pilipinas, bsp.gov.ph

Europe

Italian Companies

The aggregate 1-year RMI PD for Italian companies continued to fall during Q4, as risk appetite improved amid continued implicit support from the ECB for eurozone states. The RMI PD has fallen sharply in recent months indicating a lower default risk for Italian companies. However, data released in recent months suggest a sluggish economic recovery for Italian firms. High unemployment and lingering contractions in the manufacturing and service sectors weigh on future growth and earnings prospects while consumer confidence remains low. Italy has a high debt/GDP ratio and according to some estimates, could be the next likely candidate for default apart from Greece within the Euro zone. Moving forward, the credit outlook for Italian companies remains negative as firms continue to face economic headwinds which would affect their bottom lines and credit profiles.



Economy

- The Italian economy contracted by 2.4% QoQ in Q3, with a technical recession continuing as the European debt crisis took a toll on growth. Economic contraction will probably continue, with the Italian National Institute of Statistics expecting GDP to decrease by 0.5% YoY in 2013.
- The IMF estimates that GDP will decrease by 0.73% in 2013 and increase by 0.50% in 2014. The OECD meanwhile predicts that Italy's gross domestic product will shrink by 1% in 2013.
- The unemployment rate reached a record high of 11.1% in November. The unemployment rate for those under 25 hit a record high of 37.1%.

- Italy's Manufacturing PMI Index rose to 45.7 in December from 45.1 in November. Declines in output, new orders, employment and inventory levels were contributing factors to the overall contraction in manufacturing activity during Q4.¹⁵⁵
- The Services PMI posted a level of 45.6 in December from 44.5 at the end of September. Output across Italy's service sector continued to decrease due to a continued decline in new orders.¹⁵⁶
- The European Commission Italy economic sentiment indicator, which combines the assessments from business and consumer surveys, increased to 81.4 in December from 78.5 in September.¹⁵⁷
- The index for consumer confidence in Italy decreased to 85.7 in December, a 0.5% decline from Q3. The index survey also said that consumers were more optimistic about future economic growth compared to a month ago.¹⁵⁸
- Figures from the Italian National Institute of Statistics showed that retail sales declined 3.75% YoY in October. The retail sales PMI tracked by Markit, which surveys a panel of 360 retailers decreased to 36.8 in December from 42.9 in September.¹⁵⁹

Funding & Liquidity

- Yields on 10-year Italian bonds fell significantly during Q4, after the ECB announced bond purchasing plans in September. Italian bond yields fell to 4.39% on December 19, the lowest yields seen since November 24, 2010, from 5.1% at the end of Q3.
- The cost of new loans to non-financial Italian companies increased from 5.07% at the end of Q3 to 5.22% in October before settling at 5.09% in November.¹⁶⁰
- Despite the higher cost of loans, outstanding loans to non-financials increased 0.39% to EUR 885bn between September and November.¹⁶¹

Policy

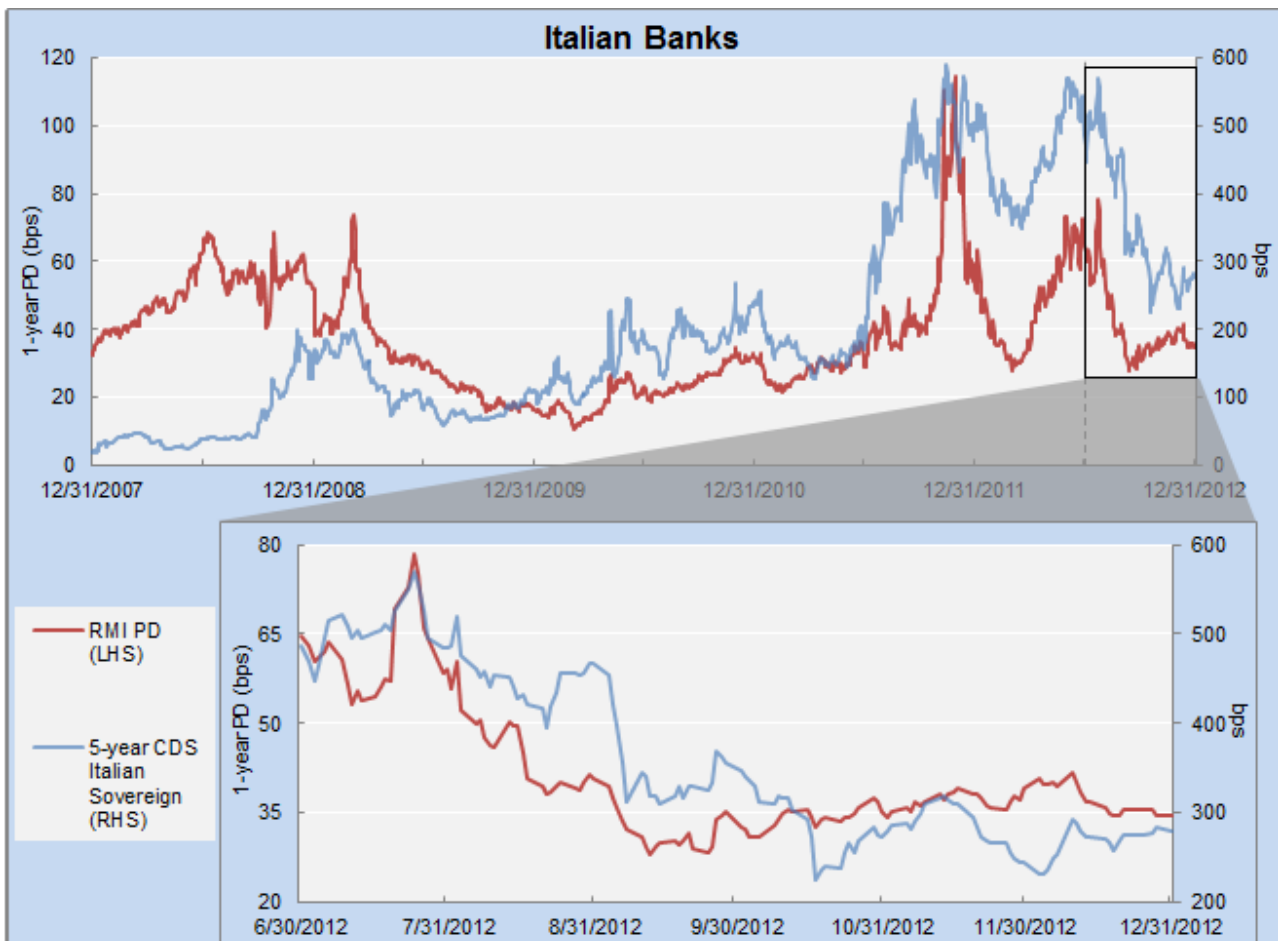
- Italy has a technocratic government with weak support from the public. The upcoming election in April 2013 is not likely to create political cohesion, especially with the potential return of ex-Prime Minister Silvio Berlusconi.
- Italy reported a public deficit to GDP ratio of 1.8% in Q3 2012, lower than the previous quarter of 2.8%. Tax receipts totaled EUR 177bn in Q3 but expenditures amounted to EUR 183bn.¹⁶²
- The country's total liabilities fell by 2.06% to EUR 619bn over Q4 but overall have increased 16.5% in 2012.¹⁶³
- The public debt to GDP ratio is estimated to reach 126.4% in 2012, second only to Greece in the Euro zone.¹⁶⁴

Sovereign Credit Ratings

- Moody's, S&P and Fitch did not take any rating actions on the Italian government during Q4, retaining respective Baa2, BBB+ and A- ratings for the Italian sovereign. All 3 rating agencies maintained negative outlooks on the Italian government.

Italian Banks

The aggregate 1-year RMI PD for Italian banks stabilised at lower levels during Q4. Banks have a lower risk of default thanks to implicit support from the ECB and Bank of Italy. Lenders could report better net incomes in Q4 following stronger earnings momentum from Q3. A drop in government bond yields over the quarter could also help banks book investment profits on their holdings of Italian government bonds. Moreover, market funding costs for Italian banks have also fallen. However, banks have increased deposit rates in order to win back deposits lost earlier in the year, which will likely hurt bottom lines. The sector's credit outlook remains negative, as increased loan provisions amidst an economic recession still weigh upon the asset quality of Italian banks, and could pressure earnings going forward.



Profitability

- Aggregate earnings at listed Italian banks stepped into positive territory in Q3 after reporting poor earnings results in the previous quarter. Aggregate net interest margins of listed Italian banks dropped to 1.92% in Q3 from 1.95% in Q2.

Funding & Liquidity

- Coupons on new 5-year Italian bank bond issuances averaged 3.97% during Q4, lower than the 4.53% average seen last in Q3.
- Total deposits fell 0.7% between September and November, after increasing 1.25% during Q3. Corporate deposit outflow accounted for the majority of the decline.
- Deposit rates remained elevated during Q4, with rates on redeemable deposits at 1.80% per annum, near the highest level since early 2009, as banks attempt to lure depositors back.¹⁶⁵

- Overall liquidity in the Italian banking system fell during Q3, with the aggregate LATDB ratio for listed banks decreasing to 11.6% from 12.5% in Q2.

Capital Levels & Regulations

- The implementation of Basel III in European Union has been delayed until at least the middle of 2013. An exact deadline has not been specified.
- The Basel committee of banking supervisors has relaxed the implementation of new liquidity rules for lenders worldwide, which will be phased in over 4 years starting January 2015, meaning Italian banks have 4 more years to meet the new rules. Lenders were originally expected to meet the rules by 2015.¹⁶⁶

Asset Quality

- Aggregate provisions for loan losses at listed banks increased 3.93% QoQ during Q3. An uncertain economic outlook will likely lead to higher loan loss provisions in 2013. Bad debts at Italian banks increased to EUR 122bn in November, or 16.7% YoY.
- Italian lenders meanwhile are boosting their balance sheets with government debt. Total holdings of government bonds in November from a month earlier have increased to EUR 344bn from EUR 340bn a month earlier.¹⁶⁷
- Total holdings of bonds issued by eurozone governments at Italian banks increased to EUR 370bn in November from EUR 351bn in September.¹⁶⁸

¹⁵⁵ Jan 2, 2013, [Markit/ADACI Italy Manufacturing PMI](#), Markit, [markiteconomics.com](#)

¹⁵⁶ Jan 4, 2013, [Markit/ADACI Italy Services PMI](#), Markit, [markiteconomics.com](#)

¹⁵⁷ December 2012, [Economic sentiment indicator for Italy](#), Eurostat, [ec.europa.eu/eurostat](#)

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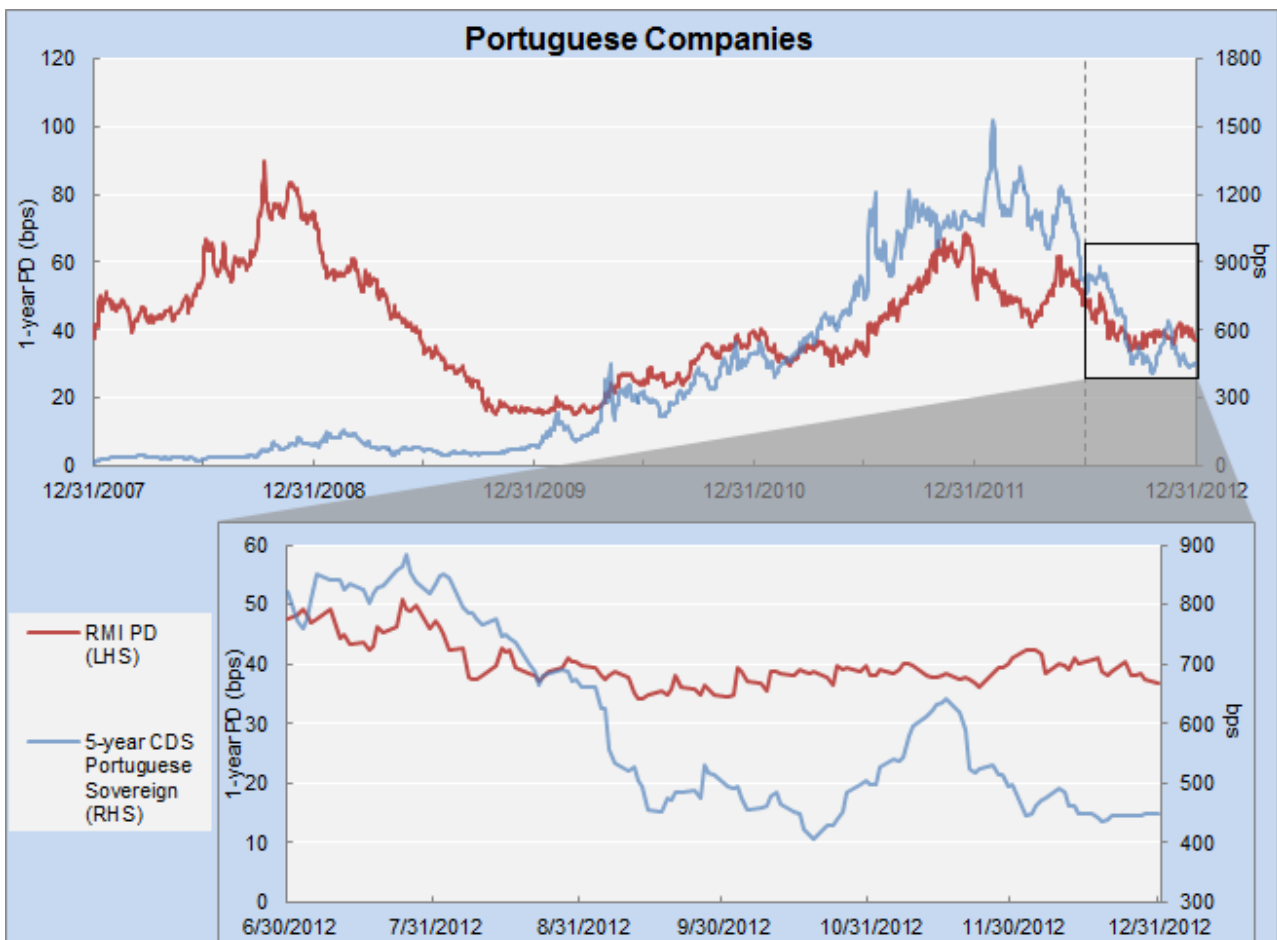
¹⁶⁶ Jan 07, 2013, [Banks win concessions and time on liquidity rules](#), Guardian, [markiteconomics.com](#)

¹⁶⁷ Jan 10, 2013, [Italy banks cut loans to business, bad debts up](#), Reuters, [markiteconomics.com](#)

¹⁶⁸ Jan 03, 2013, [Italian MFIs: Securities issued by eurozone governments](#), ECB, [sdw.ecb.europa.eu](#)

Portuguese Companies

The 1-year aggregate RMI PD for Portuguese firms increased during the first two months of Q4, but stabilized in December. Earnings at Portuguese firms continued to face negative headwinds from economic contraction and declining confidence. Unemployment remained near record highs, while retail spending continued to decline. Renewed government access to bond markets improved the funding and liquidity profiles of Portuguese firms, with funding costs falling to the lowest level in a year towards the end of Q4. A decrease in loan growth was largely driven by slowing credit demand as the economy contracted. Improved funding conditions are the primary driver of an improved credit outlook. However, Portuguese firms will continue to come under pressure from governmental budget-cutting measures, which could significantly reduce consumer spending and corporate earnings.



Economy

- The Portuguese economy contracted 0.9% QoQ in Q3, the seventh consecutive quarterly contraction, following a 1.2% contraction during Q2. The IMF forecasts that the economy will shrink by 1% YoY in 2013.
- The unemployment rate rose to 16.3% in October, the highest level on record, and remained at the same level in November. Unemployment among under-25s fell slightly during Q4, to 38.7% in November from a record high of 39.2% in August.¹⁶⁹
- INE data showed that consumer confidence declined during Q4, with an indicator of consumer confidence posting a level of -58.4 in December, up slightly from a record low of -61.1 in October. Retail sales continued to decline YoY, posting a 5.3% slide in November.^{170,171}
- An INE index of industrial production continued to decline in Q4, recording a reading of 83.2 in November from 92.7 in August. An INE index of new industrial orders continued

to fall YoY during Q4, while an INE business climate indicator dropped to a historical low, indicating a deterioration in economic conditions for businesses.¹⁷²

Funding & Liquidity

- Yields on 10-year Portuguese bonds dropped substantially during Q4, to 7.01% on 31 December. Yields had soared to an all-time high of 17.4% in Jan 2012.
- Rates on new loans to non-financials fell to 5.77% in November, from levels as high as 6.23% in Q3.¹⁷³
- An ongoing decline in bank lending accelerated during Q4, with total outstanding loans to the non-financial sector falling by 1.29% between September and November.¹⁷⁴

Policy

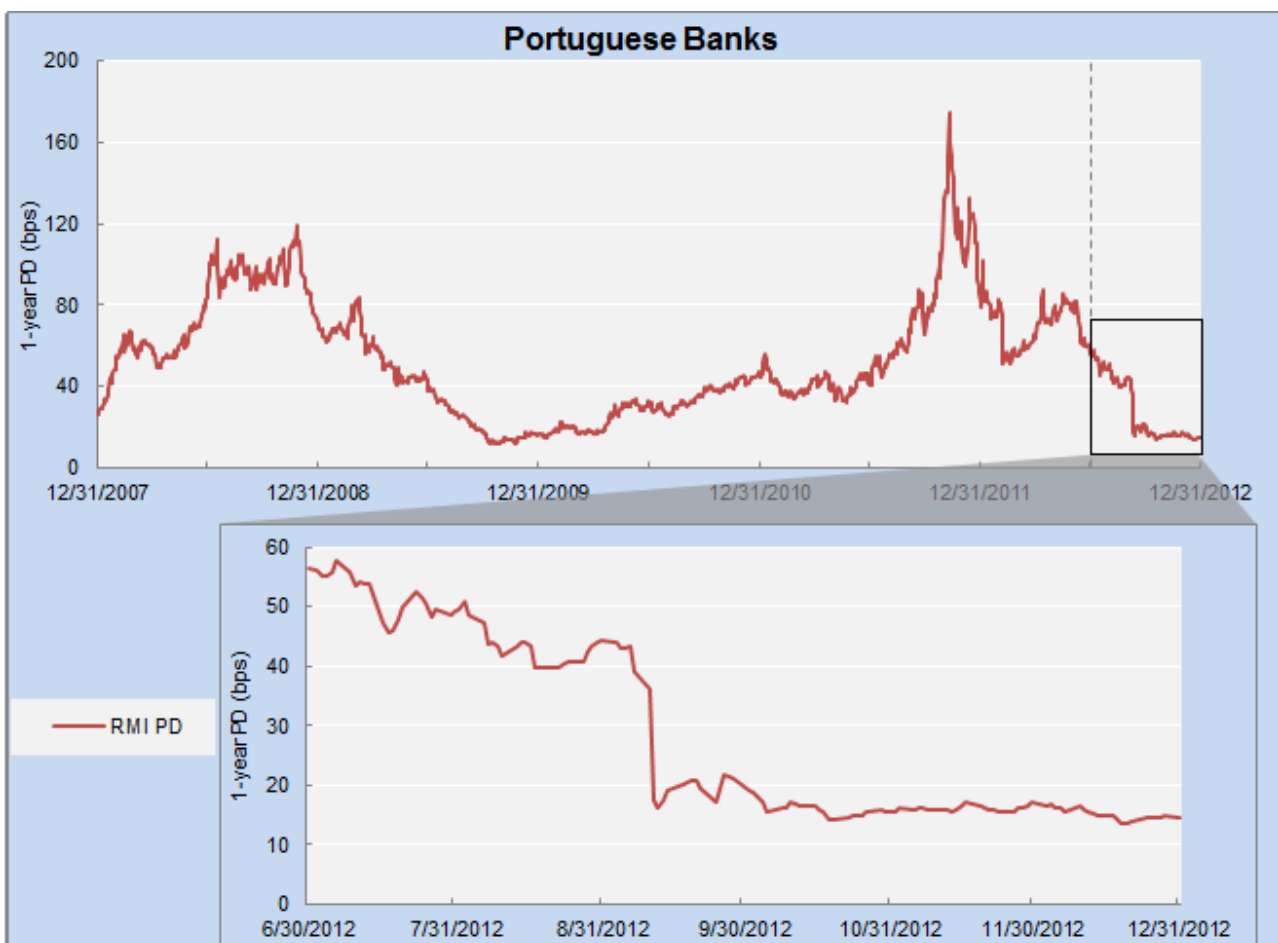
- Portugal's budget deficit was trimmed to 5.6% of GDP at the end of Q3, compared with 6.7% in the same period of 2011. The government predicts that the figure will drop to 5% in 2012 and 4.5% in 2013, despite an EU-mandated target of 3%. Portugal is not expected to get its deficit below the EU target until 2014.¹⁷⁵
- The government is introducing a new round of austerity measures, including salary cuts and tax increases, to address the budget deficit. The average tax rate is expected to increase to 13.2% in 2013, compared to 9.8% in 2012..¹⁷⁶
- In October, Portugal successfully converted bonds maturing in 2013 to new bonds due in 2015, the government's first access to longer-term bond markets since April 2011. As stipulated by an EU-led bailout program, Portugal was required to regain complete access to the bond markets by September 2013.^{177,178}

Sovereign Credit Ratings

- The three major CRAs retained non-investment grade ratings on the Portuguese government during Q4, with each CRA maintaining a negative outlook for the country.

Portuguese Banks

The 1-year aggregate RMI PD for Portuguese banks continued to fall during Q4, reaching the lowest level since the end of 2009 in December. Continued support from the Government and the Bank of Portugal has helped lenders improve capitalization, and regain access to funding markets. This has led to a marked improvement in funding profiles, as banks reduced reliance on the ECB and deposit outflows slowed. Overall liquidity declined, as banks increased holdings of sovereign bonds. Furthermore, earnings remain negative amid significant economic contraction and higher provisioning. Going forward, earnings may remain weak as economic indicators in Q4 pointed to continued contraction, which is likely to reduce demand for credit and weigh upon asset quality. Wider NIMs and mark-to-market profits of sovereign holdings may partially offset this, although both sources of income are exposed to confidence in the Portuguese sovereign. With the latter in mind, the credit outlook for Portuguese lenders remains uncertain.



Profitability

- The earnings of Portuguese banks deteriorated during Q3, as the biggest bank, Banco Comercial Portugues, continued to record higher losses due to larger provisions for bad debts.
- The aggregate net income for the Portuguese banks remained in negative territory, recording a loss of EUR 263m in Q3. It is likely to stay weak as the economy continues to shrink.
- However, a proxy for the NIM of Portuguese banks widened by 10bps between September and November, as deposit rates declined faster than interest rates on new loans.

- Portuguese banks may register higher trading revenues for Q4, as sovereign bond prices increased around 17% between September and December.

Funding & Liquidity

- Portuguese banks started issuing longer-term bonds again in October. For much of 2012, banks could only raise funds through short-term bonds or from the ECB.¹⁷⁹
- Portuguese banks gradually decreased their dependence on ECB financing during Q4, with borrowings falling to EUR 54.6bn in November from the historical high of EUR 60.5bn in June.¹⁸⁰
- Deposit outflows seen during the first nine months of 2012 slowed during Q4, with total deposits falling 0.3% between September and November, after falling 1.1% in Q3, largely driven by a large increase in corporate deposits.
- Overall liquidity in the Portuguese banking sector fell during Q3, with the aggregate LATDB ratio for listed banks decreasing to 9.5% from 10.8% in Q2.

Capital Levels & Regulations

- The Bank of Portugal required the eight largest Portuguese lenders to raise EUR 474m through Q4 to cover bad loans from the real estate industry, to meet a 10% Core Tier 1 capital ratio at the end of 2012.¹⁸¹
- The government of Portugal provided state guarantees on EUR 2.8bn of loans made to Portuguese banks by the European Investment Bank in December, which should give Portuguese lenders access to an additional EUR 1bn of EIB loans.¹⁸²

Asset Quality

- Aggregate provisions for loan losses at listed banks decreased 43% QoQ during Q3, after reaching previously unseen levels in Q2. The provisions are likely to increase if the economic recession persists in Portugal.
- Banks' holdings of sovereign debt increased by EUR 36.4bn to in November. A majority of these holdings are believed to be Portuguese government bonds.¹⁸³

¹⁶⁹Nov 14, 2012, [Quarterly Unemployment rate](#), Statistics Portugal, ine.pt

¹⁷⁰Jan 8, 2013, [Consumer Confidence Indicator](#), Statistics Portugal, ine.pt

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¹⁷³Jan 8, 2013, [Portuguese MFIs: Interest per annum on new loans](#), ECB, sdw.ecb.europa.eu

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¹⁸⁰Dec 10, 2012, [Portugal banks borrow less from ECB after bond issues](#), Bank of Portugal.

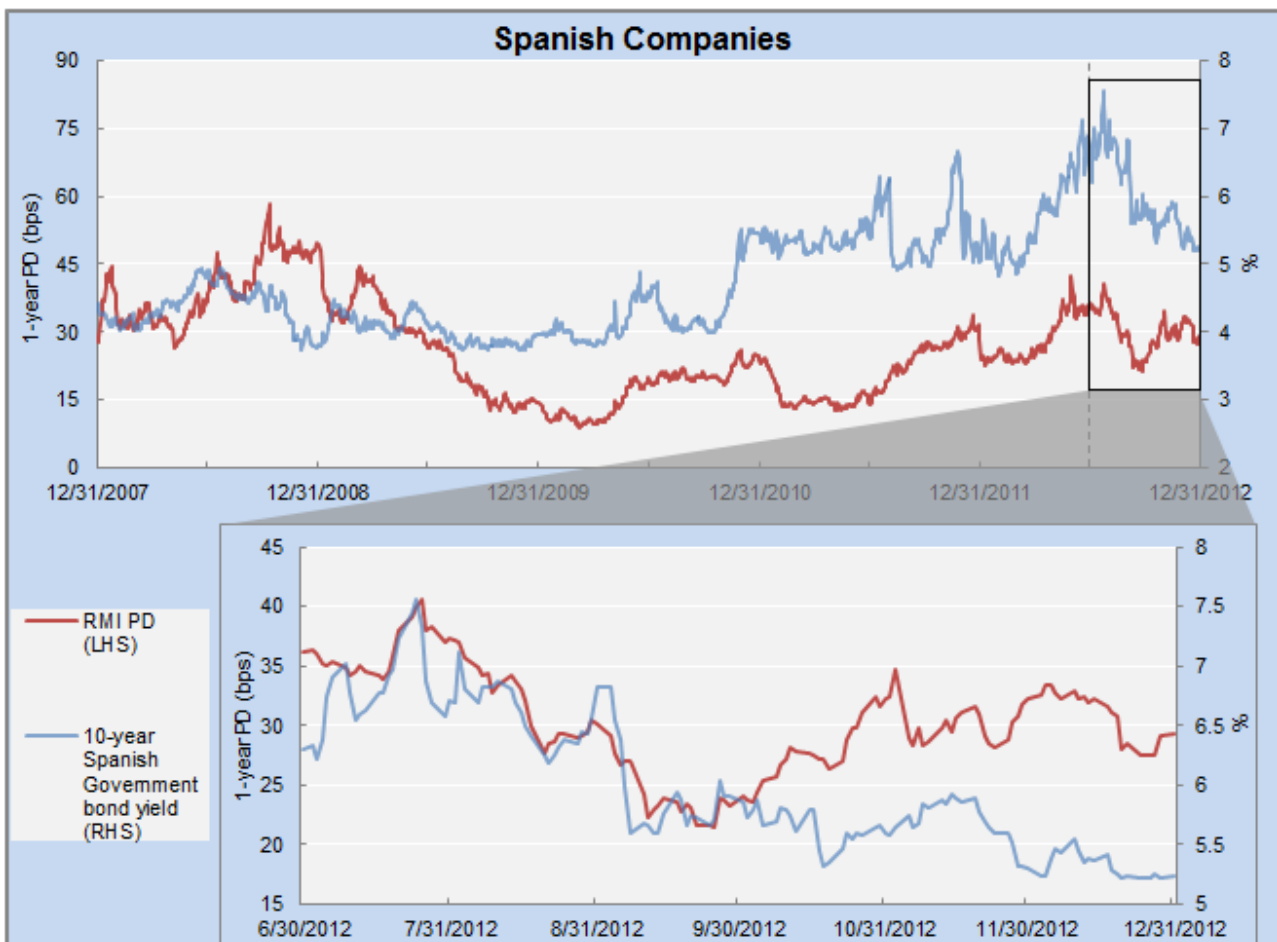
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¹⁸³Jan 3, 2013, [Portuguese MFIs: Total holdings of eurozone government debt.](#), ECB, sdw.ecb.europa.eu

Spanish Companies

The 1-year aggregate RMI PD for Spanish companies exhibited significant volatility during Q4, after reaching a yearly low at the end of Q3. An increase in market confidence, largely stemming from implicit support from the ECB, improved funding conditions within the Spanish economy during Q4. However, a deepening recession continues to weigh upon the earnings profiles of Spanish firms, with record high unemployment affecting consumer spending. Business confidence also remains low, with both the services and manufacturing sectors contracting further through Q4. Pressure on earnings is likely to continue going forward, as the government reduces spending in order to reach EU mandated targets. Funding conditions will remain dependent on market confidence in the Spanish sovereign. The likelihood of government support to business is also low, especially as the sovereign may have to extend aid to struggling regional governments. Taking these factors into account, the credit outlook for Spanish companies remains negative.



Economy

- The Spanish economy contracted by 0.3% QoQ in Q3 2012, as a deep recession continued. The economy is likely to continue its slowdown as senior government and central bank officials estimate a 0.4% QoQ contraction in Q4. The IMF expects the economy will contract 1.3% YoY during 2013.^{184, 185}
- The unemployment rate reached a record high of 26.6% in November, with 56.5% of under-25s out of work the same month.

- Retail sales dropped by 7.8% in November, the 29th consecutive month of decline, following a slide of 9.7% in October. Low consumer confidence was exacerbated by a 3% hike in value added tax, which is part of the austerity measures undertaken by the government to reduce the fiscal deficit.¹⁸⁶
- The services PMI remained low in Q4, yet rebounding to 44.3 in December from 42.4 in November, the highest level since March 2012.¹⁸⁷
- The Spanish manufacturing PMI remained in the contraction zone in Q4, dropping to 44.6 in December from 45.3 in November. New orders declined sharply despite firms reducing output prices.¹⁸⁸

Funding & Liquidity

- Yields on 10-year Spanish government bonds fell significantly in Q4, to 5.27% on 31 December from 5.94% on 28 September. The figure reached a record high of 7.6% on July 24.
- Banks reduced lending at a slower pace in Q4, with total outstanding loans to the non-financial sector falling 1.65% between September and November.¹⁸⁹
- Interest rates on new bank loans to non-financials declined during Q4, falling to 3.31% per annum in November from a 3-year high of 3.87% in May, in line with falling yields on government bonds.¹⁹⁰

Policy

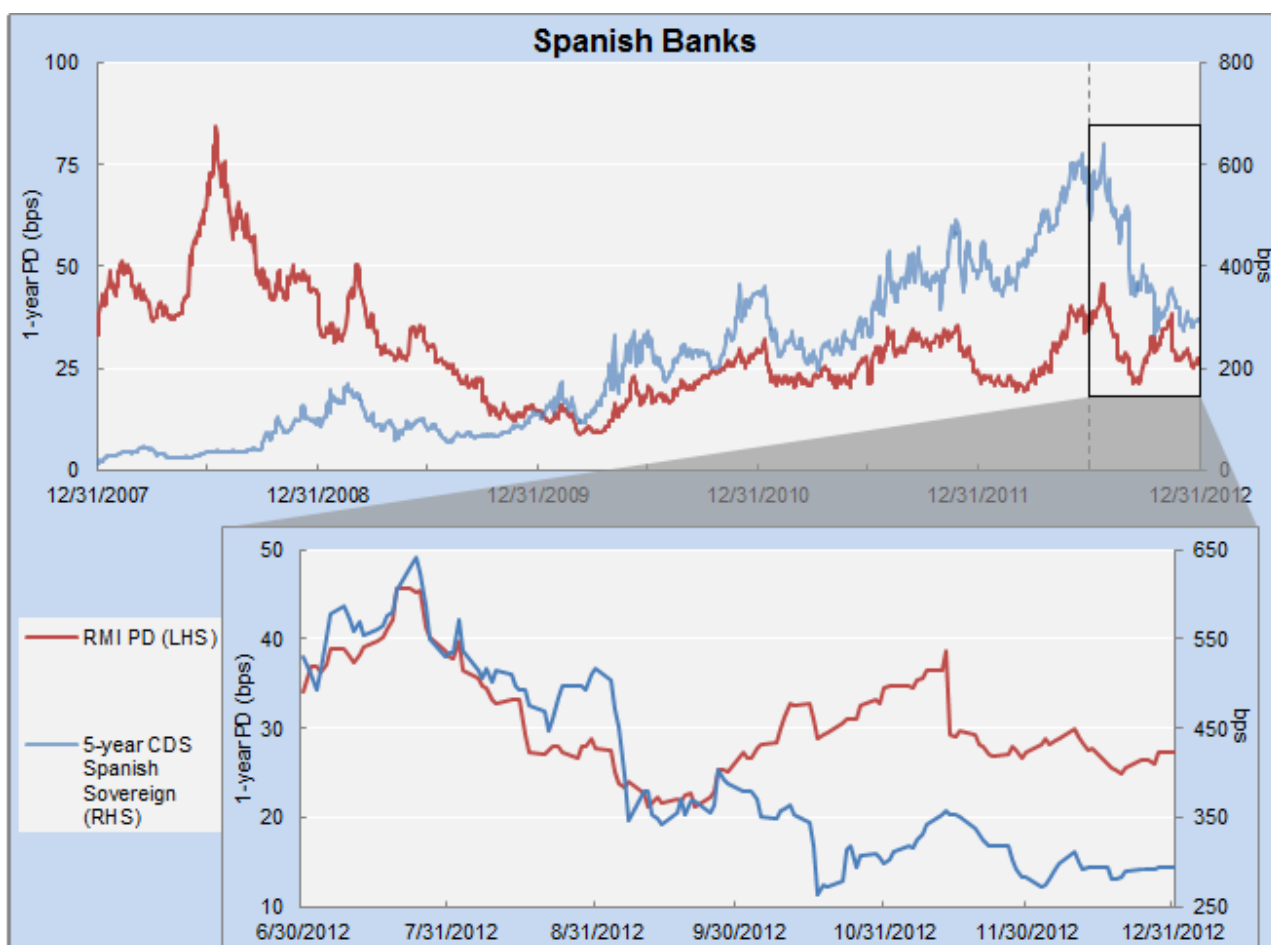
- Budget cuts by the Spanish government have directly affected public sectors such as education, social security and pensions, reducing the budget deficit to GDP ratio from a record high of 9% last year to 6.3% at present. The EU has targeted a budget deficit to GDP ratio of 2.8% in 2014.^{191,192}
- Furthermore, the government's 2013 borrowing needs continue to increase, creating uncertainty. In December, projections showed the government needed EUR 207bn through 2013, with the nation's struggling regions adding at least an additional EUR 30bn.^{193,194}
- Spain's public debt rose to a historical high of 77.4% of GDP in Q3, from 75.9% in Q2. The government anticipates that public debt reached 85% of GDP in Q4, after taking into account the new EUR 40bn injection from the ECB to Spanish banks.¹⁹⁵

Sovereign Credit Ratings

- S&P downgraded the Spanish government to BBB- from BBB+ on 10 Oct. Fitch and Moody's maintained BBB and Baa3 ratings on Spain respectively during Q4. The country remains on negative watch at all three CRAs.

Spanish Banks

The 1-year aggregate RMI PD for Spanish banks remained stable during Q4, down from highs seen during Q2. Banks have largely regained market access due to implicit support provided to the state by the ECB, which has reduced concerns about banks' sovereign loan portfolios, while the overall completion of a EUR 40bn recapitalization plan has increased creditor protection somewhat. Banks also saw a reversal of deposit outflow that occurred earlier in the year, which has contributed to an increase in overall liquidity. However, earnings continue to come under pressure from poor asset quality amid a contracting economy. A decrease in the aggregate NIM has also weighed upon earnings, and could fall further if banks increase deposit rates to attract new inflows. Going forward, pressure on earnings will continue to cloud the credit outlook of Spanish banks, with uncertainty regarding the health of the Spanish sovereign and economy also a primary driver of credit quality.



Profitability

- Ongoing contraction in the Spanish economy and increasing unemployment took a toll on banks' profitability, as Spanish banks recorded an aggregate loss of EUR 2.35bn in Q3 compared to EUR 1.49bn in Q2.
- The steep drop in earnings highlighted the massive write-downs of property and provisions of bad loans by Spanish banks in Q3.
- A proxy for the NIM of Spanish banks decreased to 0.7% during Q4, from as high as 1.5% during Q3.

Funding & Liquidity

- Spanish banks slowed issuance of longer-term bonds during Q4, with issuance of bonds with maturities over 3 years falling to EUR 1.3bn, from EUR 7.7bn during Q3. Overall yields fell in line with decreasing yields on government bonds.
- Total deposits at Spanish banks recovered in Q4 after large outflows in the first three months of 2012. Deposits increased by 1.95% MoM in November. Commercial deposits grew by 3.80% MoM in November, while the retail deposit climbed by 1.48% to EUR 726.8bn.
- Overall liquidity in the Spanish banking sector increased during Q3, with the aggregate LATDB ratio for listed banks rising to 14% from 13.6% in Q2.
- Stress on funding and liquidity problems have been slightly alleviated, since ECB borrowing by Spanish banks dropped to EUR 365bn in November, a decrease of 8.8% from EUR 400bn in September. The figure reached a record high of EUR 412bn in August.^{196,197}

Capital Levels & Regulations

- Nearly EUR 40bn of new capital provided by the EU-sponsored bank bailout fund was injected into the Spanish banking industry through Q4 following the stress test conducted at the end of Q3, which showed that banks needed recapitalization of EUR 59.3bn.¹⁹⁸
- Under the bailout terms, Spanish banks receiving new capital must drastically shrink their balance sheets, and refocus their activities on retail banking and lending to local SMEs, significantly reducing overall risk positioning.

Asset Quality

- An economic slowdown has increased defaults in the corporate and property sectors, as non-performing loans in Spanish banks hit a record of 11.23% in October, climbing from 10.71% in September.
- Nevertheless, aggregate provisions for loan losses at Spanish banks decreased by 33.4% during Q3, falling from an unprecedented high level in Q2.¹⁹⁹
- The government created a EUR 60bn bad bank, a special-purpose vehicle for which banks can transfer distressed assets to. Four nationalized banks have transferred EUR 37bn in toxic property-linked assets so far.^{200,201}

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¹⁹² Nov 14, 2012, [Rehn to Pass Judgment on Spain Deficit, EU Official Says](#), Bloomberg.

¹⁹³ Dec 5, 2012, [Spiking funding needs to pressure Spain in 2013](#), Reuters.

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²⁰¹Dec 18, 2012, [Spains Bad Bank Says Investors Will Buy 55% of Capital](#), 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 January 11, 2013, using data up to December 31, 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 Q3 2012 and Q4 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.

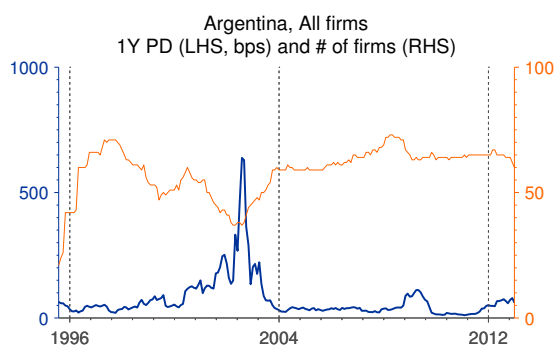
Appendix [B](#) gives 1-year aggregate PD by the four regions of Asia-Pacific developed, Asia-Pacific emerging, Latin America, North America and Western Europe. The top two graphs of each regions show the time series of the distribution of Probability of Default implied Ratings (PDiR). The PDiR methodology 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.

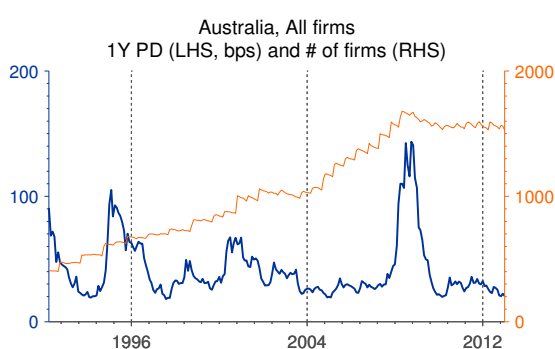
Appendix [C](#) provides common macroeconomic, corporate credit and sovereign risk indicators for each economy along with the 1-year aggregate PD for financial and non-financial firms. The graphs on the left give historical context to the values, and the table on the right give the data from the previous 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.

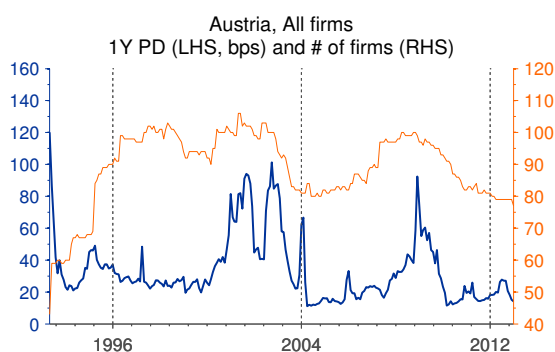
A PD by economies



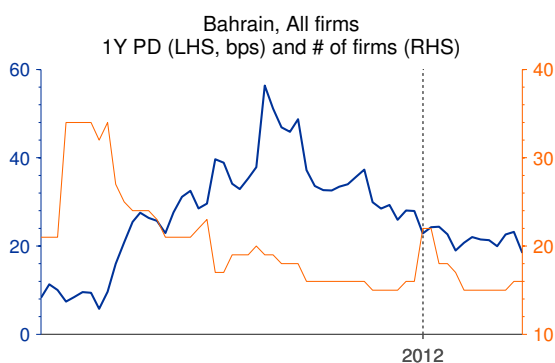
Argentina	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	9	56.3	31.3	46.9	32.7	-9.4	9.0
Basic Materials	9	61.4	62.4	66.6	63.6	5.1	21.4
Communications	4	26.0	35.4	23.8	29.5	-2.2	7.8
Consumer Cyclical	7	51.7	58.7	43.8	42.2	-7.9	19.4
Consumer Non-cyclical	13	47.4	56.9	66.2	105.3	18.8	89.9
Energy	4	40.2	41.0	41.6	34.2	1.4	10.5
Industrial	6	48.0	31.4	50.3	27.1	2.2	14.2
Utilities	5	141.4	108.4	156.7	135.1	15.4	35.8



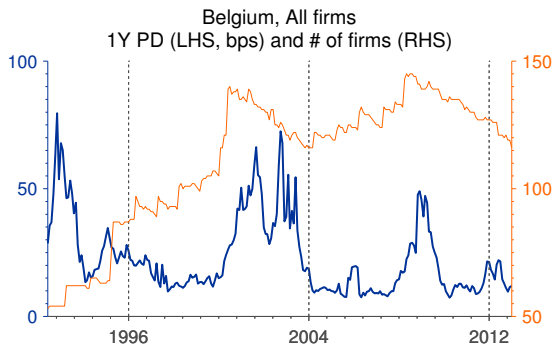
Australia	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	140	18.9	44.0	14.4	26.3	-4.4	28.2
Basic Materials	670	18.4	50.5	18.9	46.3	0.4	37.7
Communications	69	43.7	109.6	39.0	107.8	-4.7	62.8
Consumer Cyclical	73	16.2	48.4	16.0	45.2	-0.2	29.5
Consumer Non-cyclical	170	23.5	66.7	27.8	91.1	4.3	52.5
Diversified	8	8.4	10.6	68.1	171.2	59.8	161.9
Energy	199	20.3	77.6	18.8	36.7	-1.5	68.0
Industrial	108	23.8	43.1	23.8	53.2	-0.1	31.4
Technology	42	16.0	22.6	16.5	39.3	0.5	34.7
Utilities	15	19.6	39.4	19.9	46.8	0.3	18.2



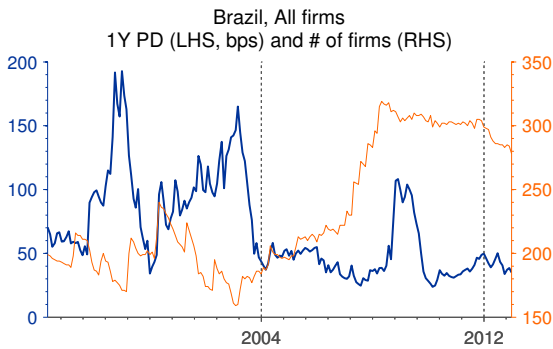
Austria	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	20	28.1	76.4	18.0	40.8	-10.1	36.2
Basic Materials	4	7.5	5.5	6.1	5.7	-1.4	3.0
Communications	3	63.2	97.5	41.0	62.7	-22.2	34.8
Consumer Cyclical	12	16.0	24.6	14.1	22.0	-1.8	6.3
Consumer Non-cyclical	8	8.3	6.1	7.5	5.4	-0.9	1.7
Energy	4	8.1	8.2	10.4	15.4	2.4	7.4
Industrial	17	15.1	23.0	14.4	22.9	-0.7	4.4
Technology	5	11.6	8.9	10.3	9.5	-1.3	1.4
Utilities	3	4.2	1.2	3.3	2.4	-1.0	2.2



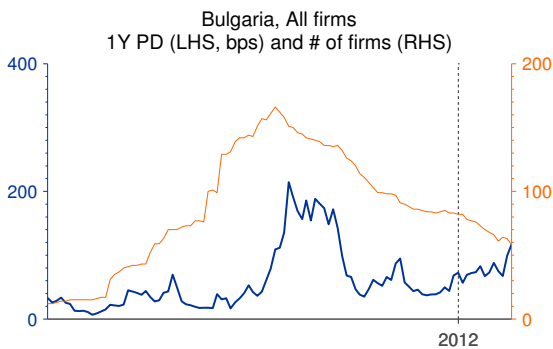
Bahrain	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	12	21.6	15.0	20.2	15.0	-1.4	7.1



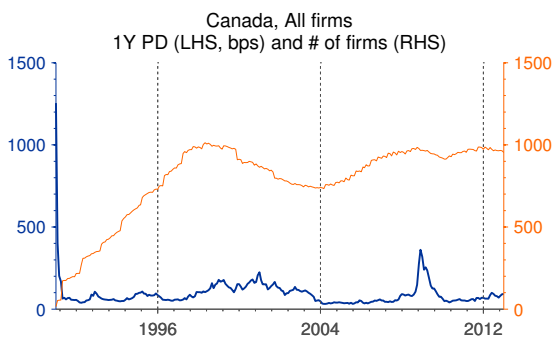
Belgium	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	31	8.6	19.9	18.0	78.5	9.4	59.8
Basic Materials	8	9.3	7.8	7.7	6.9	-1.5	2.6
Communications	7	7.7	5.8	10.5	9.8	2.8	4.9
Consumer Cyclical	6	10.0	14.6	6.3	6.2	-3.6	9.5
Consumer Non-cyclical	23	6.6	13.3	5.3	9.8	-1.3	3.9
Diversified	8	26.8	64.1	21.3	51.6	-5.5	12.5
Energy	2	92.0	57.5	62.2	5.3	-29.7	52.2
Industrial	22	9.0	6.8	8.1	6.7	-0.9	2.3
Technology	7	6.3	6.3	7.3	10.2	1.1	4.2
Utilities	2	1.9	1.5	1.8	1.7	-0.1	0.2



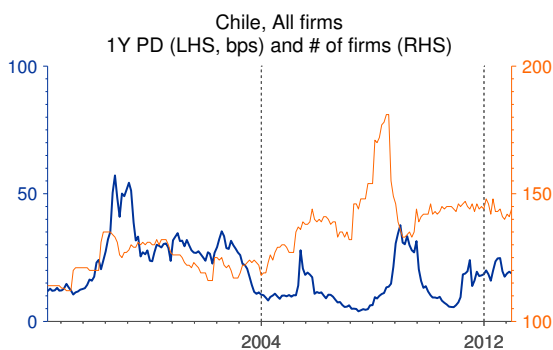
Brazil	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	62	26.9	31.2	32.9	46.5	6.0	26.9
Basic Materials	25	25.1	29.7	25.8	30.3	0.7	11.1
Communications	8	22.1	17.3	28.9	33.0	6.8	17.0
Consumer Cyclical	53	36.2	61.4	37.4	67.0	1.1	36.5
Consumer Non-cyclical	45	25.6	69.3	23.4	55.8	-2.2	18.5
Diversified	8	33.8	37.5	45.7	56.0	11.9	20.2
Energy	6	68.3	97.7	80.1	154.2	11.8	67.6
Industrial	33	61.5	107.1	66.6	101.0	5.1	42.1
Technology	2	0.6	0.7	0.8	1.0	0.1	0.2
Utilities	31	17.5	26.1	23.1	36.7	5.6	16.9



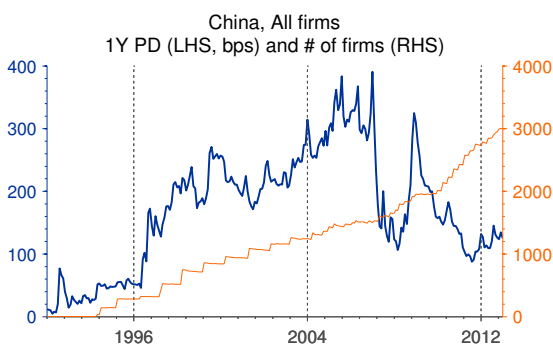
Bulgaria	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	16	25.1	20.1	17.6	15.1	-7.5	9.4
Basic Materials	4	476.1	899.9	1070.7	2094.4	594.6	1194.5
Consumer Non-cyclical	10	45.3	44.5	30.2	22.9	-15.2	27.6
Diversified	10	65.9	48.8	38.8	22.9	-27.1	29.6
Energy	3	117.6	105.5	372.0	576.0	254.3	470.5
Industrial	10	35.9	28.7	25.7	17.7	-10.3	17.4



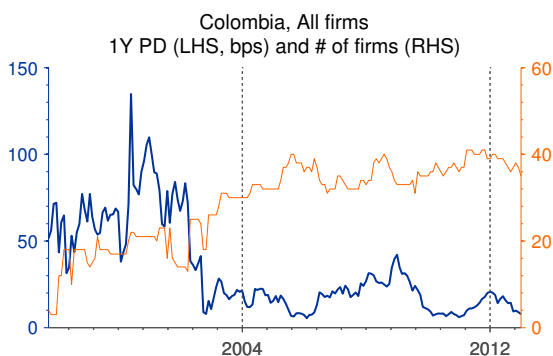
Canada	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	109	30.5	67.4	72.3	383.7	41.8	379.1
Basic Materials	326	67.7	194.2	106.6	349.0	39.0	218.6
Communications	53	57.5	141.8	104.4	551.9	46.9	458.8
Consumer Cyclical	64	41.8	77.5	43.1	83.5	1.3	38.0
Consumer Non-cyclical	102	61.8	110.6	79.5	243.8	17.7	236.7
Diversified	5	49.6	86.4	27.9	42.9	-21.7	43.5
Energy	158	85.2	215.9	133.0	430.3	47.8	250.5
Industrial	72	50.7	104.4	47.1	82.8	-3.5	62.4
Technology	31	99.2	172.9	139.5	369.4	40.2	255.0
Utilities	13	10.3	19.0	8.8	13.6	-1.5	10.3



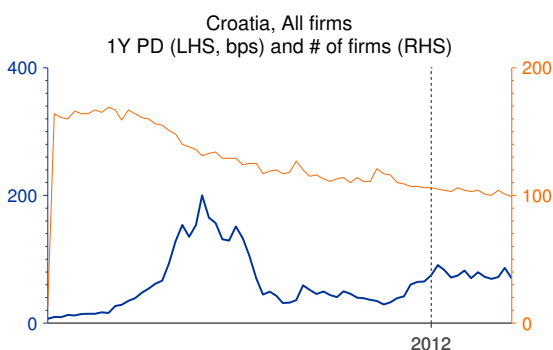
Chile	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	32	19.0	46.8	19.1	46.2	0.0	7.2
Basic Materials	15	7.2	8.7	10.6	17.6	3.4	10.7
Communications	3	7.2	6.9	7.8	6.3	0.6	3.8
Consumer Cyclical	16	27.6	71.2	29.1	59.0	1.4	26.7
Consumer Non-cyclical	29	15.6	28.6	21.4	47.8	5.8	26.7
Diversified	5	12.9	16.9	10.8	12.1	-2.2	6.8
Industrial	18	32.2	63.2	35.3	60.6	3.1	12.2
Utilities	16	8.7	16.8	6.8	15.3	-1.9	2.8



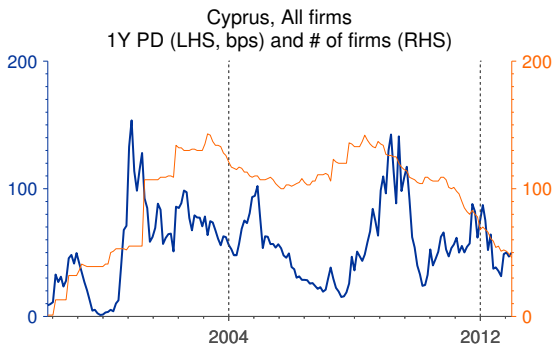
China	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	220	128.2	140.7	115.6	134.9	-12.6	77.1
Basic Materials	355	156.8	145.7	161.3	133.4	4.5	85.7
Communications	165	104.6	235.0	103.5	250.8	-1.1	72.6
Consumer Cyclical	509	129.2	158.0	126.1	120.0	-3.1	98.9
Consumer Non-cyclical	459	104.4	154.3	109.2	142.2	4.8	54.4
Diversified	28	184.8	95.9	185.7	93.5	0.9	56.3
Energy	89	106.5	174.6	104.5	140.1	-2.0	67.5
Industrial	844	126.6	152.4	130.9	148.3	4.2	86.8
Technology	168	78.0	87.0	87.1	94.0	9.1	47.1
Utilities	78	190.6	137.6	181.7	126.0	-8.9	43.6



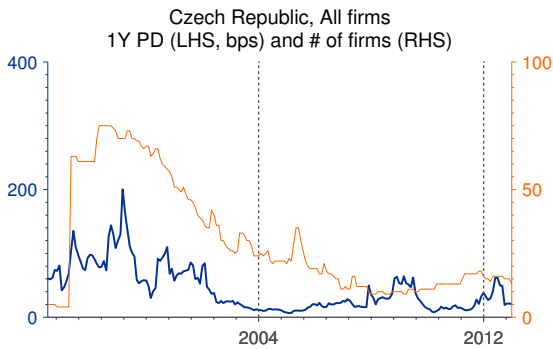
Colombia	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	12	10.2	9.4	8.0	9.8	-2.2	2.2
Basic Materials	3	5.0	5.5	6.5	8.8	1.5	3.5
Consumer Cyclical	2	1.5	0.1	0.5	0.3	-1.0	0.4
Energy	3	4.9	3.7	3.9	3.3	-1.0	0.9
Industrial	6	7.0	8.6	9.9	12.3	2.9	5.2
Utilities	4	8.1	8.0	5.9	6.1	-2.2	2.0



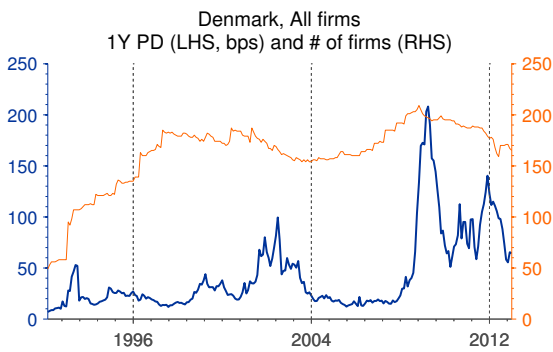
Croatia	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	17	133.3	347.6	144.7	397.7	11.4	52.1
Basic Materials	2	21.5	0.4	19.5	4.4	-2.0	4.0
Communications	4	53.3	98.4	76.3	147.7	23.0	49.7
Consumer Cyclical	25	69.7	146.8	62.6	112.6	-7.2	55.9
Consumer Non-cyclical	26	37.1	28.9	33.4	35.9	-3.6	21.3
Diversified	3	73.6	36.0	49.4	27.0	-24.2	20.5
Energy	2	1.8	1.7	2.1	0.5	0.3	1.2
Industrial	17	71.7	47.9	83.8	83.1	12.1	47.2



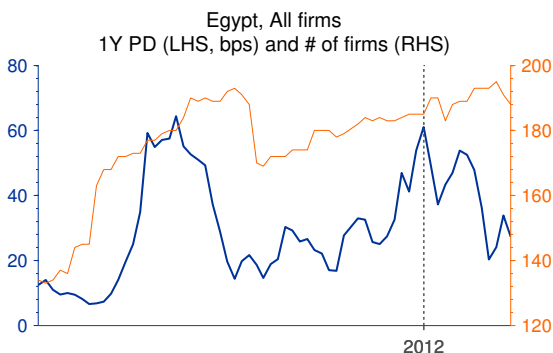
Cyprus	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	15	34.8	42.7	35.8	30.3	1.0	19.6
Consumer Cyclical	9	39.8	39.9	41.1	29.4	1.4	21.7
Consumer Non-cyclical	8	29.1	20.5	78.3	134.1	49.2	126.3
Energy	4	25.6	30.8	17.5	21.9	-8.1	9.5
Industrial	7	56.6	76.6	73.3	96.2	16.6	28.9



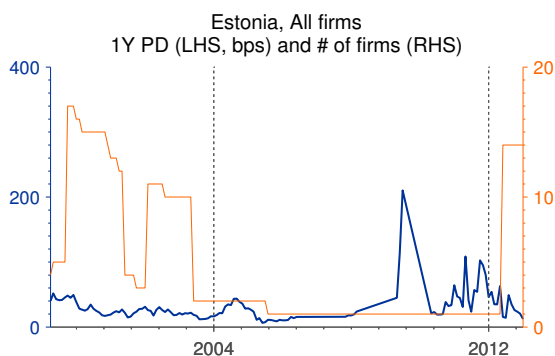
Czech Republic	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	2	30.1	26.0	29.9	28.9	-0.1	2.8
Consumer Cyclical	3	8.7	3.3	4.9	1.8	-3.8	1.5
Energy	4	41.7	46.3	43.4	53.3	1.7	7.0



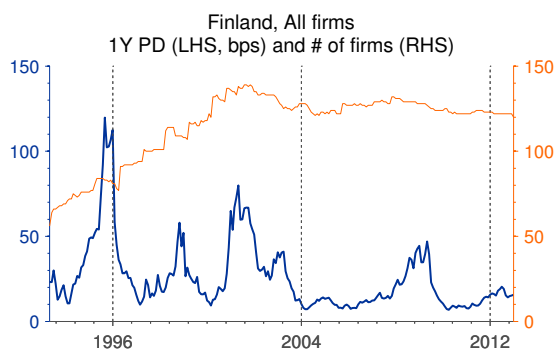
Denmark	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	61	60.9	77.2	75.0	103.9	14.0	35.2
Basic Materials	2	13.2	1.5	16.5	3.8	3.4	2.3
Communications	11	50.0	57.2	43.5	69.4	-6.5	46.1
Consumer Cyclical	17	60.8	82.9	71.8	85.2	10.9	38.0
Consumer Non-cyclical	23	40.0	121.3	34.4	83.3	-5.6	50.7
Diversified	2	35.3	31.7	39.2	39.1	3.8	7.4
Industrial	37	67.4	123.3	77.0	157.3	9.6	48.9
Technology	10	41.5	25.3	46.5	37.3	5.0	19.7



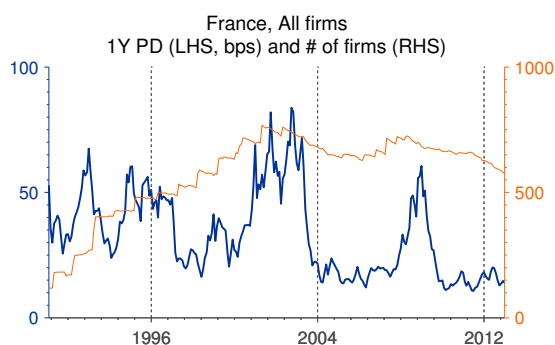
Egypt	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Basic Materials	20	16.7	19.7	28.4	33.9	11.7	15.0
Communications	5	23.1	19.7	22.1	21.1	-1.1	10.3
Consumer Cyclical	21	22.8	16.6	28.9	20.2	6.1	7.3
Consumer Non-cyclical	40	12.2	13.4	18.8	23.1	6.6	11.7
Diversified	2	25.4	32.5	52.5	68.3	27.2	35.8
Industrial	34	11.2	20.1	13.9	21.7	2.8	4.9



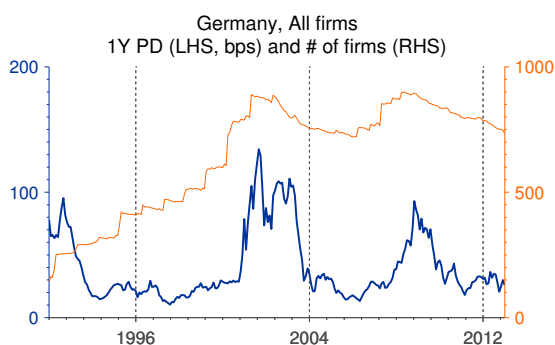
Estonia	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Consumer Cyclical	5	5.5	6.7	4.2	4.9	-1.2	1.9
Industrial	5	55.2	112.6	19.5	34.4	-35.7	78.3



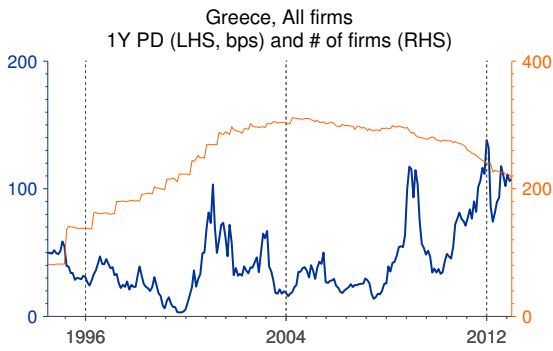
Finland	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	14	22.1	41.3	28.0	65.0	5.9	24.0
Basic Materials	10	15.9	12.7	17.6	23.7	1.8	13.5
Communications	16	11.7	11.4	12.3	14.5	0.7	7.5
Consumer Cyclical	9	11.4	14.1	11.2	13.4	-0.2	1.9
Consumer Non-cyclical	17	10.9	9.6	9.0	9.3	-1.9	3.9
Industrial	37	13.9	17.3	14.3	17.6	0.3	9.8
Technology	14	16.8	25.1	22.5	30.6	5.7	13.6



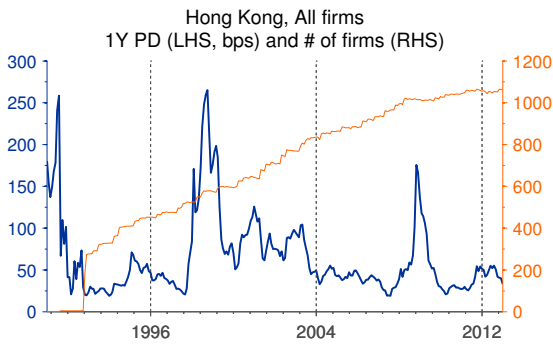
France	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	95	14.6	18.3	17.6	30.2	3.0	17.8
Basic Materials	19	22.9	46.8	20.5	26.1	-2.4	27.4
Communications	64	13.5	17.2	14.0	20.6	0.5	8.6
Consumer Cyclical	78	14.0	13.7	14.9	22.5	0.8	12.7
Consumer Non-cyclical	112	8.2	12.2	7.7	10.5	-0.5	6.3
Diversified	8	11.5	12.0	86.9	219.0	75.3	212.2
Energy	15	15.1	20.2	12.6	16.8	-2.4	12.1
Industrial	98	12.2	15.2	11.3	14.0	-0.9	5.5
Technology	77	13.5	17.0	12.7	15.5	-0.8	8.7
Utilities	9	10.8	10.8	7.3	6.1	-3.4	6.7



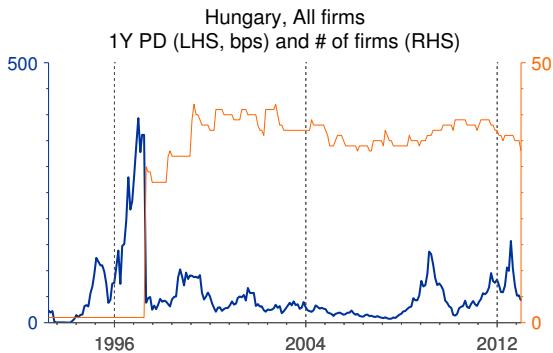
Germany	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	176	23.7	61.1	32.1	129.2	8.5	100.7
Basic Materials	24	14.7	38.9	28.9	115.6	14.2	77.3
Communications	73	15.5	33.7	22.0	73.8	6.5	66.0
Consumer Cyclical	96	11.8	19.8	12.9	20.9	1.1	12.5
Consumer Non-cyclical	101	18.1	51.7	28.8	160.8	10.7	164.4
Diversified	6	49.1	94.7	55.7	120.6	6.6	27.1
Energy	20	85.8	311.5	112.6	417.1	26.9	106.3
Industrial	145	17.4	56.3	21.5	91.1	4.1	36.2
Technology	78	10.5	13.9	12.2	20.8	1.7	10.2
Utilities	10	8.4	10.7	5.4	4.3	-3.0	6.9



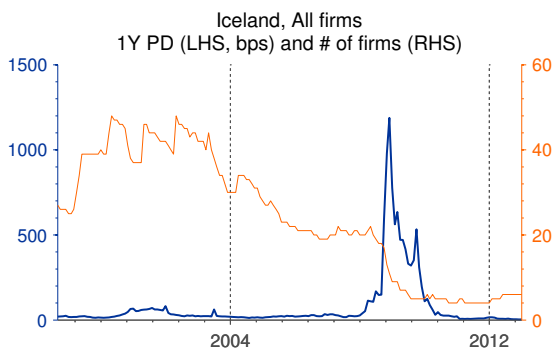
Greece	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	19	62.7	86.2	31.5	30.2	-31.2	77.9
Basic Materials	13	21.2	15.6	11.1	8.2	-10.2	10.9
Communications	14	188.7	347.3	51.6	42.1	-137.1	327.9
Consumer Cyclical	39	46.6	43.8	36.0	68.7	-10.7	56.3
Consumer Non-cyclical	37	46.4	43.2	24.6	25.9	-21.9	28.4
Diversified	2	41.3	40.8	9.3	2.2	-32.0	38.6
Energy	5	16.5	9.6	7.8	5.1	-8.7	7.4
Industrial	70	191.8	607.3	271.2	1086.3	79.4	504.8
Technology	10	46.9	42.7	25.9	22.4	-21.0	27.0
Utilities	3	11.8	8.6	5.0	2.6	-6.8	6.5



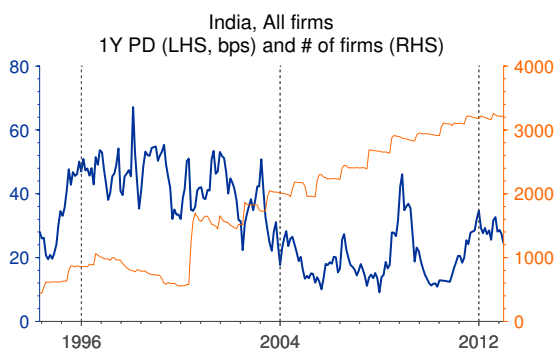
Hong Kong	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	217	36.1	62.3	30.8	57.3	-5.3	41.3
Basic Materials	52	62.3	101.9	52.9	104.6	-9.4	31.3
Communications	85	39.2	68.4	35.3	68.8	-3.9	34.5
Consumer Cyclical	251	37.0	91.5	29.8	58.5	-7.2	57.4
Consumer Non-cyclical	118	25.0	36.5	23.7	44.9	-1.3	37.1
Diversified	42	28.8	31.3	19.9	31.9	-8.8	16.6
Energy	37	93.2	135.0	75.6	130.5	-17.6	55.5
Industrial	173	52.1	87.6	33.9	44.2	-18.2	64.3
Technology	56	53.2	104.1	44.1	72.8	-9.1	78.1
Utilities	16	24.9	45.3	9.1	11.5	-15.8	35.6



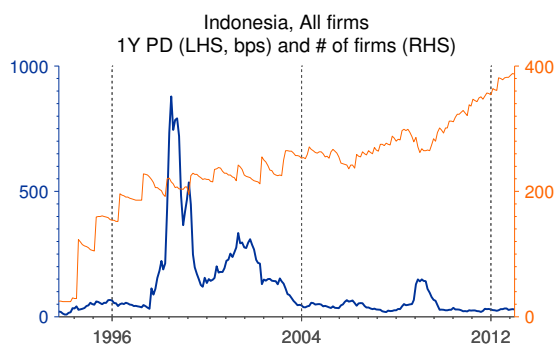
Hungary	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	9	24.3	16.9	41.0	56.4	16.7	46.8
Basic Materials	2	35.6	7.8	47.6	13.2	12.0	5.4
Communications	3	204.0	328.2	122.1	123.0	-82.0	214.5
Consumer Cyclical	4	36.6	20.0	39.1	31.0	2.6	12.4
Consumer Non-cyclical	6	18.5	19.1	24.1	33.6	5.5	16.5
Diversified	2	38.5	11.9	55.5	23.5	17.0	11.7
Energy	2	45.5	44.9	11.3	0.9	-34.2	45.8
Technology	3	23.7	5.6	24.6	3.8	0.9	1.8
Utilities	2	17.9	1.7	25.9	7.0	8.0	5.3



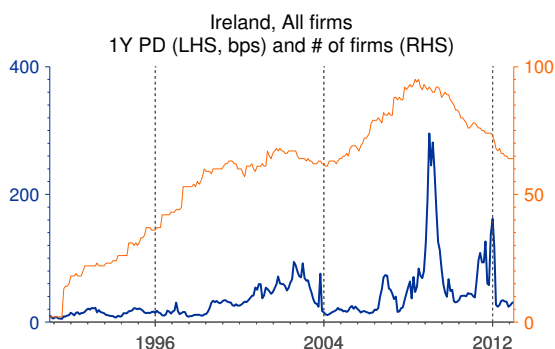
Iceland	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Consumer Cyclical	2	5.4	6.2	3.1	3.6	-2.3	2.6
Consumer Non-cyclical	2	2.6	0.8	2.2	0.4	-0.5	0.4



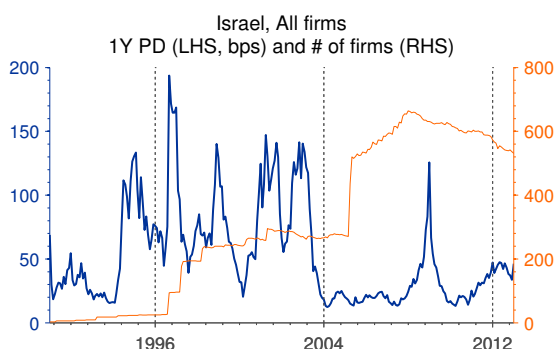
India	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	463	33.2	74.5	25.2	47.2	-8.0	53.4
Basic Materials	443	30.7	58.5	26.6	56.3	-4.1	27.7
Communications	121	28.9	58.2	25.7	49.2	-3.3	31.3
Consumer Cyclical	637	28.1	38.6	24.6	35.6	-3.5	22.5
Consumer Non-cyclical	494	22.8	59.7	18.3	33.5	-4.5	49.7
Diversified	25	28.4	26.8	24.6	30.6	-3.8	26.2
Energy	58	43.1	60.5	33.7	40.6	-9.4	33.8
Industrial	693	26.1	36.5	23.3	32.7	-2.8	15.7
Technology	194	26.1	72.1	31.2	93.2	5.1	71.9
Utilities	34	44.4	52.2	38.9	46.7	-5.5	21.8



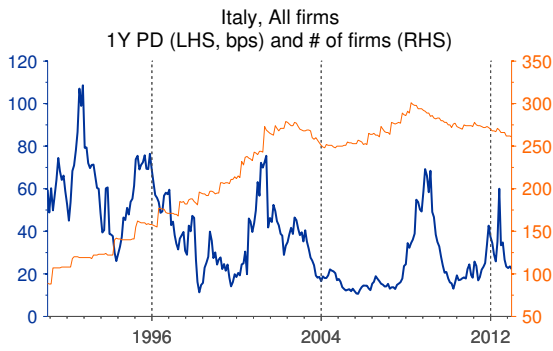
Indonesia	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	99	31.9	30.4	32.7	33.1	0.8	9.6
Basic Materials	45	33.8	41.6	37.5	46.2	3.6	18.4
Communications	24	37.6	76.8	36.2	71.3	-1.4	16.6
Consumer Cyclical	58	15.6	15.5	17.7	19.3	2.1	9.3
Consumer Non-cyclical	58	11.1	16.7	12.8	20.3	1.7	6.5
Energy	27	52.2	106.8	49.5	89.7	-2.7	19.9
Industrial	54	19.6	24.6	21.7	27.5	2.0	7.7
Technology	5	82.7	164.7	108.5	222.5	25.7	58.0
Utilities	3	25.3	29.4	21.7	28.3	-3.5	2.7



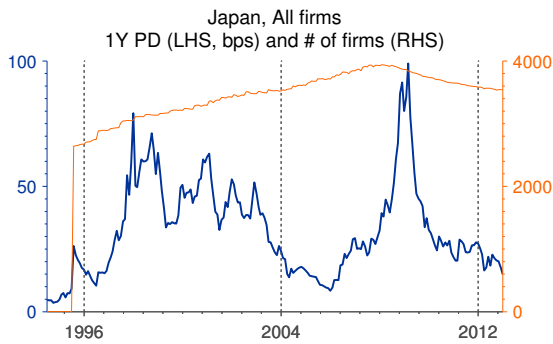
Ireland	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	11	19.2	19.0	20.2	31.8	1.1	16.1
Basic Materials	9	62.0	97.9	46.0	48.8	-16.0	53.4
Communications	4	50.4	62.4	214.4	377.3	164.0	371.9
Consumer Cyclical	4	1.9	2.0	2.1	2.4	0.2	0.7
Consumer Non-cyclical	17	14.5	21.3	13.8	23.5	-0.7	21.5
Energy	11	23.5	22.5	21.7	18.0	-1.9	11.5
Industrial	5	3.7	1.9	2.3	1.0	-1.4	1.8
Technology	2	8.6	11.6	6.0	8.2	-2.6	3.4



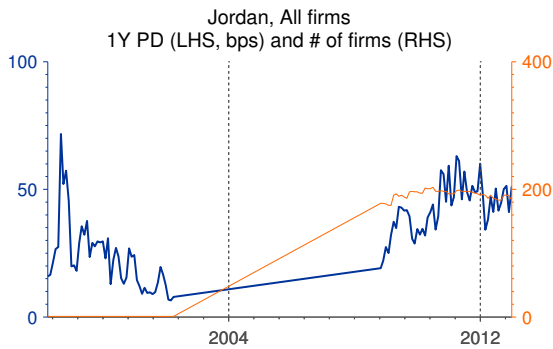
Israel	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Basic Materials	14	11.1	15.5	9.5	11.3	-1.6	12.1
Communications	41	72.5	214.6	59.9	143.1	-12.5	95.9
Consumer Cyclical	52	20.3	29.4	16.3	18.0	-4.0	20.5
Consumer Non-cyclical	91	19.3	40.1	14.5	26.4	-4.8	23.6
Diversified	12	85.9	145.9	222.1	663.2	136.2	579.4
Energy	32	30.5	95.1	164.1	428.6	133.6	347.2
Industrial	94	25.3	70.1	17.9	28.2	-7.4	60.5
Technology	36	38.1	102.7	33.2	106.9	-4.9	56.5



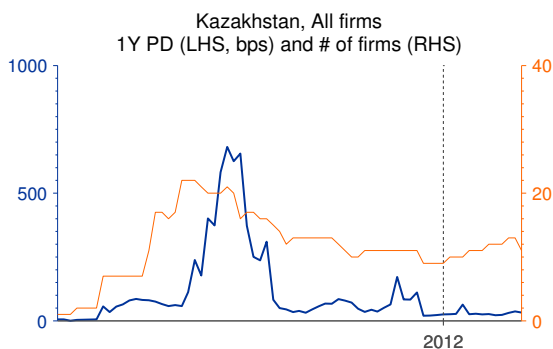
Italy	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	53	32.0	40.7	32.1	38.4	0.1	19.5
Basic Materials	7	33.9	29.5	33.6	34.8	-0.3	14.6
Communications	31	23.0	39.8	24.5	35.9	1.5	17.1
Consumer Cyclical	45	22.3	22.9	20.1	21.2	-2.1	13.6
Consumer Non-cyclical	33	16.5	23.3	14.0	14.6	-2.5	16.6
Diversified	4	19.0	8.8	18.2	12.7	-0.8	4.1
Energy	14	18.4	15.7	31.2	44.5	12.7	30.1
Industrial	48	13.5	11.5	12.7	11.7	-0.8	5.2
Technology	13	34.7	28.7	35.8	35.9	1.2	22.5
Utilities	12	12.8	9.8	10.6	7.4	-2.2	3.5



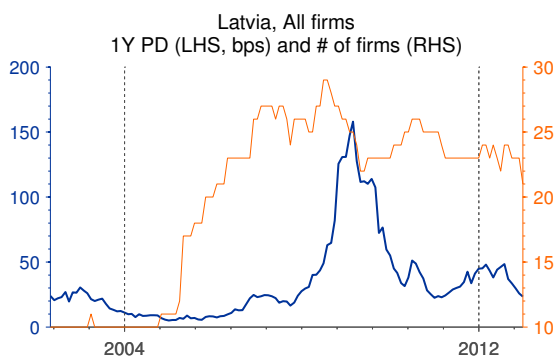
Japan	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	318	38.5	58.1	32.6	62.2	-6.0	41.1
Basic Materials	243	22.4	33.3	13.1	21.0	-9.3	16.6
Communications	244	12.8	21.6	9.8	15.4	-2.9	11.8
Consumer Cyclical	870	18.0	27.6	14.3	23.2	-3.7	13.7
Consumer Non-cyclical	566	10.4	21.2	9.3	22.7	-1.1	11.5
Diversified	2	24.6	9.6	22.5	18.6	-2.2	9.0
Energy	17	34.1	46.3	19.6	23.9	-14.5	28.7
Industrial	973	22.2	29.4	15.0	24.4	-7.2	16.4
Technology	261	13.6	23.3	12.3	25.5	-1.3	12.1
Utilities	25	38.1	61.6	25.5	37.0	-12.7	25.8



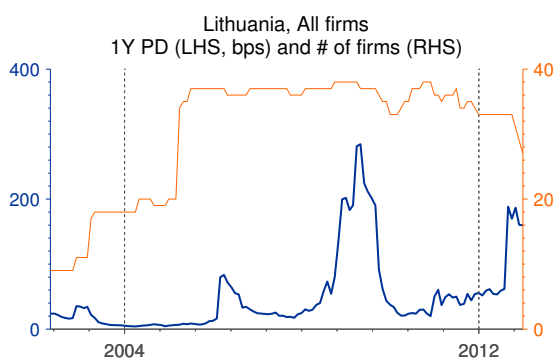
Jordan	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Basic Materials	17	19.5	18.0	22.6	27.7	3.1	14.2
Communications	3	60.9	91.3	68.5	110.4	7.6	19.8
Consumer Cyclical	18	53.3	76.9	64.4	114.4	11.1	50.3
Consumer Non-cyclical	23	51.1	71.5	39.4	66.9	-11.7	23.0
Diversified	2	13.8	13.5	12.9	15.0	-0.9	1.5
Energy	2	55.6	78.6	46.2	65.4	-9.4	13.2
Industrial	23	38.0	31.5	39.7	42.6	1.7	17.9
Utilities	2	58.4	32.5	68.5	51.0	10.1	18.5



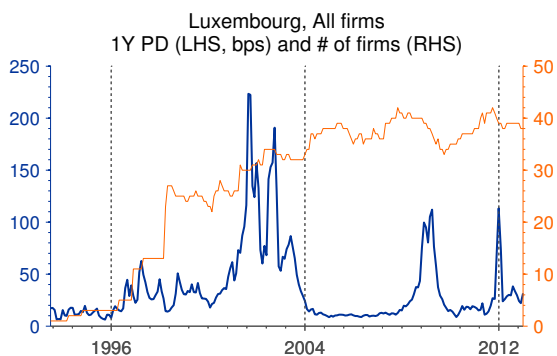
Kazakhstan	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	4	34.1	23.4	45.5	33.8	11.4	10.8
Consumer Non-cyclical	2	2.0	2.8	2.3	3.3	0.4	0.5



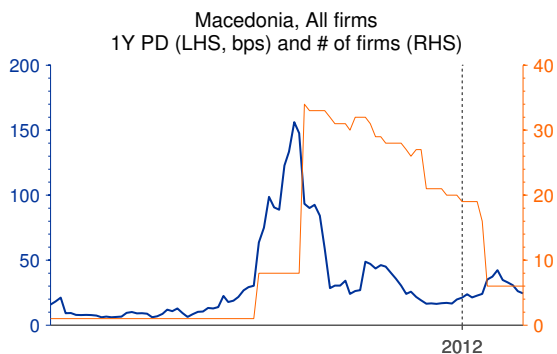
Latvia	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Basic Materials	2	45.8	11.6	12.7	0.1	-33.0	11.5
Consumer Cyclical	3	20.0	13.3	28.3	20.8	8.3	7.5
Consumer Non-cyclical	6	25.6	13.6	17.2	12.2	-8.4	9.6
Industrial	7	54.1	40.7	36.8	28.0	-17.3	23.6



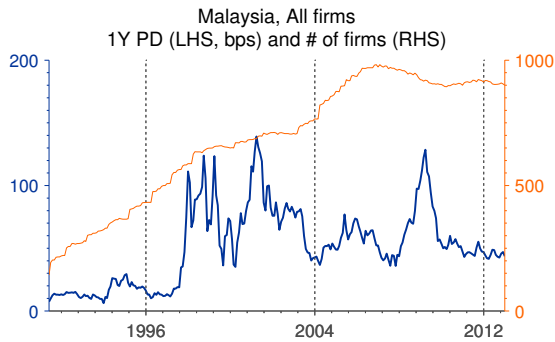
Lithuania	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	3	53.0	13.8	55.4	9.4	2.4	11.4
Consumer Cyclical	6	37.6	35.5	26.9	24.3	-10.7	11.7
Consumer Non-cyclical	8	469.7	1285.9	408.9	1120.3	-60.8	165.7
Industrial	4	193.8	308.0	171.4	271.1	-22.4	38.0
Utilities	3	9.3	8.5	7.2	7.6	-2.0	1.0



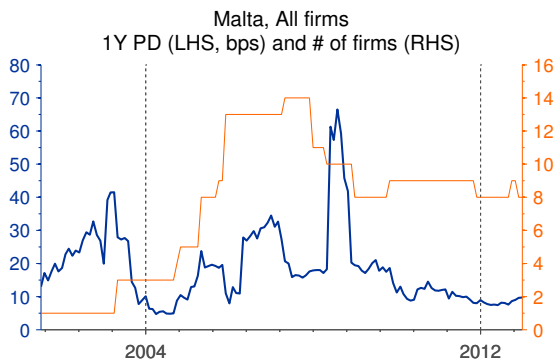
Luxembourg	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	13	13.7	17.4	11.0	13.4	-2.7	8.9
Basic Materials	5	19.0	17.2	11.4	5.1	-7.6	14.9
Communications	3	4.8	6.3	13.1	20.9	8.3	14.6
Consumer Cyclical	3	240.2	397.5	286.5	478.6	46.3	81.2
Consumer Non-cyclical	10	5.5	3.1	7.1	6.4	1.6	6.1
Industrial	3	16.0	12.9	6.5	5.4	-9.5	7.9



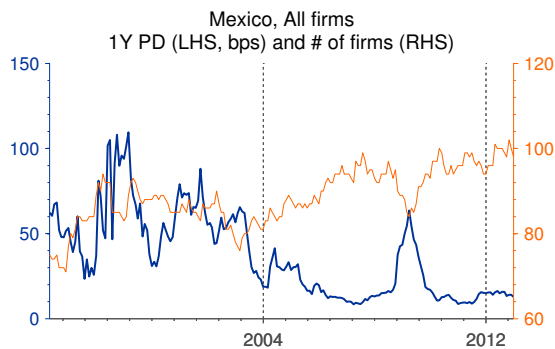
Macedonia	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	5	35.6	11.9	26.8	17.4	-8.7	8.2



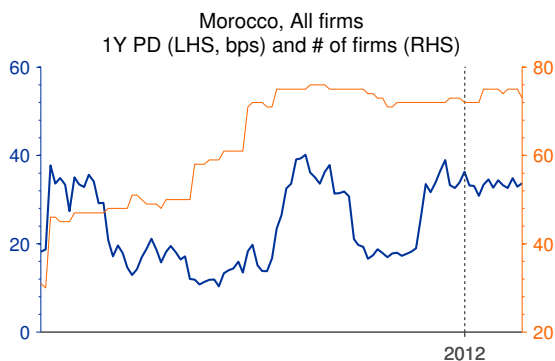
Malaysia	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	129	33.1	45.9	37.5	56.7	4.4	25.9
Basic Materials	67	60.9	83.9	67.8	86.6	6.9	33.4
Communications	35	27.1	37.8	28.7	41.0	1.6	16.1
Consumer Cyclical	120	38.2	55.1	40.5	58.4	2.3	17.4
Consumer Non-cyclical	147	27.7	53.0	31.3	90.1	3.6	63.2
Diversified	24	24.5	32.2	27.8	34.8	3.2	7.1
Energy	25	62.9	147.6	95.2	292.0	32.3	155.2
Industrial	273	45.3	72.9	51.3	124.0	6.0	92.3
Technology	62	35.5	57.6	31.9	40.6	-3.6	27.7
Utilities	6	12.3	22.4	8.7	15.6	-3.6	6.9



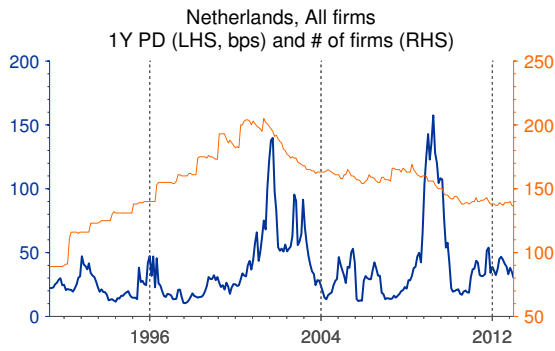
Malta	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	7	10.0	8.2	11.0	8.3	1.0	3.3



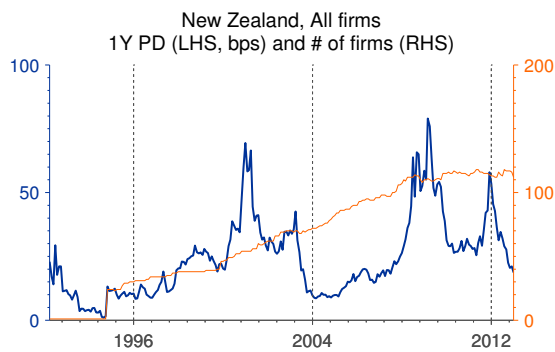
Mexico	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	14	16.3	18.2	16.1	15.4	-0.1	8.2
Basic Materials	11	3.5	3.9	2.2	2.2	-1.4	2.6
Communications	7	12.1	14.0	12.4	17.2	0.4	5.6
Consumer Cyclical	20	19.0	27.4	21.0	35.3	2.0	11.2
Consumer Non-cyclical	18	5.6	15.3	5.5	16.5	-0.1	1.3
Diversified	6	3.8	2.9	3.0	2.6	-0.8	0.9
Industrial	18	24.1	47.4	20.0	32.5	-4.2	17.4



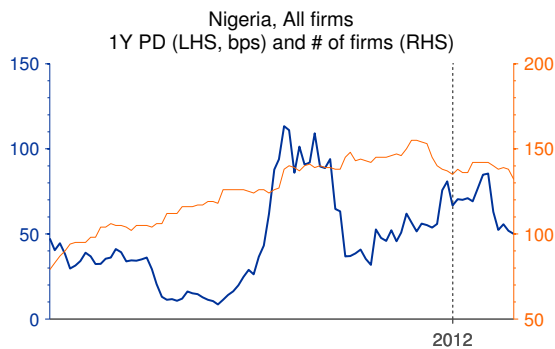
Morocco	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Basic Materials	11	21.7	27.6	23.0	23.7	1.2	9.0
Consumer Cyclical	7	30.9	26.5	31.5	20.0	0.6	9.1
Consumer Non-cyclical	13	46.4	117.5	47.1	131.9	0.7	16.3
Industrial	11	22.0	15.7	23.9	16.0	1.9	12.2
Technology	5	22.1	32.3	28.5	42.4	6.5	10.2
Utilities	2	29.3	15.0	30.9	16.5	1.6	1.5



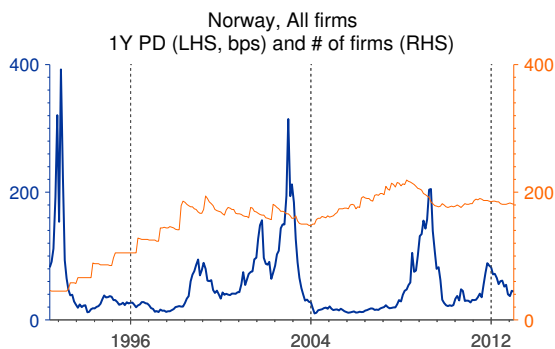
Netherlands	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	22	31.6	32.6	32.3	33.3	0.7	30.2
Basic Materials	6	9.3	5.6	7.5	4.9	-1.8	1.9
Communications	11	8.7	8.4	9.2	9.2	0.5	4.7
Consumer Cyclical	13	11.5	9.3	23.2	41.6	11.7	35.4
Consumer Non-cyclical	27	9.3	9.2	9.2	10.5	-0.1	4.2
Diversified	2	44.9	62.5	27.6	38.5	-17.3	24.1
Energy	6	25.3	35.0	22.5	35.1	-2.8	9.5
Industrial	31	28.3	69.0	42.3	151.0	14.0	84.7
Technology	17	75.9	147.0	68.2	199.6	-7.7	175.7



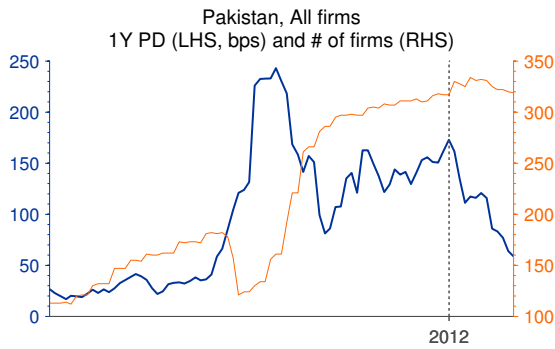
New Zealand	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	18	4.1	8.5	2.7	5.5	-1.4	4.0
Basic Materials	4	29.3	16.3	38.5	31.2	9.2	19.3
Communications	5	4.1	7.2	4.3	7.9	0.2	1.0
Consumer Cyclical	22	22.3	42.3	17.5	36.3	-4.7	7.5
Consumer Non-cyclical	29	42.1	102.1	31.2	80.0	-10.8	46.0
Diversified	4	10.4	14.0	32.9	61.8	22.4	47.9
Energy	6	7.7	7.2	11.3	13.7	3.6	8.3
Industrial	13	17.5	39.3	13.7	27.0	-3.8	13.8
Technology	5	60.5	102.8	34.0	49.1	-26.5	56.3
Utilities	5	1.6	2.5	1.6	1.6	0.1	1.9



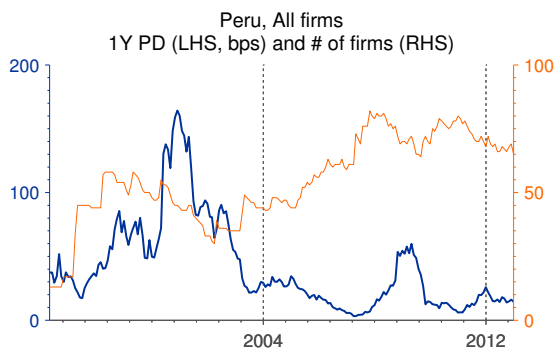
Nigeria	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Basic Materials	11	40.9	45.0	43.9	57.8	3.0	31.9
Communications	2	57.7	68.9	48.9	61.2	-8.8	7.7
Consumer Cyclical	14	58.8	106.7	58.2	107.5	-0.6	11.8
Consumer Non-cyclical	32	40.7	76.4	42.3	70.9	1.6	20.7
Energy	6	95.0	128.6	76.7	81.9	-18.4	48.6
Industrial	19	67.5	73.9	70.3	99.1	2.8	37.3
Technology	2	66.2	0.8	63.9	2.6	-2.4	1.8



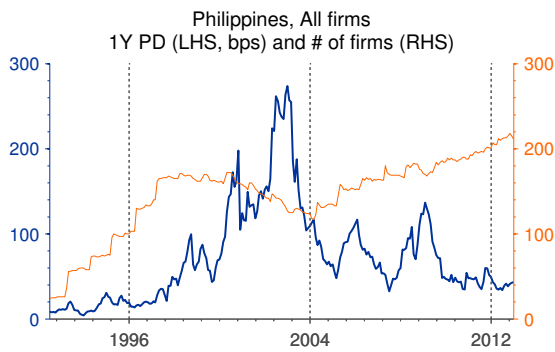
Norway	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	35	90.8	197.0	50.0	54.5	-40.8	173.7
Basic Materials	5	15.5	20.8	20.0	25.6	4.5	8.0
Communications	9	14.5	10.1	22.7	28.8	8.2	21.0
Consumer Cyclical	4	16.6	13.4	17.0	15.2	0.4	3.8
Consumer Non-cyclical	34	22.8	28.3	48.2	120.1	25.4	113.7
Energy	29	29.3	28.4	62.5	103.1	33.2	84.2
Industrial	49	27.2	29.5	29.7	30.1	2.5	17.9
Technology	12	64.9	149.5	77.5	166.8	12.6	20.8
Utilities	2	6.3	2.5	4.7	0.4	-1.5	2.2



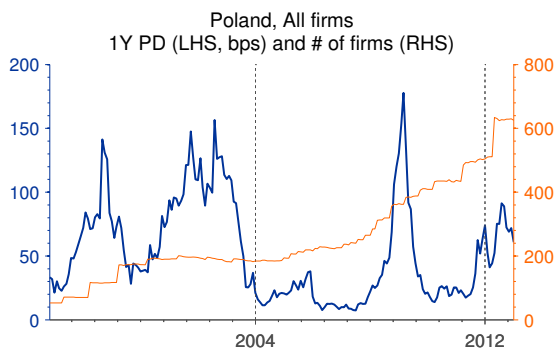
Pakistan	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	73	73.8	73.5	52.8	48.3	-21.1	32.9
Basic Materials	32	52.1	81.1	39.4	64.4	-12.8	22.6
Communications	6	64.3	63.9	81.7	82.6	17.4	19.7
Consumer Cyclical	91	108.1	115.7	72.0	97.5	-36.1	49.3
Consumer Non-cyclical	48	69.6	134.0	49.2	87.6	-20.5	53.2
Energy	10	91.9	138.5	55.8	83.0	-36.1	59.3
Industrial	47	73.5	85.5	49.4	52.8	-24.1	41.7
Utilities	9	149.3	159.7	137.7	160.4	-11.5	21.7



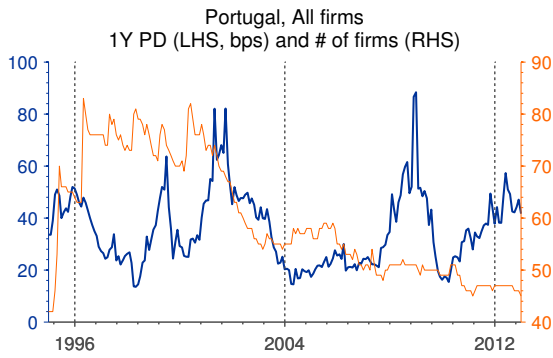
Peru	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	13	13.2	19.8	13.1	16.7	-0.2	5.0
Basic Materials	17	7.1	12.2	10.9	22.2	3.8	16.5
Communications	2	15.8	0.6	12.0	2.9	-3.8	2.4
Consumer Cyclical	4	23.4	11.9	21.1	8.7	-2.4	9.2
Consumer Non-cyclical	14	13.6	12.5	18.8	19.2	5.2	11.7
Diversified	3	6.6	4.9	9.1	7.0	2.4	2.2
Industrial	3	22.2	13.8	26.8	16.2	4.5	7.0
Utilities	6	3.2	5.0	2.9	4.5	-0.4	0.6



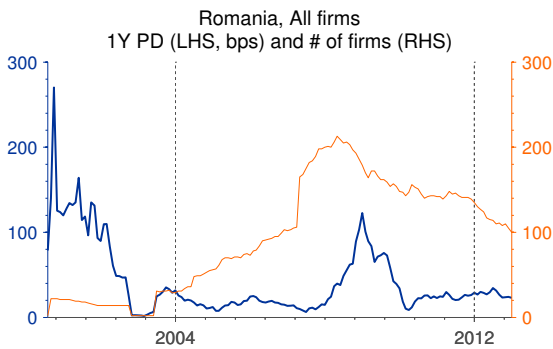
Philippines	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	65	46.0	63.5	47.7	67.2	1.8	23.7
Basic Materials	24	16.3	17.5	17.7	17.7	1.4	7.2
Communications	14	40.9	50.0	37.2	41.3	-3.8	19.3
Consumer Cyclical	16	47.6	76.4	73.7	116.8	26.1	68.6
Consumer Non-cyclical	30	43.7	98.4	46.4	76.2	2.7	41.0
Diversified	17	31.9	46.8	44.9	76.4	13.0	38.5
Energy	14	16.0	32.1	15.2	29.6	-0.9	14.5
Industrial	13	62.2	85.3	75.4	115.3	13.2	34.4
Technology	2	2.1	0.5	3.3	2.5	1.2	3.0
Utilities	12	11.7	15.0	43.7	119.1	32.0	105.1



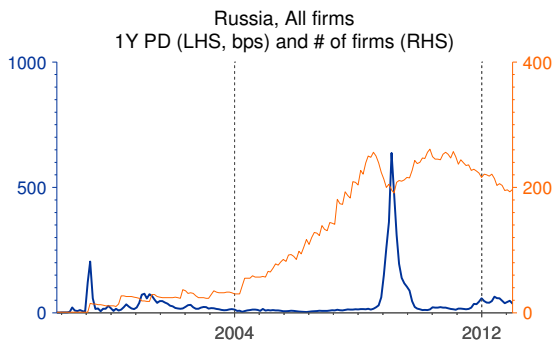
Poland	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	107	67.0	196.1	55.3	89.5	-11.7	151.3
Basic Materials	27	30.8	33.2	26.9	36.6	-4.0	10.0
Communications	69	83.0	138.1	52.0	79.2	-31.0	86.4
Consumer Cyclical	90	69.2	128.7	93.4	280.9	24.2	203.2
Consumer Non-cyclical	101	66.2	188.3	51.8	110.7	-14.4	107.6
Diversified	2	44.9	34.4	26.9	14.9	-18.0	19.6
Energy	17	37.7	70.9	41.4	76.1	3.7	44.4
Industrial	144	93.8	394.9	72.8	328.9	-21.0	170.5
Technology	52	48.5	89.2	47.9	134.0	-0.6	53.1
Utilities	10	43.1	57.5	29.2	29.3	-13.9	30.9



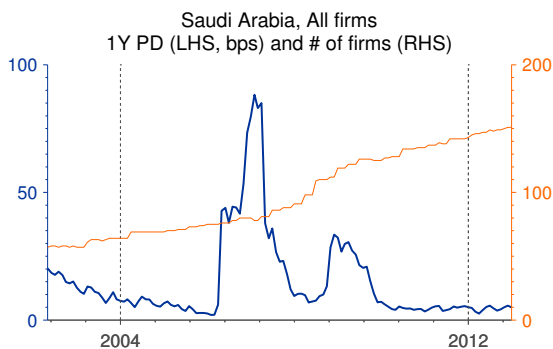
Portugal	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	4	23.9	9.0	18.1	8.1	-5.8	4.4
Basic Materials	6	20.2	23.2	21.5	27.2	1.3	8.1
Communications	7	26.1	15.8	30.7	24.9	4.7	15.1
Consumer Cyclical	7	66.1	49.4	80.9	69.8	14.9	26.3
Consumer Non-cyclical	6	77.1	90.8	57.6	69.1	-19.4	40.0
Diversified	2	56.2	6.6	58.2	9.7	2.1	16.2
Industrial	7	39.3	28.8	40.4	33.8	1.2	10.8
Technology	3	35.6	26.7	42.6	34.9	7.1	15.2
Utilities	2	6.8	1.9	5.2	1.2	-1.6	0.8



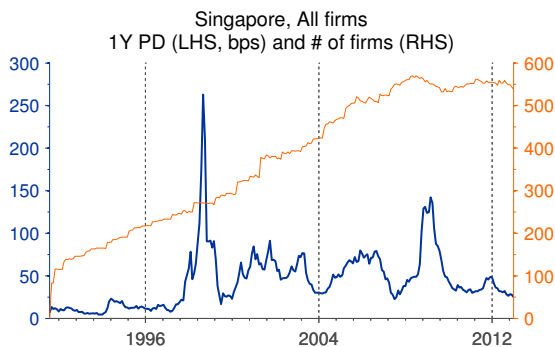
Romania	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	7	20.5	15.2	20.8	17.8	0.3	6.3
Basic Materials	12	21.9	20.8	22.3	23.3	0.4	8.0
Consumer Cyclical	14	22.8	22.7	22.4	34.8	-0.4	16.3
Consumer Non-cyclical	13	13.5	9.2	11.8	6.8	-1.8	3.5
Energy	12	17.6	16.1	16.7	15.5	-0.9	3.8
Industrial	35	30.9	26.0	31.1	27.6	0.2	13.7
Utilities	2	9.6	11.5	8.5	10.1	-1.1	1.4



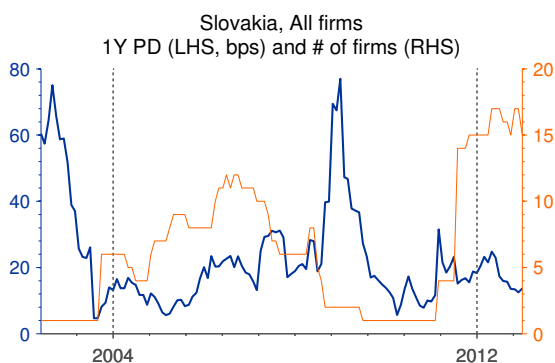
Russia	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	17	41.7	27.7	53.8	62.3	12.1	37.7
Basic Materials	25	20.3	14.8	18.2	14.9	-2.1	10.7
Communications	10	16.2	19.8	18.1	27.0	1.9	8.7
Consumer Cyclical	12	30.3	16.6	30.9	18.0	0.6	7.2
Consumer Non-cyclical	20	32.3	27.3	30.7	24.5	-1.6	15.7
Energy	23	16.5	12.7	32.6	65.5	16.1	58.0
Industrial	21	33.7	27.8	33.4	28.0	-0.3	12.0
Technology	2	7.0	0.1	7.4	0.2	0.4	0.1
Utilities	56	59.9	57.5	51.2	47.6	-8.7	47.8



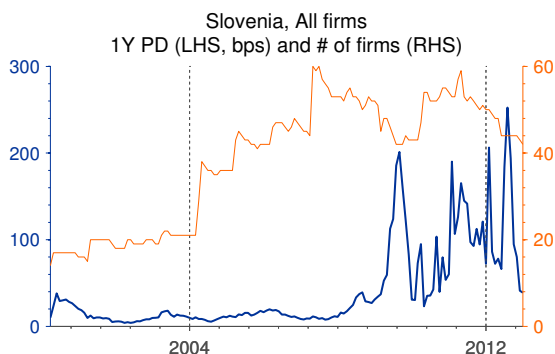
Saudi Arabia	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Basic Materials	18	6.0	7.1	6.3	8.5	0.3	3.5
Communications	7	22.9	40.9	28.5	48.2	5.5	8.4
Consumer Cyclical	13	1.6	1.5	1.8	2.1	0.2	2.1
Consumer Non-cyclical	22	2.3	2.5	2.4	2.7	0.0	0.9
Diversified	4	2.9	1.8	3.1	1.5	0.2	0.9
Energy	2	6.4	7.1	7.5	8.1	1.1	1.1
Industrial	27	3.6	6.8	4.2	8.2	0.7	1.9
Utilities	2	19.2	26.3	32.7	45.6	13.5	19.3



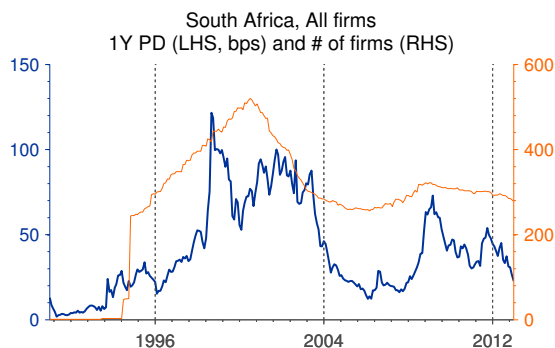
Singapore	2012Q3		2012Q4		Q4-Q3		
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	85	12.4	24.3	14.5	48.5	2.1	46.0
Basic Materials	30	41.2	58.3	40.3	52.3	-0.8	28.1
Communications	27	26.1	31.7	32.5	59.7	6.4	37.6
Consumer Cyclical	83	22.7	38.6	22.9	40.4	0.2	18.7
Consumer Non-cyclical	73	22.0	42.5	21.6	43.8	-0.4	11.6
Diversified	11	34.3	75.0	27.2	57.0	-7.1	19.3
Energy	24	45.5	58.5	43.8	56.3	-1.7	14.6
Industrial	175	29.9	42.2	27.0	40.2	-2.9	20.5
Technology	24	22.3	21.0	19.6	17.5	-2.7	9.7



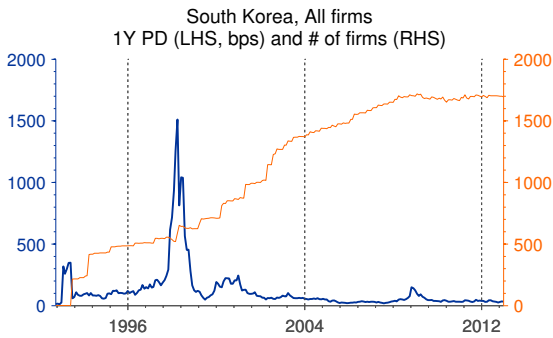
Slovakia	2012Q3		2012Q4		Q4-Q3		
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	3	15.1	5.0	13.1	3.7	-2.0	1.4
Basic Materials	2	24.7	26.1	23.5	24.0	-1.2	2.1
Consumer Cyclical	2	0.0	0.0	0.0	0.0	-0.0	0.0
Industrial	3	14.1	0.7	18.0	6.3	3.8	6.8



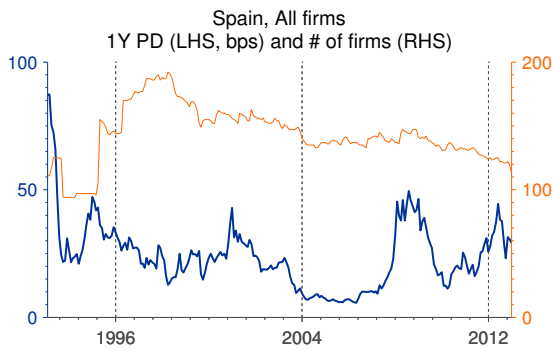
Slovenia	2012Q3		2012Q4		Q4-Q3		
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	11	125.4	167.4	55.1	47.0	-70.3	132.7
Basic Materials	4	9.9	2.7	12.2	4.4	2.3	2.1
Consumer Cyclical	7	40.5	60.2	47.2	79.4	6.8	20.6
Consumer Non-cyclical	8	13.1	9.1	12.9	9.3	-0.2	4.7
Diversified	2	407.0	219.3	174.8	48.4	-232.2	171.0
Industrial	6	23.8	34.9	25.5	40.2	1.7	6.0



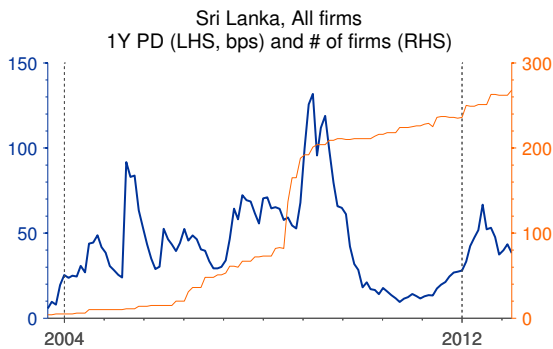
South Africa	2012Q3		2012Q4		Q4-Q3		
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	51	23.7	46.0	25.1	48.1	1.4	27.3
Basic Materials	44	23.2	38.9	20.0	35.8	-3.2	17.0
Communications	14	8.3	11.6	11.6	17.4	3.4	7.4
Consumer Cyclical	37	12.1	25.4	9.9	20.2	-2.3	6.4
Consumer Non-cyclical	42	24.4	74.0	28.5	57.0	4.1	56.0
Diversified	9	10.8	12.2	13.7	17.9	2.9	6.7
Energy	5	38.8	55.6	38.5	44.9	-0.3	15.9
Industrial	59	36.2	67.3	29.7	42.4	-6.5	34.1
Technology	15	12.1	12.8	15.9	20.3	3.7	11.5



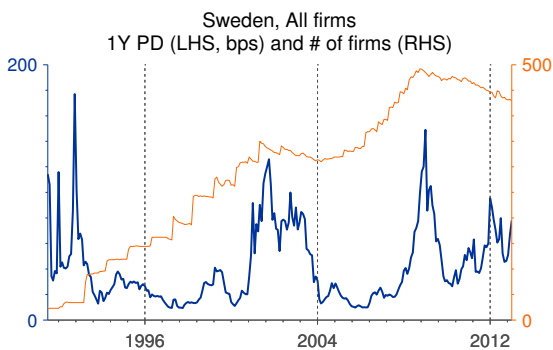
South Korea	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	109	37.7	55.0	44.0	82.1	6.3	42.5
Basic Materials	177	26.1	40.7	30.8	49.7	4.7	34.8
Communications	175	18.4	30.9	28.6	83.2	10.2	70.5
Consumer Cyclical	267	24.5	33.1	31.0	44.0	6.5	22.0
Consumer Non-cyclical	225	15.5	44.7	21.0	75.2	5.5	35.3
Diversified	23	10.6	18.6	10.6	20.3	0.0	8.0
Energy	13	26.1	32.4	26.9	32.3	0.8	9.7
Industrial	485	28.9	58.0	38.2	91.9	9.3	54.1
Technology	190	21.7	35.4	30.0	59.1	8.3	35.3
Utilities	17	19.2	13.8	17.6	15.3	-1.6	6.1



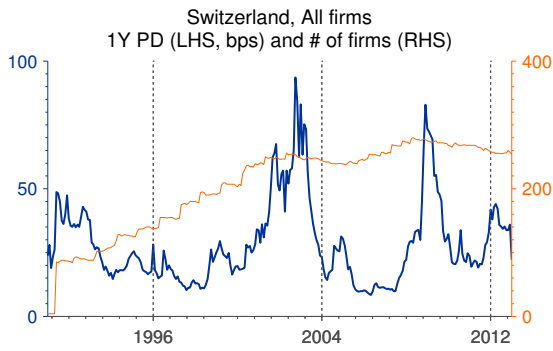
Spain	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	24	39.1	44.7	50.6	77.9	11.5	36.5
Basic Materials	9	16.1	18.7	25.8	35.3	9.8	17.0
Communications	11	21.7	19.7	28.6	26.3	6.9	15.5
Consumer Cyclical	10	20.2	16.4	24.6	29.2	4.4	14.5
Consumer Non-cyclical	25	16.0	22.4	20.9	35.3	4.9	14.3
Energy	4	16.7	14.5	18.2	23.8	1.5	9.4
Industrial	21	24.8	24.4	28.5	30.2	3.7	10.6
Technology	3	18.6	20.1	19.8	26.5	1.3	7.6
Utilities	6	6.3	2.4	4.8	1.6	-1.5	2.1



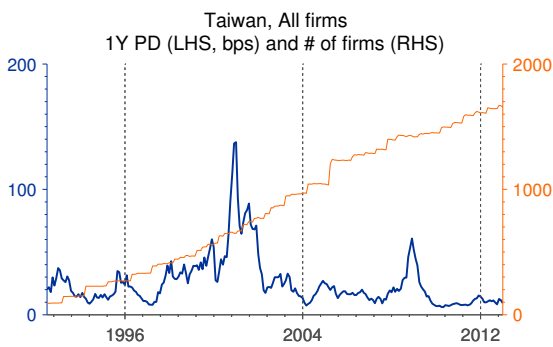
Sri Lanka	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	81	43.1	37.6	46.1	43.1	3.1	17.5
Basic Materials	14	30.4	16.8	36.3	28.5	6.0	20.9
Communications	4	7.7	4.7	7.4	4.7	-0.3	1.8
Consumer Cyclical	60	36.2	49.7	33.5	42.3	-2.7	19.8
Consumer Non-cyclical	55	33.4	34.2	33.1	32.2	-0.3	9.0
Diversified	15	35.8	31.0	38.3	31.6	2.5	5.0
Energy	3	17.0	28.2	10.4	16.6	-6.6	11.6
Industrial	22	50.1	46.0	51.6	46.9	1.4	15.7
Technology	3	30.8	41.1	36.8	47.7	6.0	6.8
Utilities	5	10.4	6.5	9.7	6.5	-0.7	1.5



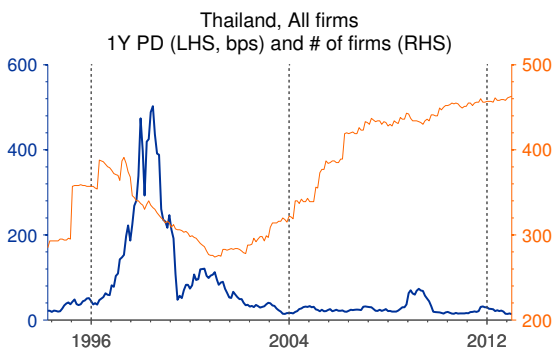
Sweden	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	50	39.8	107.2	70.5	292.7	30.6	273.6
Basic Materials	29	55.7	50.5	53.5	67.7	-2.1	39.5
Communications	46	60.5	126.2	281.3	1076.6	220.8	963.4
Consumer Cyclical	48	22.4	20.3	26.6	36.1	4.2	24.0
Consumer Non-cyclical	98	27.4	38.6	41.1	104.3	13.6	99.0
Diversified	8	19.5	14.0	27.7	23.3	8.3	12.2
Energy	15	42.0	46.6	106.3	251.3	64.3	210.6
Industrial	89	45.7	107.8	69.4	178.0	23.7	121.6
Technology	37	33.3	74.5	43.6	93.8	10.3	53.7



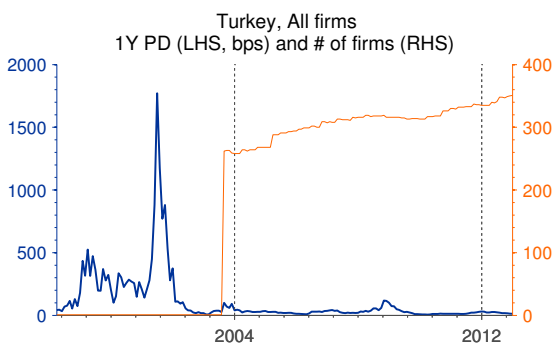
Switzerland	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	69	34.3	52.8	28.5	44.6	-5.9	22.3
Basic Materials	16	35.1	83.3	27.3	52.6	-7.8	35.2
Communications	14	42.3	110.8	20.7	34.7	-21.5	77.3
Consumer Cyclical	20	21.8	30.7	14.1	14.7	-7.7	21.3
Consumer Non-cyclical	38	20.4	53.2	17.2	39.0	-3.3	17.2
Diversified	4	42.4	54.3	38.2	41.9	-4.2	14.2
Energy	7	68.4	81.6	60.9	54.5	-7.5	38.6
Industrial	66	12.3	13.7	16.9	30.5	4.7	24.5
Technology	7	12.9	7.2	17.4	14.7	4.6	15.0
Utilities	9	15.3	17.4	15.0	15.3	-0.3	5.4



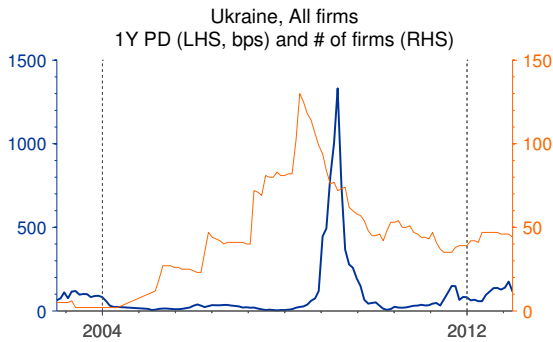
Taiwan	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	106	8.8	8.6	8.2	7.8	-0.7	5.6
Basic Materials	111	6.5	17.9	9.4	31.5	2.9	25.6
Communications	84	5.7	9.6	5.7	9.6	-0.0	5.2
Consumer Cyclical	197	4.5	7.2	4.9	9.0	0.3	6.2
Consumer Non-cyclical	147	3.2	11.5	3.3	13.7	0.1	3.7
Diversified	2	1.6	2.1	1.6	1.9	-0.0	0.2
Energy	11	25.2	16.7	23.7	17.1	-1.5	12.0
Industrial	629	8.9	21.8	11.7	43.5	2.7	33.4
Technology	328	8.8	20.6	11.3	29.4	2.5	14.5
Utilities	8	0.3	0.5	0.3	0.5	-0.1	0.2



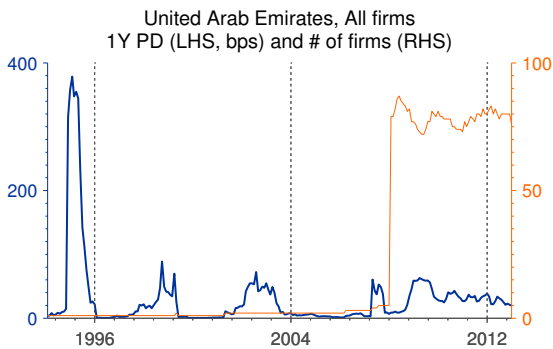
Thailand	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	89	20.4	31.8	19.5	28.3	-0.8	16.8
Basic Materials	49	19.4	35.1	19.9	36.0	0.5	9.8
Communications	37	13.4	32.4	8.1	17.1	-5.3	19.2
Consumer Cyclical	98	14.2	62.5	11.7	35.7	-2.4	28.5
Consumer Non-cyclical	67	7.4	11.3	7.5	11.9	0.1	4.8
Diversified	2	1.7	1.3	1.0	0.0	-0.7	1.3
Energy	12	11.0	16.3	9.2	12.6	-1.8	8.9
Industrial	85	13.7	36.0	12.4	33.8	-1.3	6.1
Technology	10	16.4	16.2	14.0	15.1	-2.4	5.4
Utilities	7	17.8	34.6	27.4	65.1	9.5	31.1



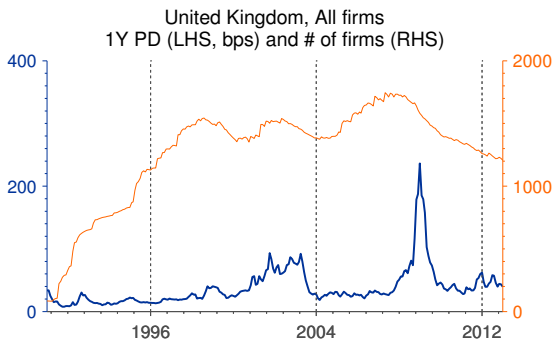
Turkey	2012Q3			2012Q4		Q4-Q3	
	#	Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	86	16.4	30.0	9.0	11.8	-7.4	21.4
Basic Materials	29	16.2	24.0	12.5	20.6	-3.7	6.2
Communications	12	10.5	6.6	9.0	5.8	-1.5	5.4
Consumer Cyclical	88	21.4	26.6	13.4	15.9	-8.0	12.5
Consumer Non-cyclical	44	19.3	31.2	15.0	26.0	-4.3	12.0
Diversified	11	17.1	10.1	11.7	9.3	-5.4	6.8
Energy	3	48.7	33.7	23.6	18.2	-25.1	18.3
Industrial	63	13.8	17.6	8.6	10.7	-5.2	8.9
Technology	4	17.3	9.3	10.8	5.7	-6.5	3.9
Utilities	6	14.2	13.7	6.7	7.0	-7.5	7.1



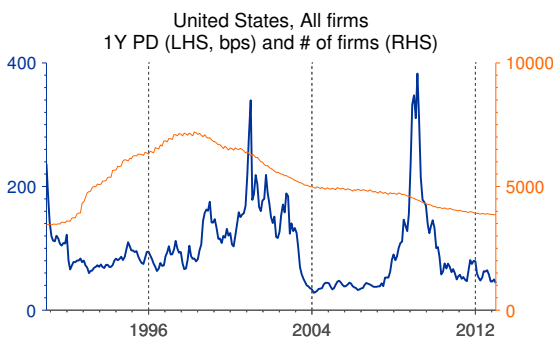
Ukraine	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	5	136.3	83.4	129.8	69.8	-6.5	65.2
Basic Materials	7	170.7	133.9	147.7	85.6	-23.0	60.2
Consumer Cyclical	3	429.3	631.9	289.6	391.4	-139.6	241.8
Consumer Non-cyclical	8	23.9	23.8	27.2	30.9	3.3	8.9
Energy	6	84.8	77.3	133.3	108.1	48.5	37.1
Industrial	8	111.1	140.3	97.0	106.2	-14.1	36.2
Utilities	4	132.7	62.9	135.8	65.5	3.1	37.4



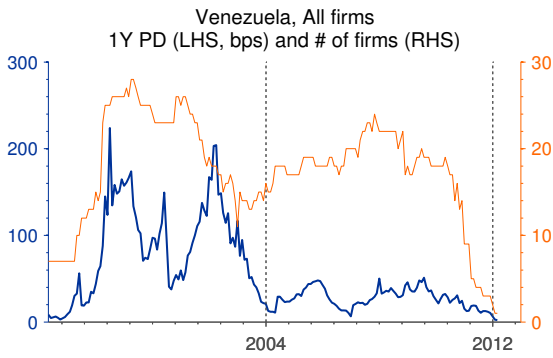
United Arab Emirates	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	43	18.8	22.4	16.9	22.9	-1.9	6.6
Communications	2	0.7	0.9	0.6	0.8	-0.1	0.1
Consumer Cyclical	2	7.4	8.8	6.9	8.6	-0.4	0.3
Consumer Non-cyclical	8	12.3	8.0	13.4	13.1	1.1	6.7
Energy	3	53.8	81.9	49.5	72.2	-4.3	9.8
Industrial	16	30.1	31.1	28.7	30.6	-1.5	5.4



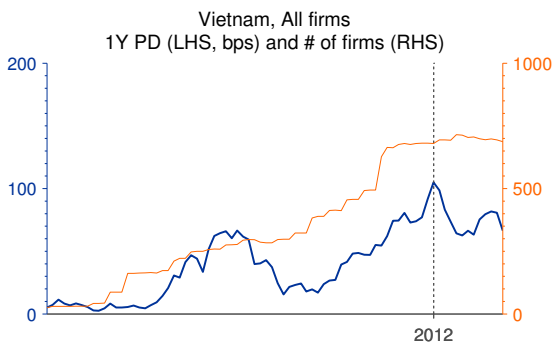
United Kingdom	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	205	33.0	75.5	36.8	84.7	3.8	64.0
Basic Materials	117	33.4	41.0	39.7	48.8	6.3	35.7
Communications	112	36.5	63.5	48.0	111.2	11.5	90.8
Consumer Cyclical	138	24.8	37.9	23.7	41.8	-1.2	21.3
Consumer Non-cyclical	233	31.0	90.9	33.5	134.7	2.5	113.6
Diversified	11	184.3	551.4	115.4	300.8	-68.9	255.0
Energy	98	46.0	112.4	81.4	447.7	35.4	355.3
Industrial	177	31.7	80.1	31.3	52.5	-0.4	70.0
Technology	82	35.4	189.8	38.4	188.3	3.0	16.0
Utilities	12	34.5	85.4	24.8	45.4	-9.7	53.7



United States	#	2012Q3		2012Q4		Q4-Q3	
		Mean	St.Dev.	Mean	St.Dev.	Mean	St.Dev.
Financials	877	48.9	187.1	46.6	169.0	-2.3	132.0
Basic Materials	148	37.6	116.2	41.4	158.4	3.8	67.3
Communications	321	65.6	221.8	89.4	553.6	23.8	441.7
Consumer Cyclical	452	31.8	65.1	38.0	130.8	6.2	92.9
Consumer Non-cyclical	768	35.6	112.4	34.0	88.9	-1.6	94.0
Diversified	8	90.4	142.3	67.8	105.5	-22.6	107.5
Energy	290	47.3	96.6	57.1	138.0	9.8	104.4
Industrial	502	34.5	89.8	32.0	89.3	-2.6	43.8
Technology	339	29.8	94.5	42.0	291.4	12.2	209.8
Utilities	89	7.8	27.2	9.7	30.7	1.9	17.0



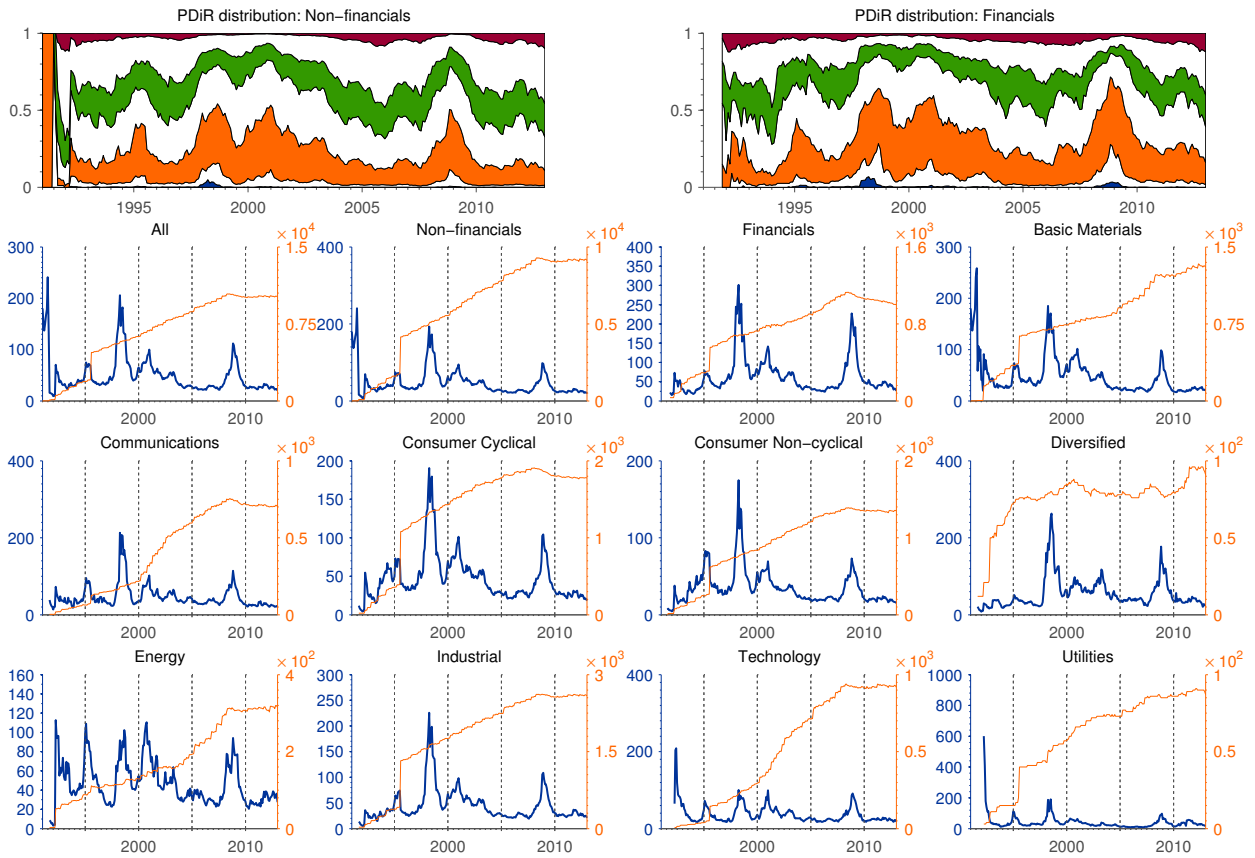
Venezuela	2012Q3		2012Q4		Q4-Q3	
	#	Mean St.Dev.	Mean St.Dev.	Mean St.Dev.	Mean St.Dev.	
No companies covered in Q3 or Q4						



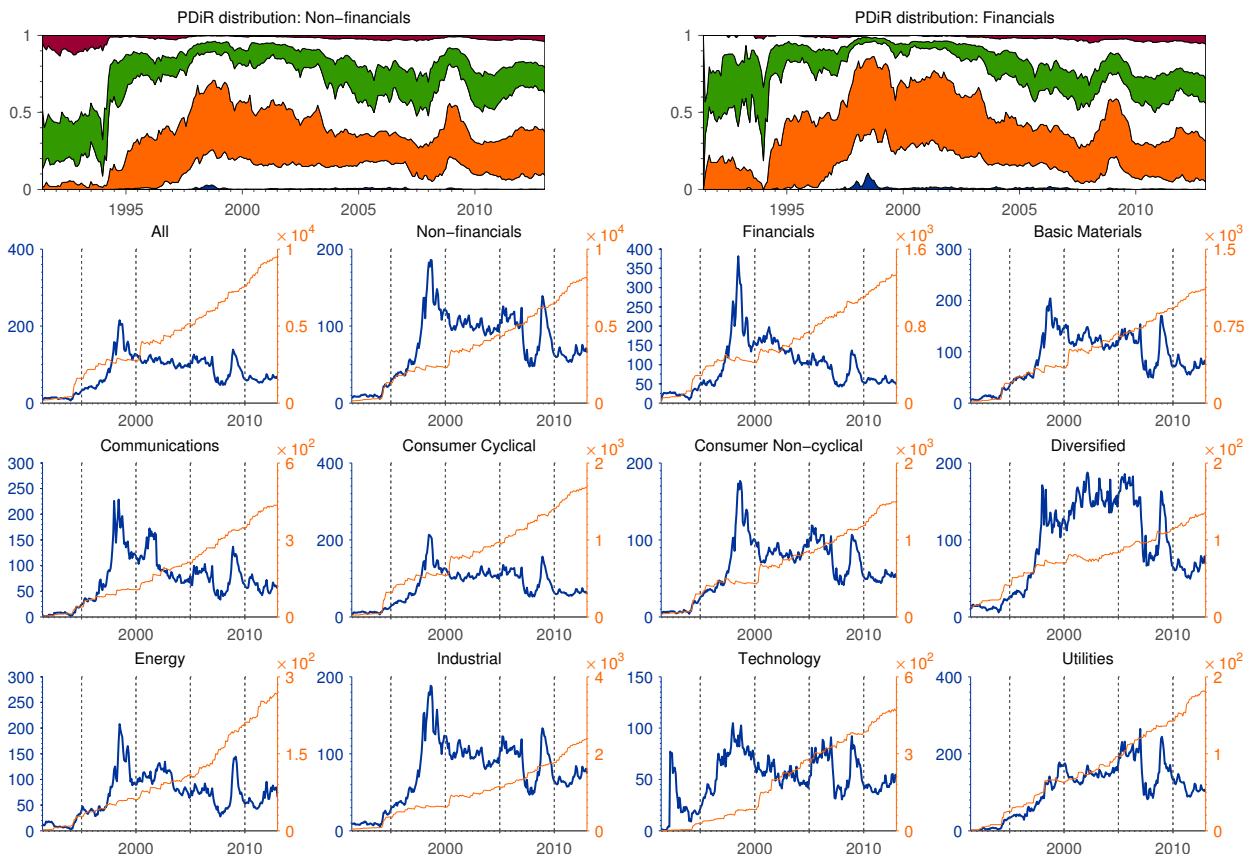
Vietnam	2012Q3		2012Q4		Q4-Q3	
	#	Mean St.Dev.	Mean St.Dev.	Mean St.Dev.	Mean St.Dev.	
Financials	80	58.2 62.8	51.2 62.3	-7.0 35.9		
Basic Materials	52	72.7 84.0	56.4 60.9	-16.3 33.7		
Communications	21	49.6 54.4	33.8 36.9	-15.8 19.2		
Consumer Cyclical	55	62.6 72.7	49.8 62.7	-12.8 26.3		
Consumer Non-cyclical	105	48.5 82.2	46.8 89.4	-1.7 28.5		
Diversified	19	52.9 71.1	50.3 84.2	-2.6 54.0		
Energy	22	68.5 52.7	62.2 48.2	-6.3 22.2		
Industrial	290	111.4 110.5	91.1 91.6	-20.3 46.1		
Technology	9	61.6 74.9	52.9 76.9	-8.7 17.0		
Utilities	25	37.0 51.2	26.4 35.1	-10.7 18.8		

B PD by regions

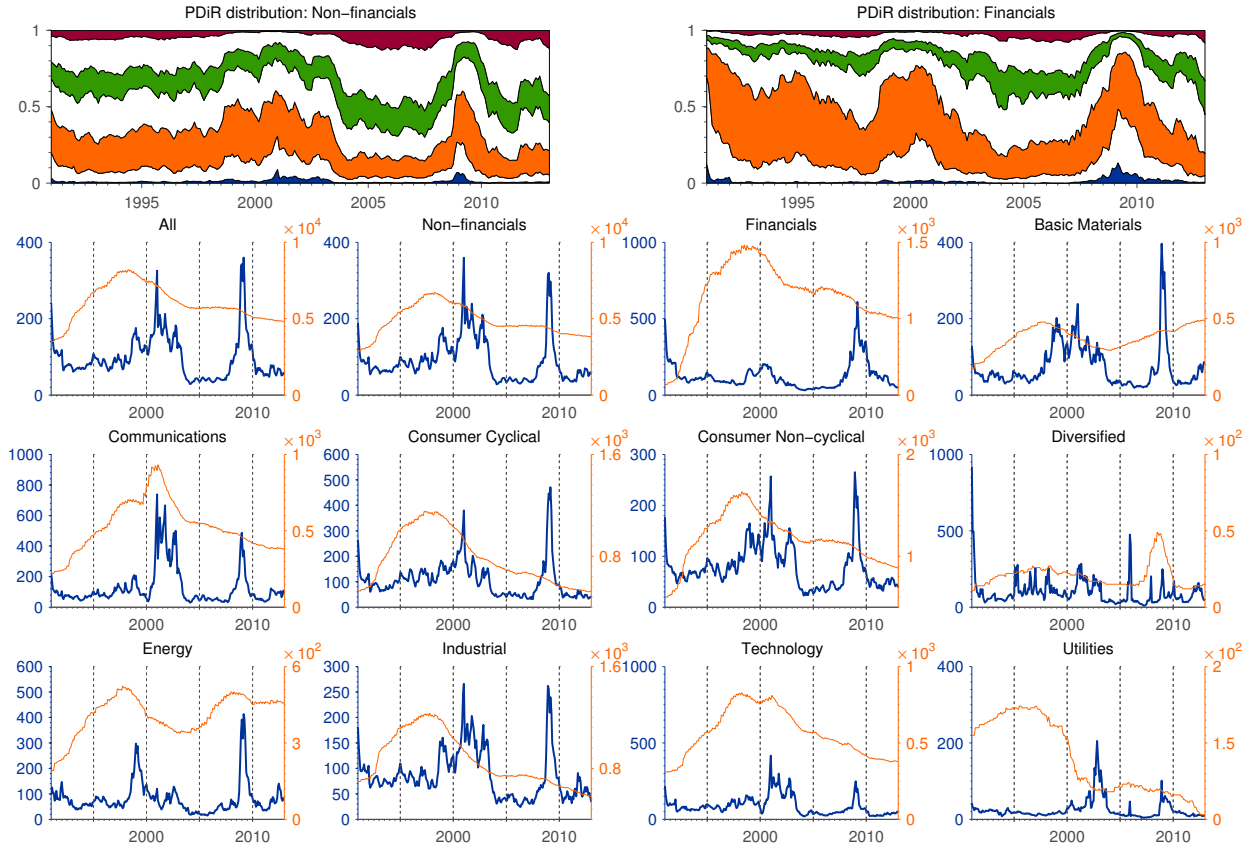
Asia Pacific - developed economies



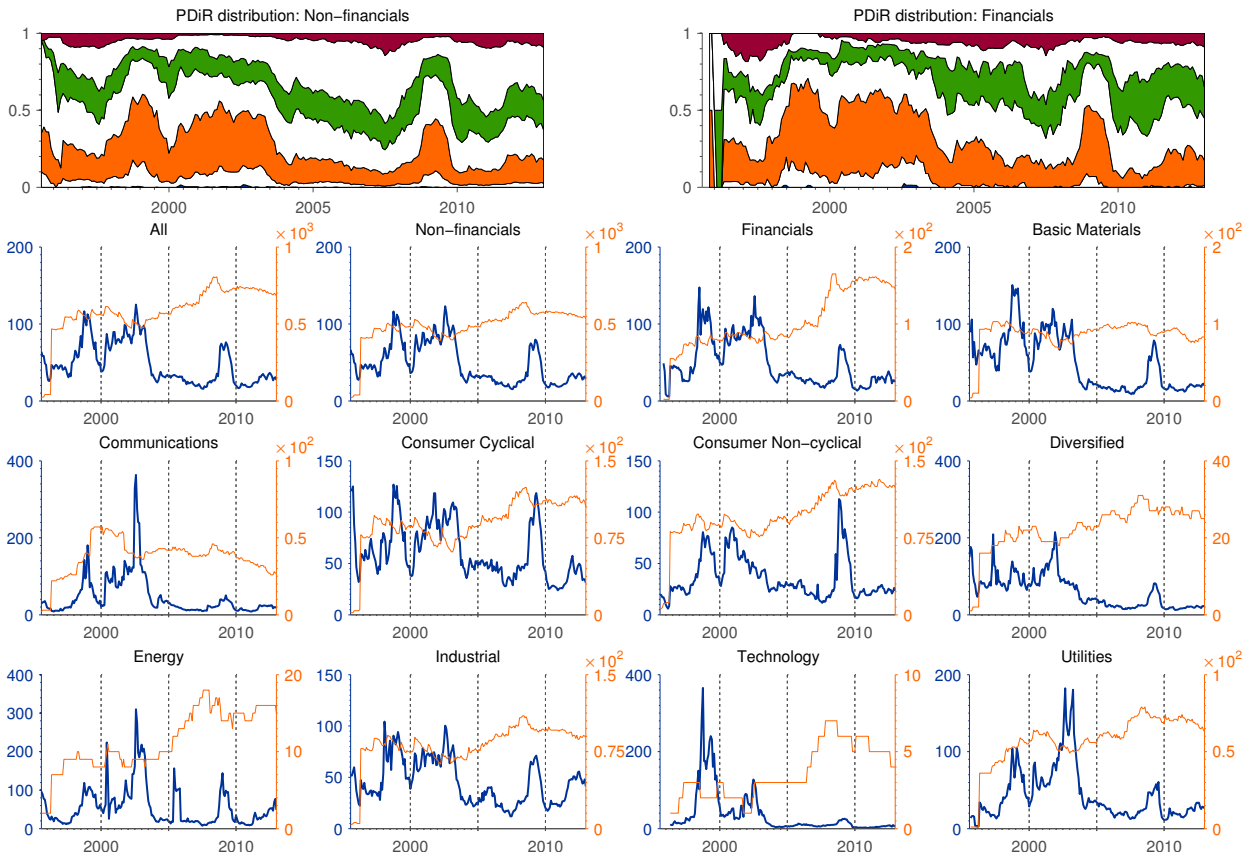
Asia Pacific - emerging economies



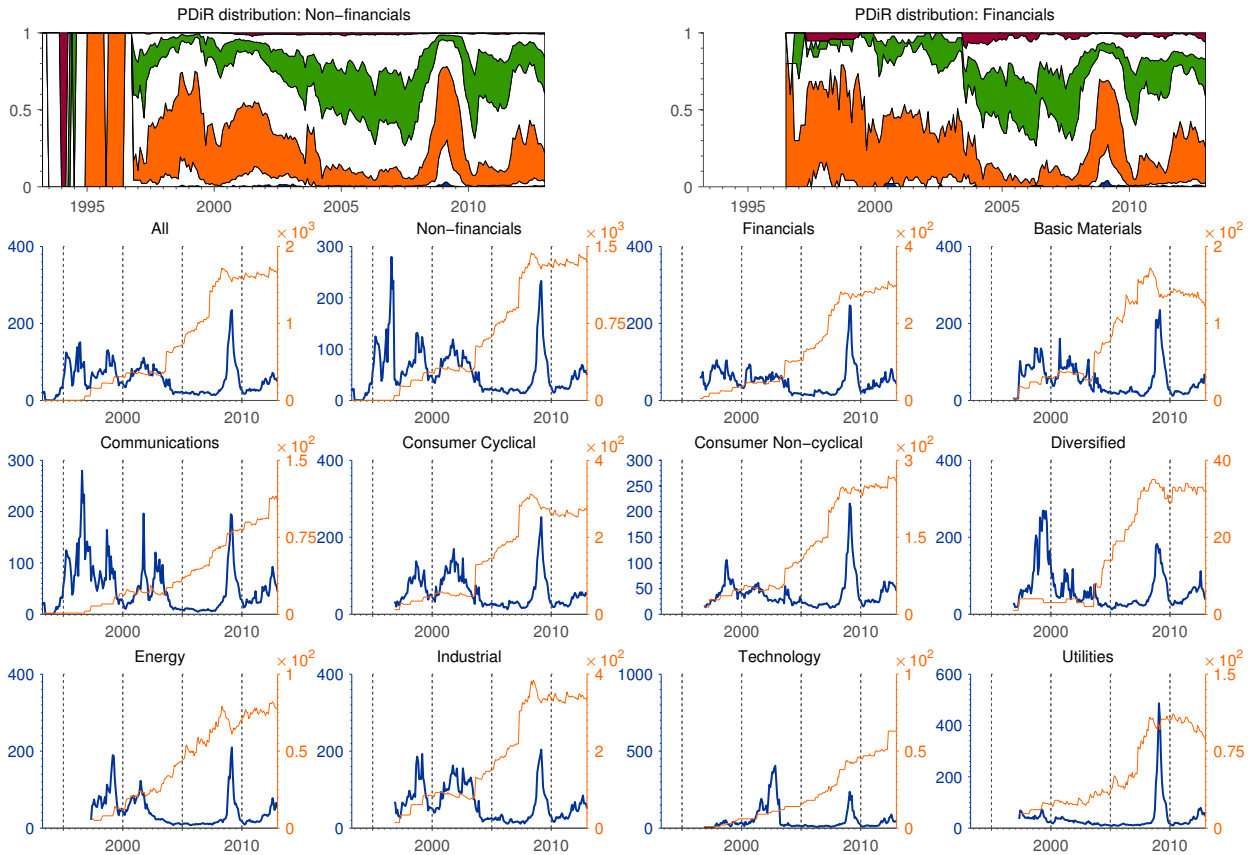
North America



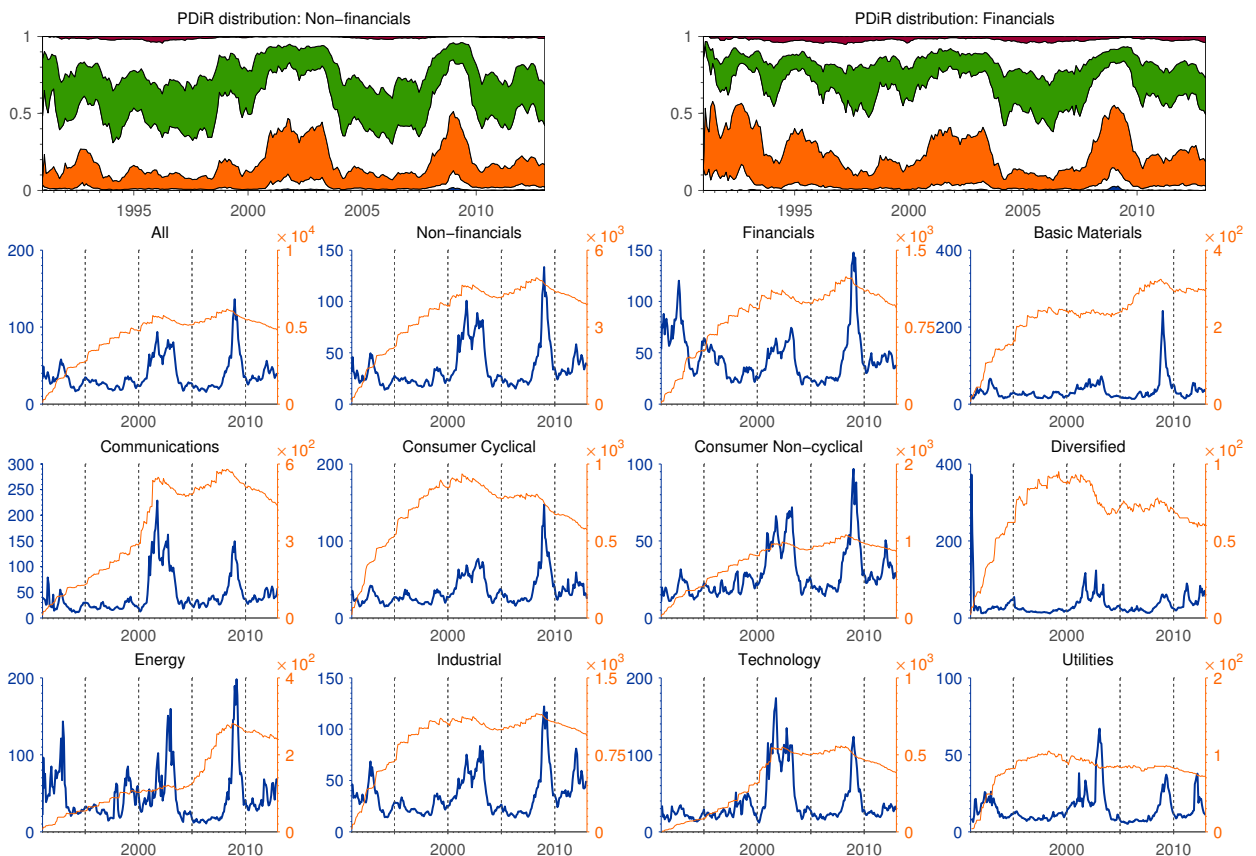
Latin America



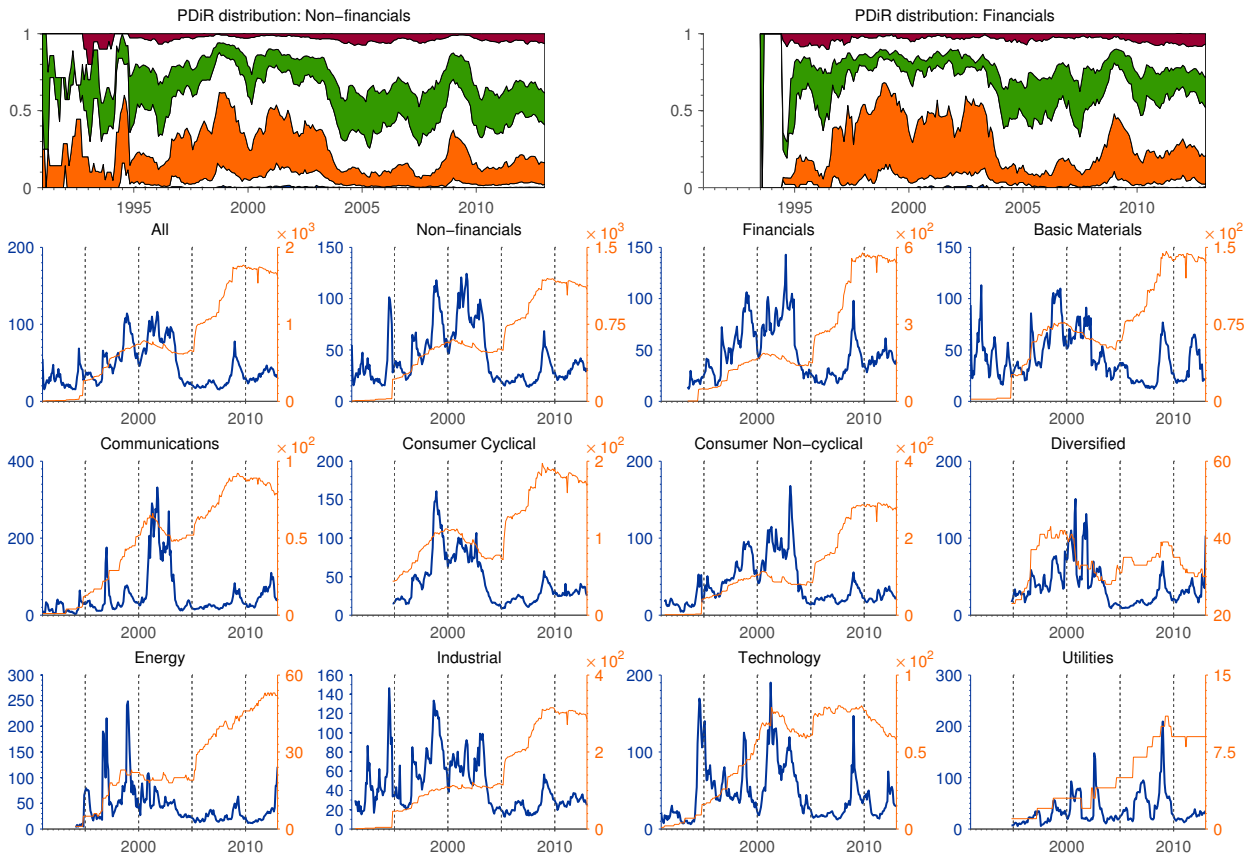
Eastern Europe



Western Europe

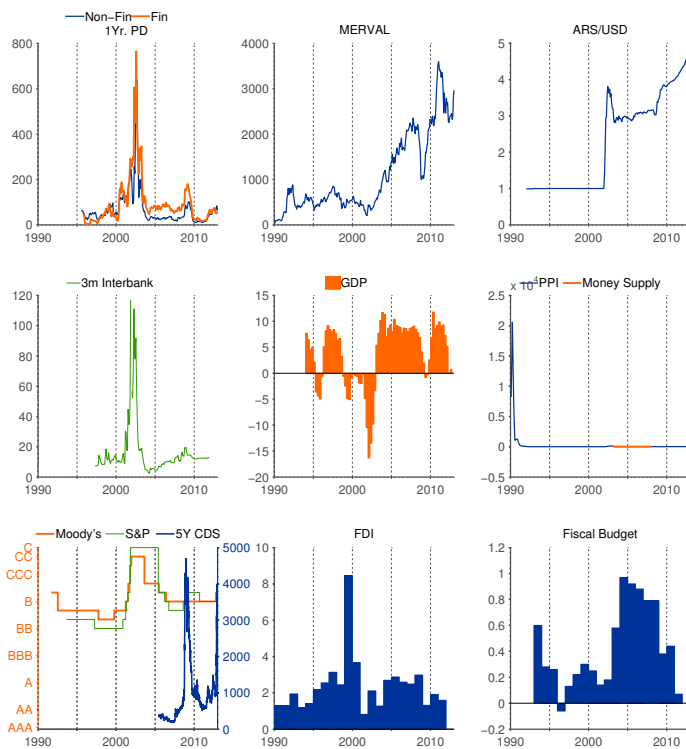


Africa & the Middle East

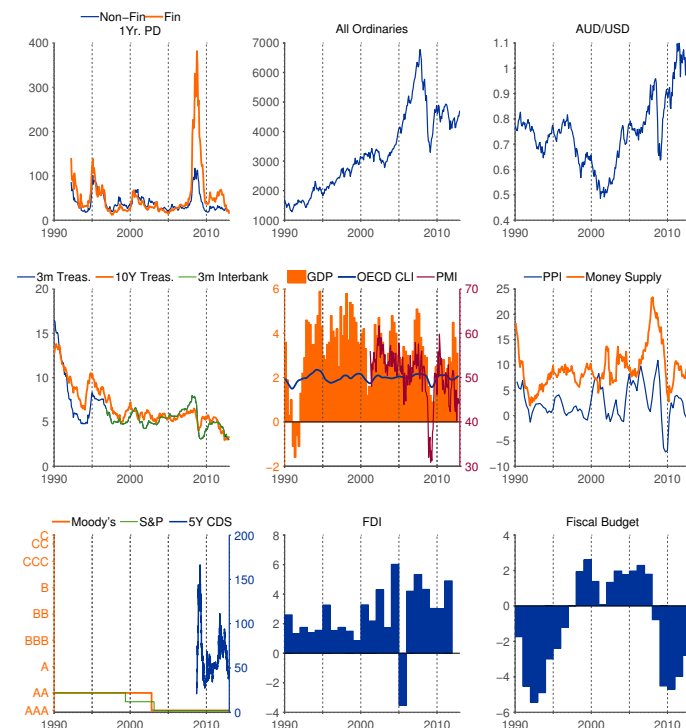


C Macroeconomic Indicators

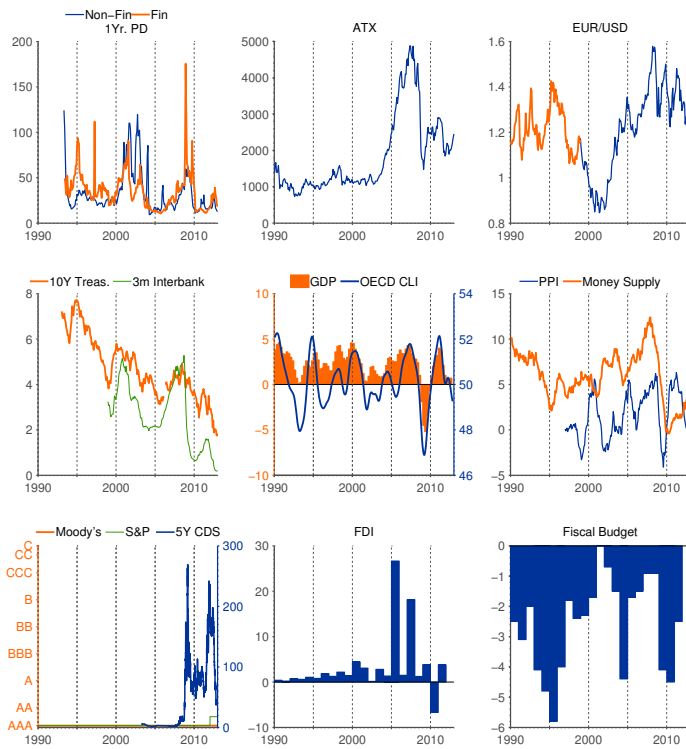
Descriptions of the data contained in this section are provided in Appendix D.



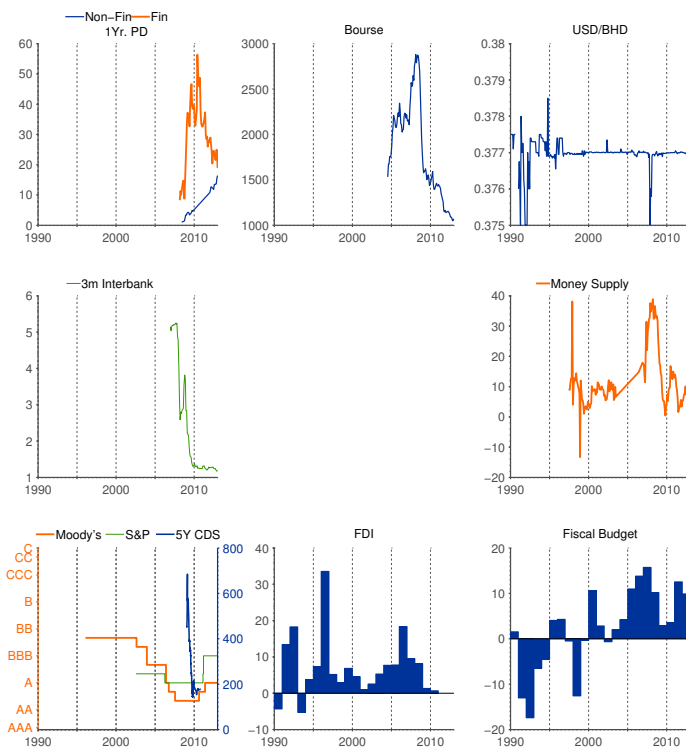
Argentina	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	48.28	45.65	70.82	59.85	62.39
1Yr. PD, Fin.	66.41	50.41	64.79	51.35	46.85
Merval	2463	2684	2347	2452	2854
ARS/USD	4.30	4.38	4.53	4.70	4.92
3m Interbank (%)	12.75	-	-	-	-
GDP (YoY%)	7.3	5.2	0.0	0.7	-
PPI (YoY%)	11.1	12.4	12.8	14.3	14.7*
Sov. Rating, Moody's	B2	B2	B2	B2	B3
Sov. Rating, S&P	B	B	B	B	B-
5Y CDS (bps)	921.98	822.80	1252.89	959.96	1441.52
FDI (%GDP)	1.59	-	-	-	-
Fiscal Budget (%GDP)	0.07	-	-	-	-



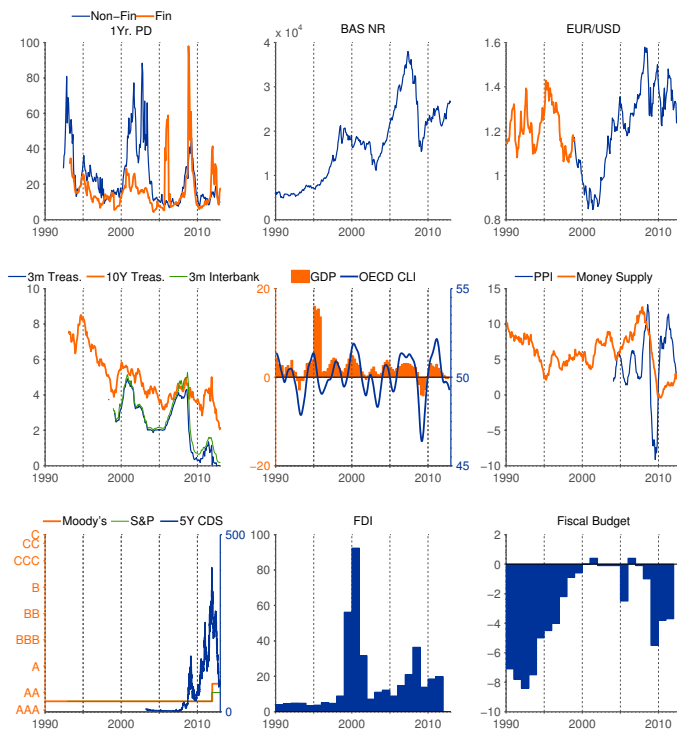
Australia	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	29.02	22.96	27.00	21.00	21.12
1Yr. PD, Fin.	64.70	58.10	33.71	19.62	14.35
All Ordinaries	4111	4420	4135	4406	4665
AUD/USD	1.02	1.03	1.02	1.04	1.04
3m Treas. Yield (%)	4.50	4.30	3.54	3.30	2.94
10Y Treas. Yield (%)	3.67	3.98	3.04	2.99	3.27
3m Interbank (%)	4.50	4.32	3.52	3.37	3.04
GDP (YoY%)	2.7	4.5	3.8	3.1	-
OECD CLI	99.50	99.61	99.92	100.30	100.40*
PMI	50.2	49.5	47.2	44.1	44.3
PPI (YoY%)	2.7	0.3	-0.4	-1.5	-
Money Supply (YoY%)	8.0	7.5	9.2	7.6	7.2*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	81.83	72.38	73.72	57.87	46.33
FDI (%GDP)	4.90	-	-	-	-
Fiscal Budget (%GDP)	-3.98	-	-	-	-2.78



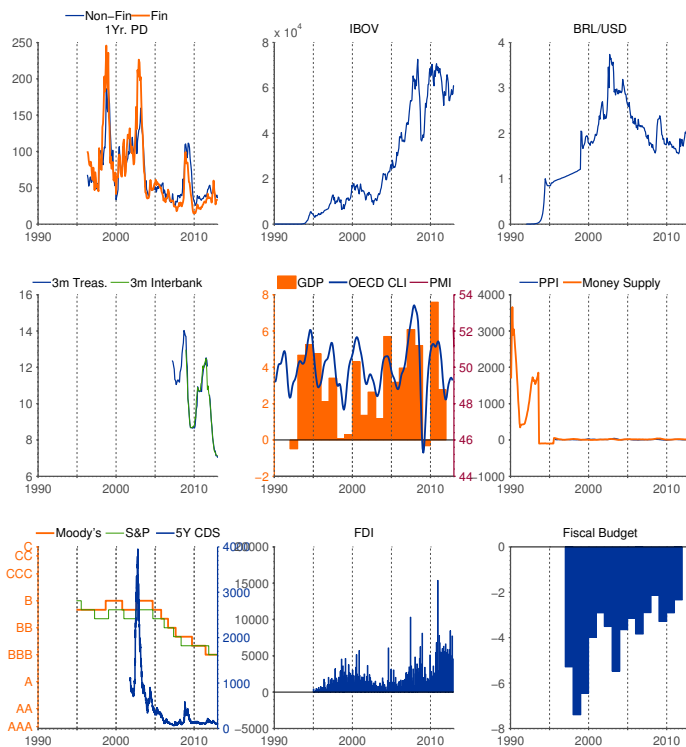
Austria	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	18.74	16.19	26.86	16.74	12.78
1Yr. PD, Fin.	16.54	30.93	30.23	31.73	18.02
ATX	1892	2159	1975	2090	2401
EUR/USD	1.30	1.33	1.27	1.29	1.32
10Y Treas. Yield (%)	2.90	2.75	2.42	2.02	1.75
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	1.0	0.7	0.5	0.7	-
OECD CLI	100.07	100.30	100.01	99.42	99.26*
PPI (YoY%)	3.1	1.5	0.2	0.9	0.3*
Money Supply (YoY%)	1.7	3.0	3.1	2.9	3.8*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AA+	AA+	AA+	AA+
5Y CDS (bps)	190.4	154.7	168.1	69.1	44.6
FDI (%GDP)	3.77	-	-	-	-
Fiscal Budget (%GDP)	-2.50	-	-	-	-



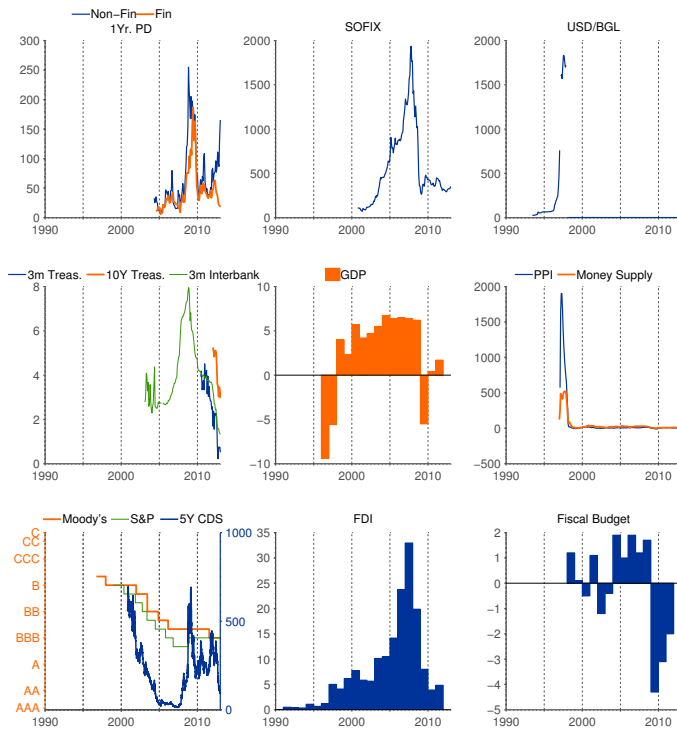
Bahrain	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	10.80	12.63	11.80	13.61	16.41
1Yr. PD, Fin.	27.35	24.66	24.60	21.56	18.89
Bourse	1144	1152	1127	1087	1066
USD/BHD	0.38	0.38	0.38	0.38	0.38
3m Interbank (%)	1.26	1.27	1.28	1.24	1.18
Money Supply (YoY%)	5.25	7.42	7.32	7.54	6.12*
Sov. Rating, Moody's	A2	A2	A2	A2	A2
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
Fiscal Budget (%GDP)	12.55	-	-	-	9.90



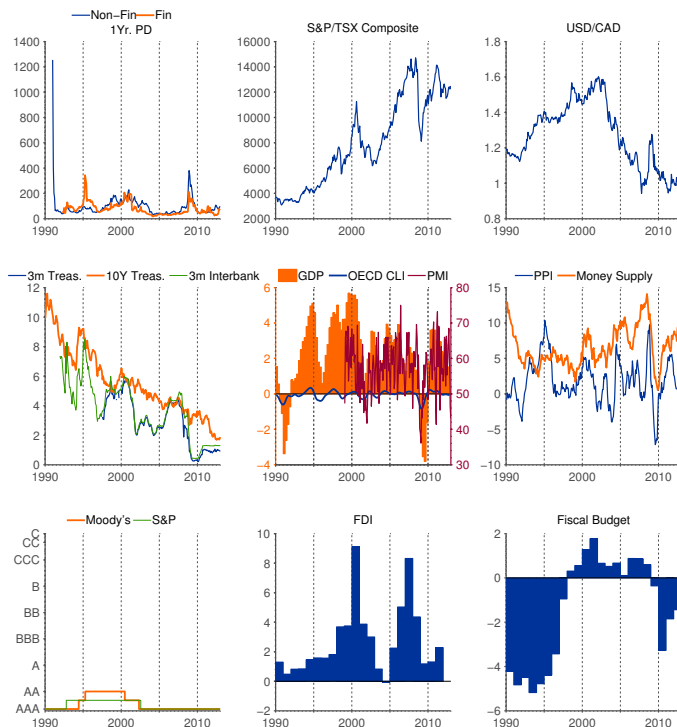
Belgium	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	14.46	12.62	18.88	12.08	9.68
1Yr. PD, Fin.	41.43	19.78	29.22	8.63	18.03
BAS NR	21997	23992	24837	26264	26543
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	0.05	0.17	0.17	0.01	0.00
10Y Treas. Yield (%)	4.09	3.40	3.19	2.53	2.06
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	0.9	0.4	-0.3	-0.3	-
OECD CLI	99.76	99.73	99.69	99.41	99.27*
PPI (YoY%)	5.6	3.9	2.4	4.0	4.3*
Money Supply (YoY%)	1.7	3.0	3.1	2.9	3.8*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA	AA	AA	AA	AA
5Y CDS (bps)	316.25	232.67	240.43	127.74	83.07
FDI (%GDP)	19.86	-	-	-	-
Fiscal Budget (%GDP)	-3.70	-	-	-	-



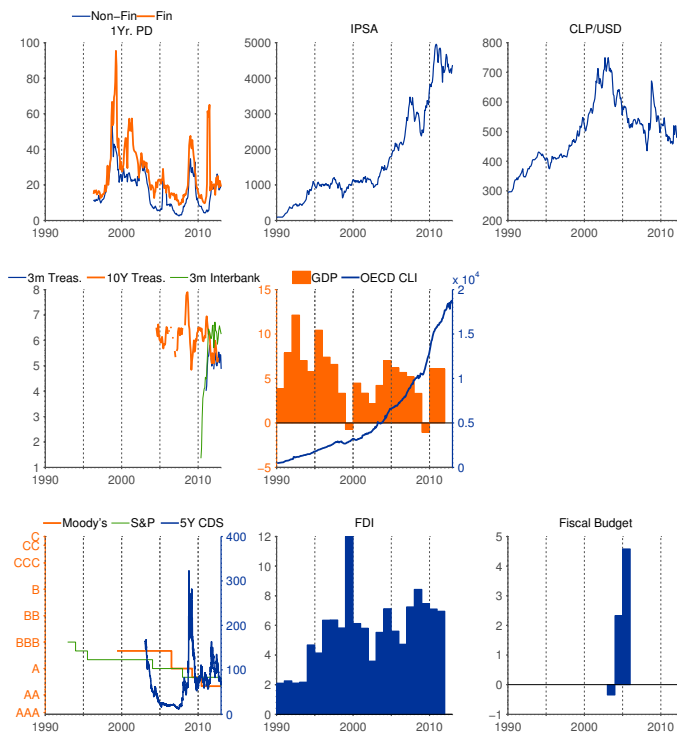
Brazil	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	53.53	41.70	47.15	35.80	35.66
1Yr. PD, Fin.	36.77	29.65	59.89	27.08	32.90
IBOV	56754.1	64511.0	54354.6	59175.9	60952.1
BRL/USD	1.87	1.83	2.01	2.03	2.05
3m Treas. Yield (%)	10.49	9.07	7.87	7.39	7.11
3m Interbank (%)	10.42	9.07	7.83	7.33	7.13
GDP (YoY%)	2.8	-	-	-	-
OECD CLI	98.23	98.87	99.33	99.39	99.28*
PMI	-	-	-	-	51.1
PPI (YoY%)	4.3	1.8	4.9	9.0	8.6
Money Supply (YoY%)	18.88	15.81	14.10	11.12	10.06*
Sov. Rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	161.59	122.01	157.32	111.83	108.45
FDI (%GDP)	6644.00	5887.00	5822.00	4393.00	4587.00*
Fiscal Budget (%GDP)	-2.34	-	-	-	-



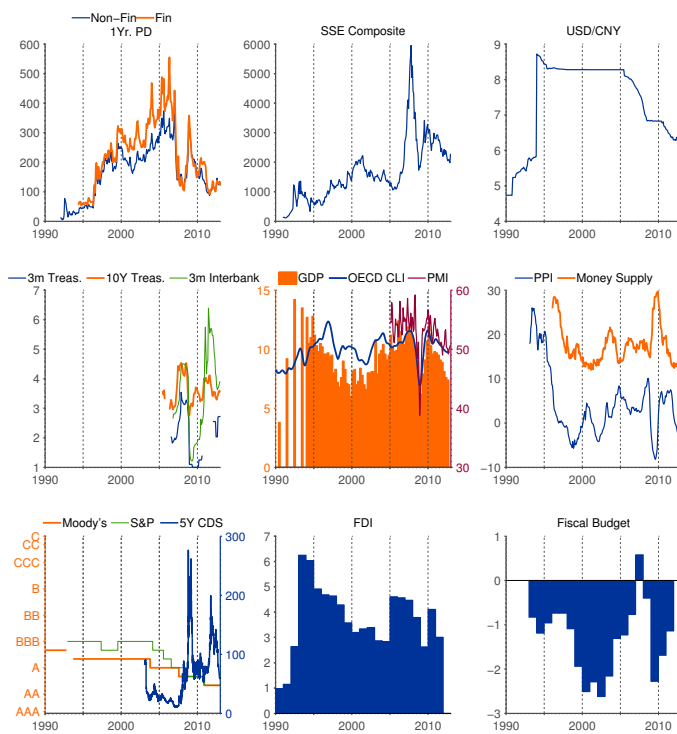
Bulgaria	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	83.55	76.16	77.09	93.14	165.51
1Yr. PD, Fin.	45.96	62.41	42.01	25.14	18.13
SOFIX	322	309	293	324	345
USD/BGL	1.51	1.47	1.54	1.52	1.48
3m Treas. Yield (%)	2.58	1.56	2.26	0.22	0.75
10Y Treas. Yield (%)	-	4.84	5.04	3.51	3.31
3m Interbank (%)	3.54	2.75	2.46	1.59	1.36
GDP (YoY%)	1.7	-	-	-	-
PPI (YoY%)	4.1	4.6	3.3	6.6	6.4*
Money Supply (YoY%)	12.5	10.7	10.2	8.8	8.6*
Sov. Rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	413.73	264.00	320.80	185.34	99.17
FDI (%GDP)	4.84	-	-	-	-
Fiscal Budget (%GDP)	-2.00	-	-	-	-



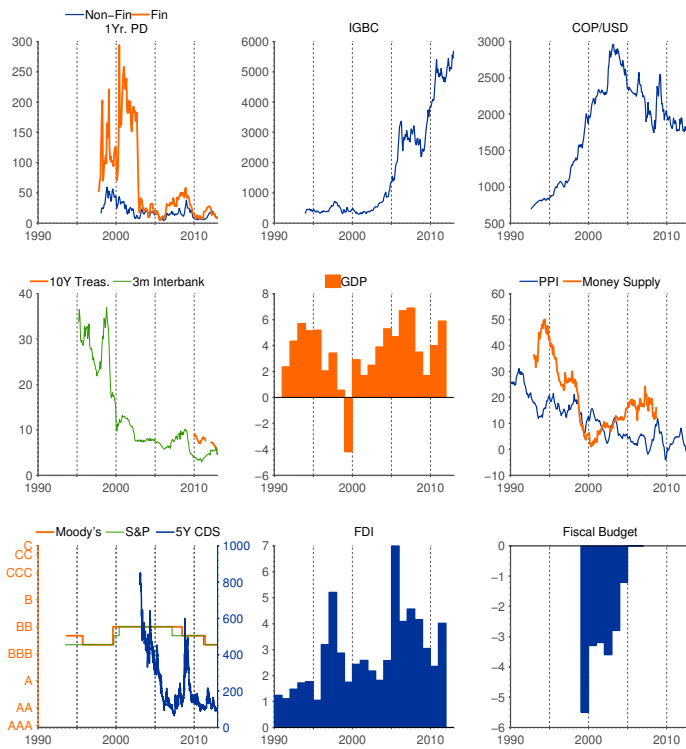
Canada	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	72.31	68.14	101.00	74.14	96.02
1Yr. PD, Fin.	46.59	25.26	27.87	37.90	68.73
S&P/TSX Composite	11955	12392	11597	12317	12434
USD/CAD	1.02	1.00	1.02	0.98	0.99
3m Treas. Yield (%)	0.80	0.91	0.88	0.97	0.93
10Y Treas. Yield (%)	1.94	2.11	1.74	1.73	1.80
3m Interbank (%)	1.28	1.28	1.31	1.29	1.30
GDP (YoY%)	2.4	2.2	2.8	1.5	-
OECD CLI	99.74	99.85	99.80	99.67	99.61*
PMI	53.6	65.0	55.3	68.5	43.1
PPI (YoY%)	2.7	1.1	0.7	-0.2	-0.5*
Money Supply (YoY%)	8.4	8.3	9.2	5.8	5.7*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
FDI (%GDP)	2.28	-	-	-	-
Fiscal Budget (%GDP)	-1.85	-	-	-	-1.44



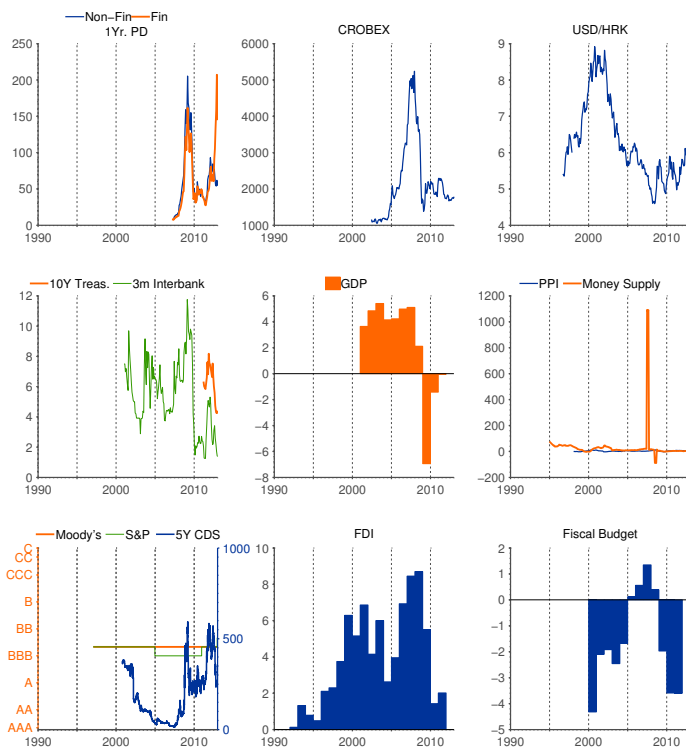
Chile	2011		2012			
	Q4	Q1	Q2	Q3	Q4	
1Yr. PD, Non-Fin. (bps)	17.94	16.44	26.12	17.14	18.68	
1Yr. PD, Fin.	20.10	14.35	20.21	18.66	19.06	
IPSA	4177.5	4671.3	4400.1	4230.4	4301.4	
CLP/USD	519.55	488.35	501.07	474.70	479.20	
3m Treas. Yield (%)	5.13*	5.28	5.00	5.54	5.43	
10Y Treas. Yield (%)	5.35	5.99	5.35	5.32*	-	
3m Interbank (%)	6.60	6.72	6.26	6.39	6.34	
GDP (YoY%)	6.1	-	-	-	-	
OECD CLI	17724.60	17919.80	18120.00	18617.60	18883.20*	
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3	
Sov. Rating, S&P	A+	A+	A+	A+	AA-	
5Y CDS (bps)	132.13	91.84	115.85	83.44	72.48	
FDI (%GDP)	6.96	-	-	-	-	



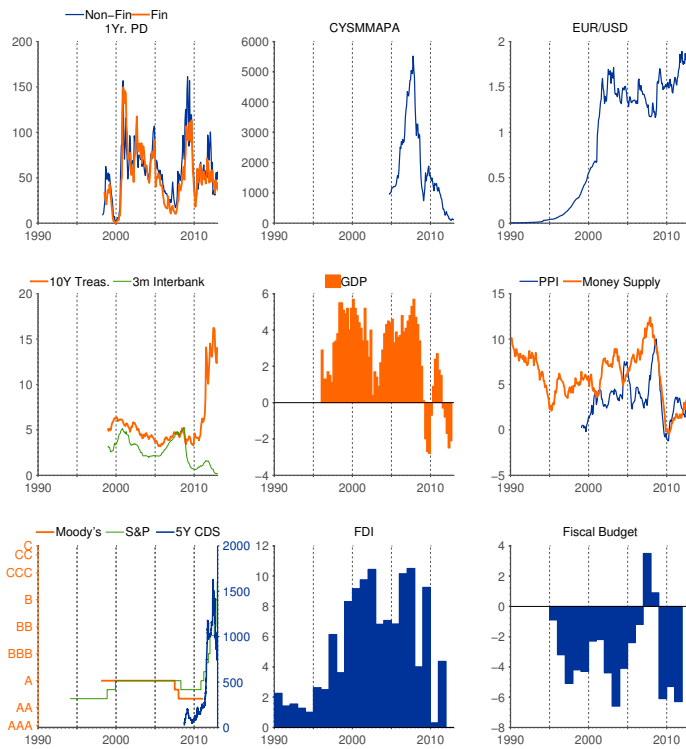
China	2011		2012			
	Q4	Q1	Q2	Q3	Q4	
1Yr. PD, Non-Fin. (bps)	131.76	113.83	120.06	126.02	125.38	
1Yr. PD, Fin.	136.35	111.83	124.63	129.24	120.42	
SSE Composite	2199	2263	2225	2086	2269	
USD/CNY	6.29	6.30	6.35	6.28	6.23	
3m Treas. Yield (%)	-	2.55	2.03	2.70	2.72	
10Y Treas. Yield (%)	3.44	3.52	3.34	3.45	3.59	
3m Interbank (%)	5.47	4.88	4.08	3.69	3.90	
GDP (YoY%)	8.9	8.1	7.6	7.4	-	
OECD CLI	100.07	99.74	99.52	99.53	99.56*	
PMI	50.3	53.1	50.2	49.8	50.6	
PPI (YoY%)	1.7	-0.3	-2.1	-3.6	-2.2*	
Money Supply (YoY%)	13.6	13.4	13.6	14.8	13.9*	
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3	
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-	
5Y CDS (bps)	148.7	112.2	119.8	79.3	59.3	
FDI (%GDP)	3.01	-	-	-	-	
Fiscal Budget (%GDP)	-1.14	-	-	-	-	



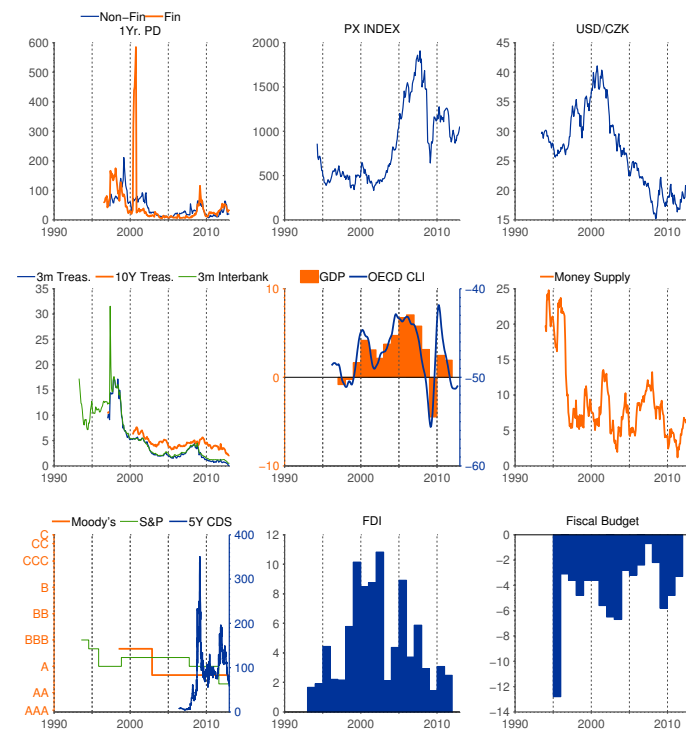
Colombia	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	17.24	14.67	15.30	8.94	7.78
1Yr. PD, Fin.	27.51	12.97	16.78	10.16	7.81
IGBC	4785	5210	5023	5135	5679
COP/USD	1938.50	1788.75	1783.76	1800.53	1767.00
10Y Treas. Yield (%)	-	7.25	7.03	6.27	5.47
3m Interbank (%)	4.80	5.44	5.46	5.54	4.59
GDP (YoY%)	5.9	-	-	-	-
PPI (YoY%)	5.5	1.6	-0.7	0.1	-3.0
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-
5Y CDS (bps)	156.09	109.99	143.04	102.50	96.21
FDI (%GDP)	4.02	-	-	-	-



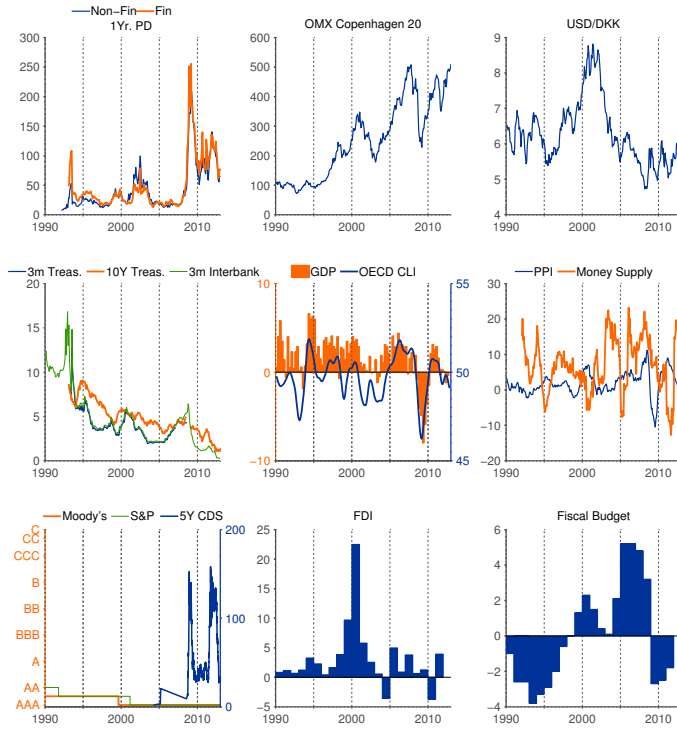
Croatia	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	77.08	73.00	71.87	56.04	54.22
1Yr. PD, Fin.	60.96	61.03	60.65	133.33	144.71
CROBEX	1740.2	1833.5	1693.8	1715.2	1740.4
USD/HRK	5.8	5.6	5.9	5.8	5.7
10Y Treas. Yield (%)	7.57	6.95	6.64	4.75	4.36
3m Interbank (%)	4.65	3.50	2.25	2.62	1.42
GDP (YoY%)	-0.1	-	-	-	-
PPI (YoY%)	5.20	5.40	5.00	6.20	4.90*
Money Supply (YoY%)	3.52	2.70	3.25	2.24	3.04*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BB+
5Y CDS (bps)	546.60	407.77	511.38	353.68	252.06
FDI (%GDP)	2.02	-	-	-	-
Fiscal Budget (%GDP)	-3.60	-	-	-	-



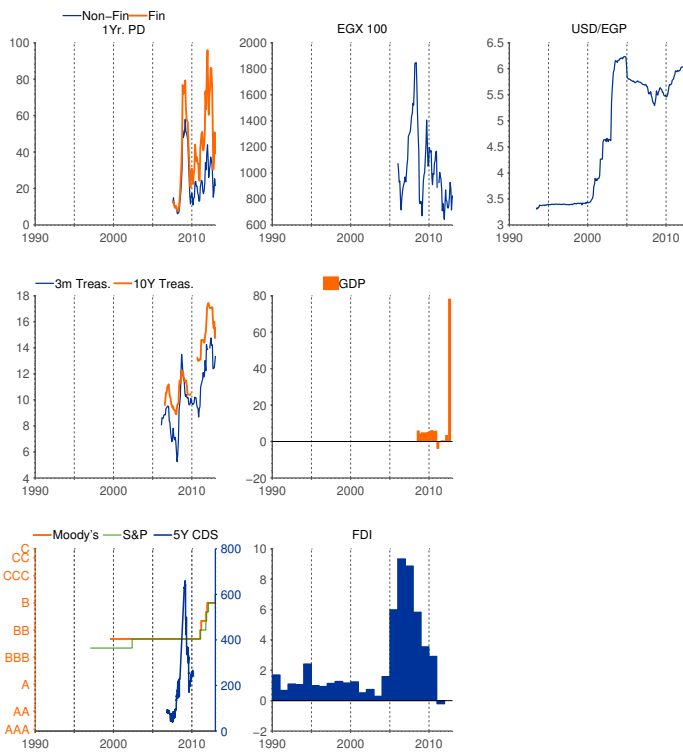
Cyprus	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	87.07	54.38	35.81	49.56	56.81
1Yr. PD, Fin.	45.17	45.92	43.42	47.51	35.82
CYSMMAPA	296	247	140	106	115
EUR/USD	1.30	1.33	1.27	1.29	1.32
10Y Treas. Yield (%)	12.56	13.18	16.21	13.70	14.12
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	-0.8	-1.7	-2.5	-2.1	-
PPI (YoY%)	2.30	1.70	2.00	2.50	2.30*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, S&P	BBB	BB+	BB+	BB	CCC+
5Y CDS (bps)	1012.35	1162.31	1399.38	974.13	1037.70
FDI (%GDP)	4.37	-	-	-	-
Fiscal Budget (%GDP)	-6.30	-	-	-	-



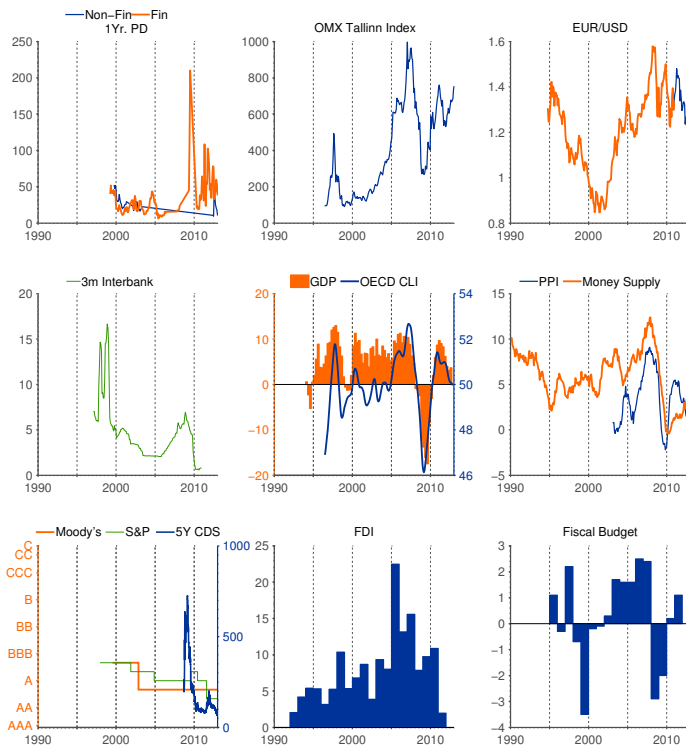
Czech Republic	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	37.34	27.70	63.37	17.51	18.56
1Yr. PD, Fin.	44.31	40.85	49.56	30.06	29.93
PX INDEX	911	973	901	953	1039
USD/CZK	20	19	20	20	19
3m Treas. Yield (%)	0.83	0.81	0.65	0.52	0.07
10Y Treas. Yield (%)	3.69	3.54	3.13	2.47	2.04
3m Interbank (%)	1.17	1.24	1.08	0.82	0.50
GDP (YoY%)	1.9	-	-	-	-
OECD CLI	-1.16	-1.28	-1.26	-0.93	-
Money Supply (YoY%)	5.24	6.46	6.52	5.36	4.99*
Sov. Rating, Moody's	A1	A1	A1	A1	A1
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	173.8	113.4	130.5	90.7	67.3
FDI (%GDP)	2.48	-	-	-	-
Fiscal Budget (%GDP)	-3.30	-	-	-	-



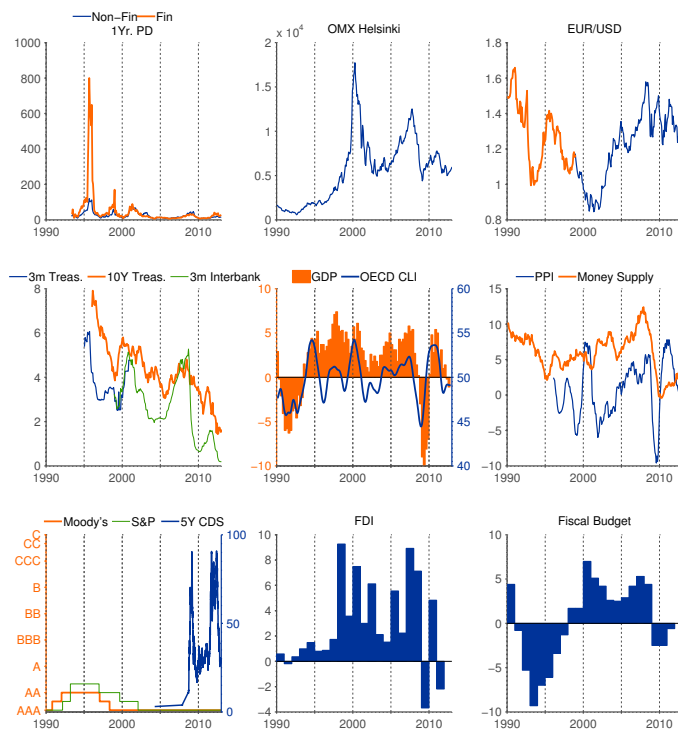
Denmark	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	122.55	110.87	98.00	58.19	64.35
1Yr. PD, Fin.	132.92	108.36	107.56	61.80	74.96
OMX Copenhagen 20	390	445	446	493	496
USD/DKK	5.73	5.58	5.87	5.80	5.66
10Y Treas. Yield (%)	1.68	1.83	1.44	1.26	1.07
3m Interbank (%)	1.00	0.98	0.58	0.34	0.28
GDP (YoY%)	0.3	0.1	-1.2	-0.4	-
OECD CLI	99.39	99.78	99.74	99.25	99.09*
PPI (YoY%)	4.1	2.7	1.2	4.1	3.4*
Money Supply (YoY%)	-5.9	15.8	18.6	11.3	4.2*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	137.0	113.9	115.7	53.0	32.4
FDI (%GDP)	3.93	-	-	-	-
Fiscal Budget (%GDP)	-1.80	-	-	-	-



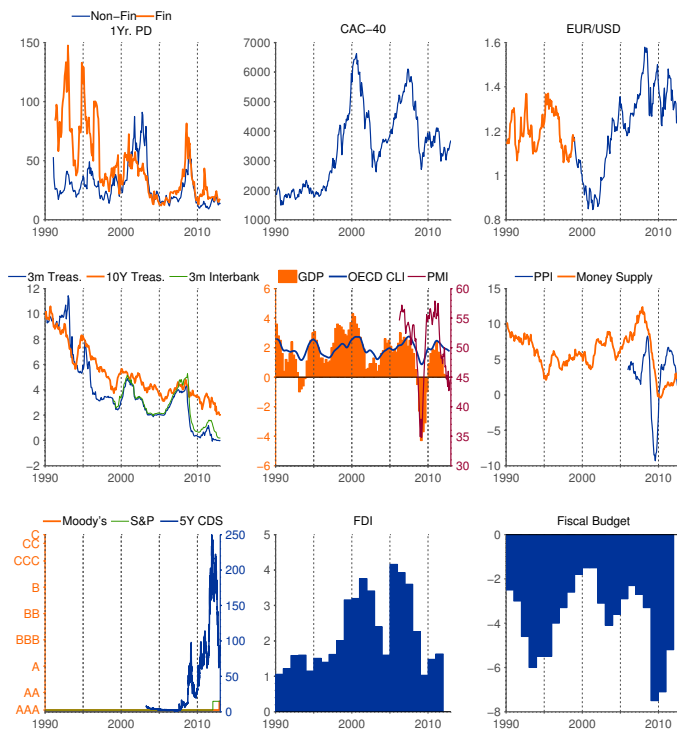
Egypt	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	43.92	29.92	35.32	15.19	21.33
1Yr. PD, Fin.	95.89	70.88	86.06	30.36	38.74
EGX 100	643.1	791.5	729.5	925.5	800.4
USD/EGP	6.03	6.04	6.06	6.10	6.36
3m Treas. Yield (%)	13.95	13.83*	14.75	12.40	12.96
10Y Treas. Yield (%)	17.10	17.25	17.05	16.00	14.75
GDP (YoY%)	0.37	-	3.31	78.16	-
Sov. Rating, Moody's	B2	B2	B2	B2	B2
Sov. Rating, S&P	B+	B	B	B	B-
FDI (%GDP)	-0.21	-	-	-	-



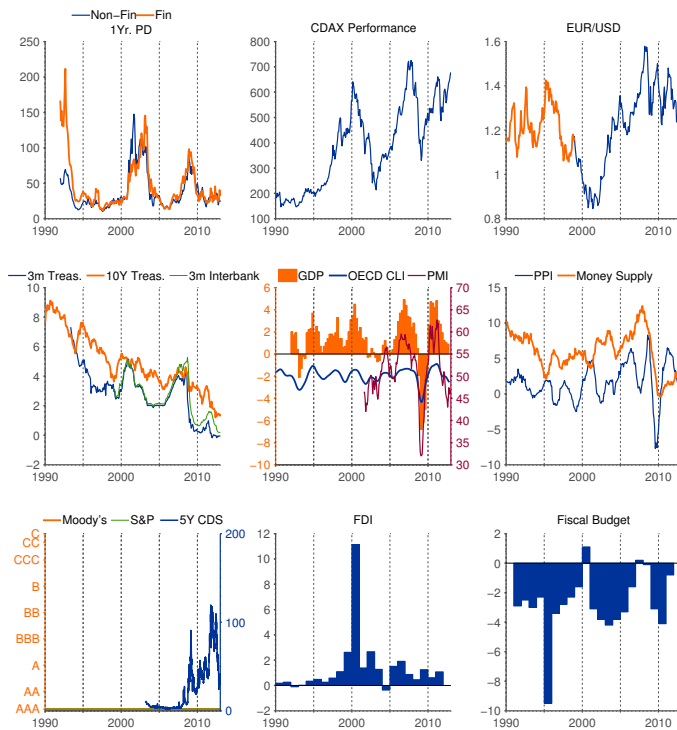
Estonia	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	-	-	9.40	24.91	10.39
1Yr. PD, Fin.	45.96	34.79	76.77	42.80	38.09
OMX Tallinn Index	531	603	623	668	734
EUR/USD	1.30	1.33	1.27	1.29	1.32
GDP (YoY%)	6.2	4.0	3.1	3.7	-
OECD CLI	100.88	100.44	100.11	100.04	99.96*
PPI (YoY%)	3.0	3.2	1.5	2.0	2.2*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	A1	A1	A1	A1	A1
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
5Y CDS (bps)	166.27	113.87	117.16	92.73	67.60
FDI (%GDP)	1.97	-	-	-	-
Fiscal Budget (%GDP)	1.10	-	-	-	-



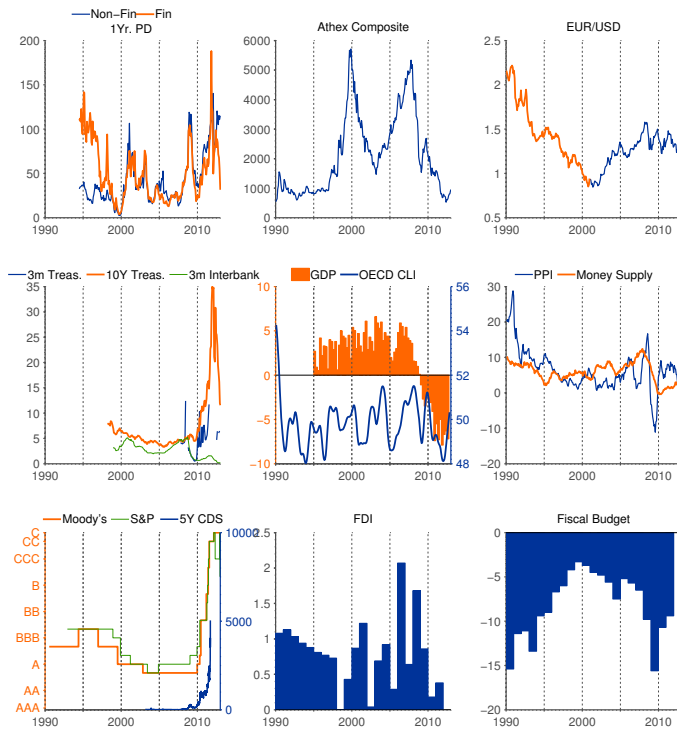
Finland	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	15.70	15.16	20.33	14.12	15.64
1Yr. PD, Fin.	24.35	29.75	31.32	21.33	28.01
OMX Helsinki	5355.1	6035.4	5073.4	5465.6	5801.3
EUR/USD	1.30	1.33	1.27	1.29	1.32
10Y Treas. Yield (%)	2.31	2.22	1.93	1.73	1.53
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	1.0	1.4	-0.2	-1.1	-
OECD CLI	98.36	99.03	99.18	99.11	99.15*
PPI (YoY%)	1.8	1.4	0.5	1.7	1.3*
Money Supply (YoY%)	1.7	3.0	3.1	2.9	3.8*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	77.83	66.55	77.83	41.85	29.64
FDI (%GDP)	-2.19	-	-	-	-
Fiscal Budget (%GDP)	-0.60	-	-	-	-



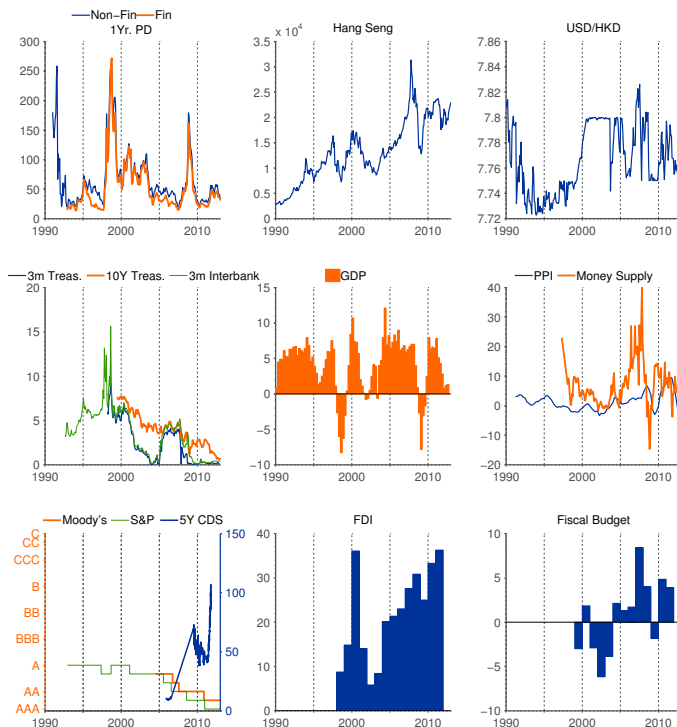
France	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	17.96	14.98	18.89	12.43	13.19
1Yr. PD, Fin.	19.33	16.09	24.20	14.91	17.61
CAC-40	3159.8	3423.8	3196.7	3354.8	3641.1
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	-0.06	0.07	0.04	0.00	-0.01
10Y Treas. Yield (%)	3.15	2.89	2.69	2.18	2.00
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	1.2	0.2	0.1	0.0	-
OECD CLI	100.06	99.84	99.70	99.47	99.41*
PMI	48.9	46.7	45.2	42.7	44.6
PPI (YoY%)	4.6	3.8	1.3	2.8	1.9*
Money Supply (YoY%)	1.7	3.0	3.1	2.9	3.8*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aa1
Sov. Rating, S&P	AAA	AA+	AA+	AA+	AA+
5Y CDS (bps)	222.30	169.41	188.84	114.01	91.14
FDI (%GDP)	1.63	-	-	-	-
Fiscal Budget (%GDP)	-5.20	-	-	-	-



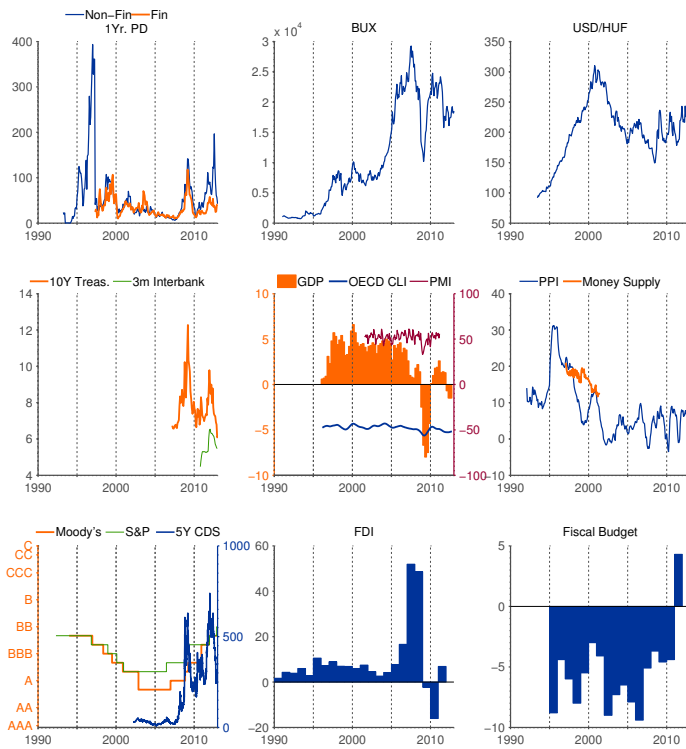
Germany	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	33.27	27.28	36.13	19.41	23.82
1Yr. PD, Fin.	23.56	27.55	31.72	24.39	31.86
CDAX Performance	521	612	569	635	673
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	-0.18	-0.03	-0.02	-0.04	-0.05
10Y Treas. Yield (%)	1.83	1.79	1.58	1.44	1.32
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	1.9	1.2	1.0	0.9	-
OECD CLI	99.92	99.97	99.49	98.79	98.67*
PMI	48.4	48.4	45.0	47.4	46.0
PPI (YoY%)	4.0	3.3	1.6	1.7	1.4*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	103.7	73.7	102.2	54.1	39.6
FDI (%GDP)	1.08	-	-	-	-
Fiscal Budget (%GDP)	-0.80	-	-	-	-



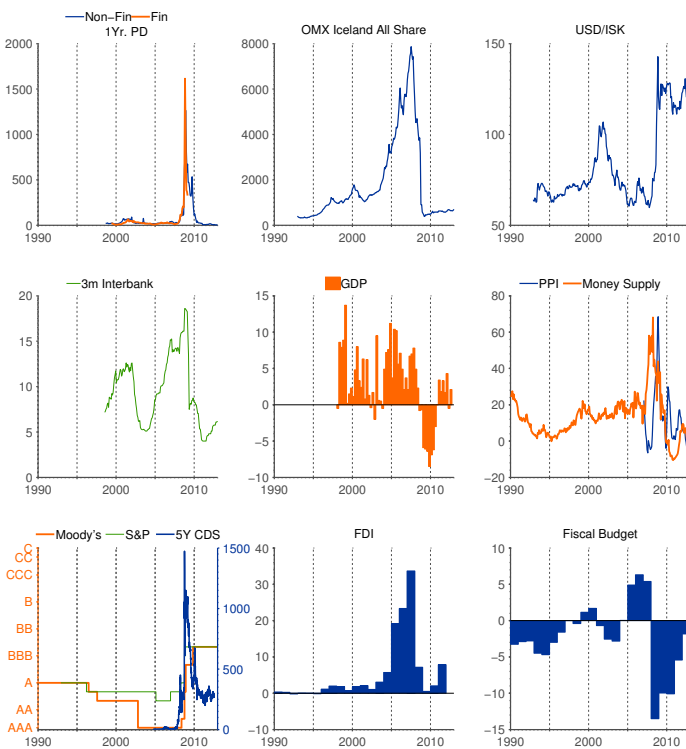
Greece	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	139.78	73.75	94.53	105.13	115.08
1Yr. PD, Fin.	119.34	79.03	79.66	71.55	31.50
Athex Composite	680	729	611	739	908
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	-	-	-	6.43*	6.40
10Y Treas. Yield (%)	34.96	21.08	25.83	19.49	11.90
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	-7.9	-6.7	-6.3	-7.2	-
OECD CLI	98.11	98.37	99.23	100.04	100.32*
PPI (YoY%)	5.7	6.7	3.1	5.1	2.5*
Money Supply (YoY%)	1.7	3.0	3.1	2.9	3.8*
Sov. Rating, Moody's	Ca	C	C	C	C
Sov. Rating, S&P	CC	CSD	CCC	CCC	B-
FDI (%GDP)	0.38	-	-	-	-
Fiscal Budget (%GDP)	-9.40	-	-	-	-



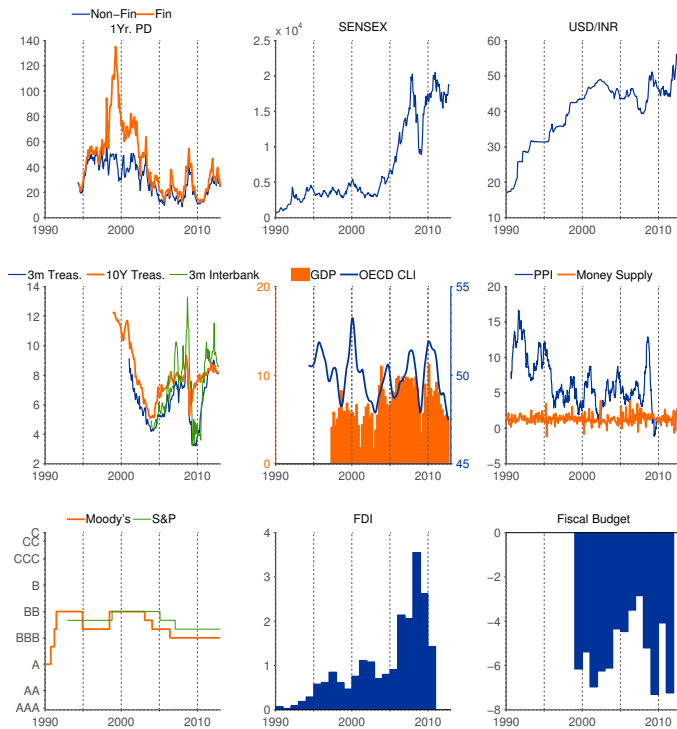
Hong Kong	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	52.11	46.30	54.25	43.16	33.61
1Yr. PD, Fin.	47.90	35.59	44.02	36.09	30.60
Hang Seng	18434	20556	19441	20840	22657
USD/HKD	7.77	7.77	7.76	7.75	7.75
3m Treas. Yield (%)	0.24	0.14	0.10	0.26	0.06
10Y Treas. Yield (%)	1.51	1.28	0.98	0.76	0.63
3m Interbank (%)	0.38	0.40	0.40	0.40	0.40
GDP (YoY%)	2.8	0.7	1.2	1.3	-
PPI (YoY%)	6.6	3.6	-0.6	-1.5	-
Money Supply (YoY%)	4.6	7.3	6.1	10.9	10.9*
Sov. Rating, Moody's	Aa1	Aa1	Aa1	Aa1	Aa1
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	86.63*	-	-	-	-
FDI (%GDP)	36.27	-	-	-	-
Fiscal Budget (%GDP)	3.90	-	-	-	-



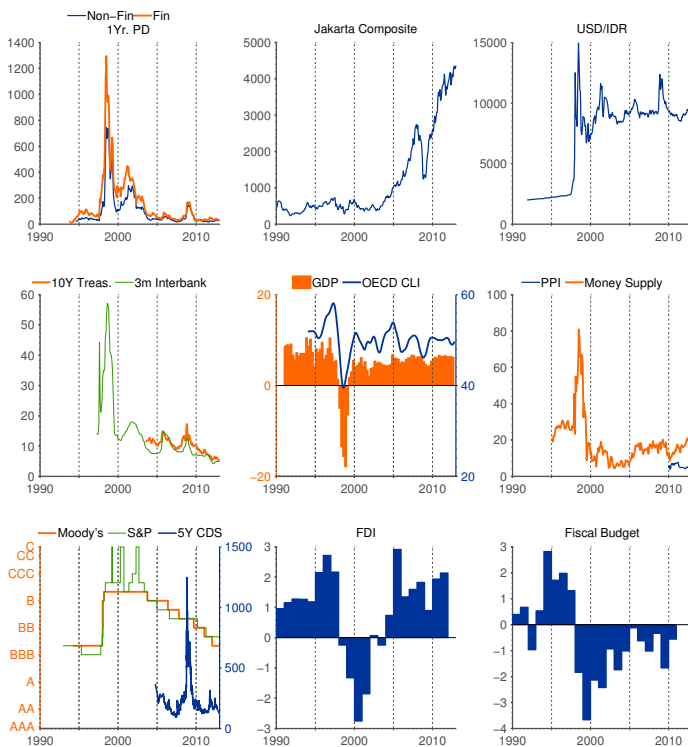
Hungary	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	90.50	62.73	120.56	86.97	42.56
1Yr. PD, Fin.	57.63	43.97	35.75	24.27	40.98
BUX	16974	18636	17341	18589	18173
USD/HUF	243	221	226	222	221
10Y Treas. Yield (%)	9.79	8.99	7.74	7.26	6.09
3m Interbank (%)	6.46	6.30	6.19	5.72	5.47
GDP (YoY%)	1.3	-0.7	-1.5	-1.5	-
OECD CLI	-2.56	-2.61	-2.35	-1.58	-
PPI (YoY%)	7.5	6.4	6.9	2.5	-2.9*
Sov. Rating, Moody's	Ba1	Ba1	Ba1	Ba1	Ba1
Sov. Rating, S&P	BB+	BB+	BB+	BB+	BB
5Y CDS (bps)	623.2	549.8	501.5	386.7	279.5
FDI (%GDP)	6.88	-	-	-	-
Fiscal Budget (%GDP)	4.30	-	-	-	-



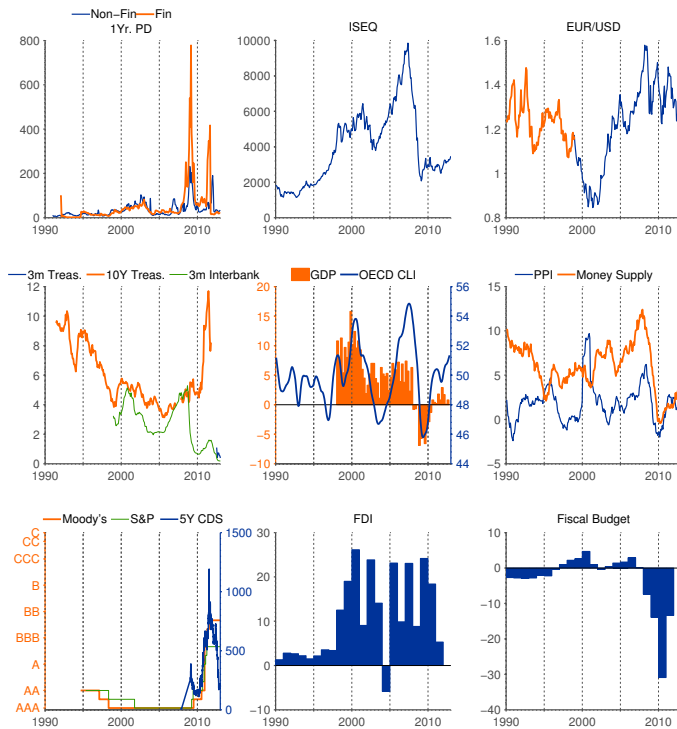
Iceland	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	16.01	8.69	6.64	4.39	3.18
OMX Iceland All Share	581	663	678	646	678
USD/ISK	122.65	126.50	124.93	124.20	128.02
3m Interbank (%)	4.80	5.10	5.70	5.75	6.15
GDP (YoY%)	1.7	4.3	-0.5	2.1	-
PPI (YoY%)	6.8	6.4	-0.7	-3.7	1.0*
Money Supply (YoY%)	9.1	4.5	4.8	-4.7	-3.6*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-
5Y CDS (bps)	316.63	271.67	287.57	283.63*	-
FDI (%GDP)	7.88	-	-	-	-
Fiscal Budget (%GDP)	-5.43	-	-	-	-1.84



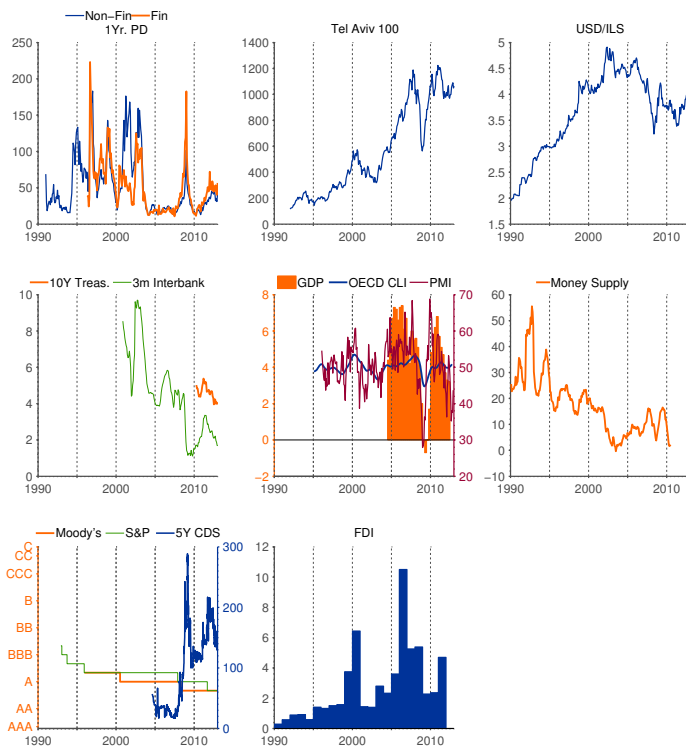
India	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	32.68	28.77	25.33	27.33	24.25
1Yr. PD, Fin.	46.79	32.41	26.90	32.81	25.02
SENSEX	15454.9	17404.2	17430.0	18762.7	18624.6*
USD/INR	53.06	50.88	55.64	52.86	53.06*
3m Treas. Yield (%)	8.53	8.93	8.27	8.08	8.07*
10Y Treas. Yield (%)	8.57	8.54	8.18	8.15	8.15*
3m Interbank (%)	9.60	11.53	9.32	8.57	8.63*
GDP (YoY%)	6.1	5.3	5.5	5.3	-
OECD CLI	99.00	98.56	97.83	97.47*	-
Money Supply (YoY%)	2.52	-0.25	2.79	0.83*	-
Sov. Rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-
Fiscal Budget (%GDP)	-7.24	-	-	-	-



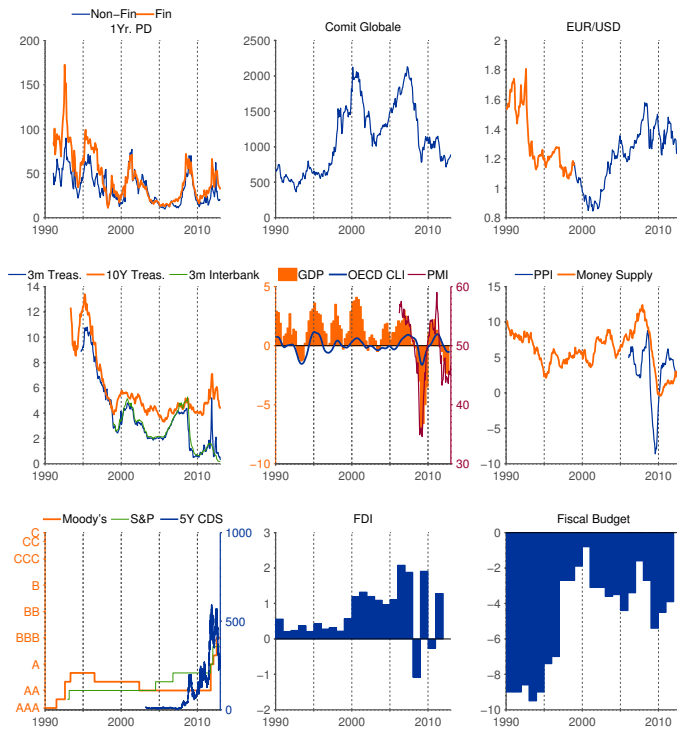
Indonesia	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	23.30	19.88	27.05	25.83	27.78
1Yr. PD, Fin.	44.89	33.87	38.53	31.36	32.72
Jakarta Composite	3822	4122	3956	4263	4317
USD/IDR	9069.00	9146.00	9433.00	9591.00	9793.00
10Y Treas. Yield (%)	6.03	5.93	6.15	5.97	5.19
3m Interbank (%)	5.27	4.21	4.69	4.92	5.02
GDP (YoY%)	6.4	6.3	6.3	6.2	-
OECD CLI	100.38	99.51	99.01	99.37	99.66*
PPI (YoY%)	4.4	4.6	4.9	4.3	3.4
Money Supply (YoY%)	16.43	18.79	20.91	18.24	17.40
Sov. Rating, Moody's	Ba1	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BB+	BB+	BB+	BB+	BB+
5Y CDS (bps)	210.00	166.48	192.87	166.75	123.97
FDI (%GDP)	2.14	-	-	-	-



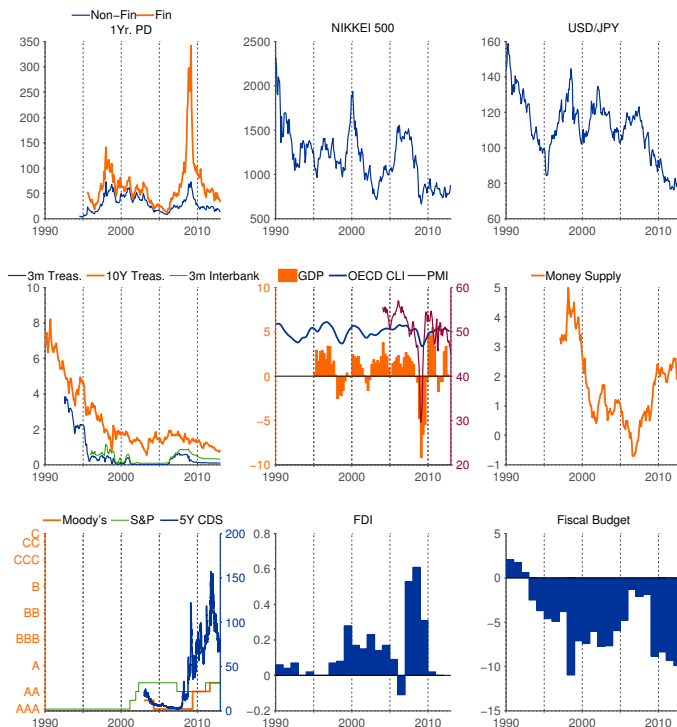
Ireland	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	190.31	25.64	36.08	24.72	33.81
1Yr. PD, Fin.	16.58	14.25	22.94	19.16	20.25
ISEQ	2902	3255	3149	3278	3397
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	-	-	-	0.72	0.53
10Y Treas. Yield (%)	8.21*	-	-	-	-
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	2.90	1.70	0.10	0.80	-
OECD CLI	100.00	100.61	100.80	101.19	101.35*
PPI (YoY%)	2.4	1.6	1.1	1.4	1.3*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	Ba1	Ba1	Ba1	Ba1	Ba1
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB+
5Y CDS (bps)	726.13	571.60	553.34	318.87	220.00
FDI (%GDP)	5.30	-	-	-	-
Fiscal Budget (%GDP)	-13.40	-	-	-	-



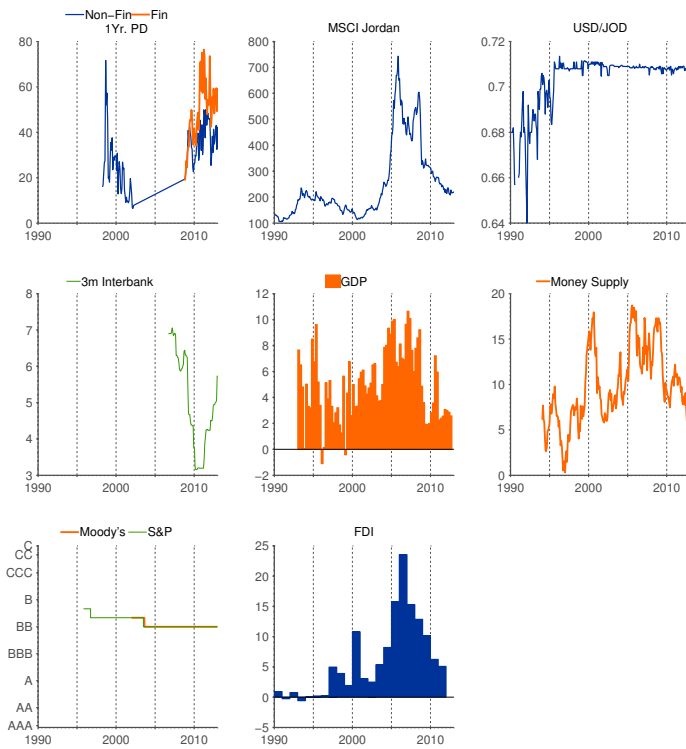
Israel	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	37.04	44.87	41.23	32.17	42.28
1Yr. PD, Fin.	72.08	46.83	44.59	53.42	56.61
Tel Aviv 100	978	1032	970	1055	1049
USD/ILS	3.81	3.71	3.91	3.92	3.73
10Y Treas. Yield (%)	4.55	4.69	4.31	4.22	4.00
3m Interbank (%)	2.58	2.49	2.14	2.21	1.69
GDP (YoY%)	3.7	3.3	3.2	-	-
OECD CLI	99.96	99.90	100.19	100.86	-
PMI	42.7	46.3	47.8	38.0	43.7*
Sov. Rating, Moody's	A1	A1	A1	A1	A1
Sov. Rating, S&P	A+	A+	A+	A+	A+
5Y CDS (bps)	198.0	180.6	171.3	154.6	135.0
FDI (%GDP)	4.70	-	-	-	-



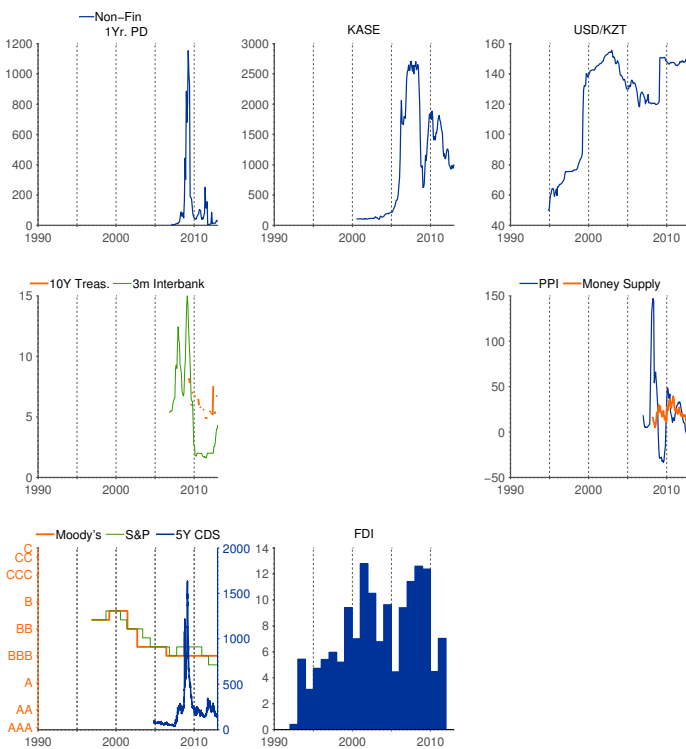
Italy	2011		2012			
	Q4	Q1	Q2	Q3	Q4	
1Yr. PD, Non-Fin. (bps)	32.13	23.47	29.31	19.71	19.67	
1Yr. PD, Fin.	57.21	34.60	48.87	37.37	31.96	
Comit Globale	806	859	761	825	873	
EUR/USD	1.30	1.33	1.27	1.29	1.32	
3m Treas. Yield (%)	2.86	0.59	2.10	0.90	0.54	
10Y Treas. Yield (%)	7.11	5.12	5.82	5.09	4.50	
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19	
GDP (YoY%)	-0.5	-1.3	-2.3	-2.4	-	
OECD CLI	100.09	99.46	98.99	98.96	99.01*	
PMI	44.3	47.9	44.6	45.7	46.7	
PPI (YoY%)	3.9	2.8	2.2	2.8	2.2*	
Money Supply (YoY%)	1.7	3.0	3.1	2.9	3.8*	
Sov. Rating, Moody's	A2	A3	A3	Baa2	Baa2	
Sov. Rating, S&P	A	BBB+	BBB+	BBB+	BBB+	
5Y CDS (bps)	503.21	396.76	487.79	356.20	278.28	
FDI (%GDP)	1.28	-	-	-	-	
Fiscal Budget (%GDP)	-3.90	-	-	-	-	



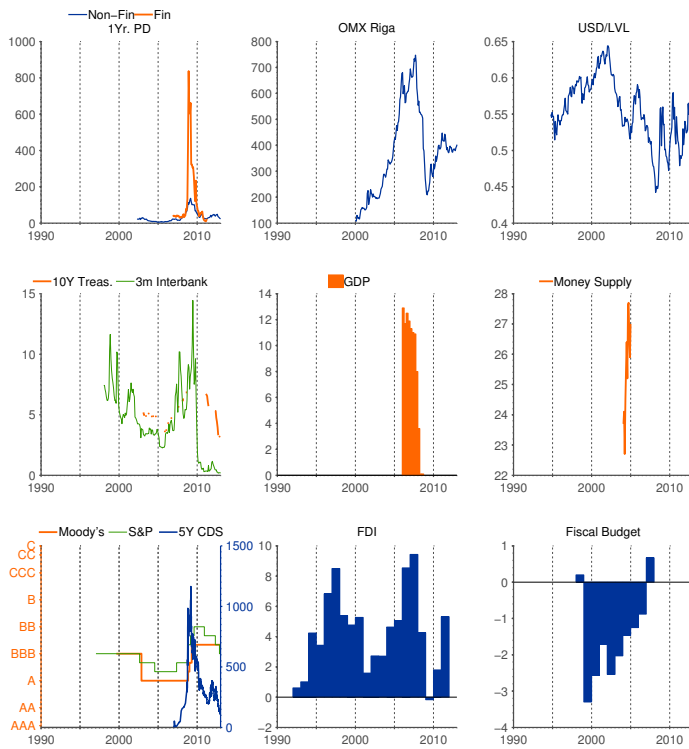
Japan	2011		2012			
	Q4	Q1	Q2	Q3	Q4	
1Yr. PD, Non-Fin. (bps)	24.08	14.49	16.25	18.62	13.17	
1Yr. PD, Fin.	57.53	35.65	39.84	38.54	32.52	
NIKKEI 500	739	856	789	782	870	
USD/JPY	76.91	82.87	79.79	77.96	86.75	
3m Treas. Yield (%)	0.10	0.10	0.10	0.10	0.10	
10Y Treas. Yield (%)	0.99	0.99	0.84	0.78	0.79	
3m Interbank (%)	0.34	0.34	0.34	0.33	0.31	
GDP (YoY%)	-0.6	2.8	3.4	0.1	-	
OECD CLI	100.57	100.77	100.48	100.20	100.17*	
PMI	50.2	51.1	49.9	48.0	45.0	
Money Supply (YoY%)	2.6	2.6	2.0	2.1	1.9*	
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3	
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-	
5Y CDS (bps)	143.07	99.94	94.66	84.57	76.28	
FDI (%GDP)	0.00	-	-	-	-	
Fiscal Budget (%GDP)	-9.29	-	-	-	-9.90	



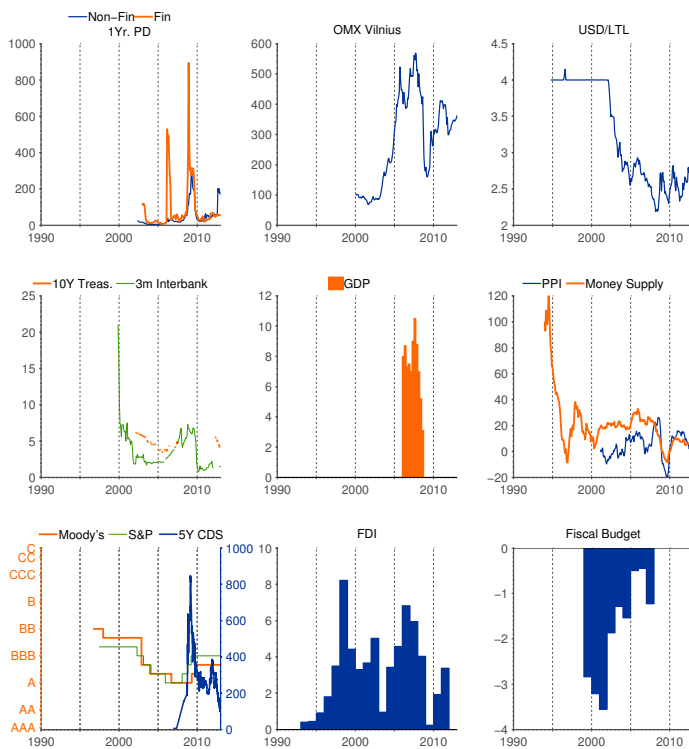
Jordan	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	46.11	29.78	41.36	41.17	42.49
1Yr. PD, Fin.	73.58	46.10	59.23	58.72	59.59
MSCI Jordan	230	236	212	216	220
USD/JOD	0.71	0.71	0.71	0.71	0.71
3m Interbank (%)	4.24	4.50	4.91	4.99	5.73
GDP (YoY%)	3.1	3.0	2.9	2.6	-
Money Supply (YoY%)	8.12	8.71	7.50	6.10	4.12*
Sov. Rating, Moody's	Ba2	Ba2	Ba2	Ba2	Ba2
Sov. Rating, S&P	BB	BB	BB	BB	BB
FDI (%GDP)	5.09	-	-	-	-



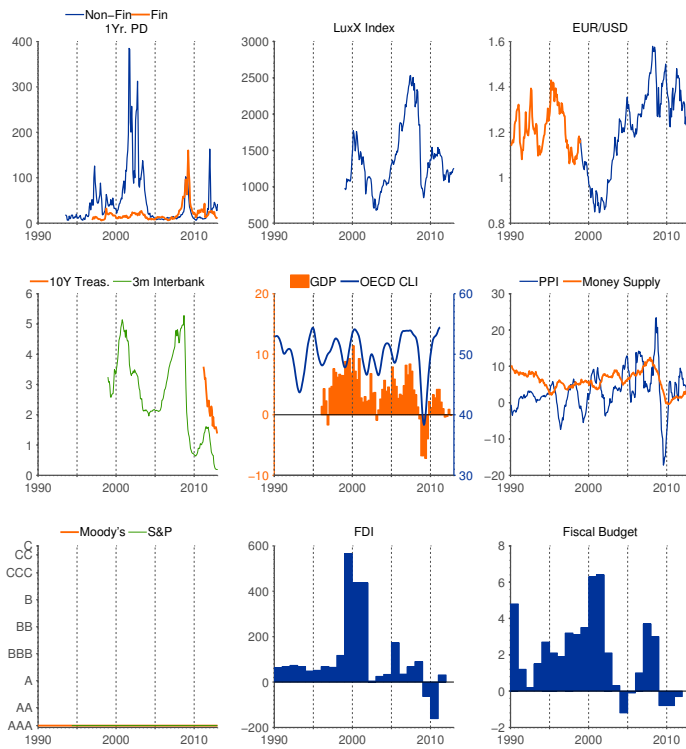
Kazakhstan	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	5.61	85.36	13.96	15.43	24.59
KASE	1106	1261	981	976	970
USD/KZT	148.49	147.95	149.49	149.89	150.44
10Y Treas. Yield (%)	-	5.30	7.54	5.44	6.71*
3m Interbank (%)	2.00	2.00	2.00	2.88	4.00
PPI (YoY%)	20.3	10.0	-0.4	1.3	2.1
Money Supply (YoY%)	20.31	17.46	12.17	5.90	9.80*
Sov. Rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB+
5Y CDS (bps)	300.96	204.30	254.12	175.00	142.61
FDI (%GDP)	7.03	-	-	-	-



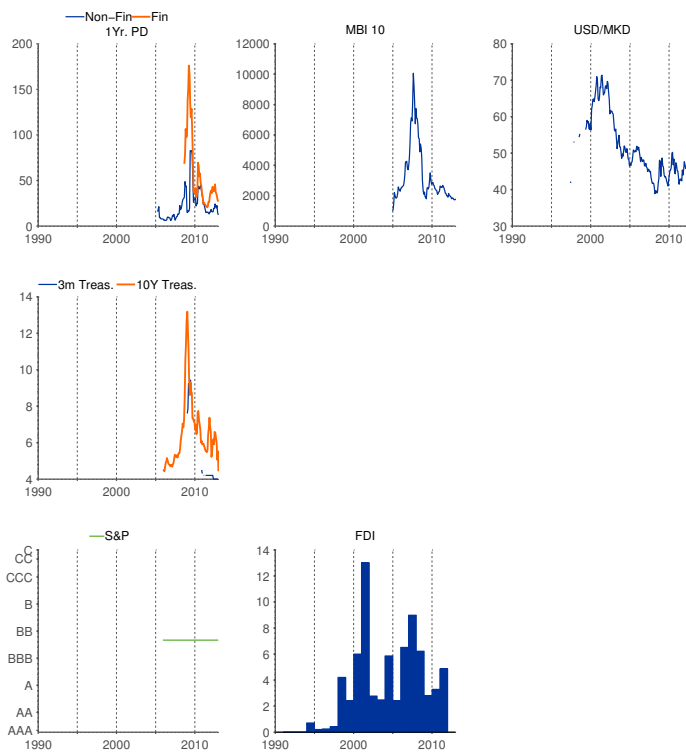
Latvia	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	44.94	43.36	46.15	33.51	23.40
OMX Riga	371	391	373	385	396
USD/LVL	0.54	0.53	0.55	0.54	0.53
10Y Treas. Yield (%)	-	-	4.75	3.30	3.20*
3m Interbank (%)	1.15	0.63	0.45	0.17	0.20
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BB+	BB+	BBB-	BBB-	BBB
5Y CDS (bps)	364.91	234.00	280.92	181.70	116.52
FDI (%GDP)	5.32	-	-	-	-



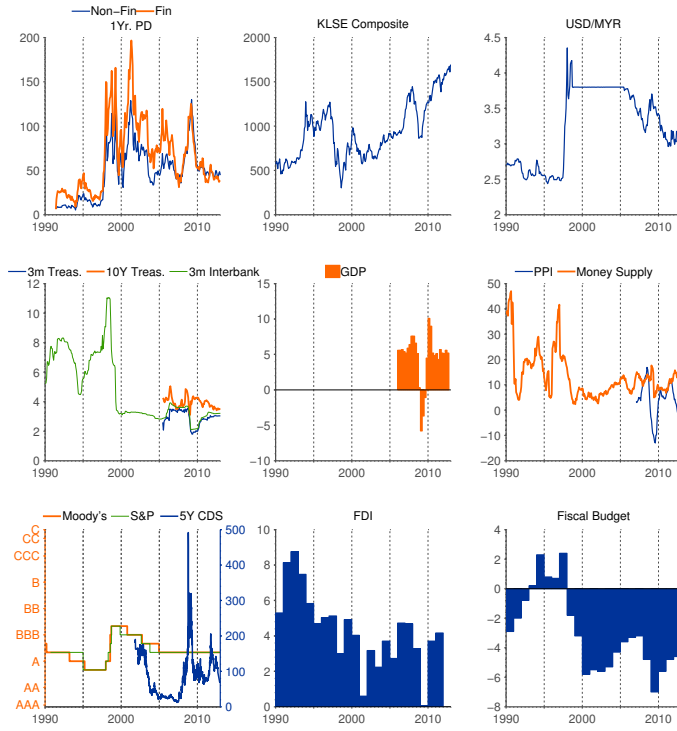
Lithuania	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	53.84	62.45	59.83	181.49	172.76
1Yr. PD, Fin.	70.09	49.48	52.35	52.97	55.38
OMX Vilnius	299	315	340	344	355
USD/LTL	2.66	2.59	2.73	2.68	2.62
10Y Treas. Yield (%)	-	-	5.52*	4.88*	4.12*
3m Interbank (%)	1.55	1.30*	-	-	1.48
PPI (YoY%)	8.7	7.1	2.0	5.6	2.0
Money Supply (YoY%)	4.80	5.20	6.00	5.70	6.50*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	366.93	234.33	263.09	175.56	105.16
FDI (%GDP)	3.38	-	-	-	-



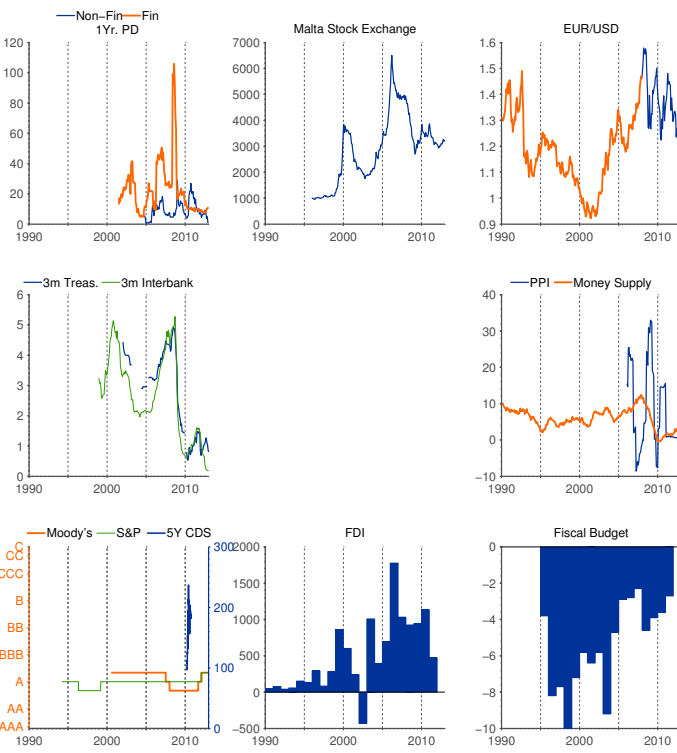
Luxembourg	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	163.01	24.97	34.83	38.06	42.22
1Yr. PD, Fin.	24.65	27.32	20.27	14.62	10.98
LuxX Index	1135	1231	1146	1205	1248
EUR/USD	1.30	1.33	1.27	1.29	1.32
10Y Treas. Yield (%)	2.12	2.28	1.92	1.57	1.38
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	-0.4	-0.3	0.9	-0.1	-
PPI (YoY%)	6.5	4.9	4.3	1.2	2.0*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
FDI (%GDP)	31.02	-	-	-	-
Fiscal Budget (%GDP)	-0.30	-	-	-	-



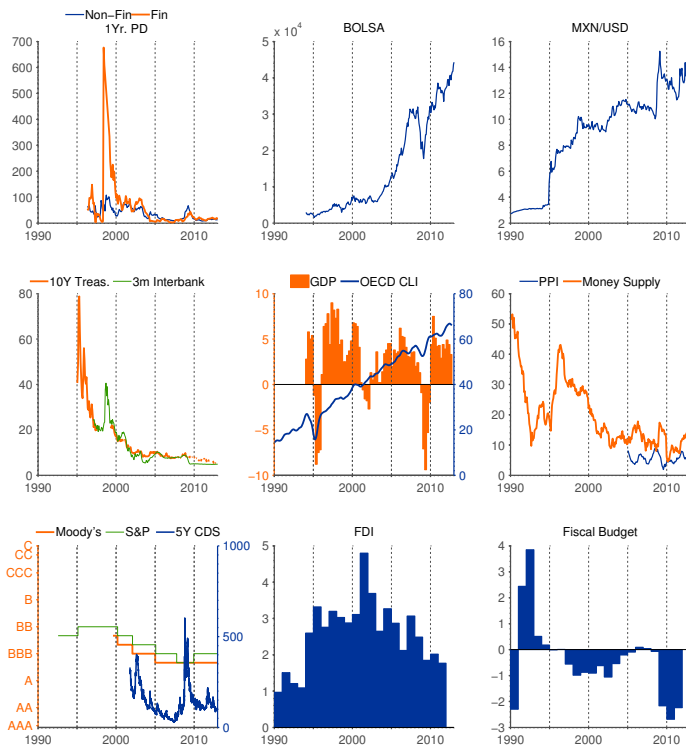
Macedonia	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	15.46	15.60	19.15	19.78	12.16
1Yr. PD, Fin.	37.35	42.94	40.98	35.57	26.83
MBI 10	1975	2025	1858	1822	1731
USD/MKD	47.64	46.10	49.30	47.80	47.17
3m Treas. Yield (%)	4.20	4.20	4.00	4.00	4.00
10Y Treas. Yield (%)	6.89	5.41	5.91	6.27	5.53
Sov. Rating, S&P	BB+	BB+	BB+	BB+	BB+
FDI (%GDP)	4.87	-	-	-	-



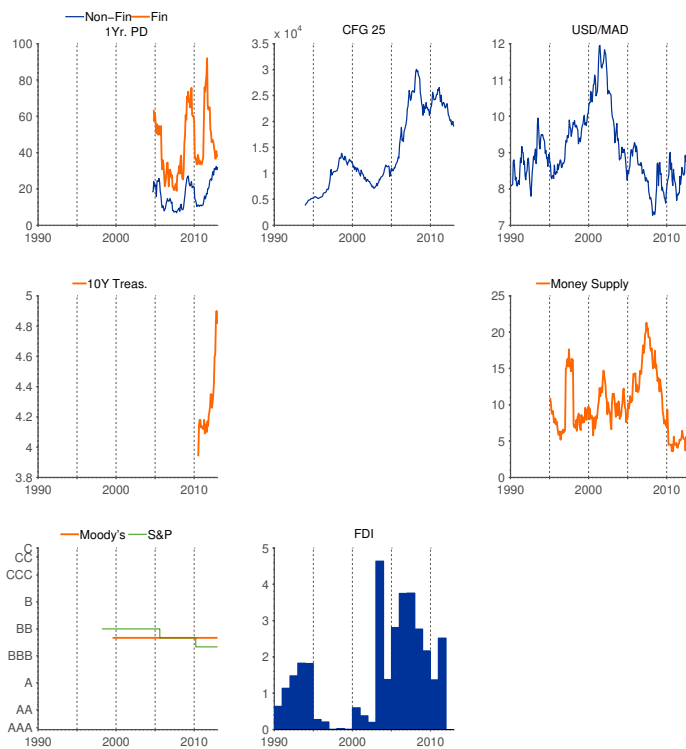
Malaysia	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	46.90	41.78	49.49	42.94	44.63
1Yr. PD, Fin.	47.38	39.79	43.37	40.54	37.46
KLSE Composite	1531	1596	1599	1637	1689
USD/MYR	3.17	3.06	3.18	3.06	3.06
3m Treas. Yield (%)	2.99	3.04	3.04	3.03	3.04
10Y Treas. Yield (%)	3.70	3.68	3.52	3.55	3.50
3m Interbank (%)	3.22	3.19	3.19	3.20	3.21
GDP (YoY%)	5.2	5.1	5.6	5.2	-
PPI (YoY%)	6.2	2.9	-0.9	-1.3	-3.4*
Money Supply (YoY%)	14.26	14.86	12.71	12.46	10.70*
Sov. Rating, Moody's	A3	A3	A3	A3	A3
Sov. Rating, S&P	A-	A-	A-	A-	A-
5Y CDS (bps)	142.74	100.26	124.42	95.27	70.40
FDI (%GDP)	4.17	-	-	-	-
Fiscal Budget (%GDP)	-4.80	-	-	-	-4.60



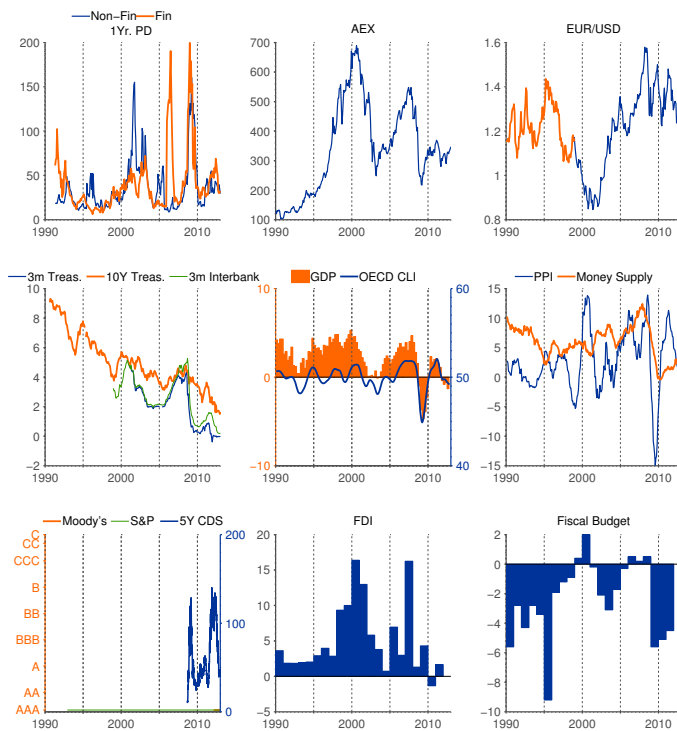
Malta	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	7.53	6.52	8.49	3.75	0.90
1Yr. PD, Fin.	9.42	7.82	8.06	10.01	10.98
Malta Stock Exchange	3095	2939	3022	3136	3212
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	0.82	0.84	1.04	1.27	0.85
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
PPI (YoY%)	0.8	0.6	0.6	1.1	0.9*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	A2	A3	A3	A3	A3
Sov. Rating, S&P	A	A-	A-	A-	A-
FDI (%GDP)	474.50	-	-	-	-
Fiscal Budget (%GDP)	-2.70	-	-	-	-



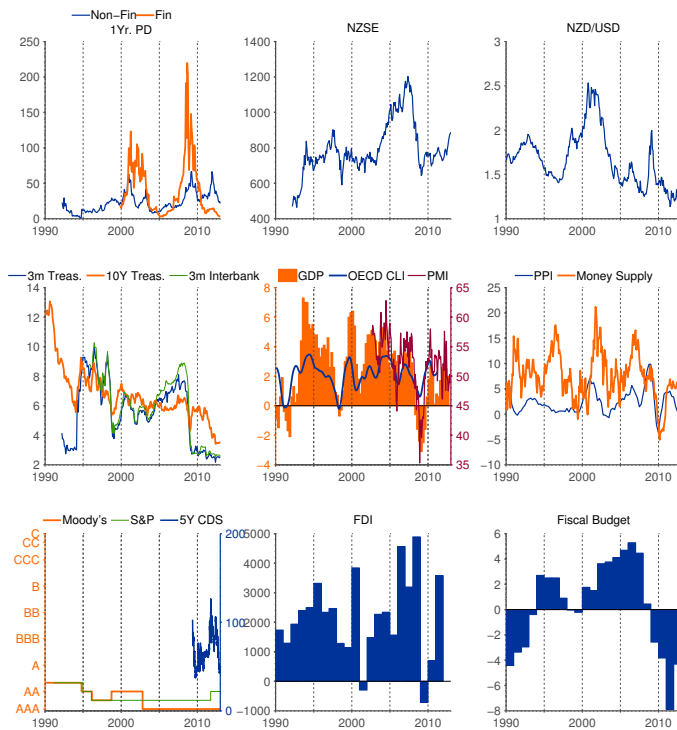
Mexico	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	14.72	13.18	14.53	12.96	12.35
1Yr. PD, Fin.	16.25	18.30	16.89	15.07	14.85
BOLSA	37078	39521	40200	40867	43706
MXN/USD	13.94	12.81	13.36	12.86	12.85
10Y Treas. Yield (%)	6.46	-	5.94	5.44	5.35*
3m Interbank (%)	4.82	4.79	4.80	4.82	4.87
GDP (YoY%)	3.9	4.9	4.4	3.3	-
OECD CLI	115.21	116.35	116.78	116.07	-
PPI (YoY%)	7.8	5.9	5.6	4.3	2.1*
Money Supply (YoY%)	12.00	13.20	13.60	11.00	10.30*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	153.53	117.68	140.42	101.17	97.82
FDI (%GDP)	1.77	-	-	-	-
Fiscal Budget (%GDP)	-2.24	-	-	-	-



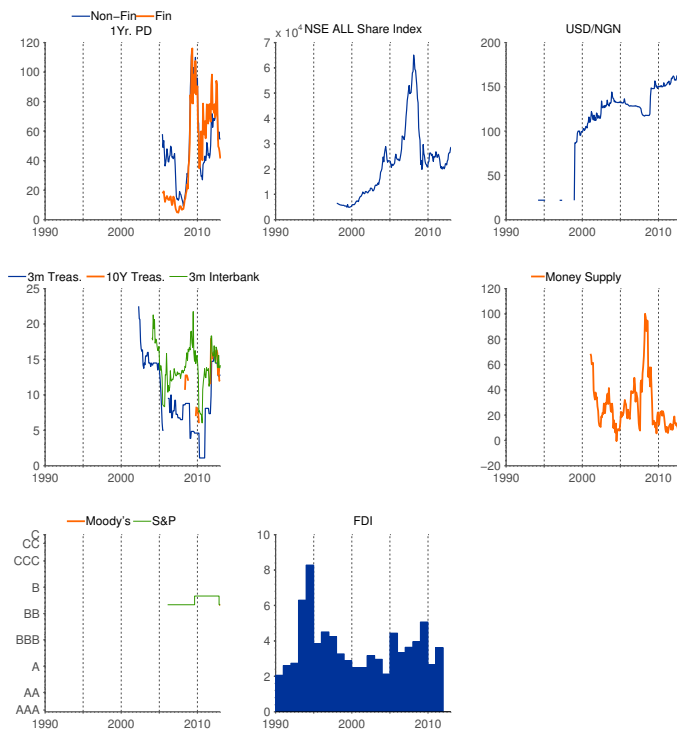
Morocco	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	24.53	24.73	27.61	30.98	32.14
1Yr. PD, Fin.	64.86	45.81	44.99	36.59	37.67
CFG 25	22681	22523	20560	19340	19143
USD/MAD	8.59	8.38	8.75	8.63	8.46
10Y Treas. Yield (%)	4.23	4.35	4.35	4.61	4.82
Money Supply (YoY%)	6.43	5.30	5.60	4.30	3.40*
Sov. Rating, Moody's	Ba1	Ba1	Ba1	Ba1	Ba1
Sov. Rating, S&P	BBB-	BBB-	BBB-	BBB-	BBB-
FDI (%GDP)	2.52	-	-	-	-



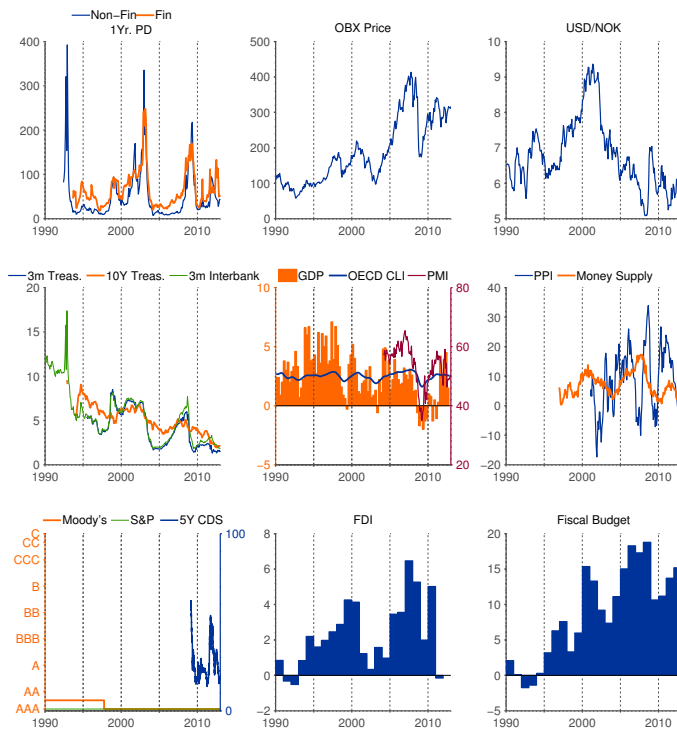
Netherlands	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	35.97	33.19	40.86	33.36	29.46
1Yr. PD, Fin.	54.63	58.46	62.99	31.59	32.27
AEX	312	324	307	323	343
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	-0.39	0.02	0.02	-0.03	-0.02
10Y Treas. Yield (%)	2.19	2.33	2.10	1.72	1.50
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	-0.4	-0.8	-0.6	-1.3	-
OECD CLI	99.73	99.75	99.46	99.23	99.18*
PPI (YoY%)	4.9	4.0	1.7	4.2	4.0*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	-	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	121.85	117.63	111.27	65.81	46.42
FDI (%GDP)	1.66	-	-	-	-
Fiscal Budget (%GDP)	-4.50	-	-	-	-



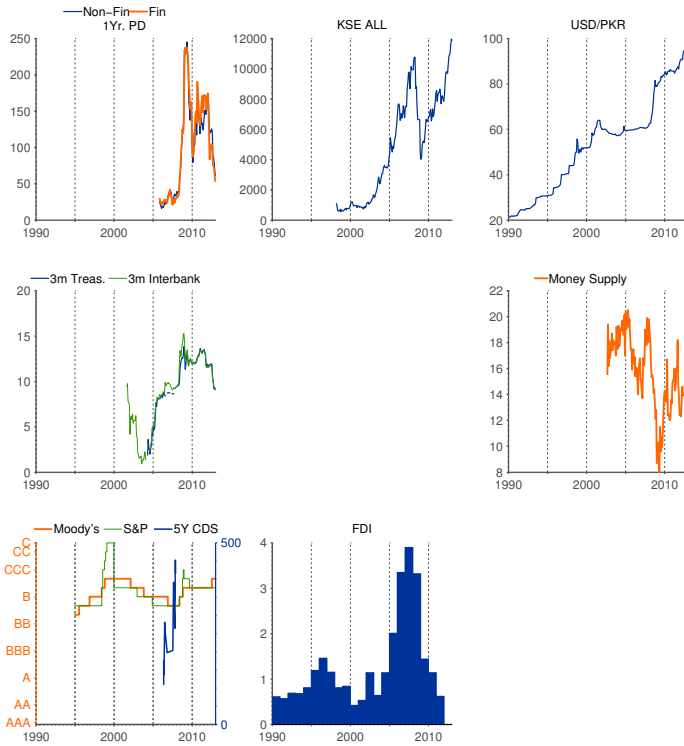
New Zealand	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	60.90	41.61	36.59	25.84	21.74
1Yr. PD, Fin.	14.05	10.36	8.50	4.12	2.69
NZSE	730	782	760	840	882
NZD/USD	1.29	1.22	1.25	1.20	1.21
3m Treas. Yield (%)	2.47	2.54	2.46	2.54	2.53
10Y Treas. Yield (%)	3.81	4.08	3.43	3.45	3.52
3m Interbank (%)	2.74	2.74	2.68	2.67	2.65
GDP (YoY%)	2.6	2.8	2.5	2.0	-
PMI	52.1	53.9	50.0	48.5	48.8*
PPI (YoY%)	3.4	1.6	0.5	-0.6	-
Money Supply (YoY%)	5.90	5.00	5.70	6.40	5.00*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AA	AA	AA	AA	AA
5Y CDS (bps)	94.50	77.82	89.67	68.50	50.05
FDI (%GDP)	3580.20	-	-	-	-
Fiscal Budget (%GDP)	-7.89	-	-	-	-4.32



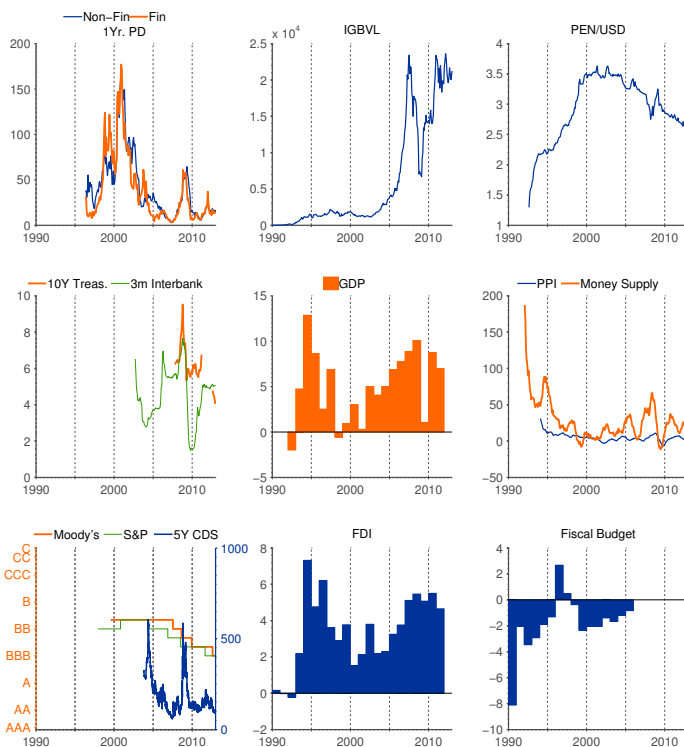
Nigeria	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	62.59	67.25	80.04	53.77	54.38
1Yr. PD, Fin.	74.71	78.28	94.12	49.71	41.47
NSE ALL Share Index	20731	20652	21600	26012	28079
USD/NGN	162.30	157.70	162.75	157.20	156.15
3m Treas. Yield (%)	14.75	16.15	14.50	12.75	12.80
10Y Treas. Yield (%)	15.00	15.41	16.22	12.90	11.90
3m Interbank (%)	15.88	16.93	16.76	13.83	13.79
Money Supply (YoY%)	15.80	13.74	10.77	11.46	23.40*
Sov. Rating, Moody's	-	-	-	-	Ba3
Sov. Rating, S&P	B+	B+	B+	B+	BB-
FDI (%GDP)	3.62	-	-	-	-



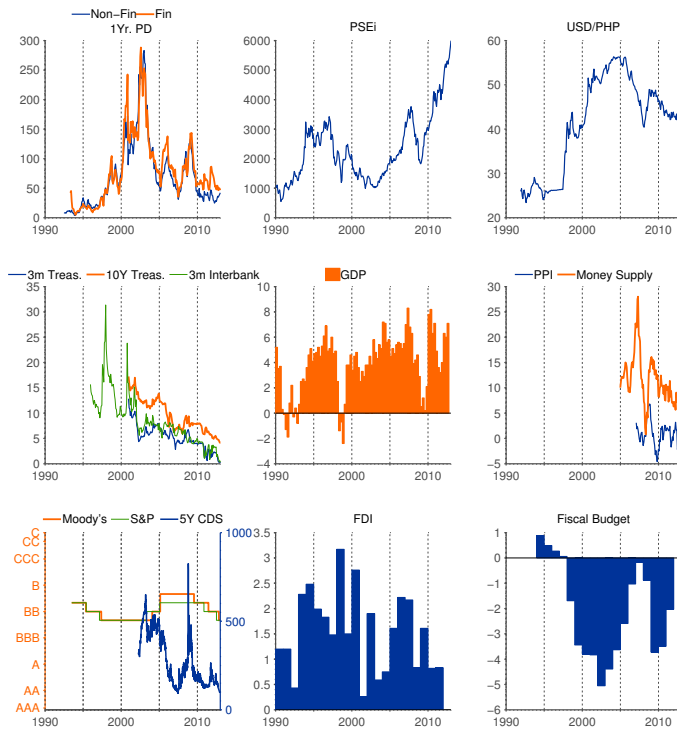
Norway	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	84.41	67.10	44.91	28.00	42.70
1Yr. PD, Fin.	72.53	58.40	133.06	90.76	49.97
OBX Price	284	312	287	316	311
USD/NOK	5.98	5.69	5.96	5.73	5.56
3m Treas. Yield (%)	1.31	1.50	1.49	1.65	1.49
10Y Treas. Yield (%)	2.40	2.45	2.07	2.14	2.14
3m Interbank (%)	2.89	2.28	2.30	1.97	1.83
GDP (YoY%)	2.0	3.9	4.5	1.5	-
OECD CLI	100.49	100.48	100.30	100.20	100.15*
PMI	46.9	59.1	46.3	49.2	50.0
PPI (YoY%)	8.2	6.6	-0.2	1.4	0.0*
Money Supply (YoY%)	6.20	5.10	4.70	3.30	4.40*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	44.28	21.50	31.50	23.85	18.50
FDI (%GDP)	-0.16	-	-	-	-
Fiscal Budget (%GDP)	13.73	-	-	-	15.20



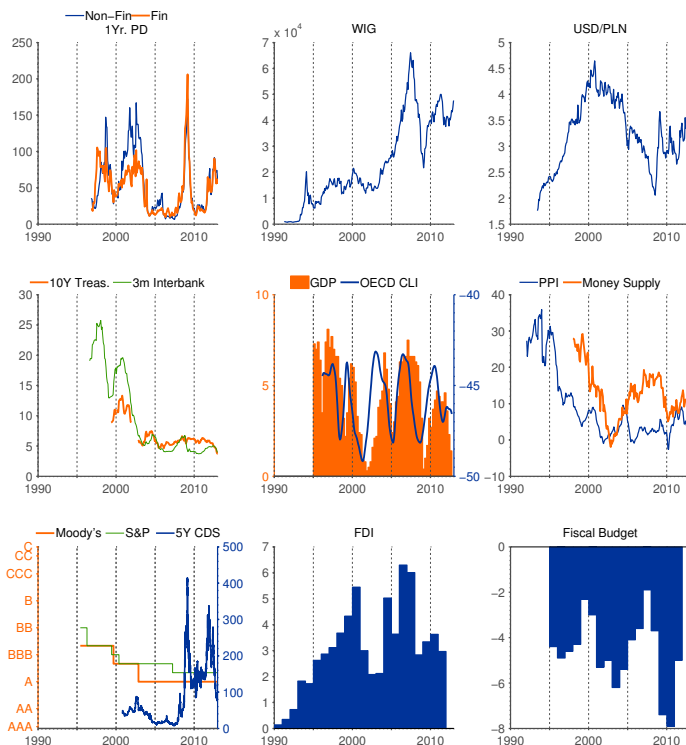
Pakistan	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	172.43	119.23	125.51	85.73	60.49
1Yr. PD, Fin.	174.48	83.53	104.82	74.57	52.65
KSE ALL	7857	9650	9708	10898	11964
USD/PKR	89.95	90.65	94.58	94.83	97.14
3m Treas. Yield (%)	11.91	11.83	11.93	10.07	9.13
3m Interbank (%)	11.73	11.66	11.74	9.95	9.06
Money Supply (YoY%)	12.40	14.60	14.10	15.30	17.90*
Sov. Rating, Moody's	B3	B3	B3	Caa1	Caa1
Sov. Rating, S&P	B-	B-	B-	B-	B-
FDI (%GDP)	0.62	-	-	-	-



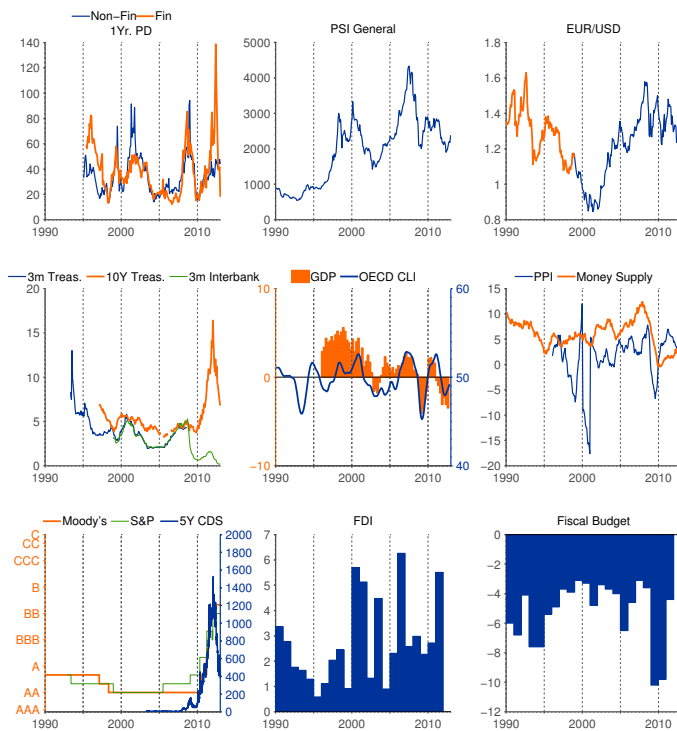
Peru	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	23.18	15.29	15.10	13.95	14.77
1Yr. PD, Fin.	37.00	13.04	11.09	13.25	13.08
IGBVL	19473	23612	20207	21675	20629
PEN/USD	2.70	2.67	2.67	2.60	2.55
10Y Treas. Yield (%)	-	-	-	4.58	4.09
3m Interbank (%)	4.96	4.92	5.01	5.01	5.05
GDP (YoY%)	7.0	-	-	-	-
PPI (YoY%)	6.3	4.1	2.0	0.4	-0.6
Money Supply (YoY%)	12.80	19.60	25.40	25.00	29.60*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa2	Baa2
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	172.42	121.85	162.38	106.33	97.34
FDI (%GDP)	4.65	-	-	-	-



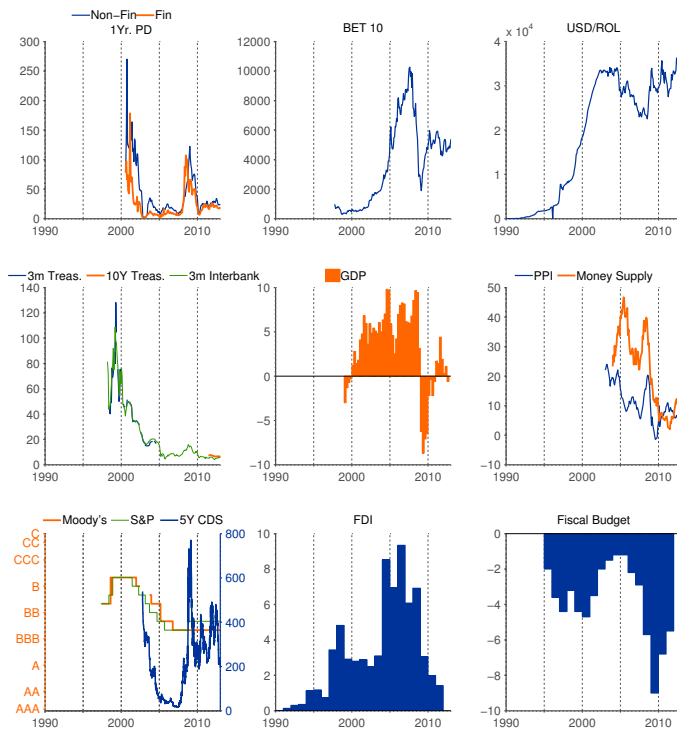
Philippines	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	37.12	24.72	27.65	34.75	42.15
1Yr. PD, Fin.	73.83	59.55	47.76	46.35	46.54
PSEI	4372	5108	5246	5346	5813
USD/PHP	43.84	42.91	42.15	41.74	41.01
3m Treas. Yield (%)	1.45	2.35	2.20	0.63	0.30
10Y Treas. Yield (%)	5.07	5.30	5.27	4.75	4.15
3m Interbank (%)	2.25	3.38	3.31	1.38	0.56
GDP (YoY%)	4.0	6.3	6.0	7.1	-
PPI (YoY%)	1.6	3.2	-2.2	-1.2	-2.7*
Money Supply (YoY%)	6.31	5.64	7.11	7.47	8.57*
Sov. Rating, Moody's	Ba2	Ba2	Ba2	Ba2	Ba1
Sov. Rating, S&P	BB	BB	BB	BB+	BB+
5Y CDS (bps)	193.49	146.30	161.26	129.90	99.78
FDI (%GDP)	0.83	-	-	-	-
Fiscal Budget (%GDP)	-2.03	-	-	-	-



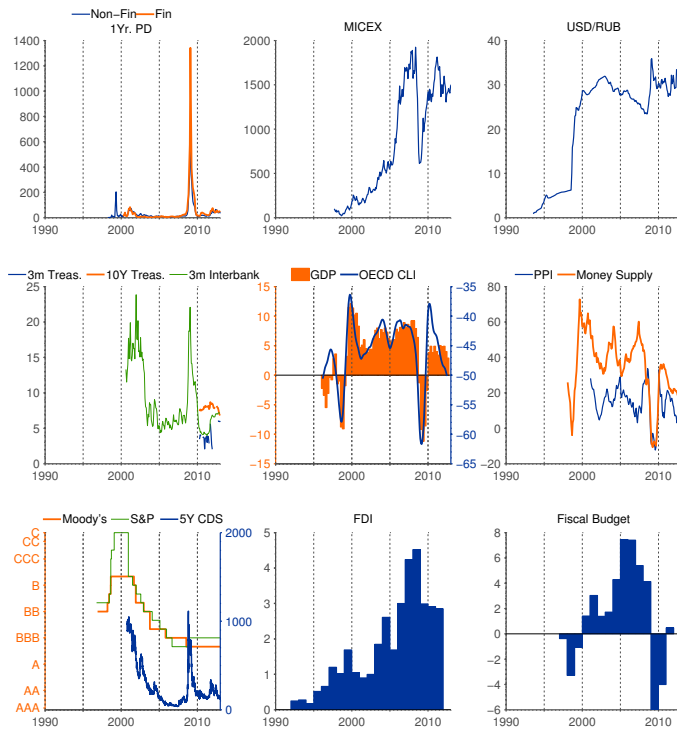
Poland	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	76.48	44.12	75.34	73.43	61.96
1Yr. PD, Fin.	62.06	44.81	73.67	66.96	55.40
WIG	37595	41267	40811	43740	47461
USD/PLN	3.45	3.11	3.35	3.20	3.09
10Y Treas. Yield (%)	5.89	5.50	5.15	4.68	3.74
3m Interbank (%)	4.89	4.84	5.03	4.82	4.01
GDP (YoY%)	4.6	3.6	2.3	1.4	-
OECD CLI	3.74	3.75	3.69	3.43	-
PPI (YoY%)	8.2	4.4	4.4	1.8	-0.1*
Money Supply (YoY%)	12.49	9.15	10.96	7.62	5.84*
Sov. Rating, Moody's	A2	A2	A2	A2	A2
Sov. Rating, S&P	A-	A-	A-	A-	A-
5Y CDS (bps)	280.18	181.34	216.66	120.16	80.67
FDI (%GDP)	2.97	-	-	-	-
Fiscal Budget (%GDP)	-5.00	-	-	-	-



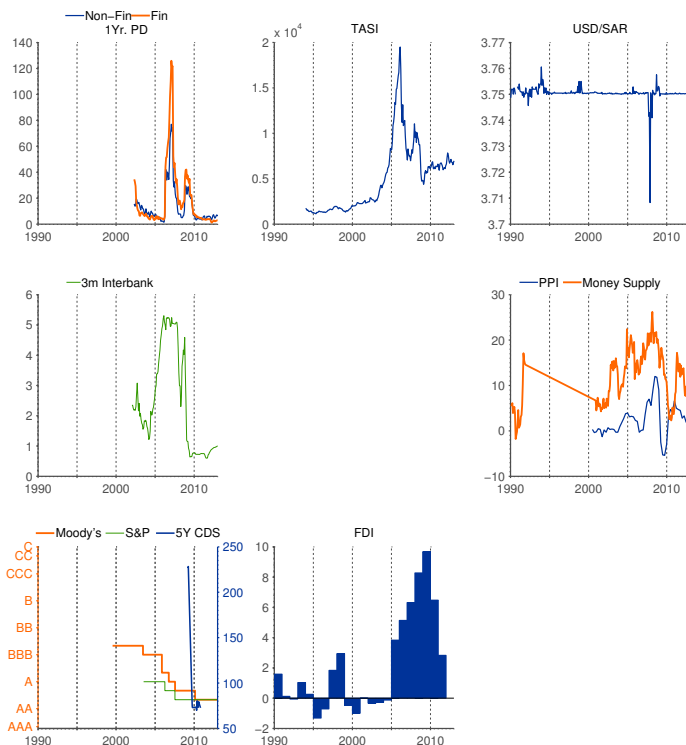
Portugal	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	34.74	33.67	44.27	42.46	43.95
1Yr. PD, Fin.	58.84	68.74	107.30	39.78	18.09
PSI General	2167	2189	1952	2156	2334
EUR/USD	1.30	1.33	1.27	1.29	1.32
10Y Treas. Yield (%)	13.36	11.53	10.16	9.00	7.01
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	-3.1	-2.3	-3.1	-3.5	-
OECD CLI	98.40	97.94	98.36	98.97	99.20*
PPI (YoY%)	4.4	3.7	2.7	4.5	3.8*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	Ba2	Ba3	Ba3	Ba3	Ba3
Sov. Rating, S&P	BBB	BB	BB	BB	BB
5Y CDS (bps)	1092.68	1075.63	804.91	515.06	448.62
FDI (%GDP)	5.51	-	-	-	-
Fiscal Budget (%GDP)	-4.40	-	-	-	-



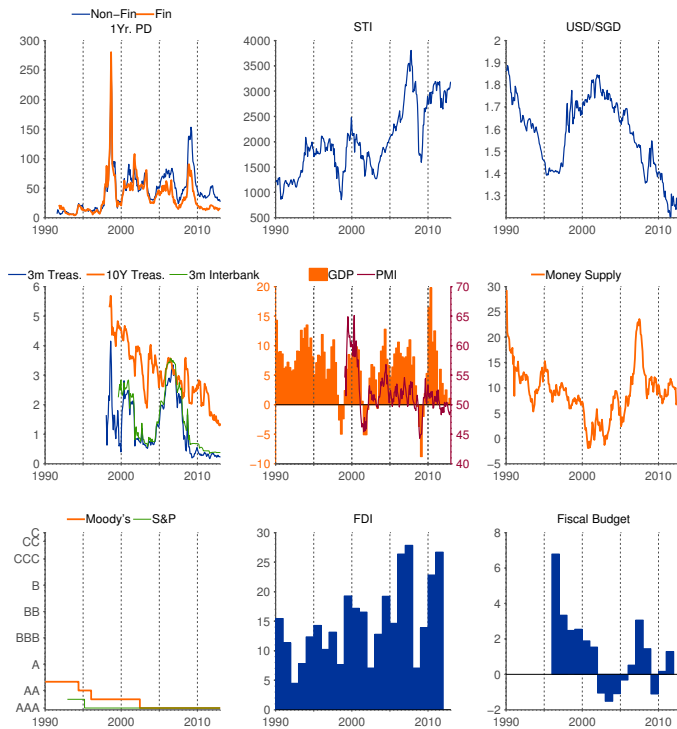
Romania	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	29.11	28.84	34.42	23.43	22.98
1Yr. PD, Fin.	26.15	22.35	22.75	17.75	19.48
BET 10	4337	5372	4528	4725	5150
USD/ROL	33385.50	32872.50	35143.50	35289.00	33677.50
10Y Treas. Yield (%)	7.36	6.46	6.58	6.54	6.35
3m Interbank (%)	5.80	4.32	5.03	5.38	5.80
GDP (YoY%)	1.9	0.3	1.1	-0.6	-
PPI (YoY%)	7.0	5.8	5.8	6.6	5.4*
Money Supply (YoY%)	6.25	11.09	10.38	7.81	7.53*
Sov. Rating, Moody's	Baa3	Baa3	Baa3	Baa3	Baa3
Sov. Rating, S&P	BB+	BB+	BB+	BB+	BB+
5Y CDS (bps)	446.67	316.83	415.30	320.22	214.59
FDI (%GDP)	1.42	-	-	-	-
Fiscal Budget (%GDP)	-5.50	-	-	-	-



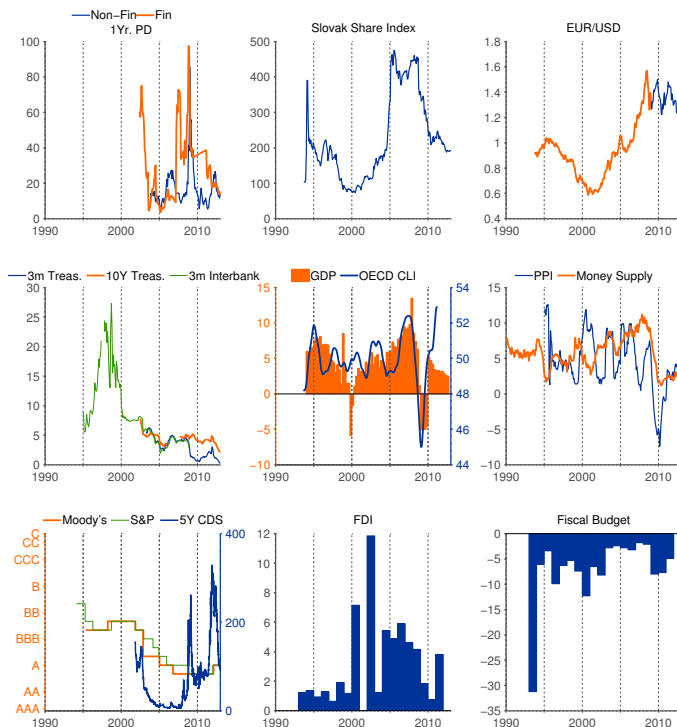
Russia	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	55.46	39.19	59.65	37.54	34.56
1Yr. PD, Fin.	75.77	49.48	45.71	44.24	53.82
MICEX	1402	1517	1388	1458	1475
USD/RUB	32.14	29.35	32.42	31.18	30.52
3m Treas. Yield (%)	2.05	-	-	5.97	5.98
10Y Treas. Yield (%)	8.50	7.82	7.99*	7.88	6.90
3m Interbank (%)	6.87	6.59	7.08	7.12	7.12
GDP (YoY%)	4.8	4.9	4.0	2.9	-
OECD CLI	1.56	1.09	-0.13	-	-
PPI (YoY%)	12.0	7.4	4.1	11.6	6.7*
Money Supply (YoY%)	22.30	21.20	19.10	14.80	14.40*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB	BBB	BBB	BBB	BBB
5Y CDS (bps)	275.12	184.19	230.56	150.34	131.62
FDI (%GDP)	2.85	-	-	-	-
Fiscal Budget (%GDP)	0.48	-	-	-	-



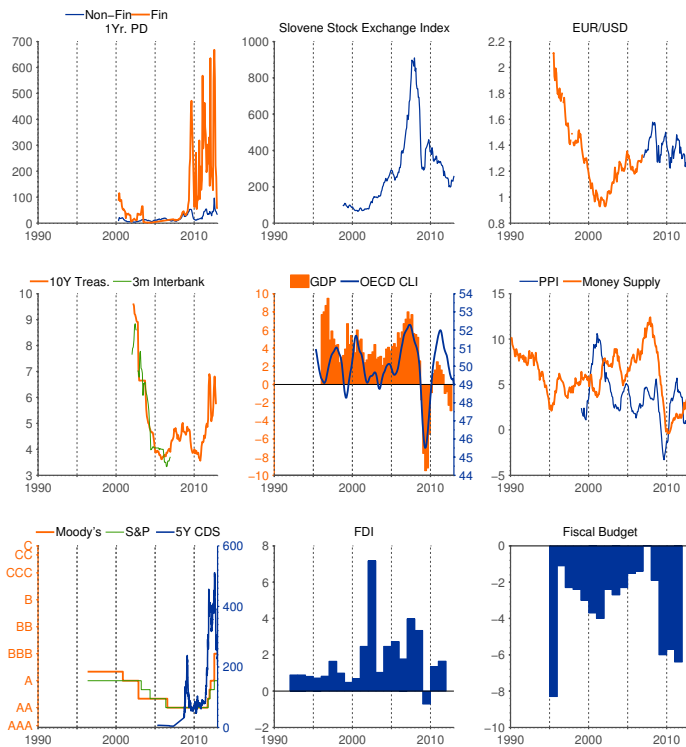
Saudi Arabia	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	5.76	3.35	7.26	5.25	6.14
1Yr. PD, Fin.	3.83	1.14	2.83	2.33	2.77
TASI	6418	7835	6710	6840	6801
USD/SAR	3.75	3.75	3.75	3.75	3.75
3m Interbank (%)	0.78	0.88	0.93	0.96	1.00
PPI (YoY%)	2.8	3.3	1.9	1.9	-
Money Supply (YoY%)	13.30	10.50	9.80	11.40	11.40*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
FDI (%GDP)	2.83	-	-	-	-



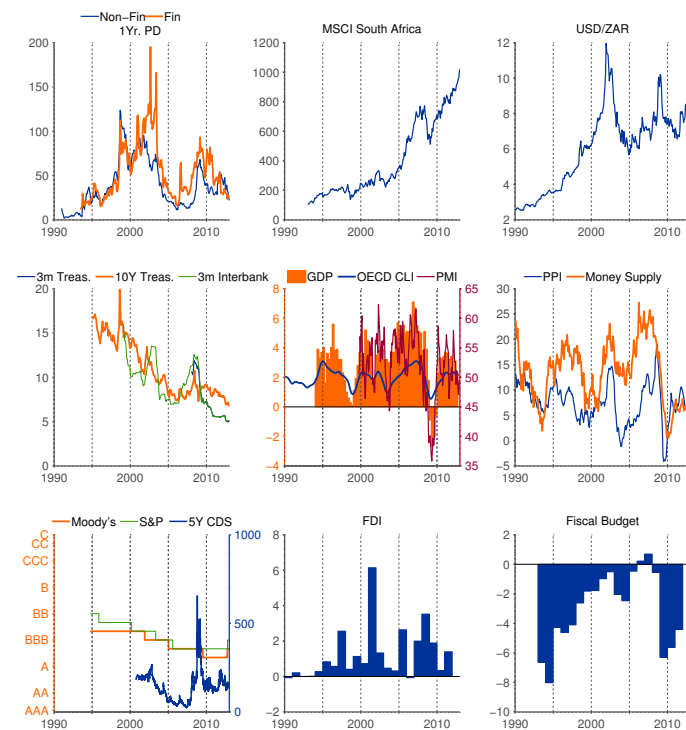
Singapore	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	54.00	39.30	33.55	29.13	26.95
1Yr. PD, Fin.	19.80	14.64	14.82	12.32	14.38
STI	2646	3010	2878	3060	3167
USD/SGD	1.30	1.26	1.27	1.23	1.22
3m Treas. Yield (%)	0.37	0.30	0.28	0.29	0.23
10Y Treas. Yield (%)	1.63	1.66	1.61	1.47	1.30
3m Interbank (%)	0.39	0.39	0.39	0.38	0.38
GDP (YoY%)	3.6	1.6	2.5	0.3	1.1
PMI	49.5	50.2	50.4	48.7	48.6
Money Supply (YoY%)	10.10	10.00	6.90	6.50	6.70*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
FDI (%GDP)	26.70	-	-	-	-
Fiscal Budget (%GDP)	1.29	-	-	-	-



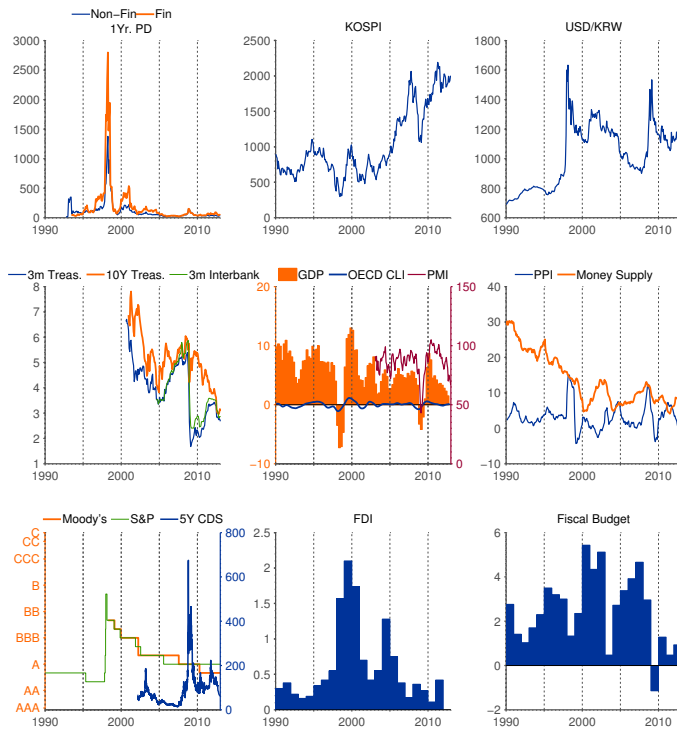
Slovakia	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	18.56	22.84	16.27	12.71	13.86
1Yr. PD, Fin.	17.61	17.97	19.88	15.75	13.06
Slovak Share Index	215	204	188	190	192
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	3.04	1.36	1.16	0.73	0.29
10Y Treas. Yield (%)	4.67	3.79	3.50	2.63	2.19
GDP (YoY%)	3.2	2.9	2.6	2.5	-
PPI (YoY%)	2.4	4.2	4.0	4.4	3.9*
Money Supply (YoY%)	2.00	3.10	3.10	3.40	4.50*
Sov. Rating, Moody's	A1	A2	A2	A2	A2
Sov. Rating, S&P	A+	A	A	A	A
5Y CDS (bps)	298.29	214.93	234.45	144.97	97.09
FDI (%GDP)	3.81	-	-	-	-
Fiscal Budget (%GDP)	-4.90	-	-	-	-



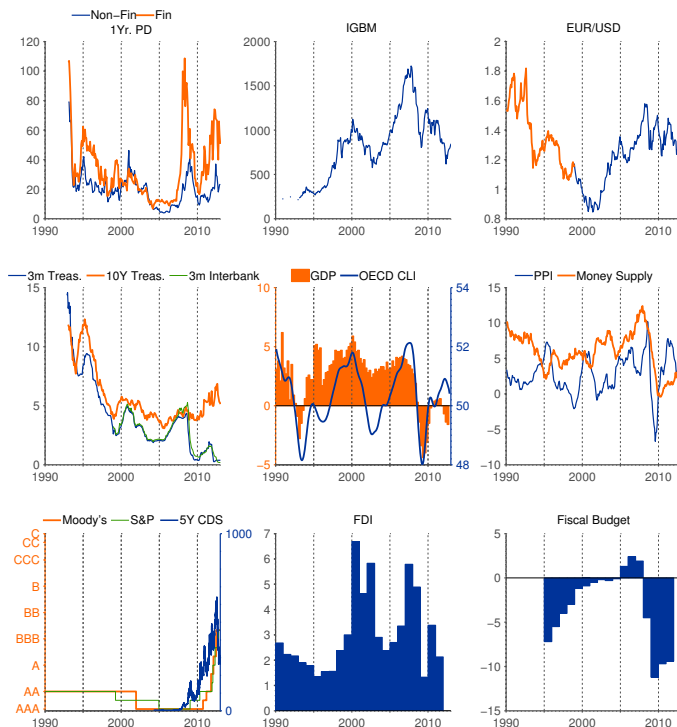
Slovenia	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	44.42	28.17	47.18	46.72	32.90
1Yr. PD, Fin.	143.49	190.75	548.46	222.63	55.08
Slovene Stock Exchange Index	252	249	205	237	248
EUR/USD	1.30	1.33	1.27	1.29	1.32
10Y Treas. Yield (%)	6.90	5.08	5.63	6.32	5.74*
GDP (YoY%)	-1.0	-0.8	-2.3	-2.9	-
OECD CLI	100.70	100.22	99.60	99.29	98.94
PPI (YoY%)	3.6	0.7	0.7	0.7	0.7*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	A1	A2	A2	Baa2	Baa2
Sov. Rating, S&P	AA-	A+	A+	A	A
5Y CDS (bps)	400.08	321.98	401.00	392.38	229.95
FDI (%GDP)	1.65	-	-	-	-
Fiscal Budget (%GDP)	-6.40	-	-	-	-



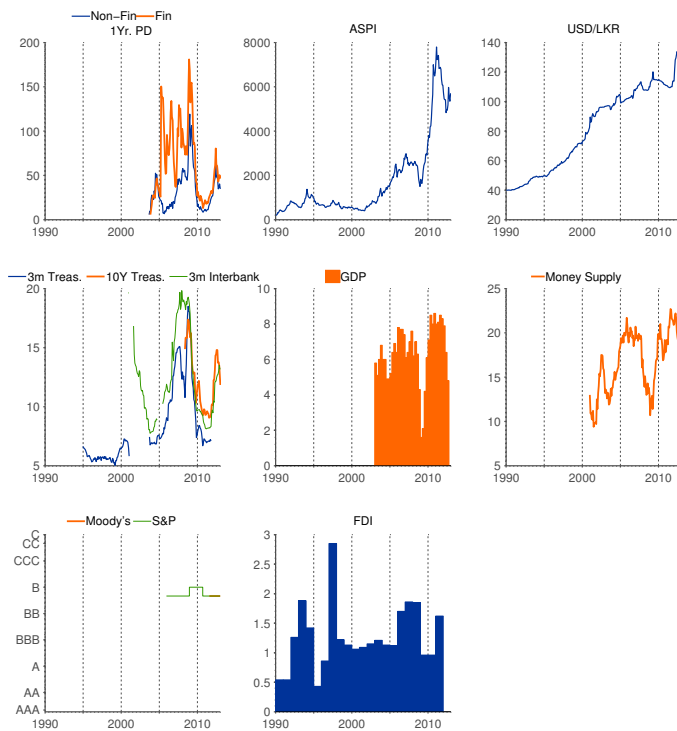
South Africa	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	47.47	39.44	36.08	32.98	21.89
1Yr. PD, Fin.	30.93	28.43	31.49	23.40	25.89
MSCI South Africa	838	876	875	932	1011
USD/ZAR	8.09	7.67	8.16	8.31	8.47
3m Treas. Yield (%)	5.55	5.65	5.67	4.98	5.05
10Y Treas. Yield (%)	7.96	7.92	7.39	6.91	6.81
3m Interbank (%)	5.59	5.60	5.61	5.06	5.13
GDP (YoY%)	3.4	2.4	3.1	2.3	-
OECD CLI	100.78	100.79	100.51	100.38	100.36*
PMI	49.4	55.1	48.8	48.3	49.5*
PPI (YoY%)	9.8	7.2	6.6	4.2	5.2*
Money Supply (YoY%)	8.28	6.65	7.00	7.54	6.26*
Sov. Rating, Moody's	A3	A3	A3	Baa1	Baa1
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB
5Y CDS (bps)	202.07	160.39	163.00	149.29	142.82
FDI (%GDP)	1.40	-	-	-	-
Fiscal Budget (%GDP)	-4.42	-	-	-	-



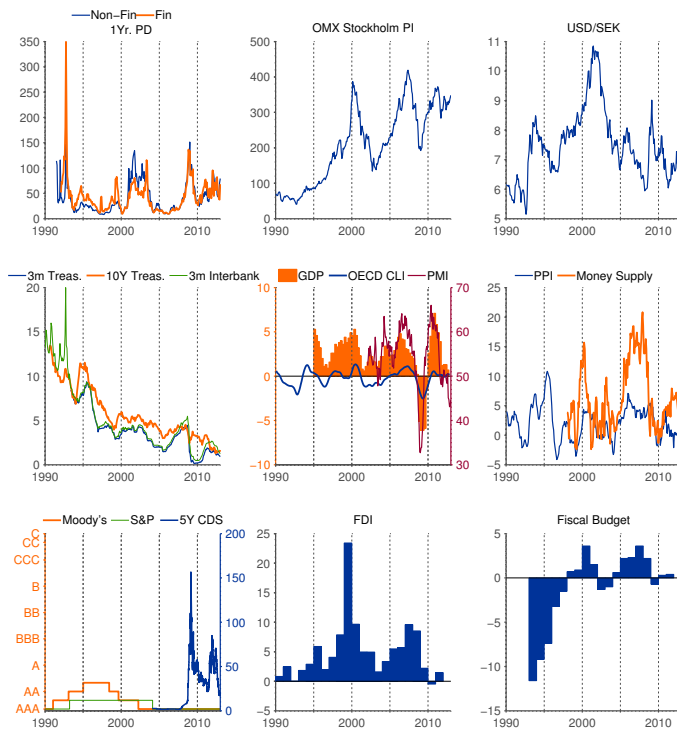
South Korea	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	36.34	30.57	32.47	24.15	30.76
1Yr. PD, Fin.	66.06	54.13	83.30	40.49	43.81
KOSPI	1826	2014	1854	1996	1997
USD/KRW	1152.45	1133.10	1145.40	1111.38	1064.40
3m Treas. Yield (%)	3.36	3.43	3.29	2.84	2.74
10Y Treas. Yield (%)	3.79	3.96	3.62	3.02	3.16
3m Interbank (%)	3.56	3.53	3.50	3.05	2.87
GDP (YoY%)	3.3	2.8	2.3	1.5	-
OECD CLI	99.23	99.80	100.25	100.51	100.63*
PMI	84.0	86.0	85.0	75.0	67.0
PPI (YoY%)	4.3	2.8	0.8	1.0	-0.2*
Money Supply (YoY%)	6.20	8.70	8.50	7.60	7.10*
Sov. Rating, Moody's	A1	A1	A1	A1	Aa3
Sov. Rating, S&P	A	A	A	A	A+
5Y CDS (bps)	169.38	123.75	121.15	87.90	63.50
FDI (%GDP)	0.42	-	-	-	-
Fiscal Budget (%GDP)	0.47	-	-	-	0.93



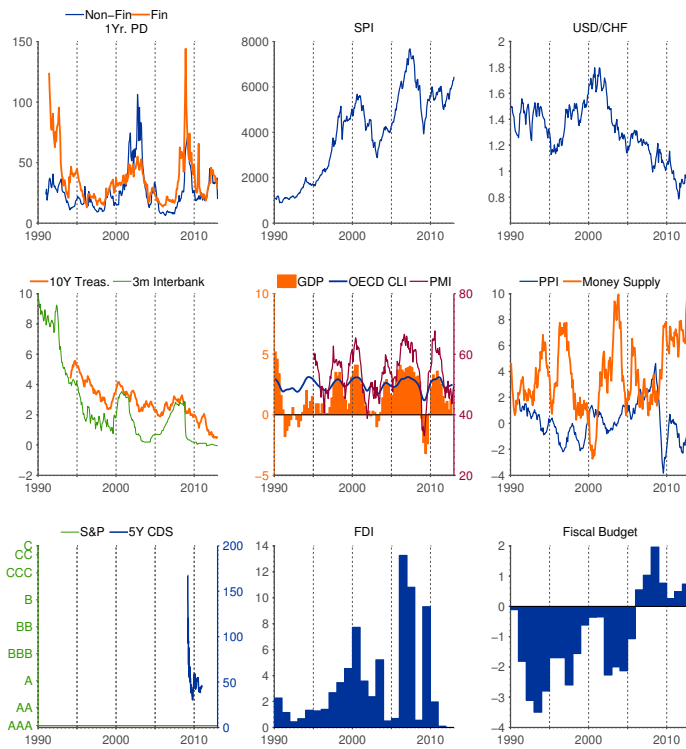
Spain	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	21.00	20.05	29.32	18.10	23.32
1Yr. PD, Fin.	39.99	74.12	67.04	39.94	50.60
IGBM	858	807	718	777	825
EUR/USD	1.30	1.33	1.27	1.29	1.32
3m Treas. Yield (%)	1.10	0.25	0.38	0.38	0.38
10Y Treas. Yield (%)	5.09	5.35	6.33	5.94	5.26
3m Interbank (%)	1.36	0.78	0.65	0.22	0.19
GDP (YoY%)	0.0	-0.7	-1.4	-1.6	-
OECD CLI	100.82	100.91	100.78	100.56	100.41*
PPI (YoY%)	5.5	4.4	2.5	3.8	2.8*
Money Supply (YoY%)	1.70	3.00	3.10	2.90	3.80*
Sov. Rating, Moody's	A1	A3	Baa3	Baa3	Baa3
Sov. Rating, S&P	AA-	A	BBB+	BBB+	BBB-
5Y CDS (bps)	393.52	436.64	531.21	387.45	294.81
FDI (%GDP)	2.13	-	-	-	-
Fiscal Budget (%GDP)	-9.40	-	-	-	-



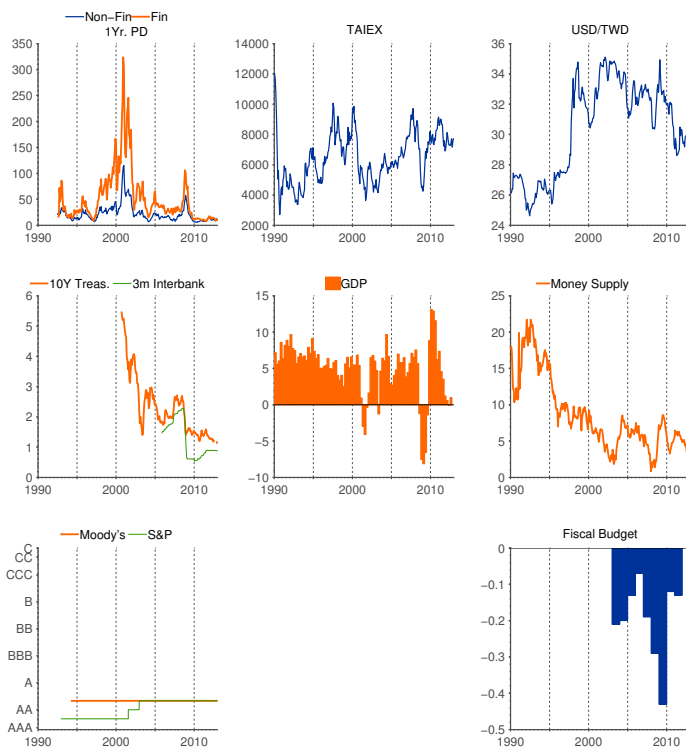
Sri Lanka	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	26.94	43.97	48.21	34.82	34.70
1Yr. PD, Fin.	31.07	55.44	61.74	43.05	46.32
ASPI	6074	5420	4966	5972	5643
USD/LKR	113.90	128.25	133.90	129.43	127.70
3m Treas. Yield (%)	7.10*	-	-	-	-
10Y Treas. Yield (%)	10.23	12.28	14.43	13.71	12.55
3m Interbank (%)	9.71	10.37	12.16	12.74	13.20
GDP (YoY%)	8.3	7.9	6.4	4.8	-
Money Supply (YoY%)	20.90	22.20	19.50	17.40	16.40*
Sov. Rating, Moody's	B1	B1	B1	B1	B1
Sov. Rating, S&P	B+	B+	B+	B+	B+
FDI (%GDP)	1.62	-	-	-	-



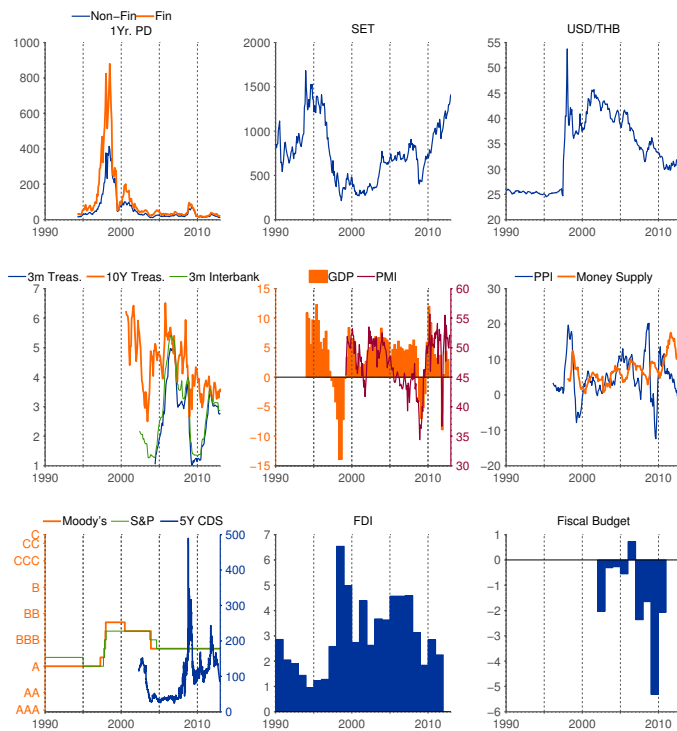
Sweden	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	95.39	70.82	81.00	46.21	79.32
1Yr. PD, Fin.	95.57	71.68	71.40	45.59	68.27
OMX Stockholm PI	307	338	316	332	344
USD/SEK	6.89	6.61	6.92	6.57	6.50
3m Treas. Yield (%)	1.40	1.45	1.10	1.25	0.95
10Y Treas. Yield (%)	1.62	1.98	1.60	1.48	1.54
3m Interbank (%)	2.64	2.27	2.14	1.59	1.29
GDP (YoY%)	1.2	1.3	1.3	0.7	-
OECD CLI	100.05	99.87	100.34	100.40	100.32*
PMI	48.9	50.2	48.4	44.7	44.6
PPI (YoY%)	-2.1	0.2	0.4	-1.9	-3.1*
Money Supply (YoY%)	6.28	6.34	5.07	2.65	1.82*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	77.83	42.91	59.49	31.12	19.50
FDI (%GDP)	1.46	-	-	-	-
Fiscal Budget (%GDP)	0.40	-	-	-	-



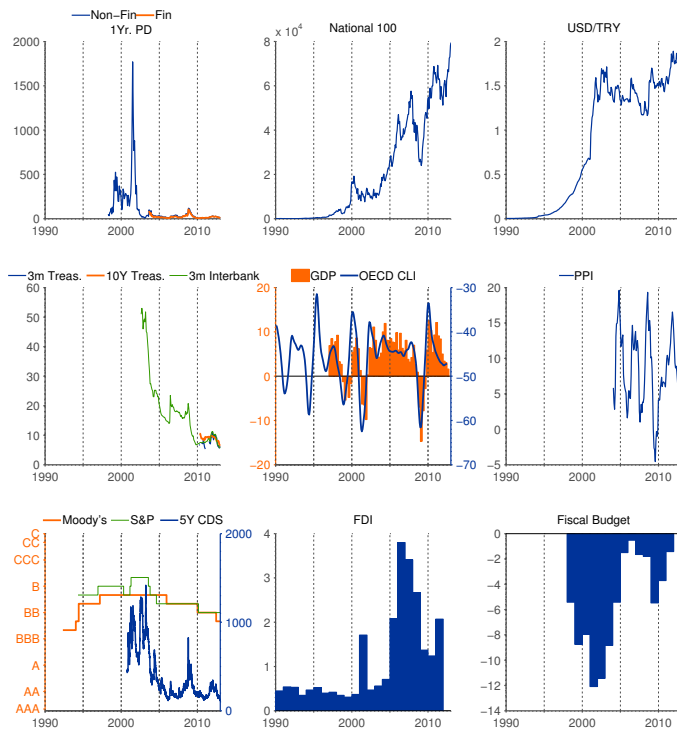
Switzerland	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	44.97	44.07	33.32	33.56	19.85
1Yr. PD, Fin.	32.90	43.74	40.05	34.34	28.20
SPI	5344	5716	5633	6011	6291
USD/CHF	0.94	0.90	0.95	0.94	0.92
10Y Treas. Yield (%)	0.66	0.87	0.67	0.54	0.53
3m Interbank (%)	-0.01	0.05	0.02	-0.02	-0.05
GDP (YoY%)	0.9	1.1	0.4	1.3	-
OECD CLI	98.90	99.33	99.56	99.85	99.91*
PMI	49.1	51.1	48.1	43.6	49.5
PPI (YoY%)	-2.2	-1.5	-1.2	0.4	1.5*
Money Supply (YoY%)	7.19	6.51	8.53	8.80	9.33*
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
FDI (%GDP)	0.10	-	-	-	-
Fiscal Budget (%GDP)	0.49	-	-	-	0.74



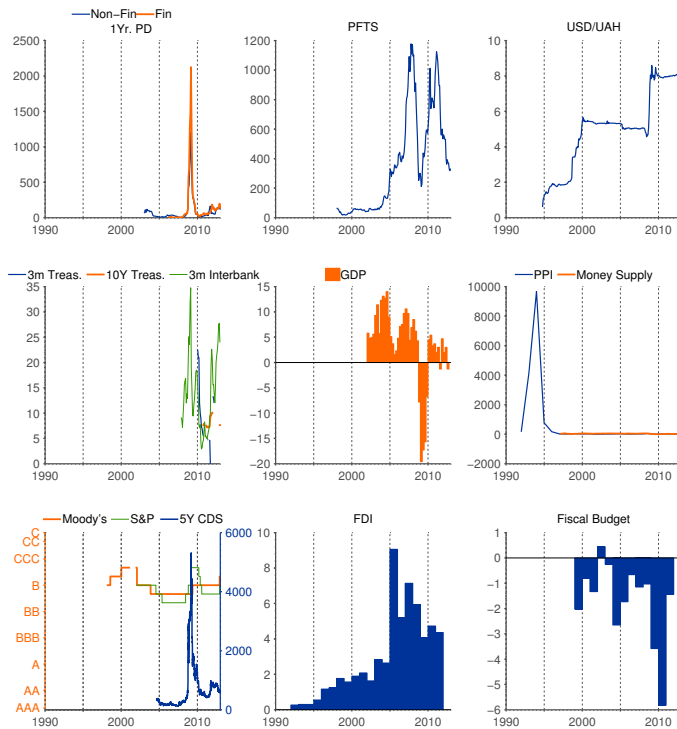
Taiwan	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	14.40	9.68	10.54	8.18	9.26
1Yr. PD, Fin.	16.58	12.57	13.78	8.81	8.15
TAIEX	7072	7933	7296	7715	7700
USD/TWD	30.28	29.50	29.87	29.31	29.03
10Y Treas. Yield (%)	1.29	1.28	1.24	1.19*	1.17
3m Interbank (%)	0.89	0.89	0.89	0.89	0.88
GDP (YoY%)	1.2	0.6	-0.1	1.0	-
Money Supply (YoY%)	4.84	5.13	4.20	3.71	3.49*
Sov. Rating, Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-
Fiscal Budget (%GDP)	-0.13	-	-	-	-



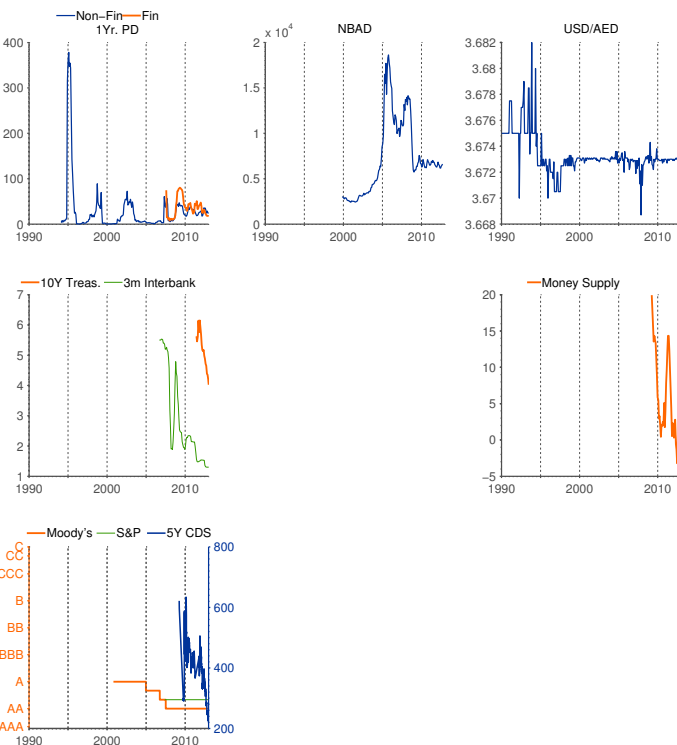
Thailand	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	28.25	23.60	18.94	13.51	11.93
1Yr. PD, Fin.	36.03	30.87	28.67	20.37	19.41
SET	1025	1197	1172	1299	1392
USD/THB	31.55	30.83	31.56	30.83	30.59
3m Treas. Yield (%)	3.14	3.02	3.03	3.02	2.76
10Y Treas. Yield (%)	3.29	3.81	3.48	3.51	3.51
3m Interbank (%)	3.26	3.11	3.14	3.13	2.87
GDP (YoY%)	-8.9	0.4	4.4	3.0	-
PMI	48.5	55.5	51.5	49.9	52.0*
PPI (YoY%)	4.5	1.8	-0.4	0.1	0.9
Money Supply (YoY%)	15.20	13.14	11.09	12.64	11.49*
Sov. Rating, Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
Sov. Rating, S&P	BBB+	BBB+	BBB+	BBB+	BBB+
5Y CDS (bps)	182.00	126.84	150.66	132.66	87.32
FDI (%GDP)	2.25	-	-	-	-



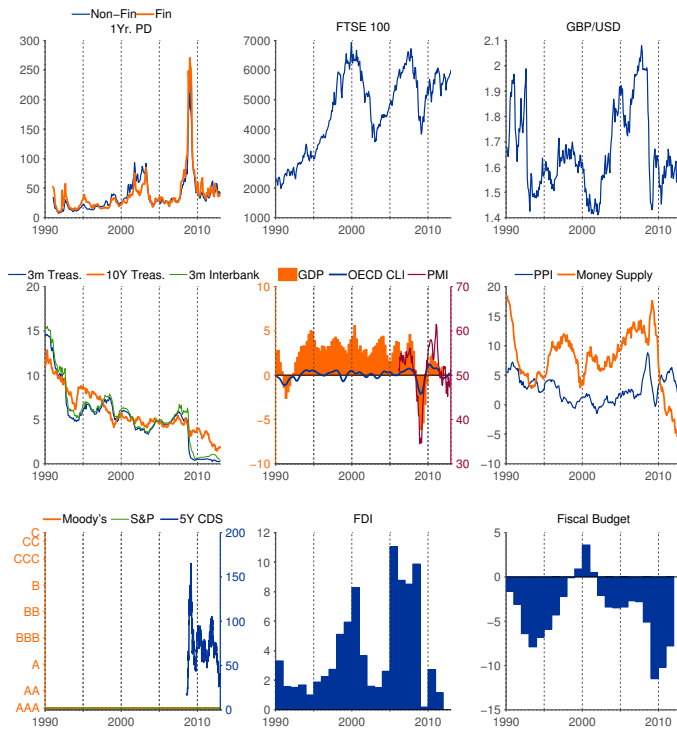
Turkey	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	31.13	22.41	24.28	17.58	11.79
1Yr. PD, Fin.	26.84	20.99	22.34	16.38	8.95
National 100	51267	62423	62543	66397	78208
USD/TRY	1.89	1.78	1.81	1.80	1.78
3m Treas. Yield (%)	11.08	10.01	8.81	6.24	6.10
10Y Treas. Yield (%)	9.76	9.45	8.59	8.16	6.55
3m Interbank (%)	11.30	10.25	9.63	6.49	5.79
GDP (YoY%)	5.0	3.4	3.0	1.6	-
OECD CLI	2.51	2.58	2.81	-	-
PPI (YoY%)	13.9	8.7	6.9	2.5	3.8
Sov. Rating, Moody's	Ba2	Ba2	Ba1	Ba1	Ba1
Sov. Rating, S&P	BB	BB	BB	BB	BB
5Y CDS (bps)	287.09	228.40	241.03	160.67	127.03
FDI (%GDP)	2.07	-	-	-	-
Fiscal Budget (%GDP)	-1.42	-	-	-	-



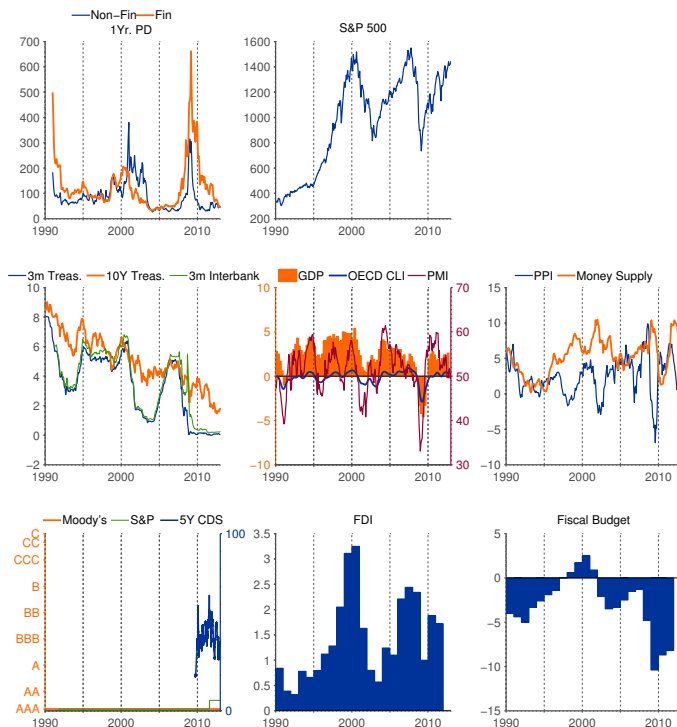
Ukraine	2011		2012			
	Q4	Q1	Q2	Q3	Q4	
1Yr. PD, Non-Fin. (bps)	67.21	50.25	112.71	125.98	113.15	
1Yr. PD, Fin.	163.03	114.15	127.50	136.27	129.78	
PFTS	534	532	362	369	329	
USD/UAH	8.04	8.03	8.08	8.15	8.05	
3m Treas. Yield (%)	-	11.98	-	-	-	
10Y Treas. Yield (%)	10.09	9.90*	-	-	7.70	
3m Interbank (%)	20.83	13.90	20.00	24.00	24.00	
GDP (YoY%)	4.7	2.0	3.0	-1.3	-	
PPI (YoY%)	14.2	6.5	4.5	0.3	0.3	
Money Supply (YoY%)	14.70	11.30	8.90	10.50	11.60*	
Sov. Rating, Moody's	B2	B2	B2	B2	B3	
Sov. Rating, S&P	B+	B+	B+	B+	B	
5Y CDS (bps)	848.38	860.76	840.14	706.98	626.65	
FDI (%GDP)	4.36	-	-	-	-	
Fiscal Budget (%GDP)	-1.43	-	-	-	-	



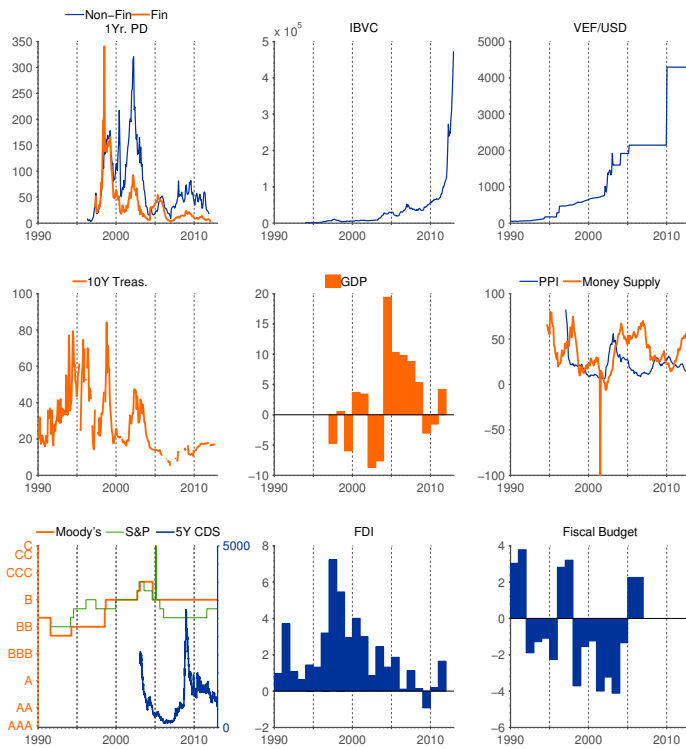
United Arab Emirates	2011		2012			
	Q4	Q1	Q2	Q3	Q4	
1Yr. PD, Non-Fin. (bps)	28.54	18.64	34.05	24.08	23.65	
1Yr. PD, Fin.	47.38	24.28	28.88	18.56	16.95	
NBAD	6280	6587	6168	6616	-	
USD/AED	3.67	3.67	3.67	3.67	3.67	
10Y Treas. Yield (%)	5.94	5.18	4.98	4.66	4.21	
3m Interbank (%)	1.52	1.54	1.53	1.30	1.30	
Money Supply (YoY%)	1.64	2.79	-3.21	6.41	7.55*	
Sov. Rating, Moody's	Aa2	Aa2	Aa2	Aa2	Aa2	
Sov. Rating, S&P	AA-	AA-	AA-	AA-	AA-	
5Y CDS (bps)	448.41	339.03	358.18	285.61	231.53	



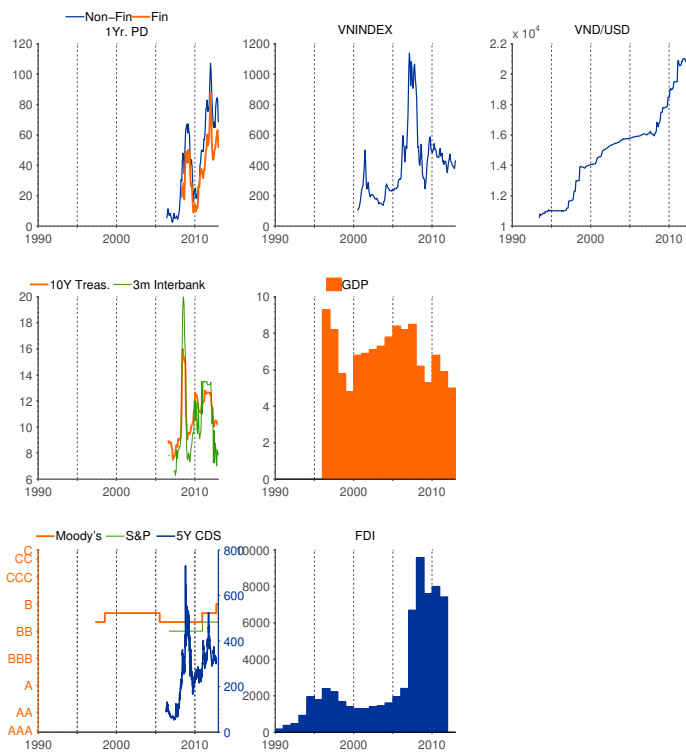
United Kingdom	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	62.14	39.35	57.98	39.71	39.41
1Yr. PD, Fin.	46.68	51.04	47.38	35.92	36.53
FTSE 100	5572	5768	5571	5742	5898
GBP/USD	1.55	1.60	1.57	1.62	1.63
3m Treas. Yield (%)	0.24	0.44	0.35	0.26	0.31
10Y Treas. Yield (%)	1.98	2.20	1.73	1.73	1.83
3m Interbank (%)	1.08	1.03	0.90	0.60	0.52
GDP (YoY%)	0.9	0.2	-0.3	0.0	-
OECD CLI	99.20	99.44	99.71	100.28	100.50*
PMI	49.7	51.9	48.4	48.1	51.4
PPI (YoY%)	4.8	3.7	2.0	2.5	2.2*
Money Supply (YoY%)	-2.50	-4.80	-5.40	-3.70	-2.80*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AAA	AAA	AAA	AAA	AAA
5Y CDS (bps)	97.50	62.86	69.52	51.52	39.13
FDI (%GDP)	1.16	-	-	-	-
Fiscal Budget (%GDP)	-7.80	-	-	-	-



United States	2011		2012		
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	63.09	41.90	58.25	42.70	42.80
1Yr. PD, Fin.	132.89	67.32	76.41	58.50	46.03
S&P 500	1258	1408	1362	1441	1426
3m Treas. Yield (%)	0.01	0.07	0.08	0.09	0.04
10Y Treas. Yield (%)	1.88	2.21	1.64	1.63	1.76
3m Interbank (%)	0.22	0.20	0.21	0.22	0.24
GDP (YoY%)	2.0	2.4	2.1	2.6	-
OECD CLI	100.42	100.88	100.76	100.84	100.93*
PMI	53.1	53.4	49.7	51.5	50.7
PPI (YoY%)	4.7	2.8	0.7	2.1	1.5*
Money Supply (YoY%)	9.70	10.00	9.20	6.80	7.30*
Sov. Rating, Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Sov. Rating, S&P	AA+	AA+	AA+	AA+	AA+
5Y CDS (bps)	51.00	29.66	48.78	33.01	37.90
FDI (%GDP)	1.72	-	-	-	-
Fiscal Budget (%GDP)	-8.20	-	-	-	-



Venezuela	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	17.68*	-	-	-	-
1Yr. PD, Fin.	6.47	2.16*	-	-	-
IBVC	117036	199719	251838	308083	471437
VEF/USD	4294.70	4294.70	4294.70	4294.70	4294.70
10Y Treas. Yield (%)	17.74*	16.85	16.74	16.89	-
GDP (YoY%)	4.2	-	-	-	-
PPI (YoY%)	22.7	17.2	14.5	13.1	12.5*
Money Supply (YoY%)	51.10	53.50	56.10	57.20	55.70
Sov. Rating, Moody's	B2	B2	B2	B2	B2
Sov. Rating, S&P	B+	B+	B+	B+	B+
5Y CDS (bps)	927.61	721.51	894.19	776.66	646.67
FDI (%GDP)	1.65	-	-	-	-



Vietnam	2011	2012			
	Q4	Q1	Q2	Q3	Q4
1Yr. PD, Non-Fin. (bps)	107.13	76.86	68.51	82.35	68.45
1Yr. PD, Fin.	88.00	47.42	49.64	58.19	51.33
VNINDEX	352	441	422	393	414
VND/USD	21034.00	20850.00	20905.00	20885.00	20840.00
10Y Treas. Yield (%)	12.50	11.46	10.03	10.50	10.20
3m Interbank (%)	13.25	10.25	9.75	8.25	8.00
GDP (YoY%)	5.9	-	-	-	5.0
Sov. Rating, Moody's	B1	B1	B1	B2	B2
Sov. Rating, S&P	BB-	BB-	BB-	BB-	BB-
5Y CDS (bps)	411.32*	289.32	336.37	303.27	-
FDI (%GDP)	7430.00	-	-	-	-

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. A list of the stock indices included in Appendix C can be found [here](#)

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

Conversion to Euro

Economy	Conversion Date	Conversion Rate (per Euro)	Economy	Conversion Date	Conversion Rate (Per Euro)
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 [here](#).[†]

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

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

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

OECD CLI (middle-center graph, right axis) The OECD Composite Leading Indicator for each economy is intended to provide early signals of turning points between different trends in the economic cycle. For forecasting purposes, peaks in CLI are candidate early signals of downturns in the economic cycle, and troughs in the CLI are candidate early signals of upturns in the economic cycle. More information can be obtained at www.oecd.org/std/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. A list of primary sources of the Purchasing Managers Index data can be found [here](#).

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

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

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

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

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

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

PDiR

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

The table at right 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.[†] 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	–

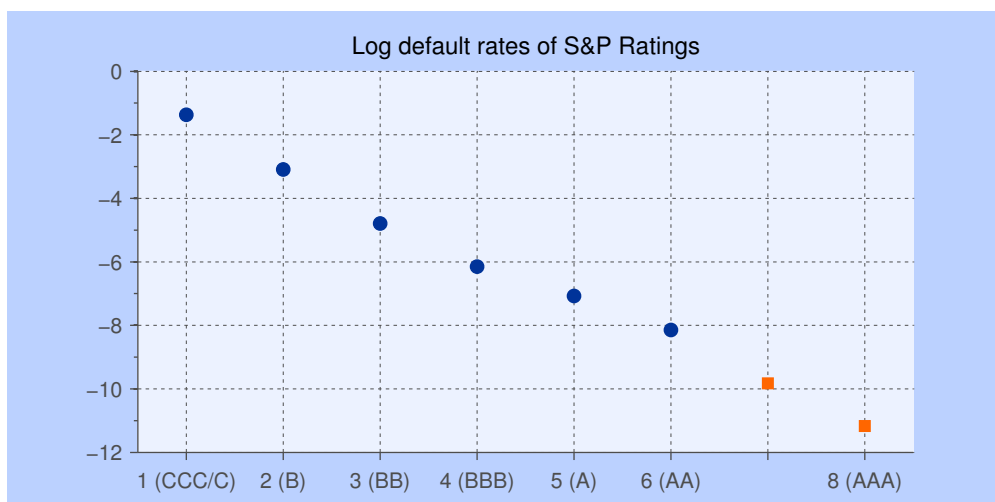
Computing the boundaries between different PDiR classes: The blue circles in the graph below indicate the logarithm of the ADR for S&P firms with ratings from AA down to CCC/C. There have been no defaults within one year for S&P rated AAA firms.

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.



[†]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 106 economies in Africa, Asia-Pacific, Europe, Latin America, the Middle East and North America. Our PD can serve as a benchmark against traditional rating agencies' systems or internal credit analyses for industry analysts and business professionals. For more information about RMI and the CRI project, please visit our main site at <http://rmicri.org>

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