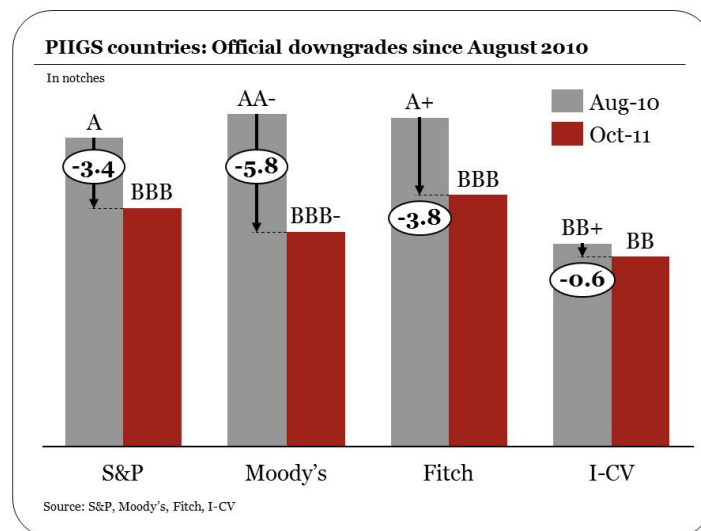


PRESS RELEASE

**I-CV Sovereign Credit Research 2011:  
«Continuing pressure on sovereign ratings»**

**Zurich, November 22, 2011 – Based on its latest sovereign credit research, Independent Credit View (I-CV), a Swiss-based research boutique specialising in credit research, confirms its findings from last year’s analysis: The majority of the advanced economies analysed continue to display adverse debt dynamics and the pressure on official rating levels is mounting. Of particular concern is the steep increase of systemic risk posed by the high leverage and fragile refinancing of banks.**

The findings presented by I-CV, an independent research boutique specialising in credit research, reveal that the rating pressure on many triple A sovereigns is far from over. There remains a large disconnect between the official rating levels of advanced economies and those of emerging markets, they do no longer offer a true reflection of the underlying fundamentals and debt dynamics. Whilst gross national government debt in advanced G-20 countries has increased to over 100% in relation to GDP since the onset of the crisis the average rating awarded by S&P is still AA+. Emerging markets on the other hand maintained their debt ratio at around 37% and are only rated BBB+. For several years I-CV has advocated, that official ratings do not fully reflect this reality and has for this reason awarded industrialised countries more conservative ratings. However, I-CV ratings are not usually far off the mark as illustrated by the rating dynamic of the PIIGS countries (see chart below). Whilst I-CV had already rated the PIIGS nations with BB+ on average in August 2010, the official agencies have now followed suit with substantial downgrades.



Daniel Pfister, CEO at I-CV, considers the situation of the banks as particularly alarming. “European Banks especially have still considerable need for action. A capital increase by mandatory recapitalisation as it was undertaken in the United States has not taken place in Europe. The capital adequacy of many banks in Europe can be considered insufficient and refinancing risk remains a major weakness of the system. This has a negative impact on the credit quality of sovereign states.”

I-CV concludes that deleveraging will be the major theme for years to come, this will not only affect the banks but also sovereigns, especially those which have been affected by the implementation of the European stability mechanism

EFSF. The large guarantees (contingent liabilities) weigh heavily on the credit profiles and even Germany's AAA Rating is not entirely unaffected in the long run. France, England, the Netherlands and Austria do no longer deserve AAA status based on the I-CV assessment. Spain and Italy remain investment grade by a close margin. For Greece and Portugal debt restructuring can no longer be avoided. To provide Greece with a fighting chance to come to grips with its finances the I-CV specialists state that the haircut should be at least 80%.

#### **Research Methodology: The I-CV 4-phase sovereign model**

To rate and monitor the quality of sovereign credit I-CV deploys a robust, proprietary sovereign model structured in four distinct phases and built on over 1'500 data points. The analytical framework takes into account recent fundamental data and forward-looking projections provided by the IMF and OECD for 2011 to 2015, and measures in the first phase the relative credit strengths and weaknesses across more than 50 indicators. Then I-CV performs an assessment into each state's ability to reduce its debt burden cuts over time through revenue increases, spending and privatisations. The results from the first two phases are consolidated into the I-CV rating. The rating is accompanied by "the view behind the rating" which examines important trends and developments that could influence the ratings in the future but are not easily captured by quantitative data. The model inputs are structured around seven topical clusters: economic profile, fiscal policy, monetary flexibility, banking system, outlook 2011-2015, demography and deleveraging potential. New aspects that are reflected in the I-CV analysis are overheating and data quality. "The inclusion of data quality as a rating factor is important as there are major discrepancies between individual states with regards to the reported data quality and consistency", explains René Hermann from I-CV. "We provide institutional investors with critical and most importantly independent information, so that that specific country risks can be taken into account in a timely manner before making investment decisions."

#### **Contact Independent Credit View AG**

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Independent Credit View AG (I-CV) was founded in 2003 in Zurich and has since been acting successfully as the only independent research boutique in Switzerland serving institutional bond investors. As a consultancy I-CV analyses, evaluates and monitors the credit quality of national and international issuers. The company maintains a team of seasoned credit specialists and a robust analytical framework, which results in an I-CV rating and a relative value recommendation. The I-CV rating is well recognised in the marketplace as an alternative and unbiased source providing investors with an accurate and leading indicator of forthcoming rating changes. I-CV acts solely in the interest of its clients – the investor – and generates tangible added value through comprehensive research on a broad range of subjects. I-CV has been able to build an excellent reputation in the marketplace for its substantiated opinions and early identifications of market movements (cf. I-CV sovereign & banking research). The proximity to its clients, the experience and expertise of its research team as well as its independence – I-CV is paid exclusively by investors and not by issuers – are among the company's most important success factors.