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Growing Asia's Markets

CELEBRATING 10 YEARS IN ASIA

ASIA CREDIT REPORT

First Quarter 2016

PREPARED IN PARTNERSHIP WITH

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ASIFMA is an independent, regional trade association with over 80 member firms comprising a diverse range of leading financial institutions from both the buy and sell side including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the US and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

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Market Overview and Highlights of Asia (ex-Japan, Australia and New Zealand) debt issuance in First Quarter 2016

Total issuance in 1Q'16 came in at USD 34.2 billion (bn) as of March 31, up 14.3% quarter-over-quarter (qoq) from 4Q'15 (USD 29.9bn) but down 30.8% year-over-year (yoy), inclusive of high grade (HG), high yield (HY), and unrated deals. EM issuance overall has been very weak, with total issuance of USD 120.9bn in 1Q'16 (according to Dealogic data) down 19% on a yoy basis and the lowest total since 2010 (although the return of Argentina as a major EM sovereign debt issuer in 2Q'16 is likely to give a strong boost to EM bond issuance totals for the second quarter).

Within Asia ex-Japan/Australia and New Zealand, Chinese issuance dominated, although the total volume of issuance out of the PRC was down both qoq and yoy; the key reasons for this centered on the outlook for the Chinese economy and the property sector, together with Chinese equity market volatility in the early days of 2016, combined to adversely impact yoy comparisons. However the 5 and 10y USD 2.25bn China Exim Bank bond issue in April 2016, coupled with the re-opening of the Chinese HY sector after 3 months with the Aoyuan property transaction, suggests a much more promising start to the second quarterr. The availability of greater domestic market liquidity in China, coupled with tighter pricing for issuers locally following the strong domestic bond market rally, helped shift some of the issuance to the Chinese LCY denominated markets and away from the USD/G3 markets.

Key highlights of the quarter :

1) HG issuance (of USD 27.2bn) easily outpaced HY issuance of USD 2.2bn. HY issuance represented 6.3% by dollar amount of total debt issuance in the first quarter, down from 12.2% in the fourth quarter of 2015. The sharp fall in international Chinese corporate bond issuance relative to prior years contributed to the overall drop in Asia ex-Japan issuance. One key point worth noting however, is that these trends are likely to reverse; the Chinese domestic HY sector (and corporates generally) have witnessed a large selloff in recent weeks on account of a number of well-publicized defaults. This significant widening in credit spreads is likely to see Chinese issuance shift back to the international/G3 bond markets, a trend that is already visible in April.

2) China is emerging as the dominant issuer in the green bond sector globally – Nearly half of the USD 16.6bn in green bond issuance in 1Q'16 (which itself was up over 100% on a yoy basis) has been accounted for by China – with Shanghai Pudong Bank alone issuing USD 5.4bn equivalent in RMB denominated green bonds so far – making it easily the largest single green bond issuer in 2016. With both the AIIB and the China-based BRICs Bank (the New Development Bank) also likely to issue green bonds, coupled with the fact that both the National Development Reform Commission (NDRC) and the People's Bank of China (PBOC) have developed and issued "green bond principles", Chinese green bonds issuance is set to grow rapidly.

3) On a quarterly basis, Asian HY debt marginally outperformed Asian HG paper, with HG paper reporting total returns of 3.70% in 1Q'16, compared to a 3.71% gain in HY paper during the quarter. In terms of individual sectoral outperformance during the quarter (as measured by the JP Morgan JACI), HG sovereigns and borderline IG sovereign Indonesia in particular (rated Baa3/BBB- by Moody's and Fitch respectively, although S&P's rating is BB+ with a positive outlook) provided a total return of 7.95% during 1Q'16. HG Corporates (+2.64%) and Financials (+2.08%) underperformed.

State of the Asian leveraged loan market

Asian leveraged loan debt, excluding developed market Asia, reached USD 48.2bn in 1Q'16, a 13.9% decline qoq (USD 56.0bn) and a 25.3% decline yoy (USD 64.5bn). Leading sectors in 1Q'16 issuance were from utility & energy (USD 6.7bn), real estate/property (USD 6.4bn), and retail (USD 6.2bn). Sponsored loan deals declined by percentage, representing 6.2% by dollar amount in the first quarter.

While banks in Asia have traditionally held loans to maturity, the need for more active risk management given the need to manage bank capital more efficiently, is likely to lead to more secondary loan trading and incremental CLO issuance. In addition, should the credit cycle turn for the worse, resulting in a greater proportion of loans falling into the "distressed" category, this will also help provide a boost to CLO issuance.

Key trends in Asia (ex-Japan, Australia and New Zealand) G3 & LCY bond issuance

For the first quarter 2016, total G3 issuance stood at USD 34.2bn, up 14.3% qoq but down 30.8% yoy. China remains the largest issuing country in the first quarter, accounting for a total of USD 13.0bn, or just over a third (38.1%) of G3 issuance in 1Q'16; USD 9.1bn and USD 1.7bn in HG and HY deals, respectively, were priced from China alone. South Korea continues trail behind as the second largest issuing nation, with USD 6.7bn issued in 1Q'16, followed by Hong Kong with USD 3.0bn in issuance.

Finance remained the largest sector of G3 issuance in the first quarter (USD 18.5bn), followed by sovereigns (USD 5.0bn), and real estate (USD 2.3bn).

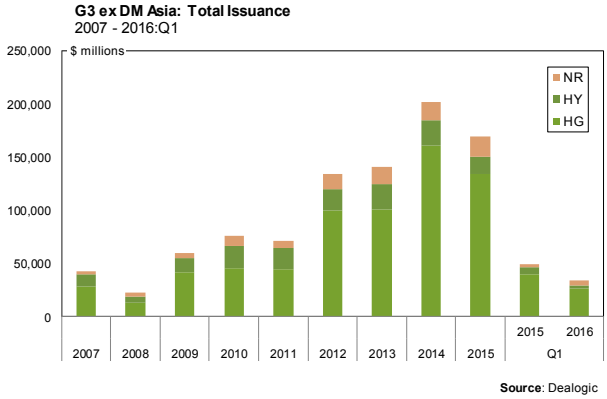
In terms of ratings, within the HG space, BBB- transactions accounted for the largest share of deals priced during the quarter, with USD 4.2bn in total issuance, followed by AA rated transactions totaling USD 3.78bn and A rated issuance with USD 3.75bn. Within HY issuance, the BB- category dominated with USD 660mn of issuance, followed by BB and B-rated transactions (each respectively USD 500mn).

By tenor, Asia ex-Japan, Australia and NZ G3 deals with tenors of 5 years or less continued to account for the bulk of issuance in 1Q'16, with a total of USD 17.8bn in short tenor issues being priced during the quarter. Of these, USD 13.9bn were HG deals, USD 1.3bn were HY deals and the balance unrated.

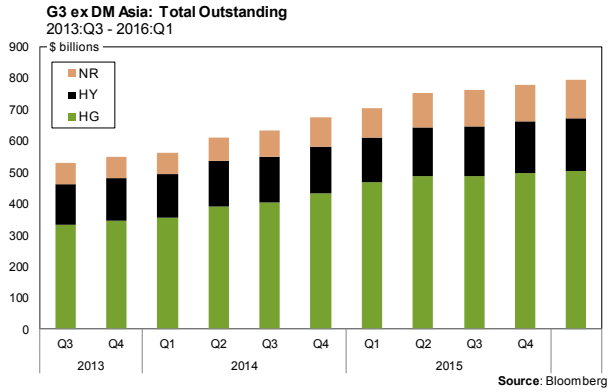
Overall G3 debt outstanding in the region stood at USD 795.61bn, a growth of 2.0% qoq. High grade debt accounted for the bulk of total outstanding debt at USD 504.64bn (a 1.7% increase qoq), followed by HY debt at USD 166.95bn (a growth of 1.5% qoq) and NR debt at USD 124.01bn (a growth of 4.3% qoq). China (with USD 284.1bn), South Korea (with USD 125.4bn) and Hong Kong (with USD 101.3bn) remain the three countries with the largest shares of G3 debt outstanding. In terms of ratings, within the HG space, deals rated BBB- (USD 90.2bn) now account for the largest share of debt outstanding, while BB+ transactions (USD 70.2bn) continue to remain the dominant rating outstanding in the HY space. By sector, financials with a total of USD 218.4bn accounted for less than a third of outstanding G3 paper, followed by sovereigns (USD 189.7bn). Finally, deals with remaining tenors of 5 years or less (USD 455.7bn) accounted for the bulk of total Asia (ex-Japan, Australia and NZ) debt outstanding.

Finally, turning to the LCY debt markets, USD 213.8bn in total LCY-denominated debt was issued in Asia (ex-Japan, Australia & NZ) in 1Q'16, a decline of 5.5% qoq (USD 226.2bn) but an increase of 82.7% yoy (USD 117.0bn). Total LCY debt outstanding at the end of 1Q'16 in Asia (ex-Japan, Australia and NZ) stood at USD 12.9tn, rising by 6.1% qoq, with HG debt outstanding declining 1.4%, while HY and non-rated debt rose 4.1 and 7.3% qoq, respectively. China also continues to account for the bulk of total outstanding LCY debt at USD 8.00tn, followed by India (USD 1.61tn) and South Korea (USD 1.42tn).

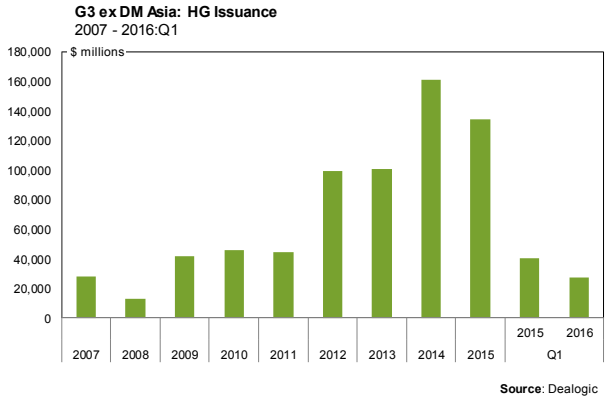
2.1. G3 ex DM Asia: Total Issuance



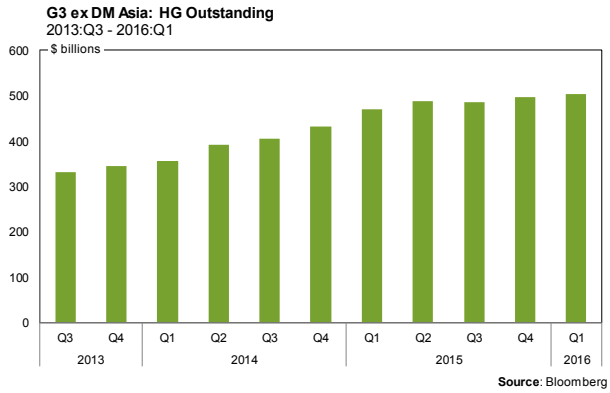
2.2. G3 ex DM Asia: Total Outstanding



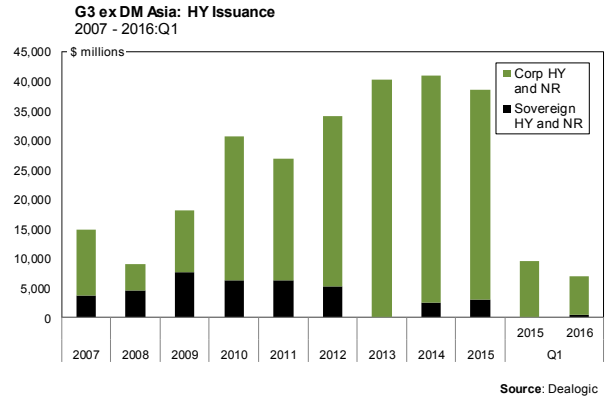
2.3. G3 ex DM Asia: HG Issuance



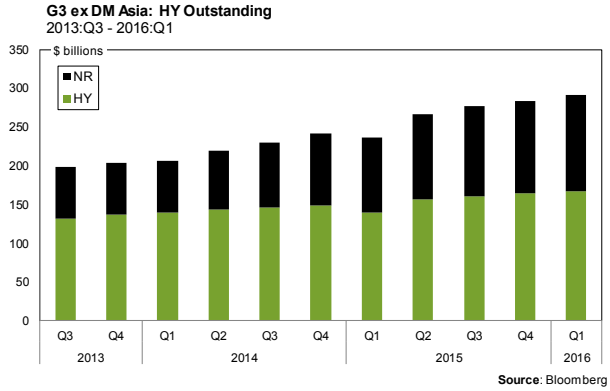
2.4. G3 ex DM Asia: HG Outstanding



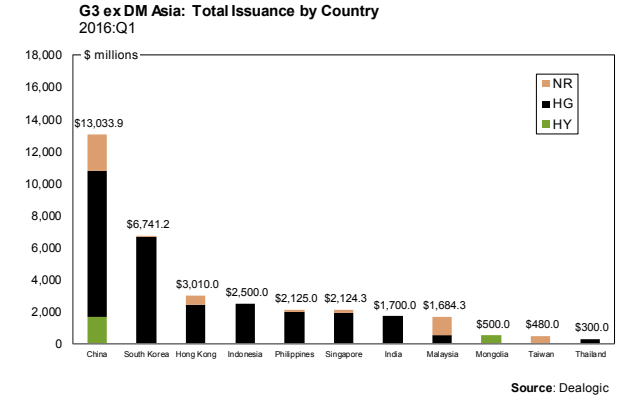
2.5. G3 ex DM Asia: HY Issuance



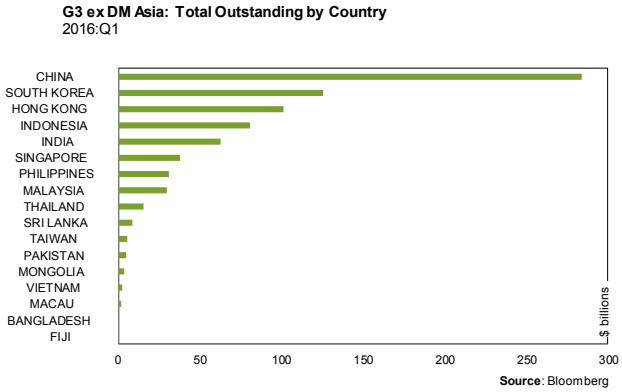
2.6. G3 ex DM Asia: HY Outstanding



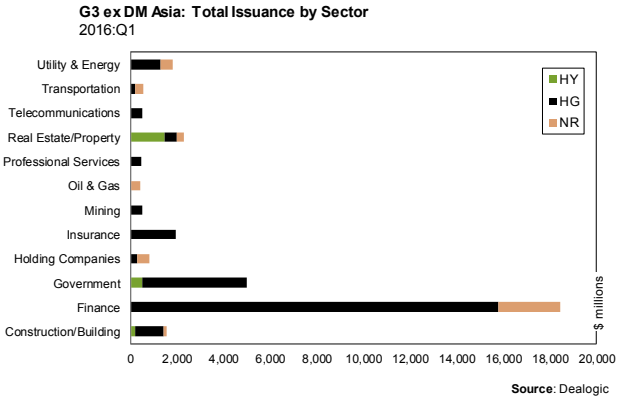
2.7. G3 ex DM Asia: Total Issuance by Country



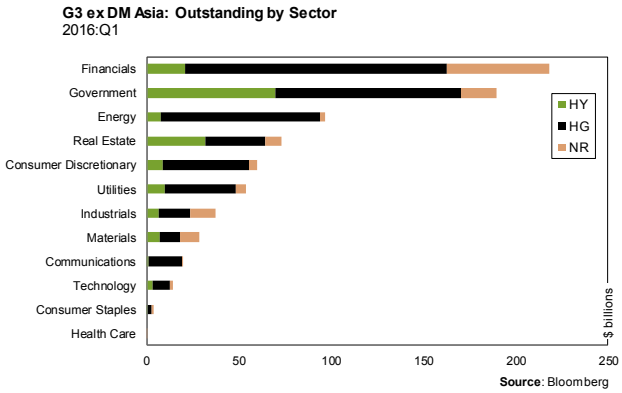
2.8. G3 ex DM Asia: Total Outstanding by Country



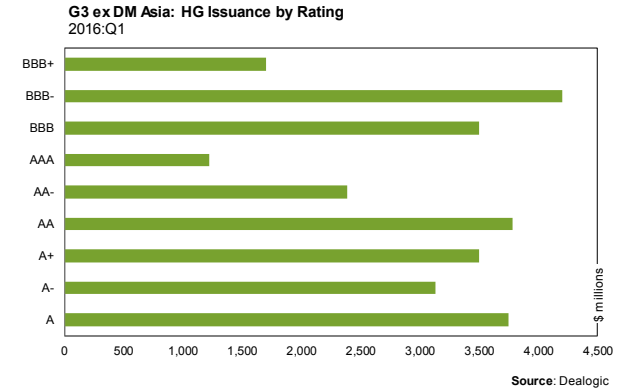
2.9. G3 ex DM Asia: Total Issuance by Sector



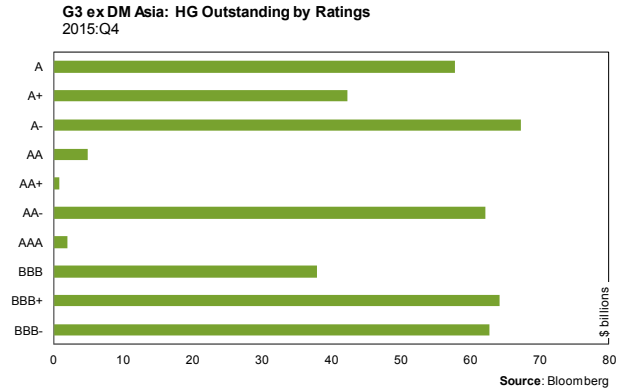
2.10. G3 ex DM Asia: Total Outstanding by Sector



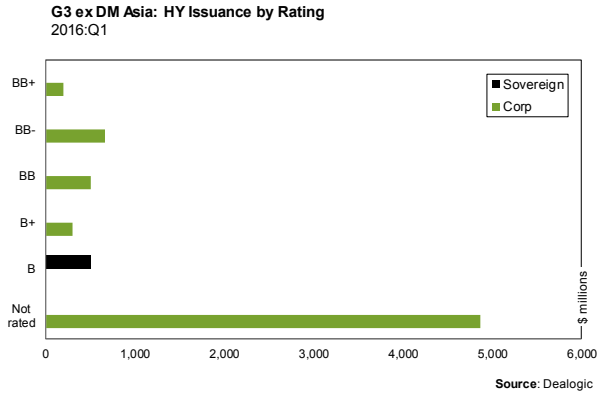
2.11. G3 ex DM Asia: HG Issuance by Rating



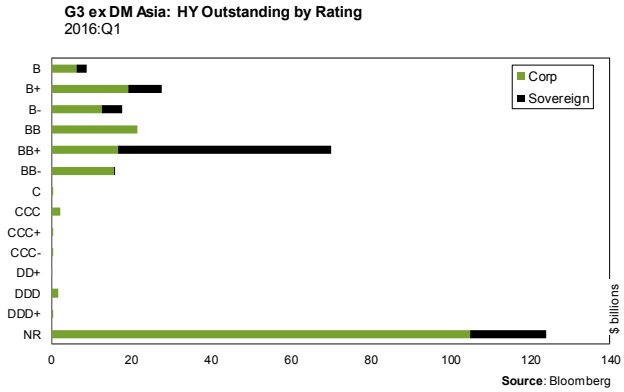
2.12. G3 ex DM Asia: HG Outstanding by Rating



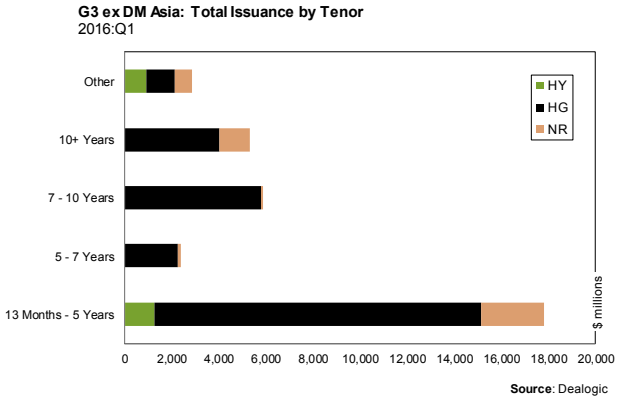
2.13. G3 ex DM Asia: HY Issuance by Rating



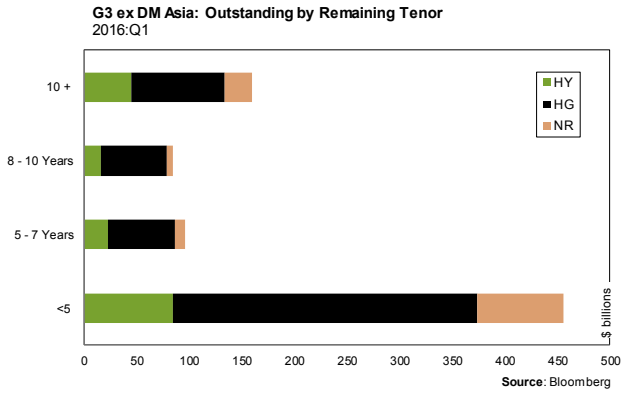
2.14. G3 ex DM Asia: HY Outstanding by Rating



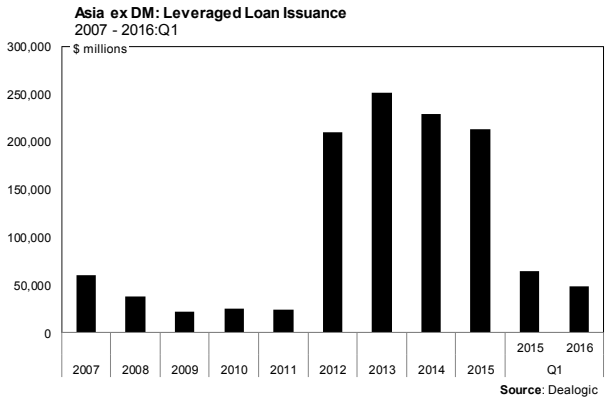
2.15. G3 ex DM Asia: Total Issuance by Tenor



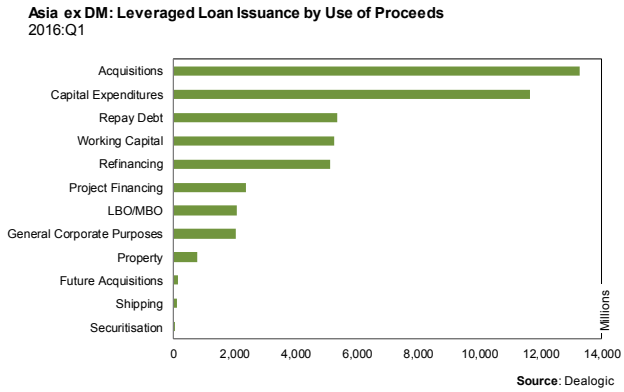
2.16. G3 ex DM Asia: Outstanding by Remaining Tenor



2.17. Asia ex DM: Total Leveraged Loan Issuance

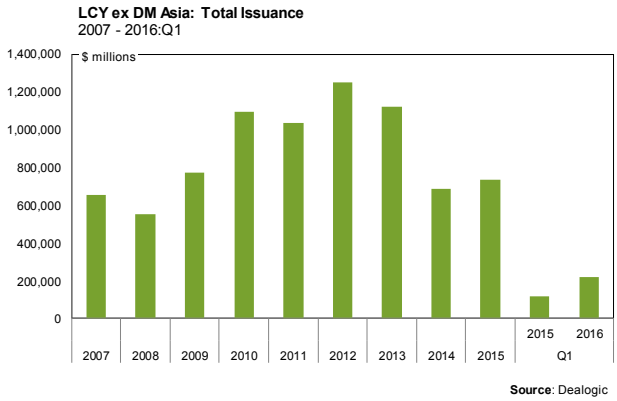


2.18. Asia ex DM: Total Leveraged Loan Issuance by Use of Proceeds

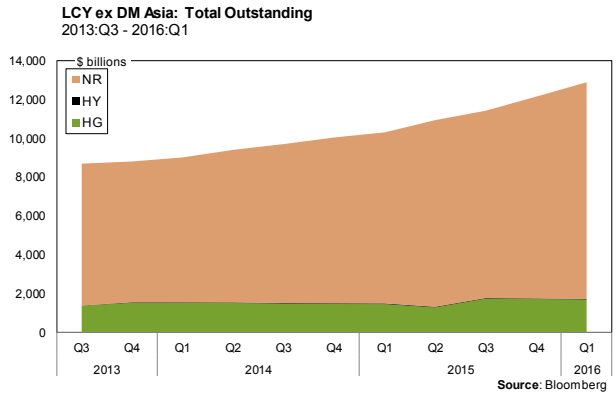


3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

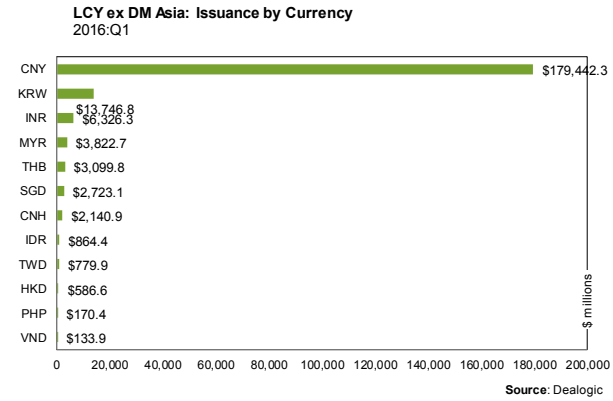
3.1. LCY ex DM Asia: Total Issuance



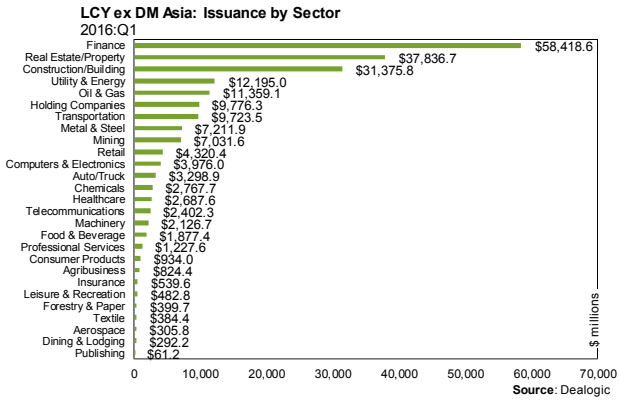
3.2. LCY ex DM Asia: Total Outstanding



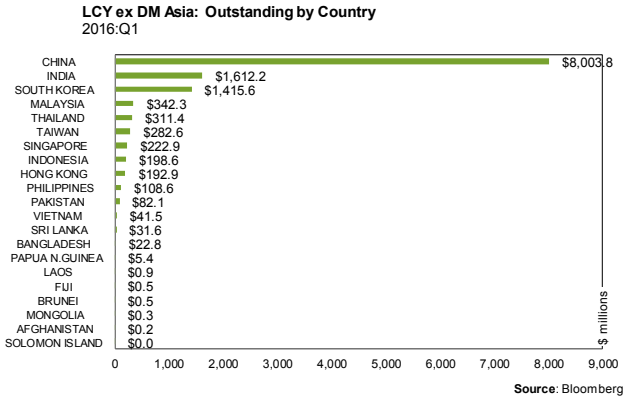
3.3. LCY ex DM Asia: Issuance by Currency



3.4. LCY ex DM Asia: Issuance by Sector



3.5. LCY ex DM Asia: Outstanding by Country



4. All Asia

Total Issuance & Outstanding – G3 and LCY for Asia (including Japan, Australia and New Zealand)

Total G3 issuance in Asia (including Japan, Australia and New Zealand) stood at USD 102.8bn in the first quarter of 2016, a growth of 8.7% qoq but a decline of 21.6% yoy. In 1Q'16, total HG G3 issuance in Asia was USD 69.0bn, a growth of 18.6% qoq but a decline of 27.2% yoy; HY issuance was USD 2.2bn, a decline of 42.5% qoq and 71.6% yoy; and unrated issuance was USD 31.6bn, a decline of 3.0% qoq but an increase of 6.0% yoy. Outstanding G3 debt, including developed market Asia, stood at USD 12.00tn at the end of the first quarter 2015, an increase of 1.1% qoq, with growth in HG debt (USD 9.5tn, a 1.0% growth), HY debt (USD 216.6bn, a 1.0% growth), and in unrated debt (USD 2.3tn, a 1.6% growth).

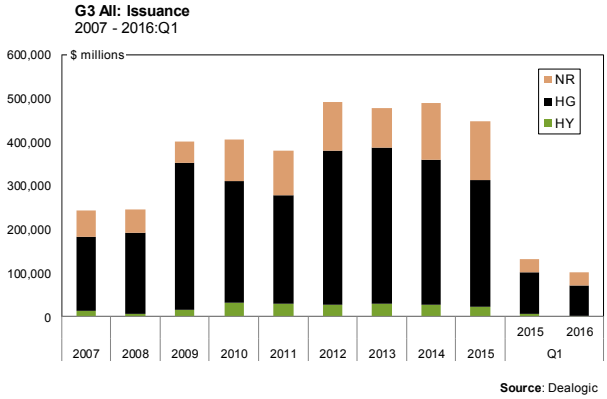
Finally, turning to LCY debt issuance, total HG issuance, including Japan, Australia, and New Zealand, stood at USD 294.5bn in the first quarter of 2016, while HY issuance and unrated issuance combined was USD 243.1bn, for a total of USD 537.5bn in issuance. Issuance for 1Q'16 was 2.9% below 4Q'15 (USD 553.7bn) but 24.5% above 1Q'15 (USD 431.8bn).

It is worth mentioning that our call at the beginning of the year was that cross-border credit conditions would continue to tighten on account of a variety of factors (banking-sector specific concerns, weak commodity prices, stretched balance sheets of non-financial corporates particularly in the EM space and most importantly, USD strength on the back of the perception that the US economy is generally better positioned relative to the rest of the world – which would tend to undermine the case for USD-denominated borrowings in the EM space). The upshot of all this is our view, was that LCY-denominated borrowing/issuance would tend to dominate at the expense of USD issuance.

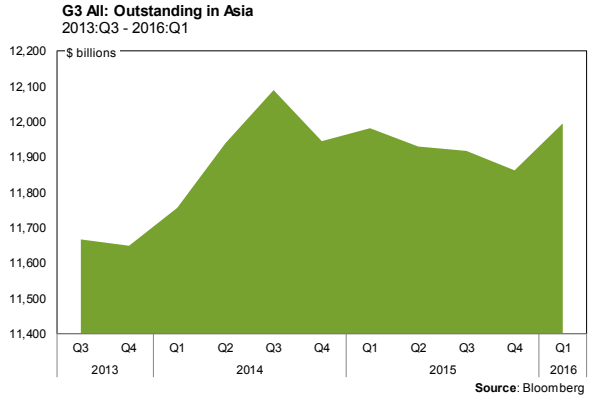
This has certainly been the case in the first quarter. Helping these trends (as pointed out earlier) was (and is) the strong desire on the part of Chinese authorities to achieve a rebalancing of the domestic economy to emphasize consumption at the expense of (over)investment, ensure that lending occurs in the more traditional and regulated bank/bond markets (as opposed to the shadow banking sector) and the steps taken by the Chinese regulatory authorities to facilitate greater access to the domestic bond markets to a broader base international investors (and not just the global central banks, suprantional entities and sovereign wealth funds, who already enjoy the benefits of privileged access).

Looking ahead to the rest of 2016 however, a slight modification of our call (although not a wholesale change) might be in order. In recent weeks, the US Federal Reserve has acknowledged that global economic conditions remain weak and has shifted to a more dovish posture. Oil (and commodity prices generally) have recovered from their lows (while the USD rally has shown signs of stalling out/reversing) and markets overall have rallied strongly globally, with a conspicuous drop in volatility. Not only that, there have been subtle signs that credit conditions in China domestically are facing an implicit tightening, as borrowing costs (especially for the more vulnerable corporates) increase. This in turn has led Chinese issuers to commence re-tapping the USD-denominated bond markets, as the second quarter has gotten under way. Thus, we do think that going forward, issuance will be more balanced with a mix of both LCY-denominated and USD/G3 denominated debt issuance – borrowers will adopt a more opportunistic approach to issuance by comparing funding costs in both markets. Given that the balance of probabilities going into 2Q'16 favours USD issuance at the expense of LCY, we do expect that both the second quarter and the rest of 2016 is likely to see relatively higher G3/USD debt issuance volumes, than has been the case in 1Q'16.

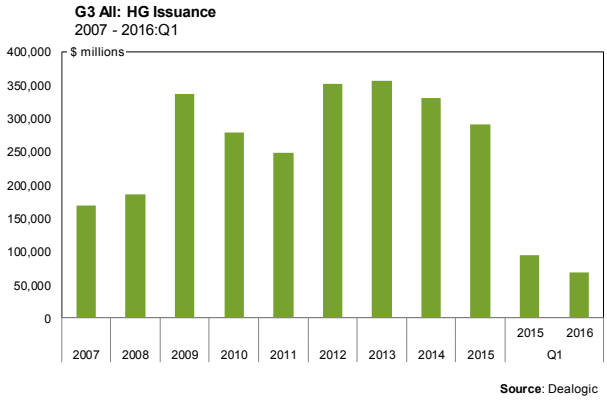
4.1. G3 All: Total Issuance



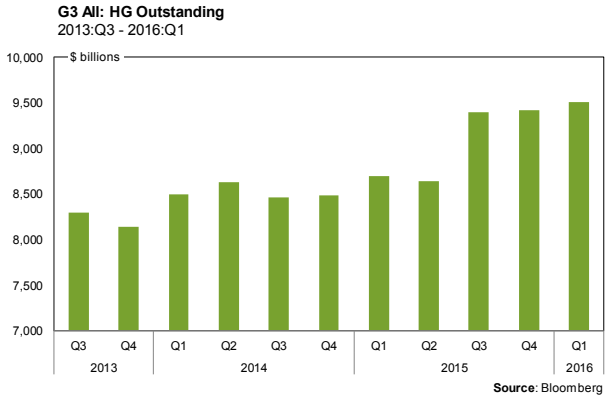
4.2. G3 All: Total Outstanding



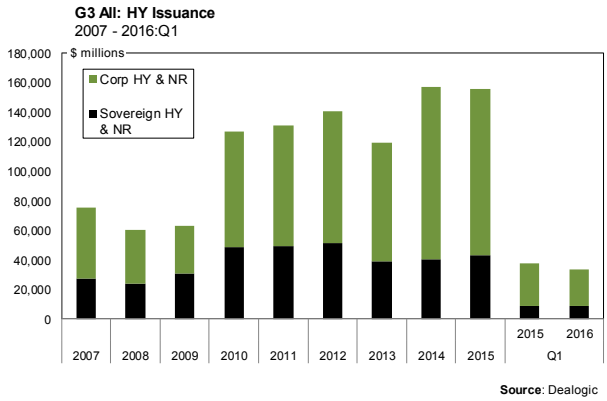
4.3. G3 All: HG Issuance



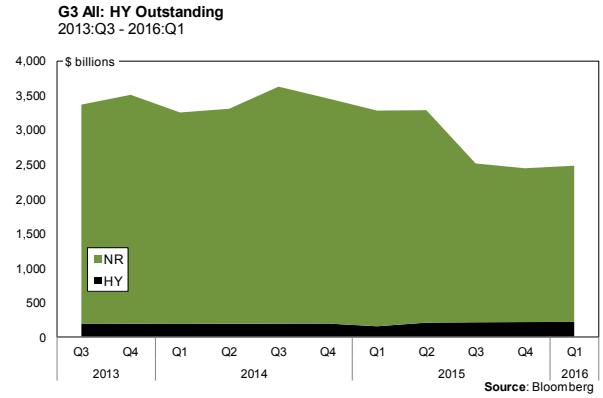
4.4. G3 All: HG Outstanding



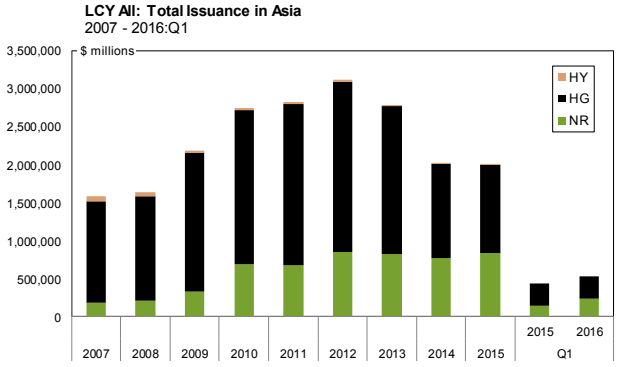
4.5. G3 All: HY Issuance



4.6. G3 All: HY Outstanding



4.7. LCY All: Total Issuance



Source: Dealogic

5. China – Domestic

Total Issuance & Outstanding – Domestic CNY issuance

Total domestic CNY issuance stood at USD 180.1bn in the first quarter of 2016, down 4.0% from fourth quarter volume (USD 187.6bn) but an increase of 146.2% yoy (USD 73.2bn). By tenor, 71.1% of first quarter issuance (USD 128.1bn) would mature in five years or less, followed by the 5 – 7 year bucket (USD 26.3bn, or 14.6% of issuance). By sector, finance led issuance totals (USD 39.9bn), followed by real estate (USD 33.9bn).

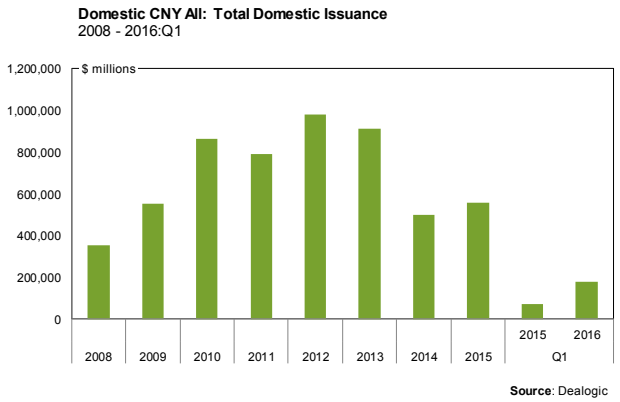
Outstanding domestic CNY debt stood at USD 7.9tn at the end of first quarter 2016, with sovereigns leading totals (USD 4.31tn), followed by financials (USD 1.85tn) and industrials (USD 635.5bn).

A combination of easy domestic credit conditions, the absence of USD exchange rate risk if Chinese corporations issue in RMB, the continuing need for Chinese banks to shore up their capital base and the relatively recent development which has seen Chinese property companies tap the domestic panda bond markets (via their offshore arms, such as those based in Hong Kong) has helped boost issuance. In addition, investor demand for the relatively attractive yields available in RMB, coupled with the steady decline in the offshore "dim sum" bond market has also helped drive the relatively strength in domestic primary bond issuance.

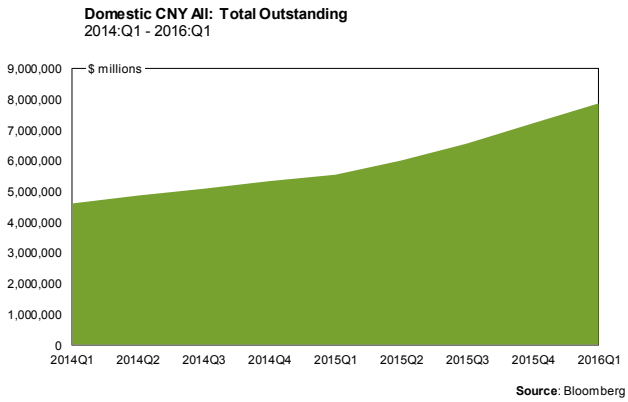
The proposed opening of the China Interbank Bond Market (CIBM) to a wider range of international investors, will also help drive the gradual convergence between offshore CNH and onshore CNY. In the fullness of time, it is possible that international investor interest will stay more or less focused on the onshore markets, as the opening of more access channels to the considerably more liquid domestic capital markets will lead to a waning of interest in the offshore markets. This will have the added benefit of broadening and deepening the domestic capital markets.

In the short term however, as we have pointed out in the section above, the volatility seen in the equity markets has now manifested itself in the credit markets, particularly in the more vulnerable Chinese HY sector which saw a steep sell-off in recent weeks. This definite increase in risk aversion onshore, seen at the tail end of 1Q'16 and the beginning of 2Q'16, has helped re-direct supply to the offshore/G3 bond markets and this trend is set to continue in the short-term.

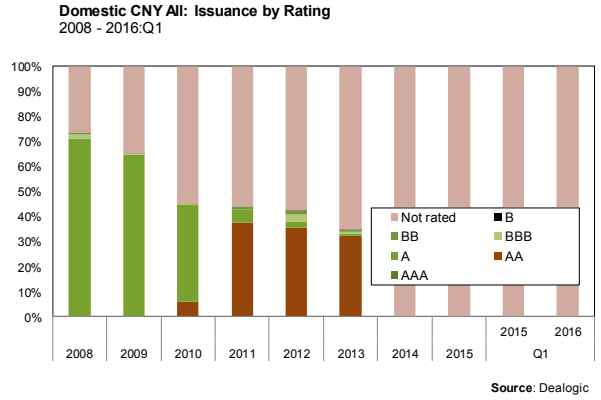
5.1. Domestic CNY All: Total Issuance



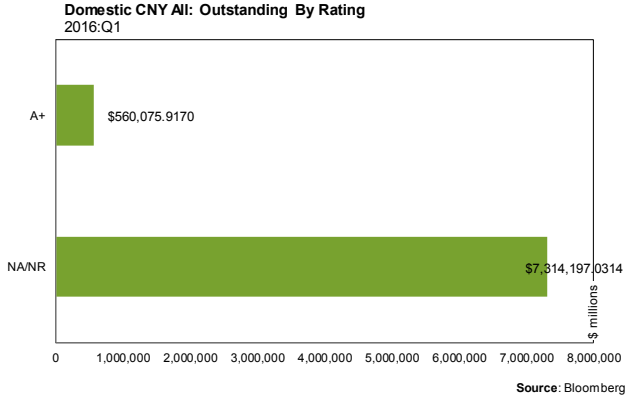
5.2. Domestic CNY All: Total Outstanding



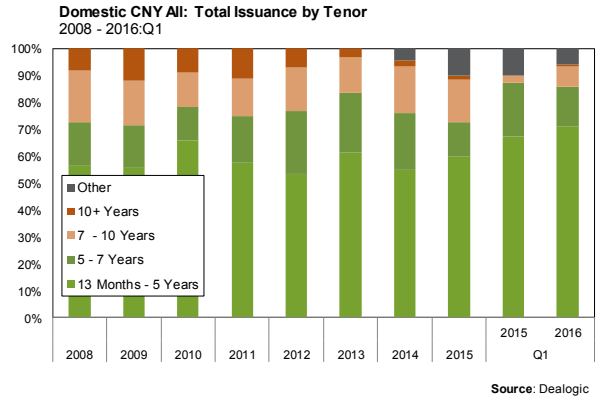
5.3. Domestic CNY All: Issuance by Rating



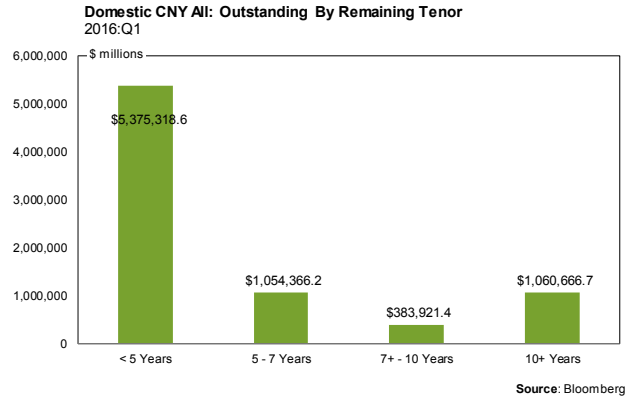
5.4. Domestic CNY All: Outstanding by Rating



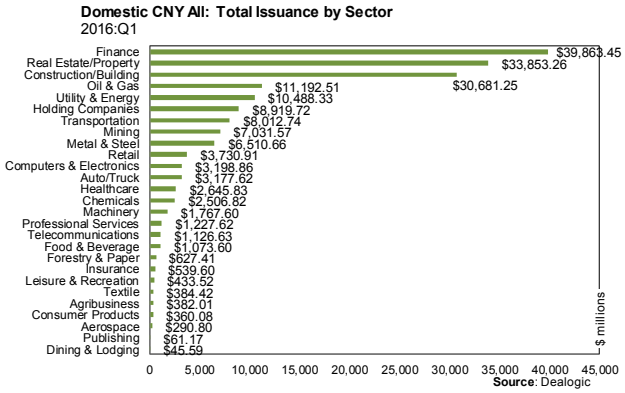
5.5. Domestic CNY All: Issuance by Tenor



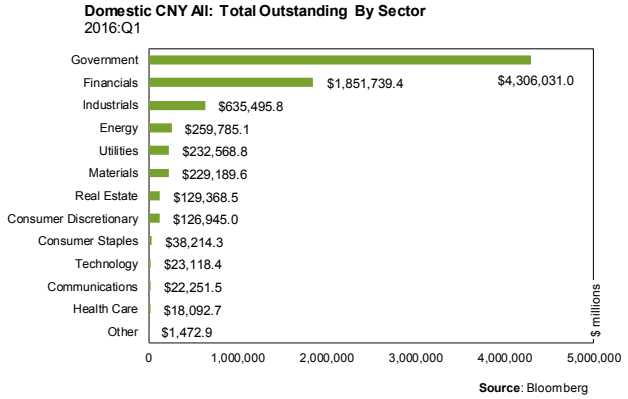
5.6. Domestic CNY All: Outstanding by Remaining Tenor



5.7. Domestic CNY All: Issuance by Sector



5.8. Domestic CNY All: Outstanding by Sector



6. China – CNH

Key trends in offshore renminbi (CNH) and the dim sum bond markets

The pace of issuance slowed sharply on a qoq basis in the first quarter. For the first quarter of 2016, an equivalent of USD 3.6bn in CNH bonds were issued, a decline of 58.1% qoq and a 55.1% yoy. In terms of tenor, nearly all of first quarter issuance (97.0%) accounted for by transactions with tenors of 5-years or less and nearly a third from short-term paper (USD 1.0bn). HG deals rated AA totaling USD 208.5mn had the highest share among rated deals (5.8%). In terms of sector, real estate sector transactions totaling USD 1.8bn accounted for the largest volume of deals by sector (51.1%), followed by finance, totaling USD 1.5bn (representing 40.4% of issuance).

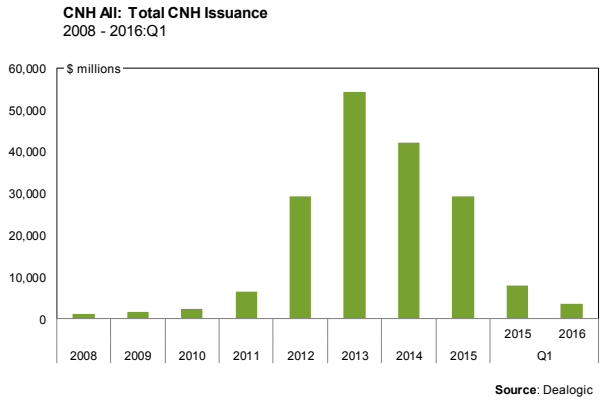
The total of dim sum bonds outstanding stands at USD 97.3bn, a decline of 10.6% qoq. Essentially the same points that we made at the end of 2015 outlining the reasons for the relative decline of the offshore CNH market can be repeated more or less verbatim, going into 2016. But for Europe and select markets in Asia (such as Taiwan), the total of RMB deposits outstanding continues to fall, with the total deposit base in Hong Kong especially hard hit, down over 25% from peak levels to just a little over CNH 800bn. The reasons for this decline are well known – the most important being of course the two-way volatility in the Chinese currency, which has served as a useful reminder to investors that the renminbi is no longer a one-way bet.

CNH Deposit Base by Location	Amt (USD bn)	As of
Hong Kong	122.4	Feb-16
Singapore	28.8	Dec-15
Taiwan	47.8	Mar-16
Korea, Republic of	4.4	Feb-16
Luxembourg	9.4	Apr-15
United Kingdom	6.6	Dec-15
France	4.0	Dec-14

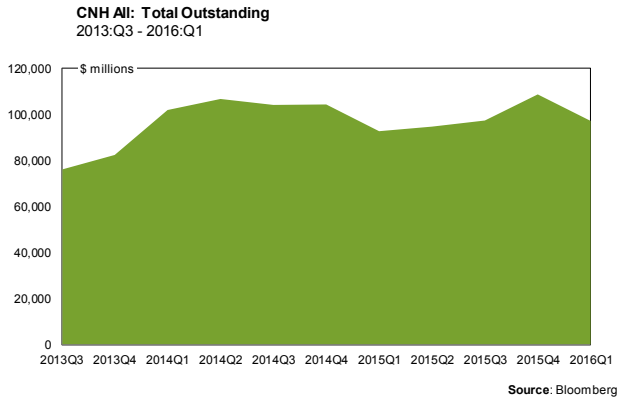
Sources: HKMA (Hong Kong), MAS (Singpore), Central Bank of Republic of China (Taiwan), Global Times (Korea), Luxembourg for Finance (Luxembourg), Bank of England (UK), Standard Chartered (France); Exchange Rate: CNH 6.57 = USD 1.0, GBP 1.44 = USD 1.0

Even more importantly, as the renminbi truly internationalizes, culminating in a virtually open capital account (although to be sure, the process could take a while with the CIBM opening merely being the first of several steps), the rationale for the continuation of the offshore renminbi market is considerably reduced. An approximate analogy is that of the domestic USD and offshore Eurodollar markets, which are de facto the same currency. It is not unreasonable to expect a development along similar lines for the renminbi, in the fullness of time.

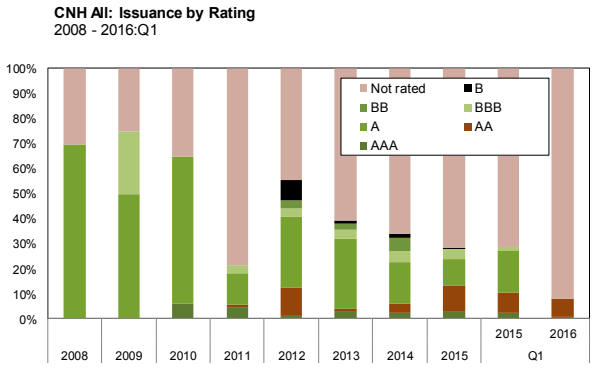
6.1. CNH All: Total CNH Issuance



6.2. CNH All: Total Outstanding

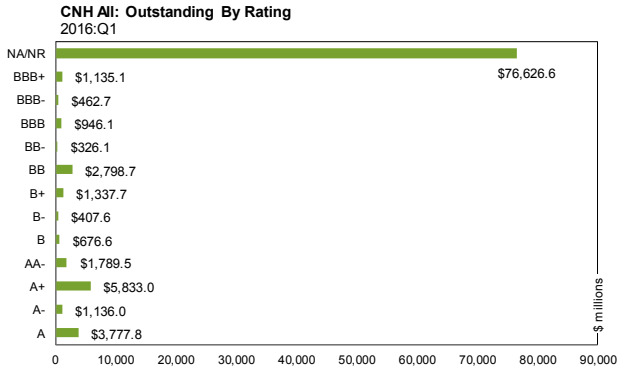


6.3. CNH All: Issuance by Rating



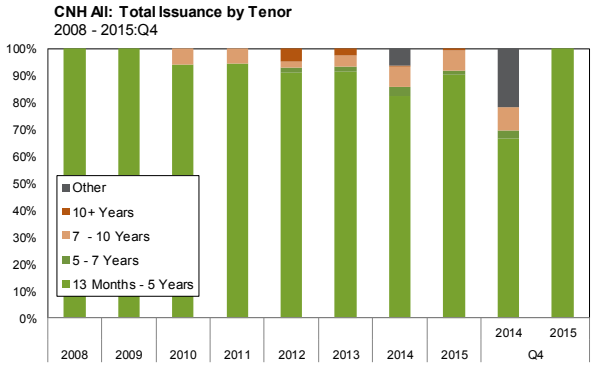
Source: Dealogic

6.4. CNH All: Outstanding by Rating



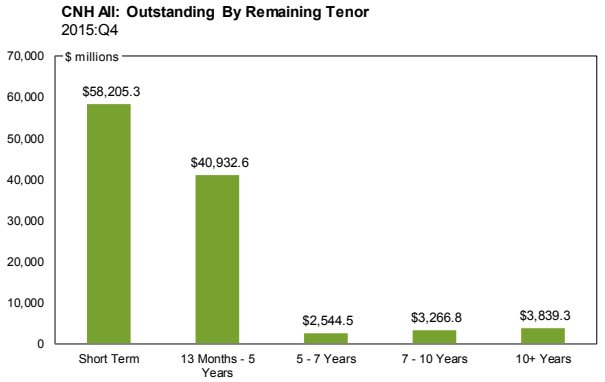
Source: Bloomberg

6.5. CNH All: Issuance by Tenor



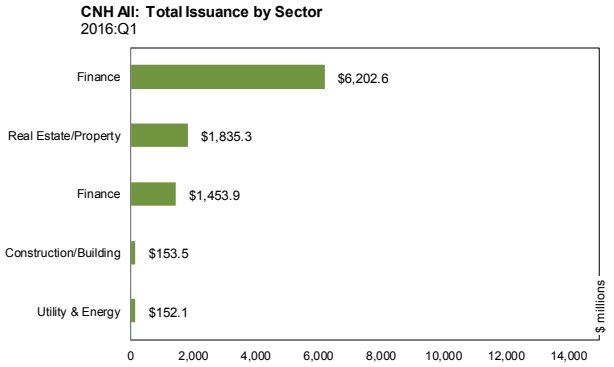
Source: Dealogic

6.6. CNH All: Outstanding by Remaining Tenor



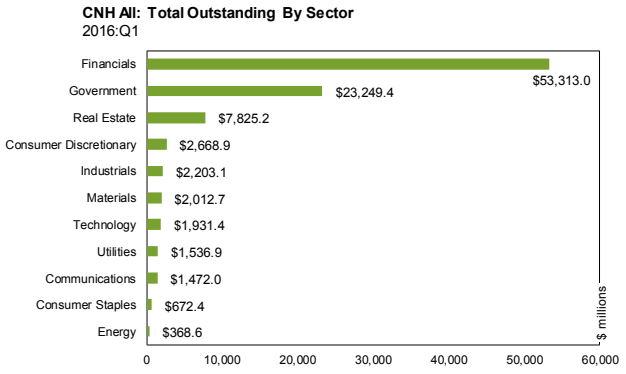
Source: Bloomberg

6.7. CNH All: Issuance by Sector



Source: Dealogic

6.8. CNH All: Outstanding by Sector



Source: Bloomberg

7. Spreads, Credit & Total Return

Relative Value and returns (Asia ex-Japan, Australia & New Zealand G3)

Asian bond spreads have narrowed considerably in the first quarter, trading a few basis points wider than their US and European counterparts in HG. At the end of 1Q'16, Asian HG bonds on a composite basis were quoted at an average spread of 173 basis points (bps), while US and European HG bond issues were quoted at average spreads of 170 bps and 131 bps respectively. Likewise, in the HY space, Asian HY corporates were quoted at a composite spread of 674 bps, but US bonds were wider at 705bps, while European bonds were narrower at 505 bps.

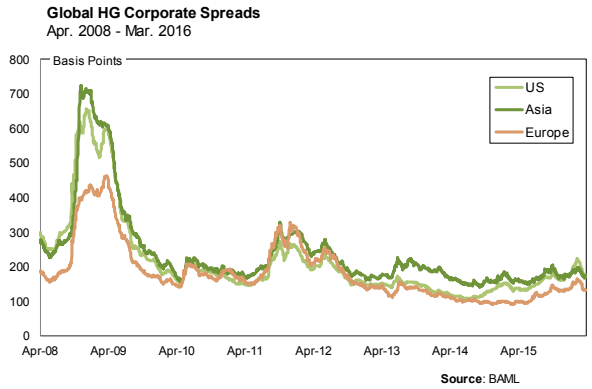
In terms of total return in the fourth quarter, the commodity rally led to outperformance in the first quarter, followed by global corporate credit, while global equities generally underperformed. Asian HG gained 3.70% in the first quarter, while HY indices gained 3.71%.

Generally speaking, our yearend view that the global commodity sector was at an inflexion point has been broadly validated – the Bloomberg commodity index has rebounded quite strongly from its lows of 72.3 in mid-January 2016 to its close at the end of April 2016 at 85.2. Our call at yearend that commodity sector names could outperform, remains valid through the rest of 2016.

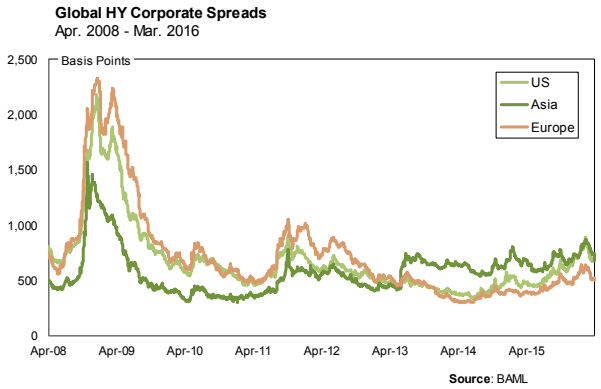
Elsewhere, what has been notable is that the lower-rated investment grade sovereigns such as Indonesia and the Philippines have outperformed through the first four months of the year – the relatively more prolific investment grade issuers, China and South Korea have both underperformed through the end of April (relative to both Indonesia Philippines and the JP Morgan Asia Credit Index, JACI). We believe this underperformance is set to reverse on account of a) China unveiling more stimulus measures at the margin – this has for instance culminated in the re-opening of G3 issuance in the China property sector alluded to earlier and b) more issuance out of S.Korea, particularly out of the under-represented S.Korean corporate sector, more so at the belly of the credit curve (7-10 years). Yet another reason for increased issuance out of S.Korea is the large volume of redemptions (over USD 50bn in 2016, according to Finance Asia), which should result in increased refinancing/new issuance. Investor interest in these two North Asian economies is likely to get a boost, on account of these idiosyncratic factors.

Finally, both S.Korea and China are likely to be sources of incremental bank capital issuance through the rest of the year. Regulatory changes in Korea resulting in the tightening of bank capital requirements, coupled with a combination of weaker profitability, higher NPLs and strong asset growth across the Chinese banking sector, are likely to be catalysts for this increased issuance of bank capital. In the case of China, while the bulk of such issuance is likely to occur in the domestic (CNY) market, some issuance in the USD/G3 bond markets could also be seen, as the year progresses.

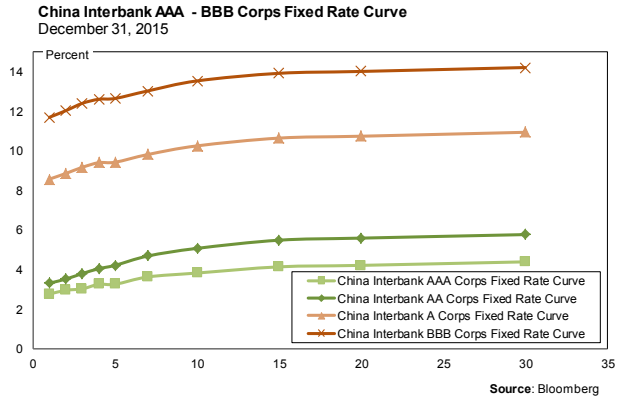
7.1. Global HG Corporate Spreads



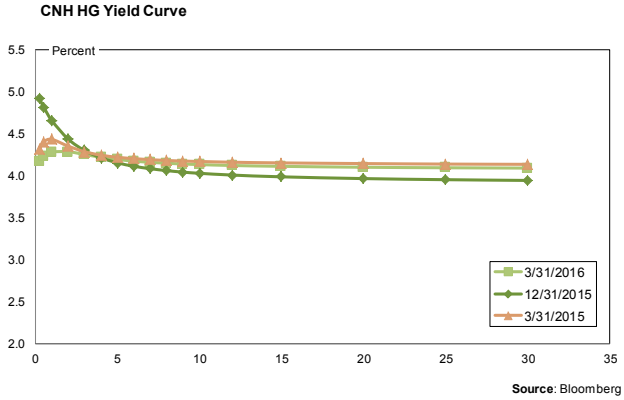
7.2. Global HY Corporate Spreads



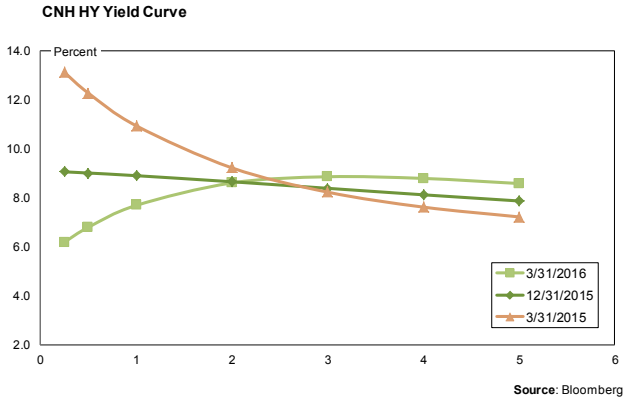
7.3. China Interbank AAA - BBB Corps Fixed Rate Curve



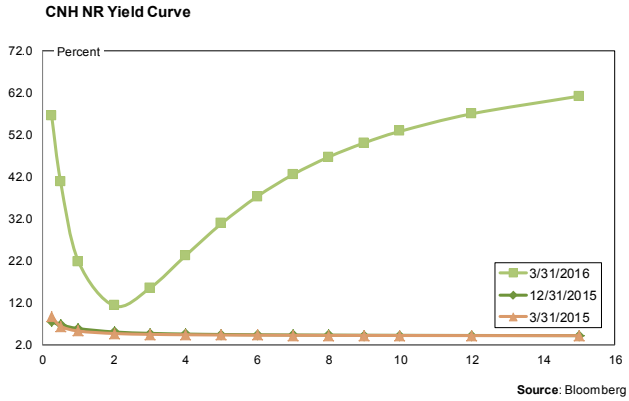
7.4. CNH HG Yield Curve



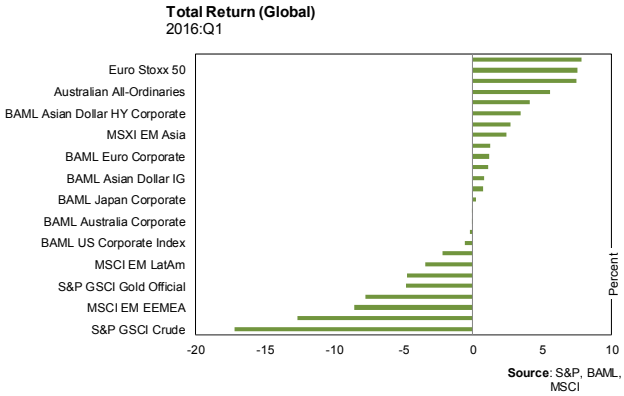
7.5. CNH HY Yield Curve



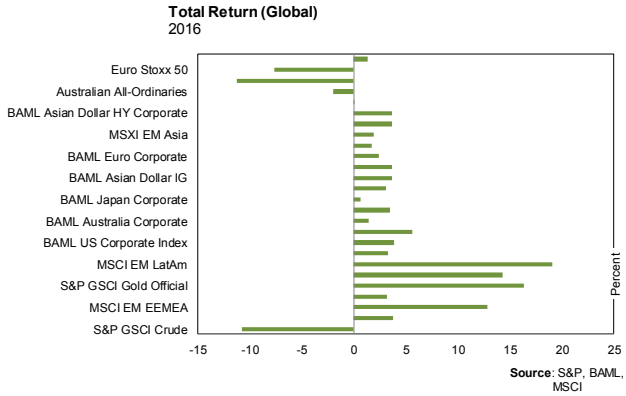
7.6. CNH NR Yield Curve



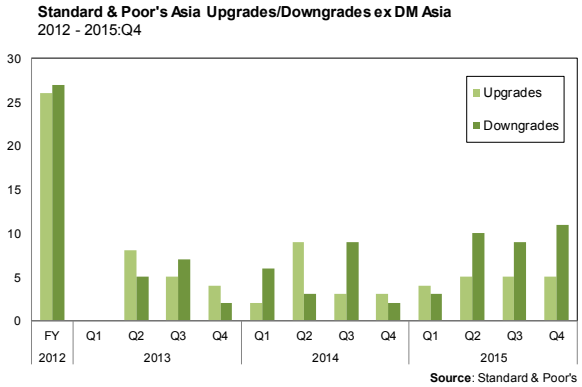
7.7. Global Returns, Quarter-End



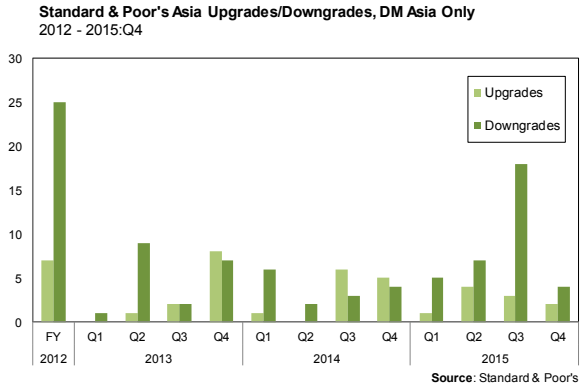
7.8. Global Returns, 2016



7.9. Asia Upgrades / Downgrades ex DM Asia



7.10. Asia Upgrades / Downgrades, DM Asia



7.11. Asian Upgrades & Downgrades, Standard & Poor's, Fourth Quarter and Full Year 2015

Upgrades	Country	Date	Rating
Korean Railroad Corp. (Republic of Korea)	Korea, Republic of	1/20/2015	A+
Hyundai Motor Co.	Korea, Republic of	1/29/2015	A-
Hyundai Capital Services Inc. (Hyundai Motor Co.)	Korea, Republic of	1/30/2015	A-
Arysta LifeScience Corp.	Japan	2/19/2015	BB
BOC Aviation Pte. Ltd. (Bank of China Ltd.)	Singapore	3/19/2015	A-
China Metallurgical Group Corp.	China	4/15/2015	BBB-
Tokyo Electric Power Co. Inc.	Japan	4/21/2015	BB-
Flextronics International Ltd.	Singapore	5/20/2015	BBB-
Sunac China Holdings Ltd.	Hong Kong	5/26/2015	BBB+
China Longyuan Power Group Corp. Ltd.	China	5/29/2015	A-
Federation Centres	Australia	6/11/2015	A-
Banglalink Digital Communications Ltd.	Bangladesh	6/11/2015	BB-
NEC Corp.	Japan	6/25/2015	BBB
Atlas Iron Ltd.	Australia	6/30/2015	CCC+
Fukoku Mutual Life Insurance Co.	Japan	7/15/2015	A
Boart Longyear Ltd.	Australia	7/15/2015	CCC+
Toyota Tsusho Corp.	Japan	7/30/2015	A+
Republic of Korea	Korea, Republic of	9/15/2015	AA=
Korea Land and Housing Corp. (Republic of Korea)	Korea, Republic of	9/16/2015	AA-
Korea National oil Corp. (Republic of Korea)	Korea, Republic of	9/16/2015	AA-
Korea Development Bank (Republic of Korea)	Korea, Republic of	9/16/2015	AA-
CITIC Group Corp.	China	9/30/2015	A=
Korea Elecric Power Corp. (Republic of Korea)	Korea, Republic of	10/30/2015	AA-
Korea Expressway Corporation (Republic of Korea)	Korea, Republic of	10/30/2015	AA-
SK Broadband Co., Ltd. (TSK Telecom Co. Ltd.)	Korea, Republic of	11/3/2015	A-
Qantas Airways Ltd.	Australia	11/16/2015	BBB-
Panasonic Corporation	Japan	11/25/2015	A-
China National Bluestar (Group) Co. Ltd.	China	12/1/2015	BBB
China Orient Asset Management (International) Holding Limited (China Orient Asset Management Corporation)	Hong Kong	12/22/2015	BBB+

Downgrades	Country	Date	Rating
Nippon Telegraph and Telephone Corp.	Japan	1/20/2015	AA-
PT Berau Coal Energy Tbk	Indonesia	1/21/2015	CCC-
Atlas Iron Ltd.	Australia	1/28/2015	B-
MagnaChip Semiconductor Corp	Korea, Republic of	2/17/2015	B-
Sharp Corp.	Japan	3/3/2015	CCC+
Ausdrill Ltd.	Australia	3/20/2015	B+
Sumitomo Corp.	Japan	3/26/2015	A-
Yanlord Land Group Limited	Singapore	3/31/2015	B+
Sound Global Ltd.	Singapore	4/1/2015	B
Zoomlion Heavy Industry Science and Technology Co. Ltd	China	4/2/2015	B+
Atlas Iron Ltd.	Australia	4/7/2015	CCC
Origin Energy Ltd.	Australia	4/21/2015	BBB-
Fortescue Metals Group Ltd.	Australia	4/22/2015	BB
Yanzhou Coal Minining Co. Ltd.	China	4/22/2015	BB
Transurban Finance Co. Pty Ltd.	Australia	4/29/2015	BBB+
Guangzhou R&F Properties Co. Ltd.	China	4/30/2015	B+
Sound Global Ltd.	Singapore	4/30/2015	CCC
BIS Industries Ltd.	Australia	5/13/2015	B-
Sharp Corp.	Japan	5/15/2015	CCC-
Sime Darby Berhad	Malaysia	5/28/2015	A-
MagnaChip Semiconductor Corp	Korea, Republic of	6/15/2015	CCC+
China Shanshui Cement Group Ltd.	Hong Kong	6/17/2015	CCC
Sharp Corp.	Japan	6/30/2015	SD
STATS ChipPAC Ltd.	Singapore	6/30/2015	BB
PT Berau Coal Energy Tbk	Indonesia	7/15/2015	SD
PT MNC Investama Tbk.	Indonesia	7/16/2015	B+
Viva Industrial REIT	Singapore	7/24/2015	BB
China South City Holdings Limited	Hong Kong	7/28/2015	B+
PT Japfa Comfeed Indonesia Tbk	Indonesia	7/31/2015	B
PT Gajah Tunggal Tbk.	Indonesia	8/4/2015	B
Greenland Holding Group Company Ltd.	China	8/19/2015	BBB-
Woolworths Ltd.	Australia	8/27/2015	BBB+
EMECO Holdings Ltd.	Australia	8/28/2015	B-
Tronox Ltd.	Australia	9/1/2015	BB-
Mongolian Mining Corp.	Mongolia	9/2/2015	CCC
Toshiba Corp.	Japan	9/9/2015	BBB-
Amtek Global Technologies Pte Ltd.	Singapore	9/15/2015	CCC+
Japan	Japan	9/16/2015	A+
MassMutual Life Insurance Co. (Massachusetts Mutual Life Insurance Co.)	Japan	9/17/2015	A+
Mizuho Financial Group Inc.	Japan	9/17/2015	A-
Electric Power Development Co. Ltd	Japan	9/17/2015	A-
Narita International Airport Corp.	Japan	9/17/2015	A+
Sumitomo Mitsui Financial Group Inc.	Japan	9/17/2015	A
Sumitomo Mitsui Trust Bank (Sumitomo Mitsui Trust Holdings)	Japan	9/17/2015	A
Development Bank of Japan Inc (Japan)	Japan	9/17/2015	A
Japan Housing Finance Agency (Japan)	Japan	9/17/2015	A+
Tokio Marine & Nichido Fire Insurance Co. Ltd. (Tokio Marine Holdings Inc.)	Japan	9/17/2015	A+
Okinawa Electric Power Co. Inc.	Japan	9/17/2015	A+
Shinkin Central Bank	Japan	9/17/2015	A
Norinchukin Bank	Japan	9/17/2015	A
Seven Bank Ltd. (Seven & I Holdings Co. Ltd)	Japan	9/18/2015	A+
Fonterra Co-operative Group Ltd.	New Zealand	10/13/2015	A-
China Fishery Group Ltd.	Hong Kong	10/19/2015	CCC+
Mongolia	Mongolia	11/3/2015	B
PT Alam Sutera Realty Tbk.	Indonesia	11/3/2015	B
Sharp Corp.	Japan	11/4/2015	CCC+
China Shanshui Cement Group Ltd.	Hong Kong	11/6/2015	CC
STATS ChipPAC Ltd.	Singapore	11/6/2015	BB-
PT MNC Investama Tbk.	Indonesia	11/11/2015	B
China Shanshui Cement Group Ltd.	Hong Kong	11/13/2015	D
China Fishery Group Ltd.	Hong Kong	11/26/2015	SD
PT Tower Bersama Infrastructure Tbk.	Indonesia	11/26/2015	BB-
China South City Holdings Limited	Hong Kong	12/9/2015	B
CITIC Securities Co. Ltd.	China	12/14/2015	BBB
Toshiba Corp.	Japan	12/22/2015	BB+
Atlas Iron Ltd.	Australia	12/23/2015	CC

7.12. Asian Defaults, Standard & Poor's, First Quarter 2016

Defaults	Country	Type
Mongolian Mining Corp	Mongolia	Metals and Mining

8. Summary of the Methodologies Adopted for this Report

2. G3 Asia ex Developed Market Asia (Japan, Australia, and New Zealand)

Issuance

Bond transactions are sourced primarily from Dealogic, with supplemental information sourced from Bloomberg. Unless otherwise noted, all issuance are long-term debt. High grade transactions are defined as transactions with a Dealogic "effective" rating of equal or greater than BBB-, and may include unrated transactions based on issuer and desk notes. High yield transactions are defined as transactions with a Dealogic "effective" rating of equal or less than BB+, and may also include unrated transactions based on issuer and desk notes. Unrated deals are those deals with no effective rating from Dealogic.

"All Asia" issuance are defined as being a corporate bond issue having a Dealogic "deal nationality" as within Asia, regardless of market, including domestic. Sovereign, sub-sovereign, medium-term notes, and agencies are also included from issuance, while supranational and ABS/MBS issuers are excluded from issuance. Loans are excluded from issuance as well.

"DM", or Developed Market Asia, include those deals with a Dealogic deal nationality from Australia, Japan, and New Zealand. "Ex DM Asia" will refer to all deals excluding those deals with a Dealogic deal nationality from Australia, Japan, and New Zealand.

G3 deals are defined a subset of deals in "All Asia" that are rank eligible, according to Dealogic's rank eligibility guidelines, with a tranche currency in US dollar (USD), European euro (EUR), or Japanese yen (JPY). There may exist deals within "All Asia" issuance that are denominated in a G3 currency but are not rank eligible and therefore not included in G3 tables but may be included in all other non-G3 exclusive tables.

"LCY", or local currency, are defined as a subset of deals in "All Asia" flagged by Dealogic local currency flag. G3 and LCY deals are not mutually exclusive and may overlap (e.g., in the case of Japanese JPY deals).

All issuance are denoted in USD equivalents based on exchange rates as of the issue date of the bond.

Outstanding

Outstanding figures are sourced from Bloomberg and contain all bonds from its corporate securities database, including private placements. Structured notes and debt secured by assets are excluded. All other criteria hew closely to the criteria for issuance.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

Outstanding G3 deals are defined a subset of deals in "All Asia" that are rated with at least one rating by one of the four rating agencies: Fitch Ratings, Moody's, Standard & Poor's, or DBRS; and denominated in US dollar (USD), European euro (EUR), or Japanese yen (JPY). Deals that are not rated by one of the four rating agencies (those deals with a Bloomberg composite rating of "NA") are excluded. The "NA" exclusion is due to overlap between rank ineligible deals and those deals with no rating; a close analysis of the data reveals that

the figures for data excluding “rank ineligible” deals and the figures for data excluding data rated N.A. in Bloomberg are similar.

2.1., 2.3, 2.5., 2.7., 2.9., 2.11., 2.13., 2.15., 2.17., 2.18.

Data are sourced from Dealogic.

Issuance by country is determined by Dealogic's deal nationality.

Issuance by tenor is determined by years of maturity at issuance.

Issuance by sector is defined by Dealogic's General Industry Group ("GIG") groupings and are not analogous to Bloomberg's Sector grouping.

2.2., 2.4., 2.6., 2.8., 2.10., 2.12.

Data are sourced from Bloomberg.

Outstanding by rating are by current composite rating assigned by Bloomberg. Composite ratings by Bloomberg are the average of ratings assigned by Moody's, Standard & Poor's, Fitch Ratings, and DBRS; a minimum of two ratings must be given to a bond before a composite rating is generated. "NR" denotes a bond with a single rating assigned by the four rating agencies, whereas "NA" denotes a bond with no rating from any of the four.

Outstanding by tenor are based on current tenor as quarter-end. "Other" includes those bonds with no listed maturity date and perpetuals.

3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

3.1. - 3.4.

Issuance data are sourced from Dealogic according to the criteria outlined in Section 1. Outstanding data are sourced from Bloomberg according to the criteria outlined in Section 1.

4. All Asia

4.1. – 4.9.

Issuance data are sourced from Dealogic according to the criteria outlined in Section 1. Outstanding data are sourced from Bloomberg according to the criteria outlined in Section 1.

5. Domestic CNY

Issuance

Bond transactions for CNY are sourced from Dealogic and are defined as all issued debt denominated in renminbi (CNY) and in the domestic debt markets. CNY-denominated deals issued in the euro, foreign, or international markets are excluded. There are no restrictions on deal type and will include supranationals, medium-term notes, money market notes, securitisations, and commercial paper debt. Due to the lower restrictions in CNY issuance, CNY-denominated deals outside of Section 5 and 6 are a subset of the deals contained in Section 5 and 6.

Outstanding

Bond transactions for CNY are sourced from Bloomberg and are defined as debt denominated in CNY and issued in the domestic or domestic MTN markets. CNY-denominated deals issued in the euro, foreign, or international debt markets are excluded. Deals include corporate high grade bonds, high yield bonds, medium-term notes, money market and commercial paper debt. The combination of CNH and CNY debt exclude a small minority of dual-currency deals that are non-domestic, non-dim sum debt.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

5.1. – 5.8.

Issuance data are sourced from Dealogic in accordance to the criteria specified in Section 5. Outstanding data are sourced from Bloomberg in accordance to the criteria specified in Section 5.

6. CNH

Issuance

Bond transactions for CNH are sourced from Dealogic and are defined as all debt denominated in renminbi (CNY) issued and in the euro, foreign, or international debt markets. CNY-denominated deals issued in the domestic market are excluded. There are no restrictions on deal type and will include supranationals, medium-term notes, money market notes, securitisations, and commercial paper debt. Due to the lower restrictions in CNH issuance, CNH-denominated deals outside of Section 5 and 6 are a subset of the deals contained in Section 5 and 6.

All issuance are denoted in USD equivalents based on exchange rates as of the issue date of the bond.

Outstanding

Bond transactions for CNH are sourced from Bloomberg and are defined as debt denominated in CNY and issued in the euro, foreign, or international debt markets. CNY-denominated deals issued in the domestic market are excluded. Deals include corporate high grade bonds, high yield bonds, medium-term notes, money market, securitisations, and commercial paper debt. The combination of CNH and CNY debt exclude a small minority of dual-currency deals that are non-domestic, non-dim sum debt.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

6.1. – 6.8.

Issuance data are sourced from Dealogic in accordance to the criteria specified in Section 4. Outstanding data are sourced from Bloomberg in accordance to the criteria specified in Section 6.

7. Spreads, Credit Quality & Total Return

7.1. – 7.2. Global Corporate Spreads

High grade and high yield US and European corporate spreads are sourced from Bank of America-Merrill Lynch (BAML) indices. Spreads are over government debt.

US high grade spreads are sourced from BAML's US Corporate Index (C0A0) and tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of USD 250 million. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities, including those with automatic principal write-down provisions, are included in the index provided they do not have an automatic common equity conversion, unless the conversion is activated by a regulatory authority in which case they are included. Other hybrid capital securities, such as those that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized

corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

European high grade spreads are sourced from BAML's Euro Corporate Index (ER00) and tracks the performance of EUR denominated investment grade corporate debt publicly issued in the Eurobond or Euro member domestic markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of EUR 250 million. Original issue zero coupon bonds and pay-in-kind securities, including toggle notes, are included in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities are included in the index provided they do not have an automatic common equity conversion feature; these securities with triggers activated by a regulatory authority, including conversions into equity, qualify for inclusion. Also qualifying for inclusion are contingent capital securities with principal write-down triggers. Hybrid capital securities qualify for the index, including those potentially converting into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms. Euro legacy currency, equity-linked and securities in legal default are excluded from the Index. Securities issued or marketed primarily to retail investments do not qualify for inclusion in the index.

US high yield spreads are sourced from BAML's US High Yield Index (H0A0) and tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $100 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities, including those with automatic principal write-down provisions, are included in the index provided they do not have an automatic common equity conversion, unless the conversion is activated by a regulatory authority in which case they are included. Other hybrid capital securities, such as those that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

European high yield spreads are sourced from BAML's Euro High Yield Index (HE00) and tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance. In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of EUR 100 million. Original issue zero coupon bonds, "Global"

securities (debt issued simultaneously in the Eurobond and euro domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities are included in the index provided they do not have an automatic common equity conversion feature; these securities with triggers activated by a regulatory authority, including conversions into equity, qualify for inclusion. Also qualifying for inclusion are contingent capital securities with principal write-down triggers. Hybrid capital securities qualify for the index, including those potentially converting into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms. Euro legacy currency, equity-linked and securities in legal default are excluded from the Index. Securities issued or marketed primarily to retail investments do not qualify for inclusion in the index.

Asian high grade and investment grade spreads are sourced from J.P. Morgan's Asia Credit Index (JACI) and tracks the performance of USD-denominated Asian debt in the Asian ex-Japan region. Qualifying countries are those Asian region excluding Japan, including: China, Hong Kong, Indonesia, India, South Korea, Sri Lanka, Mongolia, Macao, Malaysia, the Philippines, Pakistan, Singapore, Thailand, Taiwan and Vietnam. Minimum deal sizes are $150 million and at least 12 months to final maturity at time of issuance. Fixed and floating rate instruments, and debt issued by sovereign, quasi-sovereign and corporate entities qualify for inclusion. Convertible bonds do not qualify for inclusion in the index.

7.3. China Interbank AAA Yield Curve

The curve is comprised of yuan-denominated fixed-rate corporate bonds that are traded on the China Interbank exchange. The bonds are rated AAA by local rating agencies. The values for the points on the curve are contributed by China Government Securities Depository Trust & Clearing Co Ltd (CDC).

7.4. – 7.6. China CNH Yield Curves

The securities underlying this curve are a subset of CNH data and sourced from Bloomberg; please see section 6 for more details regarding criteria. Ratings are determined by Bloomberg composite rating. Curves are fitted using Nelson-Siegel regression on mid-yield to maturity of underlying bonds.

7.7. – 7.8. Total Return (Quarter-End and YTD)

Total return data are sourced from various global bond and equity, including, but not limited to: the Bank of America-Merrill Lynch, Standard & Poor's, J.P. Morgan, and MSCI,

7.9. – 7.11. Asian Issuer Rating Actions

European issuer upgrades and downgrades are sourced from S&P. and are a combination of both emerging market, Japan, Australia, and New Zealand rating actions. Multiple upgrades or downgrades of a single issuer are counted separately. Rating actions are inclusive of both corporate (both credit, policy, or merger-related) as well as sovereign ratings.

Due to publication timing, these data set may run on a quarter lag.

7.12. Asian Issuer Defaults

European issuer upgrades and downgrades are sourced from S&P and are a combination of both emerging market, Japan, Australia, and New Zealand defaults reported. Defaults are inclusive of both corporate (both credit, policy, or merger-related) as well as sovereign defaults.

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9. Disclaimer

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