

CREDIT RESEARCH – A DAY WITH A CREDIT ANALYST

Susanne Reichhuber, Credit Analyst

Essen, 8 December 2011

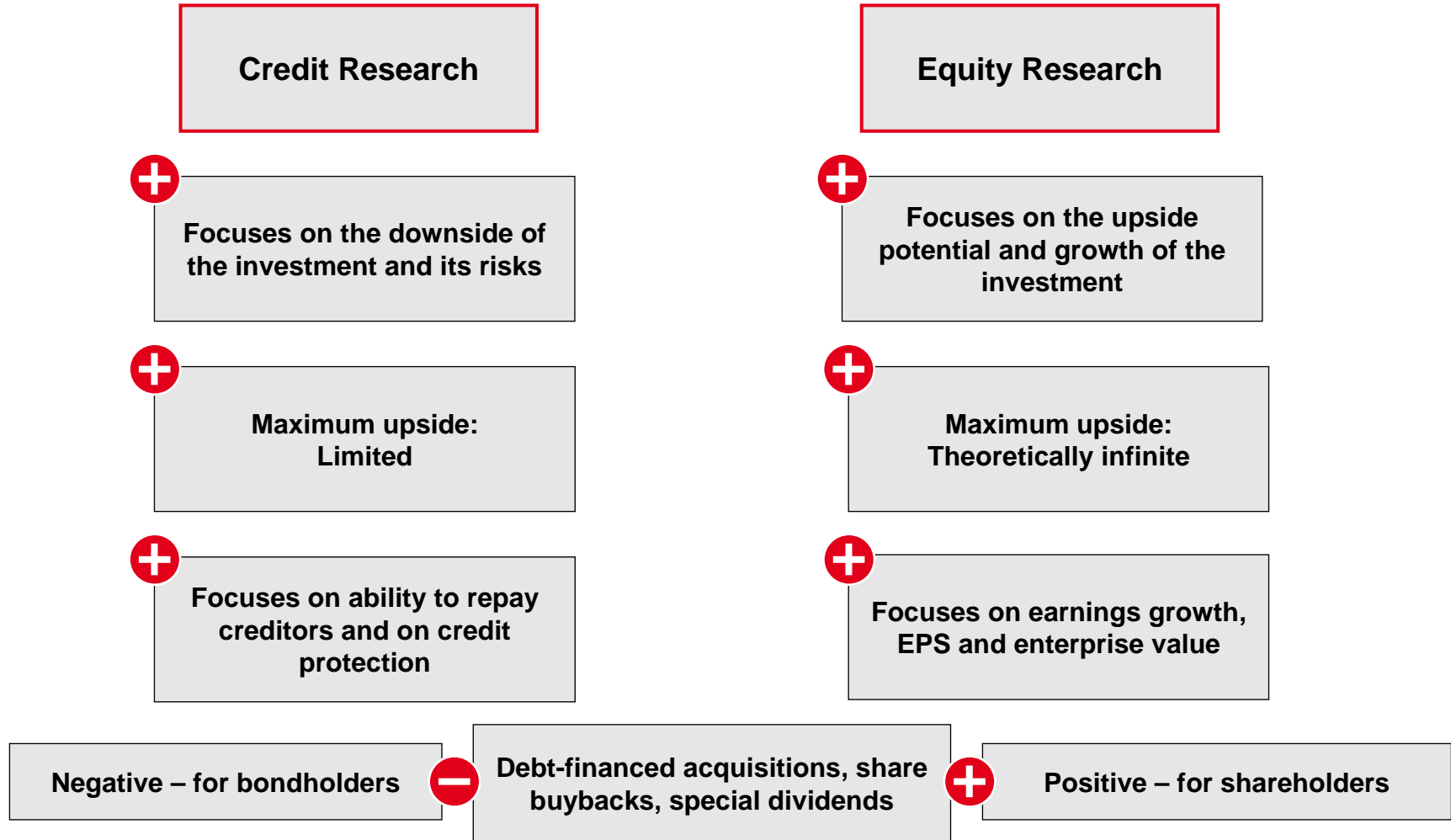
AGENDA

- WHAT IS CREDIT RESEARCH?
- CORPORATE CREDIT RESEARCH COVERAGE
- CORPORATE CREDIT RESEARCH SETUP

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Divergence in the credit and equity philosophies



Corporate credit analysis – Combination of fundamental credit analysis and relative value aspects

What is Credit Research?

■ Company business risk

- Macroeconomic environment
- Industry drivers (e.g. Porter's five forces, regulatory risks)
- Quality of business and assets; cyclical nature of the operating business
- Quality/experience of management

■ Company financial risk

- Operating performance (operating margin, cash conversion, free cash flow generation, capex plan)
- Credit metrics (e.g. net debt/EBITDA, interest coverage, cash-flow-based ratios)
- Headroom under current ratings
- Off-balance financial obligations (unfunded pension liabilities, operating lease liabilities, contingent liabilities)
- Available cash/cash equivalents and committed credit lines
- Management's financial policy (dividend payments, share buybacks, debt-financed M&A, net debt target)
- Ownership structure

■ Relative value

- Peer group comparison
- Credit curve trades, sector trades, trades based on improving credit quality, secured/unsecured/subordinated securities

Corporate credit analysis – Frequently asked questions by Fixed Income investors

What is Credit Research?

■ Company business profile

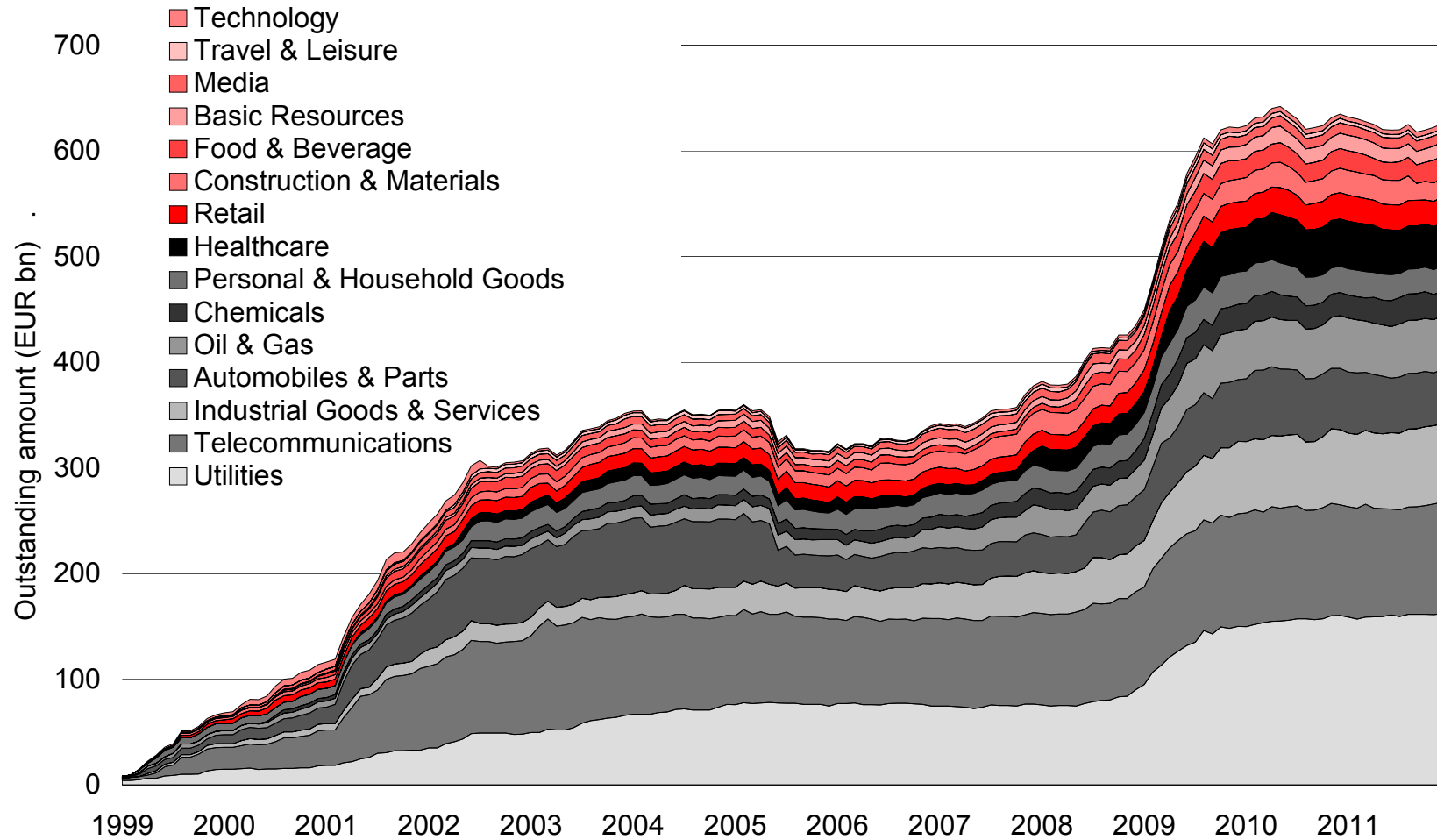
- Envisaged mix of regulated vs. unregulated business
- Internationalization (potentially into higher-risk markets) vs. focus on core markets
- Expansion outside the company's core business

■ Financial profile

- Financial policy
 - Rating commitment (“A flat” rating vs. “A-range rating” vs. “investment grade rating”)
 - Dividend policy
 - Capex plan (committed vs. uncommitted, maintenance vs. expansion capex)
 - Envisaged funding mix (equity vs. debt, fixed vs. floating, currencies)
 - Project finance structures (ring-fenced financings via SPVs?)
 - Structural subordination issues
 - Net debt target/Leverage target
- Debt maturity profile
- Drawn and undrawn committed credit facilities, maturity of credit facilities
- Covenants included in financial debt
- M&A strategy and potential funding

iBoxx non-financials volume development by sector

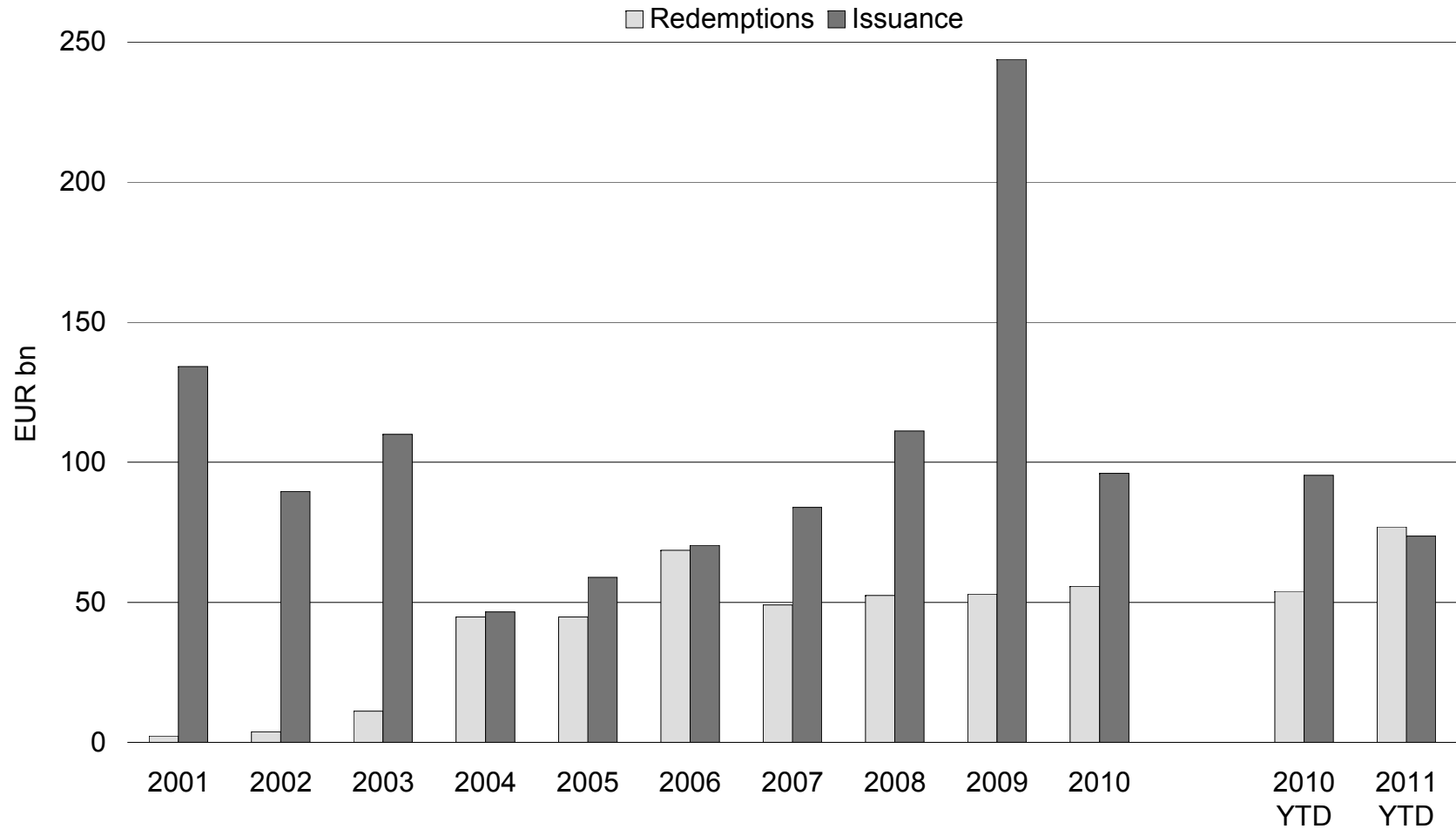
What is Credit Research?



Source: iBoxx, UniCredit Research

iBoxx non-financials issuance and redemptions

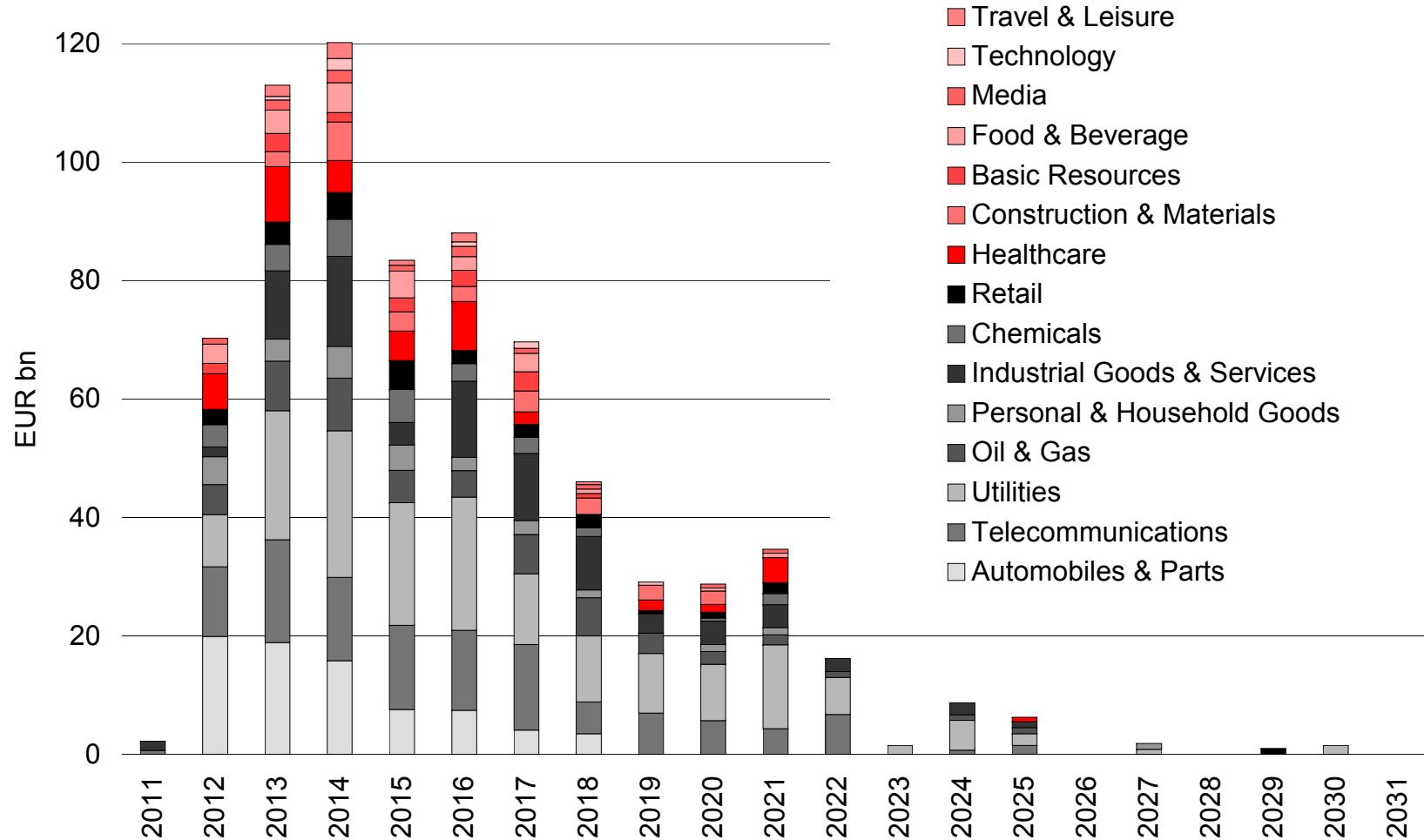
What is Credit Research?



Source: iBoxx, UniCredit Research

iBoxx non-financials maturity profile

What is Credit Research?



Source: iBoxx, UniCredit Research

Fixed Income investor – Not the shareholder’s ugly stepsister

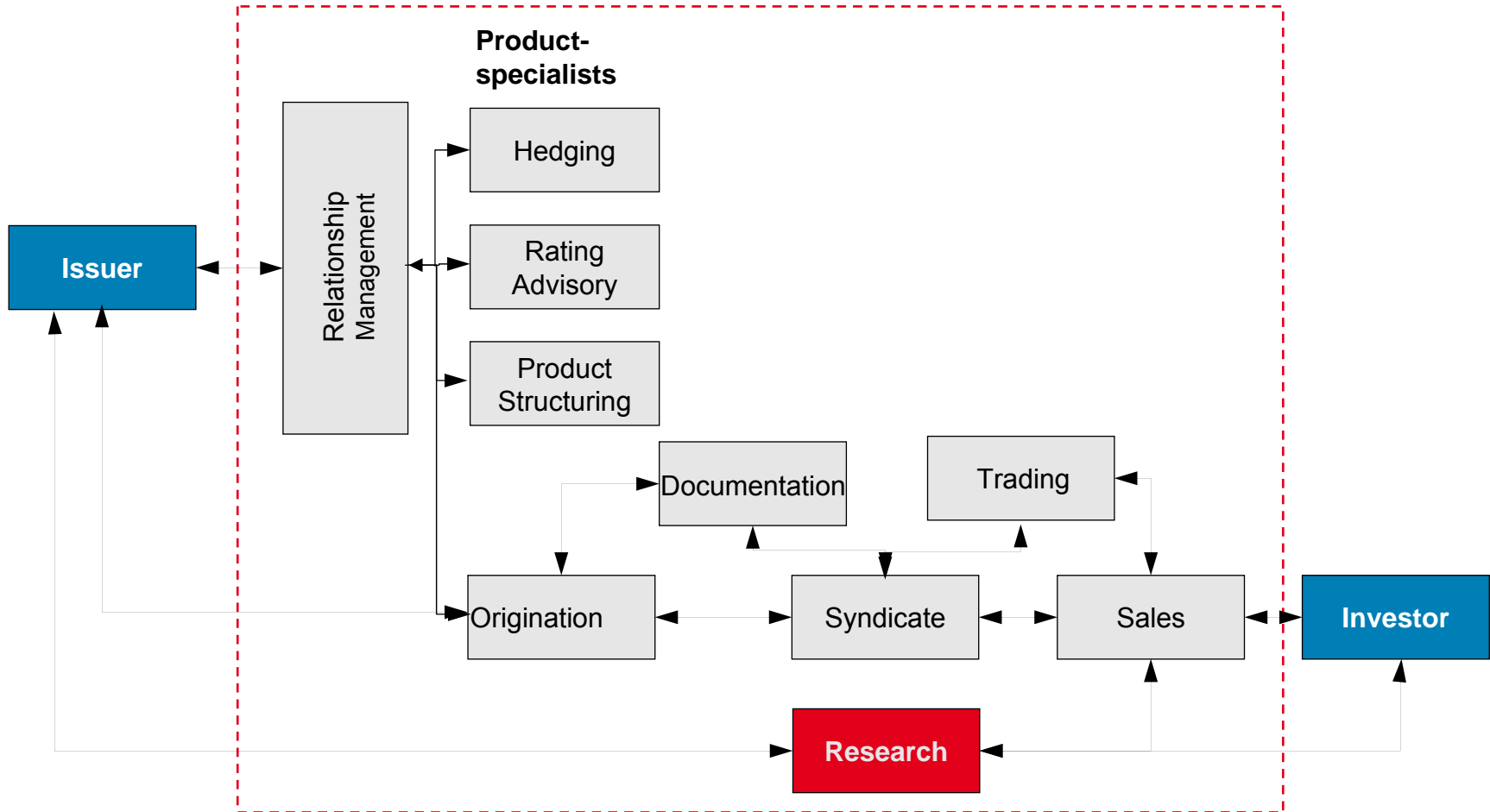
In recent years, companies have come to acknowledge the importance of bondholders

- Due to the high costs of equity operations, and as the current financial market environment is curtailing access to bank debt, issuers are increasingly relying on the corporate bond market
- Increasing funding activity via the bond market has led to higher competition among issuers
- A higher percentage of corporate bonds in the funding mix has increased bondholders’ visibility and influence
- However, a volatile market environment might hamper access to the primary market
- Many companies have therefore recognized the need to balance shareholder and bondholder needs
- Although less “glamorous” than the equity side, bondholders must also be regarded as investors in the company, which also entails the information requirements associated with this
- However, this requires understanding how the credit approach differs from that of equity and thus the need to provide adequate services
 - Credit Investor Relations with dedicated contact persons
 - Non-deal-related roadshows also for credit investors
 - Credit investor day
 - Debt investor update calls
- The target is to establish a transparent and long-term relationship with the credit side, in order to ensure supportive dialogue in all market environments
 - Facilitate primary market activity via continuous communication with the credit side
 - Bondholders price in intransparent communication!

AGENDA

- WHAT IS CREDIT RESEARCH?
- CORPORATE CREDIT RESEARCH COVERAGE
- CORPORATE CREDIT RESEARCH SET-UP

Credit Research in the value chain



Coverage – Secondary Market

Secondary Market

- Coverage of about 300 corporates (iBoxx/iTraxx indices)
240 Investment-Grade and 55 High-Yield Bonds
- Coverage divided among 8 corporate credit analysts, following a sector approach
 - Usually larger coverage in Credit than in Equity Research (example Utilities sector: 53 companies are currently being covered)
- Frequent updates following the release of market-relevant information:
 - Earnings releases/regulatory environment
 - Potential M&A activities
 - Rating changes, etc.
- Providing investment recommendations for investors
- Supporting the market-making efforts of UniCredit
- Attending analyst meetings
- Investor roadshows/conferences with sales
- Regular contact with investors and media
- Credit portfolio advisory

Coverage – Primary Market & Advisory Support

Primary Market

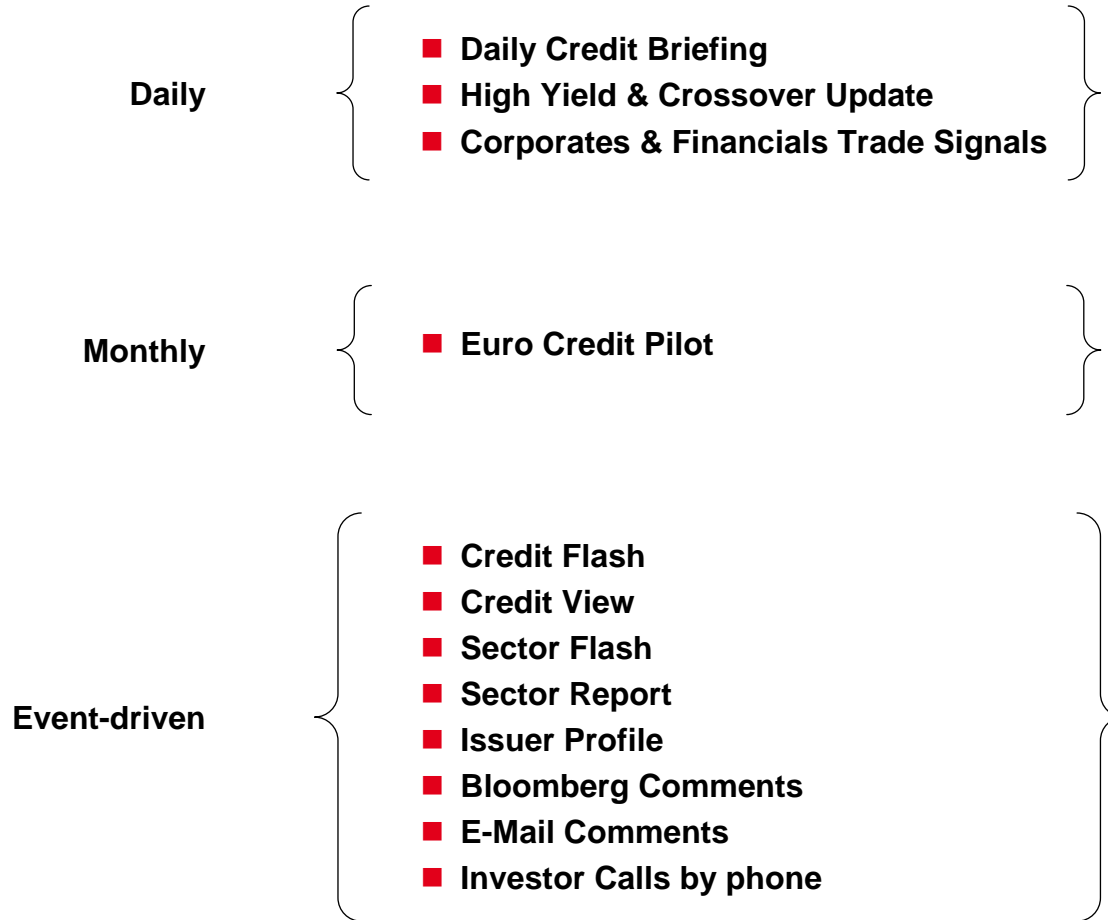
- Benchmark Bonds
- Schuldscheindarlehen
- Domestic Bonds
- Convertible Bonds

- In-depth analysis/new issue research report of the company/industry following a meeting with the issuer's management and a site visit
- Numerous (undisclosed) rating assessments and pitch support for DCM Munich (multinationals and German SME) and DCM Austria, ECM Convertible bonds
- Pre-marketing roadshow to brief investors on the issuer and to provide the issuer with frequently asked questions in preparation for the roadshow
- Investor calls

Advisory support for Corporate & Investment Banking divisions

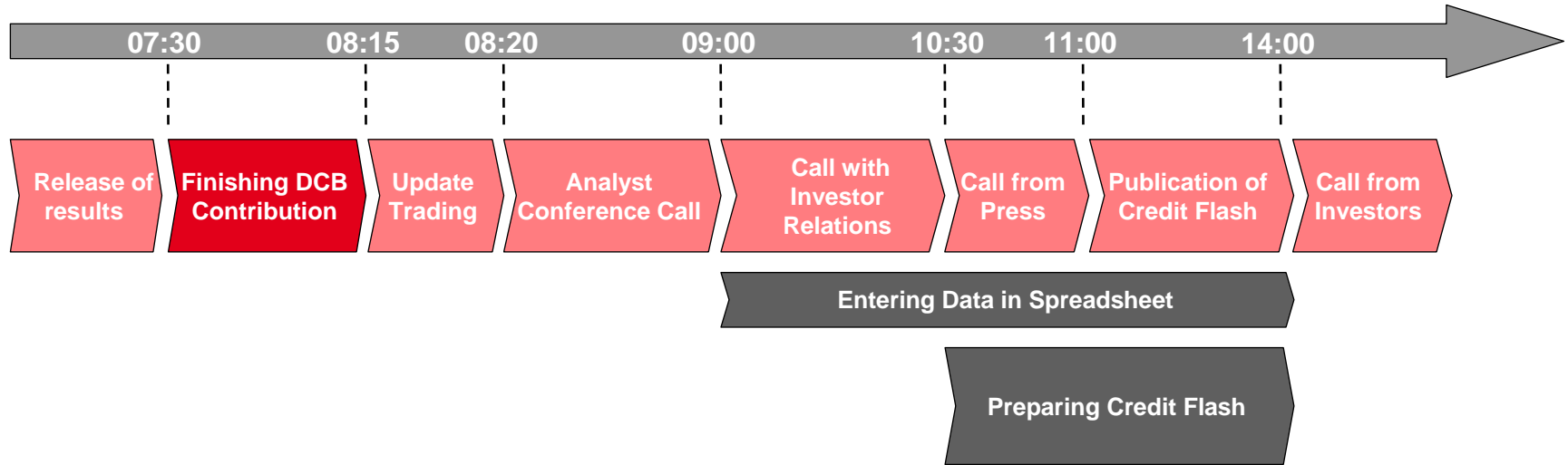
- DCM Munich, Austria, Milan, Paris
- ECM Convertible bonds
- Multinational corporates, private and corporate banking
- Wealth management
- Corporate Finance Advisory
- Corporate solutions

Product Overview



Example of a credit analyst's start into the day: Not for late risers; the early bird catches the worm!

Corporate Credit Research Coverage



Daily products – Daily Credit Briefing

- **Frequency:** Daily at 08.30 CET
- **Language:** English
- **Size:** 8 to 20 pages
- **Coverage:** Review of previous day's secondary market trading (HG and HY), primary market activities, update of and outlook for rating actions, M&A activity, earnings announcements and any company news of importance to the Euro credit world. Also includes trading ideas/recommendations and correlation comments. News until 08:00 CET is included.

Corporate Snapshot

National Grid plc (NGGLN) (SR) National Grid (Baa1s/A-s/BBBs) has released a solid set of 1H11/12 results, impacted however by one-off timing differences in FY10/11. Operating profit decreased 6% yoy to GBP 1,420mn (consensus: GBP 1,429mn), but on an underlying basis, operating profit was up 7% at constant currency excluding the impact of timing and Hurricane Irene. Operating cash flow, before exceptional items, remeasurements, stranded cost recoveries and taxation, was GBP 1,802m, GBP 131m lower than in the same period in 2010/11. Net debt rose to GBP 20.0bn at 30 September 2011 compared with GBP 18.7bn at 31 March 2011, reflecting the impact of the investment program and foreign exchange movements, which increased debt by £342m due to the strengthening of the US dollar. The company confirmed its "positive" outlook for 2011/2012, expecting another year of good operating performance. However, the timing effects that boosted earnings in FY10/11 are not expected to occur again in 2011/2012. The credit profile should have slightly weakened in 1H11/12. We keep our marketweight recommendation on the name.

17 November 2011

Credit Research
Daily Credit Briefing

Credit Strategy Highlights

- What started as a solid rebound session transformed into another day of volatility yesterday, which has been an ever more frequent occurrence recently. At mid-day concern about the eurozone crisis accelerated once more, this time on reports circulating that peripheral banks are looking to extend access to ECB funding through a widening of the collateral range. Nevertheless, credit and equity markets calmed as the new Italian government under the lead of former EC Commissioner Monti was sworn in and Greece's interim government won a confidence vote in parliament comfortably. Constructive economic data from the US (industrial production accelerated 0.7% in October vs. expectations of 0.4%) also helped and the Main (-5bp, 184bp) and XO both tightened (-22bp, 748bp) as did the Sen (-7bp, 292bp) and Sub (-20bp, 292bp). However, US equities (S&P 500 -1.7%) took a late trading hour plunge when Fitch stated in a report that further contagion from the eurozone debt crisis poses a risk to American banks. This sent the largest US banks (JP Morgan, Morgan Stanley, Cit) to negative 4% on the day. Asian trading is mixed this morning (Hang Seng -0.5%, Nikkei +0.2%) while investors focus on the Spanish bond sale of EUR 4bn today. (Continued on the next page).
- iTraxx opening: Main 187/188bp, XO 762/768bp, Sen 295/300bp, Sub 528/534bp

Relative Value Trading Idea

- After the release of 3Q11 results and the EBA mini stress test results published on 27 October, we feel that our following trade idea is worth being reiterated: We think SOCGEN 5.410% 11/13-perp (structured step-up) offers an interesting opportunity as a relative-value trade. The cash price of EUR 56 leads to a yield-to-call of 42.7% and a yield to maturity of 7.2%, which we find highly attractive vs. a yield-to-call of 14.6% and a yield-to-maturity of 8.7% for the BNP 8.667% 9/13-perp (no structured step-up) at a cash price of EUR 61.

Top Credit Stories

- **Industrials:** Voestalpine releases 1H11/12 results 5
- **Autos:** European car market down by 1.8% in October 6
- **TMT:** Vivendi releases good 9M11 results 7
- **High Yield:** Codere's Italian and Argentine machine gaming drive 9M11 results 9
- **Banks:** Banco Santander LT2 exchange; BayernLB reports 3Q11 results 10
- **Corporate Snapshots:** Kerling (releases final 3Q11 report); National Grid (solid 1H11/12 results); Rexam (3Q11 trading statement) 12

Market Overview

- iTraxx Page 13
- Primary Market 13
- Rating Actions 14
- Recent Credit Research Publications 14

Credit drivers

	current	1D	1W	1M	YTD
EuroStoxx	2,268	14	19	-48	-525
DAX	5,913	-20	84	54	-1,001
VDAX (N)	33.3	-0.7	-3.1	-0.7	14.2
S&P	1,237	-21	8	36	-21
VIX (N)	33.5	2.3	6.0	0.1	15.9
DJUS30 Index	149.2	0.2	0.5	2.0	-13.2
Crude Oil Pl	102.3	-0.3	4.5	15.9	10.9
EUR-USD	1.351	.005	-0.010	-0.023	.013

Source: Bloomberg

iTraxx Europe (Series 116), Wednesday closing

	5Y	chg	10Y	chg
Europe Benchmark	184	0	186	-2
Financials Gen	291	7	294	1
Financials Sub	523	4	520	-1
Crossover	749	-12	719	-12
Soxk WE	339	6	347	27

Source: Bloomberg, SO change

ASW spreads by quality/rating

Index	current	1d	1w	MTD	YTD
NFI	134.3	1.6	3.3	9.3	40.8
NFI AA	44.2	1.1	0.2	-3.3	-3.5
NFI A	86.2	1.2	1.5	4.9	13.4
NFI BBB	215.1	2.3	6.5	17.5	83.2
NFI HY	620.6	-0.7	0.6	2.2	211.7
FIN	345.4	7.6	17.8	29.8	126.3
ATO	93.7	2.9	1.8	8.5	30.2
TBL	166.1	2.7	9.0	20.8	54.4
UTI	156.1	0.6	3.1	12.6	59.2
IGS	177.7	6.4	10.3	16.6	61.5
PHS	67.7	0.3	-1.9	-4.3	-2.6
OME	108.9	-1.1	-3.6	2.6	44.5
OGI	101.9	-0.7	0.9	1.7	12.6
Hynds	336.7	-5.6	-7.8	13.6	56.6

Source: UniCredit Research, iBoxx

Yields in %

	current	1d	1w	1m	YTD
2Y Bund	0.401	3.5	4.6	-25.1	-45.3
5Y Bund	0.553	6.8	6.9	-43.3	-88.5
10Y Bund	1.815	3.3	9.4	-38.4	-114.8
2Y TSY	0.242	0.0	1.2	-2.4	-35.1
5Y TSY	0.879	0.5	-2.8	-18.1	-112.7
10Y TSY	2.000	0.0	-5.6	-15.5	-129.4

Source: Bloomberg, changes in bp

Swap spreads

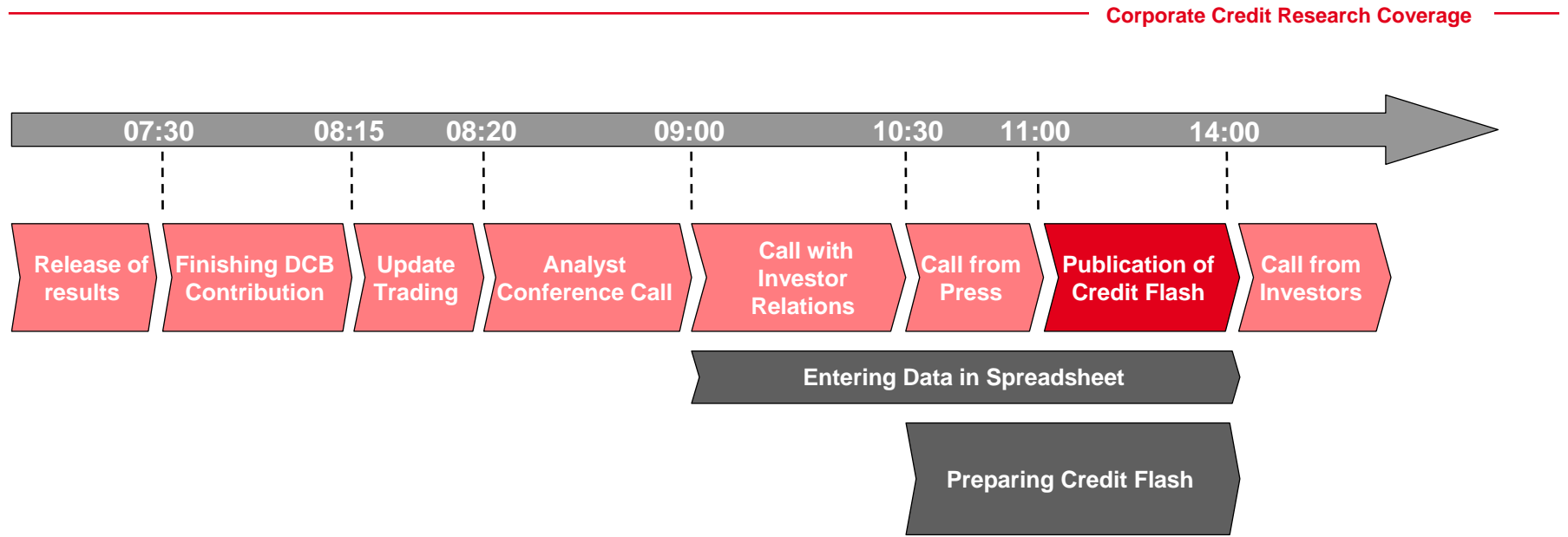
	current	1d	1w	1m	YTD
5Y EUR	96.44	-0.33	6.58	18.07	24.23
10Y EUR	70.70	1.19	5.63	13.12	33.80

Source: Bloomberg

Bloomberg
UCCR
Internet
www.research.unicreditgroup.eu

UniCredit Research
page 1
See last pages for disclaimer

Example of a credit analyst's work day



Event-driven products – Credit Flash

- **Frequency:** Occasionally
- **Language:** English
- **Size:** 3 to 4 pages
- **Coverage:** Event-related analysis of company-relevant credit news, such as earnings announcements, rating actions and M&A activities, which concludes with an investment recommendation.

- **Event description referring to impact on credit**
- **Impact on expected development of credit profile**
- **Recommendation**

11 November 2011

Credit Research
Credit Flash – Euro High Grade

RWE – 9M11 Results Recap

- **Event:** RWE has released 9M11 figures in line with expectations. Revenues were down 0.9% yoy to EUR 38,167mn, while EBITDA decreased 21.1% yoy to EUR 6,244mn (UniCredit (E): 6,237mn), with the German exit from nuclear being the main reason for the decline. EBITDA from German Power Generation declined 33% yoy to EUR 2,380mn, while EBITDA in Trading/Gas Midstream decreased from EUR 75mn in 9M10 to EUR -831mn in 9M11, among other things due to the high gas-to-oil spread and a weak trading result. In contrast, UK (+58.5% yoy thanks in particular due to cost cutting and improved efficiency) and Upstream Oil & Gas (+66.9% yoy) improved. FFO generation was also lower yoy at EUR 4,168mn (9M10: EUR 5,285mn), and was, although combined with a EUR 372mn reduction in working capital and disposal proceeds of EUR 928mn, not fully sufficient to cover EUR 4.8bn in capex and EUR 2.2bn in dividends. Also due to an increase in provisions for pension, nuclear and mining of EUR 0.7bn, net debt (as reported by the company) increased to EUR 30.9bn per 9M11 (FY10: EUR 29bn, 1H11: EUR 30.1bn). The credit profile deteriorated when compared to 2010, but was rather stable compared to 1H11, as we calculate adj. net debt/EBITDA of 3.1x (FYE10: 2.5x, 1H11: 3.0x), and adj. FFO/net debt of 25.2% (FYE10: 31.1%, 1H11: 25.7%). The credit profile might deteriorate further in 4Q11 and potentially fall short of guidance for the current rating (e.g. adj. FFO/net debt of 20%) by FYE11.
- **Expected development of credit profile/rating:** The company has confirmed its guidance communicated to the market in August: FY11 EBITDA is still expected to be down 20% yoy (FY10: 10,250mn), and FY13 EBITDA is anticipated to be in the area of EUR 9.4bn (pre-disposals, except for the already contracted ones, based on commodity prices on a marked-to-market base as of June 2011). RWE also confirmed FY11 capex of EUR 6.5-7bn (slightly lower than originally planned). With regard to the renegotiation of long-term supply contracts, the company states that it has realized the first structural changes of the contracts, but did not give any further details regarding the topic, apart from the confirmation that the lion's share of the renegotiations is expected for 2012 and 2013. In addition, the company stressed that there is no firm deadline for the planned EUR 2.5bn capital increase, but it remains subject to market conditions. To keep the current rating, the main factor is in our view that RWE shows steady progress in the implementation of the credit supportive measures announced in August: If the package, namely the EUR 1.1bn 2011-2013 disposal program (EUR 1.5bn already contracted), up to EUR 2bn in additional hybrid issues until FYE12 and the mentioned EUR 2.5bn capital increase are implemented as planned, we see a good chance that RWE's credit metrics will recover to levels in line with requirements for the current rating again in 2012.
- **Recommendation:** Despite the recent successful issue of a CHF 250mn hybrid bond, we note that the majority of the credit-supportive measures RWE intends to implement is still pending, with the related execution risk. However, we take comfort from RWE's strong commitment to a "solid A" rating, and therefore keep our marketweight recommendation on the name. Bonds already trade at fair levels in the "A-" area, with a premium to better-rated E.ON and should already reflect all uncertainties related to the name. ON RWE's cash curve, we see some value in RWE 6.625% 1/19, trading at indicative levels of 110/100.

Recommendation
Marketweight

Major bond issues

RWE	Mat	Cpn	Swap (ASW)
RWE	11/20/2013	5.75	400
RWE	7/23/2014	4.625	5626
RWE	2/10/2015	5	4422
RWE	4/20/2016	6.25	66/61
RWE	7/23/2018	5.125	63/70
RWE	1/31/2019	6.625	110/100
RWE	8/10/2021	6.5	114/107
RWE	2/14/2033	5.75	191/176

CDS-Spreads

CRWE1ES	Bid	Ask
	124	134

Ratings

	L-T	S-T	Outlook
Moody's	A3	P-2	NEG
S&P	A-	A-2	NEG
Fitch	A	FT	NEG

Company web site
www.rwe.com

Financial Calendar
February 2012: FY11 results

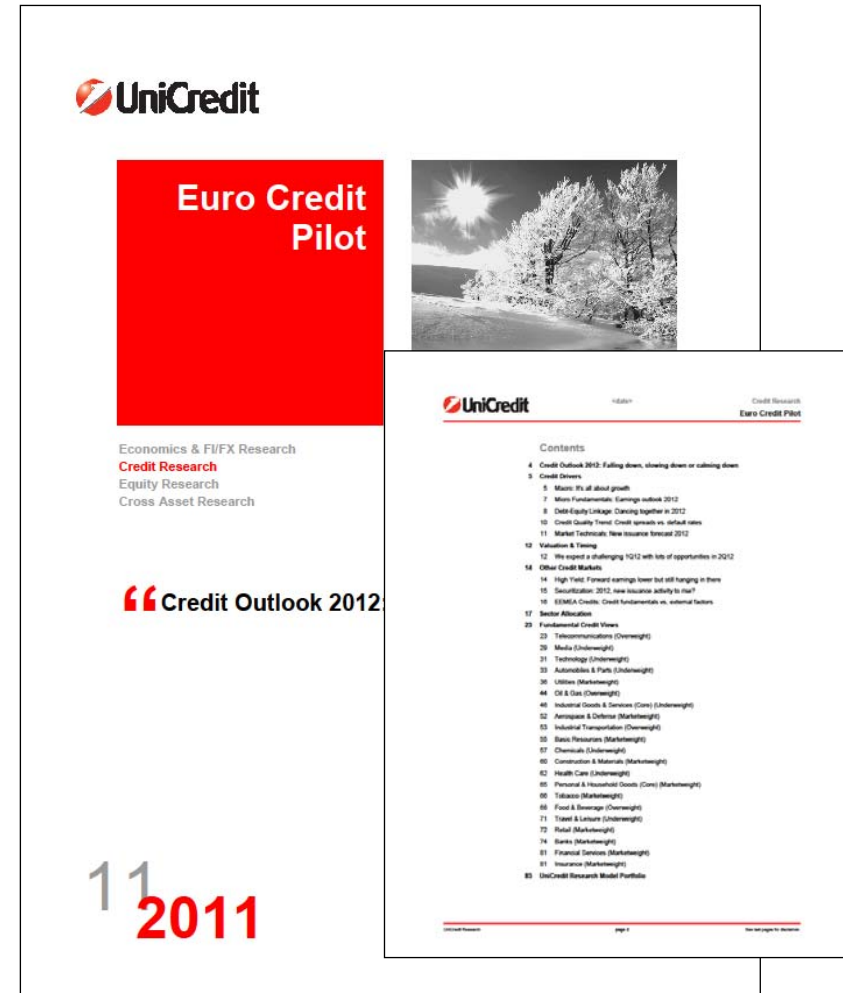
RWE VS. PEERS

Source: UniCredit Research, I/B/E/S

UniCredit Research
page 1
See last pages for disclaimer.

Monthly products – Euro Credit Pilot

- **Frequency:** Monthly
- **Language:** English
- **Size:** ~80 to 90 pages
- **Coverage:** Key drivers of the Euro HG credit market, considering credit fundamentals, market technicals and spread development. Provides a top-down credit asset allocation relative to the iBoxx credit benchmark. Includes a bottom-up security selection (top picks) in each sector based on fundamental and relative value considerations and a review of previous recommendations and trade ideas.



Event-driven products – Credit View/Issuer Profile

- **Frequency:** Occasionally
- **Language:** English/German
- **Size:** 20 to 40 pages
- **Coverage:** In-depth and comprehensive analysis of a single issuer. The company profile is presented as well as a discussion of the business strategy and evaluation of its financial profile, including a peer group comparison. In addition, we present the view of the rating agencies, our own view on the outlook of the ratings, and our investment recommendation.

4 February 2011

Credit Research
Credit View - Automotive

Pirelli

- Pirelli, headquartered in Milan, is the fifth largest tyre manufacturer in the world in terms of turnover. It has leading positions in the high-end prestige and premium segment and the high-technology segment of the tyre market and generates around 35% of revenues in LatAm. Tyres meanwhile accounts for 88% of FY10E revenues after the separation of 58%-owned Pirelli Real Estate in October 2010 and disposals of non-core investments. Pirelli's non-tyre business still comprises PZero Moda/Fashion, supporting Pirelli's premium strategy, the Pirelli powerbrand and Eco-Tech/Ambiente, which strengthen Pirelli's commitment to being "Green". Pirelli has been listed on the Milan Stock Exchange since 1922 and has market cap of ca. EUR 2.7bn. Pirelli has nine major shareholders owning 48.2% of common shares (regulated within a shareholders agreement). Including its shares in the shareholders agreement (20.3%), CAMFIN owns in total 26.22% of common shares. The net financial position (from continuing operations; in co. definition) at the end of 3Q10 was EUR 616.6mn. For FY10E, Pirelli targets sales of ~EUR 4.8bn, an EBITDA margin (after continuous restructuring) higher than 12% (implying an EBITDA of ~EUR 570mn) and a net financial position lower than EUR 700mn.
- The company presented its new FY11-13 industrial plan on 4 November 2010 in Milan. Pirelli said that in order to meet the plan targets it would refrain from bigger M&A transactions or a capital increase. Pirelli intends to invest cumulated expansion capex of EUR 1.0bn in FY11-15 (vs. EUR 1.5bn in FY06-10). 99% of the investments are planned for the tyres business (vs. 90% in FY06-10). Capex will be invested as follows: 58% in consumer tyres in LatAm & RDE, 27% in industrial tyres in LatAm & RDE, 14% in consumer tyres in mature markets and 3% in industrial tyres in mature markets. The company targets group revenues of > EUR 6.05bn in FY13 (CAGR of 8%), with growth mainly in the LatAm & APAC regions and premium tyre segments. EBITDA (after continuous restructuring) is targeted to increase to around ~EUR 940mn in FY13. Pirelli expects its net financial position to increase to < EUR 1.0bn at FYE13 from < EUR 0.7bn at FYE10E.
- Pirelli is not rated by any agency. The group's strengths are its No. 5 position in the European commercial vehicle and passenger car tyre markets, with a profitable foothold in the Central and South American tyre markets; its focus on the higher-margin range of tyre products and premium brand image; and a 3/4 exposure to the less cyclical replacement tyre market. We also note that the spin-off of Pirelli Real Estate and the disposal of Broadband solutions improved Pirelli Group's credit metrics. We calculated that net debt/EBITDA (adj.) in LTM 9M10 improved to 1.6x vs. 2.6x at FYE09. Using S&P's corporate rating matrix, we view the company's business risk profile between "Fair" and "Satisfactory" given that its operating margin is close to the PC tyres businesses of leading peers Michelin/Continental, mitigated by the fact that Pirelli is a significantly smaller tyre player compared to the market leaders Michelin/Bridgestone. In terms of financial risk profile, we view Pirelli's debt leverage (continuing operations) meanwhile as "Intermediate" assuming an operating improvement according to its industrial plan and a conservative financial policy.

Contents	
SWOT Analysis	2
Company profile	3
Business segments	7
Pirelli Tyres	7
Pirelli Eco Technology and Other businesses	9
Discontinued operations	12
Industrial plan FY11-13	13
Financial analysis	16
Sales and profitability	16
Free cash flow	17
Adjusted net debt	17
Liquidity and financial flexibility	19
Credit opinion	20
Industry peer overview	22
Financial statistics	23

Company web site
www.pirelli.com

Financial Calendar
8 March 2011: FY10 results

PIRELLI'S MARKET GROWTH EXPECTATIONS

PRO-FORMA DEBT MATURITY PROFILE 3Q10

Source: Pirelli, UniCredit Research

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UniCredit Research
page 1
See last pages for disclaimer.

Event-driven products – Sector Flash/Sector Report

- **Frequency:** Occasionally
- **Language:** English/German
- **Size:** ~5 to 20 (Flash), 30 to 100 (Report)
- **Coverage:** Sector analysis including fundamental drivers and the competitive environment within one sector, financial and peer group analysis, outlook on rating trends as well as sector specific legal, regulatory and environmental risks.


4. Oktober 2011

Credit Research
Sector Report - Corporates

Corporate Schuldschein Loans

Stability in turbulent times

- The Corporate Schuldschein loan market has proven robust - despite currently volatile bond markets. Since Schuldschein loans are "hold-to-maturity" products, this market is less volatile than the corporate bond market, which is reflected in lower spreads versus comparable bonds traded on the secondary market.
- We estimate YTD issuance volume in the corporate Schuldschein loan market at EUR 3-4bn (up to the end of September 2011). The current level of activity supports the expectation that the Schuldschein loan market will return to its typical volume of EUR 5bn in full-year 2011. In 2010/11, the market structure has once again been dominated by issues placed by larger (mostly unrated) Mittelstand companies (SMEs) with good credit standing and consolidated revenues typically in a range of EUR 200mn to EUR 2,500mn. Transaction sizes have mostly been between EUR 20mn and EUR 200mn.
- With the bond markets so jittery and volatile, trends similar to those discernible in the recent years 2008 and 2009 have already begun to re-emerge. A number of companies are therefore again contemplating Schuldschein issues this year, even though they could have access to the bond market. In 2008/09, Schuldschein loans had already attracted the attention of corporate finance departments, experiencing a veritable boom that was also due to the volatility of the corporate bond market and the resultant increase in investor interest in buy-and-hold products. Numerous large investment-grade firms as well as foreign issuers from Europe discovered the attractiveness of this market segment and marketed their transactions very successfully, prompted by the desire to tap the German and European Schuldschein investor base, not least in order to diversify their creditor structure. This boosted the corporate Schuldschein loan market to a size of approximately EUR 15-20bn in 2008 and 2009 each, well above prior-year levels.
- For issuers, the advantages of Schuldschein loans include: quickness and efficiency, low issuance costs, discretion and confidentiality, flexibility, procurement of long-term unsecured funding and the diversification of the lender base by accessing the large German buy-and-hold investor community. The investor base for Schuldschein loans consists of banks, insurance companies and investment funds, principally from Germany and Austria, but also from a number of other European and Asian countries.
- For investors, the way in which Schuldschein loans are treated under IFRS is one of their attractions. These instruments are treated as loans and therefore do not have to be marked to market, which makes them particularly interesting for buy-and-hold investors. In addition, investors can enhance their credit portfolio diversification by investing in new names from the upper levels of the German SME segment or non-German issuers.

Contents

- Advantages for issuers and investors 2
- Product characteristics 3
- Definition 3
- Rating 5
- Issuance process 7
- Regulatory attractiveness for investors 7
- Mark-to-market exemption under IAS 39 7
- Investment criteria for German insurers 9
- ECB eligibility of Schuldschein loans 10
- Basel II risk weighting 11
- Market participants 12
- Traditional issuers 12
- Small and medium-sized corporate issuers 13
- Domestic and foreign investors 14
- Financial intermediaries 15
- Market 16
- Loan commitments and German SME issuers 16
- Market size and growth 17
- Schuldschein loans vs. SME bonds 19

Related publications

- Sector Report – German Schuldschein Loans – A Primer – 22 September 2011
- Sector Flash – Corporate Schuldschein Loans – Issuance to increase in 2011 vs. 2010? – 24 Januar 2011
- Sector Report – German Schuldschein Loans – 3 December 2010
- Sector Report – Unternehmens-Schuldscheindarlehen – 23 Juni 2010
- Sector Report – German Schuldschein Loan – 10 Juli 2009
- Sector Flash – Back to the roots – 22 April 2009
- Sector Flash – Corporate Schuldschein Loans – A booming market – 22 Juli 2009
- Sector Report – Unternehmens-Schuldscheindarlehen – Neue Emittenten und breitere Investorenbasis – 5 Oktober 2007
- Sector Report – Corporate Schuldschein Loans – New issuers meet a broadening investor base – 20 September 2007

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Bloomberg
 UCCR

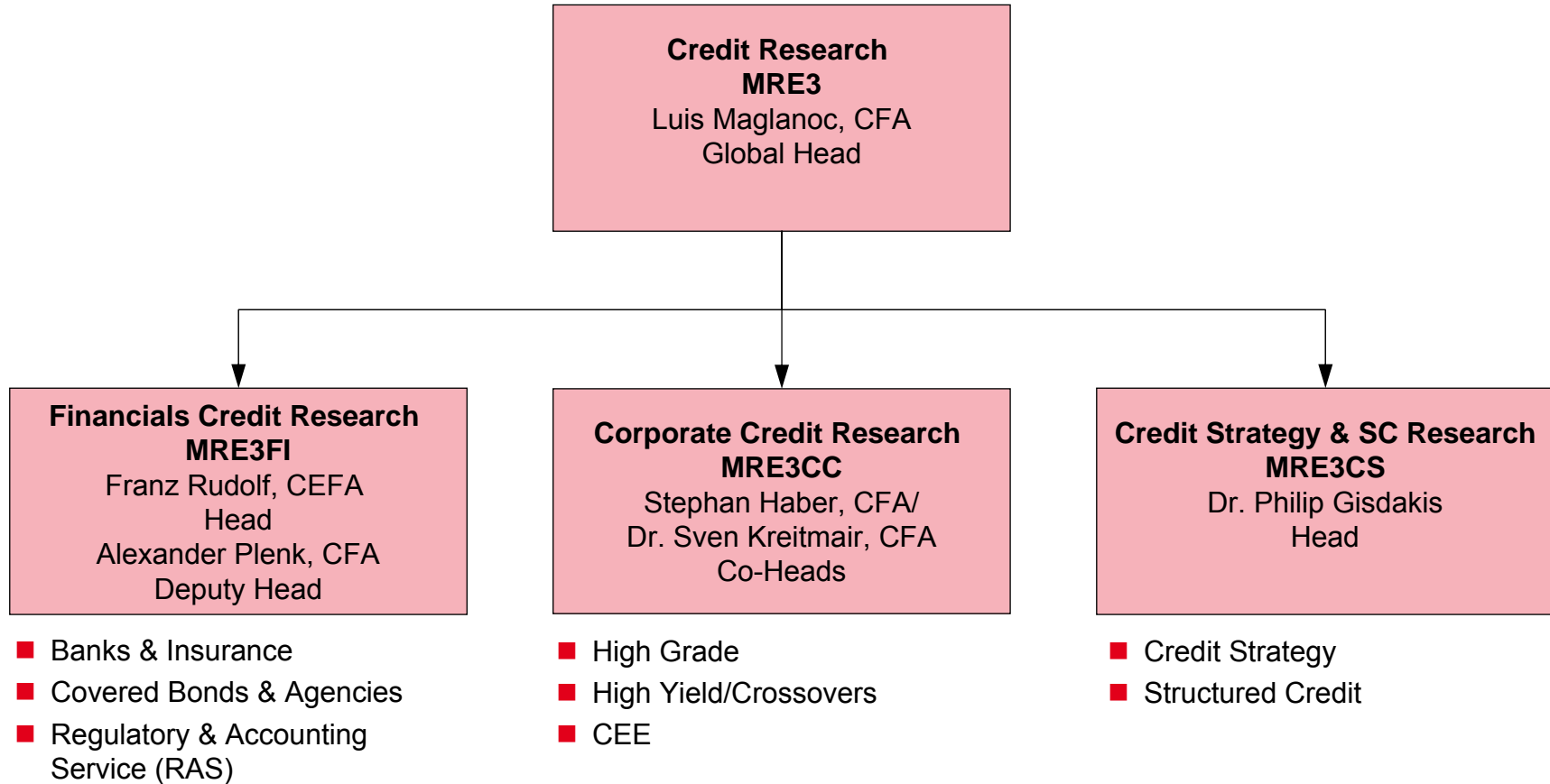
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UniCredit Research
Seite 1
See last pages for disclaimer.

AGENDA

- WHAT IS CREDIT RESEARCH?
- CORPORATE CREDIT RESEARCH COVERAGE
- CORPORATE CREDIT RESEARCH SET-UP

Credit Research MRE3



Corporate Credit Research Team

UniCredit's Dedicated Research Department

- The UniCredit Corporate Credit Department follows a sector approach, i.e. each analyst covers his/her own sectors in HG and HY. The sector approach is combined with product responsibilities. While Sven Kreitmair is responsible for HG publications, Stephan Haber is responsible for HY and CEE publications.
- Although none of the analysts can be purely assigned to HG/HY/CEE, FTEs are roughly split as follows: 5 FTEs for HG (including unrated issuers), 2 FTEs for HY and 1 FTE for CEE.
- The total team comprises 8 credit analysts who cover more than 200 corporate issuers, i.e. the whole iBoxx (cash bond index) universe and iTraxx (CDS) index plus an additional 55 HY issuers and 15 CEE issuers.



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Co-Head of Corporate Credit Research
Telecoms, Media, Technology



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Automotive & Mobility

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Construction &
Materials, Industrial
Goods & Services



Max Huefner
Credit Analyst
Chemicals, Aerospace
& Defense, Packaging



Kai Zirwes
Credit Analyst
Industrial
Transportation, Media,
Pulp & Paper



Rocco Schilling, CFA
Credit Analyst
Consumers,
Healthcare



Susanne Reichhuber
Credit Analyst
Utilities



Dr. Manuel Herold
Credit Analyst
Oil & Gas, Travel &
Leisure



Euromoney Credit Research Poll

Euromoney Fixed Income Investors Survey – Credit Research Poll 2011

UNICREDIT OVERALL RESULTS					
CREDIT RESEARCH CATEGORIES	2011	2010	2009	2008	2007
Covered Bonds & Pfandbriefe	1	1	NA	2	1
Supranational & Agencies	1	2	2	7	1
Banks	3	3	4	10	5
Autos	4	3	2	4	3
Emerging Market Sovereigns**	9	4	1	5	3
Sovereigns*	5	5	2	9	4
Telecom, Media & Technology	6	5	5	6	5
General Industries	5	5	3	6	3
Utilities	5	5	4	6	7
High Yield	7	5	5	8	4
Consumer Products & Retail	5	6	4	5	5
Non-Bank Financial Institutions	7	7	5	10	5
Emerging Market Corporates	9	–	6	8	5
OVERALL RESULTS					
Overall Credit Research	5	5	4	8	5
Overall Trade Ideas	7	6	4	–	2
Overall Credit Strategy	5	7	6	8	5

- TOP 5 overall ranking in the Euromoney Poll during the last three years for Pan-European Credit Research
- UniCredit was #7 in HY Research in 2011 versus #5 in 2010; HY momentum was lost due to restructurings/job cuts in the past
- A strong primary market pipeline combined with higher secondary market volumes should improve visibility of our HY research and support better rankings in the future
- Hence, we expect to improve our HY ranking rather than only defending it going forward

Source: Euromoney; UniCredit Research

UniCredit Research on Bloomberg: UCCR

UCCRMsg:U.CORPS



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Global Credit Research

Credit Strategy	Credit Research
1) Daily Credit Briefing	9) Credit Flash
2) Evening Credit Roundup	10) Credit View
3) Euro Credit Pilot	11) Sector Report / Sector Flash
4) Strategy Update/Flash/View	12) Euro High Yield & Crossovers
5) High Yield Pacenotes	13) Corporate Credit Chartbooks
6) Credit Strategy Special	14) Corporate/Financial Trade Signals List
7) Securitization Research	15) Euro High Grade Compass
8) EEMEA Corporate Strategy	16) Bank & Insurance Watch/ The Financials Chartbook
	17) Regulatory & Accounting Briefing
	18) Covered Bond & Agency Research
	19) EEMEA Corporate Credit Research

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Imprint

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ABB 3; A2A 3; Air Liquide 3; Akzo Nobel 3; Allianz 1a, 1b, 3, 6a; Allied Irish Banks 3; Alstom 3; Arcelor Mittal 3; Atlantia 3; Aviva 6a; AXA 3; Banca Monte dei Paschi di Siena 2, 3; Banco Espirito Santo 3; Banco Santander 3; Bank of America 3; Barclays 3; BASF 3; Bayer AG 1a, 2, 3; BayernLB 2, 3; BBVA 3; BCP 3; BMW AG 2, 3; BNP Paribas 3; Bouygues 3; CEZ 2, 3; Citigroup 3; Commerzbank 3; Crédit Agricole 3; Credit Suisse 2, 3; Daimler AG 3; Danone 3; Danske Bank 3; Deutsche Bank 1a, 2, 3; Deutsche Post 3; Deutsche Telekom 3; Dexia 2, 3; DnB NOR 3; E.ON 1a, 3; EADS NV 3; EDF 3; Edison 2, 3, 4, 7; EDP 3; Endesa 3; Enel 2, 3, 4, 7; ENI 3, 7; Erste Bank 2, 3; Finmeccanica SpA 3, 7; Fortum Oyi 2; France Telecom 3; Gas Natural 3; GDF Suez 3; Gazprom 3; GE (industrial) 3; Goldman Sachs 2, 3; Hera 7; Holcim 4; HSBC 2, 3; HSH Nordbank 3; Iberdrola 3; IBM 3; ING 2, 3; Intesa Sanpaolo 2; Italcementi 4, 6a, 7; JPMorgan Chase 3; KPN 3; Lanxess 2; Linde AG 1a; Lloyds Banking Group 2, 3; Lottomatica 2, 3, 7; LVMH 3; MAN 3; METRO 3; Michelin 3; Morgan Stanley 2, 3; Munich Re 3; Nederlandse Gas 3; Nestlé 3; Nokia 3; Nordea 2, 3; Novartis 3; OMV 2, 3, 4; Peugeot 3; Philip Morris 3; Philips 3; PPR 3; Procter & Gamble 3; RBS 2; Renault 3; Repsol YPF 3; Roche 3; Shell 3; RWE 3; Saint-Gobain 3, 4; Sanofi 3; SCA 2; Schneider Electric SA 3; SEB 3; Siemens AG 3; Société Générale 3; STMicroelectronics 3; Südzucker 2; Svenska Handelsbanken 3; Swiss Re 3; Telecom Italia 2; Telefonica 4; Telekom Austria 3; TP Group 3; Terna 2, 3; ThyssenKrupp AG 3; Total 3; UBS 3; Unilever 3; Verbund 2, 3, 4; Vinci 3; Vivendi 3; Volkswagen 3; Würth 2; Pfizer 3; AT&T 3; Banco Popolare Scarl 3; 3M Company 3; Johnson & Johnson 3; Kraft Foods 3; Caterpillar 3; Verizon Wireless 3; Anheuser-Busch InBev 3; RZB 3; BPCE 2; WalMart 3; IPIC 1b, 2;

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Key 7: UniCredit Bank AG Milan Branch and/or other Italian banks belonging to the UniCredit Group (pursuant to relevant domestic law) extended significant amounts of credit facilities to the Issuer.

RECOMMENDATIONS, RATINGS AND EVALUATION METHODOLOGY

Company	Date	Rec.	Company	Date	Rec.	Company	Date	Rec.
ABB	01/03/2011	Marketweight	EUTELS	01/02/2011	Marketweight	RIFP	26/10/2011	Overweight
ABB	17/02/2011	Marketweight	EUTELS	09/11/2010	Overweight	ROSW	06/07/2011	Marketweight
ADENVX	07/12/2010	Underweight	EWE	06/07/2011	Marketweight	SABLN	21/06/2011	Underweight
ADENVX	09/11/2010	Underweight	EXPNLN	09/11/2010	event driven	SANDVK	09/11/2010	Underweight
AKEFP	07/12/2010	Underweight	FGACAP	05/04/2011	Marketweight	SANFP	18/02/2011	Marketweight
AKZANA	31/01/2011	Overweight	FNCIM	29/07/2011	Marketweight	SCABSS	01/06/2011	Marketweight
ALOPF	31/01/2011	Overweight	FRTEL	09/11/2010	Underweight	SCABSS	13/05/2011	no rec
AMCOR	04/05/2011	event driven	GSK	04/11/2011	Marketweight	SDFGR	12/08/2011	Marketweight
AMSSM	03/08/2011	Underweight	GSK	18/01/2011	Underweight	SDFGR	11/03/2011	Underweight
ASML	14/07/2011	Marketweight	HERIM	03/08/2011	Marketweight	SDFGR	10/03/2011	Marketweight
ASML	01/02/2011	Overweight	HERIM	01/06/2011	Overweight	SGOFF	01/08/2011	Overweight
ATCOA	01/03/2011	Marketweight	HNDA	07/12/2010	Underweight	SISIM	09/11/2010	Marketweight
ATLIM	03/08/2011	Marketweight	HOLNVX	07/12/2010	Marketweight	SKF	06/07/2011	event driven
ATLIM	03/08/2011	Marketweight	JAPTOB	09/11/2011	no rec	SLHNVX	18/08/2011	Marketweight
AUCHAN	04/05/2011	Marketweight	KPN	27/07/2011	Marketweight	SOLBBB	07/04/2011	Marketweight
BAYNGR	02/05/2011	Marketweight	KPN	26/07/2011	Marketweight	SZUGR	05/04/2011	Marketweight
BERTEL	30/03/2011	Underweight	KPN	21/04/2011	Underweight	SZUGR	21/03/2011	no rec
BERTEL	30/03/2011	Underweight	KPN	21/04/2011	Underweight	T	09/11/2010	Underweight
BERTEL	09/11/2010	Marketweight	LGEN	04/08/2011	Marketweight	TDCDC	01/03/2011	Marketweight
BFASM	05/10/2011	Marketweight	LMETEL	22/07/2011	Underweight	TDCDC	15/12/2010	Underweight
BFASM	03/08/2011	no rec	LTOIM	05/09/2011	Marketweight	TELEFO	12/08/2011	Marketweight
BGGRP	25/10/2011	Underweight	LTOIM	07/12/2010	no rec	TELNO	09/11/2010	Marketweight

Disclaimer (continued)

BHP	24/08/2011	Marketweight	MANGR	05/10/2011	Overweight	TITIM	19/04/2011	Overweight
BHP	03/08/2011	no rec	MANGR	04/07/2011	Marketweight	TITIM	19/04/2011	Overweight
BMW	01/03/2011	Marketweight	MANGR	01/06/2011	Marketweight	TKAGR	01/03/2011	Marketweight
BNFP	01/02/2011	Underweight	MCFP	05/04/2011	Marketweight	TKAGR	21/02/2011	Overweight
BPLN	25/10/2011	Overweight	MCFP	08/02/2011	Underweight	TKAGR	11/02/2011	Marketweight
BRIPL	07/12/2010	Underweight	MCFP	04/02/2011	Underweight	TKAGR	07/12/2010	Overweight
BRITEL	29/07/2011	Marketweight	MEOGR	02/08/2011	Marketweight	TKAGR	30/11/2010	Overweight
BRITEL	09/11/2010	Overweight	MRKGR	28/04/2011	Overweight	TLIASS	20/07/2011	Marketweight
BXBAU	04/05/2011	event driven	MRKGR	09/11/2010	Marketweight	TLIASS	19/04/2011	Underweight
CEIFP	09/11/2010	Underweight	MTNA	26/10/2011	Marketweight	TLIASS	19/04/2011	Underweight
CEZCO	04/05/2011	Overweight	MTNA	09/02/2011	Overweight	TLIASS	01/02/2011	Marketweight
COFP	04/05/2011	Overweight	NEDG	13/10/2011	Marketweight	TLMP	01/03/2011	event driven
CRHID	07/12/2010	Overweight	NEDG	26/05/2011	Underweight	TLSAU	09/11/2010	Underweight
DE	01/03/2011	Marketweight	NOKIA	21/10/2011	Marketweight	TOTAL	13/04/2011	Marketweight
DE	07/12/2010	Underweight	NOKIA	21/10/2011	Marketweight	TOYOTA	07/12/2010	Marketweight
DGELN	01/02/2011	Marketweight	NOKIA	09/11/2010	Underweight	TPSA	01/03/2011	Marketweight
DSM	05/10/2011	Marketweight	OLDMUT	09/08/2011	Marketweight	TSCOLN	05/10/2011	Overweight
EDENFP	07/12/2010	event driven	PEUGOT	09/11/2011	Underweight	VATFAL	01/06/2011	Marketweight
EDNIM	14/10/2011	Overweight	PEUGOT	28/07/2011	Marketweight	VERBND	29/04/2011	Marketweight
EEEKGA	04/08/2011	Underweight	PEUGOT	28/07/2011	Marketweight	VINCI	08/09/2011	event driven
ELIASO	13/05/2011	Marketweight	PEUGOT	01/02/2011	Overweight	VIVFP	03/08/2011	Marketweight
ELTLX	05/04/2011	event driven	RDSALN	19/07/2011	Marketweight	VLVY	04/02/2011	Overweight
ENBW	14/03/2011	Marketweight	RDSALN	04/04/2011	Underweight	VOD	19/04/2011	Overweight
ENELIM	20/09/2011	Marketweight	REDELE	17/08/2011	Marketweight	VW	01/02/2011	Marketweight
ENELIM	16/03/2011	Overweight	REDELE	06/07/2011	no rec	WPPLN	09/11/2010	Overweight
ENELIM	16/03/2011	Overweight	REDELE	01/02/2011	Marketweight	WURTH	01/06/2011	Overweight
ENIIM	28/04/2011	Overweight	RENAUL	01/03/2011	Overweight			
EUROGR	07/12/2010	Marketweight	RENEPL	07/12/2010	Underweight			

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Disclaimer (continued)

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A **Hold** is applied when the expected total return over the next twelve months is lower than its cost of equity but higher than zero.

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Not rated: Suspension of coverage.

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Our investment ratings are in principle judgments relative to an index as a benchmark.

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Sell: We recommend selling the respective instrument for investors who already have exposure.

Buy: We recommend buying the respective instrument for investors who already have exposure.

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