Launch Event – Drought Stress Testing

Key Findings and Results

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March 10th 2017, Sao Paulo

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Results in China, Mexico & US:

- 2,500 companies from 11 different sectors

- 10%-20% downgraded

- SME firms more affected vs. large companies

- Industrial concentration

- **Conclusion:** Geographical concentration key driver for risks.

- 2 portfolios tested

- 65%-100% downgraded but small probability of default

- Industrial areas responsible for losses

- Biggest losses in oil & gas, food manufacturing

- **Conclusion:** MEX affected more severely due to geographical layout.

- 2 portfolios tested

- 4 out of 5 scenarios little impact due to high ratings and gov't support => low default risk

- 60%-100% downgraded, portfolio losses up ten-fold

- **Conclusion:** Portfolios/industries less vulnerable to droughts.

Results in Brazil

Portfolio 1:

- 60% - 75% of companies downgraded

- Significant drop in revenues & increase in costs with biggest impact Scenario 5

- Expected losses under all scenarios higher compared to non-drought

- No differences between SME and large companies

Portfolio 2:

- 90% of companies downgraded

- Biggest losses in crop production

- Expected losses 4-9 times higher in droughts

Conclusion: Reliance on hydropower and geographical concentration of industries key drivers for the observed results.

Key Findings

(1) Development Process:

- Starting Point

- Standardisation

- Adaptability

(2) Role of Data:

- Precondition

- Availability

- Integration

(3) Geographical Concentration:

- Natural hazard

- Industrial/poduction areas

- Diversification

Thank you for your kind attention.

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