



# Third Quarter 2014 Credit Outlook Survey Result Analysis

*This short survey is conducted at the end of each quarter. It asks short questions about credit outlook and current portfolio management strategy. Survey results are a snapshot of current credit risk views, and actions, and an information base for IACPM members to discuss likely evolutions of the credit cycle over time.*

*49 IACPM members participated.*

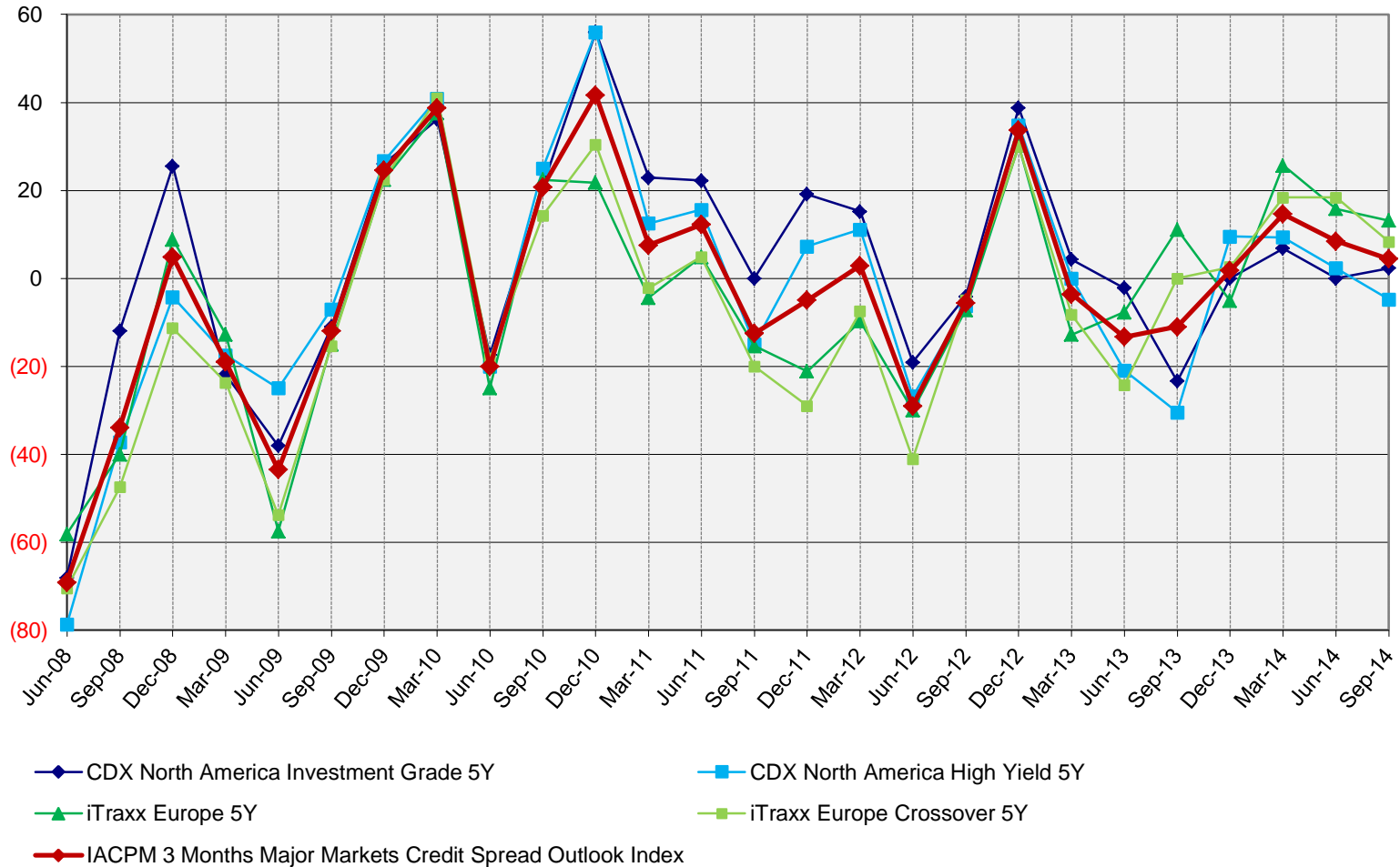
# Credit Outlook and Strategy

The following questions focus on credit outlook and portfolio strategy.

# IACPM 3 Months Credit Spread Outlook Index

Expected direction Credit Spreads will move over the course of the next 3 months

(underlying data on next page)



# IACPM 3 Months Credit Spread Outlook Index

Expected direction Credit Spreads will move over the course of the next 3 months

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up (widen)	Unchanged	Down (narrow)	Total Number of Responses	IACPM 3 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Sep-14	Sep-14	Sep-14	Sep-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13
<b>CDX North America Investment Grade 5Y vs. 67*</b>	9 21%	24 56%	10 23%	43	2.3	0.0	6.8	0.0	(23.4)
<b>CDX North America High Yield 5Y vs. 369*</b>	14 33%	16 38%	12 29%	42	(4.8)	2.3	9.3	9.5	(30.4)
<b>iTraxx Europe 5Y vs. 67*</b>	7 18%	19 50%	12 32%	38	13.2	15.8	25.6	(5.1)	11.1
<b>iTraxx Europe Crossover 5Y vs. 272*</b>	9 25%	15 42%	12 33%	36	8.3	18.4	18.4	2.6	0.0
iTraxx Japan Series 5Y vs. 60*	7 29%	12 50%	5 21%	24	(8.3)	16.0	11.5	11.1	11.5
iTraxx Asia ex-Japan Investment Grade 5Y vs. 100*	10 40%	10 40%	5 20%	25	(20.0)	7.7	(7.7)	(12.5)	(19.2)
iTraxx Australia 5Y vs. 87*	5 26%	11 58%	3 16%	19	(10.5)	(4.3)	0.0	4.2	(8.7)

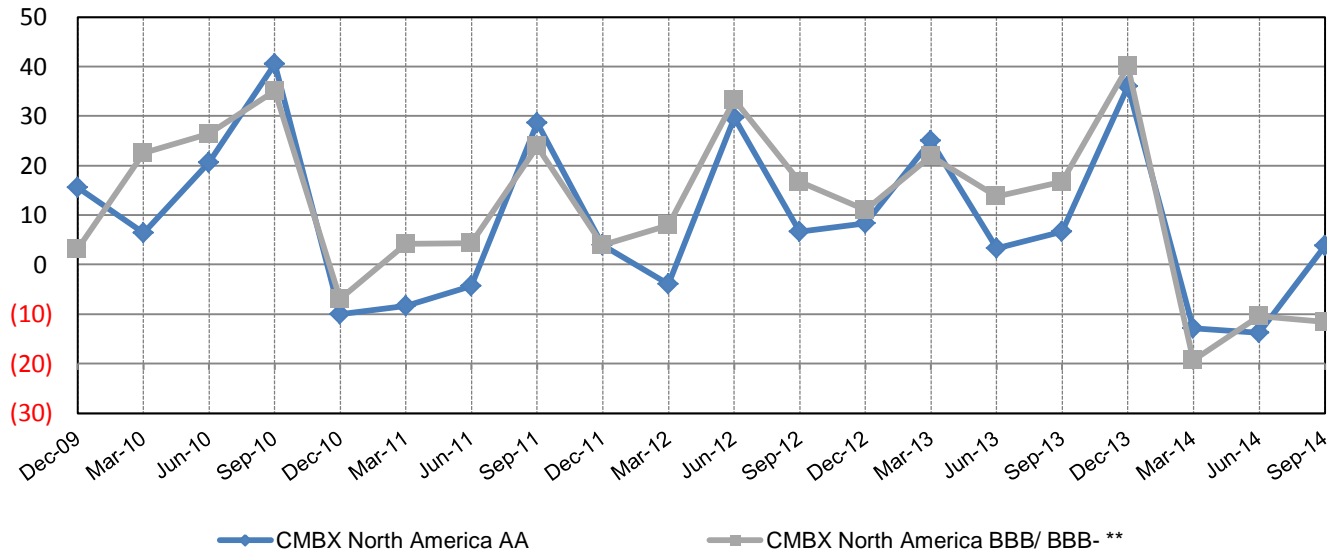
<b>IACPM 3 Months Major Markets Credit Spread Outlook Index</b>	159	4.4	8.5	14.6	1.8	(11.0)
(weighted average based on number of responses; includes first four indices listed in bold)						

<b>IACPM 3 Months Credit Spread Outlook Index</b>	227	(0.9)	7.9	10.5	1.7	(9.3)
(weighted average based on number of responses; includes all indices listed above)						

\* Values as of September 29, 2014; Source: Markit

# IACPM 3 Months CMBX Index Price Outlook Index

Expected direction CMBX index prices will move over the course of the next 3 months



Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 3 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Sep-14	Sep-14	Sep-14	Sep-14	Sep-14	Jun-14	Mar-14	Dec-13**	Sep-13**
CMBX North America AA vs. 100*	5 19%	17 65%	4 15%	26	3.8	(13.8)	(12.9)	36.0	6.7
CMBX North America BBB- vs. 100*	4 15%	15 58%	7 27%	26	(11.5)	(10.3)	(19.4)	40.0	16.7

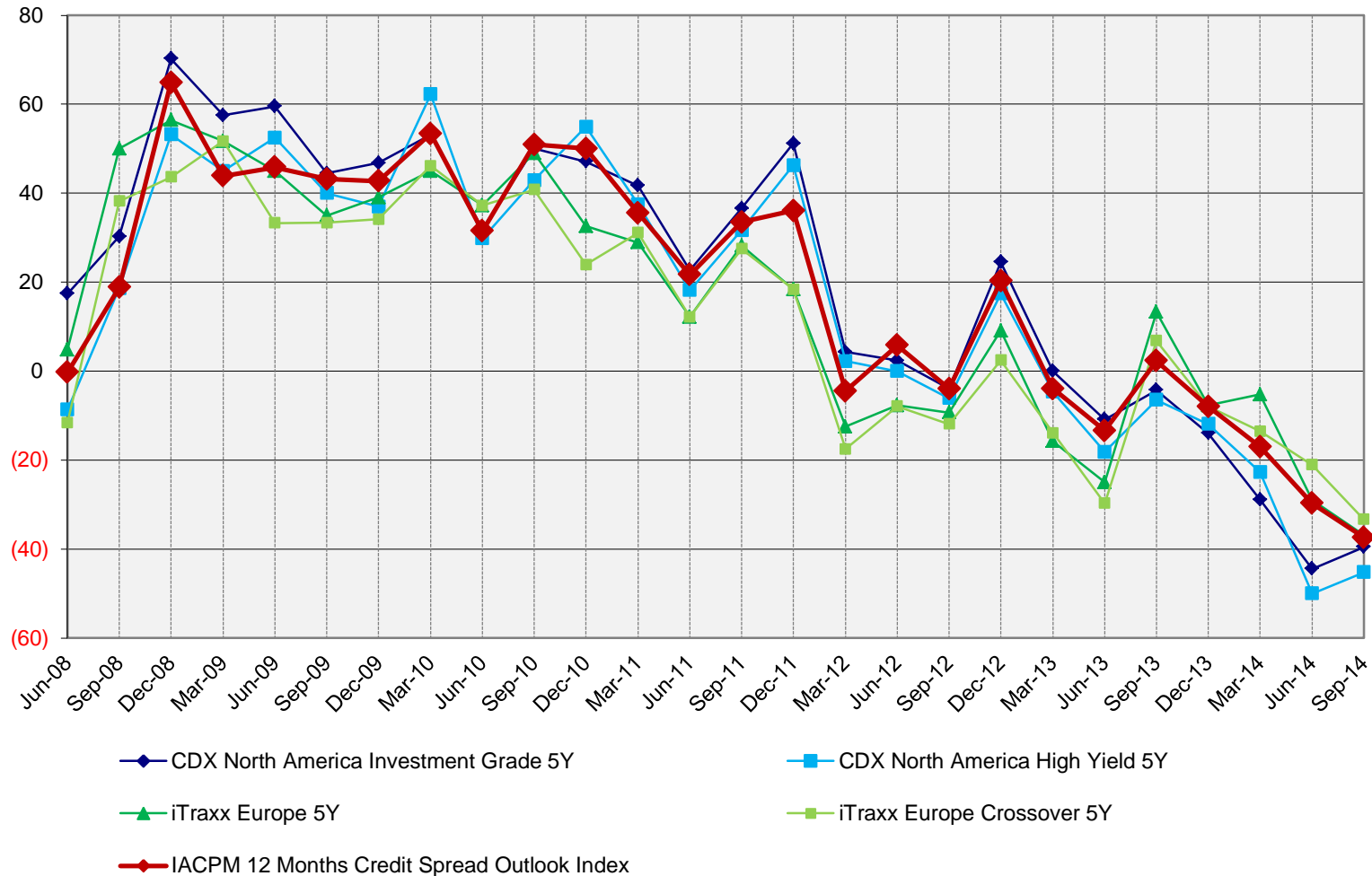
\* Values as of September 29, 2014; Source: Markit

\*\* In previous Series 5 we were looking at BBB tranche. In current Series 6 a BBB tranche can't be justified due to limited issuance. Starting 1Q 2014 we are therefore looking at BBB-.

# IACPM 12 Months Credit Spread Outlook Index

Expected direction Credit Spreads will move over the course of the next 12 months

(underlying data on next page)



# IACPM 12 Months Credit Spread Outlook Index

Expected direction Credit Spreads will move over the course of the next 12 months

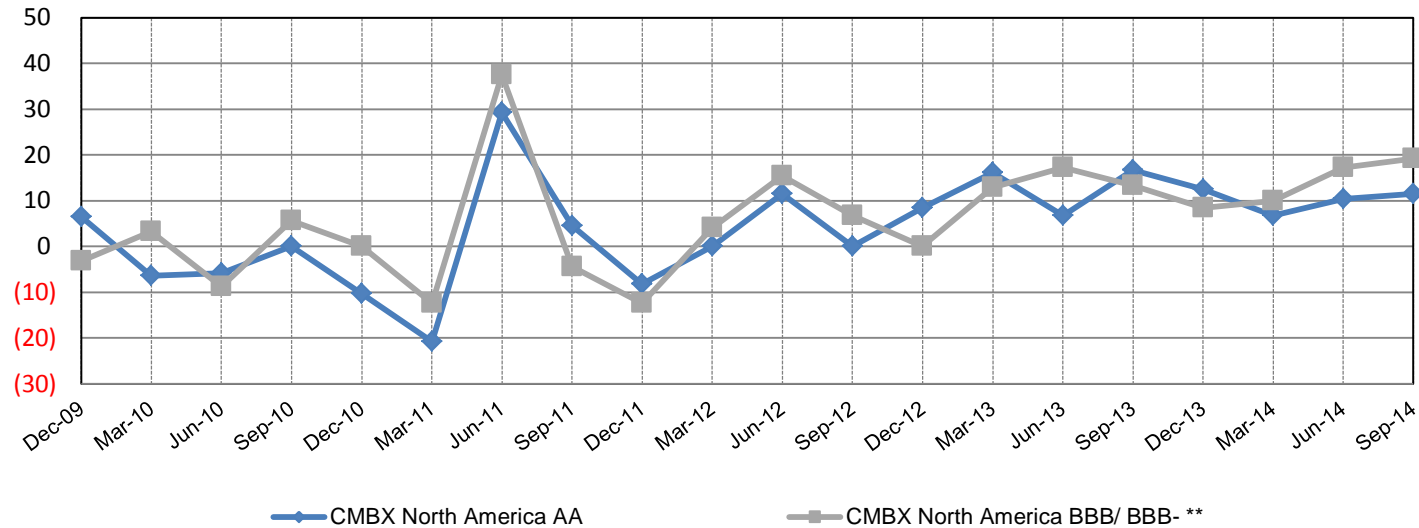
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up (widen)	Unchanged	Down (narrow)	Total Number of Responses	IACPM 12 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Sep-14	Sep-14	Sep-14	Sep-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13
	CDX North America Investment Grade 5Y vs. 67*	21 49%	18 42%	4 9%	43	(39.5)	(44.4)	(28.9)	(14.0)
CDX North America High Yield 5Y vs. 369*	23 55%	15 36%	4 10%	42	(45.2)	(50.0)	(22.7)	(11.9)	(6.5)
iTraxx Europe 5Y vs. 67*	19 50%	14 37%	5 13%	38	(36.8)	(28.9)	(5.3)	(7.7)	13.3
iTraxx Europe Crossover 5Y vs. 272*	18 50%	12 33%	6 17%	36	(33.3)	(21.1)	(13.5)	(7.9)	6.8
iTraxx Japan Series 5Y vs. 60*	9 38%	12 50%	3 13%	24	(25.0)	(11.5)	(17.2)	(3.6)	3.8
iTraxx Asia ex-Japan Investment Grade 5Y vs. 100*	12 50%	9 38%	3 13%	24	(37.5)	(11.1)	(17.2)	(12.0)	0.0
iTraxx Australia 5Y vs. 87*	10 50%	8 40%	2 10%	20	(40.0)	(20.8)	(8.0)	8.3	4.2

IACPM 12 Months Credit Spread Outlook Index	227	(37.4)	(29.8)	(17.0)	(7.9)	2.3
(weighted average based on number of responses)						

\* Values as of September 29, 2014; Source: Markit

# IACPM 12 Months CMBX Index Price Outlook Index

Expected direction CMBX index prices will move over the course of the next 12 months



Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 12 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Sep-14	Sep-14	Sep-14	Sep-14	Sep-14	Jun-14	Mar-14	Dec-13**	Sep-13**
CMBX North America AA vs. 100*	10 38%	9 35%	7 27%	26	11.5	10.3	6.7	12.5	16.7
CMBX North America BBB- vs. 100*	12 46%	7 27%	7 27%	26	19.2	17.2	10.0	8.3	13.3

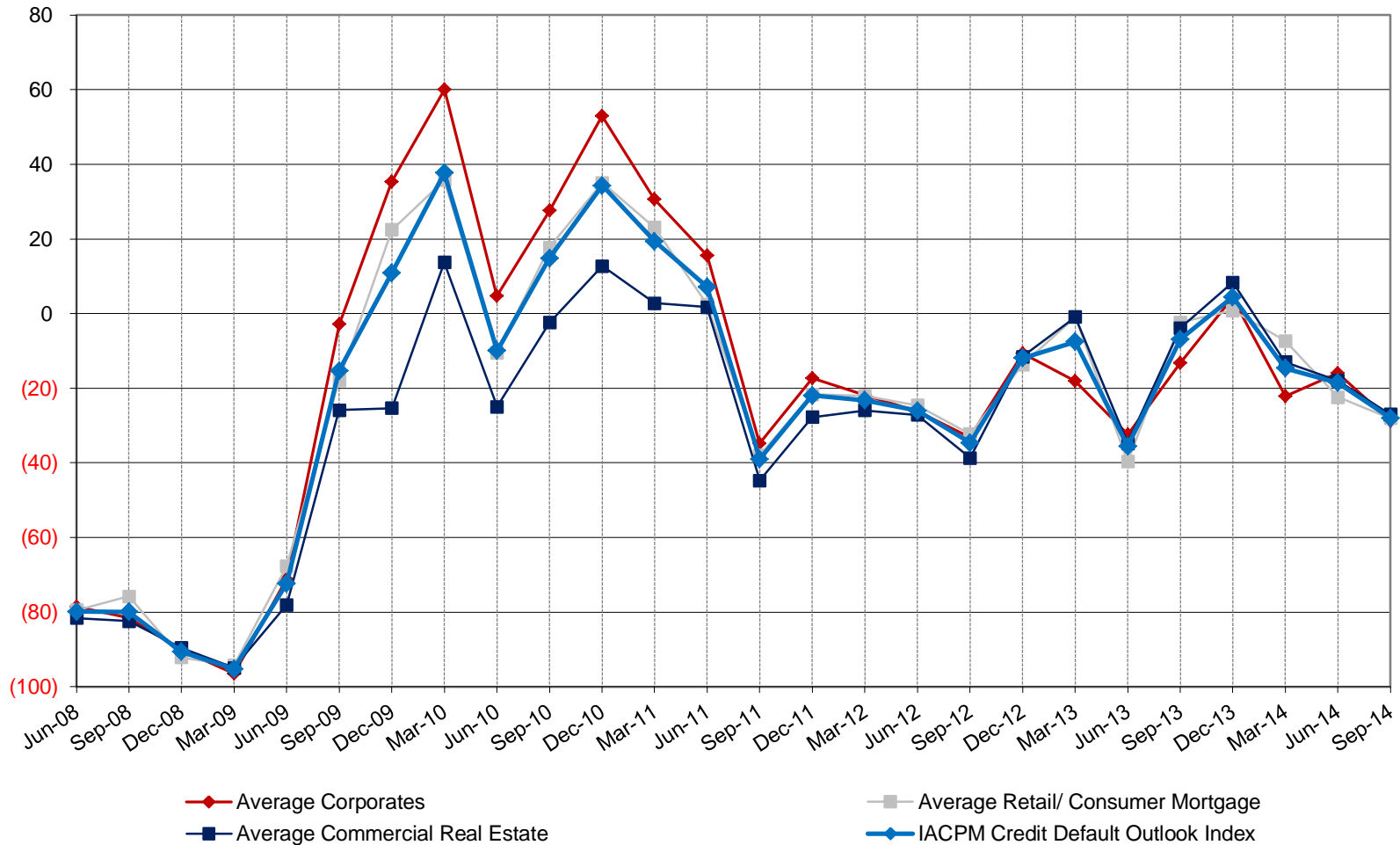
\* Values as of September 29, 2014; Source: Markit

\*\* In previous Series 5 we were looking at BBB tranche. In current Series 6 a BBB tranche can't be justified due to limited issuance. Starting 1Q 2014 we are therefore looking at BBB-.



# IACPM 12 Months Credit Default Outlook Index

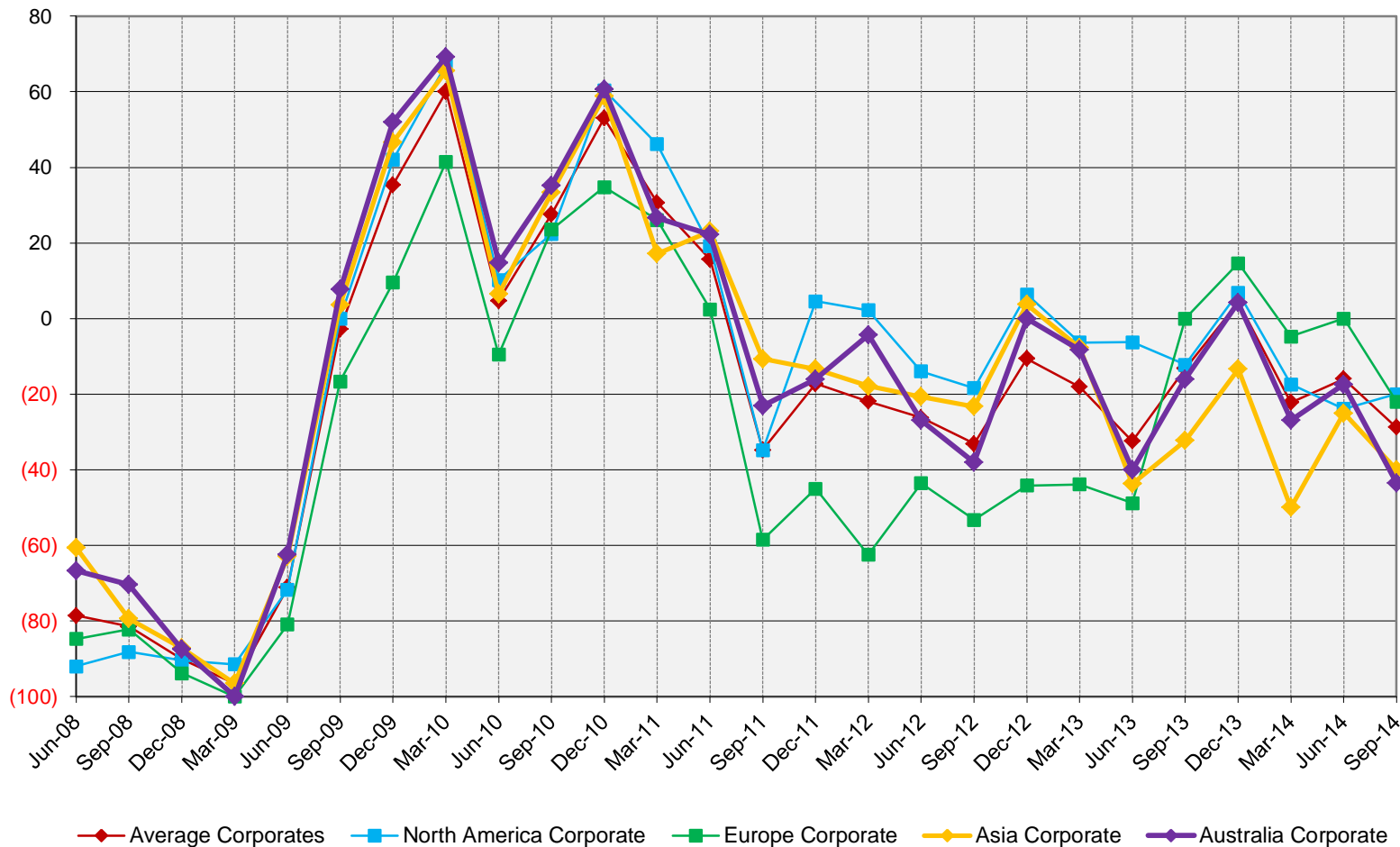
Expected direction Corporate Credit Defaults will move over the course of the next 12 months  
*(annual twelve month trailing; positive numbers indicate credit improvement; underlying data on next page)*



# IACPM 12 Months **Corporate** Credit Default Outlook Index

Expected direction Corporate Credit Defaults will move over the course of the next 12 months

(annual twelve month trailing; positive numbers indicate credit improvement; underlying data on next page)



# IACPM 12 Months Credit Default Outlook Index

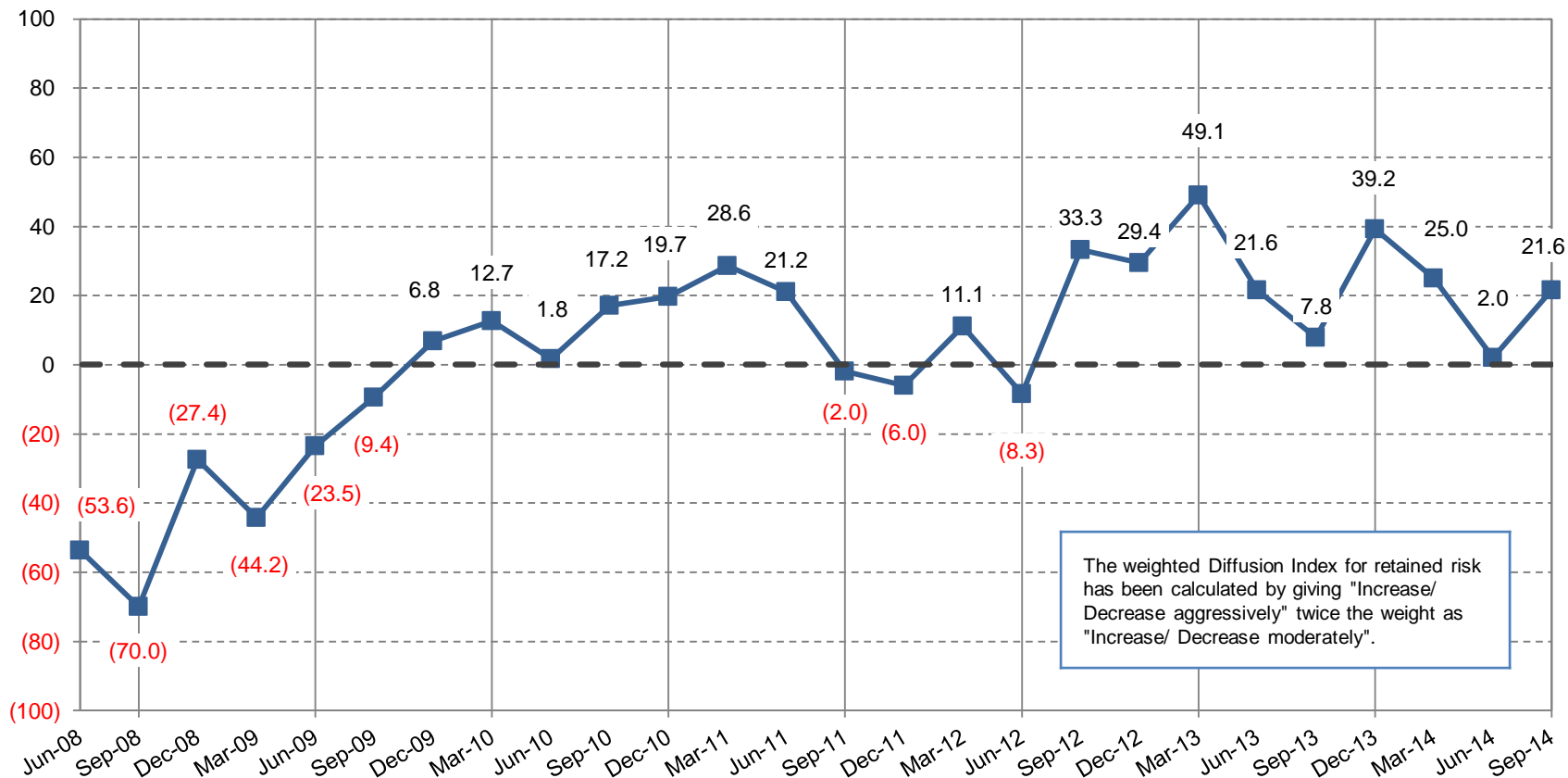
Expected direction Credit Defaults will move over the course of the next 12 months  
(annual twelve month trailing; positive numbers indicate credit improvement)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 12 Months Credit Default Outlook Index (positive numbers indicate credit improvement)				
	Sep-14	Sep-14	Sep-14	Sep-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13
North America Corporate	14 31%	26 58%	5 11%	45	(20.0)	(23.9)	(17.4)	6.8	(12.2)
North America Retail/ Consumer Mortgage	10 25%	24 60%	6 15%	40	(10.0)	(22.0)	15.0	7.5	2.3
North America Commercial Real Estate	10 25%	23 58%	7 18%	40	(7.5)	(17.5)	4.9	15.4	7.0
Europe Corporate	13 32%	24 59%	4 10%	41	(22.0)	0.0	(4.8)	14.6	0.0
Europe Retail/ Consumer Mortgage	10 29%	22 63%	3 9%	35	(20.0)	(14.3)	(2.8)	8.3	10.8
Europe Commercial Real Estate	10 28%	22 61%	4 11%	36	(16.7)	0.0	(5.7)	16.7	5.4
Asia Corporate	13 43%	16 53%	1 3%	30	(40.0)	(25.0)	(50.0)	(13.3)	(32.3)
Asia Retail/ Consumer Mortgage	14 56%	10 40%	1 4%	25	(52.0)	(30.0)	(41.7)	(12.0)	(21.7)
Asia Commercial Real Estate	14 56%	11 44%	0 0%	25	(56.0)	(35.0)	(50.0)	(8.3)	(30.8)
Australia Corporate	10 43%	13 57%	0 0%	23	(43.5)	(17.4)	(26.9)	4.2	(16.0)
Australia Retail/ Consumer Mortgage	10 48%	11 52%	0 0%	21	(47.6)	(30.0)	(17.4)	(9.5)	(13.0)
Australia Commercial Real Estate	10 48%	11 52%	0 0%	21	(47.6)	(31.8)	(17.4)	0.0	(8.7)
Average Corporate	13 36%	20 57%	3 7%	35	(28.8)	(15.9)	(22.2)	4.3	(13.2)
Average Retail/ Consumer Mortgage	11 36%	17 55%	3 8%	30	(28.1)	(22.4)	(7.3)	0.8	(2.4)
Average Commercial Real Estate	11 36%	17 55%	3 9%	31	(27.0)	(17.9)	(13.0)	8.3	(3.9)

<b>IACPM Credit Default Outlook Index</b> (weighted average based on number of responses)	<b>382</b>	<b>(28.0)</b>	<b>(18.6)</b>	<b>(14.6)</b>	<b>4.5</b>	<b>(6.9)</b>
--	------------	---------------	---------------	---------------	------------	--------------

# Weighted Diffusion Index for retained risk in overall portfolio

(underlying data on next page)



# Retained Risk in Overall Portfolio

Is your current strategy to increase or decrease the percentage of retained risk in overall portfolio (via sale, hedge, asset acquisition/increase, etc.)?

	Number of Responses							Percentage of Responses						
	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Increase aggressively	2	1	1	4	0	1	2	4%	2%	2%	9%	0%	2%	4%
Increase moderately	17	14	21	20	20	20	29	35%	29%	45%	43%	39%	40%	57%
Unchanged	20	19	14	15	15	18	13	41%	39%	30%	32%	29%	36%	25%
Decrease moderately	10	15	11	8	16	11	7	20%	31%	23%	17%	31%	22%	14%
Decrease aggressively	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%
<b>Total Number of Responses</b>	<b>49</b>	<b>49</b>	<b>47</b>	<b>47</b>	<b>51</b>	<b>50</b>	<b>51</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

What is the rationale for this strategy?

	Number of Responses							Percentage of Responses						
	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Balance sheet/ Capital appetite	32	27	31	27	29	26	31	65%	55%	66%	57%	57%	52%	61%
Portfolio optimization	10	17	12	15	14	15	13	20%	35%	26%	32%	27%	30%	25%
Change in risk view	7	2	3	3	5	5	3	14%	4%	6%	6%	10%	10%	6%
Other, please comment	0	3	1	2	3	4	4	0%	6%	2%	4%	6%	8%	8%
<b>Total</b>	<b>49</b>	<b>49</b>	<b>47</b>	<b>51</b>	<b>50</b>	<b>51</b>	<b>50</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# Top 3 Industry Sectors for Risk Mitigation Efforts in the next 3 Months

	Number of Responses							Percentage of Responses						
	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
TMT: Telecom	9	8	6	8	11	7	9	18%	16%	12%	16%	22%	14%	18%
TMT: Media	4	3	2	4	4	1	3	8%	6%	4%	8%	8%	2%	6%
TMT: Technology	2	4	4	1	1	2	4	4%	8%	8%	2%	2%	4%	8%
Natural Resources: Oil and Gas	18	19	16	20	16	15	15	36%	38%	32%	40%	32%	30%	29%
Natural Resources: Paper	4	5	1	2	2	2	3	8%	10%	2%	4%	4%	4%	6%
Natural Resources: Metals/Mining	20	19	18	16	21	25	15	40%	38%	36%	32%	42%	50%	29%
Natural Resources: Chemicals	1	2	0	2	1	5	2	2%	4%	0%	4%	2%	10%	4%
Natural Resources: Utilities	4	3	6	6	8	4	4	8%	6%	12%	12%	16%	8%	8%
Industrial: Auto and related transportation	5	6	6	6	10	9	5	10%	12%	12%	12%	20%	18%	10%
Industrial: Airlines/ Aerospace/ Defense	5	3	7	5	5	6	10	10%	6%	14%	10%	10%	12%	20%
Industrial: Diversified	8	4	3	3	5	6	4	16%	8%	6%	6%	10%	12%	8%
Pharma/ Biotech/ Health Care	5	2	3	4	2	5	5	10%	4%	6%	8%	4%	10%	10%
Retail/ Consumer	12	10	12	14	11	10	10	24%	20%	24%	28%	22%	20%	20%
Financial: banks/ brokers	5	6	8	6	10	9	10	10%	12%	16%	12%	20%	18%	20%
Financial: insurance	0	2	1	1	1	0	3	0%	4%	2%	2%	2%	0%	6%
Financial: nonbank	3	3	3	3	3	2	5	6%	6%	6%	6%	6%	4%	10%
Real Estate: Commercial and Construction	16	21	16	16	16	18	12	32%	42%	32%	32%	32%	36%	24%
Real Estate: Residential	10	7	6	11	6	5	7	20%	14%	12%	22%	12%	10%	14%
Other	5	6	5	4	4	8	10	10%	12%	10%	8%	8%	16%	20%

For 3Q 2014 "Other" includes Agriculture, Tobacco, Residential (Multifamily), and Defensive Industries, as well as strategic growth areas.

# Demographics

The following questions relate to the size and nature of participating firms.

## Nature of Institution

	Number of Responses							Percentage of Responses						
	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Bank/Investment bank	39	40	39	39	42	41	41	80%	82%	83%	83%	84%	82%	80%
Insurance company	7	7	6	5	5	5	5	14%	14%	13%	11%	10%	10%	10%
Fund	2	2	1	2	2	3	4	4%	4%	2%	4%	4%	6%	8%
Export Credit Agency (ECA)	0	0	1	1	1	1	1	0%	0%	2%	2%	2%	2%	2%
Multilateral	1	0	0	0	0	0	0	2%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>49</b>	<b>49</b>	<b>47</b>	<b>50</b>	<b>50</b>	<b>51</b>	<b>50</b>	<b>98%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Continent of Domicile

	Number of Responses							Percentage of Responses						
	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
North America	20	21	20	19	20	22	18	41%	43%	43%	40%	39%	44%	35%
Europe	18	18	17	15	20	16	20	37%	37%	36%	32%	39%	32%	39%
Asia	6	6	6	7	6	6	7	12%	12%	13%	15%	12%	12%	14%
Australia/Oceania	1	2	2	2	2	2	2	2%	4%	4%	4%	4%	4%	4%
South America	1	1	1	2	1	1	2	2%	2%	2%	4%	2%	2%	4%
Middle East	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%
Africa	3	1	1	2	2	3	2	6%	2%	2%	4%	4%	6%	4%
<b>Total</b>	<b>49</b>	<b>49</b>	<b>47</b>	<b>51</b>	<b>50</b>	<b>51</b>	<b>50</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



## Approximate Portfolio Asset Size

(Only assets for which the portfolio management group is responsible.)

	Number of Responses							Percentage of Responses						
	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Less than \$50 billion	10	7	8	9	9	11	9	21%	14%	17%	19%	18%	22%	18%
\$50 billion to \$100 billion	8	9	7	9	12	12	15	17%	18%	15%	19%	24%	24%	30%
\$100 billion to \$200 billion	8	9	9	9	11	12	9	17%	18%	20%	19%	22%	24%	18%
\$200 billion to \$500 billion	10	9	11	9	7	7	6	21%	18%	24%	19%	14%	14%	12%
Greater than \$500 billion	11	13	11	11	11	7	9	23%	27%	24%	23%	22%	14%	18%
Does not apply	1	2	0	0	1	0	2	2%	4%	0%	0%	2%	0%	4%
<b>Total</b>	<b>48</b>	<b>49</b>	<b>47</b>	<b>51</b>	<b>49</b>	<b>50</b>	<b>49</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Location of Credit Portfolio Management Group within the organization

	Number of Responses							Percentage of Responses						
	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Line of business	17	18	16	19	18	21	21	35%	37%	34%	40%	35%	42%	41%
Risk management (including credit risk management)	19	20	23	21	24	21	21	39%	41%	49%	45%	47%	42%	41%
Finance/Treasury	6	5	5	5	4	3	4	12%	10%	11%	11%	8%	6%	8%
Does not apply	3	3	2	1	3	1	4	6%	6%	4%	2%	6%	2%	8%
Other	4	3	1	1	2	4	1	8%	6%	2%	2%	4%	8%	2%
<b>Total</b>	<b>49</b>	<b>49</b>	<b>47</b>	<b>51</b>	<b>50</b>	<b>51</b>	<b>50</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### For 3Q 2014 "Other" includes the following:

Planning, Strategic ALM and Capital Management Dept.

Other Silo

Global Credit

Global Transaction Banking, Portfolio Management and Run-off Portfolios (independent from business lines and from Risk Department)

# Participating Institutions

	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13
ABN AMRO Bank NV	✓				✓
African Export Import Bank	✓	✓			
AIG, Inc.	✓	✓	✓	✓	
Allianz AG	✓	✓	✓	✓	✓
Assenagon					✓
ATB Financial	✓	✓	✓	✓	✓
Banco Itaú-Unibanco				✓	
Banco Santander S.A.	✓	✓	✓	✓	✓
Banco Santander Brazil	✓	✓	✓	✓	✓
Bank of America	✓	✓	✓	✓	✓
Bank of Montreal	✓	✓	✓	✓	✓
Bank of the West	✓		✓		✓
Bank of Tokyo-Mitsubishi UFJ	✓	✓	✓	✓	
Barclays	✓	✓		✓	✓
BBVA	✓	✓	✓		✓
BlueCrest Capital Management Limited	✓	✓	✓	✓	✓
BNP Paribas	✓	✓	✓	✓	✓
Capital One	✓	✓	✓	✓	✓
Citigroup	✓	✓	✓	✓	✓
Commonwealth Bank of Australia		✓	✓	✓	✓
Credit Agricole CIB	✓	✓	✓	✓	✓
Danske Bank	✓	✓			
Deutsche Bank			✓		
Development Bank of Japan	✓		✓	✓	✓
Elanus Capital Management, LLC	✓				
European Investment Fund	✓				✓
Export Development Canada			✓	✓	✓
Fifth Third Bank	✓	✓	✓		✓
FirstRand Ltd.	✓			✓	✓
Hang Seng Bank					✓
HSBC	✓	✓	✓	✓	✓
Huntington National Bank				✓	✓
IKB Deutsche Industriebank AG	✓	✓	✓	✓	✓
Intesa Sanpaolo	✓	✓			✓

	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13
JP Morgan Chase		✓	✓	✓	
KBC				✓	✓
KeyCorp		✓	✓	✓	✓
Lloyds TSB PLC		✓	✓	✓	✓
Manulife Financial		✓			✓
MIGA - Multilateral Investment Guarantee Agency	✓				
Mizuho Corporate Bank	✓	✓	✓	✓	✓
MUFG Union Bank	✓	✓	✓	✓	✓
Munich Reinsurance	✓	✓	✓	✓	✓
National Bank Financial	✓	✓		✓	
Nationwide Insurance	✓	✓	✓	✓	
Natixis	✓				
Nedbank Ltd.	✓		✓	✓	✓
OCBC Bank	✓	✓	✓	✓	✓
Orchard Global Asset Management		✓		✓	
PNC Financial Services	✓	✓	✓	✓	✓
RBC Capital Markets	✓	✓	✓	✓	✓
Regions Bank	✓	✓	✓	✓	✓
Royal Bank of Scotland	✓	✓	✓	✓	✓
Silicon Valley Bank	✓	✓	✓	✓	✓
Societe Generale		✓		✓	✓
Standard Chartered	✓	✓	✓	✓	✓
Sumitomo Mitsui Banking Corp	✓	✓	✓	✓	✓
Sumitomo Mitsui Trust Bank, Limited			✓		
Sun Life Financial	✓	✓	✓	✓	✓
Swiss Re	✓	✓	✓		✓
TD Bank	✓	✓	✓		✓
UniCredit Bank AG	✓	✓	✓	✓	✓
UniCredit Group S.p.A.		✓	✓	✓	
Wells Fargo		✓			✓
Westpac	✓	✓	✓	✓	✓
WGZ Bank AG			✓		
Zions Bancorporation	✓	✓	✓	✓	✓