



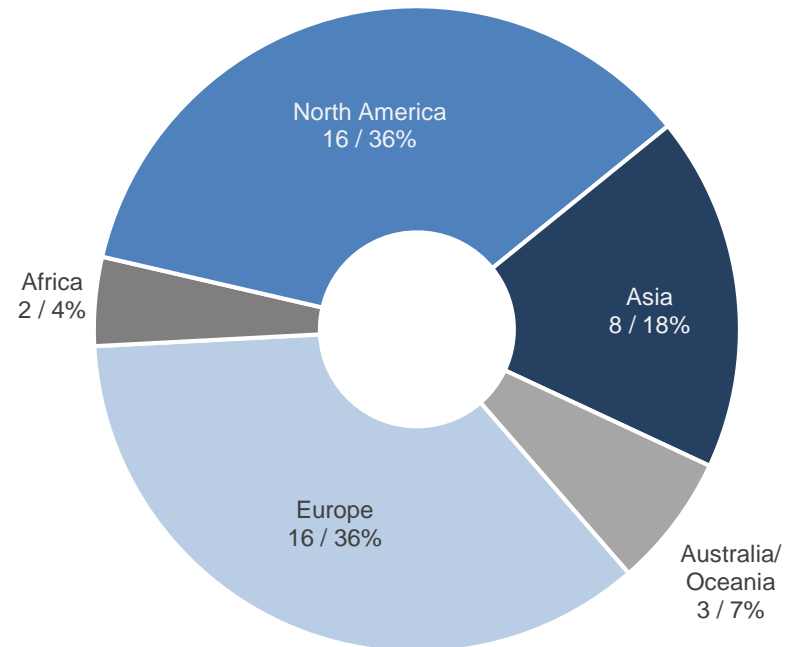
Second Quarter 2019 Credit Outlook Survey Result Analysis

www.iacpm.org

Overview of Survey Goals and Participating Institutions

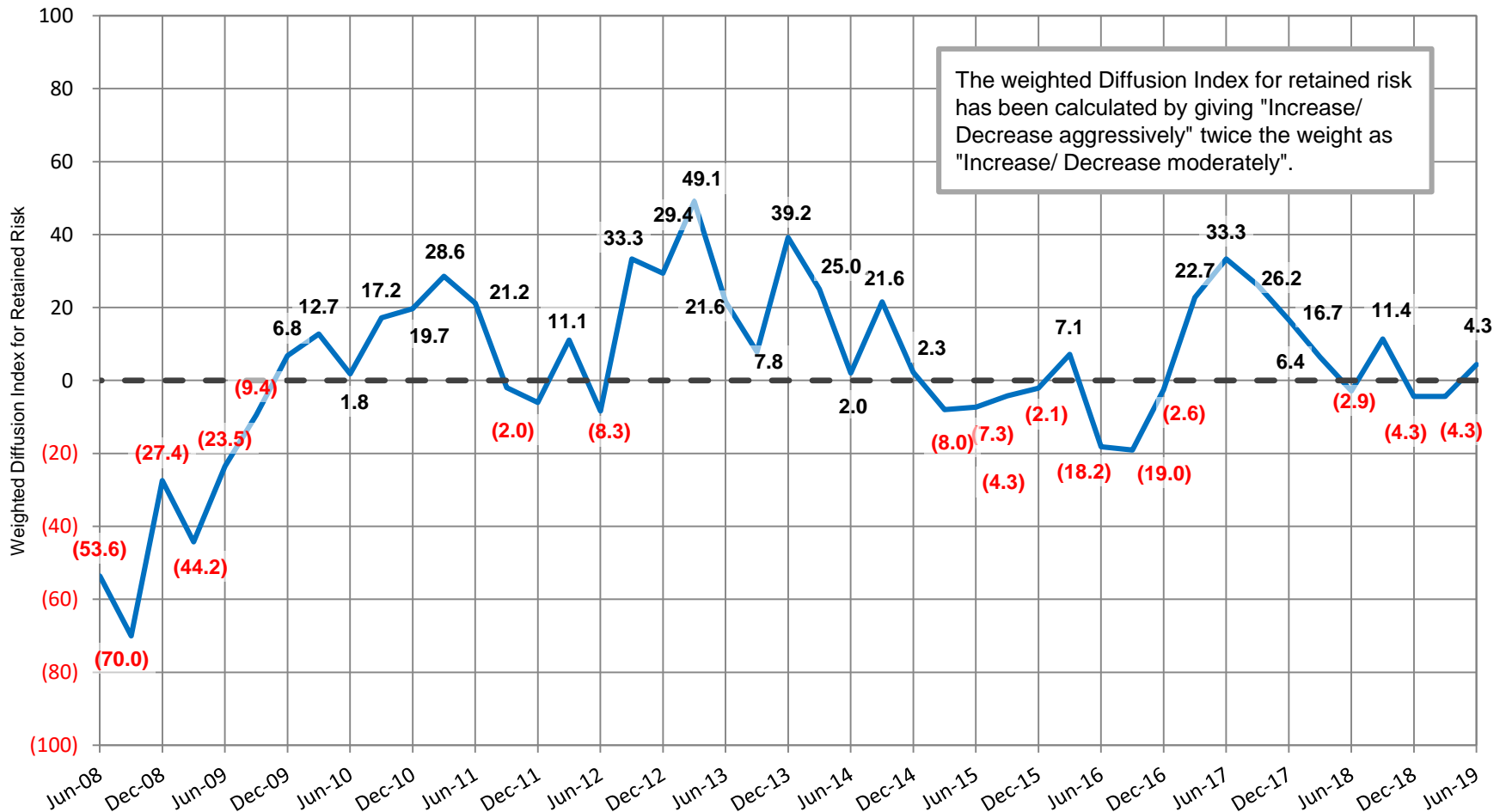
- The IACPM conducts this short survey on Credit Outlook at the end of each quarter.
- 45 IACPM member firms participated in the second quarter 2019 survey, including 36 banks, seven insurance companies, and two ECA/ MDB.
- The survey asks questions about credit outlook and current portfolio management 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.

Home Country of Participating Firms (N = 45)



IACPM Weighted Diffusion Index for retained risk in overall portfolio

(underlying data on next page)



Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey

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

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						
	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
Increase aggressively	0	0	0	2	0	2	1	0%	0%	0%	5%	0%	5%	3%
Increase moderately	16	13	11	10	9	14	16	36%	29%	24%	25%	26%	33%	40%
Unchanged	16	18	22	21	16	14	13	36%	40%	48%	53%	47%	33%	33%
Decrease moderately	12	13	13	5	8	11	9	27%	29%	28%	13%	24%	26%	23%
Decrease aggressively	1	1	0	2	1	2	1	2%	2%	0%	5%	3%	5%	3%
Total Number of Responses	45	45	46	40	34	43	40	100%	100%	100%	100%	100%	100%	100%

What is the rationale for this strategy?

	Number of Responses							Percentage of Responses						
	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
Balance sheet/ Capital appetite	28	23	20	20	17	30	24	62%	51%	45%	51%	52%	71%	60%
Portfolio optimization	10	17	15	17	12	5	12	22%	38%	34%	44%	36%	12%	30%
Change in risk view	6	4	9	1	2	5	3	13%	9%	20%	3%	6%	12%	8%
Other or comment	1	1	0	1	2	2	1	2%	2%	0%	3%	6%	5%	3%
Total	45	45	44	39	33	42	40	100%	100%	100%	100%	100%	100%	100%

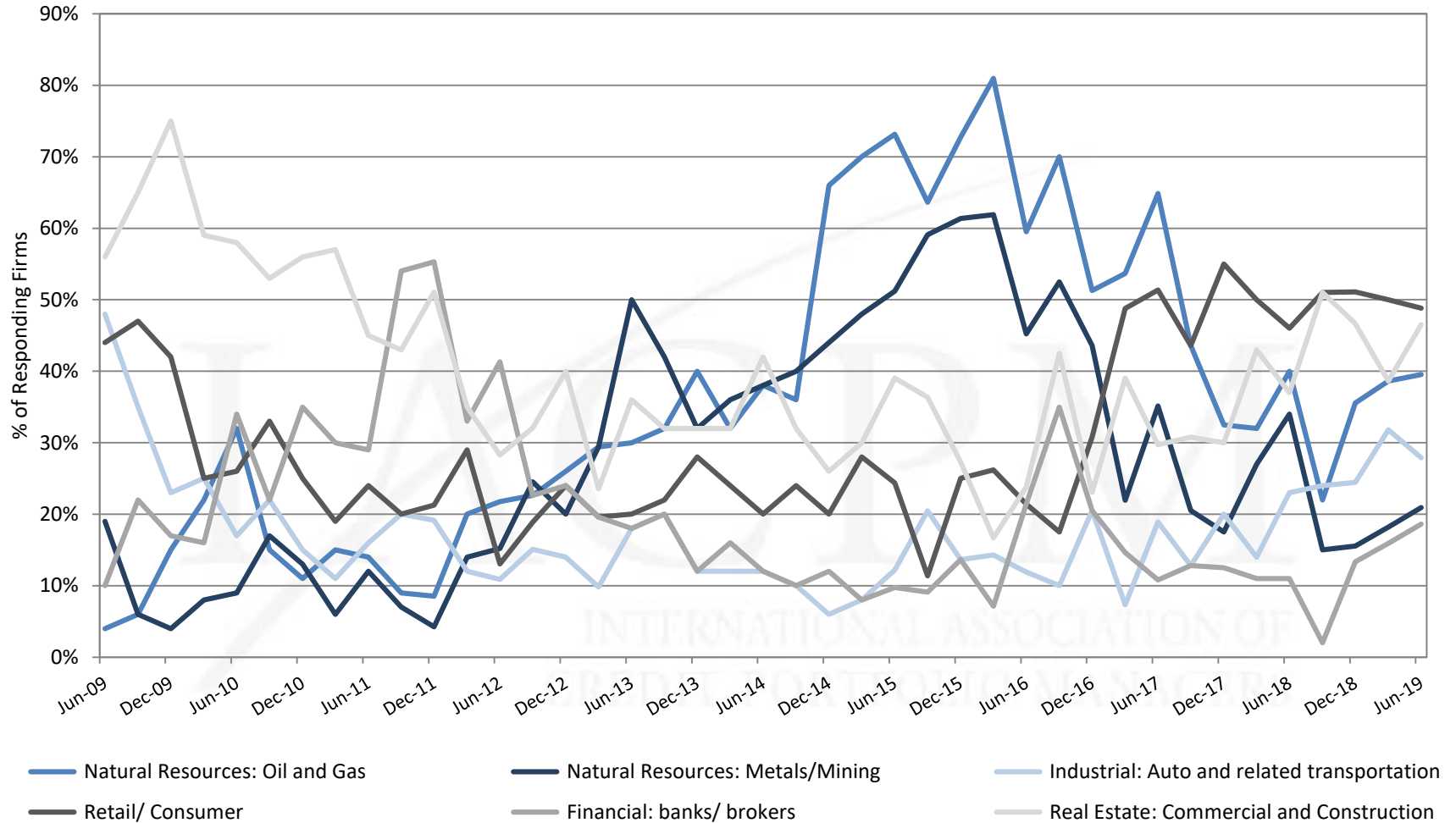
2Q 2019 - Other: We currently do not have a strategy to change the level of retained risk in our overall portfolio, as our portfolio risk is currently in-line with our Risk Appetite.

1Q 2019 - Other: Limited rationale and business case for larger scale risk transfer transactions required to change these percentages.

3Q 2018 - Other: Meet growth and profitability targets.

Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey

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



Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey | Question: What industry sectors are you most focused on for risk mitigation efforts in the next 3 months? (Top 3)

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

	Number of Responses							Percentage of Responses						
	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
TMT: Telecom	4	4	4	4	5	5	6	9%	9%	9%	10%	14%	11%	15%
TMT: Media	1	2	4	3	3	4	2	2%	5%	9%	7%	9%	9%	5%
TMT: Technology	3	2	5	2	4	4	2	7%	5%	11%	5%	11%	9%	5%
Natural Resources: Oil and Gas	17	17	16	9	14	14	13	40%	39%	36%	22%	40%	32%	33%
Natural Resources: Paper	0	3	0	1	0	0	0	0%	7%	0%	2%	0%	0%	0%
Natural Resources: Metals/Mining	9	8	7	6	12	12	7	21%	18%	16%	15%	34%	27%	18%
Natural Resources: Chemicals	2	2	3	0	1	0	0	5%	5%	7%	0%	3%	0%	0%
Natural Resources: Utilities	5	4	2	6	4	5	3	12%	9%	4%	15%	11%	11%	8%
Industrial: Auto and related transportation	12	14	11	10	8	6	8	28%	32%	24%	24%	23%	14%	20%
Industrial: Airlines/ Aerospace/ Defense	5	3	3	1	3	2	4	12%	7%	7%	2%	9%	5%	10%
Industrial: Diversified	5	5	6	3	4	7	5	12%	11%	13%	7%	11%	16%	13%
Pharma/ Biotech/ Health Care	3	1	5	6	6	5	6	7%	2%	11%	15%	17%	11%	15%
Retail/ Consumer	21	22	23	21	16	22	22	49%	50%	51%	51%	46%	50%	55%
Financial: banks/ brokers	8	7	6	1	4	5	5	19%	16%	13%	2%	11%	11%	13%
Financial: insurance	1	2	2	0	0	0	2	2%	5%	4%	0%	0%	0%	5%
Financial: Nonbank	4	4	8	4	2	4	3	9%	9%	18%	10%	6%	9%	8%
Real Estate: Commercial and Construction	20	17	21	21	13	19	12	47%	39%	47%	51%	37%	43%	30%
Real Estate: Residential	8	4	6	4	3	3	4	19%	9%	13%	10%	9%	7%	10%
Other	2	3	4	7	3	4	3	5%	7%	9%	17%	9%	9%	8%

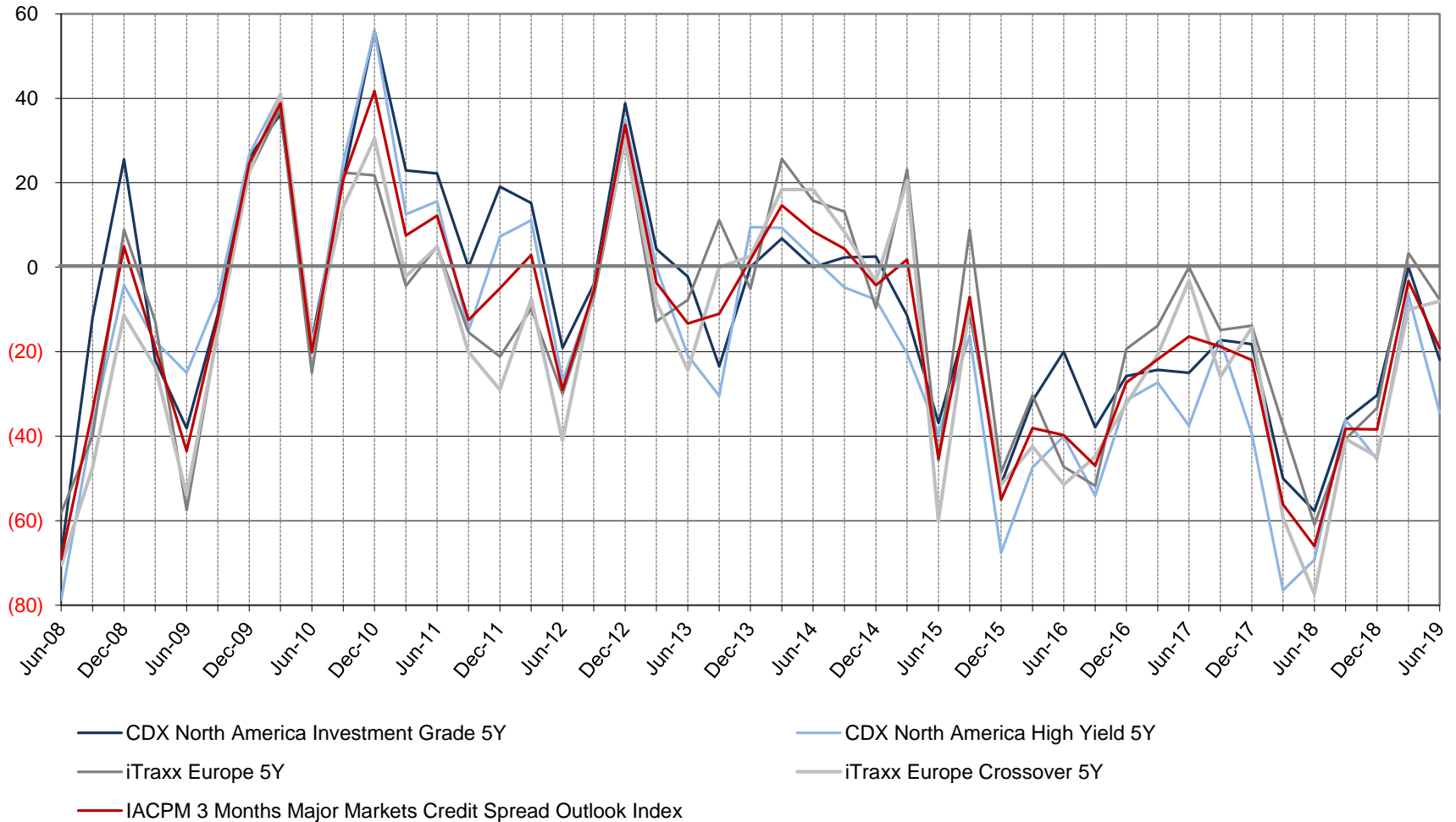
2Q 2019 - Other: None | Power

1Q 2019 - Other: None of the above | Retail Trade / bricks and mortar retail | Leveraged areas, LBOs | Private Equity exposure to SMEs

Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey | Question: What industry sectors are you most focused on for risk mitigation efforts in the next 3 months? (Top 3)

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)



Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey | Question: Where do you expect Credit Spreads to be at the end of the next quarter, i.e., in 3 months?

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)				
	Jun-19	Jun-19	Jun-19	Jun-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
CDX North America Investment Grade 5Y	13 41%	13 41%	6 19%	32	(21.9)	0.0	(30.3)	(36.1)	(57.7)
CDX North America High Yield 5Y	18 56%	7 22%	7 22%	32	(34.4)	(6.7)	(45.5)	(36.1)	(69.2)
iTraxx Europe 5Y	7 27%	14 54%	5 19%	26	(7.7)	3.3	(33.3)	(40.6)	(60.9)
iTraxx Europe Crossover 5Y	9 36%	9 36%	7 28%	25	(8.0)	(10.0)	(44.8)	(40.6)	(77.3)
iTraxx Japan Series 5Y	4 24%	10 59%	3 18%	17	(5.9)	5.3	(11.8)	(21.1)	(47.1)
iTraxx Asia ex-Japan Investment Grade 5Y	5 33%	7 47%	3 20%	15	(13.3)	5.9	(25.0)	(47.4)	(52.9)
iTraxx Australia 5Y	4 31%	7 54%	2 15%	13	(15.4)	(5.9)	(13.3)	(16.7)	(38.5)

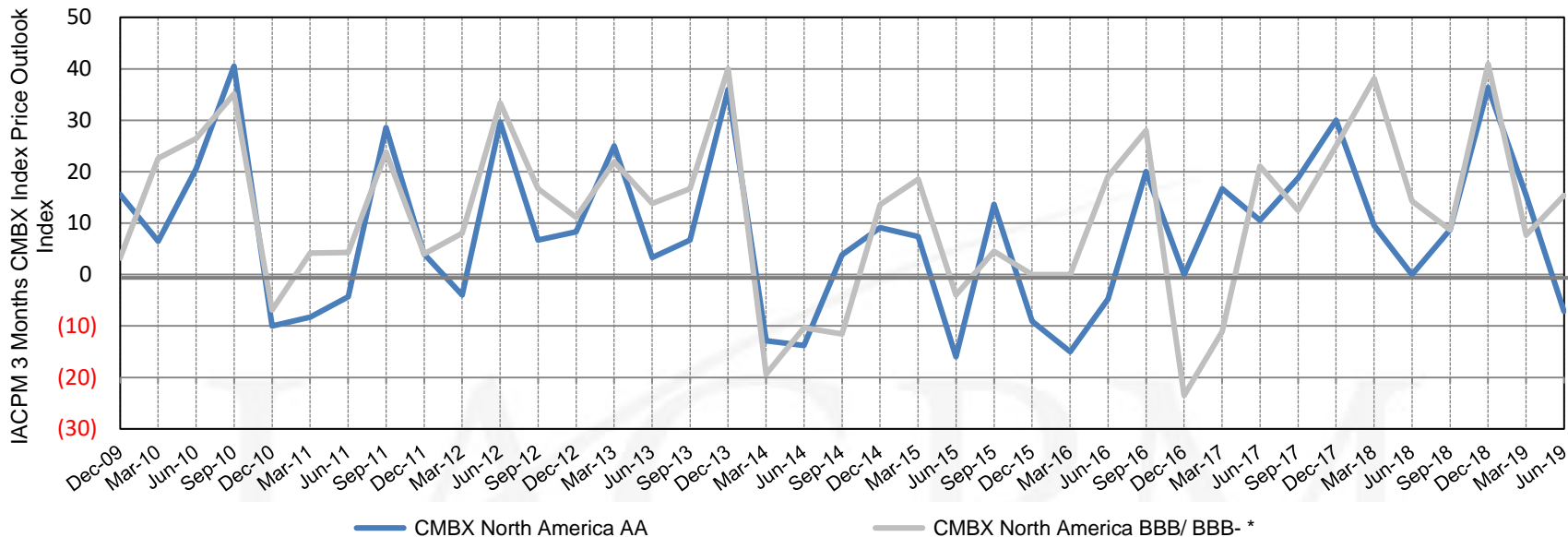
IACPM 3 Months Major Markets Credit Spread Outlook Index (weighted average based on number of responses; includes first four indices listed in bold)	115	(19.1)	(3.3)	(38.4)	(38.2)	(66.0)
--	-----	--------	-------	--------	--------	--------

IACPM 3 Months Credit Spread Outlook Index (weighted average based on number of responses; includes all indices listed above)	160	(16.9)	(1.7)	(32.4)	(35.4)	(59.7)
---	-----	--------	-------	--------	--------	--------

Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey | Question: Where do you expect Credit Spreads to be at the end of the next quarter, i.e., in 3 months?

IACPM 3 Months CMBX Index Price Outlook Index

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



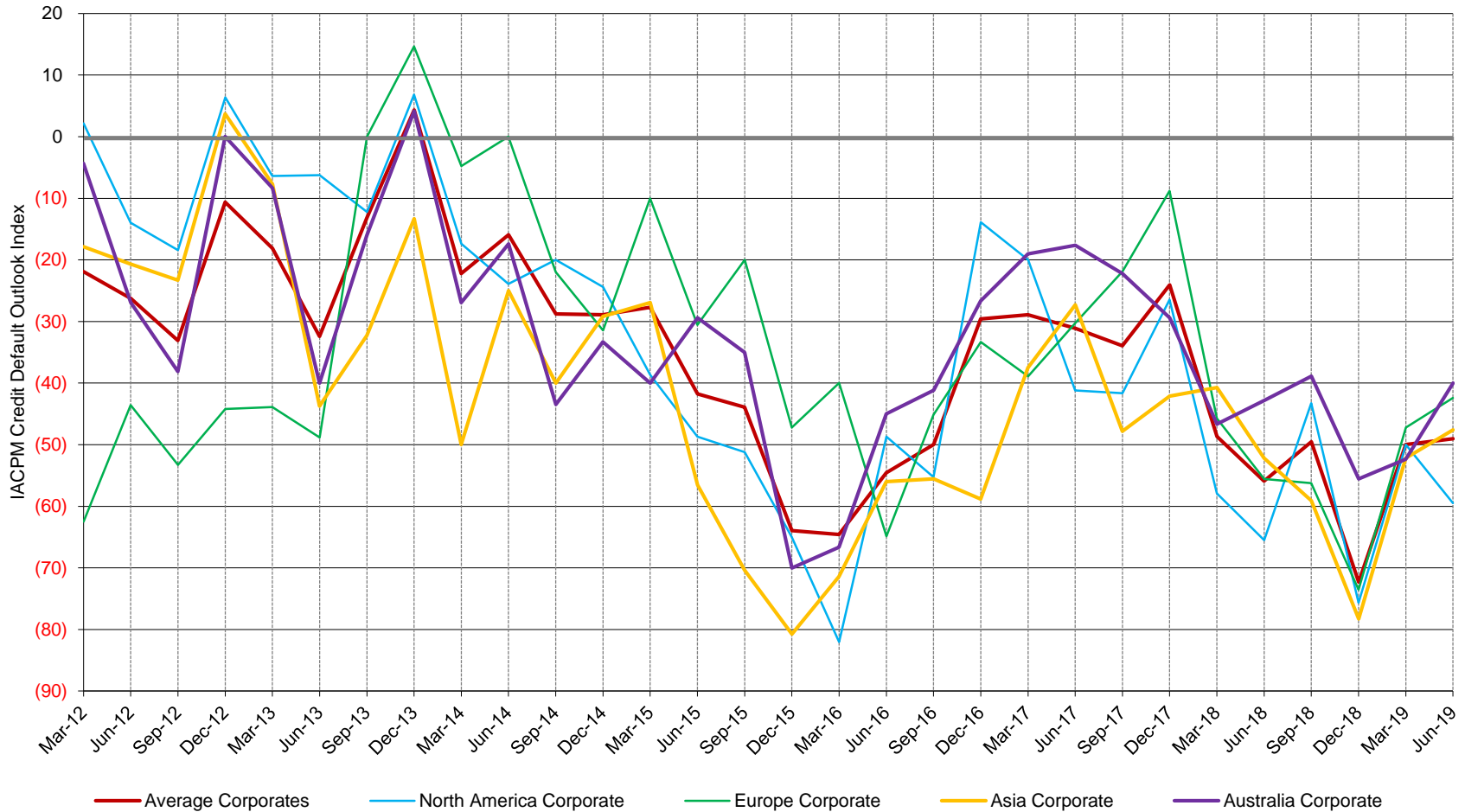
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 3 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Jun-19	Jun-19	Jun-19	Jun-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
CMBX North America AA	0 0%	13 93%	1 7%	14	(7.1)	15.4	36.4	8.7	0.0
CMBX North America BBB- *	3 23%	9 69%	1 8%	13	15.4	7.7	40.9	8.7	14.3

* 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-

Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey | Question: Where do you expect CMBX index prices to be at the end of next quarter, i.e., in 3 months?

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)



Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey | Question: Where do you expect Credit Default Rates to be in 12 months (annual twelve month trailing)?

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)				
	Jun-19	Jun-19	Jun-19	Jun-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
North America Corporate	24 65%	11 30%	2 5%	37	(59.5)	(50.0)	(75.7)	(43.2)	(65.5)
North America Retail/ Consumer Mortgage	19 59%	11 34%	2 6%	32	(53.1)	(59.4)	(70.6)	(37.1)	(59.3)
North America Commercial Real Estate	13 41%	15 47%	4 13%	32	(28.1)	(50.0)	(72.7)	(35.3)	(57.7)
Europe Corporate	17 52%	13 39%	3 9%	33	(42.4)	(47.2)	(73.5)	(56.3)	(55.6)
Europe Retail/ Consumer Mortgage	15 52%	11 38%	3 10%	29	(41.4)	(50.0)	(70.0)	(51.7)	(54.2)
Europe Commercial Real Estate	13 46%	12 43%	3 11%	28	(35.7)	(50.0)	(58.6)	(48.3)	(37.5)
Asia Corporate	13 62%	5 24%	3 14%	21	(47.6)	(52.2)	(78.3)	(59.1)	(52.2)
Asia Retail/ Consumer Mortgage	11 61%	5 28%	2 11%	18	(50.0)	(68.4)	(80.0)	(63.6)	(50.0)
Asia Commercial Real Estate	10 53%	6 32%	3 16%	19	(36.8)	(68.4)	(85.0)	(59.1)	(50.0)
Australia Corporate	8 53%	5 33%	2 13%	15	(40.0)	(52.4)	(55.6)	(38.9)	(42.9)
Australia Retail/ Consumer Mortgage	12 80%	2 13%	1 7%	15	(73.3)	(68.4)	(62.5)	(38.9)	(28.6)
Australia Commercial Real Estate	7 50%	6 43%	1 7%	14	(42.9)	(73.7)	(64.7)	(38.9)	(35.7)
Average Corporate	16 58%	9 32%	3 9%	27	(49.1)	(50.0)	(72.3)	(49.5)	(55.9)
Average Retail/ Consumer Mortgage	14 61%	7 31%	2 9%	24	(52.1)	(59.8)	(71.0)	(47.1)	(50.6)
Average Commercial Real Estate	11 46%	10 42%	3 12%	23	(34.4)	(58.0)	(69.7)	(44.7)	(46.4)
IACPM Aggregate Credit Default Outlook Index (weighted average based on number of responses)				293	(45.4)	(55.7)	(71.1)	(47.2)	(51.1)

Source: IACPM 2Q 2019 Quarterly Credit Outlook Survey | Question: Where do you expect Credit Default Rates to be in 12 months (annual twelve month trailing)?

Participating Institutions

	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
African Development Bank Group	✓	✓			
African Export Import Bank			✓		
AIG, Inc.	✓	✓	✓	✓	✓
Allianz AG	✓	✓	✓	✓	✓
Allied Irish Banks plc	✓	✓			✓
Atradius Insurance	✓	✓	✓	✓	✓
Australia & New Zealand Banking Group	✓	✓			
AXA XL	✓	✓	✓	✓	
Banco Sabadell	✓				
Banco Santander	✓	✓	✓	✓	
Bank of America	✓	✓	✓	✓	✓
Bank of Montreal	✓		✓	✓	✓
Barclays	✓	✓	✓	✓	
BB&T	✓	✓	✓	✓	✓
BBVA	✓	✓	✓	✓	✓
BNP Paribas	✓	✓	✓	✓	✓
Capital One		✓	✓	✓	
Citigroup	✓	✓	✓		
Commonwealth Bank of Australia	✓	✓	✓	✓	✓
Credit Agricole CIB	✓	✓	✓	✓	✓
Danske Bank	✓				
DBS	✓				
DNB Bank ASA		✓	✓	✓	
European Investment Fund			✓	✓	
Export Import Bank of India	✓	✓	✓		✓
Fifth Third Bank		✓	✓	✓	
Finnvera plc		✓			
FirstRand Ltd.	✓	✓		✓	✓
Goldman Sachs	✓	✓	✓		
HSBC		✓	✓	✓	✓
ICICI Bank	✓	✓	✓	✓	✓
International Finance Corporation (IFC)			✓		
ING Group				✓	✓
IDB Group					✓
Intesa Sanpaolo	✓	✓	✓		

	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
Japan Post Bank	✓				
JP Morgan Chase	✓	✓		✓	✓
KeyCorp	✓	✓	✓		✓
Lloyds TSB PLC			✓	✓	
M&T Bank	✓		✓		
Mediobanca, Banca di Credito Finanziario S.p.A.					✓
Mizuho Bank, Ltd.				✓	
MUFG Bank, Ltd.	✓	✓	✓	✓	✓
Munich Reinsurance	✓	✓	✓	✓	✓
National Australia Bank	✓	✓	✓		
Natixis	✓		✓		
Nedbank Ltd.			✓		
Nordea Bank	✓	✓		✓	
OCBC Bank	✓	✓		✓	✓
PAG		✓		✓	✓
PNC Financial Services	✓		✓	✓	✓
Prudential Financial	✓		✓		
Regions Bank	✓	✓	✓	✓	✓
Royal Bank of Canada	✓	✓	✓	✓	✓
Royal Bank of Scotland			✓	✓	
Scotiabank		✓	✓		✓
Silicon Valley Bank	✓	✓	✓	✓	✓
Societe Generale		✓	✓	✓	✓
Standard Chartered	✓	✓	✓		
Sumitomo Mitsui Banking Corp	✓				
Sumitomo Mitsui Trust Bank, Limited		✓			✓
Sun Life Financial				✓	✓
Swiss Re	✓	✓	✓	✓	✓
TCF Financial Corporation	✓		✓	✓	
Toyota Financial Services					✓
UBS		✓			
UK Export Finance				✓	
UniCredit Group S.p.A.	✓	✓	✓	✓	✓
Westpac		✓		✓	