



Third Quarter 2021 Credit Outlook

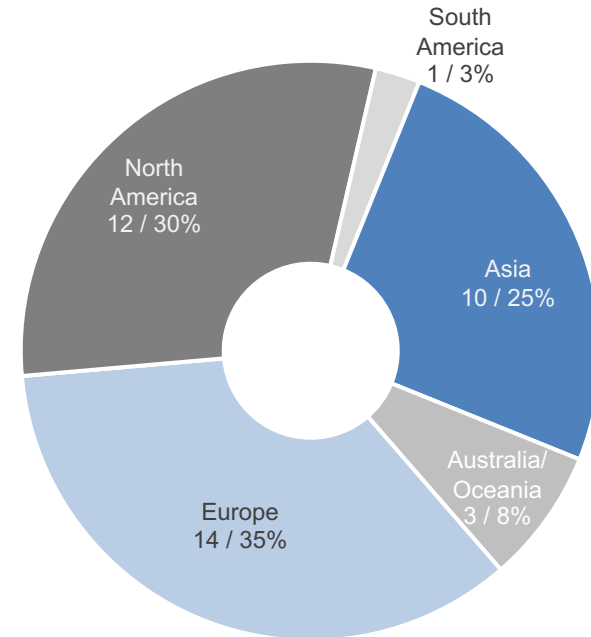
Survey Result Analysis

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Overview of Survey Goals and Participating Institutions

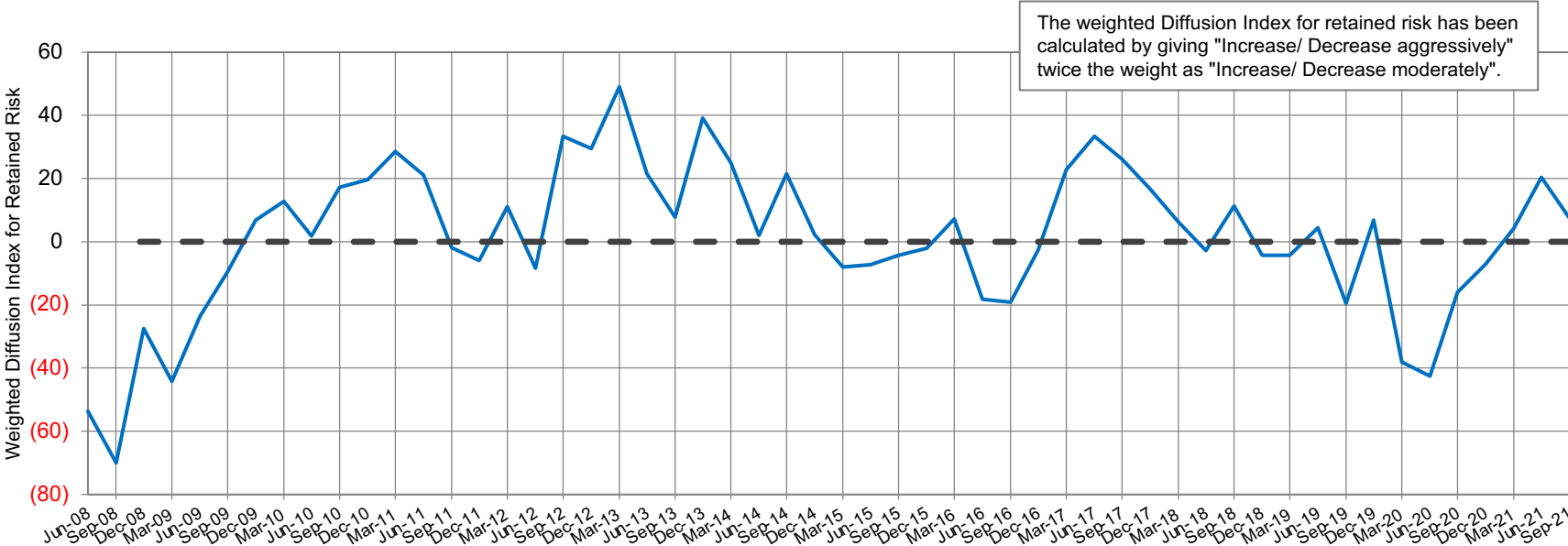
- The IACPM conducts this short survey on Credit Outlook at the end of each quarter.
- 40 IACPM member firms participated in the third quarter 2021 survey, including 32 banks, four insurance companies, two ECA/ MDBs, and two funds.
- The survey asks questions about credit outlook and current portfolio 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 = 40)



IACPM Weighted Diffusion Index for Retained Risk in Overall Portfolio

(underlying data on next page)



	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Retained Risk Diffusion Index	(53)	(70)	(27)	(44)	(24)	(9.4)	6.8	12.7	1.8	17.2	19.7	28.6	21.2	(2.0)	(6.0)	11.1	(8.3)	33.3	29.4	49.1	21.6	7.8	39.2	25.0	2.0	21.6	2.3	(8.0)	(7.3)	(4.3)	(2.1)	7.1	(18)	(19)	(2.6)	22.7	33.3	26.2	16.7	6.4	(2.9)	11.4	(4.3)	(4.3)	4.3	(19.6)	6.8	(38.1)	(42.6)	(15.9)	(7.0)	4.2	20.5	7.3

Source: IACPM 3Q 2021 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						
	Sept-21	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	Sept-21	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20
Increase aggressively	1	0	1	0	0	0	0	3%	0%	2%	0%	0%	0%	0%
Increase moderately	11	19	11	13	8	5	4	28%	44%	24%	31%	18%	11%	10%
Unchanged	18	15	24	14	21	17	18	45%	35%	52%	33%	48%	36%	45%
Decrease moderately	10	8	9	14	15	25	16	25%	19%	20%	33%	34%	53%	40%
Decrease aggressively	0	1	1	1	0	0	2	0%	2%	2%	2%	0%	0%	5%
Total Number of Responses	40	43	46	42	44	47	40	100%	100%	100%	100%	100%	100%	100%

What is the rationale for this strategy?

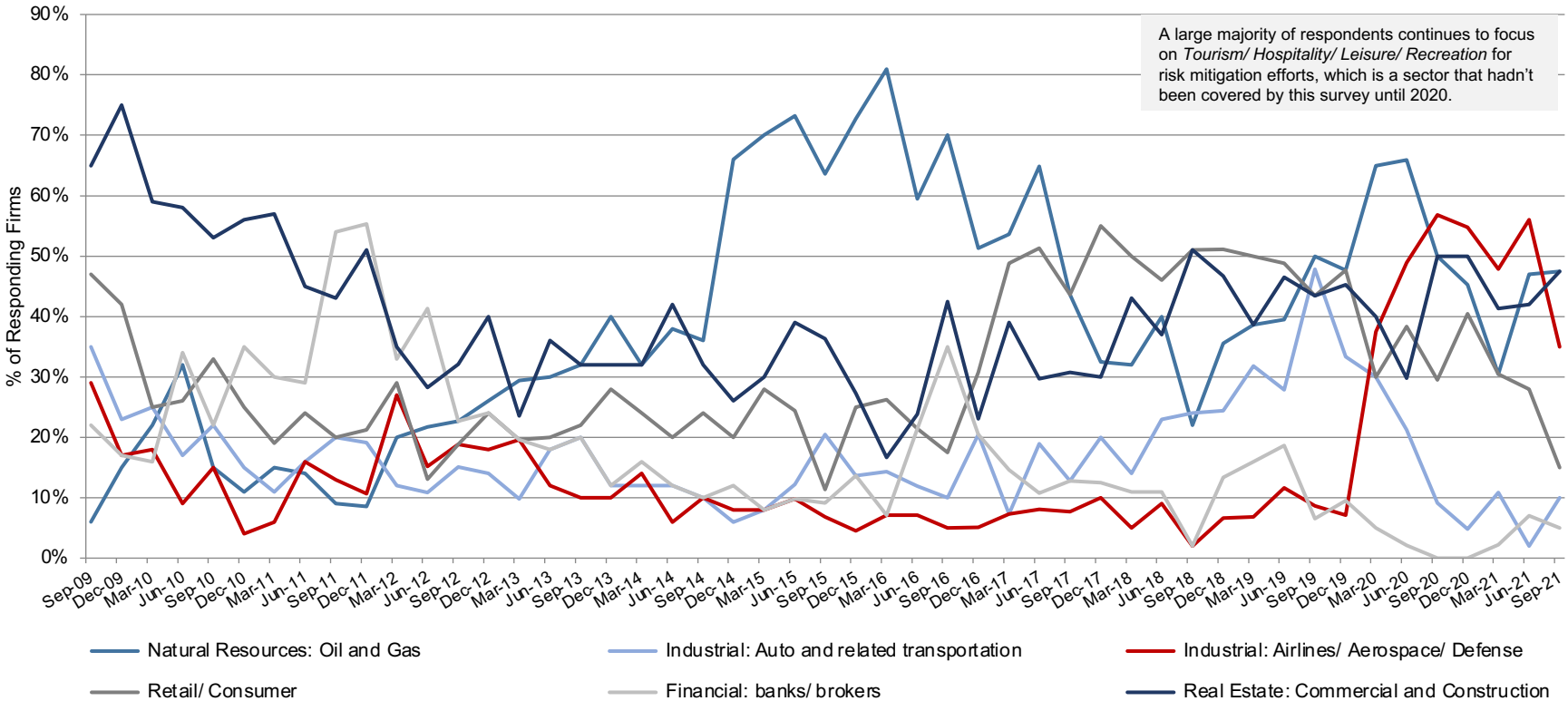
	Number of Responses							Percentage of Responses						
	Sept-21	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	Sept-21	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20
Balance sheet/ Capital appetite	22	21	21	20	26	22	12	55%	49%	46%	48%	60%	47%	30%
Portfolio optimization	13	11	13	13	9	10	5	33%	26%	28%	31%	21%	21%	13%
Change in risk view	1	6	5	7	4	9	14	3%	14%	11%	17%	9%	19%	35%
Other or comment	4	5	7	2	4	6	9	10%	12%	15%	5%	9%	13%	23%
Total	40	43	46	42	43	47	40	100%	100%	100%	100%	100%	100%	100%

Other/Comments:

Profitable growth opportunities as CPRI market recovers following a marked slowdown in the last 12-18 months | Combination of Balance Sheet/Capital, Portfolio Optimization and Change in Risk view | Cautious with current uncertainties on COVID-19 resurgent risk | High valuations

Source: IACPM 3Q 2021 Quarterly Credit Outlook Survey

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



Source: IACPM 3Q 2021 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						
	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20
Tourism/ Hospitality/ Leisure/ Recreation *	20	26	35	32	31	24	NA	50%	60%	76%	76%	70%	51%	NA
TMT: Telecom	2	0	3	1	1	2	1	5%	0%	7%	2%	2%	4%	3%
TMT: Media	0	1	2	0	1	1	2	0%	2%	4%	0%	2%	2%	5%
TMT: Technology	0	1	2	1	0	1	0	0%	2%	4%	2%	0%	2%	0%
Natural Resources: Oil and Gas	19	20	14	19	22	31	26	48%	47%	30%	45%	50%	66%	65%
Natural Resources: Paper	0	0	1	0	0	0	0	0%	0%	2%	0%	0%	0%	0%
Natural Resources: Metals & Mining	8	3	2	2	1	3	5	20%	7%	4%	5%	2%	6%	13%
Natural Resources: Chemicals	0	0	1	1	0	2	2	0%	0%	2%	2%	0%	4%	5%
Natural Resources: Utilities	3	2	0	1	0	1	1	8%	5%	0%	2%	0%	2%	3%
Industrial: Auto and related transportation	4	1	5	2	4	10	12	10%	2%	11%	5%	9%	21%	30%
Industrial: Airlines/ Aerospace/ Defense	14	24	22	23	25	23	15	35%	56%	48%	55%	57%	49%	38%
Industrial: Airlines *	12	18	19	20	24	21	NA	30%	42%	41%	48%	55%	45%	NA
Industrial: Aerospace *	1	6	3	3	1	2	NA	3%	14%	7%	7%	2%	4%	NA
Industrial: Defense *	1	0	0	0	0	0	NA	3%	0%	0%	0%	0%	0%	NA
Industrial: Diversified	4	2	2	2	1	2	5	10%	5%	4%	5%	2%	4%	13%
Pharma/ Biotech/ Health Care	2	1	1	1	1	1	2	5%	2%	2%	2%	2%	2%	5%
Retail/ Consumer	6	12	14	17	13	18	12	15%	28%	30%	40%	30%	38%	30%
Retail: Consumer Discretionary *	5	10	12	17	12	15	NA	13%	23%	26%	40%	27%	32%	NA
Retail: Consumer Staples *	1	2	2	0	1	3	NA	3%	5%	4%	0%	2%	6%	NA
Financial: banks/ brokers	2	3	1	0	0	1	2	5%	7%	2%	0%	0%	2%	5%
Financial: insurance	0	0	1	0	0	0	2	0%	0%	2%	0%	0%	0%	5%
Financial: Nonbank	0	0	0	0	0	1	5	0%	0%	0%	0%	0%	2%	13%
Real Estate: Commercial and Construction	19	18	19	21	22	14	16	48%	42%	41%	50%	50%	30%	40%
Real Estate: Residential	3	3	4	2	2	2	4	8%	7%	9%	5%	5%	4%	10%
Other	2	3	5	1	2	0	11	5%	7%	11%	2%	5%	0%	28%

* Added 2Q 2020

40

2Q 2021 – Other:

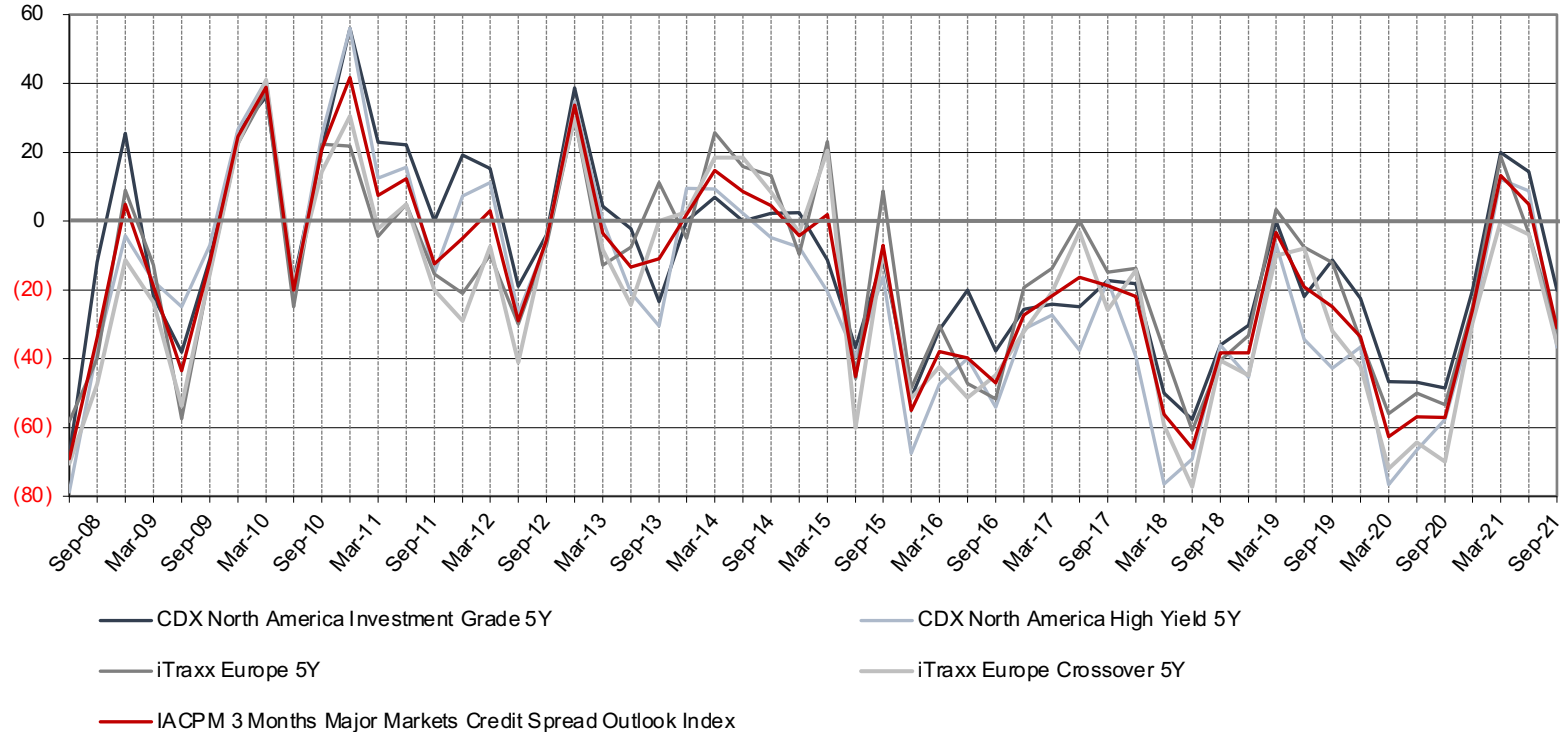
Manufacturing and services due to supply chain disruption
That's decided in other forums or committees

Source: IACPM 3Q 2021 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 3Q 2021 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

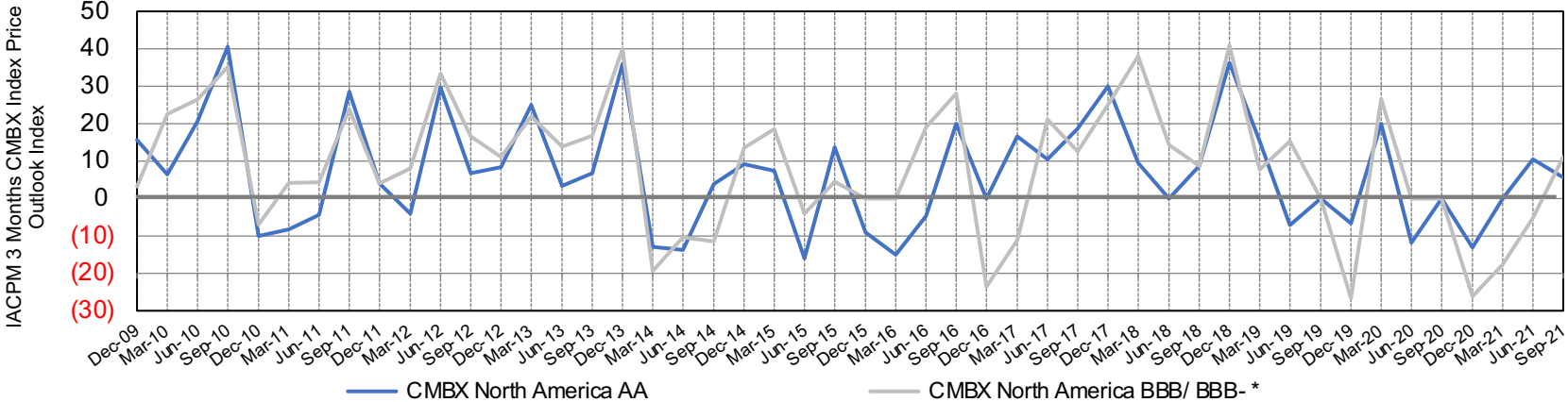
Expected direction Credit Spreads will move over the course of the next 3 months

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)				
	Sep-21	Sep-21	Sep-21		Sep-21	Sep-21	Jun-21	Mar-21	Dec-20
CDX North America Investment Grade 5Y	10 33%	16 53%	4 13%	30	(20.0)	14.3	20.0	(20.0)	(48.5)
CDX North America High Yield 5Y	15 50%	11 37%	4 13%	30	(36.7)	8.8	12.1	(29.4)	(57.6)
iTraxx Europe 5Y	12 43%	13 46%	3 11%	28	(32.1)	(3.6)	18.8	(25.0)	(53.3)
iTraxx Europe Crossover 5Y	13 46%	12 43%	3 11%	28	(35.7)	(3.8)	0.0	(29.6)	(70.0)
iTraxx Japan Series 5Y	3 18%	12 71%	2 12%	17	(5.9)	(5.6)	0.0	0.0	(23.5)
iTraxx Asia ex-Japan Investment Grade 5Y	3 17%	11 61%	4 22%	18	5.6	5.6	11.8	17.6	(29.4)
iTraxx Australia 5Y	3 17%	13 72%	2 11%	18	(5.6)	11.1	12.5	14.3	(33.3)
IACPM 3 Months Major Markets Credit Spread Outlook Index				116	(31.0)	4.9	13.2	(25.8)	(57.1)
(weighted average based on number of responses; includes first four indices listed in bold)									
IACPM 3 Months Credit Spread Outlook Index				169	(21.9)	4.5	11.7	(15.8)	(49.1)
(weighted average based on number of responses; includes all indices listed above)									

Source: IACPM 3Q 2021 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)				
	Sep-21	Sep-21	Sep-21	Sep-21	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20
CMBX North America AA	3 17%	13 72%	2 11%	18	5.6	10.5	0.0	(13.0)	0.0
CMBX North America BBB- *	5 28%	10 56%	3 17%	18	11.1	(5.3)	(17.6)	(26.1)	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-.

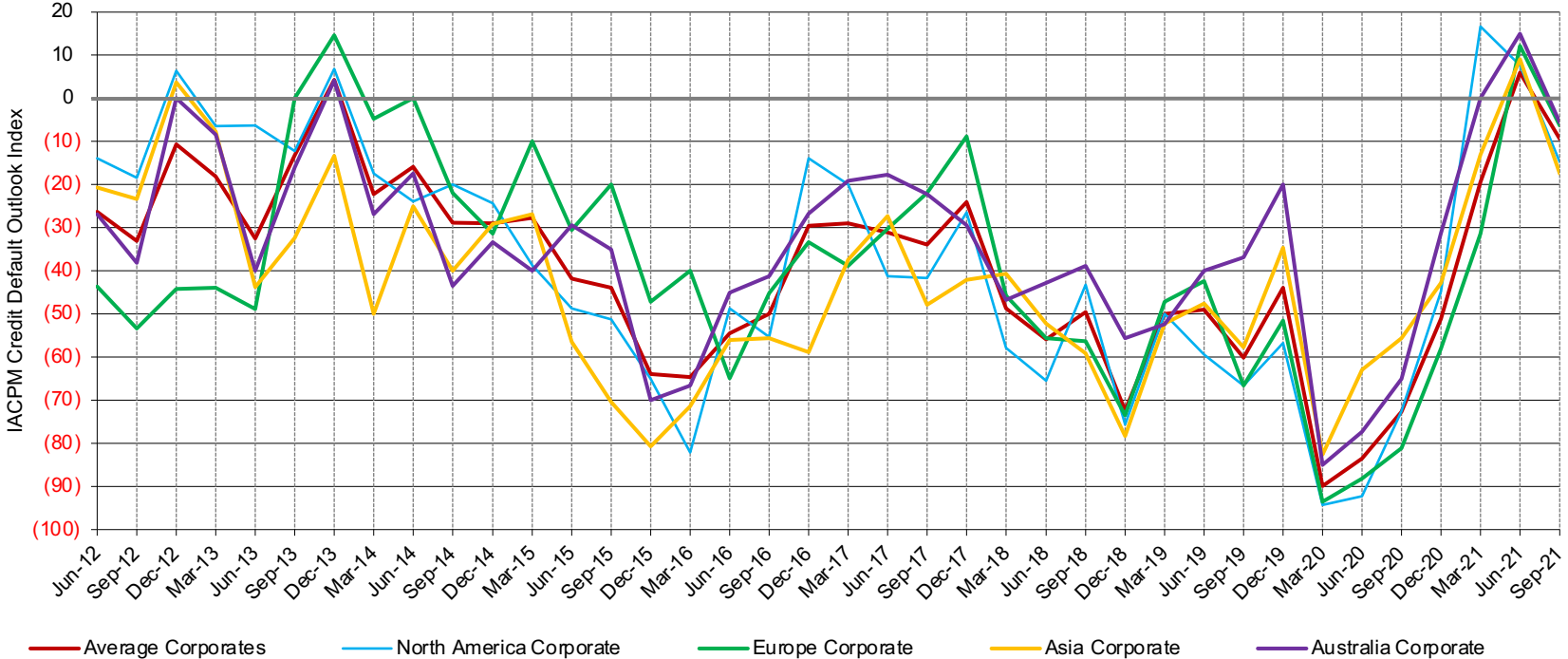
Source: IACPM 3Q 2021 Quarterly Credit Outlook Survey | Question: Where do you expect CMBX index prices to be at the end of next quarter, i.e., in 3 months?



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 3Q 2021 Quarterly Credit Outlook Survey | Question: Where do you expect Credit Default Rates to be in 12 months (annual twelve month trailing)?



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)

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)				
	Sept-21	Sept-21	Sept-21	Sept-21	Sept-21	Jun-21	Mar-21	Dec-20	Sep-20
North America Corporate	11 32%	17 50%	6 18%	34	(14.7)	7.7	16.7	(44.7)	(72.5)
South/Central America Corporate*	5 25%	11 55%	4 20%	20	(5.0)	(13.6)	(66.7)	(78.9)	(80.0)
Europe Corporate	9 28%	16 50%	7 22%	32	(6.3)	12.1	(31.4)	(58.1)	(81.1)
Africa Corporate*	1 8%	10 83%	1 8%	12	0.0	0.0	(35.7)	(50.0)	(81.3)
Asia Corporate	6 26%	15 65%	2 9%	23	(17.4)	9.1	(13.0)	(42.9)	(55.6)
Australia Corporate	3 17%	13 72%	2 11%	18	(5.6)	15.0	0.0	(31.3)	(65.0)
Average Corporate	6 25%	14 59%	4 16%	23	(9.4)	6.0	(19.5)	(51.1)	(72.7)
Average Retail/ Consumer Mortgage	5 23%	14 64%	3 13%	21	(10.3)	2.9	(39.5)	(67.7)	(74.1)
Average Commercial Real Estate	7 34%	13 61%	1 5%	21	(29.6)	(1.5)	(62.4)	(74.6)	(76.8)

IACPM Aggregate Credit Default Outlook Index
(weighted average based on number of responses)

390 (16.2) 2.6 (39.7) (64.2) (74.5)

* Added in 2Q 2020

Source: IACPM 3Q 2021 Quarterly Credit Outlook Survey | Question: Where do you expect Credit Default Rates to be in 12 months (annual twelve month trailing)?

IACPM 12 Months Retail/Consumer Mortgage 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)				
	Sept-21	Sept-21	Sept-21	Sept-21	Sept-21	Jun-21	Mar-21	Dec-20	Sep-20
	North America Retail/ Consumer Mortgage	8 28%	18 62%	3 10%	29	(17.2)	8.3	(30.3)	(83.3)
South/Central America Retail/ Consumer Mortgage*	5 28%	8 44%	5 28%	18	0.0	(19.0)	(61.1)	(77.8)	(82.6)
Europe Retail/ Consumer Mortgage	8 27%	20 67%	2 7%	30	(20.0)	6.7	(53.3)	(85.7)	(80.0)
Africa Retail/ Consumer Mortgage*	1 9%	8 73%	2 18%	11	9.1	0.0	(38.5)	(41.7)	(75.0)
Asia Retail/ Consumer Mortgage	5 25%	13 65%	2 10%	20	(15.0)	11.1	(35.0)	(36.8)	(44.0)
Australia Retail/ Consumer Mortgage	2 11%	14 78%	2 11%	18	0.0	5.0	(13.3)	(42.9)	(65.0)
Average Corporate	6 25%	14 59%	4 16%	23	(9.4)	6.0	(19.5)	(51.1)	(72.7)
Average Retail/ Consumer Mortgage	5 23%	14 64%	3 13%	21	(10.3)	2.9	(39.5)	(67.7)	(74.1)
Average Commercial Real Estate	7 34%	13 61%	1 5%	21	(29.6)	(1.5)	(62.4)	(74.6)	(76.8)

IACPM Aggregate Credit Default Outlook Index
(weighted average based on number of responses)

390 (16.2) 2.6 (39.7) (64.2) (74.5)

* Added in 2Q 2020

Source: IACPM 3Q 2021 Quarterly Credit Outlook Survey | Question: Where do you expect Credit Default Rates to be in 12 months (annual twelve month trailing)?

IACPM 12 Months Commercial Real Estate 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)

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)				
	Sept-21	Sept-21	Sept-21	Sept-21	Sept-21	Jun-21	Mar-21	Dec-20	Sep-20
	North America Commercial Real Estate	12 41%	16 55%	1 3%	29	(37.9)	(2.9)	(60.0)	(97.2)
South/Central America Commercial Real Estate*	5 29%	11 65%	1 6%	17	(23.5)	(23.8)	(72.2)	(88.9)	(78.3)
Europe Commercial Real Estate	13 43%	16 53%	1 3%	30	(40.0)	3.3	(77.4)	(89.7)	(91.2)
Africa Commercial Real Estate*	2 18%	8 73%	1 9%	11	(9.1)	0.0	(61.5)	(33.3)	(68.8)
Asia Commercial Real Estate	8 40%	11 55%	1 5%	20	(35.0)	11.1	(47.6)	(47.4)	(50.0)
Australia Commercial Real Estate	8 40%	11 55%	1 5%	20	(35.0)	5.3	(46.7)	(43.8)	(60.0)
Average Corporate	6 25%	14 59%	4 16%	23	(9.4)	6.0	(19.5)	(51.1)	(72.7)
Average Retail/ Consumer Mortgage	5 23%	14 64%	3 13%	21	(10.3)	2.9	(39.5)	(67.7)	(74.1)
Average Commercial Real Estate	7 34%	13 61%	1 5%	21	(29.6)	(1.5)	(62.4)	(74.6)	(76.8)

IACPM Aggregate Credit Default Outlook Index
(weighted average based on number of responses)

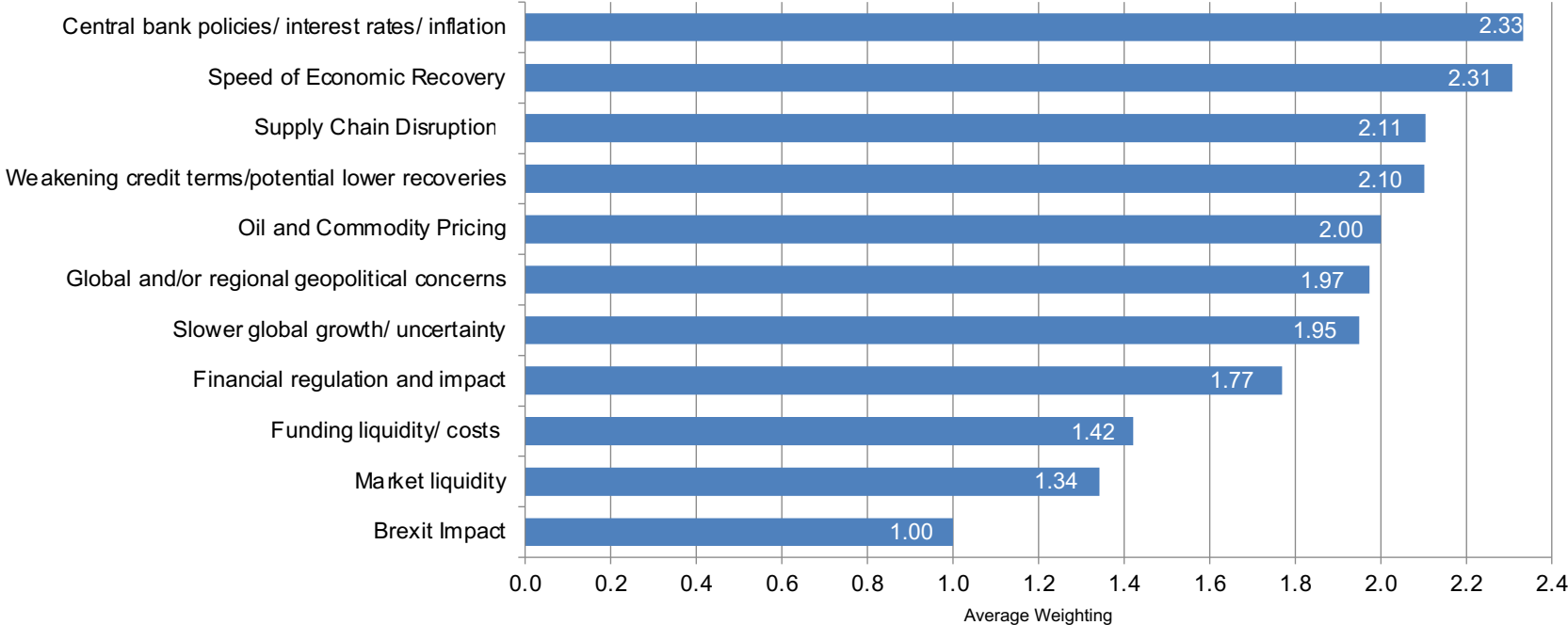
390 (16.2) 2.6 (39.7) (64.2) (74.5)

* Added in 2Q 2020

Source: IACPM 3Q 2021 Quarterly Credit Outlook Survey | Question: Where do you expect Credit Default Rates to be in 12 months (annual twelve month trailing)?

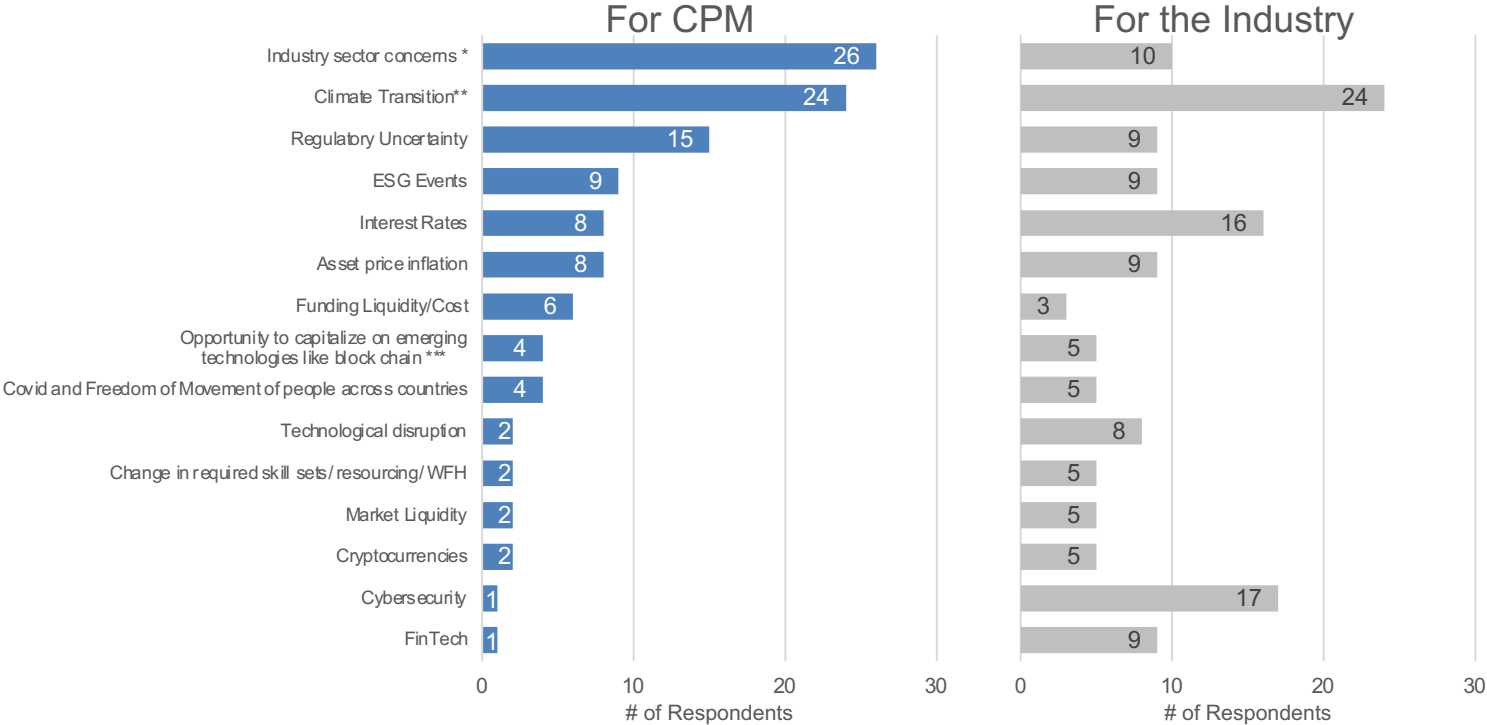
Biggest Macro Concerns for Credit Portfolios

The 40 participating firms indicated high (3), medium (2), low (1), or not considered.



Source: IACPM 3Q 2021 Quarterly Credit Outlook Survey
Question: What are the biggest macro concerns for your credit portfolio over the next 6 months? Please indicate high, medium, low, not considered.

Top 3 Emerging Issues for CPM and the Industry



* Oil & gas, commercial real estate, retail etc.
** I.e., what steps have to be taken by institutions and their clients to move towards a lower carbon footprint, incl. regulatory expectations
*** E.g., smart contracts for CDS, credit risk insurance, credit agreements.

Source: IACPM 3Q 2021 Quarterly Credit Outlook Survey | Question: Please indicate the top three emerging issues?



Participating Institutions

	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20
ABSA			✓		
African Development Bank Group		✓		✓	
African Export Import Bank			✓	✓	✓
AIG, Inc.	✓	✓	✓	✓	✓
Allied Irish Banks plc					✓
Alianz	✓	✓			
ATB Financial	✓	✓	✓	✓	✓
Australia & New Zealand Banking Group	✓	✓			✓
AXA XL	✓	✓	✓	✓	✓
Banco de Sabadell	✓	✓	✓		✓
Banco do Brasil	✓				
Banco Santander	✓		✓	✓	✓
Bank of America	✓	✓	✓	✓	✓
Bank of Montreal		✓		✓	✓
Barclays	✓	✓	✓	✓	✓
BBVA	✓	✓	✓	✓	✓
BNP Paribas	✓	✓	✓	✓	✓
Cairn Capital			✓		
Capital One					✓
Commerzbank		✓	✓	✓	
Commonwealth Bank of Australia	✓	✓	✓		✓
Credit Agricole CIB	✓	✓	✓	✓	✓
Danske Bank	✓		✓	✓	✓
DBS	✓	✓	✓	✓	✓
DNB Bank ASA	✓	✓	✓	✓	✓
Export Development Canada			✓		✓
Fifth Third Bank				✓	✓
Finnvera plc			✓		✓
FirstRand Ltd.			✓		✓
Goldman Sachs		✓	✓	✓	✓
Grupo Bancolombia		✓	✓	✓	

	Sep-21	Jun-21	Mar-21	Dec-20	Sep-20
Heartland Financial		✓			
HSBC	✓		✓	✓	✓
Intesa Sanpaolo	✓	✓	✓	✓	✓
Japan Post Bank	✓	✓	✓	✓	✓
JP Morgan Chase	✓	✓	✓	✓	✓
KeyCorp	✓	✓	✓	✓	✓
Lloyds	✓	✓	✓	✓	
M&G Investments	✓	✓			
M&T Bank	✓	✓	✓	✓	✓
Maybank	✓	✓	✓		✓
Mizuho	✓	✓	✓	✓	✓
MUFG Bank, Ltd.	✓	✓	✓	✓	✓
Munich Reinsurance			✓		✓
National Australia Bank	✓	✓			
Natixis		✓	✓	✓	
New Development Bank	✓	✓			
OCBC Bank	✓	✓	✓	✓	✓
PAG	✓	✓	✓	✓	✓
PNC Financial Services	✓	✓	✓	✓	✓
Prudential Financial		✓	✓	✓	
Regions Bank	✓	✓	✓	✓	
Royal Bank of Canada	✓	✓	✓	✓	✓
Scotiabank	✓		✓	✓	✓
Silicon Valley Bank	✓		✓	✓	✓
Standard Chartered	✓	✓		✓	
Sumitomo Mitsui Banking Corp				✓	
Swiss Re	✓	✓	✓	✓	✓
Truist Financial Corporation (ex. BB&T)		✓	✓	✓	✓
UK Export Finance	✓	✓		✓	✓
UniCredit Group S.p.A.			✓		✓

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