

IACPM Second 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 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.

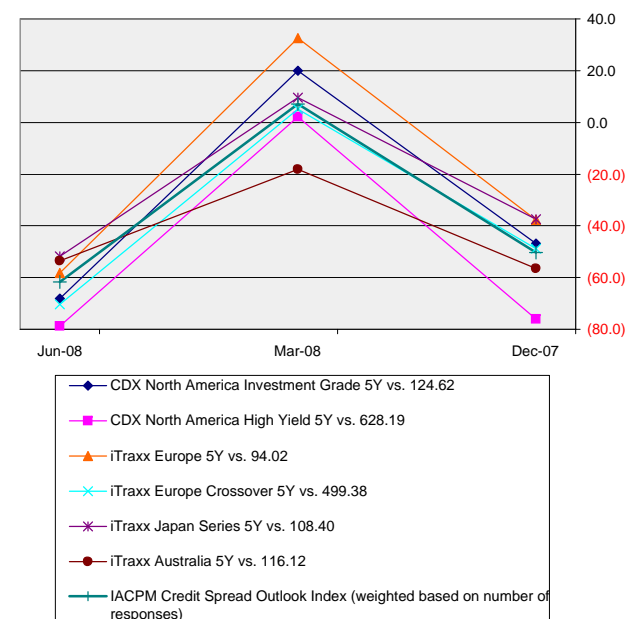
Credit Outlook and Strategy. The following questions focus on your credit outlook and portfolio strategy.

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

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-08	IACPM Credit Spread Outlook Index (positive numbers indicate credit improvement)		
	Jun-08	Jun-08	Jun-08		Jun-08	Mar-08	Dec-07
CDX North America Investment Grade 5Y vs. 124.62	36 77%	7 15%	4 9%	47 100%	(68.1)	20.0	(46.9)
CDX North America High Yield 5Y vs. 628.19	40 85%	4 9%	3 6%	47 100%	(78.7)	2.2	(76.1)
CMBX North America AA vs. 473.14	23 66%	8 23%	4 11%	35 100%	(54.3)	15.2	na
CMBX North America BBB vs. 1,196.43	25 71%	7 20%	3 9%	35 100%	(62.9)	(3.0)	na
iTraxx Europe 5Y vs. 94.02	29 67%	10 23%	4 9%	43 100%	(58.1)	32.5	(37.8)
iTraxx Europe Crossover 5Y vs. 499.38	35 80%	5 11%	4 9%	44 100%	(70.5)	5.1	(48.8)
iTraxx Japan Series 5Y vs. 108.40	18 62%	8 28%	3 10%	29 100%	(51.7)	9.5	(37.5)
iTraxx Asia ex-Japan Investment Grade 5Y vs. 134.50	19 63%	7 23%	4 13%	30 100%	(50.0)	na	na
iTraxx Asia ex-Japan High Yield 5Y vs. 514.12	20 67%	6 20%	4 13%	30 100%	(53.3)	na	na
iTraxx Asia ex-Japan 5Y	na	na	na	na	na	(27.3)	(39.1)
iTraxx Australia 5Y vs. 116.12	19 68%	5 18%	4 14%	28 100%	(53.6)	(18.2)	(56.5)

IACPM Credit Spread Outlook Index (weighted based on number of responses) **368** **(61.7)** **7.0** **(50.2)**

IACPM Credit Spread Outlook Index 3 months

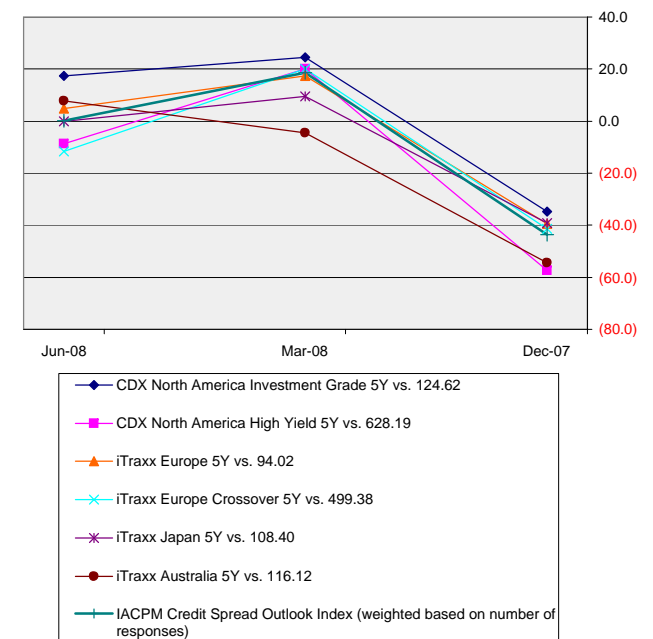


2. Where do you expect Credit Spreads to be in 12 months?

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 Jun-08	IACPM Credit Spread Outlook Index (positive numbers indicate credit improvement)		
	Jun-08	Jun-08	Jun-08		Jun-08	Mar-08	Dec-07
CDX North America Investment Grade 5Y vs. 124.62	13 28%	12 26%	21 46%	46 100%	17.4	24.4	(34.7)
CDX North America High Yield 5Y vs. 628.19	20 43%	10 22%	16 35%	46 100%	(8.7)	20.0	(57.4)
CMBX North America AA vs. 473.14	11 32%	8 24%	15 44%	34 100%	11.8	39.4	na
CMBX North America BBB vs. 1,196.43	14 41%	8 24%	12 35%	34 100%	(5.9)	36.4	na
iTraxx Europe 5Y vs. 94.02	15 36%	10 24%	17 40%	42 100%	4.8	17.5	(39.5)
iTraxx Europe Crossover 5Y vs. 499.38	20 47%	8 19%	15 35%	43 100%	(11.6)	20.0	(41.5)
iTraxx Japan 5Y vs. 108.40	11 39%	6 21%	11 39%	28 100%	0.0	9.5	(39.1)
iTraxx Asia ex-Japan Investment Grade 5Y vs. 134.50	12 41%	6 21%	11 38%	29 100%	(3.4)	na	na
iTraxx Asia ex-Japan High Yield 5Y vs. 514.12	13 45%	6 21%	10 34%	29 100%	(10.3)	na	na
iTraxx Asia ex-Japan 5Y	na	na	na	na	na	(21.7)	(40.9)
iTraxx Australia 5Y vs. 116.12	10 38%	4 15%	12 46%	26 100%	7.7	(4.5)	(54.5)

IACPM Credit Spread Outlook Index (weighted based on number of responses) **357** **0.3** **18.5** **(43.7)**

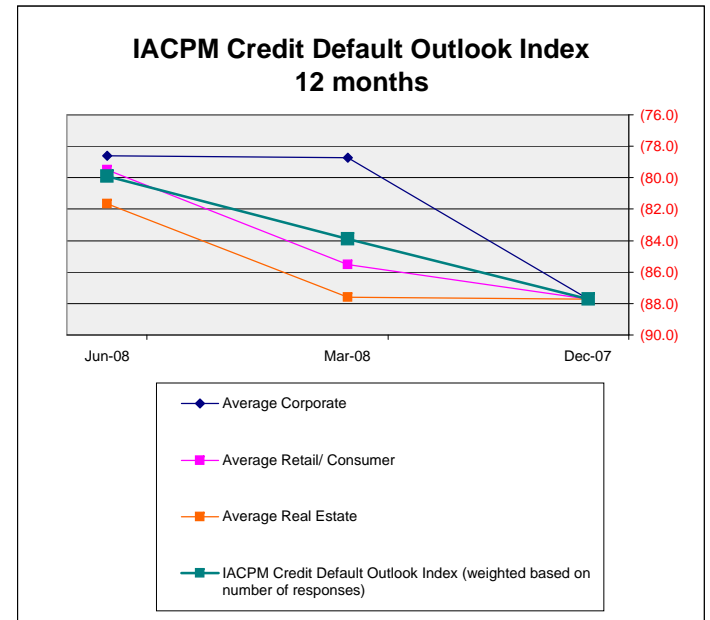
IACPM Credit Spread Outlook Index 12 months



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 Jun-08	IACPM Credit Default Outlook Index (positive numbers indicate credit improvement)		
	Jun-08	Jun-08	Jun-08		Jun-08	Mar-08	Dec-07
North America Corporate	47 94%	2 4%	1 2%	50 100%	(92.0)	(90.2)	na
North America Retail/ Consumer	47 96%	0 0%	2 4%	49 100%	(91.8)	(96.1)	na
North America Real Estate	47 94%	1 2%	2 4%	50 100%	(90.0)	(94.1)	na
Europe Corporate	40 87%	5 11%	1 2%	46 100%	(84.8)	(74.4)	na
Europe Retail/ Consumer	38 84%	5 11%	2 4%	45 100%	(80.0)	(77.3)	na
Europe Real Estate	42 91%	2 4%	2 4%	46 100%	(87.0)	(81.0)	na
Asia Corporate	21 64%	11 33%	1 3%	33 100%	(60.6)	(65.4)	na
Asia Retail/ Consumer	22 69%	8 25%	2 6%	32 100%	(62.5)	(78.3)	na
Asia Real Estate	23 72%	7 22%	2 6%	32 100%	(65.6)	(84.0)	na
Australia Corporate	21 70%	8 27%	1 3%	30 100%	(66.7)	(76.2)	na
Australia Retail/ Consumer	24 80%	5 17%	1 3%	30 100%	(76.7)	(85.0)	na
Australia Real Estate	24 80%	5 17%	1 3%	30 100%	(76.7)	(89.5)	na
Average Corporate	32.25 81%	6.5 16%	1 3%	39.75 100%	(78.6)	(78.7)	(87.7)
Average Retail/ Consumer	32.75 84%	4.5 12%	1.75 4%	39 100%	(79.5)	(85.5)	(87.7)
Average Real Estate	34 86%	3.75 9%	1.75 4%	39.5 100%	(81.6)	(87.6)	(87.7)

IACPM Credit Default Outlook Index (weighted based on number of responses) 473 (79.9) (83.9) (87.7)



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)?

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

5. What is the rationale for this strategy?

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

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
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?

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

Others, June 2008

Leveraged names
Shipping
We are defensively positioned, short

Others, March 2008

Auto and
Not
Agriculture
regulatory capital driven, not sector driven

Others, December 2007

Construction
Shipping
Sovereigns/ sub sovereigns
Currently nothing
Work in
Depends on
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.

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

Others, June 2008

Export Credit Agency

Others, March 2008

Energy Trading Company

Export Credit Agency

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

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

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

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

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

Others, June 2008

stand alone division

Others, March 2008

Independent Division

Participating Institutions

	Jun-08	Mar-08	Dec-07
Aareal			✓
ABN AMRO	✓	✓	✓
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	✓	✓	
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		✓	

	Jun-08	Mar-08	Dec-07
JP Morgan Chase		✓	✓
Kasikornbank	✓		✓
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	✓	✓	
Munich Reinsurance	✓		✓
National Australia Bank			✓
National City Bank	✓	✓	✓
Natixis		✓	✓
NIBC 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.	✓	✓	

Sponsored by IACPM and McKinsey & Company