



Second Quarter 2014 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.

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	IACPM 3 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Jun-14	Jun-14	Jun-14	Jun-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
CDX North America Investment Grade 5Y vs. 58*	9 20%	27 60%	9 20%	45	0.0	6.8	0.0	(23.4)	(2.2)
CDX North America High Yield 5Y vs. 303*	11 25%	21 48%	12 27%	44	2.3	9.3	9.5	(30.4)	(20.9)
iTraxx Europe 5Y vs. 62*	7 18%	18 47%	13 34%	38	15.8	25.6	(5.1)	11.1	(7.7)
iTraxx Europe Crossover 5Y vs. 241*	8 21%	15 39%	15 39%	38	18.4	18.4	2.6	0.0	(24.3)
iTraxx Japan Series 5Y vs. 67*	5 20%	11 44%	9 36%	25	16.0	11.5	11.1	11.5	(15.4)
iTraxx Asia ex-Japan Investment Grade 5Y vs. 103*	5 19%	14 54%	7 27%	26	7.7	(7.7)	(12.5)	(19.2)	(29.6)
iTraxx Australia 5Y vs. 84*	6 26%	12 52%	5 22%	23	(4.3)	0.0	4.2	(8.7)	(21.7)

IACPM 3 Months Major Markets Credit Spread Outlook Index	165	8.5	14.6	1.8	(11.0)	(13.3)
(weighted average based on number of responses; includes first four indices listed in bold)						

IACPM 3 Months Credit Spread Outlook Index	239	7.9	10.5	1.7	(9.3)	(16.2)
(weighted average based on number of responses; includes all indices listed above)						

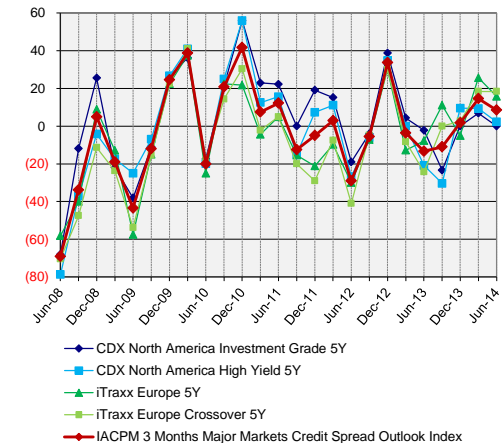
2. Where do you expect CMBX index prices to be at the end of next quarter, i.e., in 3 months?

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 3 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Jun-14	Jun-14	Jun-14	Jun-14	Jun-14	Mar-14	Dec-13**	Sep-13**	Jun-13**
CMBX North America AA vs. 102*	3 10%	19 66%	7 24%	29	(13.8)	(12.9)	36.0	6.7	3.3
CMBX North America BBB- vs. 102*	5 17%	16 55%	8 28%	29	(10.3)	(19.4)	40.0	16.7	13.8

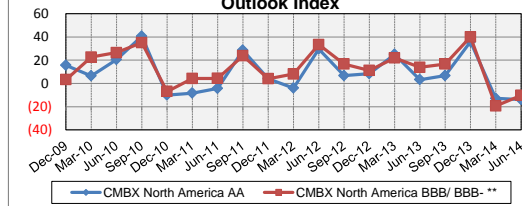
* Values as of June 30, 2014; Source: Markit

** In previous Series 5 we were looking at BBB tranche. In current Series 6 a BBB tranche can't be justified due to limited issuance. Starting 1Q 2014 we are therefore looking at BBB-

IACPM 3 Months Credit Spread Outlook Index



IACPM 3 Months CMBX Index Price Outlook Index



3. 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 Jun-14	IACPM 12 Months Credit Spread Outlook Index (positive numbers indicate credit improvement)				
	Jun-14	Jun-14	Jun-14		Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
CDX North America Investment Grade 5Y vs. 58*	25 56%	15 33%	5 11%	45	(44.4)	(28.9)	(14.0)	(4.3)	(10.9)
CDX North America High Yield 5Y vs. 303*	27 61%	12 27%	5 11%	44	(50.0)	(22.7)	(11.9)	(6.5)	(18.2)
iTraxx Europe 5Y vs. 62*	19 50%	11 29%	8 21%	38	(28.9)	(5.3)	(7.7)	13.3	(25.0)
iTraxx Europe Crossover 5Y vs. 241*	18 47%	10 26%	10 26%	38	(21.1)	(13.5)	(7.9)	6.8	(29.7)
iTraxx Japan Series 5Y vs. 67*	9 35%	11 42%	6 23%	26	(11.5)	(17.2)	(3.6)	3.8	(18.5)
iTraxx Asia ex-Japan Investment Grade 5Y vs. 103*	10 37%	10 37%	7 26%	27	(11.1)	(17.2)	(12.0)	0.0	10.8
iTraxx Australia 5Y vs. 84*	10 42%	9 38%	5 21%	24	(20.8)	(8.0)	8.3	4.2	4.3
IACPM 12 Months Credit Spread Outlook Index (weighted average based on number of responses)				242	(29.8)	(17.0)	(7.9)	2.3	(13.4)

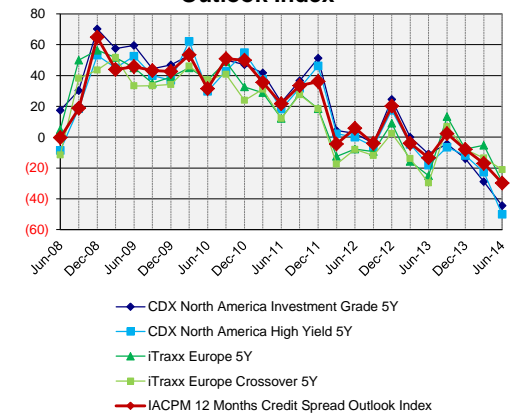
4. Where do you expect CMBX index prices to be in 12 months?

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 Jun-14	IACPM 12 Months CMBX Index Price Outlook Index (positive numbers indicate credit improvement)				
	Jun-14	Jun-14	Jun-14		Jun-14	Mar-14	Dec-13**	Sep-13**	Jun-13**
CMBX North America AA vs. 102*	10 34%	12 41%	7 24%	29	10.3	6.7	12.5	16.7	6.7
CMBX North America BBB- vs. 102*	13 45%	8 28%	8 28%	29	17.2	10.0	8.3	13.3	17.2

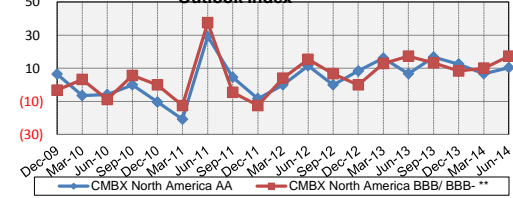
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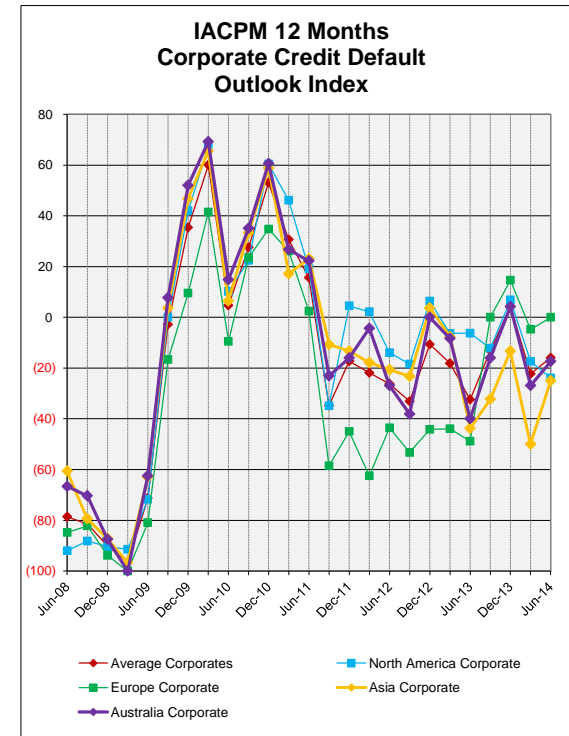
IACPM 12 Months Credit Spread Outlook Index



IACPM 12 Months CMBX Index Price Outlook Index

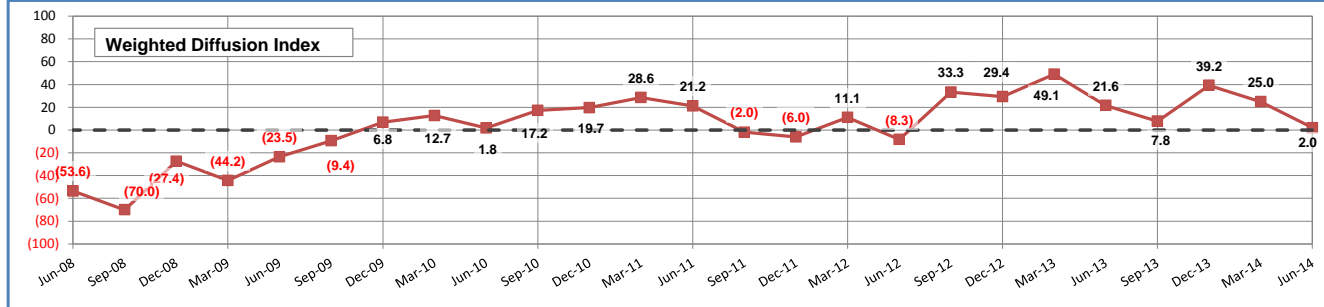


5. Where do you expect Credit Default Rates to be in 12 months (annual twelve month trailing)?									
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Up	Unchanged	Down	Total Number of Responses	IACPM 12 Months Credit Default Outlook Index (positive numbers indicate credit improvement)				
	Jun-14	Jun-14	Jun-14		Jun-14	Jun-14	Mar-14	Dec-13	Sep-13
North America Corporate	19 41%	19 41%	8 17%	46	(23.9)	(17.4)	6.8	(12.2)	(6.3)
North America Retail/ Consumer Mortgage	16 39%	18 44%	7 17%	41	(22.0)	15.0	7.5	2.3	(4.5)
North America Commercial Real Estate	12 30%	23 58%	5 13%	40	(17.5)	4.9	15.4	7.0	9.1
Europe Corporate	10 24%	21 51%	10 24%	41	0.0	(4.8)	14.6	0.0	(48.8)
Europe Retail/ Consumer Mortgage	12 34%	16 46%	7 20%	35	(14.3)	(2.8)	8.3	10.8	(60.0)
Europe Commercial Real Estate	7 20%	21 60%	7 20%	35	0.0	(5.7)	16.7	5.4	(57.9)
Asia Corporate	10 36%	15 54%	3 11%	28	(25.0)	(50.0)	(13.3)	(32.3)	(43.8)
Asia Retail/ Consumer Mortgage	9 45%	8 40%	3 15%	20	(30.0)	(41.7)	(12.0)	(21.7)	(57.1)
Asia Commercial Real Estate	10 50%	7 35%	3 15%	20	(35.0)	(50.0)	(8.3)	(30.8)	(58.6)
Australia Corporate	7 30%	13 57%	3 13%	23	(17.4)	(26.9)	4.2	(16.0)	(40.0)
Australia Retail/ Consumer Mortgage	9 45%	8 40%	3 15%	20	(30.0)	(17.4)	(9.5)	(13.0)	(50.0)
Australia Commercial Real Estate	10 45%	9 41%	3 14%	22	(31.8)	(17.4)	0.0	(8.7)	(50.0)
Average Corporate	12 33%	17 49%	6 17%	35	(15.9)	(22.2)	4.3	(13.2)	(32.4)
Average Retail/ Consumer Mortgage	12 40%	13 43%	5 17%	29	(22.4)	(7.3)	0.8	(2.4)	(39.7)
Average Commercial Real Estate	10 33%	15 51%	5 15%	29	(17.9)	(13.0)	8.3	(3.9)	(34.8)
IACPM Credit Default Outlook Index (weighted average based on number of responses)				371	(18.6)	(14.6)	4.5	(6.9)	(35.6)



6. Is your current strategy to increase or decrease the percentage of retained risk in your overall portfolio (via sale, hedge, asset acquisition/increase, etc.)?

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Increase aggressively	1	1	4	0	1	2	1	2%	2%	9%	0%	2%	4%	2%
Increase moderately	14	21	20	20	20	29	23	29%	45%	43%	39%	40%	57%	46%
Unchanged	19	14	15	15	18	13	16	39%	30%	32%	29%	36%	25%	32%
Decrease moderately	15	11	8	16	11	7	10	31%	23%	17%	31%	22%	14%	20%
Decrease aggressively	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%
Total Number of Responses	49	47	47	51	50	51	50	100%	100%	100%	100%	100%	100%	100%



The weighted Diffusion Index for retained risk has been calculated by giving "Increase/ Decrease aggressively" twice the weight as "Increase/ Decrease moderately".

7. What is the rationale for this strategy?

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Balance sheet/Capital appetite	27	31	27	29	26	31	31	55%	66%	57%	57%	52%	61%	62%
Portfolio optimization	17	12	15	14	15	13	15	35%	26%	32%	27%	30%	25%	30%
Change in risk view	2	3	3	5	5	3	2	4%	6%	6%	10%	10%	6%	4%
Other, please comment	3	1	2	3	4	4	2	6%	2%	4%	6%	8%	8%	4%
Total	49	47	51	50	51	50	53	100%	100%	100%	100%	100%	100%	100%

Other, June 2014

Continue to actively manage risk with particular focus on regulatory requirements/guidelines.
CCAR loss rates from Fed models.

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

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
TMT: Telecom	8	6	8	11	7	9	11	16%	12%	16%	22%	14%	18%	22%
TMT: Media	3	2	4	4	1	3	5	6%	4%	8%	8%	2%	6%	10%
TMT: Technology	4	4	1	1	2	4	7	8%	8%	2%	2%	4%	8%	14%
Natural Resources: Oil and Gas	19	16	20	16	15	15	13	38%	32%	40%	32%	30%	29%	26%
Natural Resources: Paper	5	1	2	2	2	3	3	10%	2%	4%	4%	4%	6%	6%
Natural Resources: Metals/Mining	19	18	16	21	25	15	10	38%	36%	32%	42%	50%	29%	20%
Natural Resources: Chemicals	2	0	2	1	5	2	4	4%	0%	4%	2%	10%	4%	8%
Natural Resources: Utilities	3	6	6	8	4	4	4	6%	12%	4%	16%	8%	8%	8%
Industrial: Auto and related transportation	6	6	6	10	9	5	7	12%	12%	12%	20%	18%	10%	14%
Industrial: Airlines/ Aerospace/ Defense	3	7	5	5	6	10	9	6%	14%	10%	10%	12%	20%	18%
Industrial: Diversified	4	3	3	5	6	4	3	8%	6%	6%	10%	12%	8%	6%
Pharma/ Biotech/ Health Care	2	3	4	2	5	5	2	4%	6%	8%	4%	10%	10%	4%
Retail/ Consumer	10	12	14	11	10	10	12	20%	24%	28%	22%	20%	20%	24%
Financial: banks/ brokers	6	8	6	10	9	10	12	12%	16%	12%	20%	18%	20%	24%
Financial: insurance	2	1	1	1	0	3	3	4%	2%	2%	2%	0%	6%	6%
Financial: nonbank	3	3	3	3	2	5	3	6%	6%	6%	6%	4%	10%	6%
Real Estate: Commercial and Construction	21	16	16	16	18	12	20	42%	32%	32%	32%	36%	24%	40%
Real Estate: Residential	7	6	11	6	5	7	4	14%	12%	22%	12%	10%	14%	8%
Other, please specify	6	5	4	4	8	10	12	12%	10%	8%	8%	16%	20%	24%

Other, June 2014

Agriculture
No particular sector targeted over the next three months.

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

9. Please identify the nature of your institution.

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Bank/Investment bank	40	39	39	42	41	41	39	82%	83%	83%	84%	82%	80%	78%
Insurance company	7	6	5	5	5	5	6	14%	13%	11%	10%	10%	10%	12%
Fund	2	1	2	2	3	4	4	4%	2%	4%	4%	6%	8%	8%
Export Credit Agency (ECA)	0	1	1	1	1	1	1	0%	2%	2%	2%	2%	2%	2%
Total	49	47	50	50	51	50	53	100%	100%	100%	100%	100%	100%	100%

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

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
North America	21	20	19	20	22	18	22	43%	43%	40%	39%	44%	35%	44%
Europe	18	17	15	20	16	20	17	37%	36%	32%	39%	32%	39%	34%
Asia	6	6	7	6	6	7	7	12%	13%	15%	12%	12%	14%	14%
Australia/ Oceania	2	2	2	2	2	2	1	4%	4%	4%	4%	4%	4%	2%
South America	1	1	2	1	1	2	0	2%	2%	4%	2%	2%	4%	0%
Middle East	0	0	0	0	0	0	1	0%	0%	0%	0%	0%	0%	2%
Africa	1	1	2	2	3	2	2	2%	2%	4%	4%	6%	4%	4%
Total	49	47	51	50	51	50	53	100%	100%	100%	100%	100%	100%	100%

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

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Less than \$50 billion	7	8	9	9	11	9	8	14%	17%	19%	18%	22%	18%	16%
\$50 billion to \$100 billion	9	7	9	12	12	15	14	18%	15%	19%	24%	24%	30%	29%
\$100 billion to \$200 billion	9	9	9	11	12	9	12	18%	20%	19%	22%	24%	18%	24%
\$200 billion to \$500 billion	9	11	9	7	7	6	6	18%	24%	19%	14%	14%	12%	12%
Greater than \$500 billion	13	11	11	11	7	9	7	27%	24%	23%	22%	14%	18%	14%
Does not apply	2	0	0	1	0	2	2	4%	0%	0%	2%	0%	4%	4%
Total	49	47	51	49	50	49	52	100%	100%	100%	100%	100%	100%	100%

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

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Line of business	18	16	19	18	21	21	18	37%	34%	40%	35%	42%	41%	36%
Risk management (including credit risk management)	20	23	21	24	21	21	24	41%	49%	45%	47%	42%	41%	48%
Finance/Treasury	5	5	5	4	3	4	3	10%	11%	11%	8%	6%	8%	6%
Does not apply	3	2	1	3	1	4	3	6%	4%	2%	6%	2%	8%	6%
Other, please specify	3	1	1	2	4	1	2	6%	2%	2%	4%	8%	2%	4%
Total	49	47	51	50	51	50	53	100%	100%	100%	100%	100%	100%	100%

Other - June 2014

Planning, Strategic ALM and Capital Management Dept.
Credit business
Independent Department

Participating Institutions

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
Absa Bank					✓
ABN AMRO Bank NV				✓	✓
African Export Import Bank	✓				
AIG, Inc.	✓	✓	✓		
Allianz AG	✓	✓	✓	✓	
Assenagon				✓	✓
ATB Financial	✓	✓	✓	✓	✓
Banco Itau-Unibanco			✓		
Banco Santander S.A.	✓	✓	✓	✓	
Banco Santander Brazil	✓	✓	✓	✓	✓
Bank of America	✓	✓	✓	✓	✓
Bank of Montreal	✓	✓	✓	✓	
Bank of the West		✓		✓	✓
Bank of Tokyo-Mitsubishi UFJ	✓	✓	✓	✓	✓
Barclays	✓		✓	✓	✓
BBVA	✓	✓		✓	✓
BlueCrest Capital Management Limited	✓	✓	✓	✓	✓
BNP Paribas	✓	✓	✓	✓	✓
Capital One	✓	✓	✓	✓	✓
Citigroup	✓	✓	✓	✓	✓
Commonwealth Bank of Australia	✓	✓	✓	✓	✓
Credit Agricole CIB	✓	✓	✓	✓	✓
Credit Suisse					✓
Danske Bank	✓				
Deutsche Bank		✓			
Development Bank of Japan		✓	✓	✓	✓
European Investment Fund				✓	
Export Development Canada		✓	✓	✓	✓
Fifth Third Bank	✓	✓		✓	✓
FirstRand Ltd.			✓	✓	✓
Hang Seng Bank				✓	
HSBC	✓	✓	✓	✓	✓
Huntington National Bank			✓	✓	✓

	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
IKB Deutsche Industriebank AG	✓	✓	✓	✓	✓
Intesa Sanpaolo	✓			✓	✓
JP Morgan Chase	✓	✓	✓		
KBC			✓	✓	✓
KeyCorp	✓	✓	✓	✓	✓
Lloyds TSB PLC	✓	✓	✓	✓	✓
Manulife Financial	✓			✓	✓
Mizuho Corporate Bank	✓	✓	✓	✓	✓
Munich Reinsurance	✓	✓	✓	✓	✓
National Bank Financial	✓		✓		✓
Nationwide Insurance	✓	✓	✓		✓
Nedbank Ltd.		✓	✓	✓	✓
OCBC Bank	✓	✓	✓	✓	✓
Orchard Global Asset Management	✓		✓		✓
PNC Financial Services	✓	✓	✓	✓	✓
RBC Capital Markets	✓	✓	✓	✓	✓
Regions Bank	✓	✓	✓	✓	✓
Royal Bank of Scotland	✓	✓	✓	✓	✓
Silicon Valley Bank	✓	✓	✓	✓	✓
Societe Generale	✓		✓	✓	
Standard Chartered	✓	✓	✓	✓	
Sumitomo Mitsui Banking Corp	✓	✓	✓	✓	✓
Sumitomo Mitsui Trust Bank, Limited		✓			
Sun Life Financial	✓	✓	✓	✓	✓
Swiss Re	✓	✓		✓	✓
TD Bank	✓	✓		✓	✓
UniCredit Bank AG	✓	✓	✓	✓	✓
UniCredit Group S.p.A.	✓	✓	✓		
Union Bank	✓	✓	✓	✓	✓
Wells Fargo	✓			✓	✓
Westpac	✓	✓	✓	✓	✓
WGZ Bank AG		✓			
Zions Bancorporation	✓	✓	✓	✓	✓