



ASIA CREDIT REPORT First Quarter 2015

PREPARED IN PARTNERSHIP WITH



ASIFMA is an independent, regional trade association with over 60 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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2. G3 Asia ex Developed Market Asia (Japan, Australia and New Zealand)

Market Overview and Highlights of Asia (ex-Japan, Australia and New Zealand) debt issuance in First Quarter 2015

Total issuance in 1Q'15 came in at USD 49.0 billion (bn) as of March 31, up 2.3% quarter-over-quarter (qoq) from 4Q'14 (USD 47.9bn) and up 22.7% year-over-year (yoy), inclusive of high grade (HG), high yield (HY), and unrated deals. Notably, Asian EM G3 issuance volumes have held up at a time when EM issuance overall is down sharply in 1Q'15 on account of a relative paucity of issuance in Latin America (Brazil in particular) and sanctions on Russia also adversely impacting issuance from that country.

Key highlights of the quarter were as follows:

- 1) HG issuance (just shy of USD 40bn) easily outpaced HY issuance which at USD 6.12bn fell to just 12.5% of total Asia ex-Japan, Australia and New Zealand debt issuance, down from 15.4% in all of 2014 (USD 30.16bn of a total of USD 195.96bn in issuance last year was accounted for by HY paper). Continuing concerns about the Chinese property sector, coupled with steeply lower commodity prices, dampened investor enthusiasm for HY bonds. There is some evidence of this changing as the second quarter of 2015 gets under way, as Chinese property names have returned to the markets. Moreover, a flurry of expected Chinese bank Tier 2 and AT1 issuance could also help revive HY bond issuance in the second quarter.
- 2) At just shy of 50%, Chinese G3 issuance dominated total Asia ex-Japan, Australia and New Zealand issuance, as Chinese HG issuers offset the decline in Chinese HY bonds. More interestingly, the composition of Chinese HG issuance is also changing, with issuers other than the state-owned behemoths also tapping the market. The largest Chinese G3 bond issue during the quarter – the two-tranche USD 2.0bn issue by Chinese internet giant Tencent Holdings – demonstrates that investment opportunities in the China technology space continue to expand (the USD 8.0bn multi-tranche issue by e-commerce behemoth Alibaba last year was the largest in this sector).
- 3) Looking ahead, while Chinese issuers are likely to dominate issuance overall, we do expect HG issuance out of Korea to pick up – Korean banks and quasi-sovereigns are likely to be more active in the second quarter, compared to a relatively muted first quarter. Other non-Chinese HG issuance highlights during 1Q'15 include the largest Asian G3 deal for the quarter, the Petronas USD 5bn bond/sukuk deal. Yet another Malaysian issue that has made headlines is the recently concluded USD 1.5bn 30y sovereign sukuk – the first ever such issue by a sovereign.

In terms of total return, on a quarterly basis, Asian IG debt outperformed Asian HY paper, with HY paper reporting gains in 1Q'15 (1.98% total return), while HG gained 2.5% during the quarter due to a variety of factors – US treasuries accounted for a significant proportion of HG gains in 1Q'15, as 10y yields declined from just shy of 2.20% at the end of 2014 to 1.93% as of March 31, 2015.

Going into 2Q'15, we do believe that investors will find it increasingly challenging to generate positive alpha – while yields on sub-investment grade paper increasingly look attractive (with the opposite being the case for HG in general), increasing uncertainty following the formal default of a leading Chinese property sector issuer could lead to investors turning increasingly selective with respect to HY names. On the other hand, the adoption of a totally defensive mindset by focusing exclusively on HG bonds, is also likely to be equally risky, since tail risks arising from a sudden upturn in rates – something that we do not expect to happen immediately – could adversely impact performance in an environment where yields on HG paper are already miniscule.

State of the Asian leveraged loan market

Asian leveraged loan debt, excluding developed market Asia, reached USD 47.44bn in 1Q'15, a 1.4% decline qoq (USD 48.13bn) and a 22.1% decline yoy (USD 60.86bn). Leading sectors in 1Q'15 issuance were from utility & energy (USD 9.89bn), chemicals (USD 8.00bn), and transportation (USD 5.92bn). Sponsored loan deals fell slightly by percentage, representing 1.3% by dollar amount in the first quarter.

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

For the first quarter 2015, total G3 issuance stood at USD 48.99bn, with HG transactions accounting for USD 39.98bn, HY issues accounting for a total of USD 6.12bn, and unrated issues accounting for 2.87bn. China remains the largest issuing country in the first quarter, accounting for a total of USD 22.48bn, or nearly 46%, of G3 issuance in 1Q'15, with USD 16.98bn and USD 4.48bn in HG and HY deals, respectively, priced from China alone. South Korea replaced Hong Kong to be second in issuance with USD 5.17bn, followed by Malaysia with USD 5.00bn in issuance.

During 1Q'15, three sectors between them accounted for the largest share of G3 issuance by sector: finance (USD 16.74bn), oil & gas (USD 7.01bn, and sovereigns (USD 6.0bn).

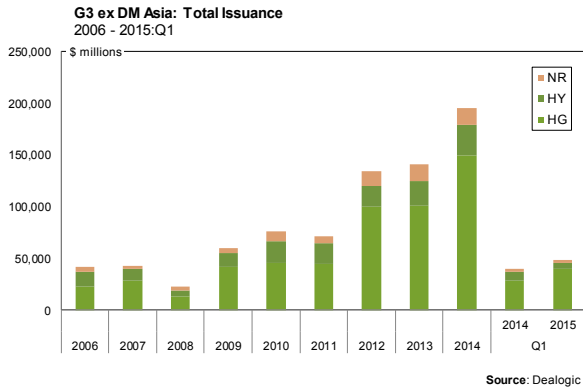
In terms of ratings, within the HG space, A- transactions accounted for the largest share of deals priced during the quarter, with USD 8.54bn in total issuance, followed by A transactions totaling USD 8.43bn and BBB-issuance with USD 6.60bn. As for HY issuance, the BB+ category dominated with USD 1.99bn of issuance, followed by BB rated transactions (USD 1.65bn), then B+ rated transactions (USD 1.48bn).

By tenor, Asia ex-Japan, Australia and NZ G3 deals with tenors of 5 years or less accounted for the bulk of issuance in 1Q'15, with a total of USD 23.98bn in short tenor issues being priced during the quarter. Of these, USD 18.09bn and USD 4.38bn were HG and HY deals, respectively, and the balance unrated.

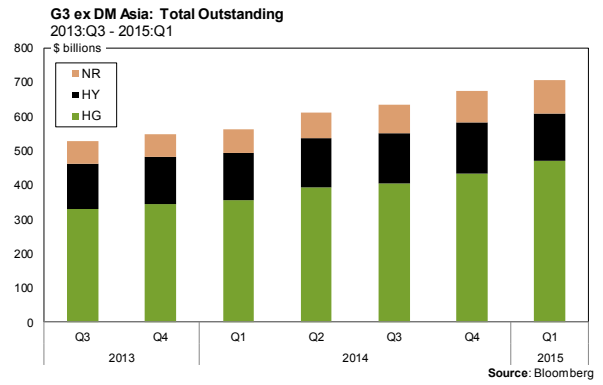
Overall G3 debt outstanding in the region stood at USD 705.65bn, a growth of 4.7% qoq. High grade debt accounted for the bulk of total outstanding debt at USD 469.40bn (a 8.5% growth qoq), followed by HY debt at USD 139.78bn (a decline of 6.0% qoq) and NR debt at USD 96.47bn (a growth of 4.1% qoq). China (with USD 206.5bn), South Korea (with USD 121.2bn) and Hong Kong (with USD 107.7bn) were the three countries with the largest shares of G3 debt outstanding. In terms of ratings, within the HG space, deals rated A+ (USD 101.8bn) accounted for the largest share of debt outstanding, while NR deals (USD 96.5bn) and BB+ transactions (USD 64.5bn) dominated the deals outstanding in the HY space. By sector, financials with a total of USD 184.4bn accounted for approximately a quarter of outstanding G3 paper, with sovereigns (USD 167.0bn) second. Finally, deals with remaining tenors of 5 years or less (USD 277.1bn) accounted for the bulk of total Asia (ex-Japan, Australia and NZ) debt outstanding.

Finally, turning to the LCY debt markets, USD 106.08bn in total LCY-denominated debt was issued in Asia (ex-Japan, Australia & NZ) in 1Q'15, a decline of 33.8% and 37.1%, respectively, from 4Q'14 (USD 160.24bn) and from 1Q'14 (USD 168.63bn). Total LCY debt outstanding at the end of 1Q'15 in Asia (ex-Japan, Australia and NZ) stood at USD 10.28tn, growing by 2.6% qoq, although HG and HY debt outstanding declined 0.4% and 0.2% respectively, while non-rated debt grew 3.2%. China continues to account for the bulk of total outstanding LCY debt at USD 5.67tn, followed by India (USD 1.49tn) and South Korea (USD 1.37tn).

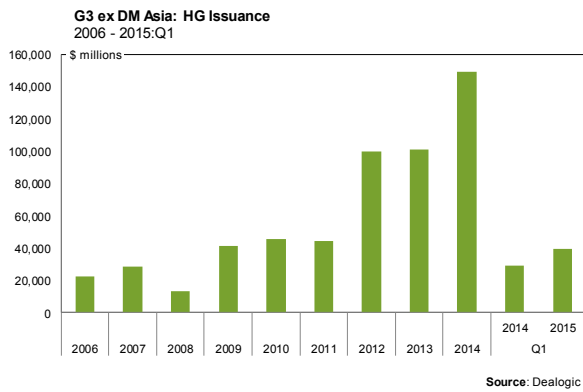
2.1. G3 ex DM Asia: Total Issuance



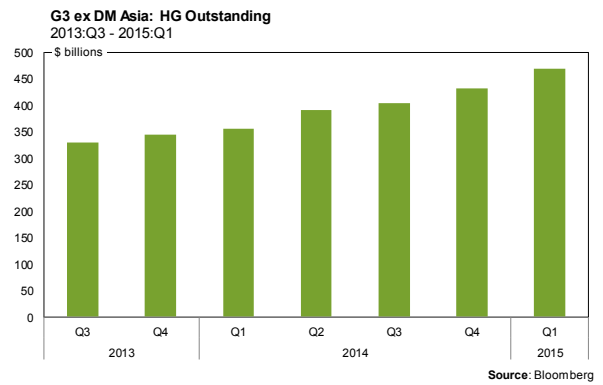
2.2. G3 ex DM Asia: Total Outstanding



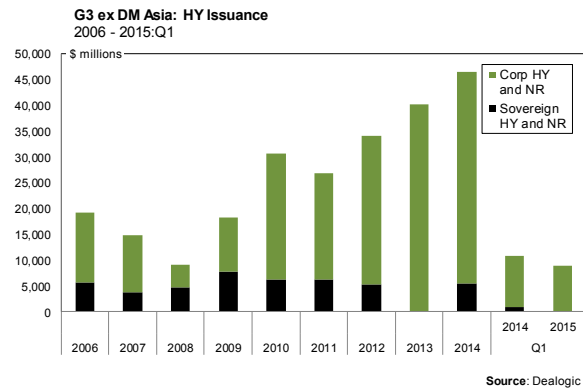
2.3. G3 ex DM Asia: HG Issuance



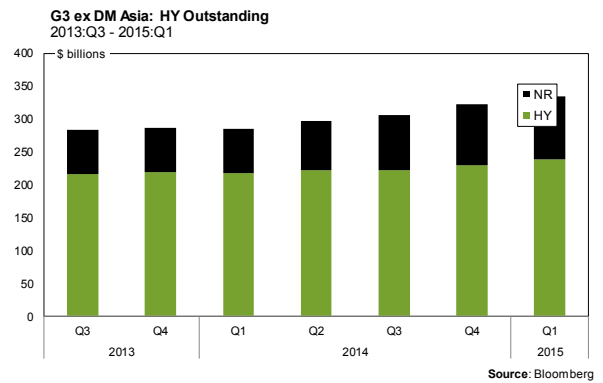
2.4. G3 ex DM Asia: HG Outstanding



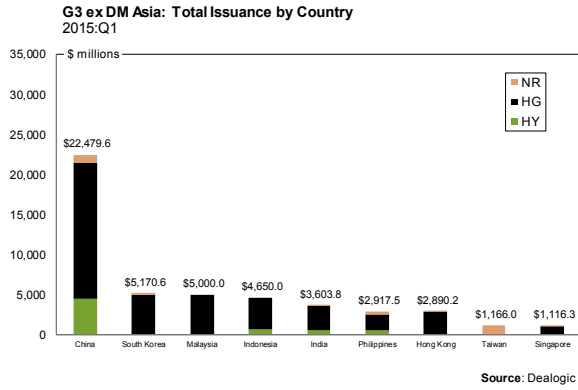
2.5. G3 ex DM Asia: HY Issuance



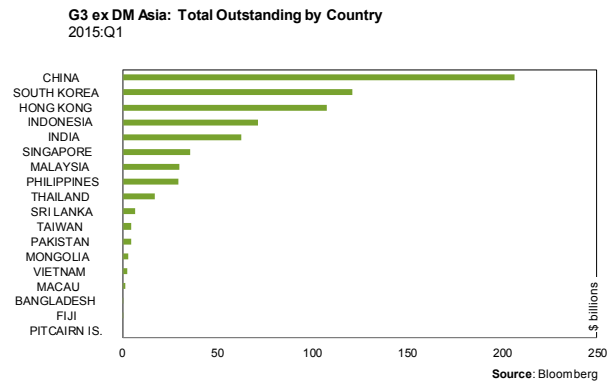
2.6. G3 ex DM Asia: HY Outstanding



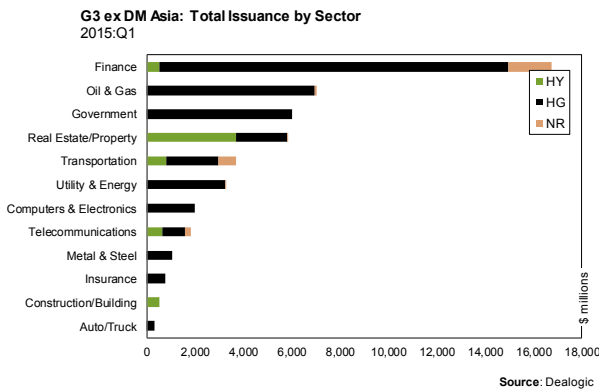
2.7. G3 ex DM Asia: Total Issuance by Country



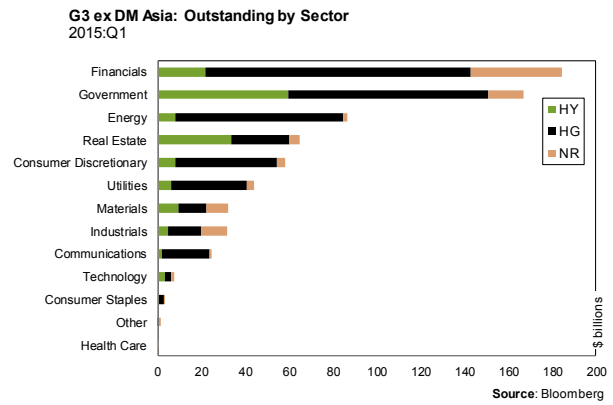
2.8. G3 ex DM Asia: Total Outstanding by Country



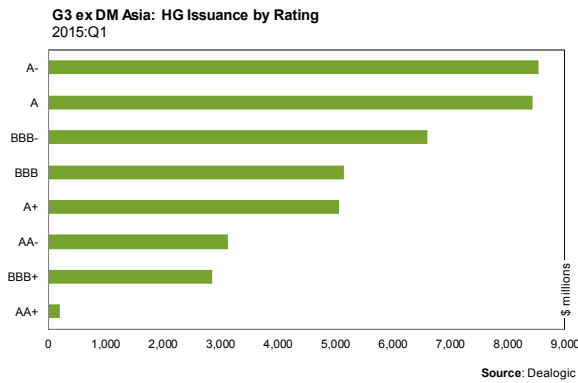
2.9. G3 ex DM Asia: Total Issuance by Sector



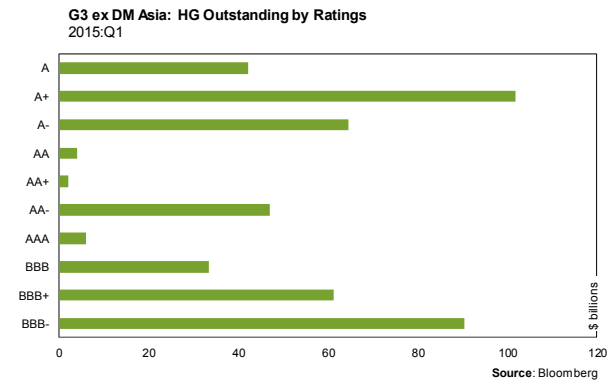
2.10. G3 ex DM Asia: Total Outstanding by Sector



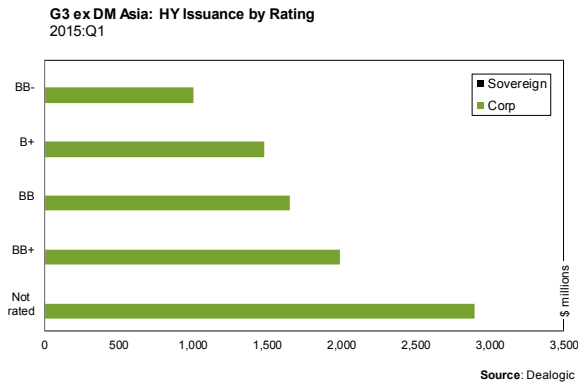
2.11. G3 ex DM Asia: HG Issuance by Rating



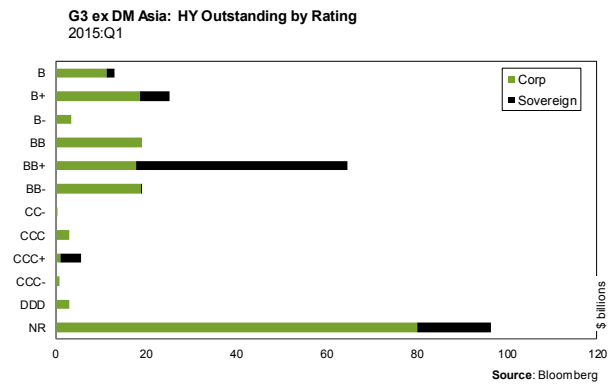
2.12. G3 ex DM Asia: HG Outstanding by Rating



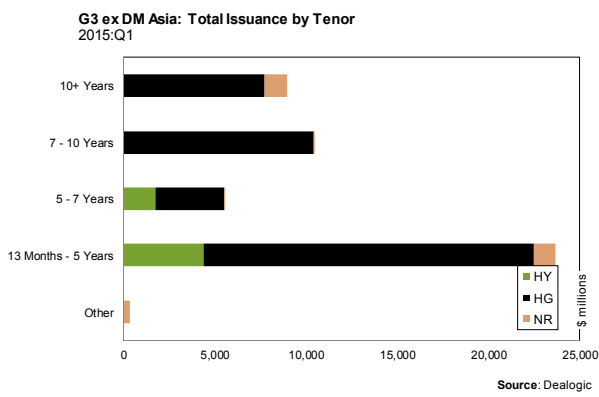
2.13. G3 ex DM Asia: HY Issuance by Rating



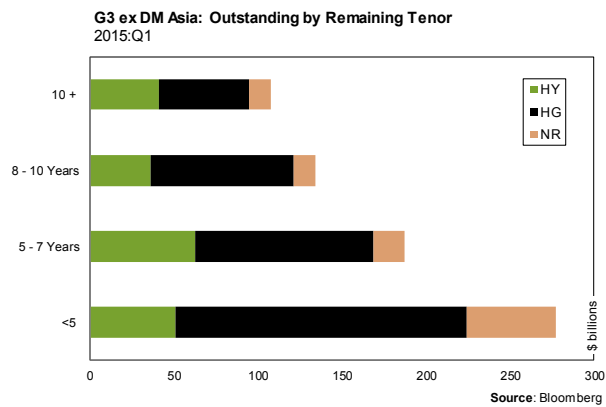
2.14. G3 ex DM Asia: HY Outstanding by Rating



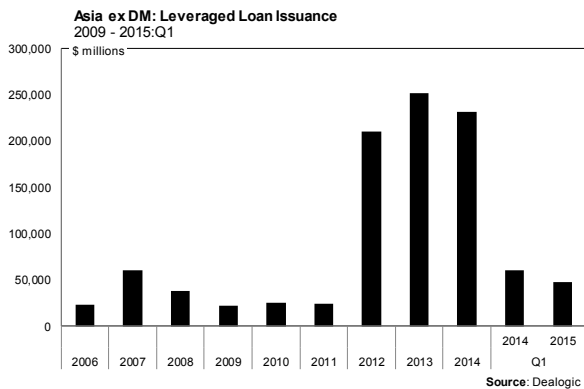
2.15. G3 ex DM Asia: Total Issuance by Tenor



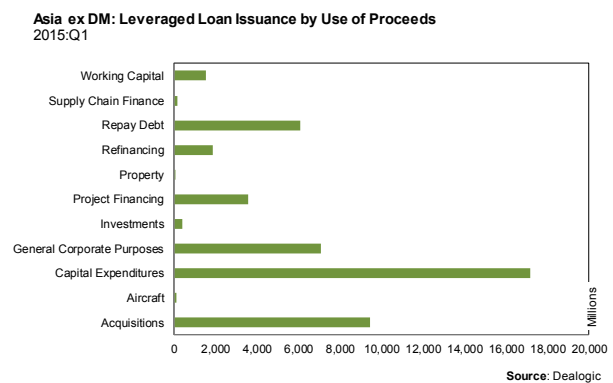
2.16. G3 ex DM Asia: Outstanding by Remaining Tenor



2.17. Asia ex DM: Total Leveraged Loan Issuance

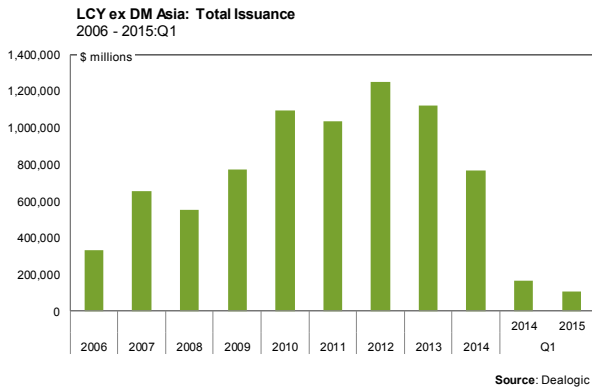


2.18. Asia ex DM: Total Leveraged Loan Issuance by Use of Proceeds

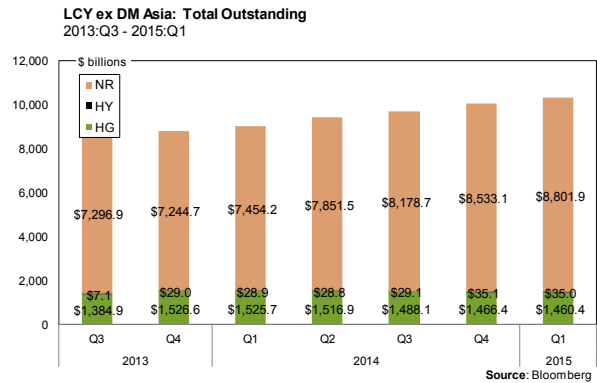


3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

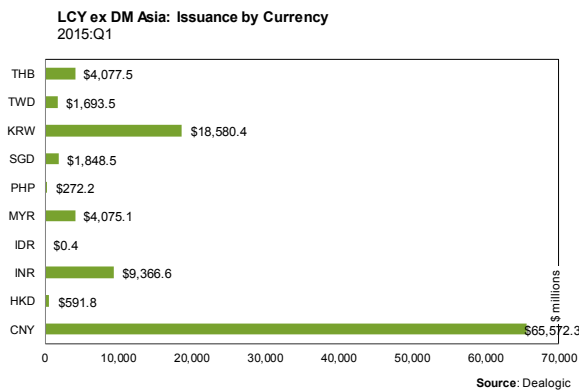
3.1. LCY ex DM Asia: Total Issuance



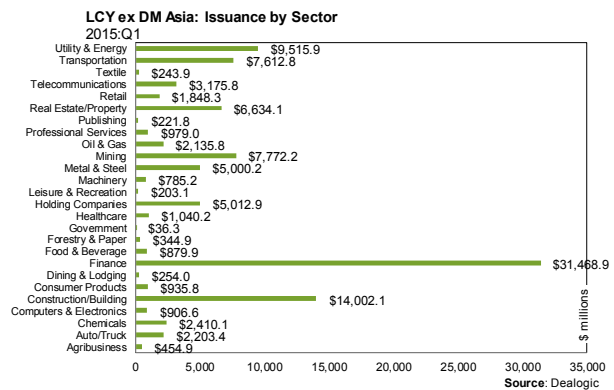
3.2. LCY ex DM Asia: Total Outstanding



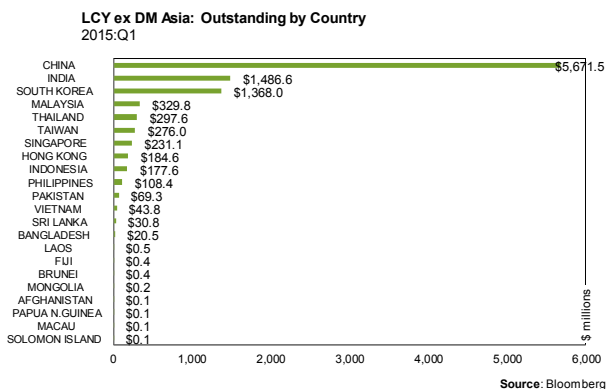
3.3. LCY ex DM Asia: Issuance by Currency



3.4. LCY ex DM Asia: Issuance by Sector



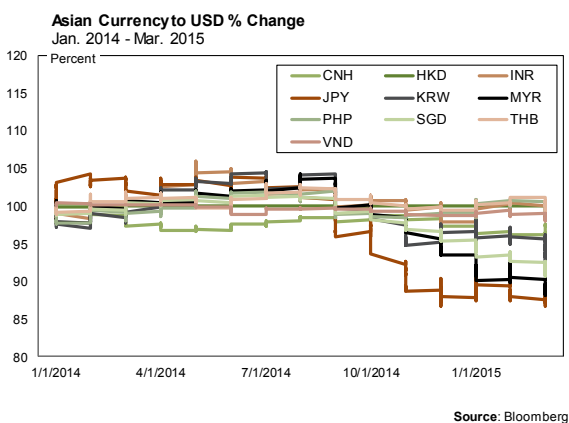
3.5. LCY ex DM Asia: Outstanding by Country



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 130.27bn in the first quarter of 2015, a growth of 20.3% qoq and 11.0% yoy. Total HG G3 issuance in Asia (including Japan, Australia and New Zealand) was USD 94.00bn in the first quarter of 2015, a growth of 29.5% qoq and 1.8% yoy. HY issuance was USD 7.62bn in the first quarter of 2015, a growth of 13.5% qoq but a decline of 13.8%, yoy. Unrated G3 issuance in Asia was USD 28.65bn in the first quarter of 2015, a decline of 1.2% qoq but an increase of 77.3% yoy. Outstanding G3 debt, including developed market Asia, stood at USD 11.98tn at the end of first quarter 2015, a growth of 0.3% qoq, with declines in unrated debt (USD 3.13tn, 4.2% decline) and HY debt (USD 153.33bn, a 20.5% decline) but growth in HG debt (USD 8.70tn, 2.5% growth).



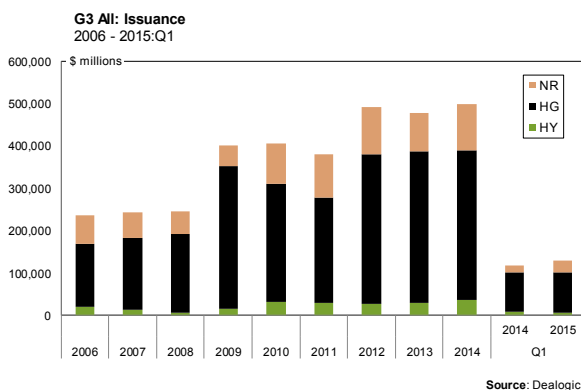
Finally, turning to LCY debt issuance, total HG issuance, including Japan, Australia, and New Zealand, stood at USD 257.30bn in the first quarter of 2015, while HY issuance and unrated issuance combined was USD 133.00bn. These figures were well down on comparable figures of USD 495.06bn on a qoq basis and USD 549.33bn on a yoy basis

The sharp drop in yoy LCY debt issuance overall was driven largely by the across-the board strength in the USD and the general return to favor among investors of the developed markets, at the expense of the EM space – while the strength

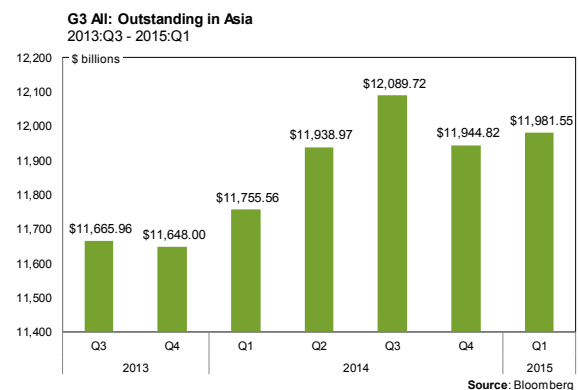
in the USD acted as a catalyst for this development, the re-emergence of a whole host of idiosyncratic risks across a range of EM countries also drove investors to seek refuge in the relative safety of developed markets. This is exemplified by the fact that in a number of developed country bond markets, yields are actually negative (at the short end of the curve) and further out, 10y yields in the sub-10 bps range (seen in German bunds) do not exactly inspire confidence in the “riskier” areas of the global economy.

Even so, our view is that this is a short-term development and the EM economies, Asia in particular, will continue to benefit in relative terms since long term growth prospects for the region in general and China and Indian in particular, remain intact.

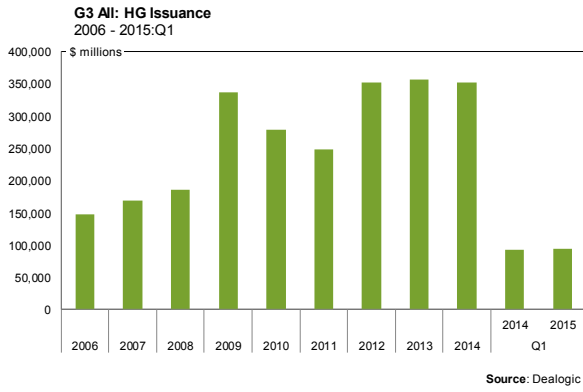
4.1. G3 All: Total Issuance



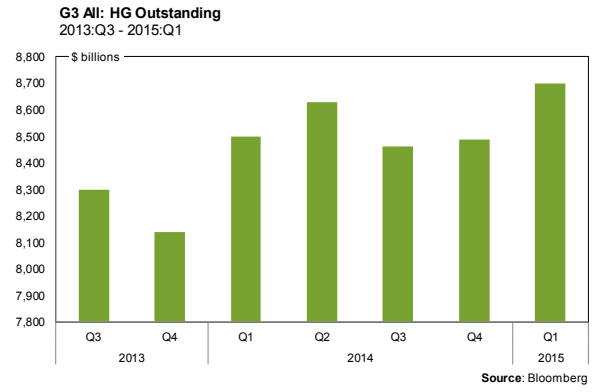
4.2. G3 All: Total Outstanding



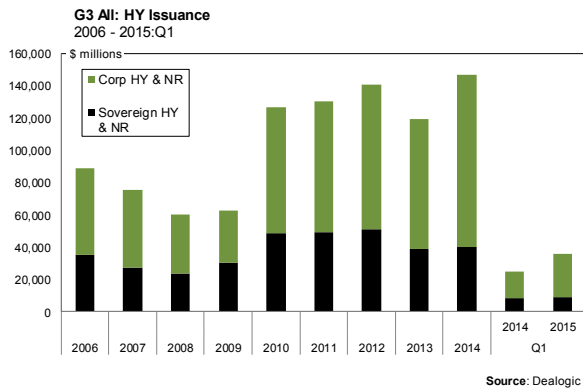
4.3. G3 All: HG Issuance



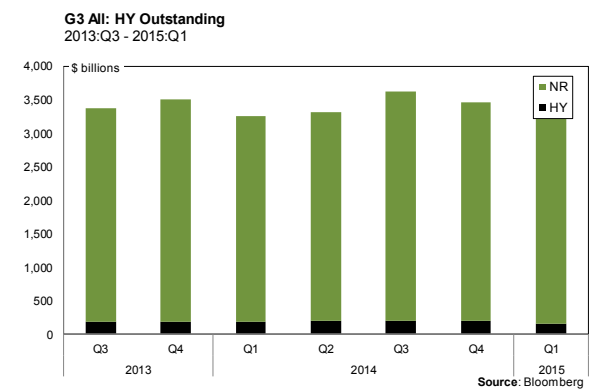
4.4. G3 All: HG Outstanding



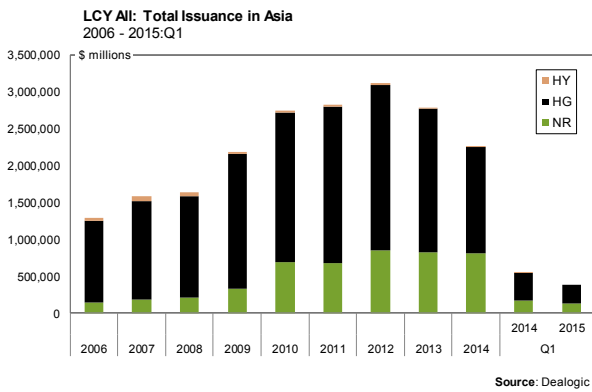
4.5. G3 All: HY Issuance



4.6. G3 All: HY Outstanding



4.7. LCY All: Total Issuance



5. China – Domestic

Total Issuance & Outstanding – Domestic CNY issuance

Total domestic CNY issuance stood at USD 65.34bn in the first quarter of 2015, a decline of 40.7% qoq (USD 110.27bn) and 39.7% yoy (USD 108.29bn). By tenor, 70.0% of first quarter issuance (USD 45.70bn) would mature in five years or less, followed by the 5 – 8 year bucket (USD 11.08bn). By sector, construction led issuance totals (USD 11.84bn), followed by finance (USD 8.80bn).

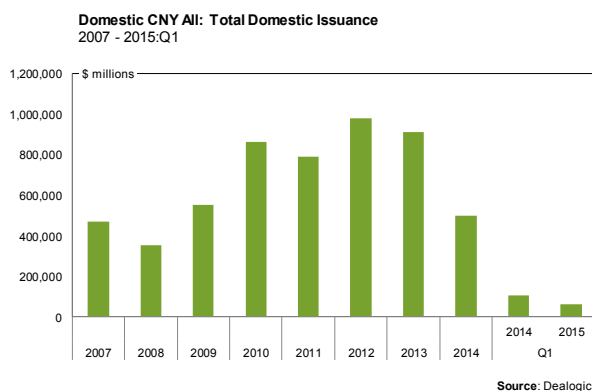
Outstanding domestic CNY debt stood at USD 5.55tn at the end of first quarter 2015, with sovereigns leading totals (USD 3.17tn), followed by financials (USD 1.02tn) and industrials (USD 516.97bn).

A number of factors contributed to the sharp fall in 1Q'15 CNY bond issuance:

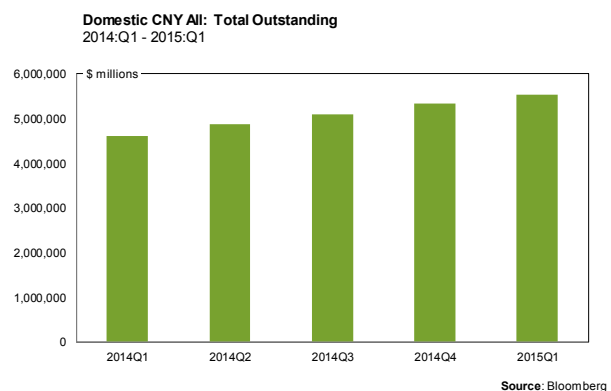
- Despite the slowdown in the Chinese economy in recent months, Chinese investors have re-directed their focus on to the Chinese equity markets (some indices are up over 100% over the past year). This renewed interest in equities at the expense of bonds has led to a reduction in issuance.
- The marked deterioration of credit profiles across a number of issuers, those from the property sector in particular, has also led to a reduction in issuance.
- Some diversion in the fund-raising profile of banks towards higher cost (but also higher quality) equity capital and away from debt (with some of this equity capital also being raised offshore) has also contributed to the fall in bond issuance.
- With the PBOC resorting to means other than open market operations to manage liquidity, this also adversely impacted domestic bond issuance.
- Finally, with liquidity conditions tightening on the back of perceptions of increased default risk, investors in domestic bonds have turned more selective, restricting issuers' ability to tap the domestic bond markets.

Looking ahead though, the outlook for strong CNY bond issuance through the rest of 2015 remains bright – the ongoing reduction in domestic interest rates and reserve ratios, the liberalization of municipal bond and local government issuance (for instance, certain indebted local governments will be allowed to swap their short term loans for long-term debt as a means to term out their repayments thereby easing any liquidity crunch) and finally, the need for a number of domestic PRC banks to refinance maturing debt with Basel III compliant bonds will help support total CNY issuance, going forward.

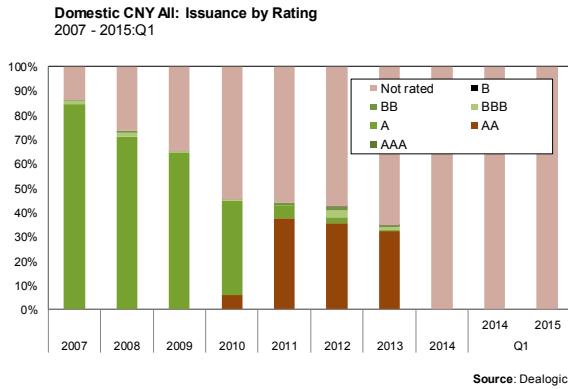
5.1. Domestic CNY All: Total Issuance



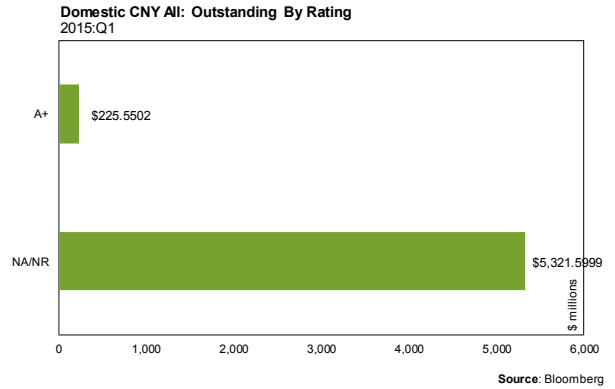
5.2. Domestic CNY All: Total Outstanding



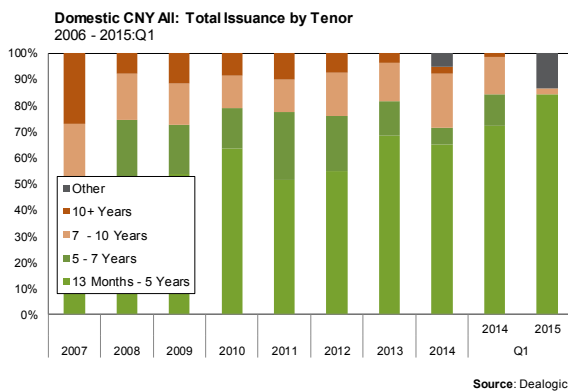
5.3. Domestic CNY All: Issuance by Rating



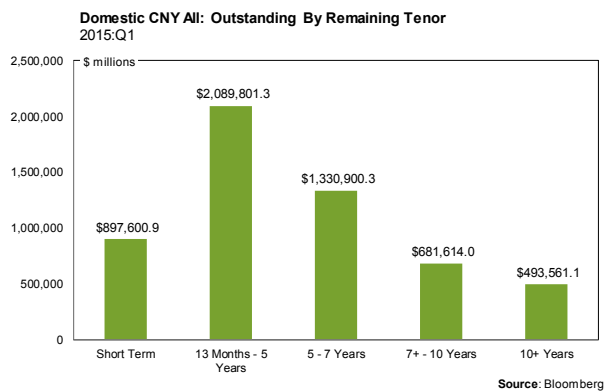
5.4. Domestic CNY All: Outstanding by Rating



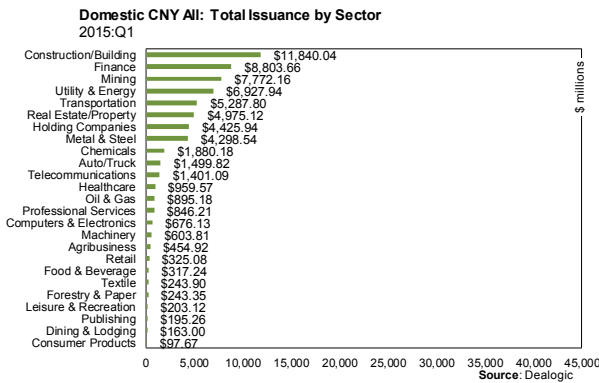
5.5. Domestic CNY All: Issuance by Tenor



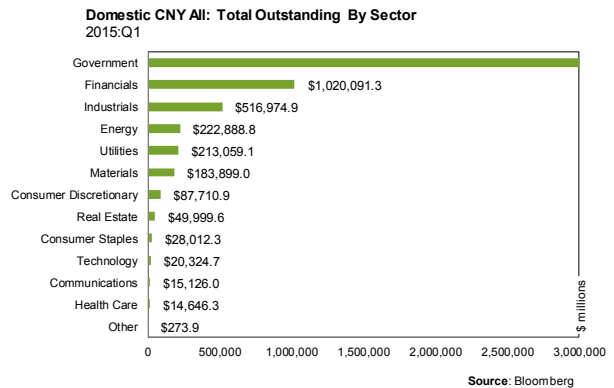
5.6. Domestic CNY All: Outstanding by Remaining Tenor



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 on a yoy basis in the first quarter. For the first quarter of 2015, an equivalent of USD 7.09bn in CNH bonds were issued, a decline of 29.5% qoq and 67.1% yoy. Continued two-way movements in the Chinese currency, the increasing signs of stress in the Chinese HY sector, particularly among Chinese property names, the diversion of some offshore issuance to Taiwan (the Formosa bond market) on account of cheaper funding costs and the continuing liquidity drain caused by the diversion of some of the offshore CNH liquidity to the “Stock Connect” program, all played a part. That said, swap-driven CNH issuance by sophisticated global corporates seeking to take advantage of favorable swap rates back into USD, resulting in lower all-in borrowing costs compared to straight USD funding, offset some of the decline.

In terms of tenor, nearly two-thirds of first quarter 2015 issuance (USD 4.18bn) was accounted for by transactions with tenors of 5-year years or less. HG deals rated A totaling USD 756.9mn had the highest share among rated deals (10.7%). In 1Q'15, finance sector transactions totaling USD 6.65bn accounted for the largest volume of deals by sector (93.7%), followed by transportation, totaling USD 309mn (representing 4.36% of issuance).

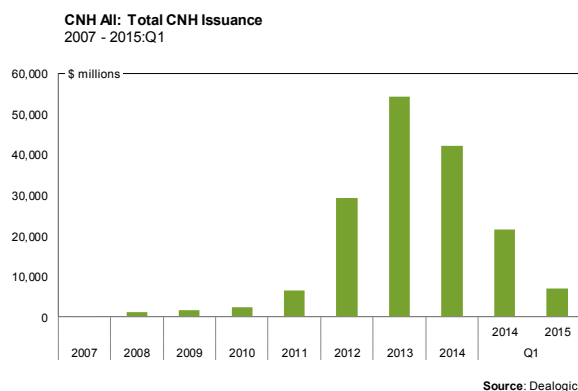
Hong Kong	156.3	Feb-15
Singapore	44.5	Dec-14
Taiwan	51.3	Feb-15
Korea, Republic of	18.6	Feb-15
Luxembourg	11.7	Dec-14
Sources: MAS (Singapore), Standard Chartered (Taiwan), Financial Times (Korea), South China Morning Post/PWC (Luxembourg); Exchange Rate: CNH 6.22 = USD 1.0		

The total of dim sum bonds outstanding stands at USD 92.78bn, a decline of 11.1% qoq. The CNH deposit base in Hong Kong has edged up slightly, to USD 156.3bn at the end of February, 2015 compared to USD 155.9bn at the end of November 2014. However, in LCY terms, it is worth noting that the CNH deposit base of CNH 973.0bn is marginally lower than the CNH 1.0tn figure seen at the end of December.

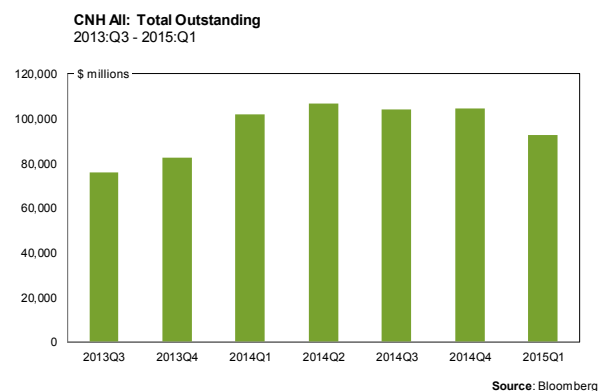
Continued USD strength has led to investors, especially those based in Hong Kong, trimming their overall exposure to the Chinese currency.

The further internationalization of the RMB continues apace – commencing with the “Stock Connect” program, large flows of funds from the mainland to Hong Kong saw the Southbound quota hit its daily limit for the first time (earlier, only a small percentage of the Southbound quota was utilized). This program could now be extended to Shenzhen. Furthermore, the possible extension of the “Connect” program to include fixed income instruments remains an exciting prospect. In other developments, the Chinese authorities have liberalized borrowing requirements for enterprises based in the Shanghai Free Trade Zone (FTZ). These enterprises can now borrow RMB offshore – a further step towards making the RMB more freely convertible.

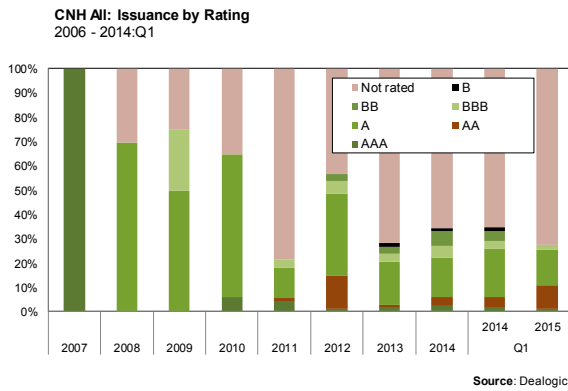
6.1. CNH All: Total CNH Issuance



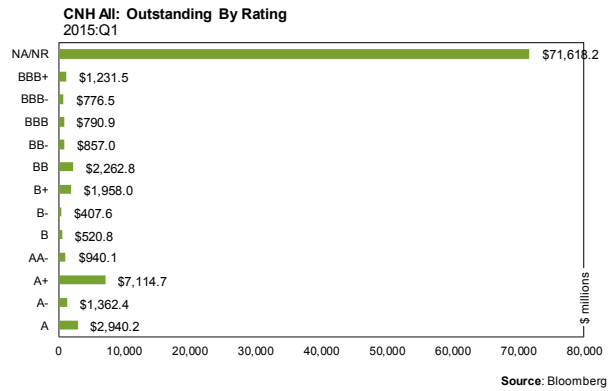
6.2. CNH All: Total Outstanding



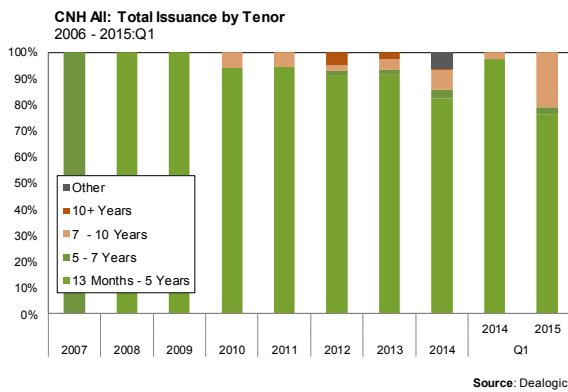
6.3. CNH All: Issuance by Rating



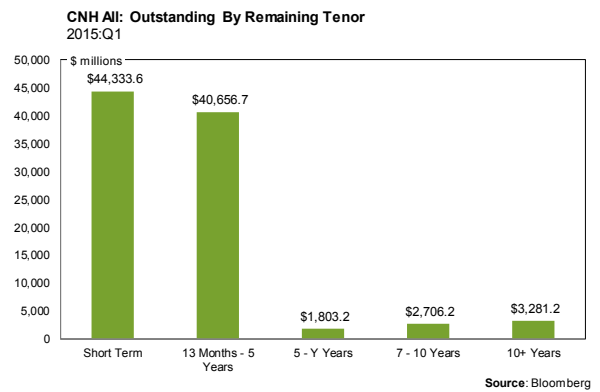
6.4. CNH All: Outstanding by Rating



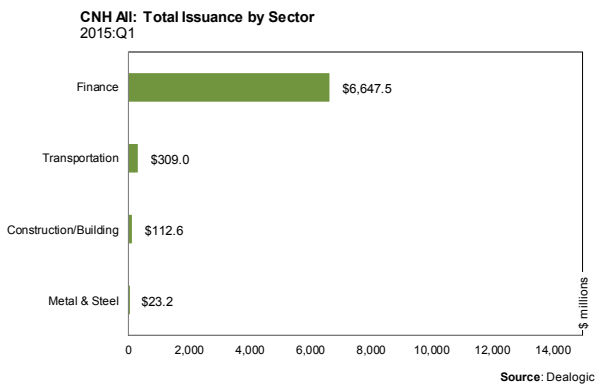
6.5. CNH All: Issuance by Tenor



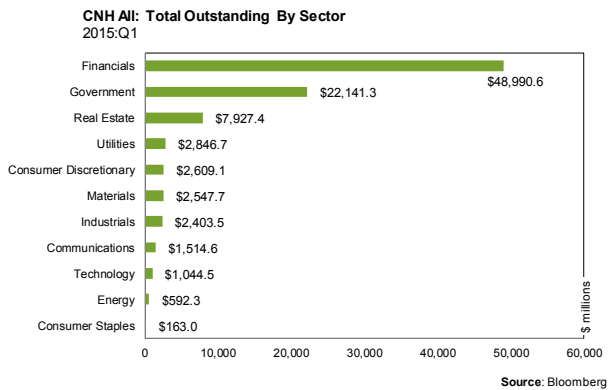
6.6. CNH All: Outstanding by Remaining Tenor



6.7. CNH All: Issuance by Sector



6.8. CNH All: Outstanding by Sector



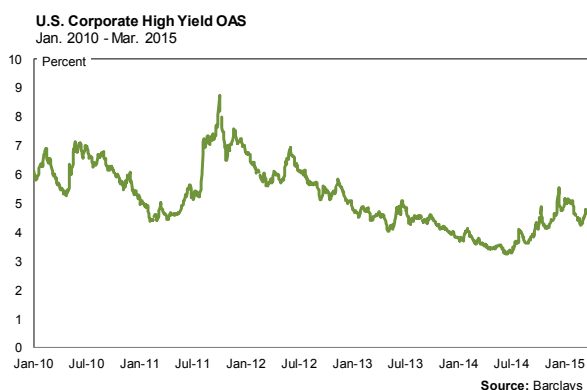
7. Spreads, Credit & Total Return

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

In a trend consistent with previous quarters, Asian bonds continue to trade wider than their US and European counterparts. At the end of 1Q'15, Asian HG bonds on a composite basis were quoted at an average spread of 166.8 basis points (bps), while US and European HG bond issues were quoted at average spreads of 142.5 bps and 95.8 bps respectively. Likewise, in the HY space, Asian HY corporates were quoted at a composite spread of 703.2 bps, but US and European HY bonds were tighter at 482 bps and 399 bps respectively.

In terms of total return in the first quarter, equities led returns, followed by the US and European HY debt, while commodities generally underperformed. Asian HG returned 2.5% in the first quarter, while HY indices gained 1.98%. HY underperformance was once again driven by a multitude of investor concerns; besides the growing concerns around the Chinese property sector referred to earlier, weakness in commodities has also had a negative impact from sub-investment grade issuers out of that sector. On the other hand, continued UST strength and investor preference for the “safer” high grade names has helped underpin the higher-rated credits at the expense of the lower rated ones.

Looking ahead, there is evidence of a clear paradox – which makes forecasting (which even at the best of

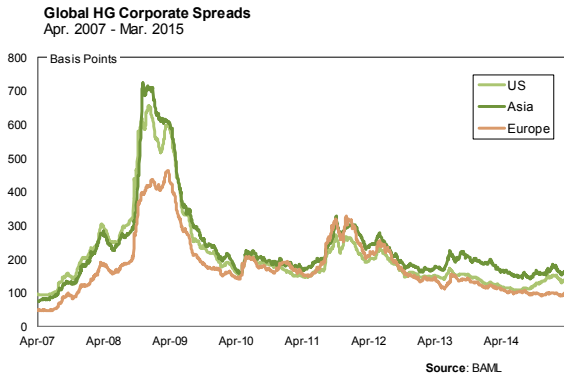


times is fraught with uncertainty) fixed income returns for the rest of 2015 particularly difficult. On the one hand, bond investor risk aversion across geographies and asset classes is very much in evidence (the Barclays US Corporate HY index – a leading HY benchmark – peaked in mid-2014 and spreads on sub-investment grade issues traded at their tightest levels and have since widened out). On the other hand, there is clear evidence that equity investors are embracing risk, driving indices upwards to levels not seen in several years, in some instances (China is one such example), even in situations where GDP growth is underwhelming. Moreover, there are clear indications that the US Federal Reserve is at the very least likely to deliver one rate hike. In the normal course of events, this

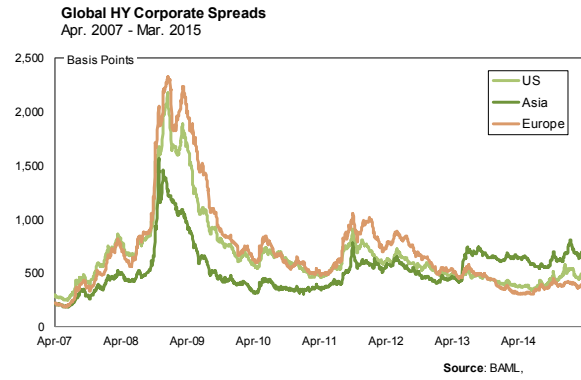
“should” support longer-dated bonds (on curve flattening) at the expense of equities – but it is equally true that the markets are most likely discounting the fact that the Fed’s rate increases if any will likely be very gradual – and moreover, the European and Japanese monetary authorities are still firmly in the quantitative easing (QE) camp. So yes, in this respect at least, “this time is indeed different”.

One possible explanation for this dichotomy between HY bonds and equity is simply this – weakness in HY is sector specific (oil & gas, property, commodities) while strength in equities is broad based and the equity indices overall are masking idiosyncratic sectoral weaknesses. Thus, a safe medium-term bet in our view is that the current trend wherein HG issues continue to benefit at the expense of HY names, is set to continue, at least through the 3rd quarter of 2015, when the Fed’s action (or inaction) will give us an opportunity to re-assess this view.

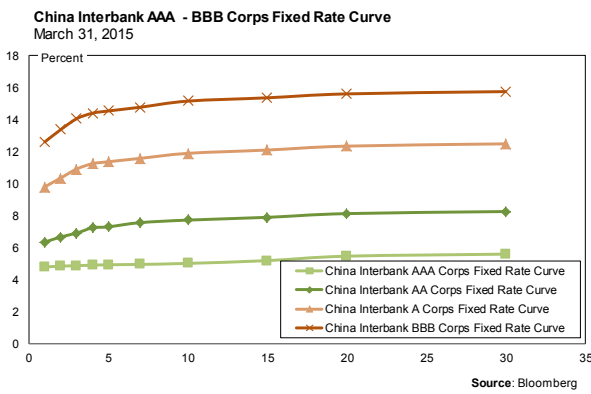
7.1. Global HG Corporate Spreads



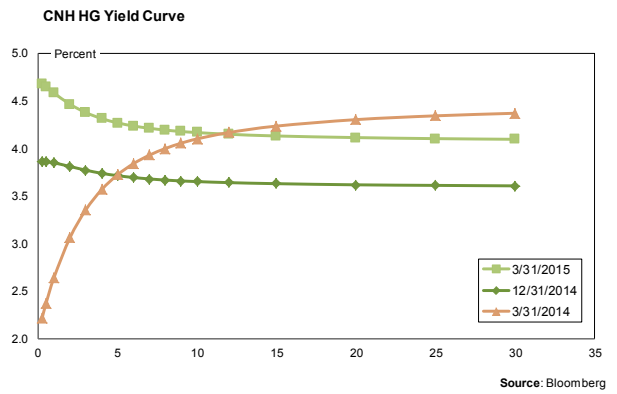
7.2. Global HY Corporate Spreads



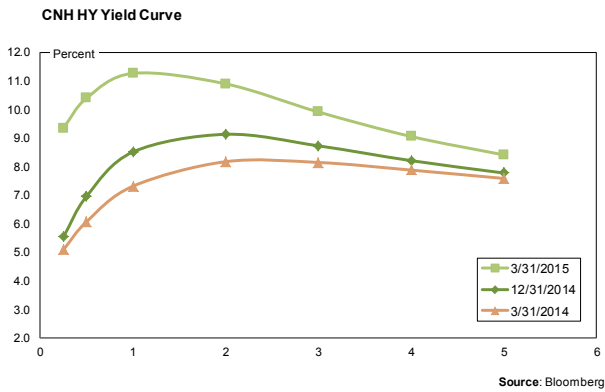
7.3. China Interbank AAA - BBB Corps Fixed Rate Curve



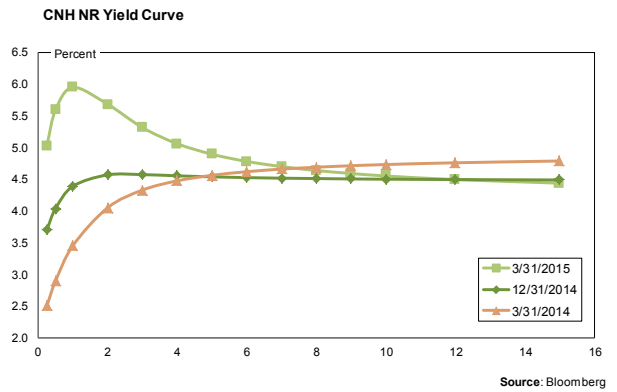
7.4. CNH HG Yield Curve



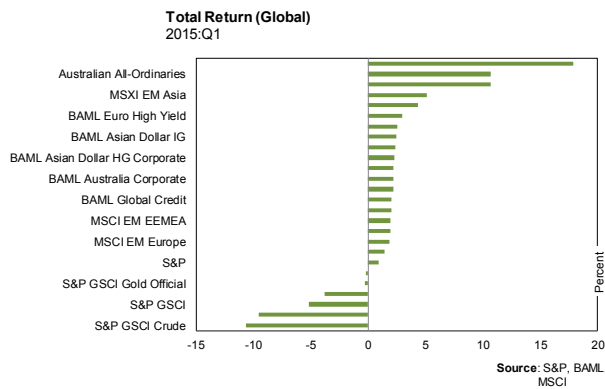
7.5. CNH HY Yield Curve



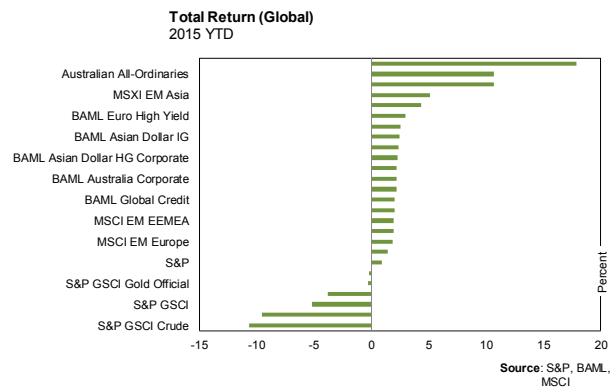
7.6. CNH NR Yield Curve



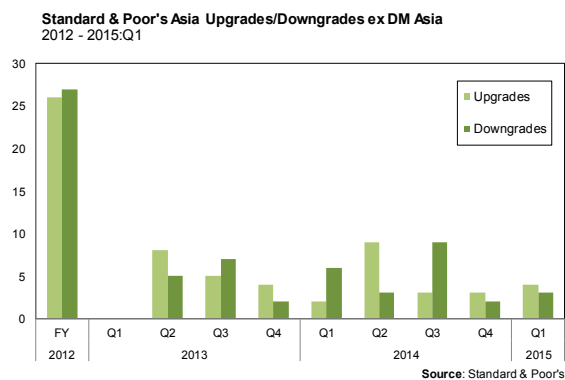
7.7. Global Returns, Quarter-End



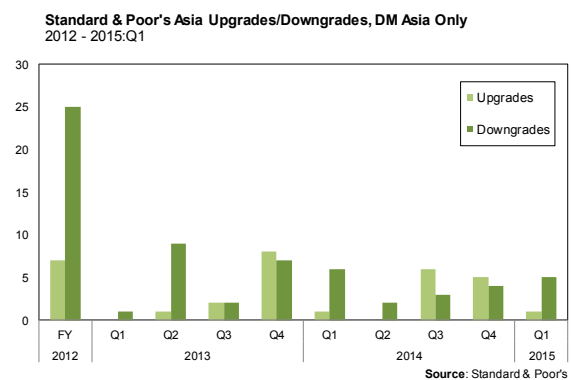
7.8. Global Returns, 2015 Year to Date



7.9. Asia Upgrades / Downgrades ex DM Asia



7.10. Asia Upgrades / Downgrades, DM Asia Only



7.11. Asian Upgrades & Downgrades, Standard & Poor's, First Quarter 2015

Upgrades		Country	Date	Rating
Hyundai Capital Services Inc. (Hyundai Motor Co.)		Korea, Republic of	1/30/2015	A-
Korean Railroad Corp. (Republic of Korea)		Korea, Republic of	1/20/2015	A+
Arysta LifeScience Corp.		Japan	2/19/2015	BB
Hyundai Motor Co.		Korea, Republic of	1/29/2015	A-
BOC Aviation Pte. Ltd. (Bank of China Ltd.)		Singapore	3/19/2015	A-

Downgrades		Country	Date	Rating
Yanlord Land Group Limited		Singapore	3/31/2015	B+
Nippon Telegraph and Telephone Corp.		Japan	1/20/2015	AA-
Sumitomo Corp.		Japan	3/26/2015	A-
Sharp Corp.		Japan	3/3/2015	CCC+
MagnaChip Semiconductor Corp		Korea, Republic of	2/17/2015	B-
Atlas Iron Ltd.		Australia	1/28/2015	B-
Ausdrill Ltd.		Australia	3/20/2015	B+
PT Berau Coal Energy Tbk		Indonesia	1/21/2015	CCC-

7.12. Asian Defaults, Standard & Poor's, First Quarter 2015

Defaults	Country	Type
N/A	N/A	N/A

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.

9. Disclaimer

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