

IACPM First Quarter 2009 Member Survey on Credit Outlook

The following survey asks short questions about credit outlook and current portfolio management strategy. The goal is to create a quick snapshot of current credit risk views, and actions, and an information base for IACPM members to discuss likely evoluti

Credit Outlook and Strategy. The following questions focus on your credit outlook and portfolio strategy.

1. Where do you expect Credit Spreads to be at the end of the next quarter, i.e. in 3 months?

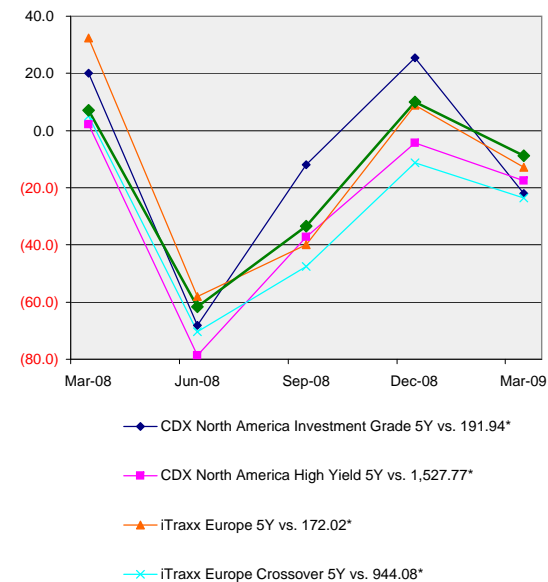
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up (widen)	Unchanged	Down (narrow)	Total Number of Responses Mar-09	IACPM 3 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Mar-09	Mar-09	Mar-09		Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
CDX North America Investment Grade 5Y vs. 191.94*	15 37%	20 49%	6 15%	41	(22.0)	25.5	(11.9)	(68.1)	20.0
CDX North America High Yield 5Y vs. 1,527.77*	15 38%	17 43%	8 20%	40	(17.5)	(4.3)	(37.2)	(78.7)	2.2
CMBX North America AA vs. 3,239.71*	7 24%	12 41%	10 34%	29	10.3	28.2	(21.2)	(54.3)	15.2
CMBX North America BBB vs. 5,671.43*	7 25%	12 43%	9 32%	28	7.1	7.7	(26.5)	(62.9)	(3.0)
iTraxx Europe 5Y vs. 172.02*	12 24%	20 41%	7 14%	39	(12.8)	8.9	(40.0)	(58.1)	32.5
iTraxx Europe Crossover 5Y vs. 944.08*	15 39%	17 45%	6 16%	38	(23.7)	(11.4)	(47.5)	(70.5)	5.1
iTraxx Japan Series 5Y vs. 405.00*	6 12%	7 14%	8 16%	21	9.5	21.4	(26.9)	(51.7)	9.5
iTraxx Asia ex-Japan Investment Grade 5Y vs. 358.40*	10 43%	4 17%	9 39%	23	(4.3)	6.9	(44.8)	(50.0)	na
iTraxx Asia ex-Japan High Yield 5Y vs. 1,287.50*	10 43%	7 30%	6 26%	23	(17.4)	(6.9)	(50.0)	(53.3)	na
iTraxx Australia 5Y vs. 356.50*	8 35%	6 26%	9 39%	23	4.3	34.8	(32.0)	(53.6)	(18.2)

IACPM Major Markets Credit Spread Outlook Index (weighted average based on number of responses; includes four indices in bold)	158	(19.0)	4.9	(33.9)	(69.1)	14.8
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IACPM 3 Months Credit Spread Outlook Index (weighted based on number of responses; includes all indices listed above)	305	(8.9)	10.0	(33.5)	(61.7)	7.0
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*(values as of March 30, 2009 in basis points; Source: Markit)

IACPM 3 Months Credit Spread Outlook Index



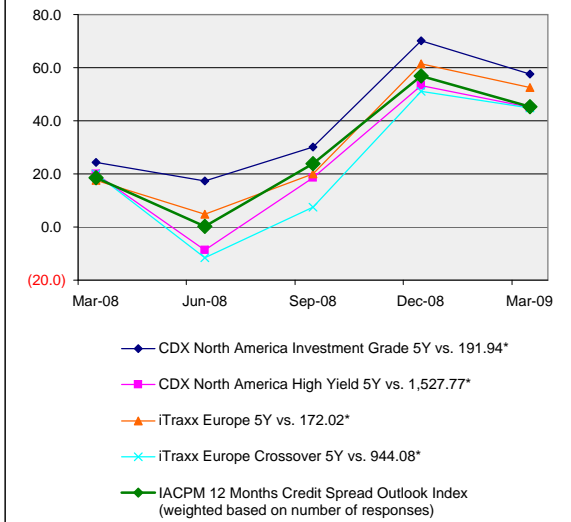
2. Where do you expect Credit Spreads to be in 12 months?

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up (widen)	Unchanged	Down (narrow)	Total Number of Responses Mar-09	IACPM 12 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Mar-09	Mar-09	Mar-09		Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
CDX North America Investment Grade 5Y vs. 191.94*	6 15%	5 13%	29 73%	40	57.5	70.2	30.2	17.4	24.4
CDX North America High Yield 5Y vs. 1,527.77*	7 18%	8 20%	25 63%	40	45.0	53.2	18.6	(8.7)	20.0
CMBX North America AA vs. 3,239.71*	5 17%	4 14%	20 69%	29	51.7	56.4	50.0	11.8	39.4
CMBX North America BBB vs. 5,671.43*	5 17%	4 14%	20 69%	29	51.7	43.6	38.2	(5.9)	36.4
iTraxx Europe 5Y vs. 172.02*	6 16%	6 16%	26 68%	38	52.6	61.4	20.0	4.8	17.5
iTraxx Europe Crossover 5Y vs. 944.08*	7 18%	7 18%	24 63%	38	44.7	51.1	7.5	(11.6)	20.0
iTraxx Japan Series 5Y vs. 405.00*	5 24%	1 5%	15 71%	21	47.6	69.2	22.2	0.0	9.5
iTraxx Asia ex-Japan Investment Grade 5Y vs. 358.40*	7 30%	1 4%	15 65%	23	34.8	53.6	10.3	(3.4)	na
iTraxx Asia ex-Japan High Yield 5Y vs. 1,287.50*	8 35%	3 13%	12 52%	23	17.4	50.0	3.4	(10.3)	na
iTraxx Australia 5Y vs. 356.50*	6 26%	3 13%	14 61%	23	34.8	60.9	40.0	7.7	(4.5)

IACPM 12 Months Credit Spread Outlook Index (weighted based on number of responses)	304	45.4	56.8	23.8	0.3	18.5
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*(values as of March 30, 2009 in basis points; Source: Markit)

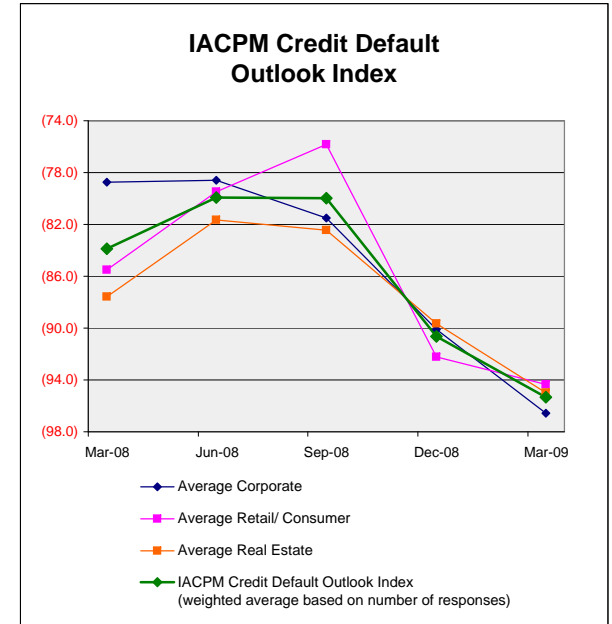
IACPM 12 Months Credit Spread Outlook Index



3. Where do you expect Credit Defaults to be in 12 months?

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses Mar-09	IACPM 12 Months Credit Default Outlook Index (positive numbers indicate credit improvement)				
	Mar-09	Mar-09	Mar-09		Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
North America Corporate	44 94%	2 4%	1 2%	47	(91.5)	(90.4)	(88.2)	(92.0)	(90.2)
North America Retail/ Consumer	43 93%	2 4%	1 2%	46	(91.3)	(92.2)	(84.0)	(91.8)	(96.1)
North America Real Estate	41 89%	4 9%	1 2%	46	(87.0)	(86.3)	(82.0)	(90.0)	(94.1)
Europe Corporate	42 100%	0 0%	0 0%	42	(100.0)	(93.9)	(82.2)	(84.8)	(74.4)
Europe Retail/ Consumer	41 98%	1 2%	0 0%	42	(97.6)	(95.9)	(75.0)	(80.0)	(77.3)
Europe Real Estate	41 100%	0 0%	0 0%	41	(100.0)	(91.7)	(84.4)	(87.0)	(81.0)
Asia Corporate	28 97%	1 3%	0 0%	29	(96.6)	(87.2)	(79.4)	(60.6)	(65.4)
Asia Retail/ Consumer	25 93%	2 7%	0 0%	27	(92.6)	(89.2)	(71.9)	(62.5)	(78.3)
Asia Real Estate	25 96%	1 4%	0 0%	26	(96.2)	(91.4)	(81.3)	(65.6)	(84.0)
Australia Corporate	28 100%	0 0%	0 0%	28	(100.0)	(87.5)	(70.4)	(66.7)	(76.2)
Australia Retail/ Consumer	25 96%	1 4%	0 0%	26	(96.2)	(90.0)	(66.7)	(76.7)	(85.0)
Australia Real Estate	27 100%	0 0%	0 0%	27	(100.0)	(90.0)	(81.5)	(76.7)	(89.5)
Average Corporate	36 97%	1 2%	0 1%	37	(96.6)	(90.1)	(81.5)	(78.6)	(78.7)
Average Retail/ Consumer	34 95%	2 4%	0 1%	35	(94.3)	(92.2)	(75.8)	(79.5)	(85.5)
Average Real Estate	34 96%	1 4%	0 0%	35	(95.0)	(89.6)	(82.5)	(81.6)	(87.6)

IACPM Credit Default Outlook Index (weighted average based on number of responses)	427	(95.3)	(90.7)	(80.0)	(79.9)	(83.9)
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4. Is your current strategy to increase or decrease the percentage of retained risk in your overall portfolio (via sale, hedge, asset acquisition/increase, etc)?

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
Increase aggressively	1	1	0	0	0	1	2%	2%	0%	0%	0%	2%
Increase moderately	4	13	5	9	10	12	8%	24%	10%	17%	20%	21%
Unchanged	17	15	8	8	10	9	35%	28%	15%	15%	20%	16%
Decrease moderately	25	18	31	31	30	31	51%	33%	60%	60%	59%	54%
Decrease aggressively	2	7	8	4	1	4	4%	13%	15%	8%	2%	7%
Total Number of Responses	49	54	52	52	51	57	100%	100%	100%	100%	100%	100%

5. What is the rationale for this strategy?

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
Balance sheet/Capital appetite	25	24	27	27	20	20	51%	44%	52%	52%	39%	35%
Portfolio optimization	9	9	8	12	15	18	18%	17%	15%	23%	29%	32%
Change in risk view	8	8	14	10	11	14	16%	15%	27%	19%	22%	25%
Other, please comment	7	13	3	3	5	5	14%	24%	6%	6%	10%	9%
Total	49	54	52	52	51	57	100%	100%	100%	100%	100%	100%

Comments, March 2009

At this stage of the market we aren't active player
 Balance Sheet/Capital appetite and Portfolio Optimization
 Consistent strategy regardless of credit view
 Cost
 Mandate
 Not really applicable.
 Portfolio optimization & PF optimization

Comments, September 2008

Strategy not based on desire but rather on ability
 Maintain existing low level of risk
 To expensive to increase at this point

Comments, December 2008

Hedge is not available
 Continue business but limited economic mitigation options
 Management of the credit risk
 Few hedge approaches in Taiwan
 Financing hedged carry + roll down
 Portfolio is already conservatively positioned
 High spread level (risk priced in)
 Mandate
 Lock in of MTM gains on hedge book
 Not really how we manage or think about risk.
 Further market deterioration
 Return Opportunities Exceed Higher Risk Levels

Comments, June 2008

Combination of three points
 Regulatory Capital Management
 Don't think about this way but reflects
 Our view

Comments, March 2008

Market neutrality
 Client proposition
 Risk concerns as well
 Reinsurance market conditions
 Single name concentration issues

6. What industry sectors are you most focused on for risk mitigation efforts in the next 3 months? (top 3)

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
TMT: Telecom	3	4	2	2	2	5	6%	7%	4%	4%	4%	9%
TMT: Media	6	8	7	5	4	11	12%	15%	13%	10%	8%	19%
TMT: Technology	2	4	2	4	2	1	4%	7%	4%	8%	4%	2%
Natural Resources: Oil and Gas	6	10	4	2	8	6	12%	19%	8%	4%	16%	11%
Natural Resources: Paper	4	5	5	6	7	12	8%	9%	10%	12%	14%	21%
Natural Resources: Metals/Mining	5	13	1	2	5	6	10%	24%	2%	4%	10%	11%
Natural Resources: Chemicals	7	9	2	3	4	7	14%	17%	4%	6%	8%	12%
Natural Resources: Utilities	0	2	5	2	5	5	0%	4%	10%	4%	10%	9%
Industrial: Auto and related transportation	25	25	21	26	10	21	51%	46%	40%	50%	20%	37%
Industrial: Airlines/ Aerospace/ Defense	6	11	5	13	3	11	12%	20%	10%	25%	6%	19%
Industrial: Diversified	4	5	7	5	7	8	8%	9%	13%	10%	14%	14%
Pharma/ Biotech/ Health Care	1	2	0	0	2	2	2%	4%	0%	0%	4%	4%
Retail/ Consumer	21	34	17	28	18	29	43%	63%	33%	54%	35%	51%
Financial: banks/ brokers	14	12	29	19	24	25	29%	22%	56%	37%	47%	44%
Financial: insurance	12	12	10	8	11	9	24%	22%	19%	15%	22%	16%
Financial: nonbank	11	9	14	17	20	17	22%	17%	27%	33%	39%	30%
Real Estate: Commercial and Construction	27	31	30	28	26	29	55%	57%	58%	54%	51%	51%
Real Estate: Residential	13	12	12	11	15	23	27%	22%	23%	21%	29%	40%
Other, please specify	4	4	3	3	4	10	8%	7%	6%	6%	8%	18%

Others, March 2009

Homebuilders/Gaming & Lodging
 Shipping

Others, December 2008

Shipping
 Shipping
 Across all sectors
 Energy

Others, September 2008

Shipping
 Steady approach across all sectors
 Leveraged Finance

Others, June 2008

Leveraged names
 Shipping
 We are defensively positioned

Demographics. The following questions relate to the size and nature of your firm and are for background demographic information.

7. Please identify the nature of your institution.

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
Bank/Investment bank	42	45	42	42	40	49	86%	83%	81%	81%	78%	86%
Insurance company	3	4	7	6	7	5	6%	7%	13%	12%	14%	9%
Fund	2	4	2	3	2	1	4%	7%	4%	6%	4%	2%
Other, please identify	2	1	1	1	2	2	4%	2%	2%	2%	4%	4%
Total	49	54	52	52	51	57	100%	100%	100%	100%	100%	100%

Other, March 2009

ECA
Bank and Insurance

Other, December 2008

ECA

Other, September 2008

Risk advisory firm

Others, June 2008

Export Credit Agency

8. Please identify your firm's continent of domicile.

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
North America	18	19	19	20	20	22	37%	35%	37%	38%	39%	39%
Europe	19	21	20	21	21	26	39%	39%	38%	40%	41%	46%
Asia	5	7	6	7	4	5	10%	13%	12%	13%	8%	9%
Australia	3	4	4	3	3	4	6%	7%	8%	6%	6%	7%
Latin America	1	1	1	0	1	0	2%	2%	2%	0%	2%	0%
Middle East	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%
Africa	3	2	2	1	2	0	6%	4%	4%	2%	4%	0%
Total	49	54	52	52	51	57	100%	100%	100%	100%	100%	100%

9. Please identify your firm's approximate portfolio asset size.

(Please include only the assets for which the portfolio management group is responsible.)

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
Less than \$50 billion	4	6	5	7	7	14	8%	11%	10%	13%	14%	25%
\$50 billion to \$100 billion	11	15	17	16	14	10	22%	28%	33%	31%	27%	18%
\$100 billion to \$200 billion	14	18	14	11	8	16	29%	33%	27%	21%	16%	28%
Greater than \$200 billion	20	14	14	16	19	17	41%	26%	27%	31%	37%	30%
Does not apply	0	1	2	2	3	0	0%	2%	4%	4%	6%	0%
Total	49	54	52	52	51	57	100%	100%	100%	100%	100%	100%

10. In what part of your organization is the credit portfolio management group located?

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
Line of business	23	30	22	27	22	28	47%	56%	42%	52%	43%	49%
Risk management (including credit risk management)	17	20	22	18	19	20	35%	37%	42%	35%	37%	35%
Finance/Treasury	6	1	4	4	5	3	12%	2%	8%	8%	10%	5%
Does not apply	1	3	3	2	4	3	2%	6%	6%	4%	8%	5%
Other, please specify	2	0	1	1	1	3	4%	0%	2%	2%	2%	5%
Total	49	54	52	52	51	57	100%	100%	100%	100%	100%	100%

Other, March 2009

Separate Division
Hybrid Biz and Risk

Other, September 2008

Independent business line

Others, June 2008

Stand alone division

Others, March 2008

Independent

Participating Institutions

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
ABN AMRO				✓	✓
ABSA Capital	✓	✓	✓		
Allianz			✓		✓
ANZ		✓	✓	✓	✓
Atradius Insurance		✓	✓	✓	✓
Banco Itau	✓	✓	✓		✓
Bank of America	✓	✓	✓	✓	✓
Bank of Montreal				✓	✓
Bank of New York Mellon	✓	✓	✓	✓	
Bank of Tokyo-Mitsubishi UFJ	✓	✓	✓	✓	✓
Barclays Capital		✓	✓	✓	✓
BlueCrest Capital Management Limited		✓	✓	✓	✓
BlueMountain Capital Management	✓	✓		✓	✓
BNP Paribas			✓		
BP					✓
Calyon	✓	✓	✓	✓	
Capital One	✓	✓	✓	✓	✓
Channel Capital Advisors		✓			
Chinatrust Financial Holding		✓	✓	✓	✓
CIBC	✓	✓	✓	✓	✓
Citigroup	✓	✓	✓	✓	✓
Citizens Financial Group			✓	✓	
Commerzbank	✓				✓
Commonwealth Bank of Australia	✓	✓	✓	✓	✓
Credit Suisse First Boston	✓	✓		✓	✓
Deutsche Bank	✓	✓	✓		✓
Dresdner Kleinwort		✓	✓	✓	✓
Euler Hermes					✓
Export Development Canada	✓	✓		✓	
Fifth Third Bank	✓		✓	✓	✓
First Rand Bank Limited	✓		✓		✓
Fortis Bank N.V.	✓	✓	✓	✓	✓
Goldman, Sachs & Company		✓	✓		
HSBC	✓	✓	✓	✓	✓
IKB Deutsche Industriebank AG		✓	✓	✓	✓
ING Group	✓			✓	✓
Intesa Sanpaolo	✓				✓
JP Morgan Chase	✓				✓
Kasikornbank				✓	

Sponsored by IACPM and McKinsey & Company

22

	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
KBC	✓	✓	✓	✓	✓
KeyBank		✓			✓
KfW Banking Group		✓			✓
KfW IPEX	✓	✓	✓	✓	
Landesbank Baden-Wuerttemberg	✓	✓		✓	
Lehman Brothers				✓	
Lloyds TSB PLC	✓	✓	✓	✓	✓
Manulife Financial Corporation	✓	✓			
Merrill Lynch				✓	
Metlife			✓	✓	✓
Mitsubishi UFJ Trust and Banking Corporation	✓	✓	✓	✓	✓
Mizuho		✓	✓	✓	✓
Monte Dei Paschi Di Siena			✓		
Morgan Stanley		✓			
Munich Reinsurance	✓		✓	✓	
National Australia Bank	✓	✓	✓		
National Bank Financial			✓		
National City Bank	✓	✓	✓	✓	✓
Natixis		✓			✓
Nomura Holdings, Japan		✓			
NRW Bank	✓	✓	✓		
Primus Financial	✓	✓	✓	✓	
RBC Capital Markets	✓	✓		✓	✓
SEB	✓				
Shinsei Bank Limited	✓	✓	✓	✓	✓
Societe Generale	✓			✓	✓
Standard Bank of South Africa	✓	✓		✓	✓
Standard Chartered	✓	✓	✓	✓	
State Street Bank	✓	✓			
Sumitomo Mitsui	✓		✓		
Swiss Reinsurance Company	✓	✓	✓	✓	✓
TIAA-CREF		✓	✓	✓	✓
UBS AG	✓	✓	✓	✓	
UniCredit Group	✓		✓	✓	
UniCredit Markets & Investment Banking	✓	✓	✓	✓	✓
Wachovia Corporation	✓	✓	✓	✓	✓
Wells Fargo Bank	✓	✓	✓		✓
West LB	✓	✓		✓	
Westpac Banking Corporation	✓	✓	✓	✓	✓
XL Capital Ltd.			✓	✓	✓

27