



## Quarterly Member Survey on Credit Outlook - December 2007

Sponsored by IACPM and McKinsey & Company

The following survey asks short questions about your 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 evolutions of the credit cycle over time. The survey is short, no more than 6 questions, with the initial addition of some demographic questions.

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

### 1. In which direction will credit spreads move over the course of the next 3 months (values as of Dec.12, 2007 in basis points; Source: Markit)?

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up (widen)	Down (narrow)	Unchanged	Don't know/ Don't follow
CDX North America Investment Grade 5Y vs. 75.98	30 53%	7 12%	12 21%	8 14%
CDX North America High Yield 5Y vs. 483.77	36 63%	1 2%	9 16%	11 19%
iTraxx Europe 5Y vs. 50.2	24 42%	7 12%	14 25%	12 21%
iTraxx Europe Crossover 5Y vs. 332.75	27 47%	6 11%	10 18%	14 25%
iTraxx Japan Series 5Y vs. 42	12 21%	3 5%	9 16%	33 58%
iTraxx Asia ex-Japan 5Y vs. 137.86	12 21%	3 5%	8 14%	34 60%
iTraxx Australia 5Y vs. 60	15 26%	2 4%	6 11%	34 60%

### 2. In which direction will credit spreads move over the course of the next 12 months (values as of Dec.12, 2007 in basis points; Source: Markit)?

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up (widen)	Down (narrow)	Unchanged	Don't know/ Don't follow
CDX North America Investment Grade 5Y vs. 75.98	27 47%	10 18%	12 21%	8 14%
CDX North America High Yield 5Y vs. 483.77	32 56%	5 9%	10 18%	10 18%
iTraxx Europe 5Y vs. 50.2	25 44%	8 14%	10 18%	14 25%
iTraxx Europe Crossover 5Y vs. 332.75	25 44%	8 14%	8 14%	16 28%
iTraxx Japan 5Y vs. 42	12 21%	3 5%	8 14%	34 60%
iTraxx Asia ex-Japan 5Y vs. 137.86	12 21%	3 5%	7 12%	35 61%
iTraxx Australia 5Y vs. 60	13 23%	1 2%	8 14%	35 61%

**3. In which direction will credit defaults move over the course of the next 12 months?**

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	<b>Up</b>	<b>Down</b>	<b>Unchanged</b>
Corporate	51 89%	1 2%	5 9%
Retail/ Consumer	50 88%	0 0%	7 12%
Real Estate	51 89%	1 2%	5 9%

**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)?**

Increase aggressively	1	2%
Increase moderately	12	21%
Unchanged	9	16%
Decrease moderately	31	54%
Decrease aggressively	4	7%
<b>Total</b>	<b>57</b>	<b>100%</b>

**5. What is the rationale for this strategy?**

Balance sheet/Capital appetite	20	35%
Portfolio optimization	18	32%
Change in risk view	14	25%
Other, please comment	5	9%
<b>Total</b>	<b>57</b>	<b>100%</b>

**Comments**

Reduce concentrations in most sensitive industries  
 reduce concentration risk  
 Cycle management  
 Pricing improvements will compensate for risk  
 Dual reg cap management and risk outlook

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

**(Please check all that apply.)**

TMT: Telecom	5	9%
TMT: Media	11	19%
TMT: Technology	1	2%
Natural Resources: Oil and Gas	6	11%
Natural Resources: Paper	12	21%
Natural Resources: Metals/Mining	6	11%
Natural Resources: Chemicals	7	12%
Natural Resources: Utilities	5	9%
Industrial: Auto and related transportation	21	37%
Industrial: Airlines/ Aerospace/ Defense	11	19%
Industrial: Diversified	8	14%
Pharma/ Biotech/ Health Care	2	4%
Retail/ Consumer	29	51%
Financial: banks/ brokers	25	44%
Financial: insurance	9	16%
Financial: nonbank	17	30%
Real Estate: Commercial	29	51%
Real Estate: Residential	23	40%
Other, please specify	10	18%

**Comments**

Construction

Shipping

Sovereigns/ sub sovereigns

Currently nothing

Work in progress

Depends on deal flow.

Construction

A view of retained exposures rebalancing

**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.**

Bank/investment bank	49	86%
Insurance company	5	9%
Fund	1	2%
Other	2	4%
<b>Total</b>	<b>57</b>	<b>100%</b>

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

Europe	26	46%
Asia	5	9%
Australia	4	7%
North America	22	39%
Latin America	0	0%
Middle East	0	0%
Africa	0	0%
<b>Total</b>	<b>57</b>	<b>100%</b>

**9. Please identify your firm's approximate portfolio asset size. (Please include only the assets for which the portfolio management group is responsible.)**

Less than \$50 billion	14	25%
\$50 billion to \$100 billion	10	18%
\$100 billion to \$200 billion	16	28%
Greater than \$200 billion	17	30%
Does not apply	0	0%
<b>Total</b>	<b>57</b>	<b>100%</b>

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

Line of business	28	49%
Risk management (including credit risk management)	20	35%
Finance/treasury	3	5%
Does not apply	3	5%
Other, please specify	3	5%
<b>Total</b>	<b>57</b>	<b>100%</b>

**Comments**

Hybrid risk/lob dual report  
 Reporting to General Management  
 Outside line of business

**Feedback. We are interested in your opinion.**

**11. This is the first time that the IACPM is conducting this short survey. We intend to conduct this survey on a regular (quarterly) basis. Do you believe that the results will be of value to you and your organization?**

Yes	52	91%
No	4	7%
Please comment	3	5%

**Comments**

Strategy is proprietary, best shared informally  
 More of interest than of value  
 Question 3 should differentiate between US and EU

## Participating Institutions

Aareal Bank  
ABN AMRO  
Allianz  
ANZ  
Bank of America  
Bank of Ireland Group  
Bank of Montreal  
Bank of Tokyo-Mitsubishi UFJ  
Banque Nationale du Canada  
Barclays Capital  
Bear Stearns  
BlueCrest Capital Management Limited  
BP  
Calyon  
Capital One  
Chinatrust Financial Holding  
CIBC  
Citigroup  
Commerzbank  
Commonwealth Bank of Australia  
Credit Suisse First Boston  
Deutsche Bank  
Dresdner Kleinwort  
DZ Bank AG  
Export Development Canada  
Fifth Third Bank  
Fortis Bank N.V.  
Goldman, Sachs & Company  
HSBC

ING Group  
JP Morgan Chase  
Kasikornbank  
KBC  
KeyBank  
KfW Banking Group  
KfW IPEX  
Lloyds TSB PLC  
Munich Reinsurance Company  
National Australia Bank  
National City Bank  
Natixis  
NIBC Bank  
PNC Financial Services Group  
Primus Financial Products  
RBC Capital Markets  
Scotia Capital  
Shinsei Bank Limited  
Societe Generale  
Standard Bank of South Africa  
Sumitomo Mitsui Banking Corp  
SunTrust Banks, Inc  
Swiss Reinsurance Company  
TIAA-CREF  
Wachovia Corporation  
Wells Fargo Bank  
Westpac Banking Corporation  
WGZ Bank AG

