

Publication Date: 8 July 2014

Effective Date: 8 July 2014

Addendum 1 to the CRI Technical Report (Version: 2014, Update 1)

This document updates the Technical Report (Version: 2014, Update 1) and details (1) a revision to the aggregate PD calculation. This change has been implemented as of the probabilities of default (PD) released on 8 July.

I. Revision to calculation of the aggregate PD

As documented in the technical report, for our aggregate PDs, the CRI provides term structures of the probability distributions for the number of defaults as well as the expected number of defaults for different groups of firms. The companies are grouped by economy (using each firm's country of domicile), by sector (using the firm's Bloomberg industrial sector code) and sectors within economies. With the individual firms' PD, the expected number of defaults is trivial to compute and up until now corresponded to a simple sum of the individual PDs within each group.

As of 8th July 2014, the default display of aggregate values is converted to a simple median of the individual PDs within each group. This change will avoid that extreme outliers affect the aggregate values and synchronizes the aggregate display with our recently launched Actuarial Spread¹. It should be noted that we continue to calculate the simple mean aggregate PD value, which are made available in the data download section on our website.

¹ The aggregate Actuarial Spread using mean calculation has shown to be very sensitive to extreme outliers, which can distort the trend and level of the aggregate series. To that end we have changed the default aggregate calculation for both PD and Actuarial Spread to median. The Aggregate PDs using mean values are still accessible through the data download section of our website, and the mean values for aggregate Actuarial Spreads will be available for download in future.