



# First Quarter 2016 Credit Outlook Survey Result Analysis

*This short survey is conducted at the end of each quarter. It asks 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.*

*42 IACPM members participated.*

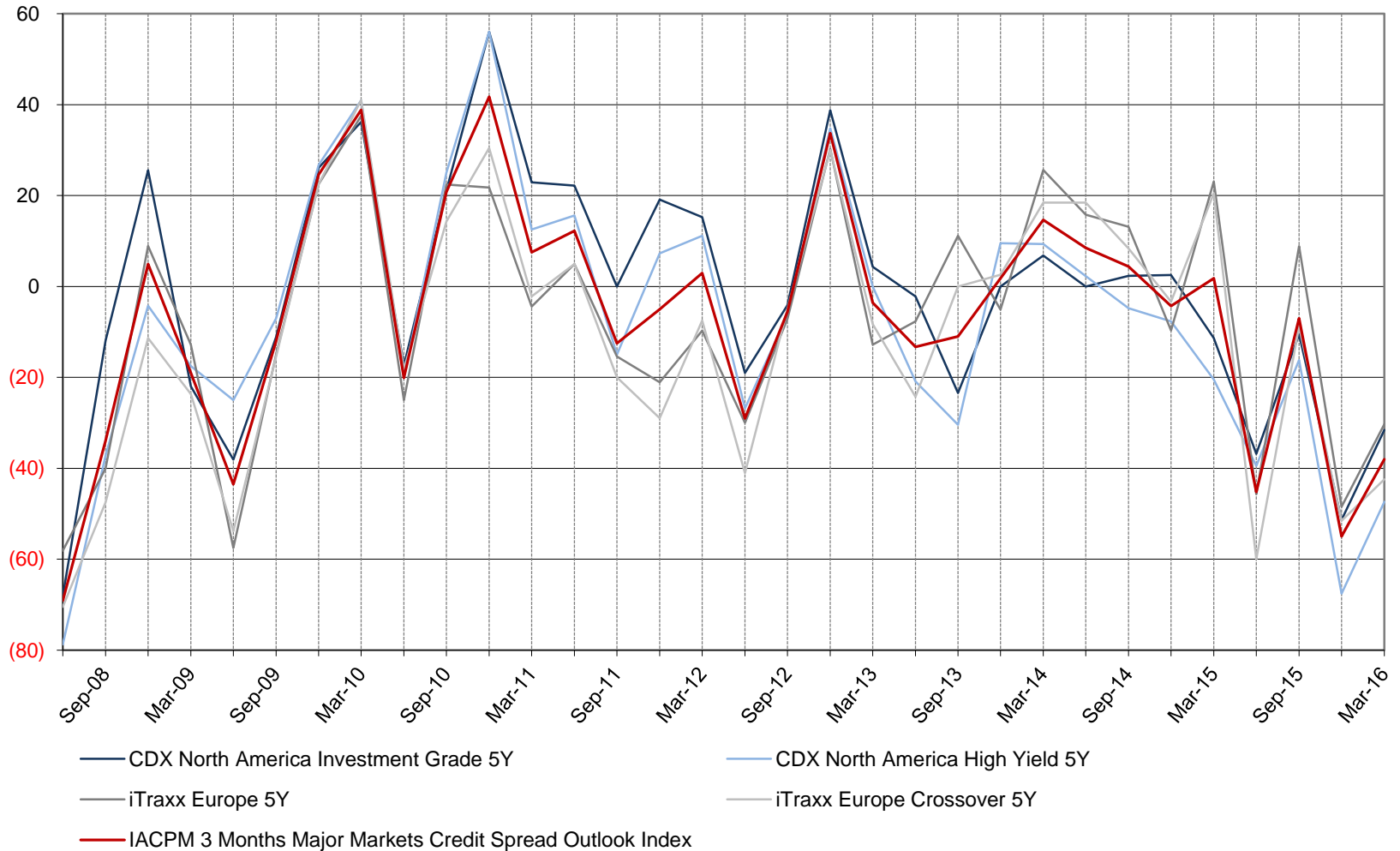
# Credit Outlook and Strategy

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

<i>Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.</i>	Up (widen)	Unchanged	Down (narrow)	Total Number of Responses	IACPM 3 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Mar-16	Mar-16	Mar-16	Mar-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
<b>CDX North America Investment Grade 5Y</b>	<b>17</b> 45%	<b>16</b> 42%	<b>5</b> 13%	<b>38</b>	<b>(31.6)</b>	<b>(51.4)</b>	<b>(10.5)</b>	<b>(36.8)</b>	<b>(11.4)</b>
<b>CDX North America High Yield 5Y</b>	<b>22</b> 58%	<b>12</b> 32%	<b>4</b> 11%	<b>38</b>	<b>(47.4)</b>	<b>(67.6)</b>	<b>(16.2)</b>	<b>(39.5)</b>	<b>(20.5)</b>
<b>iTraxx Europe 5Y</b>	<b>18</b> 55%	<b>7</b> 21%	<b>8</b> 24%	<b>33</b>	<b>(30.3)</b>	<b>(48.5)</b>	<b>8.8</b>	<b>(45.7)</b>	<b>23.1</b>
<b>iTraxx Europe Crossover 5Y</b>	<b>20</b> 61%	<b>7</b> 21%	<b>6</b> 18%	<b>33</b>	<b>(42.4)</b>	<b>(51.5)</b>	<b>(8.8)</b>	<b>(60.0)</b>	<b>20.5</b>
iTraxx Japan Series 5Y	8 47%	8 47%	1 6%	17	(41.2)	(52.6)	(8.7)	(13.0)	13.0
iTraxx Asia ex-Japan Investment Grade 5Y	11 65%	4 24%	2 12%	17	(52.9)	(76.2)	(21.7)	(40.9)	4.5
iTraxx Australia 5Y	8 50%	7 44%	1 6%	16	(43.8)	(76.5)	(42.9)	(43.8)	(15.8)

## IACPM 3 Months Major Markets Credit Spread Outlook Index

(weighted average based on number of responses; includes first four indices listed in bold)

**142**      **(38.0)**      **(55.0)**      **(7.0)**      **(45.2)**      **1.8**

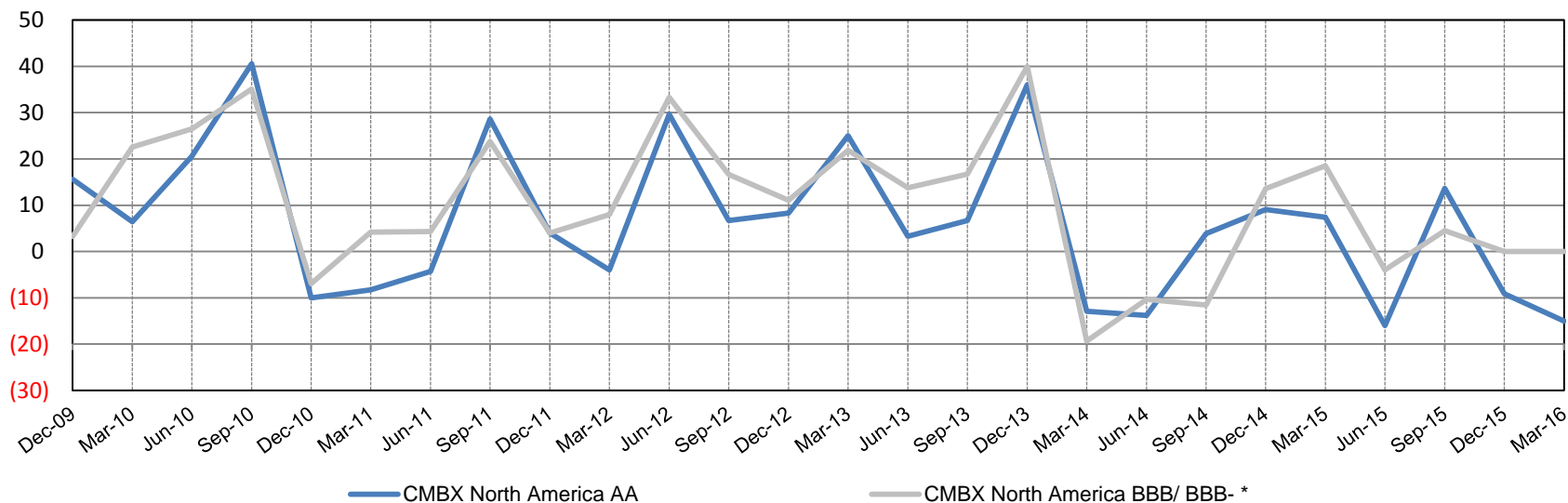
## IACPM 3 Months Credit Spread Outlook Index

(weighted average based on number of responses; includes all indices listed above)

**192**      **(40.1)**      **(58.9)**      **(12.4)**      **(41.1)**      **1.7**

# IACPM 3 Months CMBX Index Price Outlook Index

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



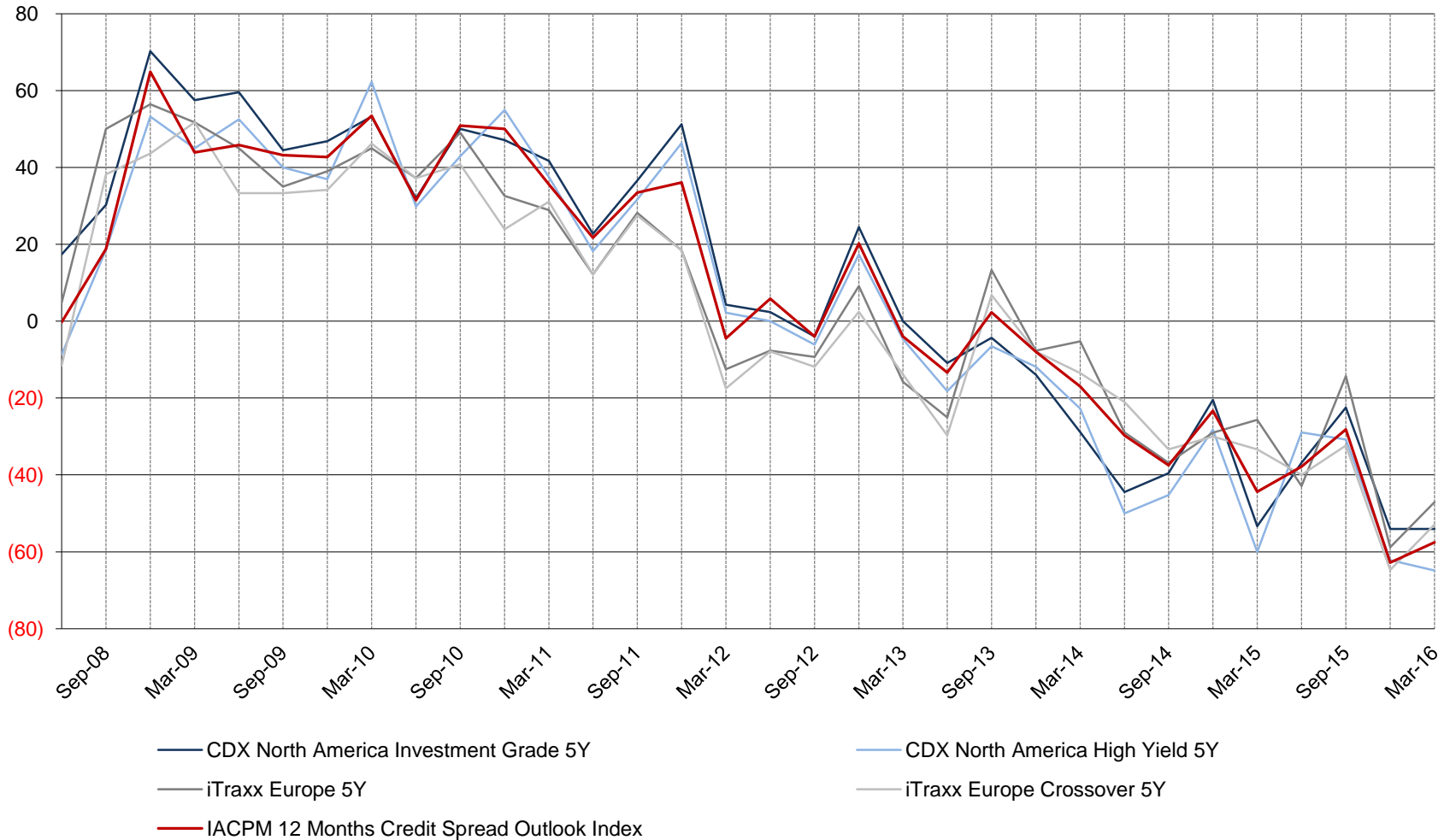
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 3 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Mar-16	Mar-16	Mar-16	Mar-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
CMBX North America AA	3 15%	11 55%	6 30%	20	(15.0)	(9.1)	13.6	(16.0)	7.4
CMBX North America BBB- *	6 30%	8 40%	6 30%	20	0.0	0.0	4.5	(4.0)	18.5

\*\* 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

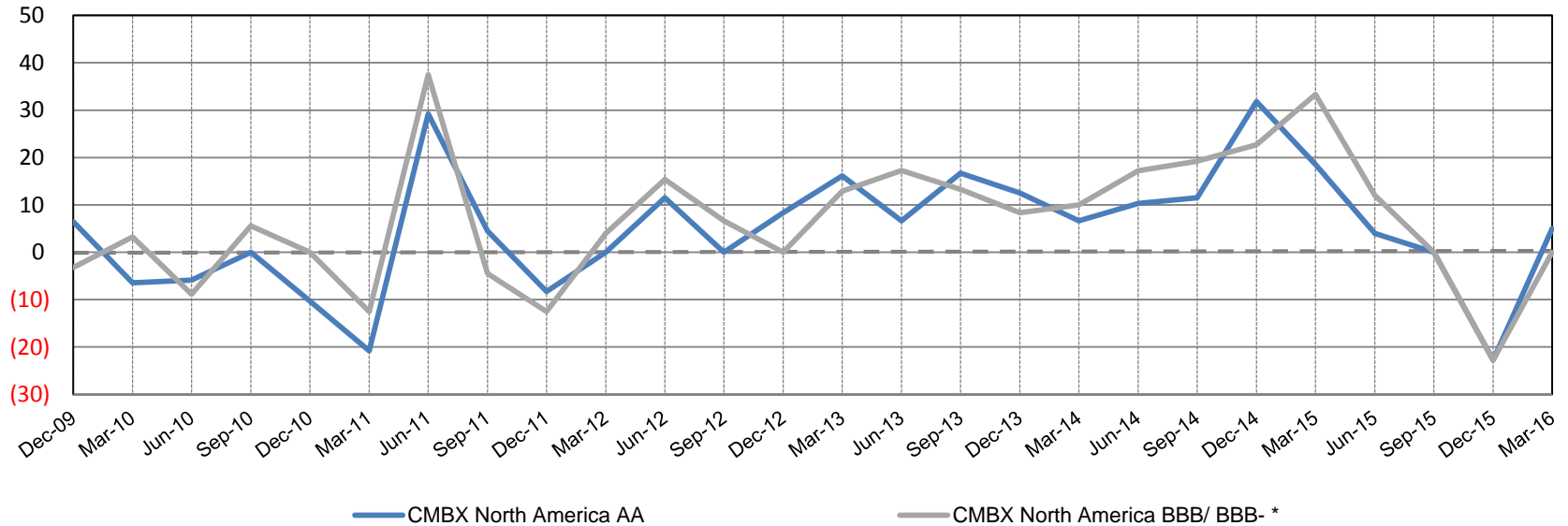
Expected direction Credit Spreads will move over the course of the next 12 months

<i>Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.</i>	Up (widen)	Unchanged	Down (narrow)	Total Number of Responses	IACPM 12 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Mar-16	Mar-16	Mar-16	Mar-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
CDX North America Investment Grade 5Y	25 68%	7 19%	5 14%	37	(54.1)	(54.1)	(22.5)	(36.8)	(53.3)
CDX North America High Yield 5Y	28 76%	5 14%	4 11%	37	(64.9)	(62.2)	(30.8)	(28.9)	(60.0)
iTraxx Europe 5Y	23 68%	4 12%	7 21%	34	(47.1)	(58.8)	(14.3)	(42.9)	(25.6)
iTraxx Europe Crossover 5Y	24 71%	4 12%	6 18%	34	(52.9)	(64.7)	(32.4)	(40.0)	(33.3)
iTraxx Japan Series 5Y	11 65%	4 24%	2 12%	17	(52.9)	(63.2)	(20.0)	(31.8)	(43.5)
iTraxx Asia ex-Japan Investment Grade 5Y	15 88%	0 0%	2 12%	17	(76.5)	(81.0)	(48.0)	(42.9)	(40.9)
iTraxx Australia 5Y	12 71%	4 24%	1 6%	17	(64.7)	(64.7)	(36.4)	(47.1)	(52.6)

<b>IACPM 12 Months Credit Spread Outlook Index (weighted average based on number of responses)</b>	<b>193</b>	<b>(57.5)</b>	<b>(62.8)</b>	<b>(28.2)</b>	<b>(37.9)</b>	<b>(44.4)</b>
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# IACPM 12 Months CMBX Index Price Outlook Index

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



<i>Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.</i>	Up	Unchanged	Down	Total Number of Responses	IACPM 12 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Mar-16	Mar-16	Mar-16	Mar-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
CMBX North America AA	8 40%	5 25%	7 35%	20	5.0	(22.7)	0.0	4.0	18.5
CMBX North America BBB-	8 40%	4 20%	8 40%	20	0.0	(22.7)	0.0	12.0	33.3

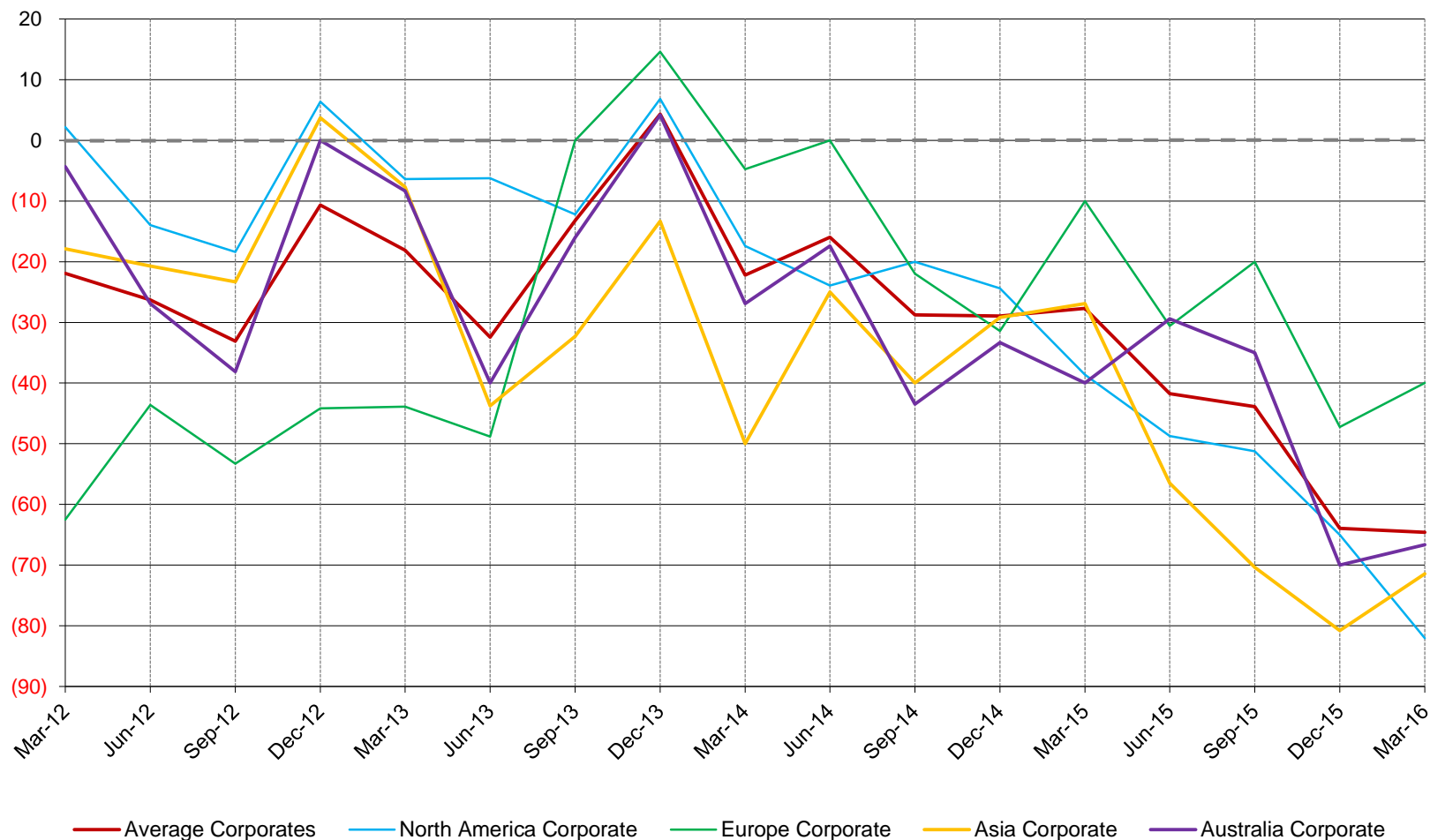
\* In previous Series 5 we were looking at BBB tranche. In current Series 6 a BBB tranche can't be justified due to limited issuance. Starting 1Q 2014 we are therefore looking at BBB-.



# IACPM 12 Months **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)				
	Mar-16	Mar-16	Mar-16	Mar-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
North America Corporate	33 85%	5 13%	1 3%	39	(82.1)	(65.0)	(51.2)	(48.7)	(38.6)
North America Retail/ Consumer Mortgage	18 49%	17 46%	2 5%	37	(43.2)	(41.7)	(17.9)	(27.0)	(23.3)
North America Commercial Real Estate	18 50%	17 47%	1 3%	36	(47.2)	(36.1)	(21.6)	(24.3)	(23.8)
Europe Corporate	17 49%	15 43%	3 9%	35	(40.0)	(47.2)	(20.0)	(30.6)	(10.0)
Europe Retail/ Consumer Mortgage	15 47%	15 47%	2 6%	32	(40.6)	(35.3)	(5.9)	(18.2)	(8.1)
Europe Commercial Real Estate	14 44%	14 44%	4 13%	32	(31.3)	(26.5)	(8.8)	(24.2)	(5.1)
Asia Corporate	15 71%	6 29%	0 0%	21	(71.4)	(80.8)	(70.4)	(56.5)	(26.9)
Asia Retail/ Consumer Mortgage	17 85%	3 15%	0 0%	20	(85.0)	(82.6)	(60.0)	(44.4)	(31.8)
Asia Commercial Real Estate	14 78%	4 22%	0 0%	18	(77.8)	(78.3)	(56.0)	(63.2)	(27.3)
Australia Corporate	12 67%	6 33%	0 0%	18	(66.7)	(70.0)	(35.0)	(29.4)	(40.0)
Australia Retail/ Consumer Mortgage	11 65%	6 35%	0 0%	17	(64.7)	(68.4)	(20.0)	(31.3)	(50.0)
Australia Commercial Real Estate	10 59%	7 41%	0 0%	17	(58.8)	(66.7)	(25.0)	(37.5)	(44.4)
Average Corporate	19 68%	8 28%	1 4%	28	(64.6)	(63.9)	(43.9)	(41.7)	(27.7)
Average Retail/ Consumer Mortgage	15 58%	10 39%	1 4%	27	(53.8)	(52.7)	(23.7)	(27.9)	(24.2)
Average Commercial Real Estate	14 54%	11 41%	1 5%	26	(49.5)	(46.8)	(25.9)	(33.3)	(21.5)

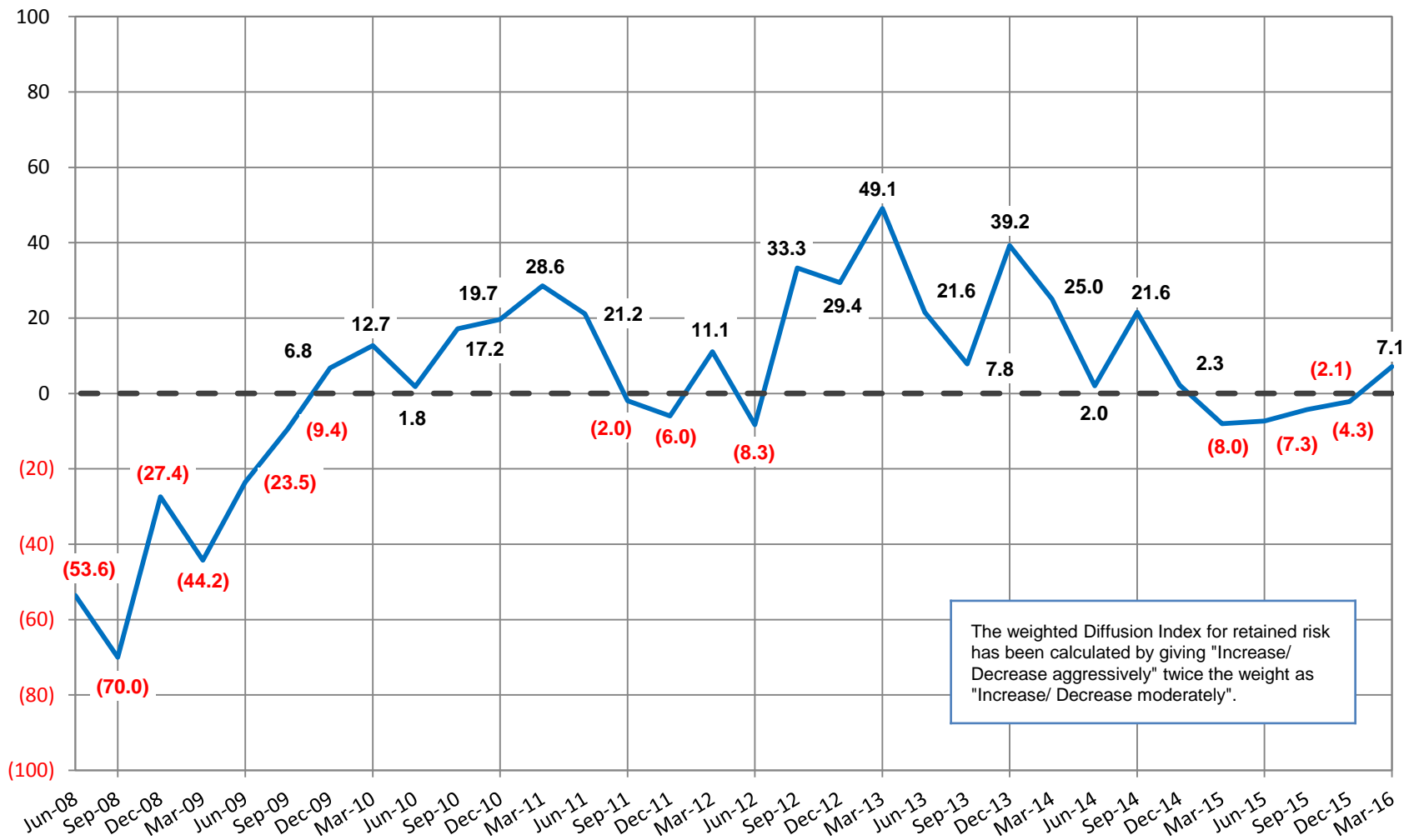
## IACPM Aggregate Credit Default Outlook Index

(weighted average based on number of responses)

**322 (56.2) (54.8) (31.4) (34.6) (24.5)**

# Weighted Diffusion Index for retained risk in overall portfolio

(underlying data on next page)



The weighted Diffusion Index for retained risk has been calculated by giving "Increase/ Decrease aggressively" twice the weight as "Increase/ Decrease moderately".

# Retained Risk in Overall Portfolio

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

	Number of Responses							Percentage of Responses						
	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Increase aggressively	0	0	1	0	0	1	2	0%	0%	2%	0%	0%	2%	4%
Increase moderately	16	16	11	12	14	13	17	38%	36%	25%	29%	29%	30%	35%
Unchanged	13	14	19	14	18	15	20	31%	32%	43%	34%	37%	35%	41%
Decrease moderately	13	11	11	15	16	14	10	31%	25%	25%	37%	33%	33%	20%
Decrease aggressively	0	3	2	0	1	0	0	0%	7%	5%	0%	2%	0%	0%
<b>Total Number of Responses</b>	<b>42</b>	<b>44</b>	<b>44</b>	<b>41</b>	<b>49</b>	<b>43</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>

What is the rationale for this strategy?

	Number of Responses							Percentage of Responses						
	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Balance sheet/Capital appetite	25	28	31	31	29	21	32	60%	64%	70%	76%	59%	49%	65%
Portfolio optimization	11	10	9	4	12	10	10	26%	23%	20%	10%	24%	23%	20%
Change in risk view	2	3	4	3	6	8	7	5%	7%	9%	7%	12%	19%	14%
Other	4	3	0	3	2	4	0	10%	7%	0%	7%	4%	9%	0%
<b>Total</b>	<b>42</b>	<b>44</b>	<b>44</b>	<b>41</b>	<b>49</b>	<b>43</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>

## Other - March 2016

All of the above	Business development
Continue to see growth opportunities in the higher quality risk spectrum	Business growth

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

	Number of Responses							Percentage of Responses						
	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
TMT: Telecom	4	4	5	6	7	3	9	10%	9%	11%	15%	14%	6%	18%
TMT: Media	2	3	2	3	3	2	4	5%	7%	5%	7%	6%	4%	8%
TMT: Technology	2	1	2	3	1	1	2	5%	2%	5%	7%	2%	2%	4%
Natural Resources: Oil and Gas	34	32	28	30	35	33	18	81%	73%	64%	73%	70%	66%	36%
Natural Resources: Paper	3	5	2	2	1	1	4	7%	11%	5%	5%	2%	2%	8%
Natural Resources: Metals/Mining	26	27	26	21	24	22	20	62%	61%	59%	51%	48%	44%	40%
Natural Resources: Chemicals	6	6	3	1	3	5	1	14%	14%	7%	2%	6%	10%	2%
Natural Resources: Utilities	7	8	7	6	10	8	4	17%	18%	16%	15%	20%	16%	8%
Industrial: Auto and related transportation	6	6	9	5	4	3	5	14%	14%	20%	12%	8%	6%	10%
Industrial: Airlines/ Aerospace/ Defense	3	2	3	4	4	4	5	7%	5%	7%	10%	8%	8%	10%
Industrial: Diversified	3	6	2	4	6	2	8	7%	14%	5%	10%	12%	4%	16%
Pharma/ Biotech/ Health Care	5	2	5	2	5	2	5	12%	5%	11%	5%	10%	4%	10%
Retail/ Consumer	11	11	5	10	14	10	12	26%	25%	11%	24%	28%	20%	24%
Financial: banks/ brokers	3	6	4	4	4	6	5	7%	14%	9%	10%	8%	12%	10%
Financial: insurance	0	1	1	0	2	1	0	0%	2%	2%	0%	4%	2%	0%
Financial: Nonbank	1	0	3	0	2	4	3	2%	0%	7%	0%	4%	8%	6%
Real Estate: Commercial and Construction	7	12	16	16	15	13	16	17%	27%	36%	39%	30%	26%	32%
Real Estate: Residential	1	5	3	3	6	5	10	2%	11%	7%	7%	12%	10%	20%
Other	1	2	4	1	3	3	5	2%	5%	9%	2%	6%	6%	10%

March 2016 "Other" – Leveraged Lending

4/12/2016

# Demographics

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

## Nature of Institution

	Number of Responses							Percentage of Responses						
	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Bank/ Investment bank	37	34	37	34	40	34	39	88%	77%	84%	83%	82%	79%	80%
Development Bank/ Export Credit Agency	2	3	4	2	4	1	0	5%	7%	9%	5%	8%	2%	0%
Insurance company	3	5	2	4	4	6	7	7%	11%	5%	10%	8%	14%	14%
Fund	0	1	1	1	1	2	2	0%	2%	2%	2%	2%	5%	4%
Multilateral	0	0	0	0	0	0	1	0%	0%	0%	0%	0%	0%	2%
<b>Total</b>	<b>42</b>	<b>44</b>	<b>44</b>	<b>41</b>	<b>49</b>	<b>43</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>

## Continent of Domicile

	Number of Responses							Percentage of Responses						
	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
North America	19	17	17	18	17	17	20	45%	39%	39%	44%	35%	40%	41%
Europe	16	17	17	15	20	15	18	38%	39%	39%	37%	41%	35%	37%
Asia	5	6	6	5	6	6	6	12%	14%	14%	12%	12%	14%	12%
Australia/ Oceania	2	2	2	1	2	1	1	5%	5%	5%	2%	4%	2%	2%
South America	0	1	2	1	1	2	1	0%	2%	5%	2%	2%	5%	2%
Africa	0	1	0	1	3	2	3	0%	2%	0%	2%	6%	5%	6%
<b>Total</b>	<b>42</b>	<b>44</b>	<b>44</b>	<b>41</b>	<b>49</b>	<b>43</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>

## Approximate Portfolio Asset Size

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

	Number of Responses							Percentage of Responses						
	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Less than \$50 billion	5	9	9	6	8	9	10	12%	20%	21%	15%	16%	21%	21%
\$50 billion to \$100 billion	8	6	5	4	8	6	8	19%	14%	12%	10%	16%	14%	17%
\$100 billion to \$200 billion	10	8	11	6	10	8	8	24%	18%	26%	15%	20%	19%	17%
\$200 billion to \$500 billion	10	10	7	11	13	10	10	24%	23%	16%	27%	27%	23%	21%
Greater than \$500 billion	9	9	11	11	9	9	11	21%	20%	26%	27%	18%	21%	23%
Does not apply	0	2	0	3	1	1	1	0%	5%	0%	7%	2%	2%	2%
<b>Total</b>	<b>42</b>	<b>44</b>	<b>43</b>	<b>41</b>	<b>49</b>	<b>43</b>	<b>48</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						
	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Line of business	17	18	23	12	16	17	17	40%	41%	52%	29%	33%	40%	35%
Risk management (including credit risk management)	16	15	12	19	22	19	19	38%	34%	27%	46%	45%	45%	39%
Finance/Treasury	3	3	5	5	6	3	6	7%	7%	11%	12%	12%	7%	12%
Does not apply	1	4	1	3	4	1	3	2%	9%	2%	7%	8%	2%	6%
Other	5	4	3	2	1	2	4	12%	9%	7%	5%	2%	5%	8%
<b>Total</b>	<b>42</b>	<b>44</b>	<b>44</b>	<b>41</b>	<b>49</b>	<b>42</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>

### For March 2016 "Other" includes

Corporate Staff/ Planning	Global Credit
Corporate Planning & Coordination Department	Asset Liability Management



# Participating Institutions

	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
ABN AMRO Bank NV	✓	✓	✓	✓	✓
Absa Bank					✓
African Export Import Bank		✓		✓	✓
AIG, Inc.	✓	✓	✓		
Allianz AG		✓		✓	✓
ATB Financial	✓		✓		✓
Banco Santander S.A.	✓	✓	✓	✓	✓
Banco Santander Brazil		✓	✓	✓	✓
Bank of America			✓	✓	✓
Bank of Montreal	✓	✓	✓	✓	✓
Bank of Tokyo-Mitsubishi UFJ	✓	✓	✓	✓	✓
Barclays	✓	✓	✓	✓	✓
BB&T	✓			✓	
BBVA	✓	✓	✓	✓	✓
BLADEX			✓		
BlueCrest Capital Management Limited			✓	✓	✓
BNP Paribas	✓	✓	✓	✓	✓
Capital One	✓	✓	✓	✓	✓
CIBC World Markets	✓		✓		
Citigroup	✓	✓	✓		
Citizens Financial Group					✓
Commonwealth Bank of Australia	✓	✓	✓	✓	✓
Credit Agricole CIB	✓	✓	✓	✓	✓
Danske Bank		✓		✓	
Development Bank of Japan	✓	✓	✓	✓	✓
European Investment Fund		✓	✓		✓
Fifth Third Bank	✓	✓	✓	✓	
Goldman Sachs	✓				
HSBC	✓			✓	
IKB Deutsche Industriebank AG	✓	✓	✓	✓	✓
Inter-American Development Bank	✓		✓		
Intesa Sanpaolo	✓				✓
JP Morgan Chase	✓	✓	✓	✓	✓

	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
KeyCorp	✓	✓	✓	✓	✓
KfW Banking Group					✓
Lloyds TSB PLC	✓	✓	✓	✓	✓
Mizuho Corporate Bank		✓	✓	✓	✓
MUFG Union Bank				✓	
Munich Reinsurance	✓	✓	✓	✓	✓
National Bank Financial				✓	✓
Nationwide Insurance					✓
Natixis	✓		✓		✓
Nedbank Ltd.					✓
Nordea Bank		✓	✓		
OCBC Bank	✓	✓	✓	✓	✓
Pine River Capital Management		✓			
PNC Financial Services	✓	✓	✓	✓	✓
RBC Capital Markets	✓	✓	✓	✓	✓
Regions Bank	✓	✓		✓	✓
Royal Bank of Scotland	✓	✓	✓		✓
Silicon Valley Bank	✓	✓	✓	✓	✓
Societe Generale	✓	✓	✓		✓
Standard Chartered	✓	✓	✓	✓	✓
State Street Bank	✓	✓	✓	✓	✓
Sumitomo Mitsui Banking Corp	✓	✓	✓	✓	✓
Sun Life Financial		✓		✓	✓
Swiss Re		✓		✓	
TCF Financial Corporation		✓	✓		
TD Bank	✓				
UBS AG			✓		✓
UniCredit Corporate & Investment Banking	✓	✓	✓	✓	✓
UniCredit Group S.p.A.				✓	✓
Westpac	✓	✓	✓		✓
XL Catlin	✓	✓			
Zions Bancorporation	✓	✓	✓	✓	✓