

# IACPM Third Quarter 2008 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 evolutions of the credit cycle over time. 52 institutions participated in the survey in September and June 2008, compared to 51 institutions in March 2008, and 57 institutions in December 2007. Please note that not every question could be answered by every participating institution. Totals will therefore not always match the total number of participants.

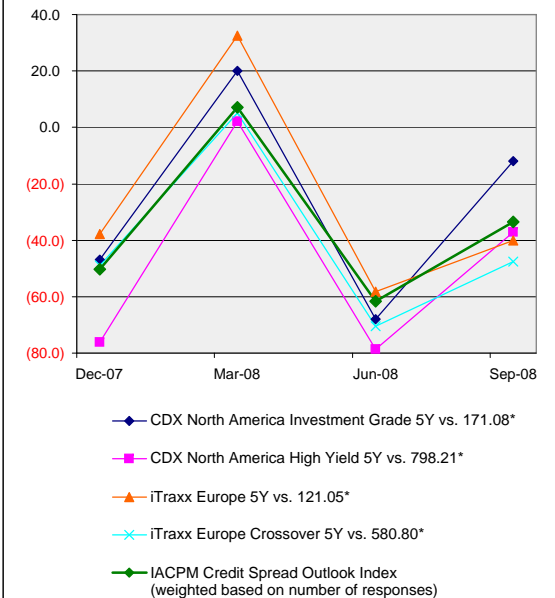
**Credit Outlook and Strategy.** The following questions focus on your credit outlook and portfolio strategy.

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

	Up (widen)		Unchanged		Down (narrow)		IACPM Credit Spread Outlook Index (positive numbers indicate credit improvement)			
	Sep-08	Sep-08	Sep-08	Sep-08	Sep-08	Sep-08	Jun-08	Mar-08	Dec-07	
CDX North America Investment Grade 5Y vs. 171.08*	18 35%	11 21%	13 25%	42 100%	(11.9)	(68.1)	20.0	(46.9)		
CDX North America High Yield 5Y vs. 798.21*	23 44%	13 25%	7 13%	43 100%	(37.2)	(78.7)	2.2	(76.1)		
CMBX North America AA vs. 644.43*	14 27%	12 23%	7 13%	33 100%	(21.2)	(54.3)	15.2	na		
CMBX North America BBB vs. 1,651.43*	18 35%	7 13%	9 17%	34 100%	(26.5)	(62.9)	(3.0)	na		
iTraxx Europe 5Y vs. 121.05*	24 46%	8 15%	8 15%	40 100%	(40.0)	(58.1)	32.5	(37.8)		
iTraxx Europe Crossover 5Y vs. 580.80*	25 48%	9 17%	6 12%	40 100%	(47.5)	(70.5)	5.1	(48.8)		
iTraxx Japan Series 5Y vs. 165.50*	12 23%	9 17%	5 10%	26 100%	(26.9)	(51.7)	9.5	(37.5)		
iTraxx Asia ex-Japan Investment Grade 5Y vs. 214.83*	18 35%	6 12%	5 10%	29 100%	(44.8)	(50.0)	na	na		
iTraxx Asia ex-Japan High Yield 5Y vs. 659.17*	18 35%	6 12%	4 8%	28 100%	(50.0)	(53.3)	na	na		
iTraxx Asia ex-Japan 5Y	na	na	na	na	na	na	(27.3)	(39.1)		
iTraxx Australia 5Y vs. 206.33*	12 23%	9 17%	4 8%	25 100%	(32.0)	(53.6)	(18.2)	(56.5)		
<b>IACPM Credit Spread Outlook Index (weighted based on number of responses)</b>					<b>340</b>	<b>(33.5)</b>	<b>(61.7)</b>	<b>7.0</b>	<b>(50.2)</b>	

\*(values as of September 30, 2008 in basis points; Source: Markit)

### IACPM Credit Spread Outlook Index 3 months



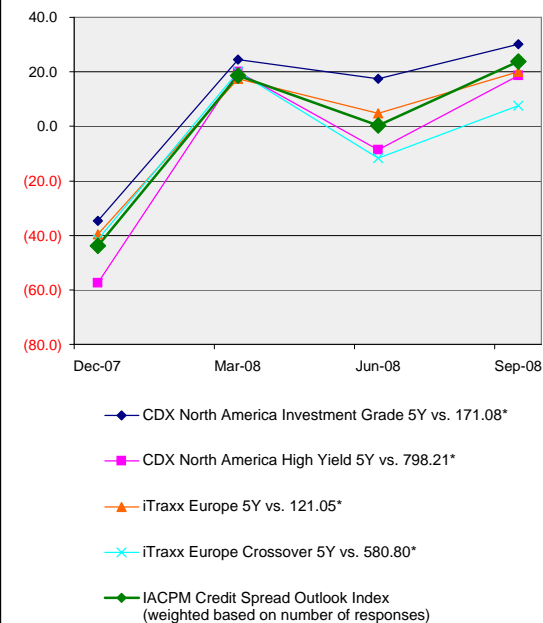
## 2. Where do you expect Credit Spreads to be in 12 months?

	Up (widen)		Unchanged		Down (narrow)		Total Number of Responses		IACPM Credit Spread Outlook Index (positive numbers indicate credit improvement)			
	Sep-08	Sep-08	Sep-08	Sep-08	Sep-08	Sep-08	Sep-08	Sep-08	Jun-08	Mar-08	Dec-07	
CDX North America Investment Grade 5Y vs. 171.08*	8 15%	14 27%	21 40%	43 100%	30.2	17.4	24.4	(34.7)				
CDX North America High Yield 5Y vs. 798.21*	12 23%	11 21%	20 38%	43 100%	18.6	(8.7)	20.0	(57.4)				
CMBX North America AA vs. 644.43*	4 8%	9 17%	21 40%	34 100%	50.0	11.8	39.4	na				
CMBX North America BBB vs. 1,651.43*	6 12%	9 17%	19 37%	34 100%	38.2	(5.9)	36.4	na				
iTraxx Europe 5Y vs. 121.05*	9 17%	14 27%	17 33%	40 100%	20.0	4.8	17.5	(39.5)				
iTraxx Europe Crossover 5Y vs. 580.80*	11 21%	15 29%	14 27%	40 100%	7.5	(11.6)	20.0	(41.5)				
iTraxx Japan Series 5Y vs. 165.50*	5 10%	11 21%	11 21%	27 100%	22.2	0.0	9.5	(39.1)				
iTraxx Asia ex-Japan Investment Grade 5Y vs. 214.83*	9 17%	8 15%	12 23%	29 100%	10.3	(3.4)	na	na				
iTraxx Asia ex-Japan High Yield 5Y vs. 659.17*	10 19%	8 15%	11 21%	29 100%	3.4	(10.3)	na	na				
iTraxx Asia ex-Japan 5Y	na	na	na	na	na	na	(21.7)	(40.9)				
iTraxx Australia 5Y vs. 206.33*	4 8%	7 13%	14 27%	25 100%	40.0	7.7	(4.5)	(54.5)				

<b>IACPM Credit Spread Outlook Index (weighted based on number of responses)</b>	<b>344</b>	<b>23.8</b>	<b>0.3</b>	<b>18.5</b>	<b>(43.7)</b>
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\*(values as of September 30, 2008 in basis points; Source: Markit)

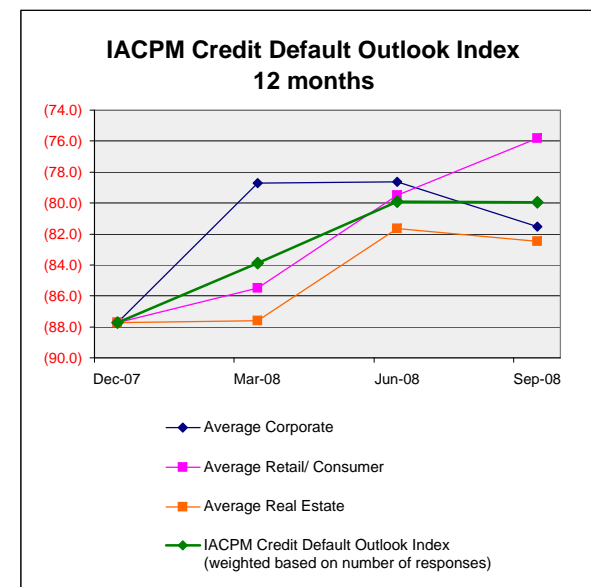
## IACPM Credit Spread Outlook Index 12 months



### 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	IACPM Credit Default Outlook Index (positive numbers indicate credit improvement)			
	Sep-08	Sep-08	Sep-08		Sep-08	Jun-08	Mar-08	Dec-07
North America Corporate	47 90%	2 4%	2 4%	51 100%	(88.2)	(92.0)	(90.2)	na
North America Retail/ Consumer	45 87%	2 4%	3 6%	50 100%	(84.0)	(91.8)	(96.1)	na
North America Real Estate	45 87%	1 2%	4 8%	50 100%	(82.0)	(90.0)	(94.1)	na
Europe Corporate	39 75%	4 8%	2 4%	45 100%	(82.2)	(84.8)	(74.4)	na
Europe Retail/ Consumer	37 71%	3 6%	4 8%	44 100%	(75.0)	(80.0)	(77.3)	na
Europe Real Estate	41 79%	1 2%	3 6%	45 100%	(84.4)	(87.0)	(81.0)	na
Asia Corporate	27 52%	7 13%	0 0%	34 100%	(79.4)	(60.6)	(65.4)	na
Asia Retail/ Consumer	24 46%	7 13%	1 2%	32 100%	(71.9)	(62.5)	(78.3)	na
Asia Real Estate	27 52%	4 8%	1 2%	32 100%	(81.3)	(65.6)	(84.0)	na
Australia Corporate	20 38%	6 12%	1 2%	27 100%	(70.4)	(66.7)	(76.2)	na
Australia Retail/ Consumer	20 38%	5 10%	2 4%	27 100%	(66.7)	(76.7)	(85.0)	na
Australia Real Estate	23 44%	3 6%	1 2%	27 100%	(81.5)	(76.7)	(89.5)	na
Average Corporate	33 85%	5 12%	1 3%	39 100%	(81.5)	(78.6)	(78.7)	(87.7)
Average Retail/ Consumer	32 82%	4 11%	3 7%	38 100%	(75.8)	(79.5)	(85.5)	(87.7)
Average Real Estate	34 88%	2 6%	2 6%	39 100%	(82.5)	(81.6)	(87.6)	(87.7)

<b>IACPM Credit Default Outlook Index</b> (weighted based on number of responses )	<b>580</b>	<b>(80.0)</b>	<b>(79.9)</b>	<b>(83.9)</b>	<b>(87.7)</b>
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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)?**

	Sep-08	Jun-08	Mar-08	Dec-07	Sep-08	Jun-08	Mar-08	Dec-07
Increase aggressively	0	0	0	1	0%	0%	0%	2%
Increase moderately	5	9	10	12	10%	17%	20%	21%
Unchanged	8	8	10	9	15%	15%	20%	16%
Decrease moderately	31	31	30	31	60%	60%	59%	54%
Decrease aggressively	8	4	1	4	15%	8%	2%	7%
<b>Total Number of Responses</b>	<b>52</b>	<b>52</b>	<b>51</b>	<b>57</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

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

**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, 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

**Comments, December 2007**

Reduce concentrations in most sensitive  
 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? (top 3)**

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

**Others, September 2008**

Shipping  
 Steady approach across all sectors  
 Leveraged Finance

**Others, June 2008**

Leveraged names  
 Shipping  
 We are defensively positioned, short cyclical

**Others, March 2008**

Auto and leveraged names  
 Not applicable  
 Agriculture  
 regulatory capital driven, not sector driven

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.**

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

**Other, September 2008**

Risk advisory firm

**Others, June 2008**

Export Credit Agency

**Others, March 2008**

Energy Trading Company

Export Credit Agency

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

	Sep-08	Jun-08	Mar-08	Dec-07	Sep-08	Jun-08	Mar-08	Dec-07
North America	19	20	20	22	37%	38%	39%	39%
Europe	20	21	21	26	38%	40%	41%	46%
Asia	6	7	4	5	12%	13%	8%	9%
Australia	4	3	3	4	8%	6%	6%	7%
Latin America	1	0	1	0	2%	0%	2%	0%
Middle East	0	0	0	0	0%	0%	0%	0%
Africa	2	1	2	0	4%	2%	4%	0%
<b>Total</b>	<b>52</b>	<b>52</b>	<b>51</b>	<b>57</b>	<b>100%</b>	<b>100%</b>	<b>100%</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.)

	Sep-08	Jun-08	Mar-08	Dec-07	Sep-08	Jun-08	Mar-08	Dec-07
Less than \$50 billion	5	7	7	14	10%	13%	14%	25%
\$50 billion to \$100 billion	17	16	14	10	33%	31%	27%	18%
\$100 billion to \$200 billion	14	11	8	16	27%	21%	16%	28%
Greater than \$200 billion	14	16	19	17	27%	31%	37%	30%
Does not apply	2	2	3	0	4%	4%	6%	0%
<b>Total</b>	<b>52</b>	<b>52</b>	<b>51</b>	<b>57</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

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

**Other, September 2008**

Independent business line

**Others, June 2008**

Stand alone division

**Others, March 2008**

Independent

## Participating Institutions

	Sep-08	Jun-08	Mar-08	Dec-07
Aareal				✓
ABN AMRO		✓	✓	✓
ABSA Capital	✓			
Allianz	✓		✓	✓
ANZ	✓	✓	✓	✓
Atradius Insurance	✓	✓	✓	
Banco Itau	✓		✓	
Bank of America	✓	✓	✓	✓
Bank of Ireland Group				✓
Bank of Montreal		✓	✓	✓
Bank of New York Mellon	✓	✓		
Bank of Tokyo-Mitsubishi UFJ	✓	✓	✓	✓
Banque Nationale du Canada				✓
Barclays Capital	✓	✓	✓	✓
Bear Stearns				✓
BlueCrest Capital Management Limited	✓	✓	✓	✓
BlueMountain Capital Management		✓	✓	
BNP Paribas	✓			
BP			✓	✓
Calyon	✓	✓		✓
Capital One	✓	✓	✓	✓
Chinatrust Financial Holding	✓	✓	✓	✓
CIBC	✓	✓	✓	✓
Citigroup	✓	✓	✓	✓
Citizens Financial Group	✓	✓		
Commerzbank			✓	✓
Commonwealth Bank of Australia	✓	✓	✓	✓
Credit Suisse First Boston		✓	✓	✓
Deutsche Bank	✓		✓	✓
Dresdner Kleinwort	✓	✓	✓	✓
DZ Bank AG				✓
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			✓	

Sponsored by IACPM and McKinsey & Company

	Sep-08	Jun-08	Mar-08	Dec-07
JP Morgan Chase			✓	✓
Kasikombank		✓		✓
KBC	✓	✓	✓	✓
KeyBank			✓	✓
KfW Banking Group			✓	✓
KfW IPEX	✓	✓		✓
Landesbank Baden-Wuerttemberg		✓		
Lehman Brothers				
Lloyds TSB PLC	✓	✓	✓	✓
Merrill Lynch		✓		
Metlife	✓	✓	✓	
Mitsubishi UFJ Trust and Banking Corporation	✓	✓	✓	
Mizuho	✓	✓	✓	
Monte Dei Paschi Di Siena	✓			
Munich Reinsurance	✓	✓		✓
National Australia Bank	✓			✓
National Bank Financial	✓			✓
National City Bank	✓	✓	✓	✓
Natixis			✓	✓
NIBC Bank				✓
NRW Bank	✓			
PNC Financial Services				✓
Primus Financial	✓	✓		✓
RBC Capital Markets		✓	✓	✓
Scotia Capital				✓
Shinsei Bank Limited	✓	✓	✓	✓
Societe Generale		✓	✓	✓
Standard Bank of South Africa		✓	✓	✓
Standard Chartered	✓	✓		
Sumitomo Mitsui	✓			✓
SunTrust Banks, Inc				✓
Swiss Reinsurance Company	✓	✓	✓	✓
TIAA-CREF	✓	✓	✓	✓
UBS AG	✓	✓		
UniCredit Group	✓	✓		
UniCredit Markets & Investment Banking	✓	✓	✓	
Wachovia Corporation	✓	✓	✓	✓
Wells Fargo Bank	✓		✓	✓
West LB		✓		
Westpac Banking Corporation	✓	✓	✓	✓
WGZ Bank AG				✓
XL Capital Ltd.	✓	✓	✓	