



Second Quarter 2022 Credit Outlook

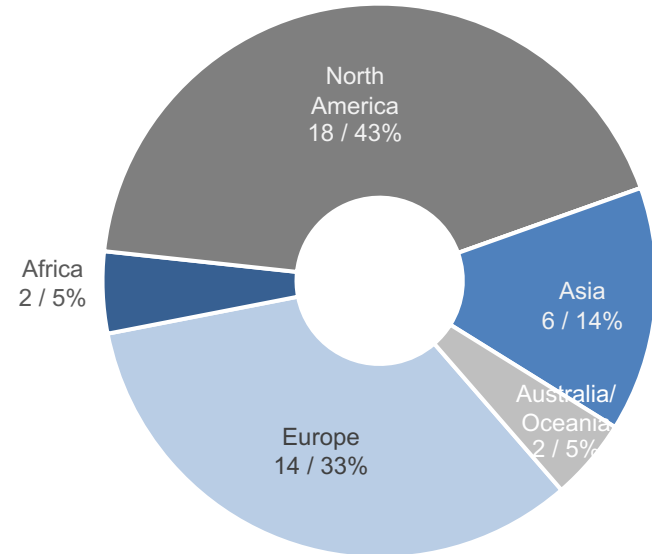
Survey Result Analysis

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Overview of Survey Goals and Participating Institutions

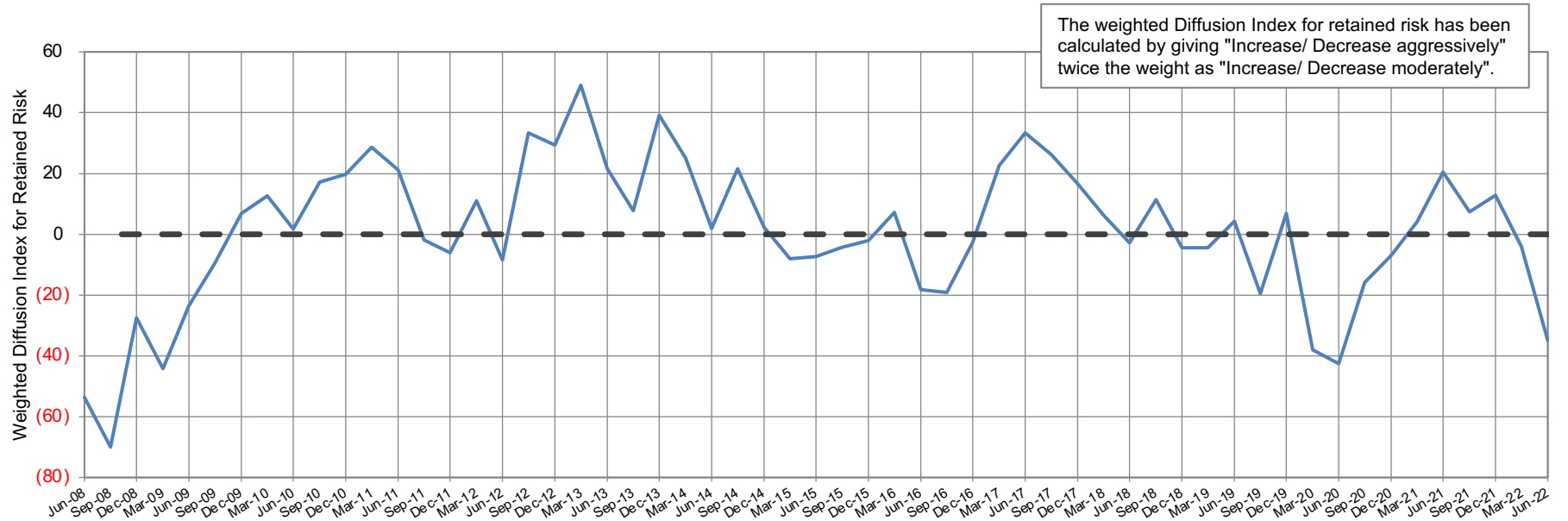
- The IACPM conducts this short survey on Credit Outlook at the end of each quarter.
- 42 IACPM member firms participated in the second quarter 2022 survey, including 31 banks, six insurance companies, three ECA/ MDBs, and two funds.
- The survey asks questions about credit outlook and current portfolio 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 = 42)



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	Dec-21	Mar-22	Jun-22
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	12.8	(4.0)	(34.9)

Source: IACPM 2Q 2022 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-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Increase aggressively	0	1	1	1	0	1	0	0%	2%	3%	3%	0%	2%	0%
Increase moderately	3	12	13	11	19	11	13	7%	25%	34%	28%	44%	24%	31%
Unchanged	22	20	14	18	15	24	14	52%	42%	37%	45%	35%	52%	33%
Decrease moderately	16	14	10	10	8	9	14	38%	29%	26%	25%	19%	20%	33%
Decrease aggressively	1	1	0	0	1	1	1	2%	2%	0%	0%	2%	2%	2%
Total Number of Responses	42	48	38	40	43	46	42	100%	100%	100%	100%	100%	100%	100%

What is the rationale for this strategy?

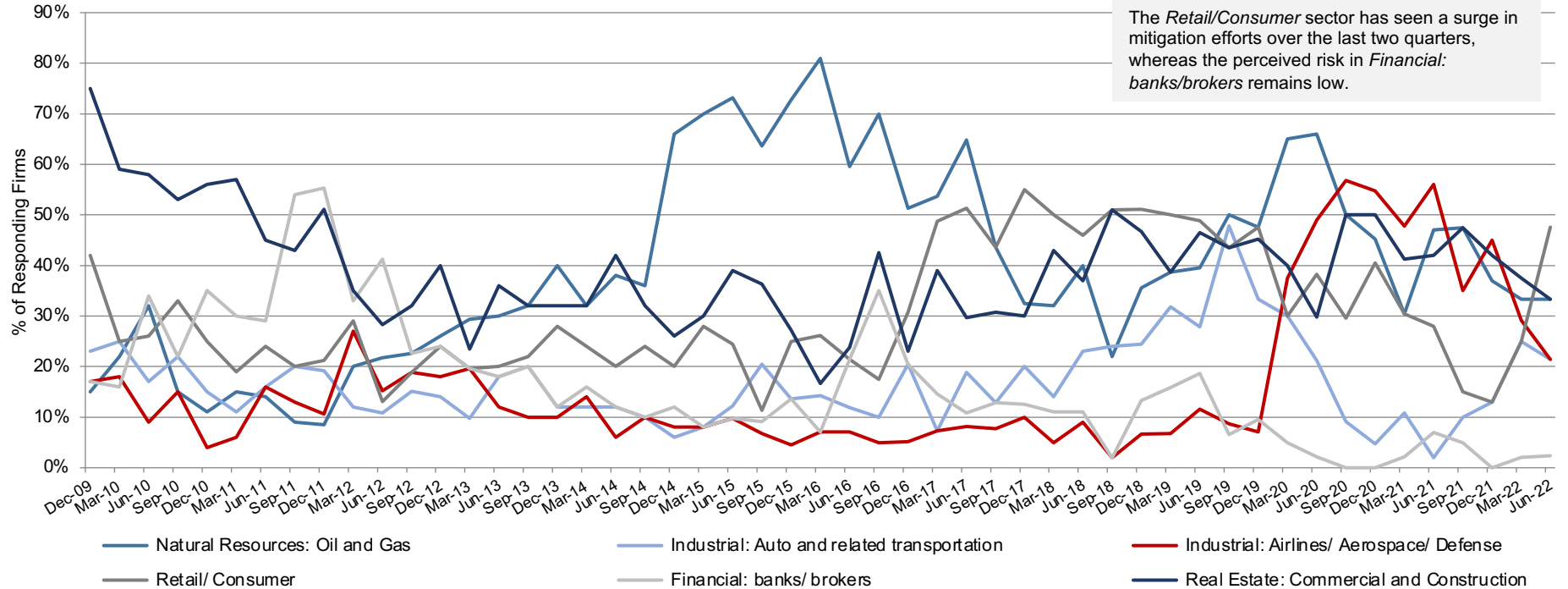
	Number of Responses							Percentage of Responses						
	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Balance sheet/ Capital appetite	23	24	22	22	21	21	20	55%	50%	58%	55%	49%	46%	48%
Portfolio optimization	9	16	9	13	11	13	13	21%	33%	24%	33%	26%	28%	31%
Change in risk view	8	3	3	1	6	5	7	19%	6%	8%	3%	14%	11%	17%
Other or comment	2	5	4	4	5	7	2	5%	10%	11%	10%	12%	15%	5%
Total	42	48	38	40	43	46	42	100%	100%	100%	100%	100%	100%	100%

Other/Comments:

1. Caution around risk environment, effect of exiting certain lines of business + moderate increase YoY in target business. Overall a neutral effect.
2. Comfortable with current positioning

Source: IACPM 2Q 2022 Quarterly Credit Outlook Survey

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



Source: IACPM 2Q 2022 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-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Tourism/ Hospitality/ Leisure/ Recreation	16	18	29	20	26	35	32	38%	38%	76%	50%	60%	76%	76%
TMT: Telecom	0	2	2	2	0	3	1	0%	4%	5%	5%	0%	7%	2%
TMT: Media	0	0	0	0	1	2	0	0%	0%	0%	0%	2%	4%	0%
TMT: Technology	2	0	1	0	1	2	1	5%	0%	3%	0%	2%	4%	2%
Natural Resources: Oil and Gas	14	16	14	19	20	14	19	33%	33%	37%	48%	47%	30%	45%
Natural Resources: Paper	1	1	0	0	0	1	0	2%	2%	0%	0%	0%	2%	0%
Natural Resources: Metals & Mining	2	6	3	8	3	2	2	5%	13%	8%	20%	7%	4%	5%
Natural Resources: Chemicals	4	3	0	0	0	1	1	10%	6%	0%	0%	0%	2%	2%
Natural Resources: Utilities	6	7	2	3	2	0	1	14%	15%	5%	8%	5%	0%	2%
Industrial: Auto and related transportation	9	12	5	4	1	5	2	21%	25%	13%	10%	2%	11%	5%
Industrial: Airlines/ Aerospace/ Defense	9	14	17	14	24	22	23	21%	29%	45%	35%	56%	48%	55%
Industrial: Airlines	9	13	16	12	18	19	20	21%	27%	42%	30%	42%	41%	48%
Industrial: Aerospace	0	1	1	1	6	3	3	0%	2%	3%	3%	14%	7%	7%
Industrial: Defense	0	0	0	1	0	0	0	0%	0%	0%	3%	0%	0%	0%
Industrial: Diversified	7	5	2	4	2	2	2	17%	10%	5%	10%	5%	4%	5%
Pharma/ Biotech/ Health Care	4	1	2	2	1	1	1	10%	2%	5%	5%	2%	2%	2%
Retail/ Consumer	20	12	5	6	12	14	17	48%	25%	13%	15%	28%	30%	40%
Retail: Consumer Discretionary	16	9	5	5	10	12	17	38%	19%	13%	13%	23%	26%	40%
Retail: Consumer Staples	4	3	0	1	2	2	0	10%	6%	0%	3%	5%	4%	0%
Financial: banks/ brokers	1	1	0	2	3	1	0	2%	2%	0%	5%	7%	2%	0%
Financial: insurance	0	0	0	0	0	1	0	0%	0%	0%	0%	0%	2%	0%
Financial: Nonbank	3	3	2	0	0	0	0	7%	6%	5%	0%	0%	0%	0%
Real Estate: Commercial and Construction	14	18	16	19	18	19	21	33%	38%	42%	48%	42%	41%	50%
Real Estate: Residential	2	2	1	3	3	4	2	5%	4%	3%	8%	7%	9%	5%
Other	5	7	5	2	3	5	1	12%	15%	13%	5%	7%	11%	2%

2Q 2022 - Other:

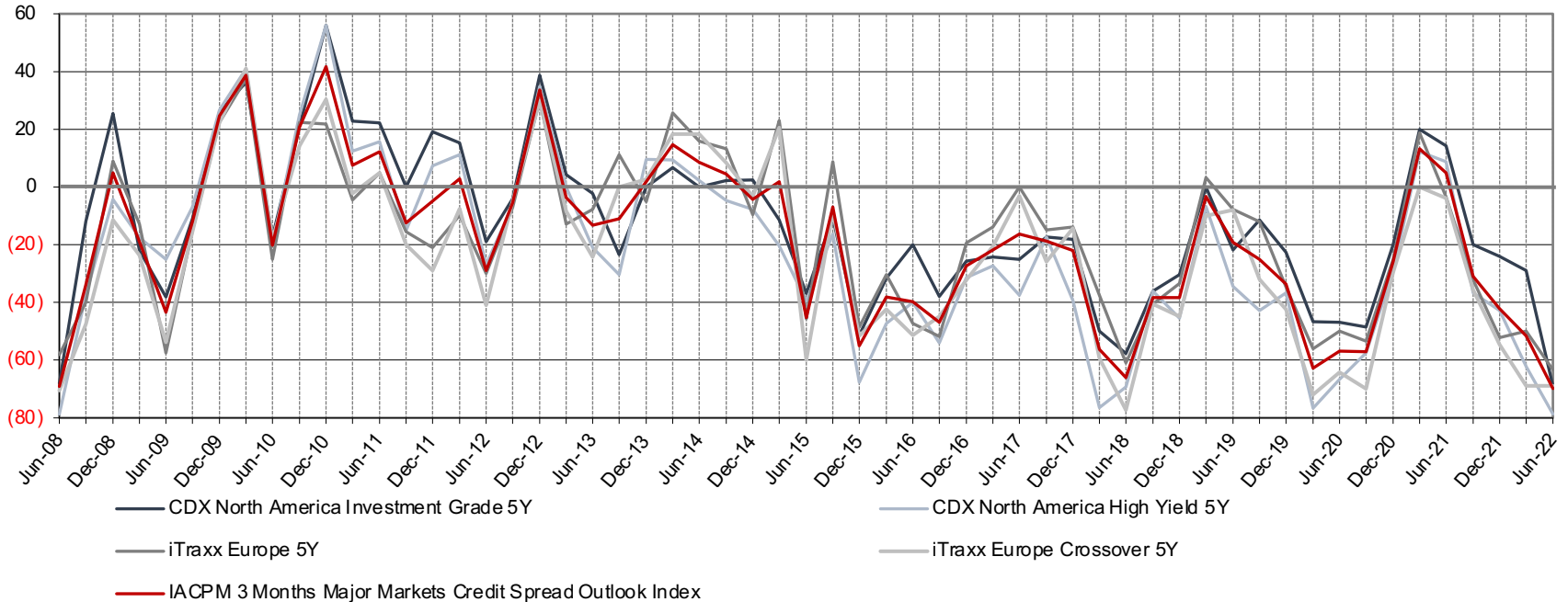
Consumer oriented technology and life sciences | Commodity finance | Textile Industry, Pulp and Paper Industry | Comfortable with current positioning

Source: IACPM 2Q 2022 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 2022 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-22	Jun-22	Jun-22	Jun-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
CDX North America Investment Grade 5Y	21 72%	7 24%	1 3%	29	(69.0)	(28.9)	(24.1)	(20.0)	14.3
CDX North America High Yield 5Y	23 82%	4 14%	1 4%	28	(78.6)	(62.2)	(42.9)	(36.7)	8.8
iTraxx Europe 5Y	21 70%	7 23%	2 7%	30	(63.3)	(50.0)	(52.2)	(32.1)	(3.6)
iTraxx Europe Crossover 5Y	22 76%	5 17%	2 7%	29	(69.0)	(69.0)	(54.5)	(35.7)	(3.8)
iTraxx Japan Series 5Y	13 62%	8 38%	0 0%	21	(61.9)	(29.4)	0.0	(5.9)	(5.6)
iTraxx Asia ex-Japan Investment Grade 5Y	14 67%	6 29%	1 5%	21	(61.9)	(38.9)	(14.3)	5.6	5.6
iTraxx Australia 5Y	12 57%	8 38%	1 5%	21	(52.4)	(29.4)	(23.1)	(5.6)	11.1

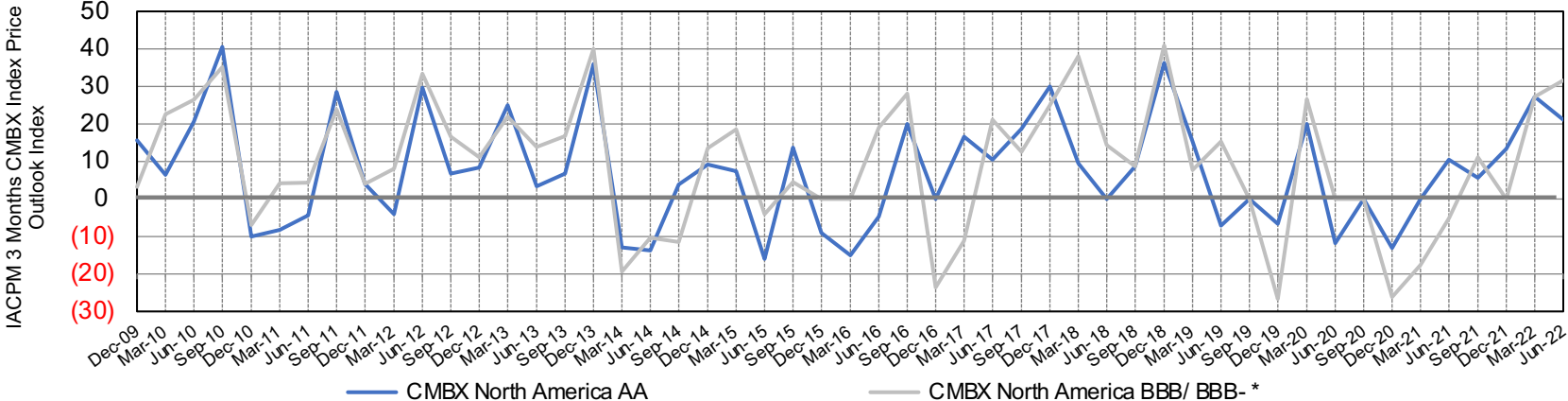
IACPM 3 Months Major Markets Credit Spread Outlook Index (weighted average based on number of responses; includes first four indices listed in bold)	116	(69.8)	(51.5)	(42.2)	(31.0)	4.9
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IACPM 3 Months Credit Spread Outlook Index (weighted average based on number of responses; includes all indices listed above)	179	(65.9)	(46.2)	(33.8)	(21.9)	4.5
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Source: IACPM 2Q 2022 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



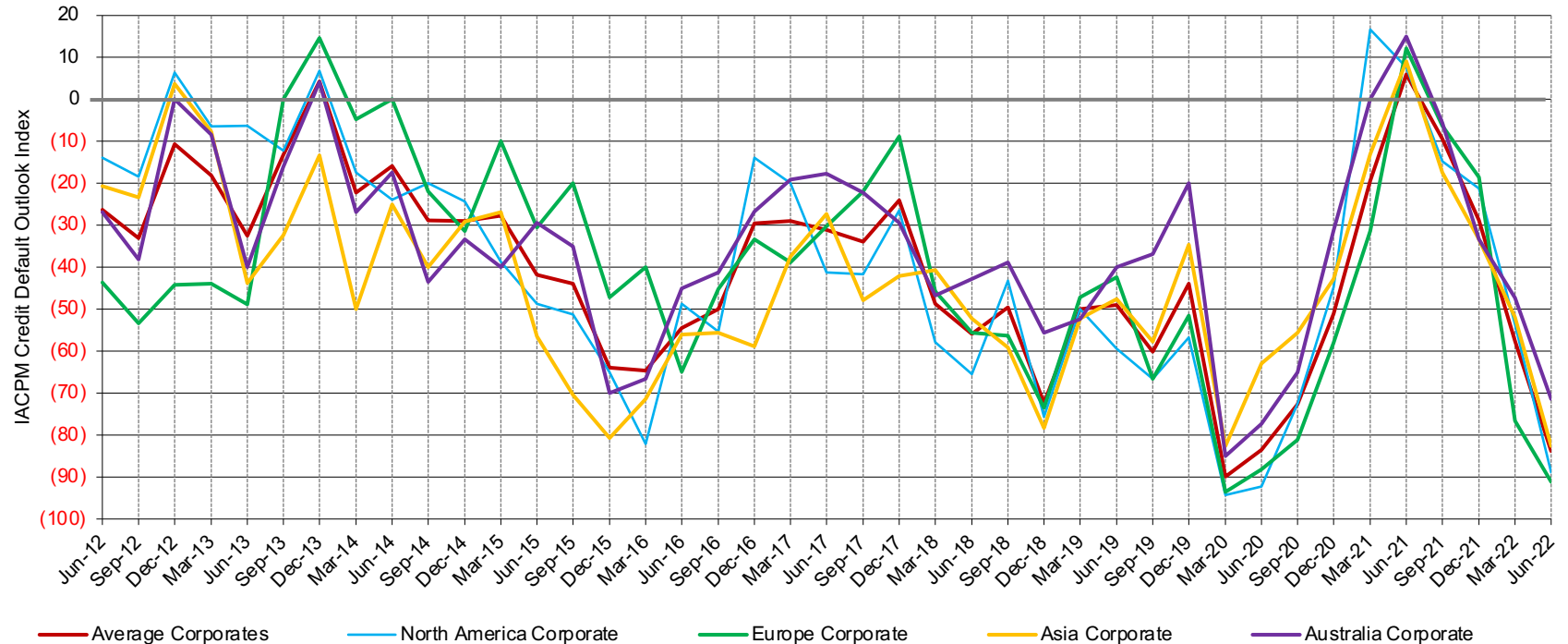
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 3 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Jun-22	Jun-22	Jun-22		Jun-22	Jun-22	Mar-22	Dec-21	Sep-21
CMBX North America AA	7 37%	9 47%	3 16%	19	21.1	27.3	13.3	5.6	10.5
CMBX North America BBB- *	11 58%	3 16%	5 26%	19	31.6	27.3	0.0	11.1	(5.3)

Source: IACPM 2Q 2022 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 2022 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)				
	Jun-22	Jun-22	Jun-22	Jun-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
North America Corporate	32 89%	4 11%	0 0%	36	(88.9)	(53.7)	(21.2)	(14.7)	7.7
South/Central America Corporate*	16 80%	4 20%	0 0%	20	(80.0)	(55.0)	(55.6)	(5.0)	(13.6)
Europe Corporate	31 91%	3 9%	0 0%	34	(91.2)	(76.7)	(18.5)	(6.3)	12.1
Africa Corporate*	11 79%	3 21%	0 0%	14	(78.6)	(56.3)	(18.2)	0.0	0.0
Asia Corporate	19 83%	4 17%	0 0%	23	(82.6)	(52.0)	(33.3)	(17.4)	9.1
Australia Corporate	15 71%	6 29%	0 0%	21	(71.4)	(47.4)	(33.3)	(5.6)	15.0
Average Corporate	21 84%	4 16%	0 0%	25	(83.8)	(57.6)	(28.8)	(9.4)	6.0
Average Retail/ Consumer Mortgage	18 80%	5 20%	0 0%	23	(80.3)	(55.4)	(28.7)	(10.3)	2.9
Average Commercial Real Estate	19 83%	4 17%	0 0%	23	(82.7)	(61.0)	(36.4)	(29.6)	(1.5)
IACPM Aggregate Credit Default Outlook Index (weighted average based on number of responses)				424	(82.3)	(58.0)	(31.2)	(16.2)	2.6

Source: IACPM 2Q 2022 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)				
	Jun-22	Jun-22	Jun-22	Jun-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
	North America Retail/ Consumer Mortgage	30 88%	4 12%	0 0%	34	(88.2)	(60.0)	(26.7)	(17.2)
South/Central America Retail/ Consumer Mortgage*	14 78%	4 22%	0 0%	18	(77.8)	(58.8)	(42.9)	0.0	(19.0)
Europe Retail/ Consumer Mortgage	29 91%	3 9%	0 0%	32	(90.6)	(70.4)	(29.2)	(20.0)	6.7
Africa Retail/ Consumer Mortgage*	11 85%	2 15%	0 0%	13	(84.6)	(46.2)	(12.5)	9.1	0.0
Asia Retail/ Consumer Mortgage	14 67%	7 33%	0 0%	21	(66.7)	(50.0)	(23.5)	(15.0)	11.1
Australia Retail/ Consumer Mortgage	12 63%	7 37%	0 0%	19	(63.2)	(33.3)	(33.3)	0.0	5.0
Average Corporate	21 84%	4 16%	0 0%	25	(83.8)	(57.6)	(28.8)	(9.4)	6.0
Average Retail/ Consumer Mortgage	18 80%	5 20%	0 0%	23	(80.3)	(55.4)	(28.7)	(10.3)	2.9
Average Commercial Real Estate	19 83%	4 17%	0 0%	23	(82.7)	(61.0)	(36.4)	(29.6)	(1.5)
IACPM Aggregate Credit Default Outlook Index				424	(82.3)	(58.0)	(31.2)	(16.2)	2.6
<i>(weighted average based on number of responses)</i>									

Source: IACPM 2Q 2022 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)

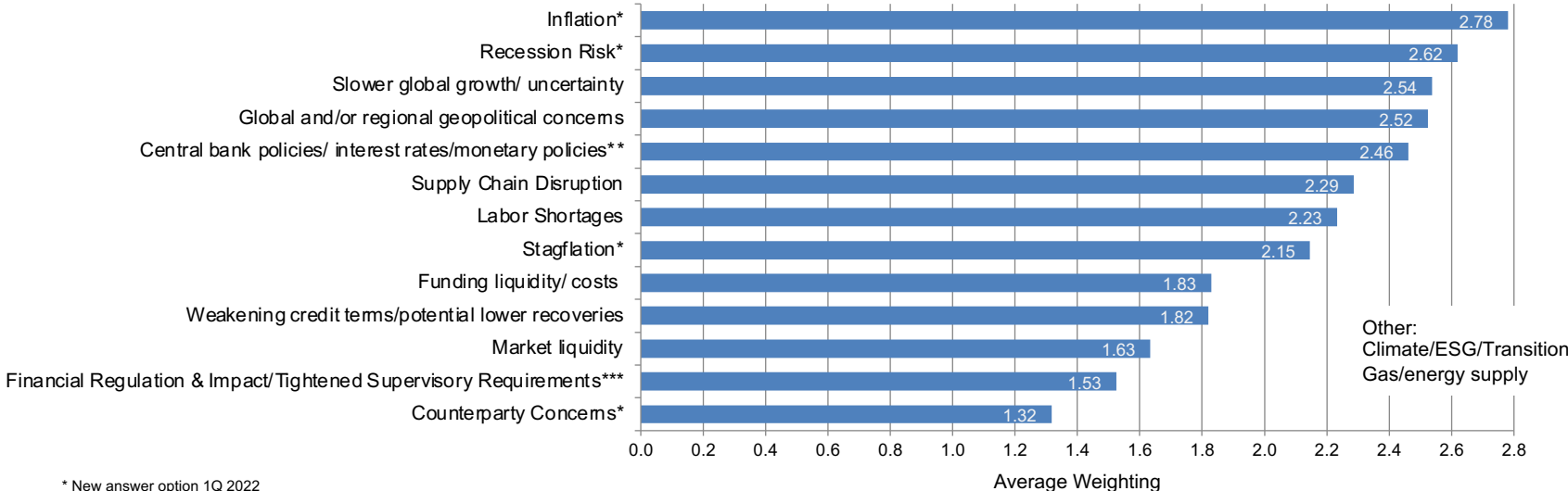
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 12 Months Credit Default Outlook Index (positive numbers indicate credit improvement)				
	Jun-22	Jun-22	Jun-22	Jun-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
	North America Commercial Real Estate	29 85%	5 15%	0 0%	34	(85.3)	(66.7)	(32.3)	(37.9)
South/Central America Commercial Real Estate*	14 78%	4 22%	0 0%	18	(77.8)	(58.8)	(42.9)	(23.5)	(23.8)
Europe Commercial Real Estate	27 84%	5 16%	0 0%	32	(84.4)	(75.0)	(40.0)	(40.0)	3.3
Africa Commercial Real Estate*	11 85%	2 15%	0 0%	13	(84.6)	(38.5)	(12.5)	(9.1)	0.0
Asia Commercial Real Estate	18 82%	4 18%	0 0%	22	(81.8)	(61.9)	(44.4)	(35.0)	11.1
Australia Commercial Real Estate	16 80%	4 20%	0 0%	20	(80.0)	(44.4)	(35.7)	(11.1)	5.3
Average Corporate	21 84%	4 16%	0 0%	25	(83.8)	(57.6)	(28.8)	(9.4)	6.0
Average Retail/ Consumer Mortgage	18 80%	5 20%	0 0%	23	(80.3)	(55.4)	(28.7)	(10.3)	2.9
Average Commercial Real Estate	19 83%	4 17%	0 0%	23	(82.7)	(61.0)	(36.4)	(29.6)	(1.5)
IACPM Aggregate Credit Default Outlook Index				424	(82.3)	(58.0)	(31.2)	(16.2)	2.6
<i>(weighted average based on number of responses)</i>									

Source: IACPM 2Q 2022 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 42 participating firms indicated high (3), medium (2), low (1), or not considered.

Unsurprisingly, Inflation tops our ranking this quarter, with Recession Risk coming in a close second. Concerns about Global and/or regional geopolitics appear to have abated somewhat, as it has dropped from the top slot to fourth place in our ranking.

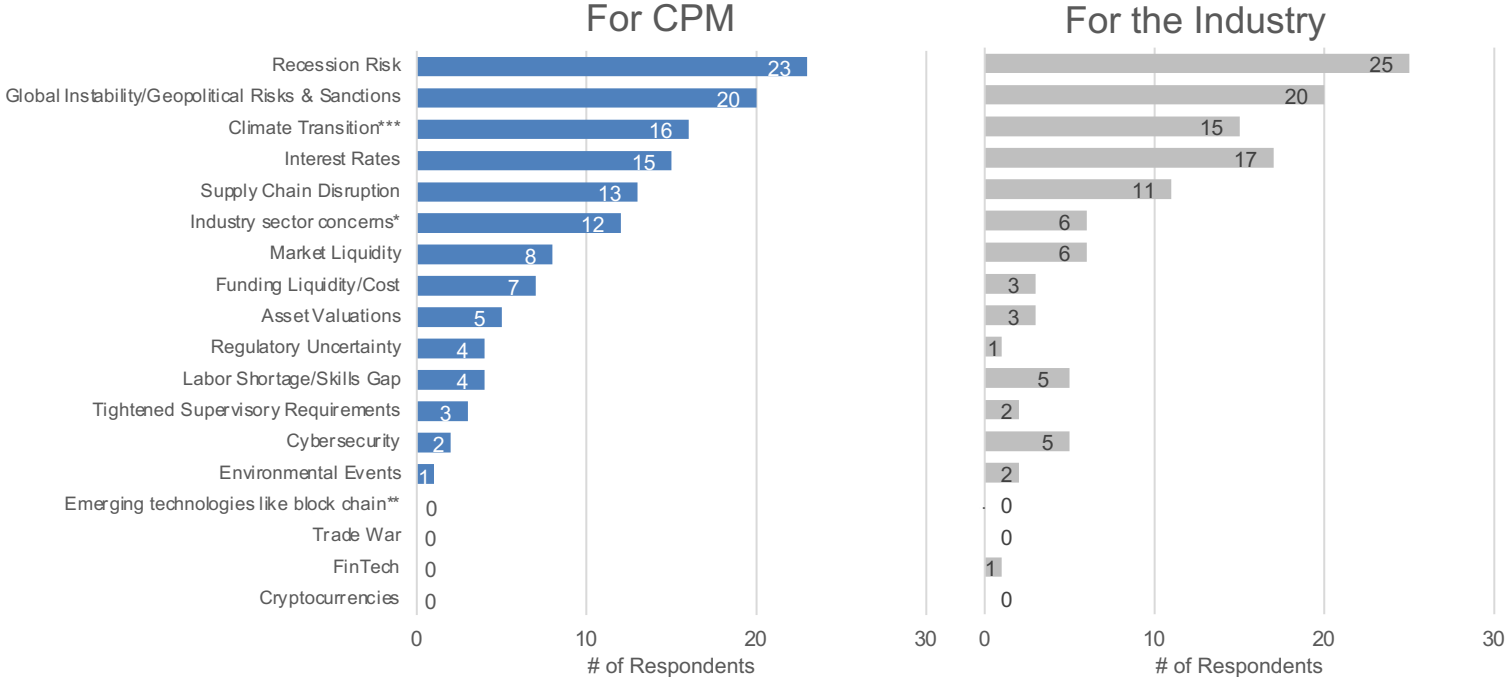


* New answer option 1Q 2022
 ** In Spring 2022, the answer option "Central bank policies/interest rates/inflation" was changed to "Central bank policies/interest rates/monetary policies"
 *** In Spring 2022, the answer option "Financial Regulation and Impact" was changed to "Financial Regulation & Impact/Tightened Supervisory Requirements"

Source: IACPM 2Q 2022 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

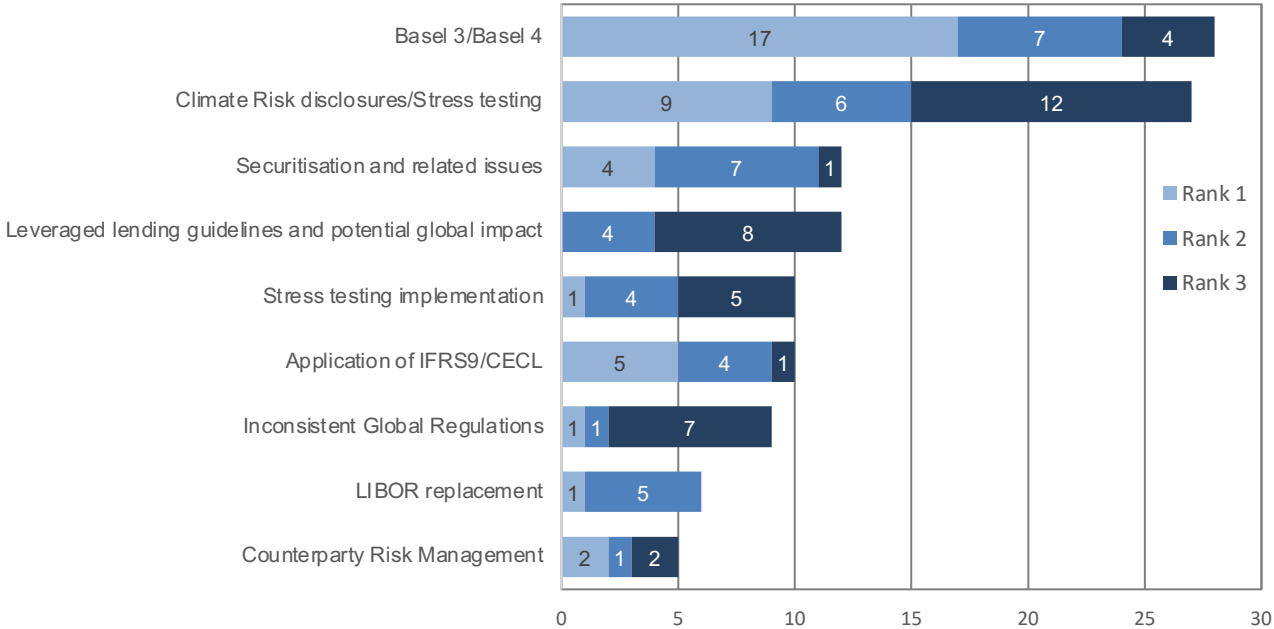


* Oil & gas, commercial real estate, retail etc.
 ** Opportunities to capitalize on, E.g., smart contracts for CDS, credit risk insurance, credit agreements.
 *** I.e., what steps have to be taken by institutions and their clients to move towards a lower carbon footprint, incl. regulatory expectations

Source: IACPM 2Q 2022 Quarterly Credit Outlook Survey | Question: Please indicate the top three emerging issues?



Top 3 Regulations Affecting CPM



Source: IACPM 2Q 2022 Quarterly Credit Outlook Survey | Question: What are the most important regulations affecting CPM? Please indicate and rank top 3.

Participating Institutions

	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
ABSA		✓	✓		
African Development Bank Group	✓	✓			✓
African Export Import Bank	✓	✓			
AIG, Inc.	✓		✓	✓	✓
Allianz				✓	✓
Asian Infrastructure Investment Bank		✓			
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	✓	✓	✓	✓	✓
Capital One	✓				
Commerzbank	✓	✓	✓		✓
Commonwealth Bank of Australia	✓	✓		✓	✓
Credit Agricole CIB	✓	✓	✓	✓	✓
Danske Bank	✓	✓	✓	✓	
DBS				✓	✓
DNB Bank ASA	✓	✓	✓	✓	✓
Export Development Canada	✓	✓			
Fifth Third Bank			✓		
Goldman Sachs	✓	✓	✓		✓
Grupo Bancolombia			✓		✓
Heartland Financial USA	✓	✓	✓		✓
HSBC	✓	✓	✓	✓	
Intesa Sanpaolo	✓	✓	✓	✓	✓

	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
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	✓	✓	✓	✓	✓
Orchard Global Asset Management	✓	✓			
PAG	✓	✓	✓	✓	✓
PNC Financial Services	✓	✓	✓	✓	✓
Prudential Financial	✓	✓	✓		✓
Raiffeisen Bank	✓	✓			
Regions Bank	✓	✓	✓	✓	✓
Royal Bank of Canada	✓	✓	✓	✓	✓
Scotiabank		✓		✓	
Silicon Valley Bank	✓			✓	
Standard Chartered	✓	✓	✓	✓	✓
SunLife Financial	✓	✓	✓		
Swiss Re	✓	✓	✓	✓	✓
Truist Financial Corporation (ex. BB&T)	✓	✓			✓
UK Export Finance		✓		✓	✓
UniCredit Group S.p.A.	✓				
US Bank	✓	✓			

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