



Fourth 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.

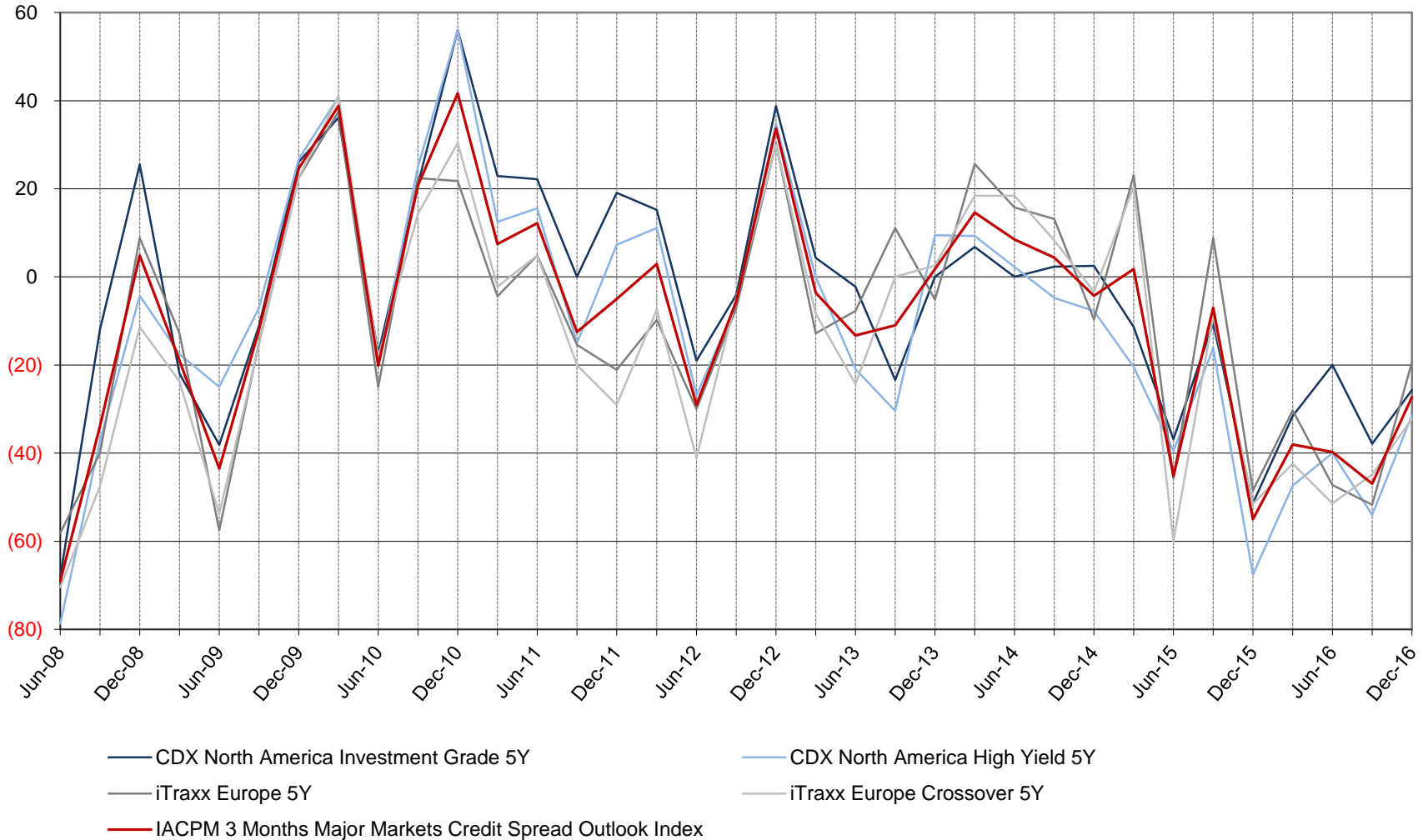
39 IACPM members participated.

The following questions focus on credit outlook and portfolio strategy.

CREDIT OUTLOOK AND 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

	Up (widen)	Unchanged	Down (narrow)	Total Number of Responses	IACPM 3 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
CDX North America Investment Grade 5Y	14 40%	16 46%	5 14%	35	(25.7)	(37.8)	(20.0)	(31.6)	(51.4)
CDX North America High Yield 5Y	18 51%	10 29%	7 20%	35	(31.4)	(54.1)	(40.0)	(47.4)	(67.6)
iTraxx Europe 5Y	11 35%	15 48%	5 16%	31	(19.4)	(51.7)	(47.2)	(30.3)	(48.5)
iTraxx Europe Crossover 5Y	15 48%	11 35%	5 16%	31	(32.3)	(44.8)	(51.4)	(42.4)	(51.5)
iTraxx Japan Series 5Y	4 24%	13 76%	0 0%	17	(23.5)	(29.4)	(15.0)	(41.2)	(52.6)
iTraxx Asia ex-Japan Investment Grade 5Y	8 47%	9 53%	0 0%	17	(47.1)	(35.3)	(40.0)	(52.9)	(76.2)
iTraxx Australia 5Y	6 40%	7 47%	2 13%	15	(26.7)	(46.7)	(16.7)	(43.8)	(76.5)

IACPM 3 Months Major Markets Credit Spread Outlook Index

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

132 **(27.3)** **(47.0)** **(39.7)** **(38.0)** **(55.0)**

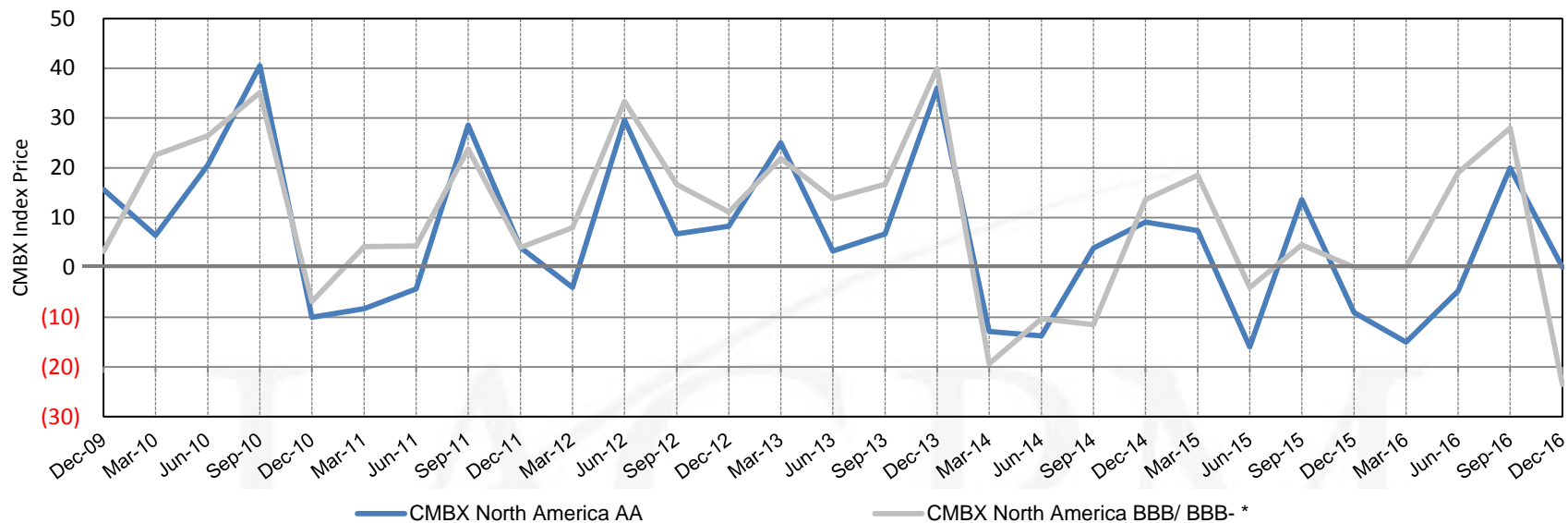
IACPM 3 Months Credit Spread Outlook Index

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

181 **(28.7)** **(35.2)** **(40.1)** **(58.9)** **(12.4)**

IACPM 3 Months CMBX Index Price Outlook Index

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

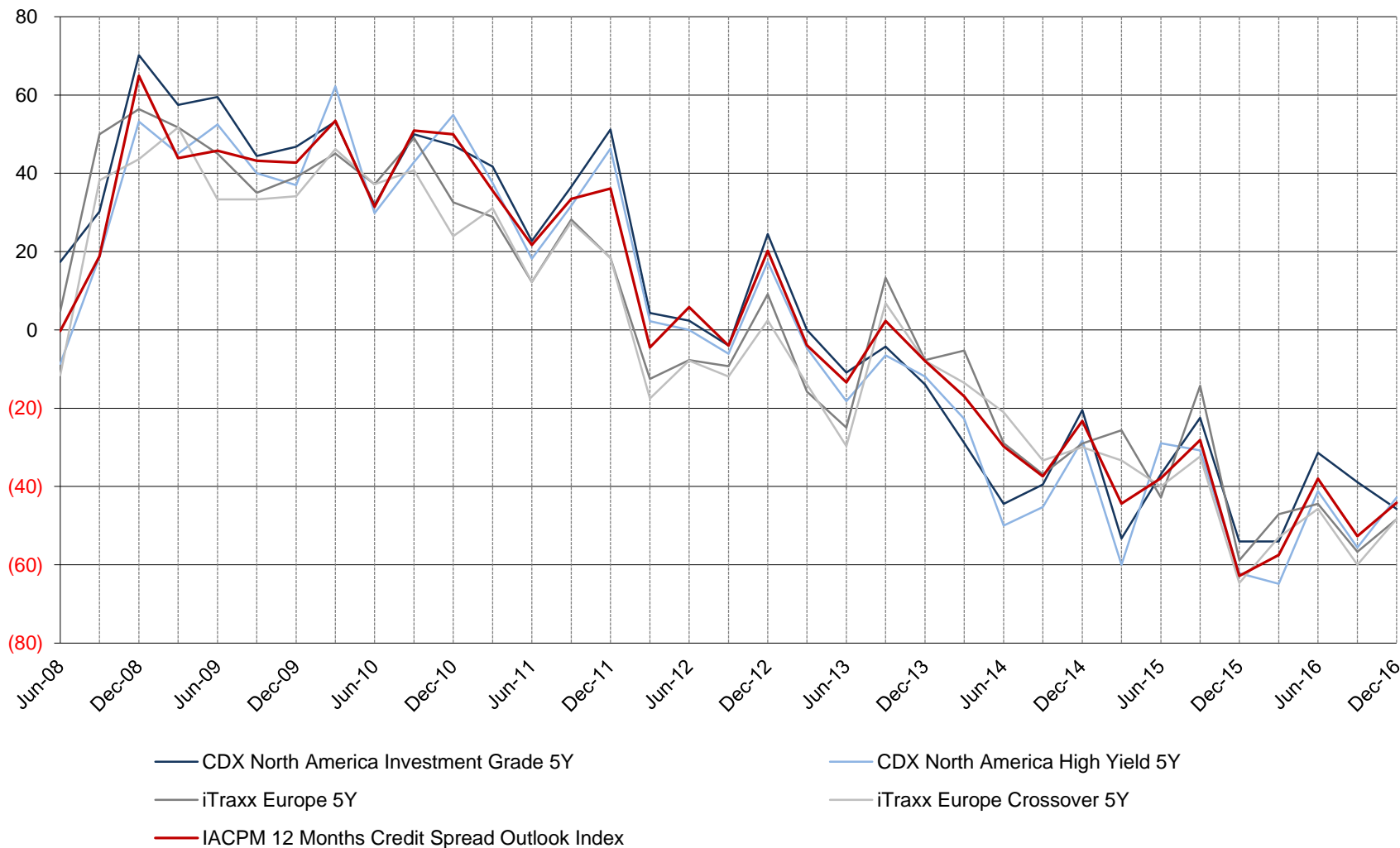


Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 3 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
CMBX North America AA	3 18%	11 65%	3 18%	17	0.0	20.0	(4.8)	(15.0)	(9.1)
CMBX North America BBB- *	2 12%	9 53%	6 35%	17	(23.5)	28.0	19.0	0.0	0.0

* 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)



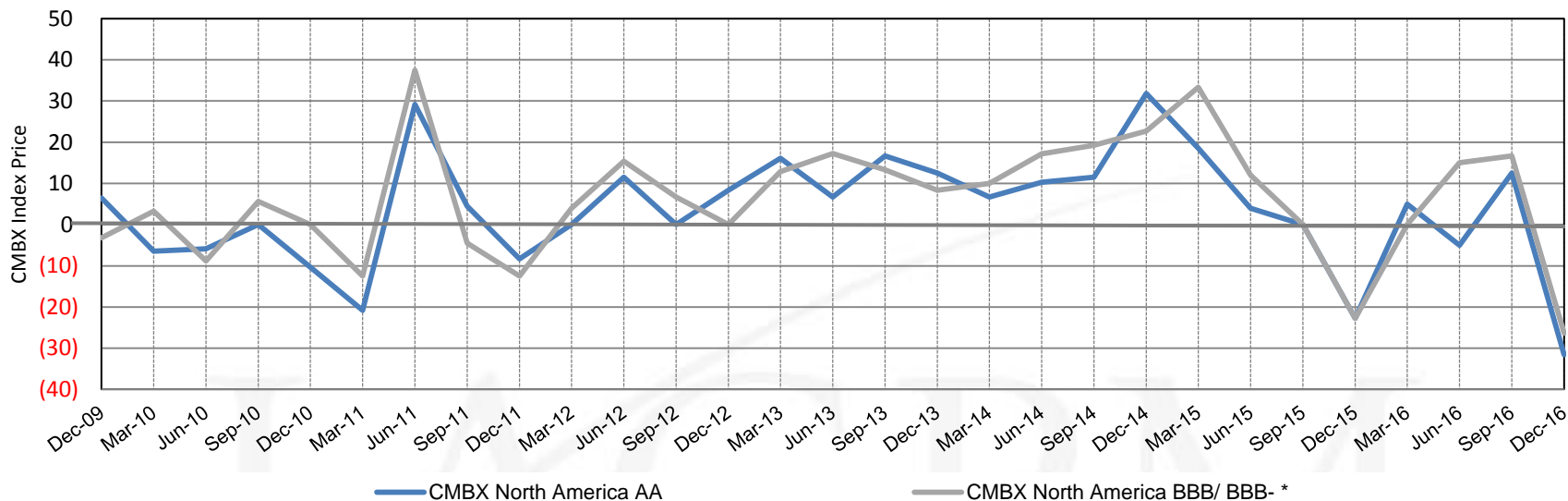
IACPM 12 Months Credit Spread Outlook Index

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)				
	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
CDX North America Investment Grade 5Y	22 63%	7 20%	6 17%	35	(45.7)	(38.9)	(31.4)	(54.1)	(54.1)
CDX North America High Yield 5Y	22 63%	6 17%	7 20%	35	(42.9)	(55.6)	(41.2)	(64.9)	(62.2)
iTraxx Europe 5Y	20 65%	6 19%	5 16%	31	(48.4)	(56.7)	(44.4)	(47.1)	(58.8)
iTraxx Europe Crossover 5Y	21 68%	4 13%	6 19%	31	(48.4)	(60.0)	(45.7)	(52.9)	(64.7)
iTraxx Japan Series 5Y	9 53%	6 35%	2 12%	17	(41.2)	(55.6)	(19.0)	(52.9)	(63.2)
iTraxx Asia ex-Japan Investment Grade 5Y	10 59%	4 24%	3 18%	17	(41.2)	(55.6)	(38.1)	(76.5)	(81.0)
iTraxx Australia 5Y	8 53%	4 27%	3 20%	15	(33.3)	(50.0)	(38.9)	(64.7)	(64.7)
IACPM 12 Months Credit Spread Outlook Index (weighted average based on number of responses)				181	(44.2)	(52.7)	(38.0)	(57.5)	(62.8)

IACPM 12 Months CMBX Index Price Outlook Index

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

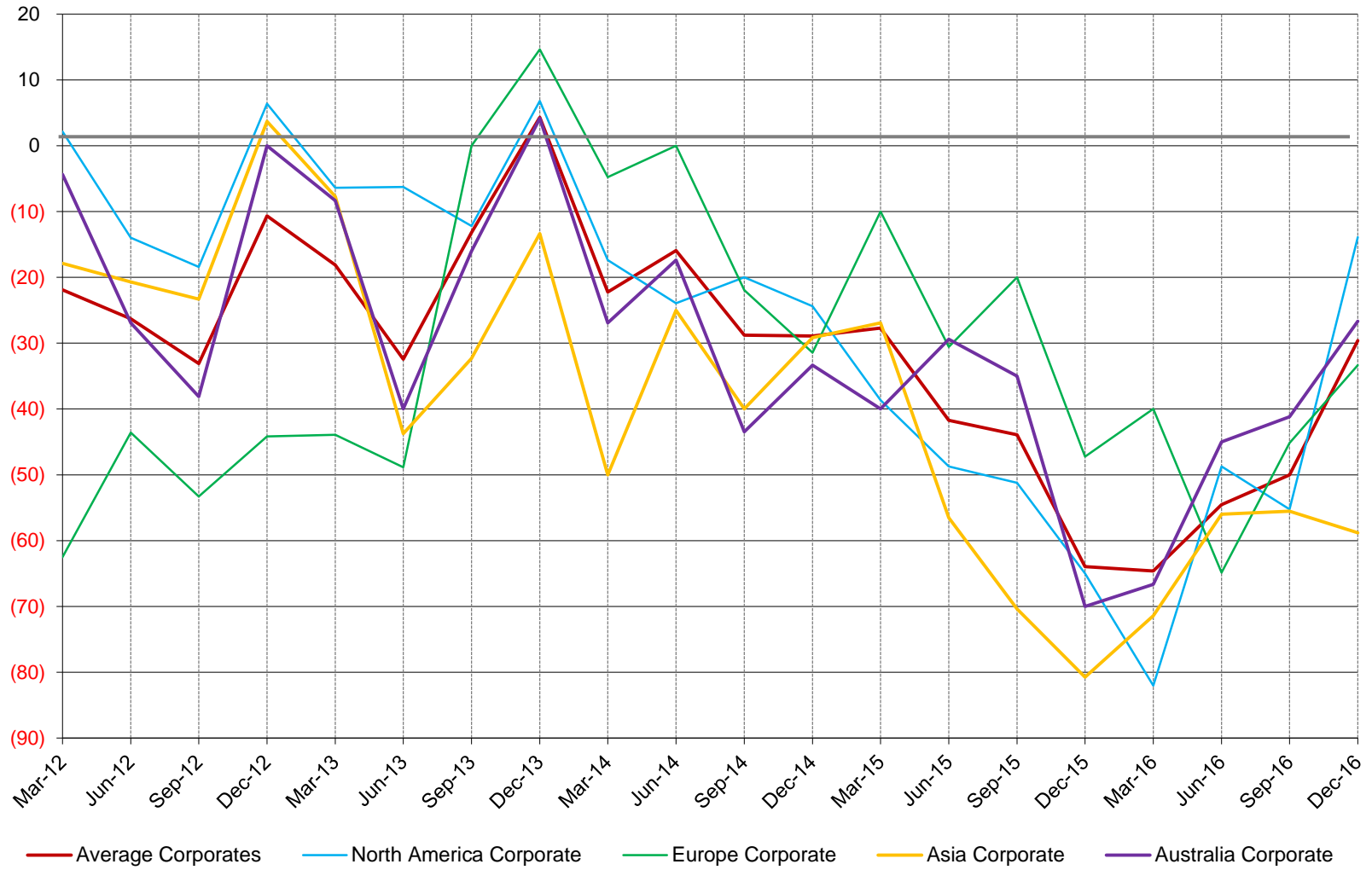


Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 12 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
CMBX North America AA	3 16%	7 37%	9 47%	19	(31.6)	12.5	(5.0)	5.0	(22.7)
CMBX North America BBB-	3 16%	8 42%	8 42%	19	(26.3)	16.7	15.0	0.0	(22.7)

* 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

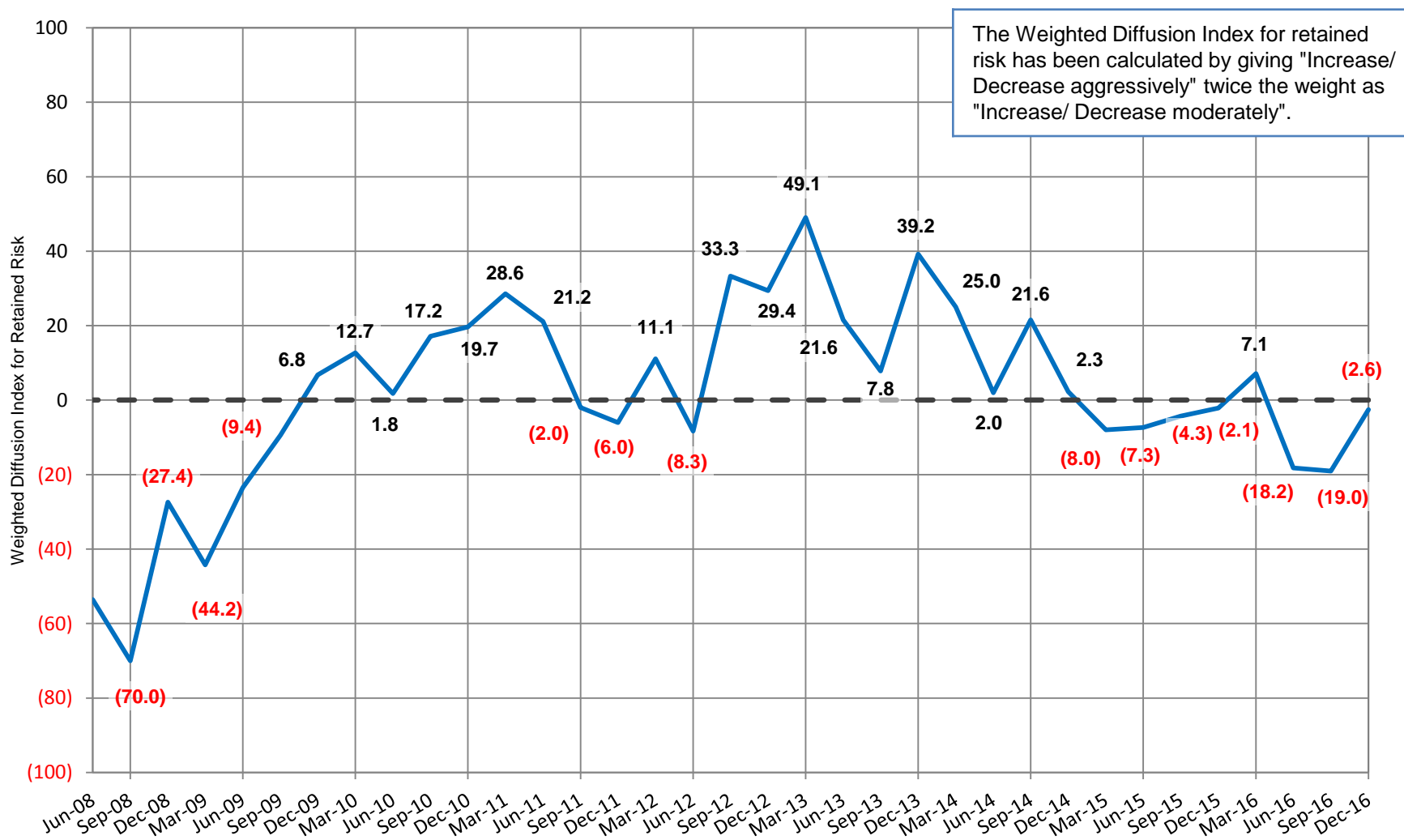
Expected direction Credit Defaults will move over the course of the next 12 months
(annual twelve month trailing; positive numbers indicate credit improvement)

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)				
	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
North America Corporate	13 36%	15 42%	8 22%	36	(13.9)	(55.3)	(48.7)	(82.1)	(65.0)
North America Retail/ Consumer Mortgage	16 46%	15 43%	4 11%	35	(34.3)	(45.7)	(41.7)	(43.2)	(41.7)
North America Commercial Real Estate	18 51%	14 40%	3 9%	35	(42.9)	(52.9)	(41.7)	(47.2)	(36.1)
Europe Corporate	15 50%	10 33%	5 17%	30	(33.3)	(45.2)	(64.9)	(40.0)	(47.2)
Europe Retail/ Consumer Mortgage	13 48%	13 48%	1 4%	27	(44.4)	(38.5)	(54.5)	(40.6)	(35.3)
Europe Commercial Real Estate	13 48%	12 44%	2 7%	27	(40.7)	(38.5)	(55.9)	(31.3)	(26.5)
Asia Corporate	11 65%	5 29%	1 6%	17	(58.8)	(55.6)	(56.0)	(71.4)	(80.8)
Asia Retail/ Consumer Mortgage	9 56%	7 44%	0 0%	16	(56.3)	(43.8)	(63.6)	(85.0)	(82.6)
Asia Commercial Real Estate	9 56%	6 38%	1 6%	16	(50.0)	(56.3)	(77.3)	(77.8)	(78.3)
Australia Corporate	5 33%	9 60%	1 7%	15	(26.7)	(41.2)	(45.0)	(66.7)	(70.0)
Australia Retail/ Consumer Mortgage	5 36%	9 64%	0 0%	14	(35.7)	(53.8)	(42.1)	(64.7)	(68.4)
Australia Commercial Real Estate	6 43%	8 57%	0 0%	14	(42.9)	(53.8)	(44.4)	(58.8)	(66.7)
Average Corporate	11 45%	10 40%	4 15%	25	(29.6)	(50.0)	(54.5)	(64.6)	(63.9)
Average Retail/ Consumer Mortgage	11 47%	11 48%	1 5%	23	(41.3)	(44.4)	(50.0)	(53.8)	(52.7)
Average Commercial Real Estate	12 50%	10 43%	2 7%	23	(43.5)	(49.4)	(53.6)	(49.5)	(46.8)

IACPM Aggregate Credit Default Outlook Index (weighted average based on number of responses)	282	(37.9)	(48.1)	(52.8)	(56.2)	(54.8)
--	------------	---------------	---------------	---------------	---------------	---------------

IACPM Weighted Diffusion Index for retained risk in overall portfolio

(underlying data on next page)



IACPM 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						
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Increase aggressively	0	0	0	0	0	1	0	0%	0%	0%	0%	0%	2%	0%
Increase moderately	10	10	12	16	16	11	12	26%	25%	29%	38%	36%	25%	29%
Unchanged	18	14	12	13	14	19	14	46%	35%	29%	31%	32%	43%	34%
Decrease moderately	11	14	16	13	11	11	15	28%	35%	38%	31%	25%	25%	37%
Decrease aggressively	0	2	2	0	3	2	0	0%	5%	5%	0%	7%	5%	0%
Total Number of Responses	39	40	42	42	44	44	41	100%	100%	100%	100%	100%	100%	100%

What is the rationale for this strategy?

	Number of Responses							Percentage of Responses						
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Balance sheet/ Capital appetite	24	16	27	25	28	31	31	63%	40%	64%	60%	64%	70%	76%
Portfolio optimization	11	15	10	11	10	9	4	29%	38%	24%	26%	23%	20%	10%
Change in risk view	3	7	3	2	3	4	3	8%	18%	7%	5%	7%	9%	7%
Other or comment	0	2	2	4	3	0	3	0%	5%	5%	10%	7%	0%	7%
Total	38	40	42	42	44	44	41	100%	100%	100%	100%	100%	100%	100%

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

	Number of Responses							Percentage of Responses						
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
TMT: Telecom	1	5	0	4	4	5	6	3%	13%	0%	10%	9%	11%	15%
TMT: Media	1	1	2	2	3	2	3	3%	3%	5%	5%	7%	5%	7%
TMT: Technology	3	3	4	2	1	2	3	8%	8%	10%	5%	2%	5%	7%
Natural Resources: Oil and Gas	20	28	25	34	32	28	30	51%	70%	60%	81%	73%	64%	73%
Natural Resources: Paper	2	1	2	3	5	2	2	5%	3%	5%	7%	11%	5%	5%
Natural Resources: Metals/Mining	17	21	19	26	27	26	21	44%	53%	45%	62%	61%	59%	51%
Natural Resources: Chemicals	1	0	2	6	6	3	1	3%	0%	5%	14%	14%	7%	2%
Natural Resources: Utilities	3	3	7	7	8	7	6	8%	8%	17%	17%	18%	16%	15%
Industrial: Auto and related transportation	8	4	5	6	6	9	5	21%	10%	12%	14%	14%	20%	12%
Industrial: Airlines/ Aerospace/ Defense	2	2	3	3	2	3	4	5%	5%	7%	7%	5%	7%	10%
Industrial: Diversified	4	5	4	3	6	2	4	10%	13%	10%	7%	14%	5%	10%
Pharma/ Biotech/ Health Care	8	5	3	5	2	5	2	21%	13%	7%	12%	5%	11%	5%
Retail/ Consumer	12	7	9	11	11	5	10	31%	18%	21%	26%	25%	11%	24%
Financial: banks/ brokers	8	14	9	3	6	4	4	21%	35%	21%	7%	14%	9%	10%
Financial: insurance	2	3	4	0	1	1	0	5%	8%	10%	0%	2%	2%	0%
Financial: Nonbank	5	6	3	1	0	3	0	13%	15%	7%	2%	0%	7%	0%
Real Estate: Commercial and Construction	9	17	10	7	12	16	16	23%	43%	24%	17%	27%	36%	39%
Real Estate: Residential	7	3	4	1	5	3	3	18%	8%	10%	2%	11%	7%	7%
Other/ Comment	2	2	5	1	2	4	1	5%	5%	12%	2%	5%	9%	2%

December 2016: **Other** – Leveraged Loans. Single Name Aggregate Credit Risk Limit Concentrations. REIT Exposure. **Comment** - Neutral positioning.

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

DEMOGRAPHICS

Nature of Institution

	Number of Responses							Percentage of Responses						
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Bank/Investment bank	31	32	34	37	34	37	34	79%	80%	81%	88%	77%	84%	83%
Development Bank/ Export Credit Agency	3	2	2	2	3	4	2	8%	5%	5%	5%	7%	9%	5%
Insurance/ Re-Insurance Company	5	6	6	3	5	2	4	13%	15%	14%	7%	11%	5%	10%
Fund	0	0	0	0	1	1	1	0%	0%	0%	0%	2%	2%	2%
Multilateral	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%
Total	39	40	42	42	44	44	41	100%	100%	100%	100%	100%	100%	100%

Continent of Domicile

	Number of Responses							Percentage of Responses						
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
North America	19	20	19	19	17	17	18	49%	50%	45%	45%	39%	39%	44%
Europe	14	12	17	16	17	17	15	36%	30%	40%	38%	39%	39%	37%
Asia	5	5	4	5	6	6	5	13%	13%	10%	12%	14%	14%	12%
Australia/ Oceania	0	1	1	2	2	2	1	0%	3%	2%	5%	5%	5%	2%
South America	0	0	0	0	1	2	1	0%	0%	0%	0%	2%	5%	2%
Africa	1	2	1	0	1	0	1	3%	5%	2%	0%	2%	0%	2%
Total	39	40	42	42	44	44	41	100%	100%	100%	100%	100%	100%	100%

Approximate Portfolio Asset Size

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

	Number of Responses							Percentage of Responses						
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Less than \$50 billion	6	7	9	5	9	9	6	15%	18%	21%	12%	20%	21%	15%
\$50 billion to \$100 billion	4	4	6	8	6	5	4	10%	10%	14%	19%	14%	12%	10%
\$100 billion to \$200 billion	10	8	6	10	8	11	6	26%	21%	14%	24%	18%	26%	15%
\$200 billion to \$500 billion	11	11	11	10	10	7	11	28%	28%	26%	24%	23%	16%	27%
Greater than \$500 billion	8	9	9	9	9	11	11	21%	23%	21%	21%	20%	26%	27%
Does not apply	0	0	1	0	2	0	3	0%	0%	2%	0%	5%	0%	7%
Total	39	39	42	42	44	43	41	100%	100%	100%	100%	100%	100%	100%

Location of Credit Portfolio Management Group within the Organization

	Number of Responses							Percentage of Responses						
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Line of business	18	19	18	17	18	23	12	47%	48%	43%	40%	41%	52%	29%
Risk management (including credit risk management)	13	17	14	16	15	12	19	34%	43%	33%	38%	34%	27%	46%
Finance/Treasury	3	2	4	3	3	5	5	8%	5%	10%	7%	7%	11%	12%
Does not apply	4	1	3	1	4	1	3	11%	3%	7%	2%	9%	2%	7%
Other	0	1	3	5	4	3	2	0%	3%	7%	12%	9%	7%	5%
Total	38	40	42	42	44	44	41	100%	100%	100%	100%	100%	100%	100%

Participating Institutions

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

	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
Inter-American Development Bank			✓		✓
Intesa Sanpaolo			✓	✓	
JP Morgan Chase	✓	✓	✓	✓	✓
KeyCorp	✓	✓	✓	✓	✓
Lloyds TSB PLC	✓	✓	✓	✓	✓
Mizuho Corporate Bank	✓	✓	✓		✓
Munich Reinsurance	✓	✓	✓	✓	✓
National Bank Financial	✓		✓		
Nationwide Insurance	✓	✓			
Natixis				✓	
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	✓	✓	✓	✓	✓
Westpac		✓		✓	✓
XL Catlin	✓	✓	✓	✓	✓
Zions Bancorporation		✓	✓	✓	✓