



ASIA CREDIT REPORT
Second Quarter 2015

PREPARED IN PARTNERSHIP WITH



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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 Second Quarter 2015

Total issuance in 2Q'15 came in at USD 63.3 billion (bn) as of June 30, up 28.1% quarter-over-quarter (qoq) from 1Q'15 (USD 49.5bn) but down 6.2% year-over-year (yoy), inclusive of high grade (HG), high yield (HY), and unrated deals. Year to date, issuance was USD 112.8 billion, comprised of USD 92.4bn HG issuance, USD 10.8bn HY issuance, and USD 9.5bn unrated issuance. Notably, Asian EM G3 issuance volumes have held up at a time when EM issuance overall is down sharply in 1H'15 (EMEA and Latin America down 57% and 45% respectively – Thomson Reuters), on a continuation of trends seen in 1Q'15. The continued absence of Brazil and Russia, sustained USD strength and concerns around impending US rate increases have all undermined sentiment towards EM debt in general – Asia is the only part of the EM debt space that remains relatively well underpinned.

Key highlights of the quarter were as follows:

- 1) HG issuance (of USD 52.1bn) easily outpaced HY issuance, which at USD 4.7bn fell to represent just 7.5% by dollar amount of total Asia ex-Japan, Australia and New Zealand debt issuance, down from 12.4% in the first quarter of 2015. Given the dominance of Chinese property sector names in the Asian HY space, a combination of the slowing Chinese economy coupled with a handful of well-publicized defaults by mainland-based issuers dimmed investor appetite for HY bonds. Even so, Chinese issuers continue to dominate overall Asian G3 issuance, on the back of more diverse range of HG issuance in areas such as infrastructure (China Three Gorges Corp) and asset management (China Cinda Asset Management). Additionally, the use of offshore bond markets for acquisition financing by Chinese issuers will help complement the domestic loan markets (where the rules have recently been liberalized by the China Banking Regulatory Commission (CBRC)) as a source of financing.
- 2) Other key trends worth highlighting are as follows:
 - EUR-denominated issuance out of China has surged 600% on a yoy basis (IFR), albeit off a low base. Recent issuers included Beijing Overseas Investment and China Overseas Land & Investment; expectations for continued EUR weakness, coupled with the low absolute level of EUR interest rates, besides attractive swap levels, have served as catalysts.
 - The Asian private banking bid has helped to support Asian G3 debt issuance, even as issuance of EM paper from elsewhere has faltered – this has also ensured that it is possible for issuers to get deals done in the Reg S format alone (without the need for support from US investors in the Rule 144A format).
 - Financial Institution issuance has held up well in 1H'15 – the still-massive requirement for Basel III compliant capital (particularly on the part of Indian and Chinese banks) will ensure that AT1 and T2 capital issuance remains robust – and while a portion of such issuance will be absorbed in the respective countries' domestic markets, the lack of onshore liquidity will drive a large proportion of bank capital issuance offshore.

- 3) Looking ahead, other emerging trends worth noting are a) the possibility that G3 issuance from some countries, Indonesia and Malaysia in particular, will drop sharply on weakness in their local currencies (IDR and MYR); b) emerging sectors which could see issuance include “Green Bonds” (Xinjiang Goldwind is set to issue China’s first green bond) and “Project Bonds” to help finance Asia’s growing infrastructure needs; c) a combination of factors such as i) USD strength ii) attractive swap levels and iii) the opening up of local markets such as the “Formosa Bond” market in Taiwan should help underpin LCY-denominated bond issuance in 2H’15.

The sharp backup in US Treasury yields adversely impacted HG total returns. On a quarterly basis, Asian HY debt outperformed Asian HG paper in a reversal of events in prior quarters, with HY paper reporting gains in 2Q’15 (2.78% total return), while HG lost 1.08% during the quarter.

State of the Asian leveraged loan market

Asian leveraged loan debt, excluding developed market Asia, reached USD 56.3bn in 2Q’15, a 2.4% decline qoq (USD 57.6bn) and a 14.4% decline yoy (USD 65.7bn). Leading sectors in 2Q’15 issuance were from utility & energy (USD 9.0bn), holding companies (USD 5.3bn), and computers & electronics (USD 5.2bn). Sponsored loan deals fell slightly by percentage, representing only 0.6% by dollar amount in the second quarter. Year to date, leveraged loan issuance was USD 113.9bn.

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

For the second quarter 2015, total G3 issuance stood at USD 63.3bn, with HG transactions accounting for USD 52.1bn, HY issues accounting for USD 4.7bn, and unrated issues accounting for 6.5bn. China remains the largest issuing country in the second quarter, accounting for a total of USD 40.8bn, or nearly 65%, of G3 issuance in 2Q’15, with USD 35.0bn and USD 2.5bn in HG and HY deals, respectively, priced from China alone. South Korea continues to remain second in issuance volume with USD 5.4bn, followed by Indonesia with USD 4.4bn in issuance.

During 2Q’15, three sectors between them accounted for the largest share of G3 issuance by sector: finance (USD 18.6bn), oil & gas (USD 12.1bn, and sovereigns (USD 4.5bn).

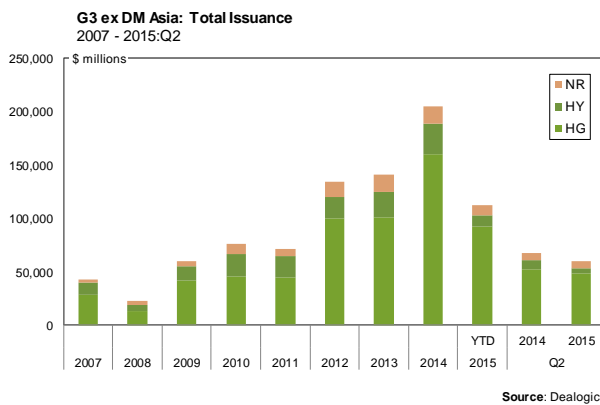
In terms of ratings, within the HG space, AA- transactions accounted for the largest share of deals priced during the quarter, with USD 15.9bn in total issuance, followed by A+ transactions totaling USD 8.3bn and A-issuance with USD 6.4bn. As for HY issuance, the BB- category dominated with USD 1.9bn of issuance, followed by B+ and B-rated transactions (USD 1.1bn).

By tenor, Asia ex-Japan, Australia and NZ G3 deals with tenors of 5 years or less accounted for the bulk of issuance in 2Q’15, with a total of USD 30.6bn in short tenor issues being priced during the quarter. Of these, USD 24.3bn and USD 3.0bn were HG and HY deals, respectively, and the balance unrated.

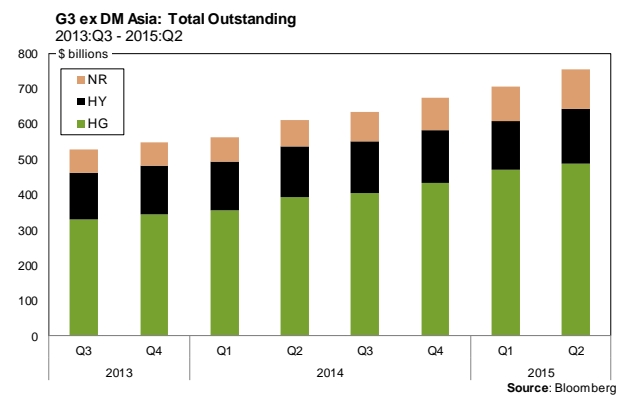
Overall G3 debt outstanding in the region stood at USD 754.1bn, a growth of 6.9% qoq. High grade debt accounted for the bulk of total outstanding debt at USD 487.8bn (a 3.9% growth qoq), followed by HY debt at USD 156.0bn (a growth of 11.6% qoq) and NR debt at USD 110.3bn (a growth of 14.3% qoq). China (with USD 241.4bn), South Korea (with USD 124.8bn) and Hong Kong (with USD 109.1bn) remain the three countries with the largest shares of G3 debt outstanding. In terms of ratings, within the HG space, deals rated A+ (USD 107.2bn) accounted for the largest share of debt outstanding, while NR deals (USD 110.3bn) and BB+ transactions (USD 64.4bn) dominated the deals outstanding in the HY space. By sector, financials with a total of USD 199.8bn accounted for a little over a quarter of outstanding G3 paper, followed by sovereigns (USD 173.6bn). Finally, deals with remaining tenors of 5 years or less (USD 369.4bn) accounted for the bulk of total Asia (ex-Japan, Australia and NZ) debt outstanding.

Finally, turning to the LCY debt markets, USD 184.3bn in total LCY-denominated debt was issued in Asia (ex-Japan, Australia & NZ) in 2Q'15, an increase of 60.8% qoq (USD 114.6bn) but a decline of 16.2% yoy (USD 220.0bn). Year to date, LCY issuance has reached USD 112.8bn and is on track to slightly exceed 2014 volumes. Total LCY debt outstanding at the end of 2Q'15 in Asia (ex-Japan, Australia and NZ) stood at USD 10.93tn, growing by 6.1% qoq, although HG and HY debt outstanding declined 11.6% and 9.8% respectively, while non-rated debt grew 9.1%. China continues to account for the bulk of total outstanding LCY debt at USD 6.21tn, followed by India (USD 1.53tn) and South Korea (USD 1.40tn).

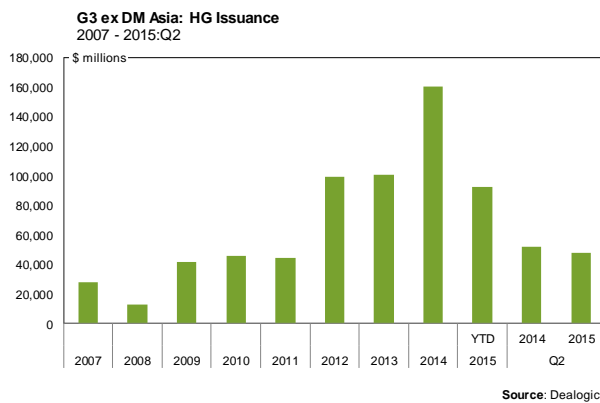
2.1. G3 ex DM Asia: Total Issuance



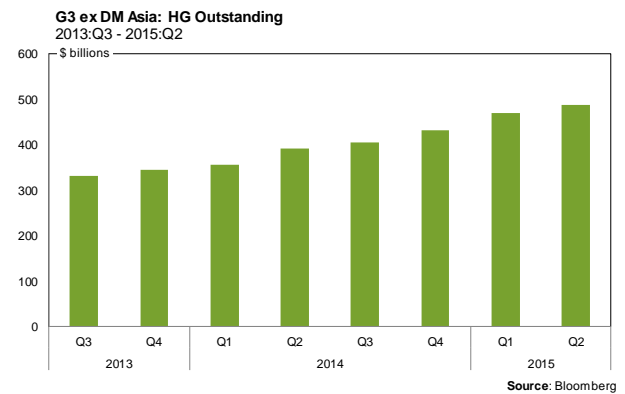
2.2. G3 ex DM Asia: Total Outstanding



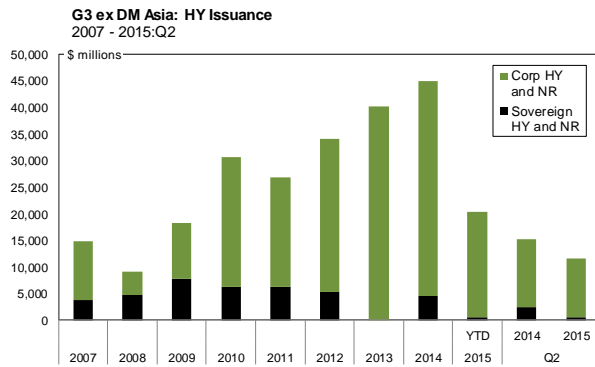
2.3. G3 ex DM Asia: HG Issuance



2.4. G3 ex DM Asia: HG Outstanding

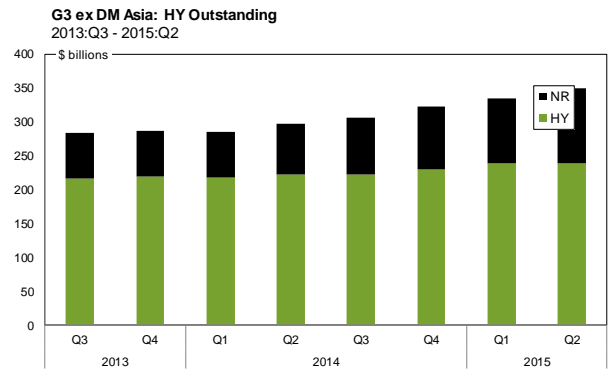


2.5. G3 ex DM Asia: HY Issuance



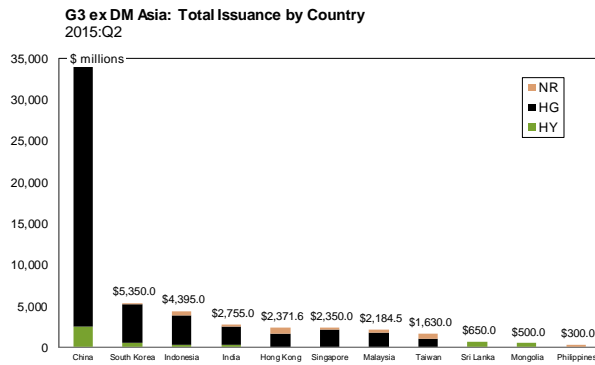
Source: Dealogic

2.6. G3 ex DM Asia: HY Outstanding



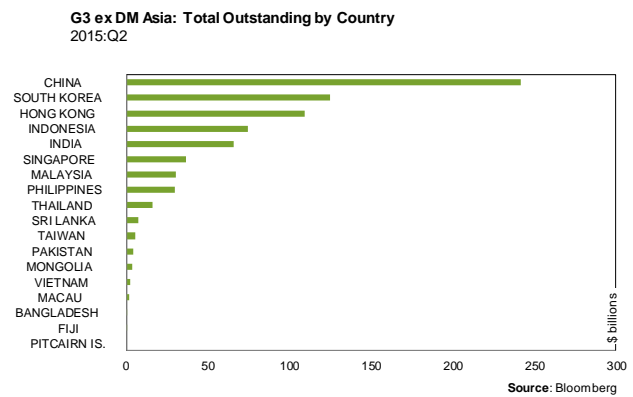
Source: Bloomberg

2.7. G3 ex DM Asia: Total Issuance by Country



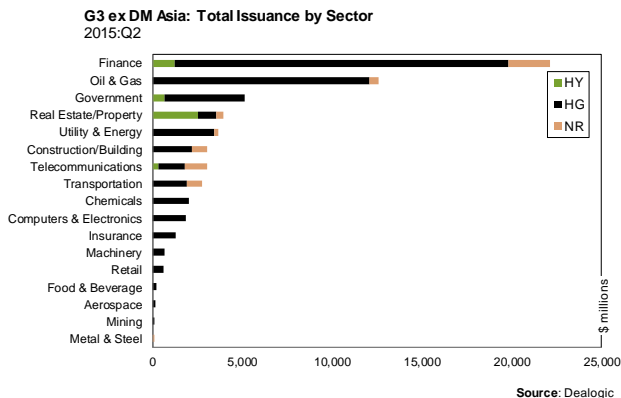
Source: Dealogic

2.8. G3 ex DM Asia: Total Outstanding by Country



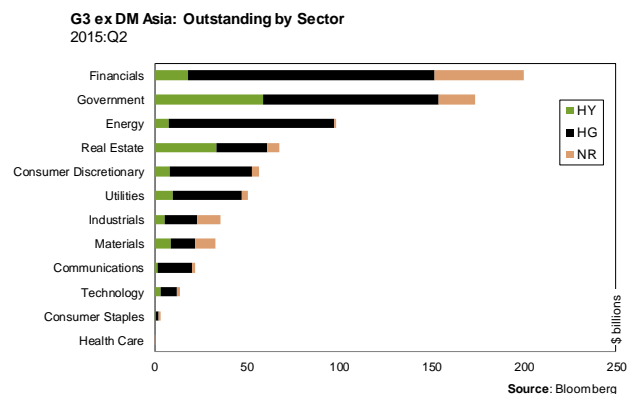
Source: Bloomberg

2.9. G3 ex DM Asia: Total Issuance by Sector



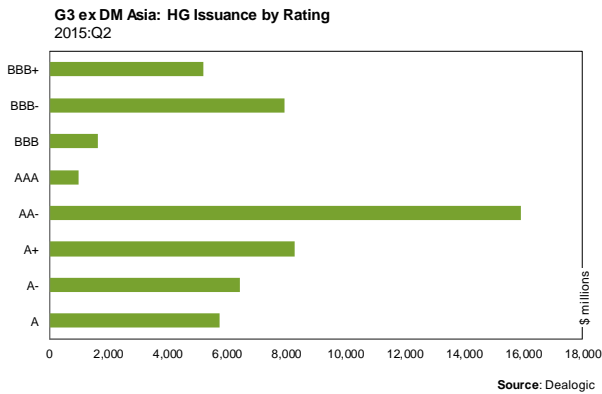
Source: Dealogic

2.10. G3 ex DM Asia: Total Outstanding by Sector

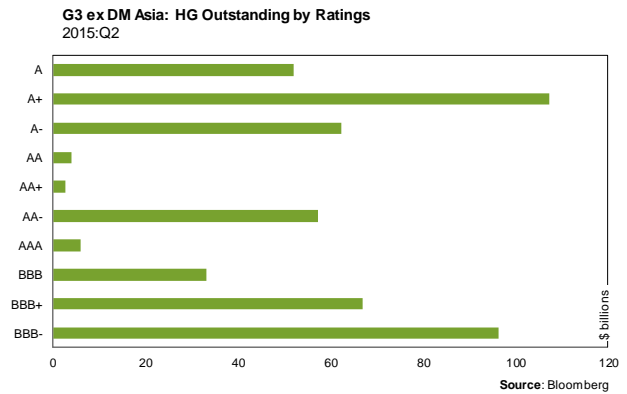


Source: Bloomberg

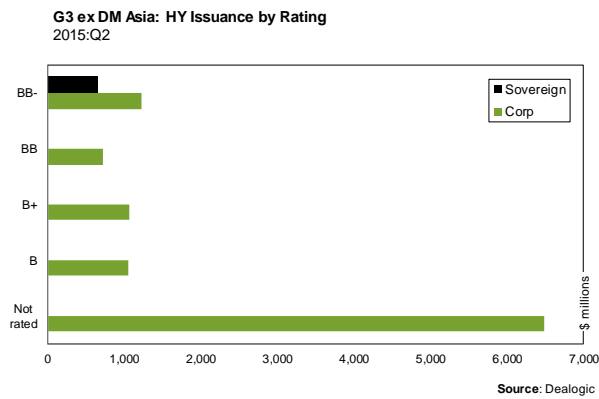
2.11. G3 ex DM Asia: HG Issuance by Rating



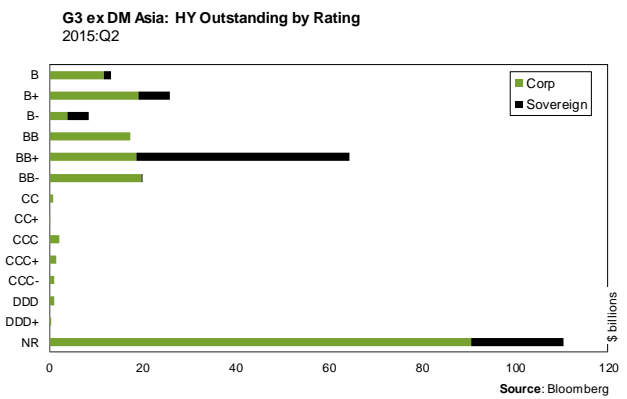
2.12. G3 ex DM Asia: HG Outstanding by Rating



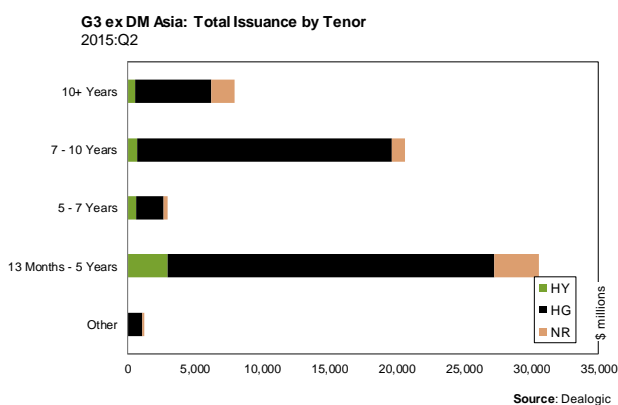
2.13. G3 ex DM Asia: HY Issuance by Rating



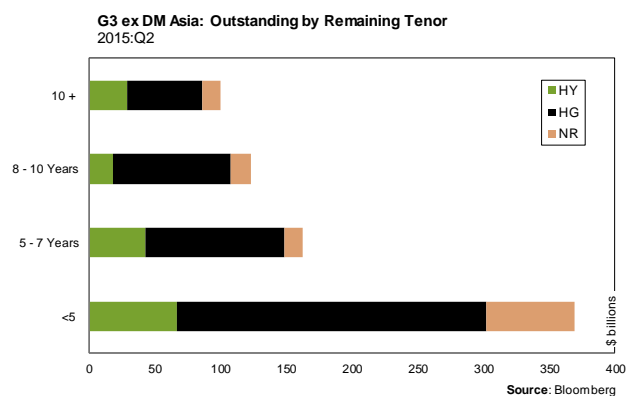
2.14. G3 ex DM Asia: HY Outstanding by Rating



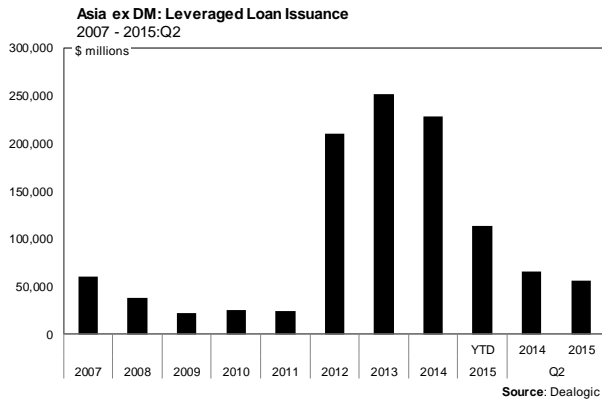
2.15. G3 ex DM Asia: Total Issuance by Tenor



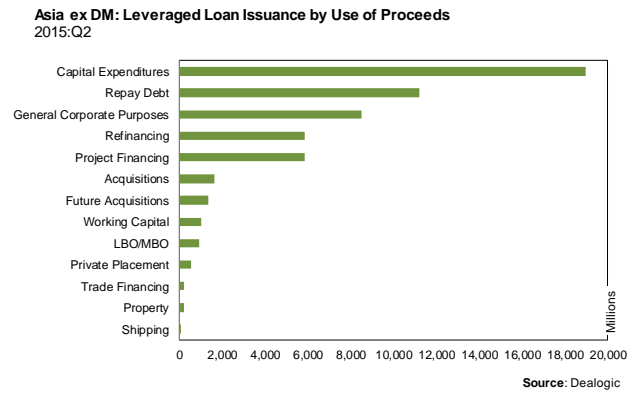
2.16. G3 ex DM Asia: Outstanding by Remaining Tenor



2.17. Asia ex DM: Total Leveraged Loan Issuance

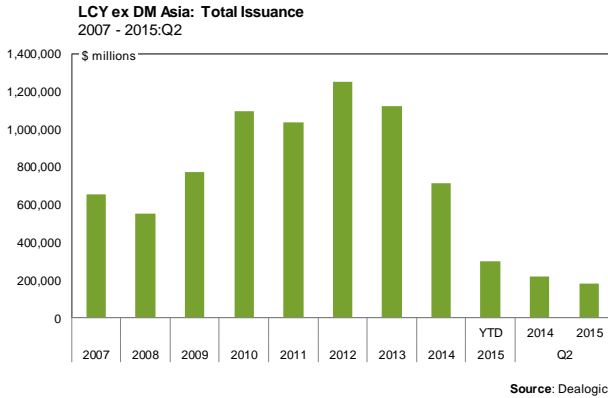


2.18. Asia ex DM: Total Leveraged Loan Issuance by Use of Proceeds

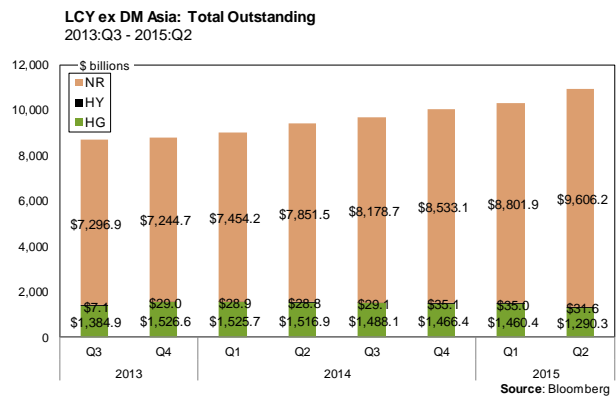


3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

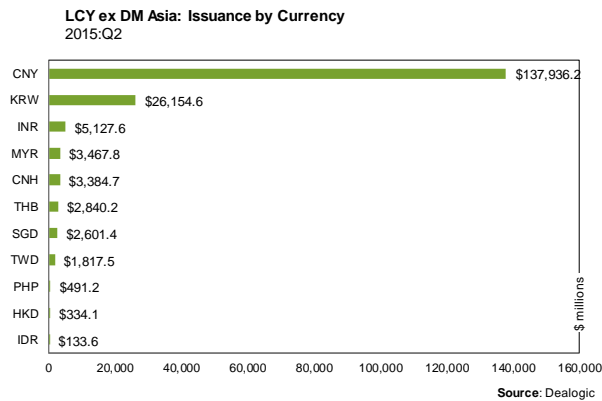
3.1. LCY ex DM Asia: Total Issuance



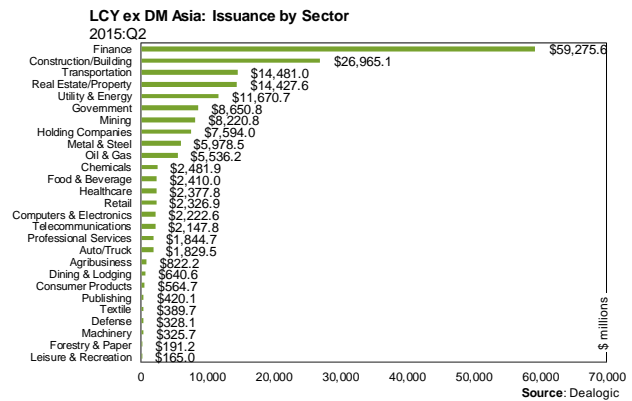
3.2. LCY ex DM Asia: Total Outstanding



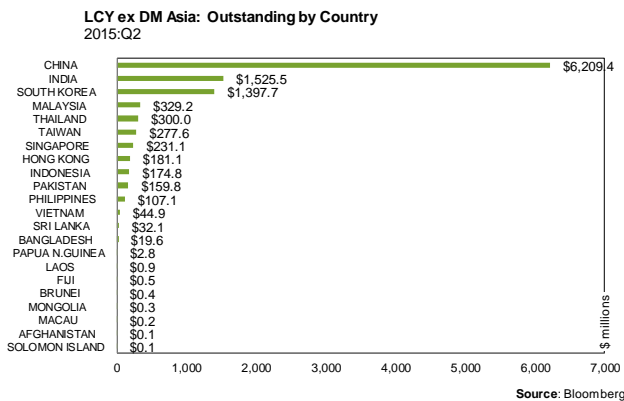
3.3. LCY ex DM Asia: Issuance by Currency



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 122.9bn in the second quarter of 2015, a decline of 6.4% qoq and 17.8% yoy. Total HG G3 issuance in Asia (including Japan, Australia and New Zealand) was USD 82.5bn in 2Q'15, a decline of 12.5% qoq and 22.5% yoy. HY issuance was USD 4.9bn in 2Q'15, a decline of 35.4% qoq and 58.9% yoy. On the other hand, unrated G3 issuance in Asia was USD 35.4bn in 2Q'15, a growth of 21.1% qoq and 13.8% yoy. Year to date, G3 issuance reached USD 254.1bn, on track to similar issuance volumes of 2014 (USD 254.1bn), comprised of USD 176.9bn HG issuance, USD 12.0 HY issuance, and USD 31.1bn unrated issuance. Outstanding G3 debt, including developed market Asia, stood at USD 11.93tn at the end of second quarter 2015, a decline of 0.4% qoq, with declines in unrated debt (USD 3.08tn, 1.5% decline) and HG debt (USD 8.64tn, a 0.7% decline) but growth in HY debt (USD 206.05bn, 34.4% growth).

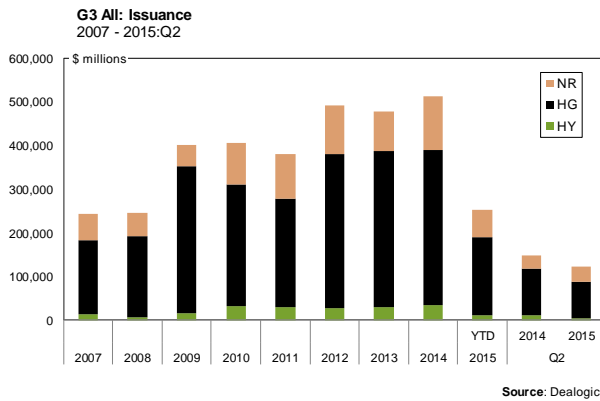
Finally, turning to LCY debt issuance, total HG issuance, including Japan, Australia, and New Zealand, stood at USD 278.1bn in the second quarter of 2015, while HY issuance and unrated issuance combined was USD 210.5bn, for a total of USD 488.6bn in issuance. These figures were well above comparable figures of USD 431.8bn on a qoq basis but well below USD 629.3bn on a yoy basis. Year to date, LCY issuance was USD 920.4 bn, on track to fall just shy of 2014 totals (USD 2.1tn).

In the current environment, where EM has generally fallen out of favor (driven by idiosyncratic risks in countries such as Brazil, Russia and Turkey) and moreover, with these countries' currencies reacting adversely to USD strength, both the Chinese renminbi (RMB) and to a lesser extent, the Indian rupee (INR) have held up well. The RMB's performance is especially noteworthy, given growing evidence of a slowdown in China.

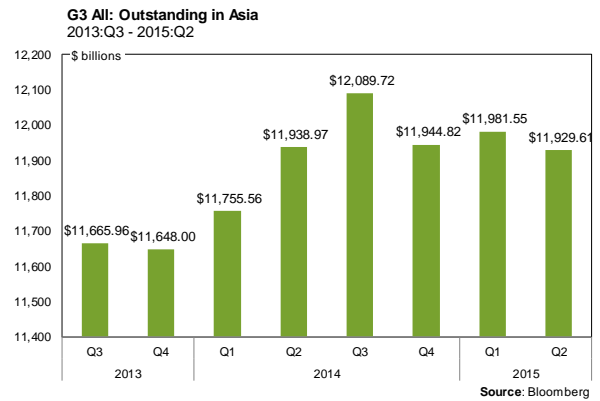
On balance we do expect that there will be bids for the better-rated Chinese credits, which should continue to act as a catalyst for HG G3 issuance out of China (the specific sectors for such HG issuance have been covered in Section 2). As for RMB issuance, investors will tend to favor the domestic RMB issues as opposed to offshore CNH as an increasing number of investors are granted access to the much deeper onshore markets through China's gradual liberalization. Moreover, yields on comparable credits are higher onshore relative to the offshore debt markets.

Elsewhere, cross-border regional issuance in LCY (such as Thai issuance in MYR) is an emerging trend that could get a boost as conditions in the swap markets (where savings of 25-50bps relative to straight USD bond issuance) make it favorable to do so. Also, the streamlining of the bond issuance framework within the ASEAN + 3 region could also help support intra-regional bond issuance within ASEAN.

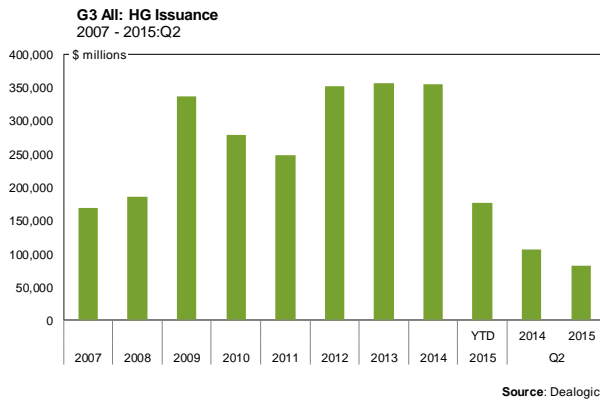
4.1. G3 All: Total Issuance



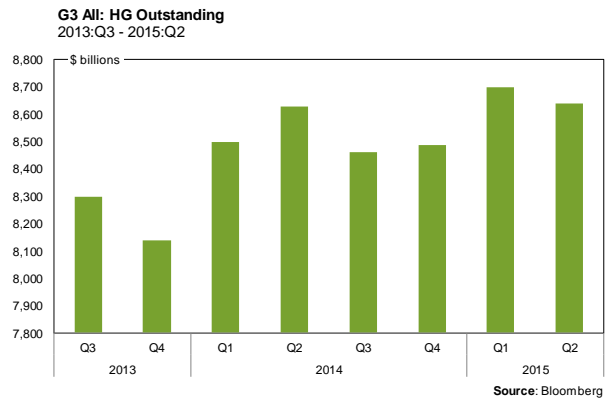
4.2. G3 All: Total Outstanding



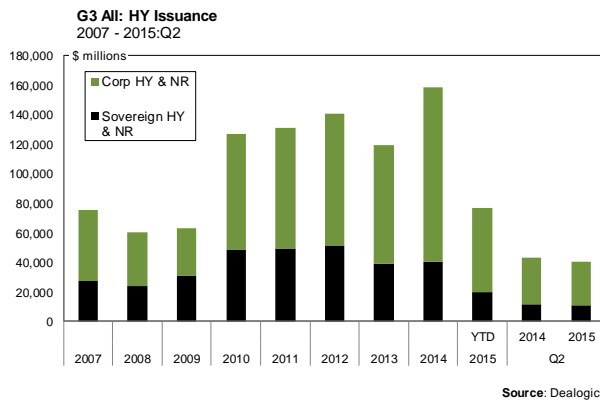
4.3. G3 All: HG Issuance



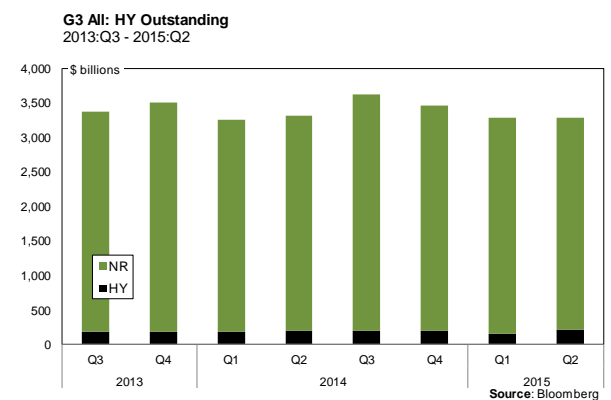
4.4. G3 All: HG Outstanding



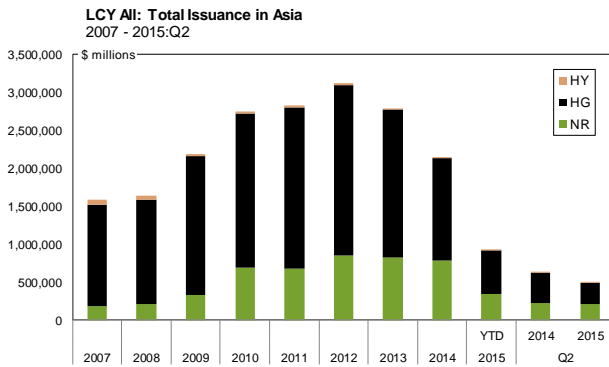
4.5. G3 All: HY Issuance



4.6. G3 All: HY Outstanding



4.7. LCY All: Total Issuance



Source: Dealogic

5. China – Domestic

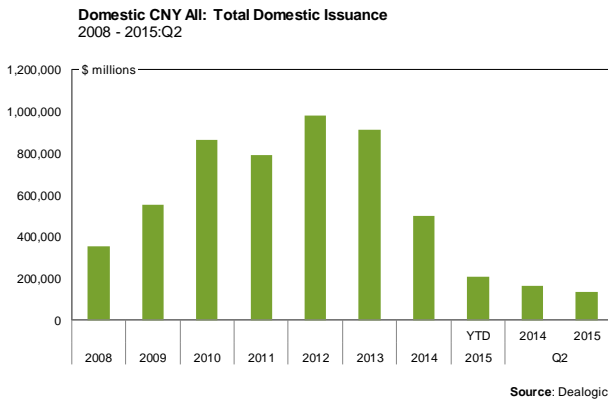
Total Issuance & Outstanding – Domestic CNY issuance

Total domestic CNY issuance stood at USD 138.0bn in the second quarter of 2015, recovering from the tepid first quarter in volume (USD 71.1bn) but still declining of 13.7% yoy (USD 164.9bn); year to date, domestic CNY issuance is USD 209.0 bn, on track to be significantly below 2014 volumes (USD 498.7bn). By tenor, 52.7% of second quarter issuance (USD 72.7bn) would mature in five years or less, followed by the 7 – 10 year bucket (USD 26.7bn). By sector, finance led issuance totals (USD 33.7bn), followed by construction (USD 23.5bn).

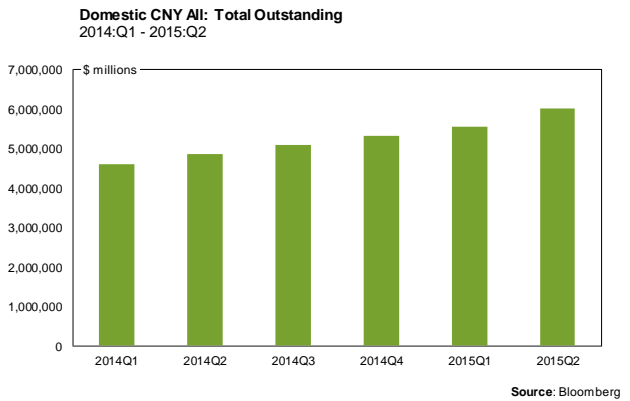
Outstanding domestic CNY debt stood at USD 6.01tn at the end of second quarter 2015, with sovereigns leading totals (USD 3.44tn), followed by financials (USD 1.21tn) and industrials (USD 548.20bn). Looking ahead, domestic CNY bond issuance should continue to hold up, on a confluence of several favorable underlying trends:

- a) With the Chinese authorities committed to further liberalization and reform, the domestic bond markets have recently been opened to a larger group of investors – foreign central banks, sovereign wealth funds and international financial institutions have been granted access (without prior premission) to the domestic interbank bond, swap and repo markets. These steps have been taken ahead of the possible inclusion of the renminbi in the IMF's SDR basket, which could act as a catalyst for the further opening up of the domestic bond markets.
- b) As China's domestic bond market has become progressively more accessible, issuance in the offshore CNH bond market has declined, as investors find it increasingly easier to invest onshore.
- c) A combination of state-owned Enterprises, quasi-governmental and municipal bodies, banks and corporates have vast funding requirements, which had been met via the stock market until recently. Given the recent volatility in Chinese equities, issuers and investors might prefer the relative stability of the domestic debt markets.
- d) Chinese authorities are also moving to restrict reliance on the "shadow banking" system by a whole range of borrowers. This should also be supportive of domestic bond issuance.
- e) Finally, lingering concerns around sustained USD strength could prompt many local issuers to turn to the LCY-denominated domestic bond market, rather than the USD-denominated offshore markets (similar to trends elsewhere in the region; while it is true that the Chinese currency has held up relatively better, it is not known whether relative renminbi strength will continue unabated).

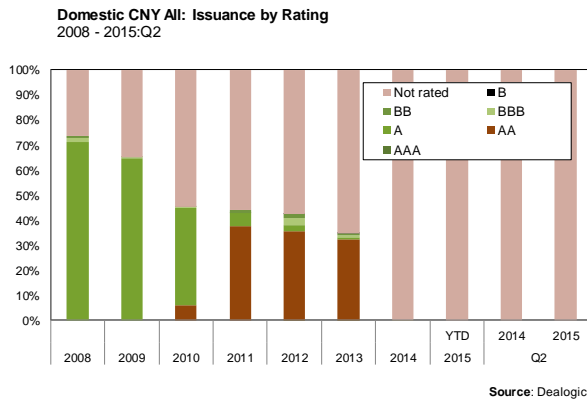
5.1. Domestic CNY All: Total Issuance



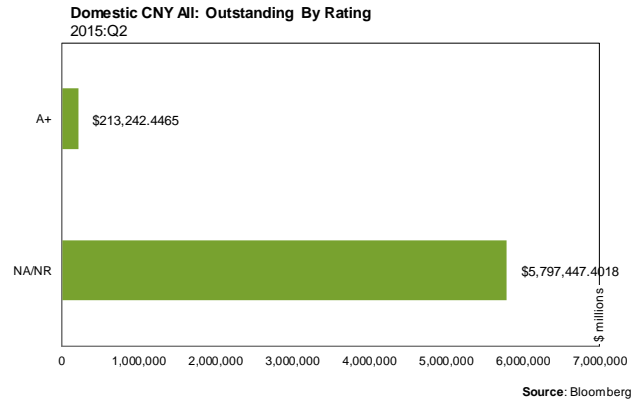
5.2. Domestic CNY All: Total Outstanding



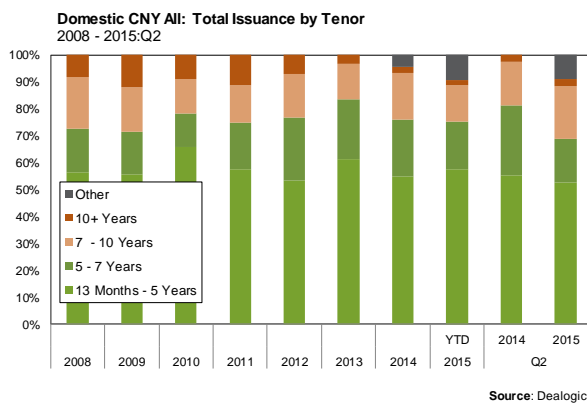
5.3. Domestic CNY All: Issuance by Rating



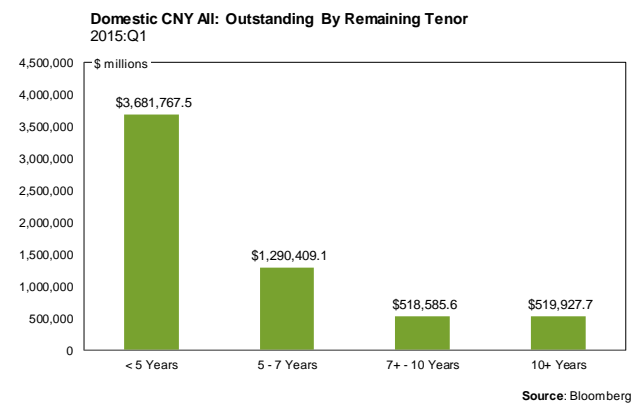
5.4. Domestic CNY All: Outstanding by Rating



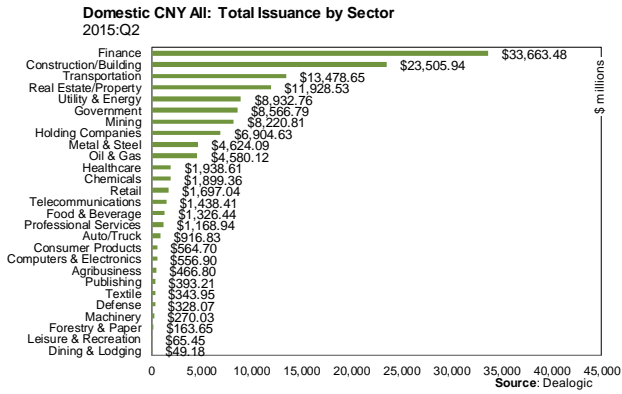
5.5. Domestic CNY All: Issuance by Tenor



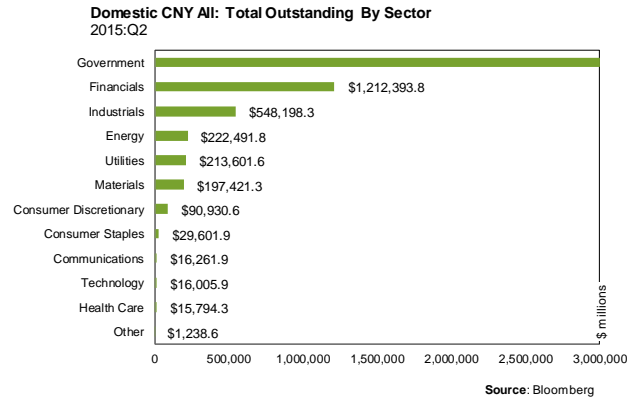
5.6. Domestic CNY All: Outstanding by Remaining Tenor



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 continued to slow down on a yoy basis in the second quarter. For the second quarter of 2015, an equivalent of USD 8.0bn in CNH bonds were issued, an increase of 3.2% qoq but a decline of 49.6% yoy. Year to date, issuance has reached USD 15.8bn, on track to fall well short of 2014 totals (USD 42.1bn). As alluded to above, increased access to the onshore market for international investors, together with better yields available in the domestic CNY market, have combined to take a toll on CNH issuance. The maturing of the offshore RMB market in Hong Kong, coupled with the increased attractiveness of the Formosa bond market in Taiwan, is another factor. Finally, the relatively stagnant CNH deposit base in Hong Kong, which was marginally lower at CNH 972.4 bn (USD 156.6bn) at the end of May, relative to the CNH 973.0 bn (USD 156.3bn) figure at the end of February (the Chinese currency has weakened over the last few months) has also contributed to the waning of interest on the part of issuers looking to tap the HK dim sum bond market.

In terms of tenor, nearly all of second quarter 2015 issuance (USD 7.8bn) was accounted for by transactions with tenors of 5-year years or less. HG deals rated A totaling USD 1.5bn had the highest share among rated deals (18.4%). In 2Q'15, finance sector transactions totaling USD 6.2bn accounted for the largest volume of deals by sector (77.3%), followed by computers & electronics, totaling USD 653.6mn (representing 8.2% of issuance).

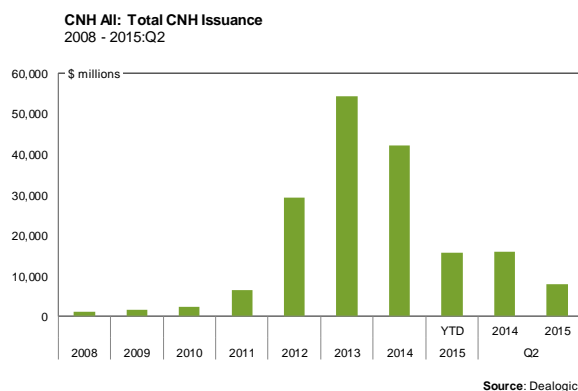
| CNH Deposit Base by Location | Amt (USD bn) | As of |
|------------------------------|--------------|--------|
| Hong Kong | 156.6 | May-15 |
| Singapore | 41.4 | Mar-15 |
| Taiwan | 54.2 | May-15 |
| Korea, Republic of | 19.8 | Apr-15 |
| Luxembourg | 10.8 | Dec-14 |
| United Kingdom | 1.8 | Dec-14 |
| France | 4.0 | Dec-14 |

Sources: HKMA (Hong Kong), MAS (Singapore), Central Bank of Republic of China (Taiwan), Reuters (Korea), RMB Budapest (Luxembourg) Standard Chartered (UK, France); Exchange Rate: CNH 6.21 = USD 1.0

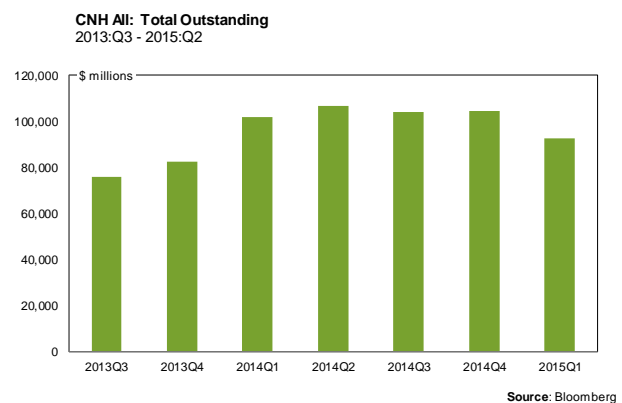
The total of dim sum bonds outstanding stands at USD 94.77bn, an increase of 2.1% qoq. In terms of RMB internationalization, all eyes are on the IMF, as market participants anticipate the possible inclusion of the RMB in the SDR basket – the inclusion of the Chinese currency will be seen as a major signal heralding its arrival on the international stage. Finally, in China, the launch of the China International Payments System (CIPS) is expected later this year, following the completion of successful testing by a group of 20 international and local banks. This system would enable banks and corporations carrying out business in China

to settle transactions faster and more efficiently, than is currently the case.

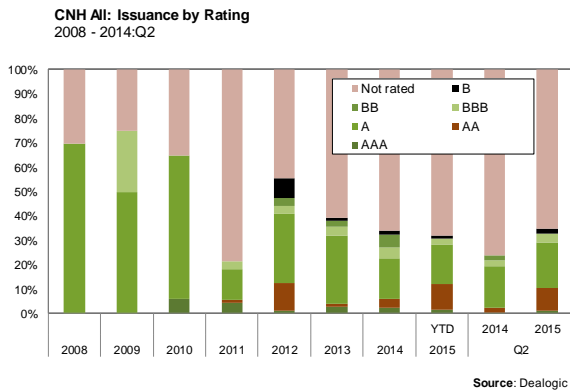
6.1. CNH All: Total CNH Issuance



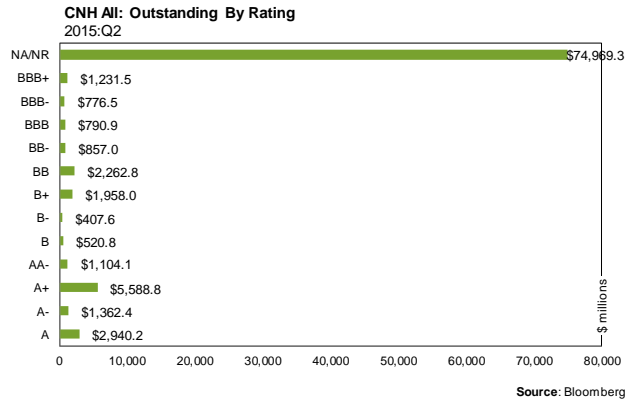
6.2. CNH All: Total Outstanding



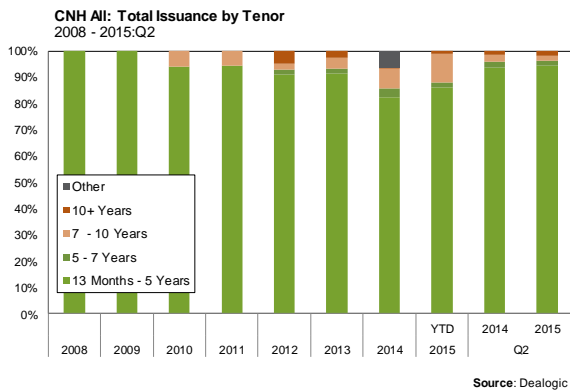
6.3. CNH All: Issuance by Rating



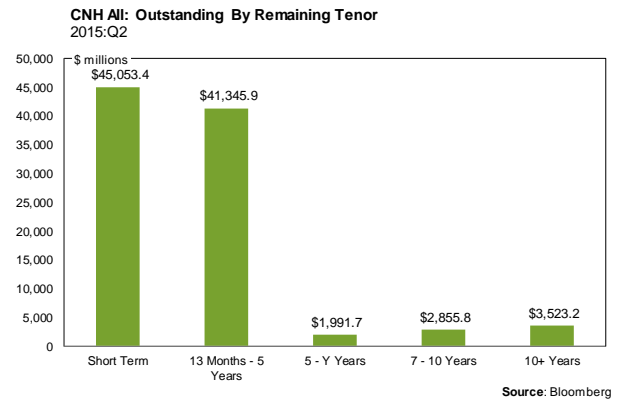
6.4. CNH All: Outstanding by Rating



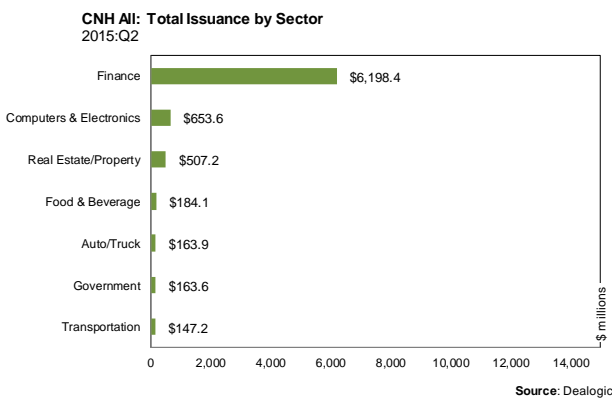
6.5. CNH All: Issuance by Tenor



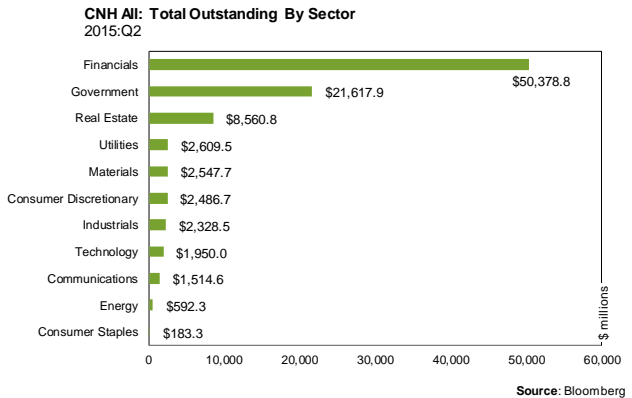
6.6. CNH All: Outstanding by Remaining Tenor



6.7. CNH All: Issuance by Sector



6.8. CNH All: Outstanding by Sector



7. Spreads, Credit & Total Return

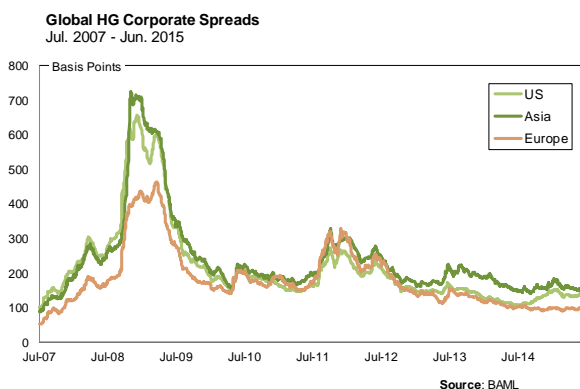
Relative Value and returns (Asia ex-Japan, Australia & New Zealand G3)

In a trend consistent with previous quarters, Asian bonds continue to trade wider than their US and European counterparts. At the end of 2Q'15, Asian HG bonds on a composite basis were quoted at an average spread of 163 basis points (bps), while US and European HG bond issues were quoted at average spreads of 148 bps and 120 bps respectively. Likewise, in the HY space, Asian HY corporates were quoted at a composite spread of 607 bps, but US and European HY bonds were tighter at 500 bps and 440 bps respectively.

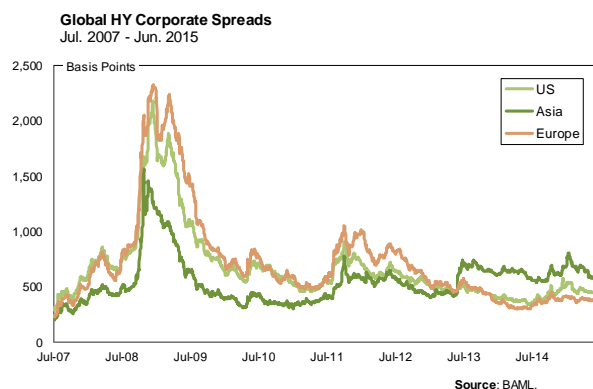
In terms of total return in the second quarter, crude oil led returns, followed by UK and Japanese stocks, while corporate debt generally underperformed with the exception of Asian HY. Asian HG lost 1.08% in the second quarter, while HY indices gained 2.78%. In our view, this will most likely turn out to have been a one-off occurrence, as US Treasury weakness during the quarter (which contributed to relative weakness in HG paper) has already begun to reverse as 3Q'15 gets under way. Moreover, tentative signs of risk aversion have begun to emerge, as a whole host of asset classes – including HY bonds – have recorded steep falls in recent weeks.

The catalysts for this are manifold – weakness in the shale sector in the US following the steep plunge in oil prices (and commodity prices in general, on rising fears globally of a deflationary outcome), which has accounted for the bulk of HY issuance in recent years, has translated into HY bond spread widening. Also, while the concerns around Greece have been resolved temporarily, long-term fears around the sustainability of the Greek bailout have contributed to a more defensive mindset among market participants. Recent Chinese Purchasing Manager Index (PMI) data have also come in weak and a whole range of EM currencies (including some in Asia, although not the INR and CNY – see above) have weakened sharply. Additionally, the base case still remains for a rate hike on the part of the US Federal Reserve later this year, possibly in 4Q'15 at the latest, even if continuing market weakness prompts the Fed to refrain from acting at the next two meetings. All these factors, coupled with the relatively tight levels that fixed income assets continue to trade at despite recent widening, suggest that investors will favor more defensive, HG names, at the expense of the riskier HY issues for the rest of 2015.

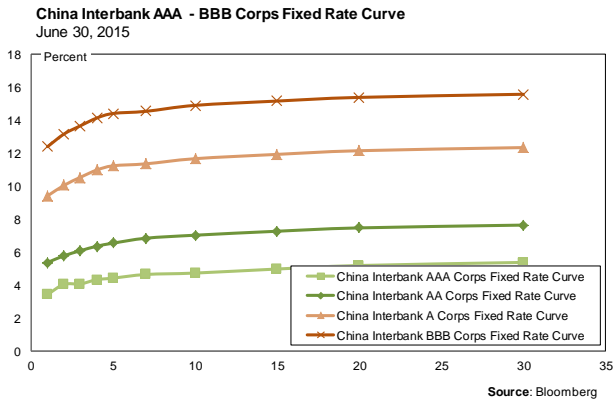
7.1. Global HG Corporate Spreads



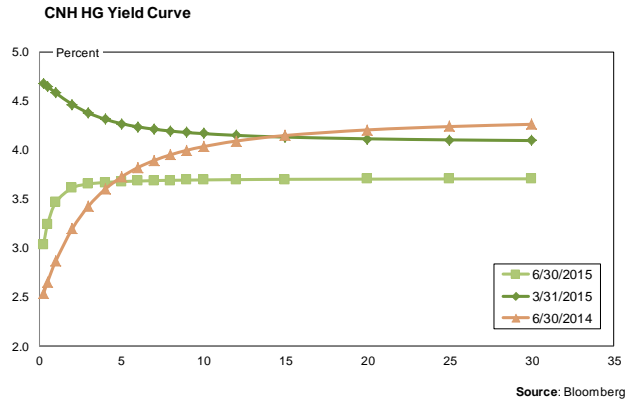
7.2. Global HY Corporate Spreads



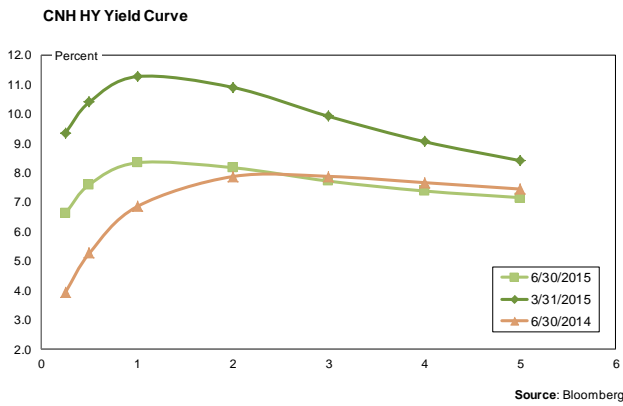
7.3. China Interbank AAA - BBB Corps Fixed Rate Curve



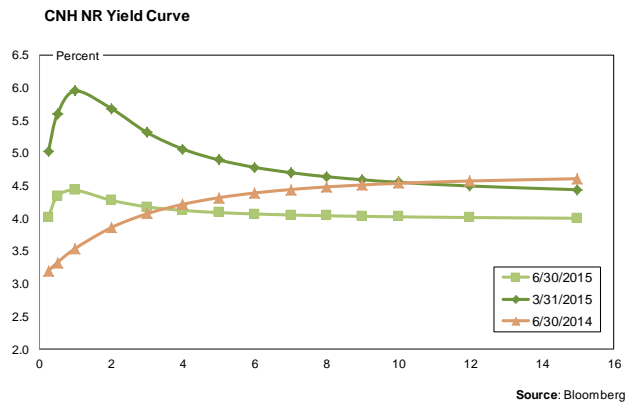
7.4. CNH HG Yield Curve



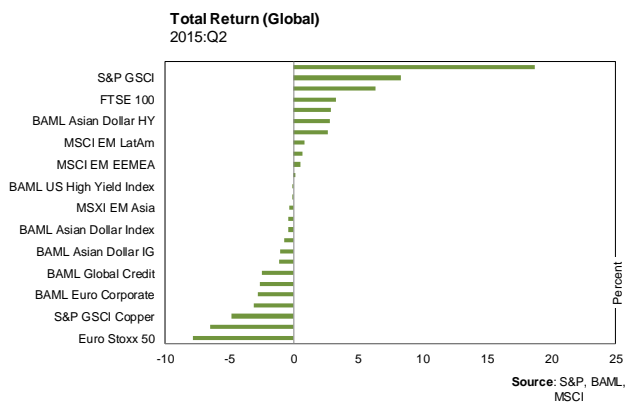
7.5. CNH HY Yield Curve



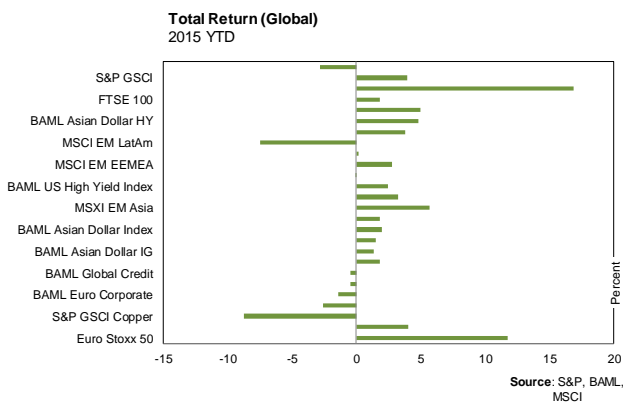
7.6. CNH NR Yield Curve



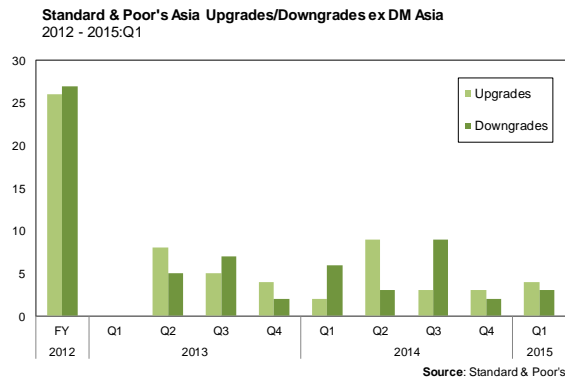
7.7. Global Returns, Quarter-End



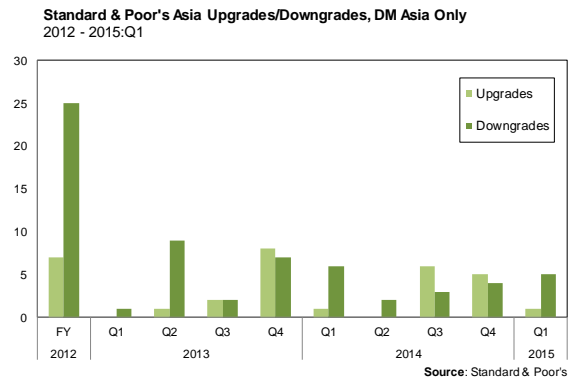
7.8. Global Returns, 2015 Year to Date



7.9. Asia Upgrades / Downgrades ex DM Asia



7.10. Asia Upgrades / Downgrades, DM Asia



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, Second Quarter 2015

| Defaults | Country | Type |
|-------------|---------|---------------|
| Sharp Corp. | Japan | Capital Goods |

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 (COA0) 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 (H0AO) 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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