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MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Fixed Income Research

KDN PP 16084/10/2010 (025881)

2009 Annual Corporate Default and Rating Transitions Study:

Update on Long-term Corporate Rating Migrations and Defaults from 1st January to 31st December 2009

15 March 2010 www.marc.com.my

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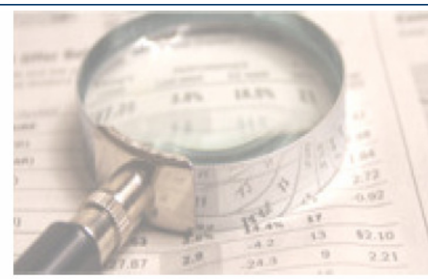


Content at a Glance:

Please read disclaimer on the last page of this report

Introduction

The study excludes BG issuers, the structured finance universe and short-term ratings

This report presents updates on default statistics and rating transition experience of corporate bonds and project finance issuers in 2009 as well as historical findings since 1997. This study is the fifth annual update of the MARC corporate default study which was initially published in 2006. The report encapsulates the history of corporate ratings assigned from inception in 1997 to December 31, 2009. The study excludes bank-guaranteed (BG) issuers as our main objective is to portray corporate rating performance on a standalone basis. The structured finance universe and short-term ratings are also excluded.

Lower volatility at the higher rating categories

Corporate credit quality and default probability across the credit curve are expected to be negatively correlated with higher ratings associated with lower default rates and vice versa. In terms of ratings stability, a positive relationship with rating bands is expected with a hypothesis that more downgrades should occur along the lower-rated continuum.

The already limited sample size is more pronounced given the total of 25 withdrawn issuers in 2009 alone

An element of statistical bias may occur as far as our sample size is concerned as the number of issuers studied is extremely small as MARC only effectively started to assign corporate bond ratings in 1997. Therefore, some of the statistics reported may be inconclusive. Furthermore, data enhancement efforts which will be carried out continuously to ensure a certain degree of transparency and integrity may lead to different outcomes from one report to another. The study is self-contained and the current study supersedes previous studies. The issue of limited sample size became more pronounced at the end of 2009 as another 25 issuers were withdrawn, leaving the 2010 static pool with only 90 issuers.

The recession gives rise to weaker corporate credit quality

From a rating migration perspective, the majority of the activities in 2009 were on the downside as the country slipped into its first recession in more than a decade. There were six issuers defaulting in 2009 compared to two issuers in the previous year. While the major default driver among global rating agencies has been the financial sector, the outcome is not the same in MARC's corporate universe as exposure to subprime related securities is practically non-existent. The bulk of the defaults in this period is contributed by the industrial product sector, which can be explained by a significant decline in the country's Industrial Production Index.

Exhibit 1 : Distribution of Outstanding Issuers at the Beginning of the Year

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
AAA	23.8%	14.3%	14.3%	14.5%	14.3%	13.9%	12.6%	14.7%	16.8%	20.0%
AA	19.0%	14.3%	16.3%	14.5%	15.5%	15.8%	20.7%	22.9%	29.9%	31.1%
A	47.6%	61.9%	61.2%	58.2%	61.9%	65.3%	60.4%	55.0%	44.9%	38.9%
BBB	4.8%	7.1%	6.1%	9.1%	7.1%	3.0%	4.5%	3.7%	2.8%	3.3%
BB	4.8%	2.4%	2.0%	1.8%	0.0%	1.0%	0.0%	1.8%	3.7%	2.2%
B	0.0%	0.0%	0.0%	1.8%	1.2%	1.0%	1.8%	1.8%	1.9%	3.3%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%
High Grade	90.5%	90.5%	91.8%	87.3%	91.7%	95.0%	93.7%	92.7%	91.6%	90.0%
High Yield	9.5%	9.5%	8.2%	12.7%	8.3%	5.0%	6.3%	7.3%	8.4%	10.0%

Source: MARC Fixed Income Research

MARC has rated 172 domestic corporate issuers since 1997, of which 159 names, or 92%, were initially rated as high grade[1] and 13 issuers, or 8%, were initially rated as high yield. Along the line, if any issuer was downgraded from the high grade to the high yield segment, it will be considered as a fallen angel.

[1] For the purpose of our study on the corporate rating universe, we define any rating above BBB+ as high grade and the lower ratings as high yield. We realize that the standard definition of a speculative grade is credit rating of BB+ and below, but under the context of the Ringgit corporate bond market, we find that even the "A" rating band is already illiquid.

The 2009 Bond Market Chronology

Supply concerns outweighed the deflationary environment in the rates market

The worst global financial crisis since the Great Depression

The local rates market, which rallied since the third quarter of 2008 amidst the worst global financial crisis since the Great Depression, took a sharp turn in the earlier part of 2009. The rally seen in 3Q2008 was mainly triggered by a flight-to-quality theme as the economy began to show signs of recession due to the spillover effect from the global financial crisis. Along the same tangent, concerted efforts by the global central banks to initiate a front loaded monetary easing, whereby Bank Negara Malaysia (BNM) cut its benchmark interest rate by 150 bps to 2.00% from November 2008 to February 2009, also helped to push yields lower.

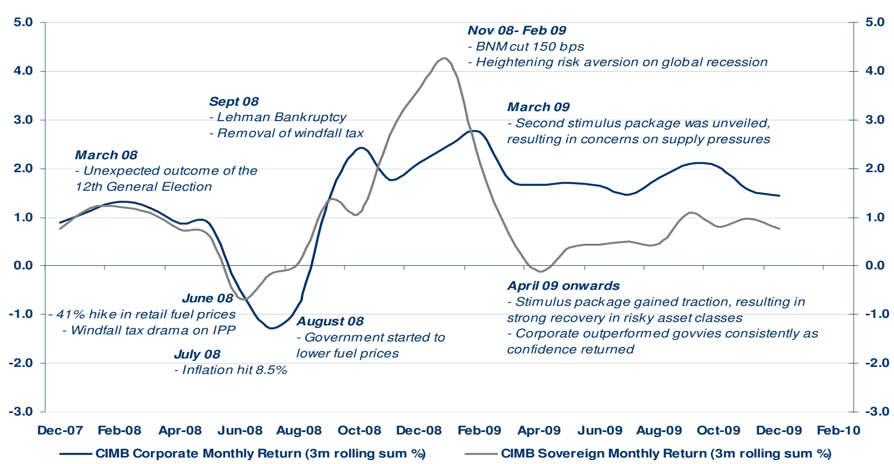
Unprecedented number of stimulus packages announced

As recessionary threats grew more significant, the government, under the expansionary fiscal policy, unveiled an unprecedented second stimulus package amounting to MYR60 billion in March 2009 to prevent the economy from slipping further. This announcement raised concerns on oversupply of government bonds as the country's budget deficit in 2009 was revised higher from 4.8% to 7.6% of Gross Domestic Product (GDP). Since then, the yields on the Malaysian Government Securities (MGS) rose across the board. The yields on the 3- and 10-year benchmark notes which were spotted at 2.45% and 2.97% respectively in January 2009, climbed to 2.90% and 4.30% by the end of 2Q2009, resulting in a bearish steepening curve with the 10/3s spread at 140 bps over the same period.

Supply pressures have significantly downplayed the economic uncertainty in 2009

When we published our 2H2009 Bond Market Outlook on July 2, 2009, we wrote that "Mr. Market" had completely ignored the significance of inflation and uncertainty in economic growth for the most part of 2009 in the local rates market. As mentioned earlier, bond yields have hardly reacted to the deflationary environment, and looking where the 10-year yields were traded, it appears that players were pricing in an economic growth of above 4.0%. This anomaly can be explained by the ballooning government bond issuance in 2009, and our view is that supply pressures have significantly downplayed the economic uncertainty. The issuance size of MGS/GII stood at MYR88 billion in 2009 compared to MYR62 billion in 2008, and adding the MYR5 billion of non-marketable bonds into the equation, the government has actually raised a whopping MYR93 billion in 2009.

Exhibit 2 : Ringgit Bond Market Monthly Return (1-5 year Maturities – CIMB Bond Index as Benchmark) - %



Source: Bloomberg, MARC Fixed Income Research

The 2009 Bond Market Chronology (continued)

Flight-to-quality story in the earlier part of 2009

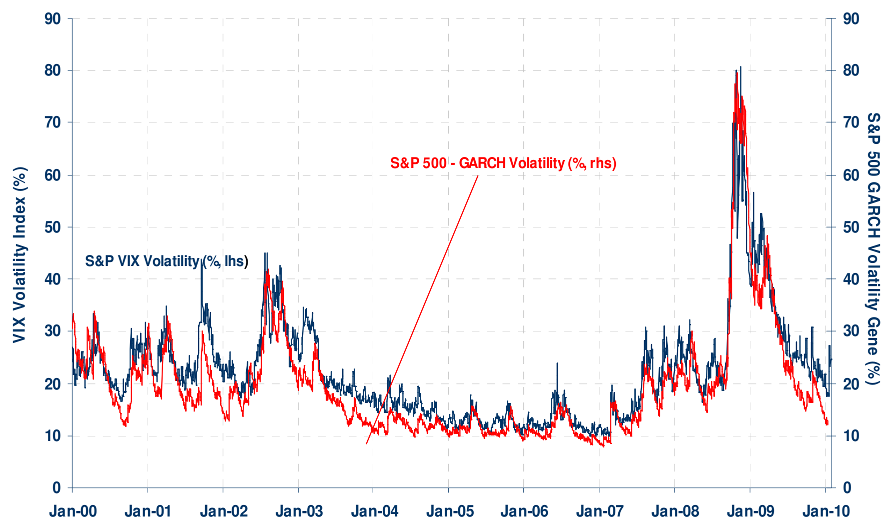
Both primary and secondary activities were lethargic in 1Q2009

In the ringgit corporate bond market, slowing activity in both the primary and secondary markets seen since 4Q2008 persisted in 1Q2009 as anxiety brought on by a full-blown global recession gave players less motivation to have exposure in the risky asset classes in light of heightening corporate default risk, and hence demand was largely centered in the government bonds for capital preservation during these periods. Primary market issuance in 1Q2009 is estimated to be approximately MYR6.4 billion, a 35% drop from the corresponding period in 2008. Secondary trading volume also plunged dramatically with only MYR6.4 billion changing hands in the first quarter compared to MYR17 billion in 1Q2008.

High volatility and widening risk premiums globally

Risk premiums in risky asset classes skyrocketed on a global scale given the extreme volatility seen over the same period when our estimated Generalized Autoregressive Conditional Heteroskedasticy (GARCH) annualized daily volatility of US equities and the S&P 500 VIX volatility index hit the 80% mark, an unprecedented level of market volatility (Exhibit 3). The equity and credit risk premiums, measured by the spread of S&P 500 earnings yield and US BBB 5-year industrial yield against the US Treasury, rose to 750 bps and 550 bps respectively, compared to the pre-crisis average of 160 bps and 110 bps (Exhibit 4). This has certainly limited access to the bond market among corporates, particularly to issuers along the speculative grade.

Exhibit 3 : Extreme Level of Market Volatility



Source: Bloomberg, MARC Fixed Income Research

The same pattern was also observed in the local credit market

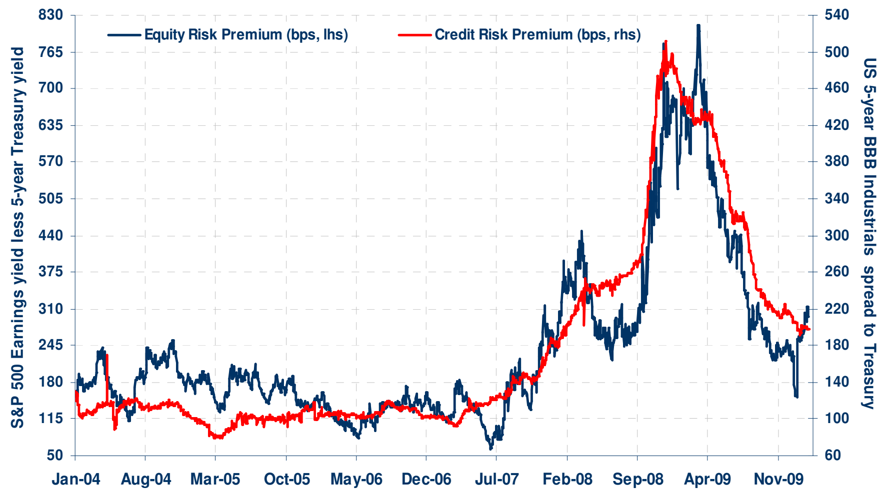
Closer to home, credit risk premiums also moved in the same pattern as their global counterparts. The yield differential between 3-year AA and 3-year MGS peaked at 240 bps in January 2010, about three standard deviations above its long-run mean, and this level was also a new high since at least 2001. Note that we consider the AA rating in Malaysia to be similar to the BBB credit rating in the US as Malaysian sovereigns are rated A- and AAA in the international and domestic markets respectively.

The 2009 Bond Market Chronology (continued)

Difficult operating environment translated into adverse rating implications

The challenging operating environment arising from the global recession sent corporate profitability lower, which in turn set the path of downward rating momentum. Credit rating downgrades outpaced upgrades by a hefty margin in the western countries, involving both the financial and non-financial corporates. During the peak of this crisis, the North America corporate downgrade-to-upgrade ratio rose to as high as 10.0:1.0 x. US corporate profits slumped by 20% in 1Q2009 from a year earlier and over the same period, the corporate downgrades among major rating agencies rose by a whopping 213% (Exhibit 5).

Exhibit 4 : Widening Premiums Across Risky Assets

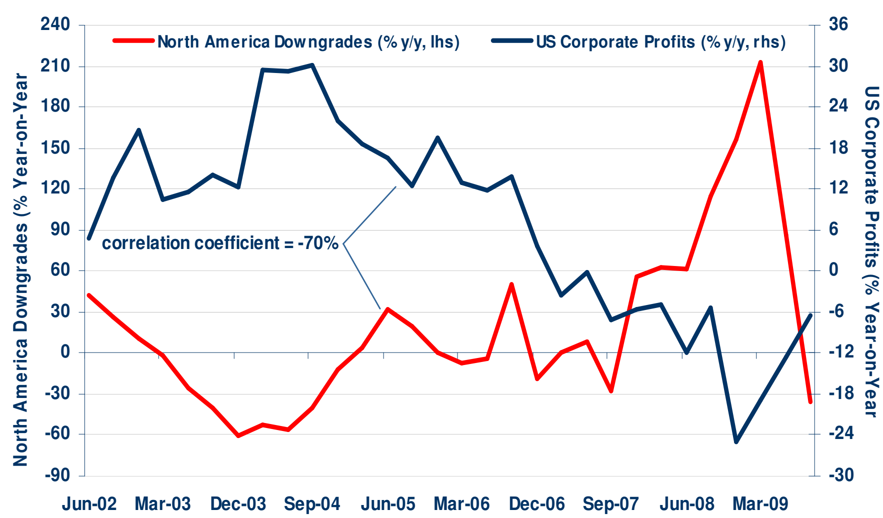


Source: Bloomberg, MARC Fixed Income Research

The credit quality story in our corporate universe in 2009 was no different from the global experience

Although the domestic economy was seemingly insulated from the subprime crisis when it first broke in the US, the contraction in developed countries has, nonetheless affected Malaysia. The credit quality story in our corporate universe in 2009 was no different from the global experience where corporate downgrades superseded upgrades by a significant margin with a downgrade-to-upgrade reading of 3.7:1.0 x vis-à-vis the long-run average of 1.3:1.0 x.

Exhibit 5 : US Corporate Profits vs. North America Downgrades



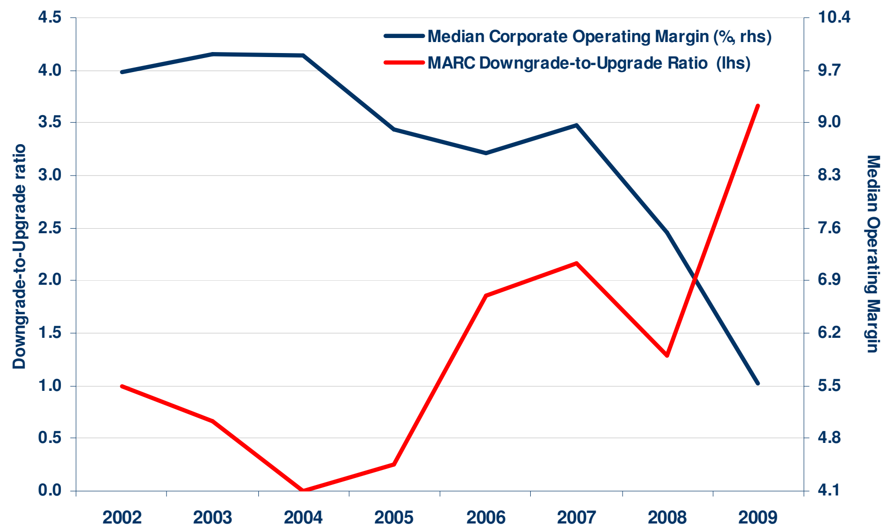
Source: Bloomberg, MARC Fixed Income Research

The 2009 Bond Market Chronology (continued)

Declining corporate profit margins

The difficult operating environment also sent corporate profitability lower where the median operating margin of listed companies declined from 8.1% in 2008 to 5.5% in 2009 (Exhibit 6).

Exhibit 6 : Malaysia Corporate Profitability vs. MARC's Downgrade-to-Upgrade Ratio



Source: Bloomberg, MARC Fixed Income Research

Change in the landscape as policy reactions gained traction starting from 2Q2009

Investors' confidence rebounded since the second quarter of 2009; buoyant sentiment in the credits and equities market

Nevertheless, as the front-loaded monetary easing and unprecedented fiscal stimulus started to gain traction, economic indicators began to show signs of positive development since 2Q2009, causing a rebound in investors' confidence. Improving sentiment has helped to set a buoyant sentiment in risky asset classes where equities and corporate bond markets have rebounded strongly since then. Risk premiums across risky asset classes which were extremely high in 1Q2009 started to decline over the same period, and these asset classes have yielded handsome return to investors.

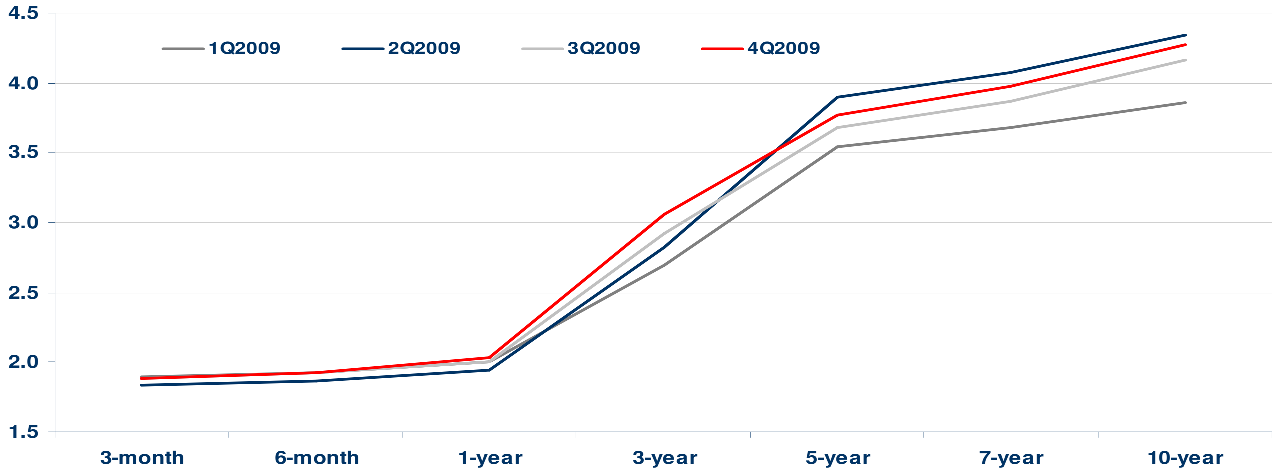
Corporate bonds outperformed as credit spreads narrowed remarkably

The S&P 500 rose by more than 60% from March to December 2009, while the high yield market is reported to have returned to investors more than 30% of excess return as the spread narrowed remarkably over the same period. On the local front, the 3-year AA spread narrowed to 120 bps, about half of the level seen during the peak of the credit crisis. It is worth noting here, however, that risk premiums along the lower credits remained wide, indicating that risk averseness among this group of issuers remains a concern. On another note, using the CIMB Bond Index as our benchmark, we find that the ringgit corporate bonds with 1- to 5-year maturities have returned investors 7.0% compared to 3.0% return in sovereign counterparts in 2009.

MYR45 billion of corporate bonds including Cagamas was raised in 2009

Elsewhere, primary issuance in the ringgit corporate bond market has also picked up since the second quarter and we estimate that around MYR45 billion of corporate bonds was raised in the ringgit bond market in 2009, approximately MYR4 billion short of the level seen in the previous year. The level was also above our expectation of MYR30 billion - 35 billion in issuance. The secondary market also echoed the same sentiment where the average daily trading volume, which stood at MYR130 million in 1Q2009, rose to MYR250 million in 4Q2009.

Exhibit 7: Government Yield Curve (%)



Source: BPAM, MARC Fixed Income Research

Exhibit 8: Bond Market Performance (1-5 year Maturities using CIMB Monthly Bond Index as Benchmark)

Period	Performance Measurement	Sovereign	Quasi Sovereign	Corporate	AAA	AA	A
2001-2009	*Expected Return (bps)*	31	28	51	38	49	68
	Standard Deviation (bps)	47	38	47	50	54	54
	Duration (yrs)	2.6	2.2	2.8	2.8	2.8	2.7
	Sharpe Ratio	0.6	0.7	1.1	0.8	0.9	1.3
	Duration Adjusted Return (bps)	12	13	18	14	18	25
	3-mth Break-even Spread (bps)	n.a	n.a	15	6	11	28
	6-mth Break-even Spread (bps)	n.a	n.a	30	13	22	55
	12-mth Break-even Spread (bps)	n.a	n.a	53	24	41	100
	Excess Return against Sovereign (bps)	n.a	n.a	20	8	18	37
2008	*Expected Return (bps)*	45	25	35	46	26	44
	Standard Deviation (bps)	70	22	67	63	82	83
	Duration (yrs)	2.7	1.2	2.9	2.8	3.0	2.8
	Sharpe Ratio	0.6	1.2	0.5	0.7	0.3	0.5
	Duration Adjusted Return (bps)	16	22	12	17	9	16
	3-mth Break-even Spread (bps)	n.a	n.a	16	8	11	28
	6-mth Break-even Spread (bps)	n.a	n.a	31	15	22	56
	12-mth Break-even Spread (bps)	n.a	n.a	62	31	45	112
	Excess Return against Sovereign (bps)	n.a	n.a	-10	1	-20	-1
2009	*Expected Return (bps)*	25	20	58	50	54	94
	Standard Deviation (bps)	38	38	17	19	25	23
	Duration (yrs)	2.7	1.6	2.5	2.5	2.5	2.4
	Sharpe Ratio	0.6	0.5	3.4	2.7	2.2	4.1
	Duration Adjusted Return (bps)	9	13	23	20	21	40
	3-mth Break-even Spread (bps)	n.a	n.a	22	8	16	42
	6-mth Break-even Spread (bps)	n.a	n.a	44	17	33	84
	12-mth Break-even Spread (bps)	n.a	n.a	89	34	65	168
	Excess Return against Sovereign (bps)	n.a	n.a	33	26	30	70

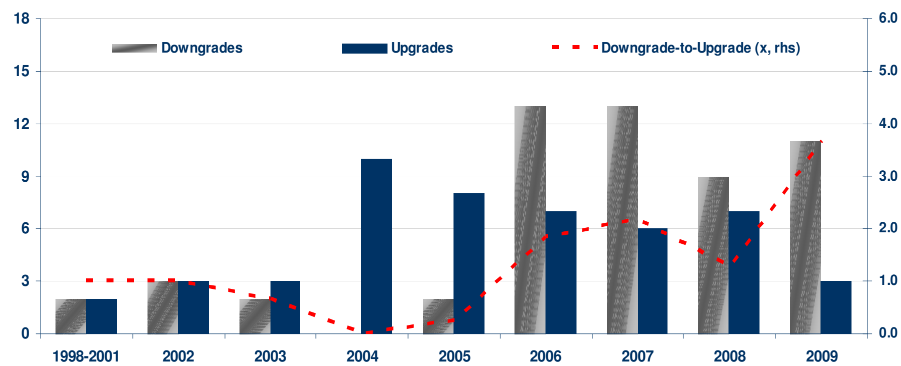
Source: Bloomberg, MARC Fixed Income Research

Review of Migration Activity in 2009

Migration was more pronounced on the downside

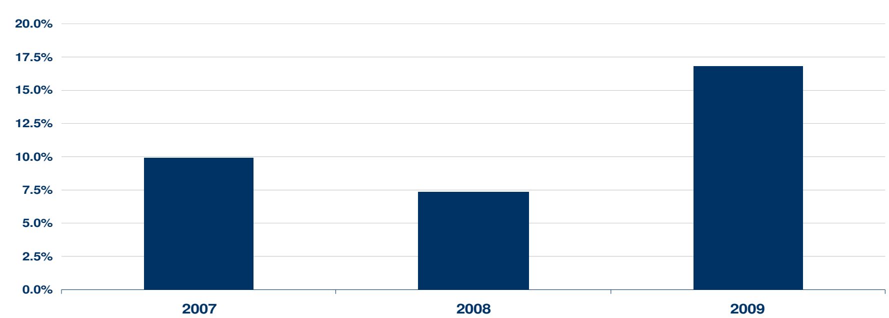
- A total of 13 issuers migrated in MARC's long-term corporate universe as at December 31, 2009 based on a static pool of 107 issuers formed on January 1, 2009.
- The majority of the rating migrations was on the downside due to a challenging operating environment given the significantly slower economic activity in 2009.
- The ratio of downgrades to upgrades rose from 1.3 x in 2008 to 3.7 x in 2009; this outcome was not unexpected given the challenging environment in the economy.
- Moreover, issuers placed on a negative outlook stood at 17% in 2009 compared to 7.3% in 2008, indicating that the downgrade probability increased over the same period based on MARC's continuous surveillance on its corporate universe.
- Corporate fallen angels increased with 8 issuers having their respective ratings lowered from high grade to below BBB, compared to 4 issuers in 2008, translating into a fallen angel rate of 7.5% vis-à-vis the long-run average of 3.5%.
- Despite volatile rating activity, rating stability is well preserved at the high end of the credit curve with the 1-year stability rate for the high grade category standing at 91% compared to 56% for the high yield category.

Exhibit 9 : Downgrades and Upgrades Trend*



Source: MARC Fixed Income Research
** Including/ Counting multiple rating actions*

Exhibit 10 : Proportion of Negative Outlook – As % of Outstanding Issuer



Source: MARC Fixed Income Research

Fallen angels rate rose in 2009

Exhibit 11 : Fallen Angels Rate

Source: MARC Fixed Income Research

18 % of issuers were withdrawn while another 5.6% defaulted in 2009, translating to a lower static pool in 2010

Exhibit 12 : Summary of Annual Rating Changes

Year	Issuers as of 1st January	Upgrades	Downgrades	Default	Withdrawn	Migrating	Stable	Downgrade to Upgrade (x)
2001	21	0.0%	0.0%	0.0%	4.8%	0.0%	100.0%	n.a
2002	42	7.1%	7.1%	0.0%	0.0%	14.3%	85.7%	1.0
2003	49	6.1%	4.1%	0.0%	10.2%	10.2%	89.8%	0.7
2004	55	18.2%	0.0%	0.0%	9.1%	18.2%	81.8%	0.0
2005	84	9.5%	2.4%	2.4%	9.5%	14.3%	85.7%	0.3
2006	101	6.9%	11.9%	1.0%	7.9%	19.8%	80.2%	1.7
2007	111	5.4%	11.7%	4.5%	9.9%	21.6%	78.4%	2.2
2008	109	6.4%	6.4%	1.8%	7.3%	14.7%	85.3%	1.0
2009	107	1.9%	4.7%	5.6%	17.8%	12.1%	87.9%	2.5
Wtd Average		**6.9%**	**6.6%**	**2.5%**	**9.4%**	**16.0%**	**84.0%**	**1.0**

Source: MARC Fixed Income Research

Excluding withdrawn cases, 88% of issuers did not migrate in 2009

Exhibit 13 : Snapshot of Rating Stability (NR adjusted)

Year	AAA	AA	A	BBB	BB	B	High Grade	High Yield	All Corporate
2001	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	100.0%
2002	100.0%	83.3%	88.5%	66.7%	0.0%	0.0%	89.5%	50.0%	85.7%
2003	100.0%	100.0%	83.3%	100.0%	100.0%	0.0%	88.9%	100.0%	89.8%
2004	100.0%	75.0%	78.1%	80.0%	100.0%	100.0%	81.3%	85.7%	81.8%
2005	100.0%	92.3%	82.7%	66.7%	0.0%	100.0%	87.0%	71.4%	85.7%
2006	100.0%	81.3%	75.8%	100.0%	0.0%	100.0%	80.2%	80.0%	80.2%
2007	100.0%	82.6%	76.1%	40.0%	0.0%	50.0%	80.8%	42.9%	78.4%
2008	100.0%	92.0%	85.0%	25.0%	100.0%	0.0%	89.1%	37.5%	85.3%
2009	100.0%	93.8%	85.4%	66.7%	50.0%	50.0%	90.8%	55.6%	87.9%
Arithmetic Mean	**100.0%**	**86.4%**	**86.8%**	**67.7%**	**40.9%**	**36.4%**	**88.3%**	**65.7%**	**85.2%**
Standard Deviation	**0.0%**	**14.8%**	**9.3%**	**33.9%**	**49.1%**	**45.2%**	**6.9%**	**31.9%**	**10.3%**
Coefficient of Variation	**0.0%**	**17.1%**	**10.7%**	**50.1%**	**120.0%**	**124.4%**	**7.9%**	**48.5%**	**12.1%**

Source: MARC Fixed Income Research

Review of 2009 Corporate Defaults

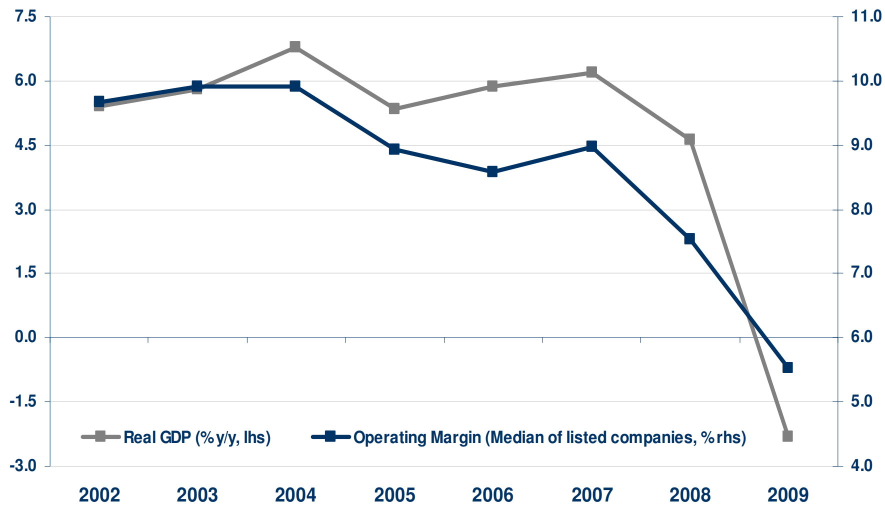
No sign of difficult operating environment in 2008

When the subprime crisis first surfaced in late 2007 and became a major headline in the global financial market for the most part of 2008, the local financial market was largely insulated with no signs of deterioration seen as exposure to such asset classes was practically non-existent. Moreover, there were no signs of a difficult operating environment among corporations, with corporate balance sheets remaining robust over that period. The corporate default rate came in at 1.8% in 2008, below the long run weighted average of 2.5%.

But it was a different landscape in 2009

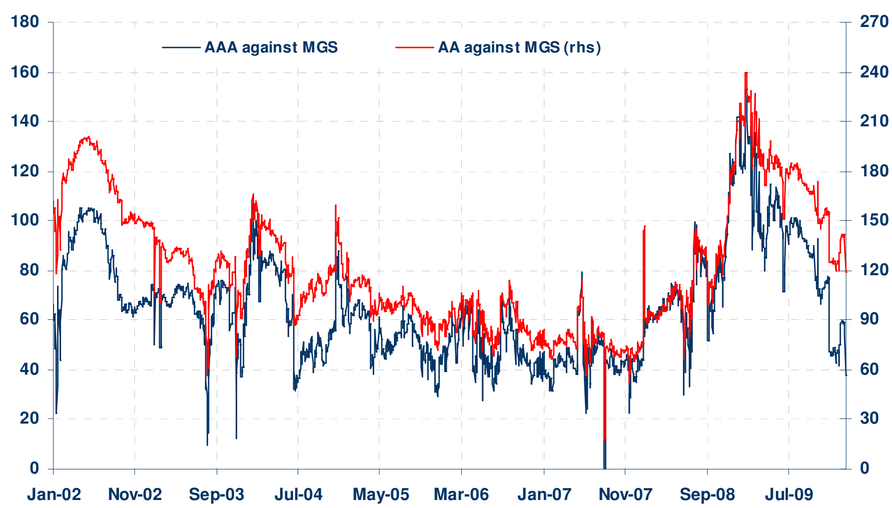
Nonetheless, the second order effect of the global financial crisis came in via significant contractions in the major economies. Being an open economy with significant exposure to external trade, Malaysia began to exhibit vulnerability when countries like the US, UK, Japan and Singapore entered recession.

Exhibit 14 : Recession Translates into Tough Operating Environment



Source: Bloomberg, MARC Fixed Income Research

Exhibit 15 : 3-year AAA and AA Credit Spreads Evolution



Source: Bloomberg, MARC Fixed Income Research

Review of 2009 Corporate Defaults (continued)

The economy contracted significantly…

Signs of recessionary risk emerged in the later part of 2008 with the country's GDP growth at just 0.1% in 4Q2008. The economy fell hard into negative territory with a growth rate of -6.2% in 1Q2009, the lowest level since the 1997 Asian Financial Crisis. The operating environment among corporations became tougher as a result of this recession as reflected by the decline in corporate profitability levels.

…and hence access to liquidity among corporations became limited

Access to refinancing was closed to lower rated issuers, and even issuers in the "AA" rating band found it hard to raise capital due to extreme levels of market anxiety which created a persistent "flight-to-quality" theme among investors. The trend of downgrades surpassing upgrades that occurred globally among the rating agencies was also depicted in our corporate universe, sending the default probability higher. The major rating agencies are looking at double-digit corporate default rates in 2009 and highlighted that the tail risk will remain at least until 1H2010.

2009 corporate default rates stood at 5.6%

A total of six issuers defaulted in the corporate universe between January 1 to December 31, 2009, bringing the annual corporate default rate higher to 5.6% compared to 1.8% in 2008 and the long run weighted average of 2.5%. The realized figure is also higher than our base case forecast of 4.8% but lower than the worst case estimate of 7.1%. The increase in the corporate default rate can be attributed to the difficult operating environment brought by the economic recession. The key highlights of MARC corporate defaults in 2009 are as follows:

- In terms of issuer count, 6 issuers defaulted in 2009 compared to 2 issuers that defaulted in 2008.
- The long-run issuer weighted average default rate stood at 2.5%, with a high grade default rate of 1.6% and high yield default rate of 12.5%.
- In terms of rated size, the corporate default rate came in at 0.5% vis-à-vis 0.2% in 2008 and the number is below the long run weighted average of 0.8%.
- Going by rating band, no default was experienced along the AAA and AA bands. The issuer default rate for the A, BBB, BB and B bands stood at 6.3%, 33.3%, 25.0% and 50.0% respectively.
- Three out of six defaulted issuers came from the broad industrial product sector, producing a default rate of 13.0% in this sector. The other two sectors that were affected by defaults are infrastructure & utilities and trading & services. It must be noted that default rates by industry sector are subjected to a greater degree of idiosyncratic risk than the aggregate default rate because of the limited number of issues.

Issuers that defaulted in 2009 were rated BBB on average one-year prior to default

Exhibit 16 : 2009 D Ratings Assigned

Issuer	Industry	Amount Rated (MYR m)	Initial Rating	Rating 1-year Prior to default	Rating Prior to Default	Years to Default
Tracoma Holdings Bhd	Industrial Products	100	A	B	C	4.2
Englotechs Holding Bhd	Industrial Products	50	A	BBB-	BB	3.6
Ingress Sukuk Bhd	Industrial Products	160	A+	A	C	5.1
Oilcorp Bhd	Trading/Services	70	A	A-	C	5.1
Malaysian International Tuna Port Sdn Bhd	Infrastructure & Utilities	240	A+	A+	BB+	2.5
PSSB Ship Management Sdn Bhd	Trading/Services	40	AA-	BB-	BB-	5.0
Total/ Weighted Average		**660**	**A**	**BBB**	**B+**	**3.9**

Source: MARC Fixed Income Research

The default rate measured by rated size stood at 0.5% in 2009

Exhibit 17 : Annual Corporate Default Rates – Summary at Glance

Year	Issuers as of 1st January	Size rated as of 1st January (MYR b)	Default Count	Default as % of Issuer	Default Size (MYR b)	Default as % of Rated Size
2001	21	17.0	0	0.0%	0.0	0.0%
2002	42	29.7	0	0.0%	0.0	0.0%
2003	49	33.7	0	0.0%	0.0	0.0%
2004	55	37.2	0	0.0%	0.0	0.0%
2005	84	46.9	2	2.4%	0.4	0.9%
2006	101	57.1	1	1.0%	0.3	0.4%
2007	111	61.6	5	4.5%	2.5	4.1%
2008	109	107.7	2	1.8%	0.2	0.2%
2009	107	122.3	6	5.6%	0.7	0.5%
			17	**2.5%**	**4.1**	**0.8%**

Source: MARC Fixed Income Research

Over the 10-year period, the annual issuer high grade default rate stands at 1.6% vis-à-vis the high yield default rate of 12.5%

Exhibit 18 : Annual Corporate Default Rates – Summary by Issuer

Year	Default count (High Grade)	Default count (High Yield)	High Grade Default Rate	High Yield Default Rate	All Corporate Default Rate
2001	0	0	0.0%	0.0%	0.0%
2002	0	0	0.0%	0.0%	0.0%
2003	0	0	0.0%	0.0%	0.0%
2004	0	0	0.0%	0.0%	0.0%
2005	2	0	2.6%	0.0%	2.4%
2006	1	0	1.0%	0.0%	1.0%
2007	3	2	2.9%	28.6%	4.5%
2008	1	1	1.0%	12.5%	1.8%
2009	3	3	3.1%	33.3%	5.6%
Total	**10**	**7**	**1.6%**	**12.5%**	**2.5%**

Source: MARC Fixed Income Research

In terms of the rated size, the annual high grade default rate stands at 0.3% vis-à-vis the high yield default rate of 11.9%

Exhibit 19 : Annual Corporate Default Rates – Summary by Rated Size

Year	Debt Size MYR b (High Grade)	Debt Size MYR b (High Yield)	High Grade Default Rate	High Yield Default Rate	All Corporate Default Rate
2001	0.0	0.0	0.0%	0.0%	0.0%
2002	0.0	0.0	0.0%	0.0%	0.0%
2003	0.0	0.0	0.0%	0.0%	0.0%
2004	0.0	0.0	0.0%	0.0%	0.0%
2005	0.4	0.0	0.9%	0.0%	0.9%
2006	0.3	0.0	0.5%	0.0%	0.4%
2007	0.3	2.2	0.5%	60.0%	4.1%
2008	0.1	0.1	0.1%	12.9%	0.2%
2009	0.5	0.2	0.4%	17.5%	0.5%
Total	**1.5**	**2.6**	**0.3%**	**11.9%**	**0.8%**

Source: MARC Fixed Income Research

Review of 2009 Corporate Defaults (continued)

No defaults in the AAA and AA rating bands

Exhibit 20 : Annual Corporate Default Rates by Rating Band

Year	AAA	AA	A	BBB	BB	B	High Grade	High Yield	All Corporate
2001	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2002	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2003	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2004	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2005	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	2.6%	0.0%	2.4%
2006	0.0%	0.0%	1.5%	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%
2007	0.0%	0.0%	4.5%	20.0%	0.0%	50.0%	2.9%	28.6%	4.5%
2008	0.0%	0.0%	1.7%	0.0%	0.0%	50.0%	1.0%	12.5%	1.8%
2009	0.0%	0.0%	6.3%	33.3%	25.0%	50.0%	3.1%	33.3%	5.6%
Arithmetic Mean	**0.0%**	**0.0%**	**1.5%**	**8.6%**	**2.1%**	**12.5%**	**0.9%**	**10.4%**	**2.3%**
Standard Deviation	**0.0%**	**0.0%**	**2.2%**	**16.8%**	**7.2%**	**22.6%**	**1.2%**	**17.3%**	**3.7%**
Coefficient of Variation	**n.a**	**n.a**	**67.6%**	**51.1%**	**28.9%**	**55.3%**	**70.5%**	**59.9%**	**62.1%**

Source: MARC Fixed Income Research

2009 defaults were contributed by the industrial products, infrastructure & utilities and trading/services sectors

Exhibit 21 : Annual Corporate Default Rates by Major Industry

Sector	2001	2002	2003	2004	2005	2006	2007	2008	2009	Wtd. Average
Construction	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	0.0%	0.0%	**1.9%**
Consumer Products	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Finance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**2.2%**
Hotels	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Industrial Products	0.0%	0.0%	0.0%	0.0%	9.1%	0.0%	6.9%	3.7%	13.0%	**5.8%**
Infrastructure & Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%	0.0%	3.8%	**1.3%**
Insurance Company	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Plantation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Property	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%	5.3%	6.3%	0.0%	**2.4%**
Technology	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Trading/Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.1%	**1.8%**
All Corporate	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**2.4%**	**1.0%**	**4.5%**	**1.8%**	**5.6%**	**2.5%**

Source: MARC Fixed Income Research

Exhibit 22 : Default History

Year Announced	Issuer	First Rating	Rating 1-year prior to default	Last rating prior to default
2000	MOCCIS Trading Sdn Bhd	BBB	BBB	BBB
2005	ABI Malaysia Sdn Bhd	A	A	A-
2005	Pesaka Astana (M) Sdn Bhd	A+	A+	A+
2006	Maxisegar Sdn Bhd	A	A	BB
2007	Paradym Resources Industries Sdn Bhd	A-	A	C
2007	Sistem-Lingkaran Lebuhraya Kajang Sdn Bhd	A	B-	B-
2007	ACE Polymers (M) Sdn Bhd	A	A-	BBB-
2007	Peremba Jaya Holdings Sdn Bhd	A	BBB-	C
2007	PECD Bhd	A	A-	BB+
2008	Intelbest Corporation Sdn Bhd	A+	B+	B+
2008	Evermaster Group Bhd	A	A-	BB-
2009	Tracoma Holdings Bhd	A	B	C
2009	Englotechs Holding Bhd	A	BBB-	BB
2009	Ingress Sukuk Bhd	A+	A	C
2009	Oilcorp Bhd	A	A-	C
2009	PSSB Ship Management Sdn Bhd	AA-	BB-	BB-
2009	Malaysian International Tuna Port Sdn Bhd	A+	A+	BB+
Average		**A**	**BBB**	**BB-**

Source: MARC Fixed Income Research

2009 Upgrades Profile

The upgrade rate fell to 1.9% in 2009

- Overall, the issuer upgrade rates fell from 6.4% in 2008 to 1.9% in 2009 after two corporate issuers, each from the property and construction sectors, had their respective ratings upgraded in 2009 involving a total rated size of MYR225 million.
- Glomac Berhad, which was rated at A at the beginning of the year, moved one notch higher to A+ by December 31, 2009, while Instacom SPV Sdn Bhd ended the year at AA compared to AA- at the beginning of the year.
- Two other issuers, Atlan Holdings Bhd (A) and Optimal Glycols (M) Sdn Bhd (AAA), which also experienced an upgrade over the same period, were not counted. Atlan Holdings Bhd, had its rating withdrawn on early cancellation of the facility on March 6, 2009, ahead of its original maturity date on October 5, 2011.
- As for Optimal Glycols (M) Sdn Bhd, the exclusion of this issuer from the upgrade count was due to multiple rating actions where it was first downgraded, and then upgraded towards the end of 2009, causing the rating to remain unchanged at AAA as at December 31, 2009.

Exhibit 23 : Annual Upgrade Rates by Rating Bands

Year	AAA	AA	A	BBB	BB	B	High Grade	High Yield	All Corporate
1999	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2000	0.0%	50.0%	0.0%	50.0%	0.0%	0.0%	16.7%	50.0%	25.0%
2001	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2002	0.0%	0.0%	7.7%	33.3%	0.0%	0.0%	5.3%	25.0%	7.1%
2003	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%	6.7%	0.0%	6.1%
2004	0.0%	25.0%	21.9%	20.0%	0.0%	0.0%	18.8%	14.3%	18.2%
2005	0.0%	7.7%	9.6%	33.3%	0.0%	0.0%	7.8%	28.6%	9.5%
2006	0.0%	6.3%	9.1%	0.0%	0.0%	0.0%	7.3%	0.0%	6.9%
2007	0.0%	8.7%	6.0%	0.0%	0.0%	0.0%	5.8%	0.0%	5.4%
2008	0.0%	8.0%	6.7%	0.0%	0.0%	50.0%	5.9%	12.5%	6.4%
2009	0.0%	3.1%	2.1%	0.0%	0.0%	0.0%	2.0%	0.0%	1.9%
Arithmetic Mean	**0.0%**	**9.9%**	**6.6%**	**12.4%**	**0.0%**	**4.5%**	**6.9%**	**11.9%**	**7.9%**
Standard Deviation	**0.0%**	**15.2%**	**6.4%**	**18.5%**	**0.0%**	**15.1%**	**6.0%**	**16.6%**	**7.6%**
Coefficient of Variation	**0.0%**	**153.3%**	**96.8%**	**148.9%**	**0.0%**	**331.7%**	**86.7%**	**140.1%**	**96.3%**

Source: MARC Fixed Income Research

Exhibit 24 : Annual Upgrade Rates by Major Industry

Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Wtd. Average
Construction	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	40.0%	16.7%	0.0%	12.5%	16.7%	16.7%	**13.2%**
Consumer Products	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Finance	0.0%	0.0%	50.0%	0.0%	25.0%	25.0%	20.0%	20.0%	40.0%	20.0%	75.0%	0.0%	**23.9%**
Hotels	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Industrial Products	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.1%	4.0%	3.4%	0.0%	0.0%	**2.9%**
Infrastructure & Utilities	0.0%	0.0%	33.3%	0.0%	0.0%	0.0%	23.1%	14.3%	10.5%	8.3%	0.0%	0.0%	**6.4%**
Insurance Company	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Plantation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	0.0%	0.0%	66.7%	0.0%	**12.5%**
Property	0.0%	0.0%	0.0%	0.0%	9.1%	8.3%	20.0%	0.0%	11.1%	5.3%	6.3%	8.3%	**7.2%**
Technology	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Trading/Services	0.0%	0.0%	0.0%	0.0%	33.3%	0.0%	12.5%	7.1%	0.0%	0.0%	0.0%	0.0%	**2.6%**
All Corporate	**0.0%**	**0.0%**	**25.0%**	**0.0%**	**7.1%**	**6.1%**	**18.2%**	**9.5%**	**6.9%**	**5.4%**	**6.4%**	**1.9%**	**6.9%**

Source: MARC Fixed Income Research

2009 Downgrades Profile

High grade downgrade rate of 4.1% vis-à-vis the high yield downgrade rate of 11.1%.

- Excluding defaulters and withdrawn cases, a total of five issuers had their ratings lowered in 2009, which translates into a downgrade rate of 4.7%.

- Issuers that were downgraded and are still surviving in the corporate universe as at December 31, 2009 were Mithril Bhd(BB to B+), Boon Koon Group Bhd (A- to BBB-), Hytex Integrated Bhd (A- to BBB-), MNRB Holdings Bhd (AA to AA-) and Nam Fatt Corporation Bhd (A+ to BBB+).

- By rating category, the AA, A and BB rating bands recorded downgrade rates of 3.1%, 6.3% and 25% respectively. Against this backdrop, the high grade and high yield downgrade rates came in at 4.1% and 11.1% respectively.

- Going by sector, 40% of the total five issuer downgrades mentioned were contributed by the industrial product sector, translating to an annual downgrade rate of 8.7% vis-à-vis the long-run issuer weighted average of 12.9% in this sector.

- In consumer products, despite one downgraded issuer over the same period, the downgrade rate stood at 33.3%, but it is worth while noting here that the sample size for this sector is extremely small, with only three issuers outstanding at the beginning of 2009.

Exhibit 25 : Annual Downgrade Rates by Rating Bands

Year	AAA	AA	A	BBB	BB	B	High Grade	High Yield	All Corporate
1999	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2001	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2002	0.0%	16.7%	3.8%	0.0%	100.0%	0.0%	5.3%	25.0%	7.1%
2003	0.0%	0.0%	6.7%	0.0%	0.0%	0.0%	4.4%	0.0%	4.1%
2004	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2005	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	2.6%	0.0%	2.4%
2006	0.0%	12.5%	13.6%	0.0%	100.0%	0.0%	11.5%	20.0%	11.9%
2007	0.0%	8.7%	13.4%	40.0%	0.0%	0.0%	10.6%	28.6%	11.7%
2008	0.0%	0.0%	6.7%	75.0%	0.0%	0.0%	4.0%	37.5%	6.4%
2009	0.0%	3.1%	6.3%	0.0%	25.0%	0.0%	4.1%	11.1%	4.7%
Arithmetic Mean	**0.0%**	**3.7%**	**4.9%**	**10.5%**	**20.5%**	**0.0%**	**3.9%**	**11.1%**	**4.4%**
Standard Deviation	**0.0%**	**6.1%**	**5.1%**	**24.5%**	**40.0%**	**0.0%**	**4.1%**	**14.2%**	**4.5%**
Coefficient of Variation	**0.0%**	**162.5%**	**102.3%**	**234.7%**	**195.7%**	**0.0%**	**105.9%**	**127.8%**	**102.6%**

Source: MARC Fixed Income Research

Exhibit 26 : Annual Downgrade Rates by Major Industry

Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Wtd. Average
Construction	0.0%	0.0%	0.0%	0.0%	20.0%	0.0%	0.0%	0.0%	12.5%	0.0%	0.0%	0.0%	**3.8%**
Consumer Products	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	33.3%	0.0%	33.3%	**17.6%**
Finance	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.1%	**4.3%**
Hotels	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**25.0%**
Industrial Products	0.0%	0.0%	0.0%	0.0%	50.0%	0.0%	0.0%	4.5%	16.0%	17.2%	14.8%	8.7%	**12.3%**
Infrastructure & Utilities	100.0%	0.0%	0.0%	0.0%	0.0%	7.7%	0.0%	7.1%	5.3%	0.0%	0.0%	0.0%	**2.5%**
Insurance Company	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Plantation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Property	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	15.8%	6.3%	0.0%	**5.6%**
Technology	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Trading/Services	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	11.1%	21.1%	9.1%	4.5%	**8.8%**
Wtd. Average	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**7.1%**	**4.1%**	**0.0%**	**2.4%**	**11.9%**	**11.7%**	**6.4%**	**4.7%**	**6.6%**

Source: MARC Fixed Income Research

Corporate Rating Transitions

Highly rated credits must carry lower default probability and higher rating stability…

MARC assigns the ratings based on a default probability model which is a combination of both qualitative and quantitative assessments. The rating basically summarizes the ability of issuers to meet the obligation, both in terms of interest payment and principal repayment. In addition, MARC also takes a through a cycle approach when assessing the credit profile of issuers, with relevant industry, business and financial risks analyzed from both short-term and long-term perspectives. However, rating movement may also be influenced by other structural developments, which most of the time are accounted by issuer specific developments.

Like the methodology used to calculate the annual default rates, the calculation of rating transition rates also compare issuers at the beginning of the time period (1st January) with ratings at the end of time period (31st December), hence interim rating changes will not be taken into consideration. Multiple counts of an issuer, however, are possible, i.e. an issuer that remained in the rating universe for more than one year will continue to be captured year in year out as long as it has not been withdrawn from the rating universe. For example, if MARC started to rate one issuer in 1997 and if its issue has not been withdrawn from the universe until 2008, then this issuer would appear in the 11 consecutive 1-year transition tables from 1998 to 2007.

Rating transition rates are comparable to cumulative default rates. However, due to significant sample constraints in the MARC rating universe, caution should be exercised in interpreting the statistics. At the beginning of 2009, there were only 107 outstanding issuers in MARC's corporate universe, of which only 8.4% of them were in the high-yield segment.

An examination of the one-year rating migration as depicted in Exhibit 25 was done at the broad rating category, i.e. from AA to A, as opposed to the transitions at the modifier level, i.e. AA+ to AA. The vertical axis shows outstanding ratings at the beginning of the year and the horizontal axis summarizes the 1-year migration behavior. Nevertheless, for transparency purposes, MARC has also computed the transition matrices at the modifier level which are attached in Appendix 4.

…and that hypothesis holds true in MARC's corporate universe

The followings outcomes are observed in MARC's corporate rating universe:

- There is a positive relationship between credit ratings and stability over time. In the high grade category, the 1- year rating stability for AAA, AA and A stood at 93%, 88% and 81% over the long run. In the high yield category, a similar pattern was also observed but it is worth noting again that our sample size is extremely small.

- The transition tables also confirmed the MARC corporate ratings correlate negatively with default rates where highly rated credits carry lower default probability. There were no defaults recorded under the AAA rating band in MARC's rating history while the AA band carries a zero percent chance of defaulting in the first three years.

Corporate Rating Transitions (continued)

Increasing default probability as we move from the higher to lower rating bands as depicted in the transition matrices…

Exhibit 27 : 1-year Rating Transitions

2008	AAA	AA	A	BBB	BB	B	C	NR	Default
AAA	**93.8%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%	0.0%
AA	0.0%	**96.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	0.0%
A	0.0%	6.7%	**78.3%**	1.7%	1.7%	0.0%	0.0%	10.0%	1.7%
BBB	0.0%	0.0%	0.0%	**50.0%**	25.0%	25.0%	0.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**50.0%**	0.0%	0.0%	50.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%

2009	AAA	AA	A	BBB	BB	B	C	NR	Default
AAA	**94.4%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%	0.0%
AA	0.0%	**81.3%**	0.0%	0.0%	0.0%	0.0%	0.0%	18.8%	0.0%
A	0.0%	0.0%	**68.8%**	6.3%	0.0%	0.0%	0.0%	18.8%	6.3%
BBB	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	66.7%	33.3%
BB	0.0%	0.0%	0.0%	0.0%	**50.0%**	25.0%	0.0%	0.0%	25.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	50.0%	50.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%

1998-2009	AAA	AA	A	BBB	BB	B	C	NR	Default
AAA	**93.3%**	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.7%	0.0%
AA	1.4%	**87.7%**	2.2%	0.0%	0.0%	0.0%	0.0%	8.7%	0.0%
A	0.0%	2.8%	**81.0%**	2.8%	0.5%	0.0%	0.0%	10.4%	2.5%
BBB	0.0%	0.0%	11.1%	**61.1%**	2.8%	5.6%	0.0%	11.1%	8.3%
BB	0.0%	0.0%	0.0%	0.0%	**63.6%**	18.2%	0.0%	9.1%	9.1%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**55.6%**	0.0%	11.1%	33.3%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%

Source: MARC Fixed Income Research

…and the transition table also confirmed that higher ratings stability is observed along the higher rated continuum

Exhibit 28 : 1-year Rating Transitions (NR Adjusted)

2008	AAA	AA	A	BBB	BB	B	C	Default
AAA	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.0%	7.4%	**87.0%**	1.9%	1.9%	0.0%	0.0%	1.9%
BBB	0.0%	0.0%	0.0%	**50.0%**	25.0%	25.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	0.0%	**100.0%**	0.0%	0.0%	0.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**50.0%**	0.0%	50.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%

2009	AAA	AA	A	BBB	BB	B	C	Default
AAA	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.0%	0.0%	**84.6%**	7.7%	0.0%	0.0%	0.0%	7.7%
BBB	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	100.0%
BB	0.0%	0.0%	0.0%	0.0%	**50.0%**	25.0%	0.0%	25.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	100.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%

1998-2009	AAA	AA	A	BBB	BB	B	C	Default
AAA	**99.0%**	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	1.6%	**96.0%**	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.0%	3.1%	**90.4%**	3.1%	0.6%	0.0%	0.0%	2.8%
BBB	0.0%	0.0%	12.5%	**68.8%**	3.1%	6.3%	0.0%	9.4%
BB	0.0%	0.0%	0.0%	0.0%	**70.0%**	20.0%	0.0%	10.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**62.5%**	0.0%	37.5%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%

Source: MARC Fixed Income Research

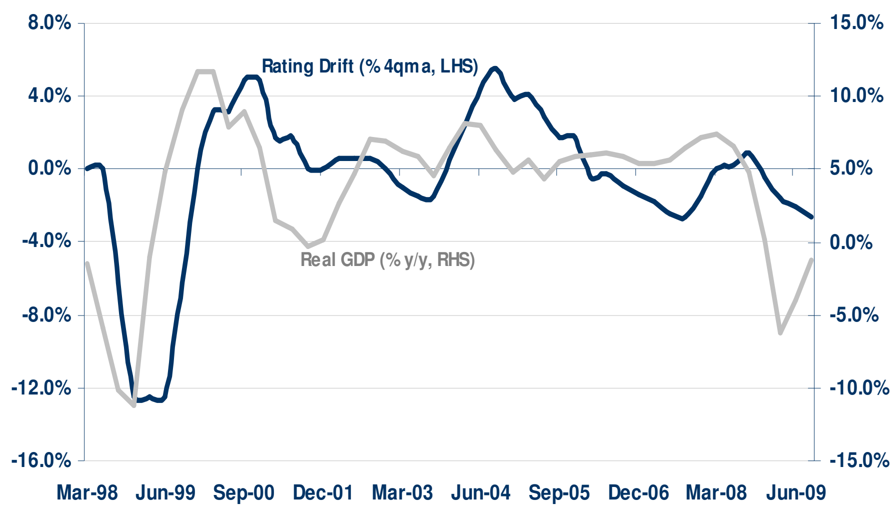
Corporate Rating Performance From Other Perspectives

We have described the migration patterns that took place in 2009, and in some incidences, we also compared those statistics against the long-run average. In this section, the objective is to share with readers the rating performance in terms of rating through cycles, risk premiums across rating bands, and rating and timing paths prior to default. The key findings are as follows.

Credit quality correlates with GDP

- The excess upgrades over downgrades as a percentage of outstanding issuer is mapped against the economic cycle to gauge the relationship between credit quality and macro-economic fundamentals. The analysis reveals a direct relationship between credit quality and economic fundamentals where upgrades tend to outpace downgrades during the expansionary period and vice versa with a correlation coefficient of more than 60%.

Exhibit 29 : Trend in Rating Drift Vs. Real GDP

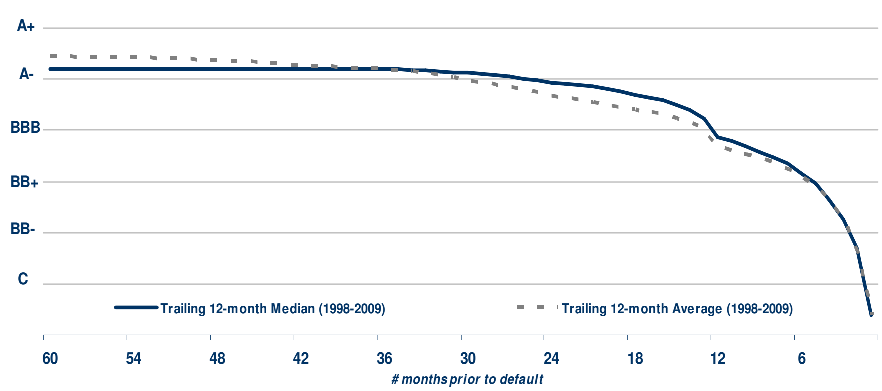


Source: Bloomberg, MARC Fixed Income Research

Issuers are rated under high yield one year prior to default

- On average, issuers were rated BBB about 12 months prior to default while the last rating prior to default is BB-; both are the ratings categorized under the high-yield segment.

Exhibit 30 : Average Defaulters Rating Path



Source: MARC Fixed Income Research

Corporate Rating Performance From Other Perspectives (continued)

Steep rise in the cumulative default rates across high yields

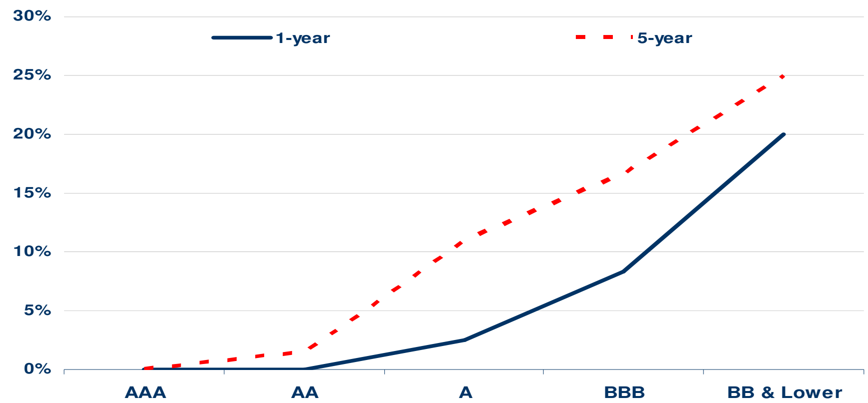
- The cumulative default rates are low at the high grade level with an average absolute spread against the high yield of 14% in five years.

Exhibit 31 : Cumulative Default Rates by Rating Band

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
AAA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	0.0%	0.0%	0.0%	0.7%	1.4%	1.4%	1.4%	1.4%
A	2.5%	5.3%	8.1%	9.6%	10.9%	11.2%	11.2%	11.2%
BBB	8.3%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
BB & Lower	20.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
High Grade	**1.6%**	**3.3%**	**5.0%**	**6.1%**	**7.1%**	**7.2%**	**7.2%**	**7.2%**
High Yield	**12.5%**	**19.6%**	**19.6%**	**19.6%**	**19.6%**	**19.6%**	**19.6%**	**19.6%**
All Corporate	**2.5%**	**4.6%**	**6.2%**	**7.2%**	**8.1%**	**8.2%**	**8.2%**	**8.2%**

Source: MARC Fixed Income Research

Exhibit 32 : Effectiveness of Corporate Ratings as Default Predictor

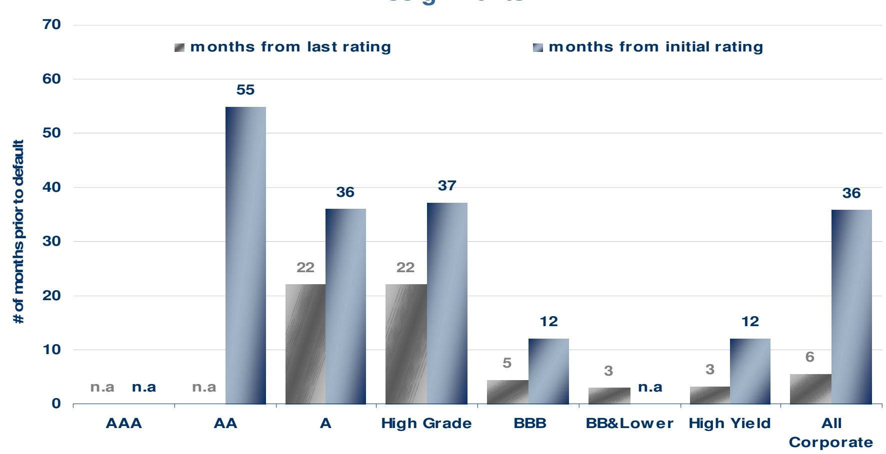


Source: MARC Fixed Income Research

Longer time to default for high grade issuers

- On average, it takes longer for high grade credits to default from both initial and last ratings compared to high-yield issuers.

Exhibit 33 : Median Months to Default From Initial and Last Rating Assignments

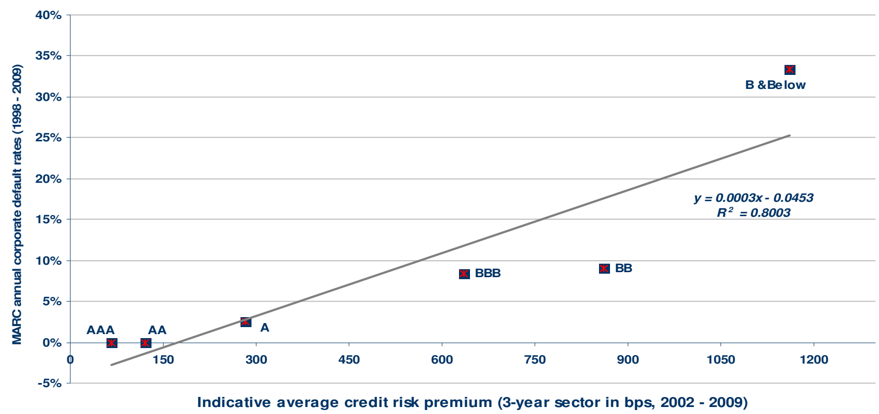


Source: MARC Fixed Income Research

Risk premiums widened from higher to lower rated credits to compensate investors for taking extra credit risk

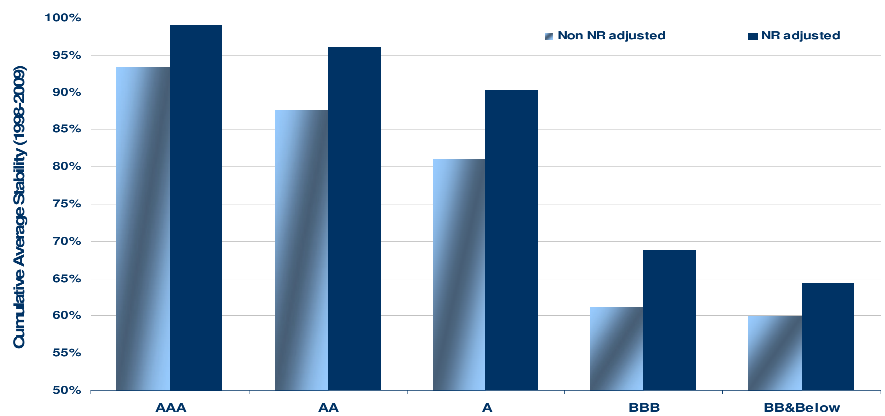
- Lower-rated credits are more sensitive to stress scenarios, and hence carry a higher default probability which should be compensated for with extra default risk premiums. That relationship is also observed in MARC's corporate universe.

Exhibit 34 : Credit Risk Premium vis-à-vis Default Rates by Rating Bands



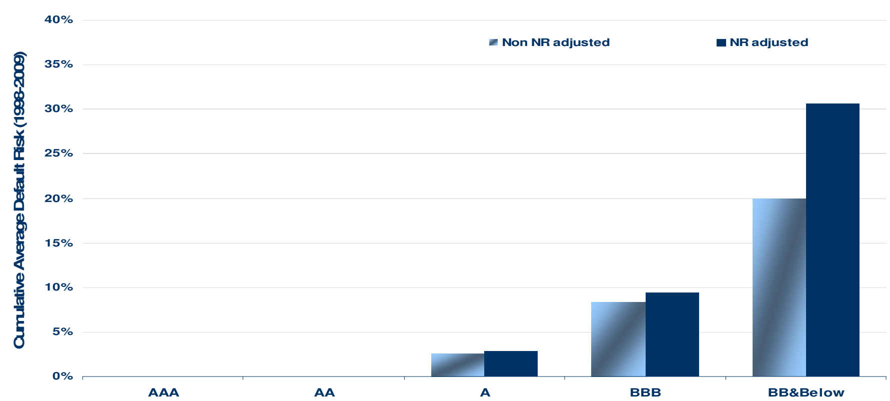
Source: Bloomberg, MARC Fixed Income Research

Exhibit 35 : 1- year Rating Stability by Rating Band



Source: Bloomberg, MARC Fixed Income Research

Exhibit 36 : 1-year Default Probability by Rating Band



Source: Bloomberg, MARC Fixed Income Research

2010 Default Outlook

Base case forecast of 3.3%

The default trend experienced in 2009 was mainly on the upside given the full-blown global recession. Going into 2010, we expect the tail risk to corporate defaults to remain, considering that high number of fallen angels recorded for the whole of 2009. However, the pendulum is expected to swing to the other end, and at this juncture, our base case forecast for the 2010 annual corporate default rate stands at 3.3%, based on a pool of distressed issuers that was formed on January 1, 2010 by looking at the 2009 surviving fallen angels.

Distressed pool contributed by surviving fallen angels

Out of eight fallen angels seen in 2009, there are three issuers that survived and hence are included in the most recent static pool. These issuers are all placed under negative outlook and/or MARCWatch Negative at this point, indicating that further downgrades among them are inevitable.

Lower default scenario on improving economy but lower denominator is a significant risk factor to this forecast

This outlook is premised on our view that the gradual recovery in the economy resulting from the front-loaded monetary easing and expansionary fiscal policy by authorities sustainable. On the issuer side, refinancing conditions are not expected to be as tight as 2009 considering that investors are no longer asking for substantial premiums, translating into lower financing costs among corporations. Nevertheless, as highlighted at the beginning of this report, the number can be easily distorted due to the declining number of issuers in the 2010 static pool which act as the denominator to our default rate forecast.

Exhibit 37: Pick-up in the US ISM New Orders The Catalyst for Export Recovery in this Region.

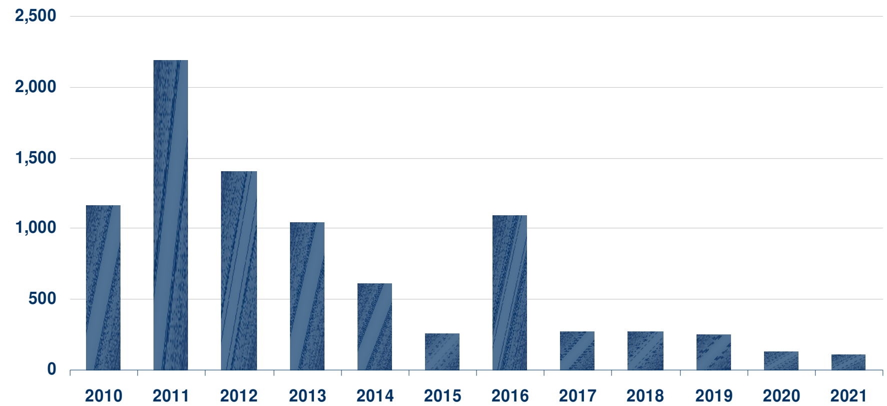
Source: MARC Fixed Income Research

But lower-rated entities may still find it hard to sell their bonds

We would like to note here that risk aversion has not completely abated, which is understandable given the structural problems that led to the worst financial crisis since the Great Depression. As such, investors' risk tolerance along the credit curve may be halted at the AA band and issuers rated lower than that may have to opt for credit wrapping to raise funds. Along the line, we noticed that financing costs for 'A' credit have not declined as much as the AAA and AA bands.

In 2010, our estimate shows that MYR1.2 billion of "A & Lower" bonds are expected to mature and of this amount, approximately MYR600 million are rated by MARC. However, the refinancing capacity among lower rated names is expected to be quite crucial in 2011 with an estimated figure of MYR2.2 billion, which is double the 2010 figure.

Exhibit 38 : Lower Rated (A & Below) Corporate Maturity Profile

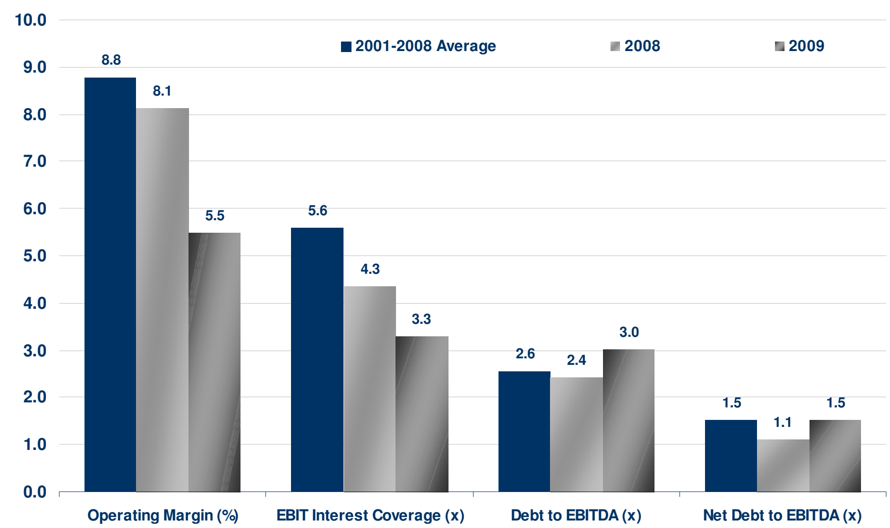


Source: BPAM, MARC Fixed Income Research

Corporate balance sheets show signs of impact from this recession

Looking at some selected credit metrics, we observed that corporate debt servicing capacity was affected by the crisis, with the earnings before interest and tax (EBIT) to interest expense coverage declining from 4.3 x to 3.3 x as slower economic activity translated into shrinking revenue. Moreover, total debt to earnings before interest, tax, depreciation and amortization (EBITDA) increased from 2.4x to 3.0x. However, this is not sufficient basis to conclude that corporate balance sheets have deteriorated significantly across the board. Our point here is that corporate balance sheets, as expected during the recessionary period, have shown signs of a relatively rough operating environment. On the positive side, corporate free cash flow is still positive, possibly due to corporations cutting back on expansion and waiting for signs of sustainable recovery in the economy.

Exhibit 39 : Profitability, Interest Coverage and Debt Servicing Capacity: Sample Size (N) = 378 Listed Companies Ex Banks (Taking the 50th Percentile of Cross-Sectional Data Series For Each Year)*



Source: Bloomberg, MARC Fixed Income Research
** Figures are as per Bloomberg report and unaudited*

Appendix I: Data and Methodologies

This long-term corporate default and rating transition study uses MARC's database of local currency issuer credit ratings which reflect MARC's independent opinion of an issuer's ability to meet its debt obligation. The likelihood of default is indicated by the rating migration assigned to the affected issuers, the rating outlook attached as well as the watchlist assigned. This study excludes short-term ratings and all structured finance issuers. In addition, issuers with bank guarantees are also excluded as this study aims to analyse the standalone corporate default risk.

This study analyzed the rating histories of 172 corporate issuers that were rated by MARC spanning 1997 to 2008. In the previous default studies, MARC conducted its annual default study based on the number of issues rather than issuers mainly due to its extremely small sample size. Nevertheless, from 2007 onwards, our annual default study will be issuer-based to stay in line with international practice. Each study reports all statistics beginning December 1997, hence ensuring consistency in the statistical reporting. Data enhancement efforts which will be carried out continuously to ensure a certain degree of transparency and integrity may lead to different outcomes from one report to another. The study is self-contained and the current study should supersede the previous one. A major challenge to this study is the extremely small sample size, particularly in the speculative grade ratings and as a result, most of the statistics could not be divided into investment and speculative grade analysis as the small number of observations would be statistically inconclusive.

MARC's long-term rating scale has a single 'C' rating level between 'B-' and 'D', compared to global rating agencies which typically have three intermediate categories i.e. 'CCC', 'CC' and 'C'. Also, within the three categories, their practice is to append modifiers (+/-) or 1, 2, and 3 to each genetic.

Default Definition

(Specifically prescribed for MARC's Default and Rating Transition Study: 1998-2009)

- Issuers will be rated 'D' upon default. Distressed obligations typically are rated along the continuum of 'B' to 'C' ratings categories. In situations where analysis indicates that an instrument is irrevocably impaired where it is not expected to meet payment of interest and/or principal in full in accordance with the terms of the obligation's documentation during the life of the transaction, but where no payment default in accordance with the terms of the documentation is imminent, the obligation may be rated in the 'B' or 'C' categories.
- MARC will assign default ratings where it has reasonably determined that payment has not been made on a material obligation in accordance with the requirements of the obligation's documentation, or where it believes that default ratings consistent with MARC's published definition of default are the most appropriate ratings to assign.

- Default is defined as one of the following:

  - ✓ Failure of an issuer/obligor to make timely payment of principal and/or interest under the contractual terms of the rated financial obligation (first dollar missed payment basis);

  - ✓ Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of an issuer/obligor; or

  - ✓ Distressed or other coercive exchange of a rated financial obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing financial obligation of the issuer/obligor.

- MARC will assign default ratings where it has reasonably determined that payment has not been made on a material obligation in accordance with the requirements of the obligation's documentation, or where it believes that default ratings consistent with MARC's published definition of default are the most appropriate ratings to assign.

Default Rate Calculation

- The default rate calculation used in MARC's Corporate Bond default study is given by the following formula:

  $$\mathbf{d_t = x_t / (n_{t-1} - w_{t-1})}$$

  Where $\mathbf{x_t}$ is the number of defaulted issuers in year **t,** $\mathbf{w_{t-1}}$ is the number of rating withdrawals and $\mathbf{n_{t-1}}$ is the number of outstanding ratings at the beginning of the year and adjusted for the previous defaults.

- The denominator reflects issuers whose ratings were withdrawn and therefore not at risk of default over the measurement period. Hence, there are three possible scenarios that need to be modeled to predict the default rate under the scope of MARC's Corporate Default Study: survival to the next time period, rating withdrawal and defaulted issuer.

Appendix II: Defaulters Excluded

No.	Category	Sector	Issuer	Date Announced	Last Rating	Constraint Factor	Instrument	Amount rated (MYR m)
1	Corporate Debt	Property	Johor City Development Sdn Bhd	01-Jul-01	AA-	Bank Guaranteed	5 Years GRUNIF	235
				01-Jul-01	MARC-1	Bank Guaranteed	5 Years Fixed Rate Serial Bonds	100
2	Corporate Debt	Trading/Services	HVD Holdings Sdn Bhd	01-Feb-02	MARC-4	Short Term	5 Years Revolving Underwritten Facility	70
3	Corporate Debt	Industrial Products	Perak-Hanjoong Simen Sdn Bhd	01-Dec-04	AAA	Bank Guaranteed	9 Years Al-Bai Bithaman Ajil Secured Serial Bonds Tranche I	370
				01-Dec-04	A	Bank Guaranteed	9 Years Al-Bai Bithaman Ajil Secured Serial Bonds Tranche II	50
				01-Dec-04	AA-	Bank Guaranteed	9 Years Al-Bai Bithaman Ajil Secured Serial Bonds Tranche III	80
				01-Dec-04	A+	Bank Guaranteed	9 Years Al-Bai Bithaman Ajil Secured Serial Bonds Tranche IV	168
4	Corporate Debt	Property	Europlus Corporation Sdn Bhd	09-Mar-06	MARC-4	Short Term	5 Years Murabahah Underwritten Notes Issuance Facility Issue I	350
5	Corporate Debt	Property	Perspektif Perkasa Sdn Bhd	09-Mar-06	MARC-4	Short Term	5 Years Murabahah Underwritten Notes Issuance Facility	188
6	Structured Finance	Property	Ambang Sentosa Sdn Bhd	28-Jul-06	C	Structured Finance Portfolio	3 Years Al-Bai Bithaman Ajil Islamic Debt Securities Class B	398.1
					C	Structured Finance Portfolio	4 Years Al-Bai Bithaman Ajil Islamic Debt Securities Class C	249.7
7	Corporate Debt	Industrial Products	Stenta Films (M) Sdn Bhd	20-Sep-07	MARC-4	Short Term	7 Years Murabahah Underwritten Notes Issuance Facility	90
8	Corporate Debt	Consumer Products	CNLT (Far East) Bhd	11-Oct-07	A	Bank Guaranteed	7 Years Syndicated Bank Guaranteed CP/MTN Issue II	60
9	Corporate Debt	Construction	Jana Niaga Sdn Bhd	15-Nov-07	MARC-4	Short Term	3 Years Murabahah Underwritten Notes Issuance Facility	100
10	Structured Finance	Primary CLO	Aegis One Bhd	28-Jan-08	B	Structured Finance Portfolio	5 Years Cash Flow Collateralized Loan Obligation (Jun Bonds)	100
11	Structured Finance	Primary CLO	Kerisma Bhd	04-Jun-09	B	Structured Finance Portfolio	5 Years Sen. Secured Fixed-Rate Asset-Backed Bonds Senior	870
				04-Jun-09	C	Structured Finance Portfolio	5 Years Mezzanine Secured Fixed-Rate Asset-Backed Bonds Mezzanine	30
				15-Jun-09	C	Structured Finance Portfolio	5 Years Subordinated Secured Variable-Rate Asset-Backed Bonds Subordinated	100

Source: MARC Fixed Income Research

Appendix III: Details on 2009 Rating Migrations

Issuer	Main Sector	Date Announced	Action	Outlook	Old Rating	New Rating	Principle	Issue Size
Atlan Holdings Bhd	Trading/Services	6-Jan-09	UPGRADED	STA	A	A+	Islamic	90
Englotechs Holding Bhd	Industrial Products	16-Jan-09	DOWNGRADED	NEG	BBB-	BB	Islamic	50
Tracoma Holdings Bhd	Industrial Products	23-Jan-09	DOWNGRADED	NEG	B	C	Islamic	100
Tracoma Holdings Bhd	Industrial Products	29-Jan-09	DEFAULT		C	D	Islamic	100
Ingress Sukuk Bhd	Industrial Products	25-Feb-09	DOWNGRADED	NEG	A	A-	Islamic	160
Mithril Bhd	Industrial Products	11-Mar-09	DOWNGRADED	NEG	BB	B+	Conventional	59
Bintang Bulk Movers Sdn Bhd	Trading/Services	18-Mar-09	DOWNGRADED	NEG	A-	BB	Conventional	50
Englotechs Holding Bhd	Industrial Products	27-Mar-09	DEFAULT		BB	D	Islamic	50
Ingress Sukuk Bhd	Industrial Products	31-Mar-09	DOWNGRADED	NEG	A-	BBB-	Islamic	160
Optimal Glycols (M) Sdn Bhd & Optimal Chemicals (Malaysia) Sdn Bhd	Industrial Products	3-Apr-09	DOWNGRADED	DEV	AAA	AA+	Islamic	1020
Ingress Sukuk Bhd	Industrial Products	10-Apr-09	DOWNGRADED	NEG	BBB-	BB-	Islamic	160
Ingress Sukuk Bhd	Industrial Products	6-Jul-09	DOWNGRADED	NEG	BB-	C	Islamic	160
Ingress Sukuk Bhd	Industrial Products	13-Jul-09	DEFAULT		C	D	Islamic	160
Boon Koon Group Bhd	Industrial Products	7-Sep-09	DOWNGRADED	NEG	A-	BBB-	Islamic	100
Oilcorp Bhd	Trading/Services	11-Sep-09	DOWNGRADED	NEG	A-	BB	Islamic	70
Haisan Resources Bhd	Trading/Services	18-Sep-09	DOWNGRADED	NEG	A-	BBB-	Conventional	30
Oilcorp Bhd	Trading/Services	30-Sep-09	DOWNGRADED	NEG	BB	C	Islamic	70
Oilcorp Bhd	Trading/Services	7-Oct-09	DEFAULT		C	D	Islamic	70
Hytex Integrated Bhd	Consumer Products	15-Oct-09	DOWNGRADED	DEV	A-	BBB-	Islamic	100
Malaysian International Tuna Port Sdn Bhd	Infrastructure & Utilities	23-Oct-09	DOWNGRADED	NEG	A+	BB+	Islamic	240
Malaysian International Tuna Port Sdn Bhd	Infrastructure & Utilities	18-Nov-09	DEFAULT		BB+	D	Islamic	240
Glomac Bhd	Property	7-Dec-09	UPGRADED	STA	A-	A	Islamic	25
Instacom SPV Sdn Bhd	Construction	14-Dec-09	UPGRADED	STA	AA-	AA	Islamic	200
PSSB Ship Management Sdn Bhd	Trading/Services	15-Dec-09	DEFAULT		BB-	D	Islamic	40
Optimal Glycols (M) Sdn Bhd & Optimal Chemicals (Malaysia) Sdn Bhd	Industrial Products	17-Dec-09	UPGRADED	POS	AA+	AAA	Islamic	1020
MNRB Holdings Berhad	Finance	17-Dec-09	DOWNGRADED	NEG	AA	AA-	Islamic	200
Nam Fatt Corporation Bhd	Construction	30-Dec-09	DOWNGRADED		A+	BBB+	Islamic	250

Source: MARC Fixed Income Research

Appendix IV: 1-year Migrations at Modifier Level

2008	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	C	NR	Default
AAA	**93.8%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%	0.0%
AA+	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	0.0%	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA-	0.0%	0.0%	12.5%	**81.3%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%	0.0%
A+	0.0%	0.0%	0.0%	20.0%	**70.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%
A	0.0%	0.0%	0.0%	0.0%	0.0%	**82.8%**	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.0%	0.0%	0.0%	0.0%	6.9%	0.0%
A-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**63.6%**	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.2%	9.1%
BBB+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%
BBB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BBB-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**50.0%**	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BB+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BB-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
B+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	100.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%
B-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	**0.0%**	0.0%	0.0%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%

2009	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	C	NR	Default
AAA	**94.4%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%	0.0%
AA+	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	0.0%	0.0%	**85.7%**	14.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA-	0.0%	0.0%	5.0%	**65.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30.0%	0.0%
A+	0.0%	0.0%	0.0%	0.0%	**80.0%**	0.0%	0.0%	6.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.7%	6.7%
A	0.0%	0.0%	0.0%	0.0%	0.0%	**70.8%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	4.2%
A-	0.0%	0.0%	0.0%	0.0%	0.0%	11.1%	**33.3%**	0.0%	0.0%	22.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.2%	11.1%
BBB+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
BBB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BBB-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	50.0%
BB+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BB-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**66.7%**	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%
B+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	50.0%	50.0%
B-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%

1998-2009	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	C	NR	Default
AAA	**93.3%**	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.7%	0.0%
AA+	7.1%	**89.3%**	0.0%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	0.0%	5.7%	**80.0%**	5.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.6%	0.0%
AA-	0.0%	0.0%	8.0%	**76.0%**	2.7%	0.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	0.0%
A+	0.0%	0.0%	0.0%	8.4%	**72.3%**	6.7%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.1%	1.7%
A	0.0%	0.0%	0.0%	0.6%	6.1%	**74.0%**	5.5%	1.1%	0.6%	1.1%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	7.7%	2.2%
A-	0.0%	0.0%	0.0%	0.0%	0.0%	8.5%	**66.0%**	3.2%	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.0%	4.3%
BBB+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	**50.0%**	0.0%	6.3%	0.0%	0.0%	0.0%	0.0%	6.3%	0.0%	0.0%	12.5%	0.0%
BBB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**50.0%**	16.7%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	0.0%	0.0%	16.7%
BBB-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.1%	0.0%	**57.1%**	0.0%	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	14.3%	14.3%
BB+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**33.3%**	33.3%	33.3%	0.0%	0.0%	0.0%	0.0%	0.0%
BB-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**62.5%**	0.0%	0.0%	12.5%	0.0%	12.5%	12.5%
B+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	100.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	50.0%	50.0%
B-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	**66.7%**	0.0%	0.0%	16.7%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%

Source: MARC Fixed Income Research

Appendix V: Structured Finance Universe

Summary of Annual rating Changes

Year	Issues/Tranches as of 1st January	Upgrades	Downgrades	Default	Withdrawn	Migrating	Stable	Downgrade to Upgrade (x)
2003	3	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	n.a
2004	10	0.00%	0.00%	0.00%	10.00%	0.00%	100.00%	n.a
2005	19	0.00%	10.53%	0.00%	0.00%	10.53%	89.47%	n.a
2006	47	0.00%	17.02%	4.26%	2.13%	21.28%	78.72%	n.a
2007	65	0.00%	4.62%	0.00%	13.85%	4.62%	95.38%	n.a
2008	97	2.06%	7.22%	1.03%	4.12%	10.31%	89.69%	3.50
2009	101	1.98%	7.92%	2.97%	8.91%	12.87%	87.13%	4.00
Weighted Average		**1.2%**	**8.2%**	**1.8%**	**7.0%**	**11.1%**	**88.9%**	**2.2**

Source: MARC Fixed Income Research

Rating Transition rates

2008	AAA	AA	A	BBB	BB	B	C	NR	Default
AAA	**91.9%**	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	0.0%
AA	5.9%	**76.5%**	11.8%	0.0%	0.0%	0.0%	0.0%	5.9%	0.0%
A	0.0%	8.3%	**91.7%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BBB	0.0%	0.0%	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	0.0%	**100.0%**	0.0%	0.0%	0.0%	0.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**66.7%**	0.0%	0.0%	33.3%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%

2009	AAA	AA	A	BBB	BB	B	C	NR	Default
AAA	**88.1%**	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	10.2%	0.0%
AA	0.0%	**85.0%**	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	5.0%
A	0.0%	0.0%	**75.0%**	0.0%	0.0%	0.0%	0.0%	18.8%	6.3%
BBB	0.0%	0.0%	0.0%	**50.0%**	0.0%	0.0%	50.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	0.0%	**50.0%**	50.0%	0.0%	0.0%	0.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**50.0%**	0.0%	50.0%

2003-2009	AAA	AA	A	BBB	BB	B	C	NR	Default
AAA	**90.8%**	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	6.8%	0.0%
AA	1.8%	**80.4%**	5.4%	0.0%	0.0%	3.6%	0.0%	7.1%	1.8%
A	0.0%	1.9%	**83.0%**	0.0%	1.9%	0.0%	0.0%	7.5%	5.7%
BBB	0.0%	0.0%	0.0%	**80.0%**	0.0%	0.0%	20.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%	0.0%	**66.7%**	26.7%	0.0%	6.7%	0.0%
B	0.0%	0.0%	0.0%	0.0%	0.0%	**60.0%**	0.0%	20.0%	20.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**50.0%**	0.0%	50.0%

Source: MARC Fixed Income Research

Appendix V: Structured Finance Universe (continued)

Structured Finance Migration Details

No	Issuer	Instrument Detail	Sector	Date	Rating Action	Outlook	Previous Rating	New Rating
1	CapOne Bhd	5 Years Nom. Value Secured Fixed-Rate Asset-Backed Bonds Senior Class A-2	Primary CLO	13-Feb-09	DOWNGRADED	NEG	AA-	BBB+
		5 Years Nom. Value Secured Fixed-Rate Asset-Backed Bonds Mezzanine Class B				STA	BBB-	C
2	Prima Uno Bhd	5 Years Nominal Value Secured Fixed-Rate Asset-Backed Bonds Subordinated	Primary CLO	05-May-09	DOWNGRADED	NEG	BB	BB-
3	Kerisma Bhd	5 Years Sen. Secured Fixed-Rate Asset-Backed Bonds Senior	Primary CLO	15-May-09	DOWNGRADED		AA-	BBB
		5 Years Mezzanine Secured Fixed-Rate Asset-Backed Bonds Mezzanine					A-	BB-
4	Kerisma Bhd	5 Years Sen. Secured Fixed-Rate Asset-Backed Bonds Senior	Primary CLO	22-May-09	DOWNGRADED		BBB	B
		5 Years Mezzanine Secured Fixed-Rate Asset-Backed Bonds Mezzanine					BB-	C
5	CapOne Bhd	5 Years Nom. Value Secured Fixed-Rate Asset-Backed Bonds Senior Class A-2	Primary CLO	15-Jun-09	DOWNGRADED	STA	BBB+	BB
6	Ample Zone Bhd	7 Years Sukuk Al-Ijarah Bonds Class C	Property	05-Aug-09	DOWNGRADED	NEG	AA+	B+
7	Medi Innovation Sdn Bhd	7 Years Islamic Medium Term Notes Issuance Facility	Trading/Services	02-Nov-09	DOWNGRADED		A	BBB
		7 Years Murabahah Underwritten Notes Issuance Facility / Islamic Medium Term Notes					A	BBB
8	CapOne Bhd	5 Years Nom. Value Secured Fixed-Rate Asset-Backed Bonds Super Senior Class A-1	Primary CLO	16-Dec-09	DOWNGRADED	NEG	AAA	AA+
		5 Years Nom. Value Secured Fixed-Rate Asset-Backed Bonds Senior Class A-2				NEG	BB	B
9	Cellular Structures Sdn Bhd	8 Years Junior Islamic Medium Term Notes	Technology	31-Dec-09	UPGRADED		A	A+
10	Tele-Flow Capital Sdn Bhd	8 Years Junior Islamic Medium Term Notes	Technology	31-Dec-09	UPGRADED		A	A+
11	Kerisma Bhd	5 Years Sen. Secured Fixed-Rate Asset-Backed Bonds Senior	Primary CLO	04-Jun-09	DEFAULT		B	D
		5 Years Mezzanine Secured Fixed-Rate Asset-Backed Bonds Mezzanine		04-Jun-09			C	D
		5 Years Subordinated Secured Variable-Rate Asset-Backed Bonds Subordinated		15-Jun-09			C	D

Source: MARC Fixed Income Research

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Published and Printed by:

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