

International Association of Credit Portfolio Managers

IACPM Research 2025

Principles and Practices in Credit Portfolio Management

Findings from the biennial IACPM
Global Survey

CPM is a strategic partner in strengthening balance sheet resilience, enhancing capital velocity, and aligning banks' portfolio actions with long-term business and risk objectives.



Executive Summary

The 2025 Principles & Practices in CPM Survey was conducted against a backdrop of increasing geopolitical instability and tariff concerns which are reshaping credit portfolios and demanding heightened vigilance from financial professionals. In this uncertain environment, effective credit risk management remains a priority for banks worldwide, underscoring the critical role of CPM.

Survey findings highlight CPM's enduring capacity to navigate macroeconomic uncertainty, evolving regulatory mandates, and accelerating technological change, by optimizing portfolios based on multiple constraints through effective limit setting and distribution activities, positioning the function to address future challenges.

CPM professionals indicate broader mandates, deepening integration with risk and business units, purpose-driven use of analytical and technology-based tools, and the piloting and in some cases adoption of generative AI applications in CPM processes. Survey results show that globally over half of responding banks are exploring the use of generative AI agents in CPM. First tasks include fundamental credit analysis, early warning indicators, the querying of internal policy documents, legal document review, assessment of clients' climate/ESG risk disclosures, as well as regulatory reporting.

CPM responsibilities include areas within origination, distribution and portfolio reporting across a wide range of asset classes. CPM is also involved in defining risk appetite frameworks, the management of regulatory changes, as well as capital allocation which highlights CPM's widening role in institutions' enterprise-wide Risk Governance and Strategy functions.

While CPM mandates and responsibilities are expanding, technology and talent are pivotal. Banks are prioritizing investment in data, analytics, and GenAI, supported by new hiring.

As CPM adopts advanced analytics and generative AI into credit processes, core credit competencies remain critical across the key CPM mandates: loan origination, monitoring, and distribution. As distribution strategies are evolving, loan sales, syndications, and funded sub-participations remain critical, while the importance of credit risk insurance and significant risk transfer tools continue to increase.

CPM's deepening integration within banks ensures portfolio management actions are consistent with business strategy and board risk appetite. CPM can thereby be a central function in helping identify emerging risks in the credit portfolio.

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Economic and Regulatory Context

Tariffs and technological developments, while very different in nature, are both shaping the economic and regulatory context for CPM.

Tariff pressures and retaliations, combined with economic uncertainty, geopolitical disruptions and shifting supply chains are challenging local economies and reshaping sectoral exposures, which in turn require close oversight of concentration risks in loan portfolios.

In addition, technology shifts to advanced analytics, generative and agentic AI are creating new opportunities, but adoption is uneven and expectations around model governance are rising.

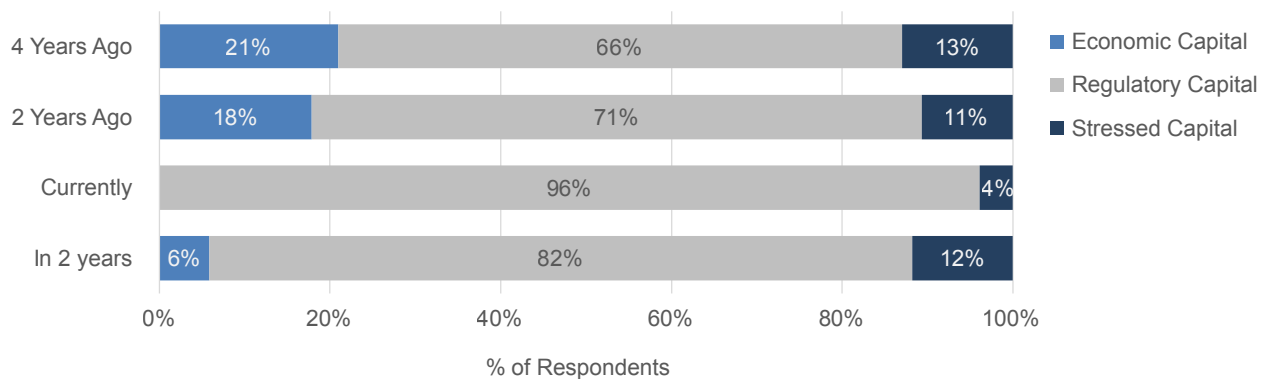
Regulatory changes, including Basel III finalization have heightened scrutiny of capital adequacy, concentration frameworks, and the credibility of credit risk transfer mechanisms. Banks globally are almost solely focused on regulatory capital as requirements become increasingly more stringent. The survey shows with only slight regional differences, that regulatory capital is now the measure of highest importance at almost all participating institutions, with little change expected over the next two years.

At the same time, banks continue to utilize risk sensitive measures such as Economic Capital to influence the on-boarding of credit and help manage credit portfolios. Approximately one-third of participating banks, especially in EMEA and APAC regions, consider Economic Capital to be the measure of capital with the highest importance for determining Risk Appetite and setting risk limits.

“Regulatory capital allocation and economic capital allocation are used for [...] business-level risk appetite, bank-wide risk appetite and limits setting.”

Survey Respondent

Figure 1
Capital Measure with Highest Importance over Time



Evolution of the CPM Function

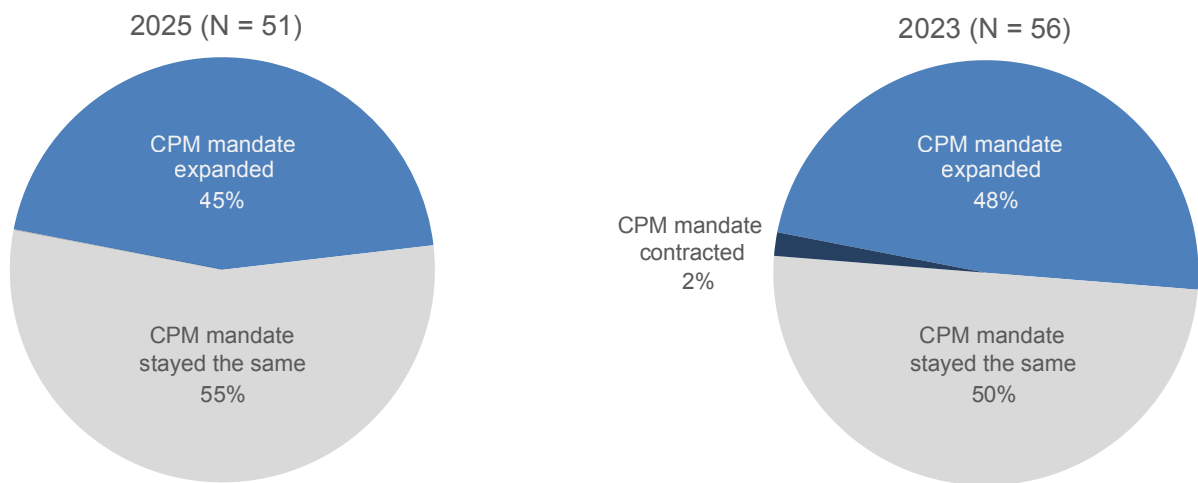
Broader mandates

CPM functions now typically cover a wider range of activities, from influencing origination and structuring to executing risk transfer strategies. Responsibilities increasingly include monitoring across corporate, retail, and specialized asset classes.

Expanding Mandates Drive New Responsibilities and Shape Priorities.

Survey findings show a continuing widening of the CPM mandate through overall deepening engagement with internal and external stakeholders. Participants report a widening of CPM scope into additional asset classes, capital optimization strategies, as well as advanced analytics to navigate the increasingly volatile geopolitical and economic landscape. Notably, not a single participant reported mandate contraction.

Figure 2
CPM Mandate Expanding over Time



With the expanding mandate, CPM's responsibilities have been increasing over the past four years in most origination and portfolio reporting functions. At some 80% of responding banks, CPM has responsibility for portfolio reporting, data quality and analysis as well as the identification and monitoring of early warning indicators.

"Expansion of existing role and mandate including more emphasis on group-wide concentration, framework, reporting and monitoring capabilities."

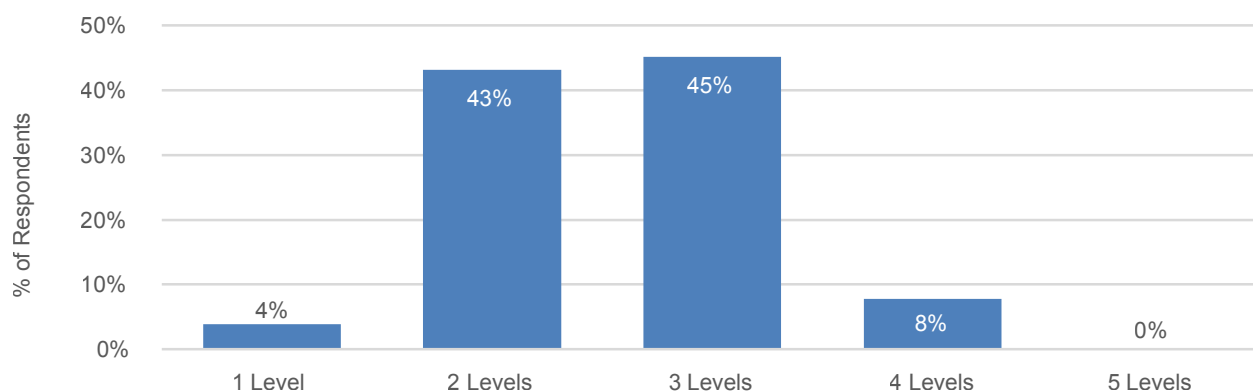
Survey Respondent

CPM responsibility for distribution and execution functions and dedicated industry research has expanded as well; in 2025, some 60% of banks reported CPM responsibility or at least co-responsibility for these functions.

Integration with Risk and Business: Governance Frameworks Influence Reporting Lines and Representation

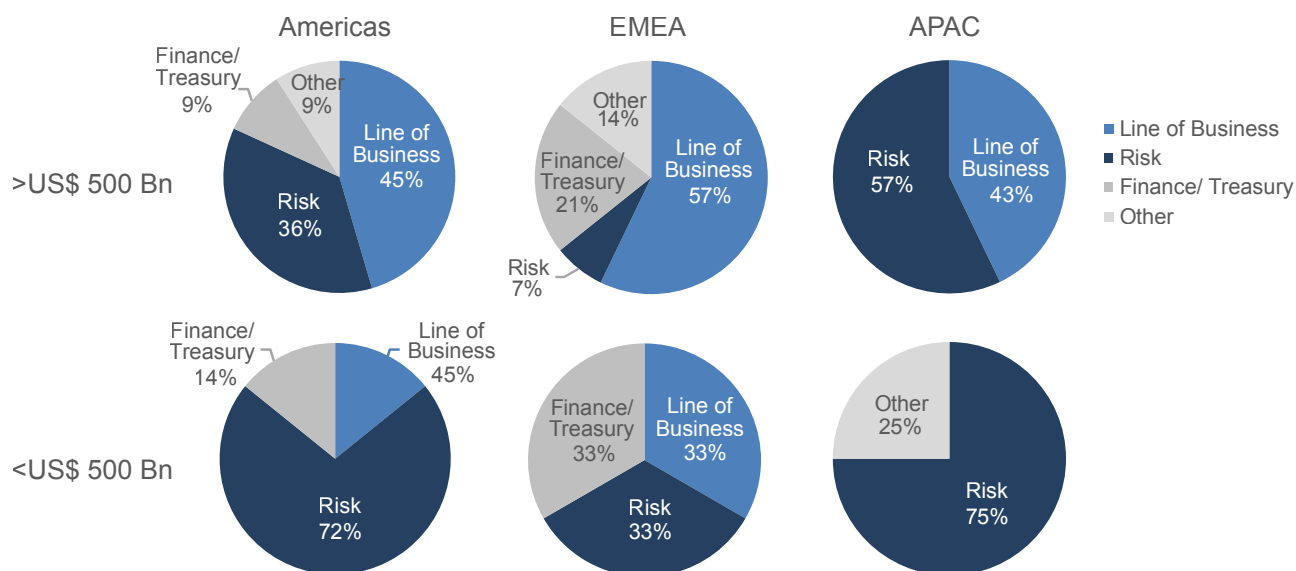
CPM remains a senior function. Nearly all heads of CPM sit within two or three reporting levels of the CEO, with close ties to Risk and Finance.

Figure 3
Reporting Levels Between the Head of CPM and the CEO



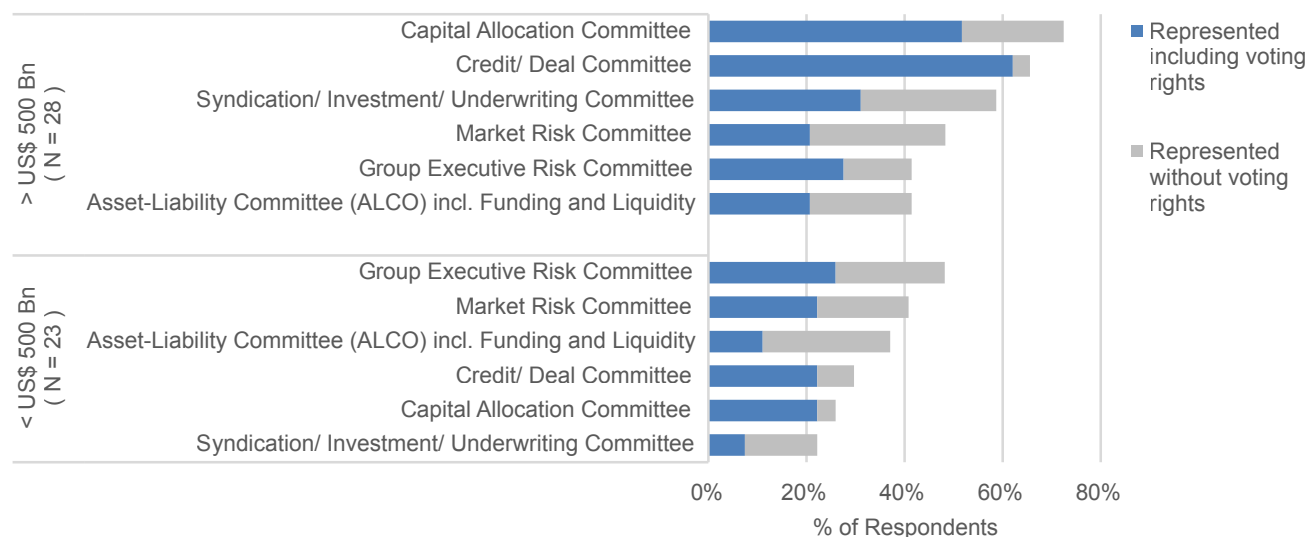
In the Americas and APAC, CPM reporting lines have shifted away from the Line of Business into Risk, which is especially true at smaller institutions. At almost one third of banks in EMEA, CPM, given the increased focus on capital optimization, is now reporting into Finance/Treasury.

Figure 4
Credit Risk and Portfolio Management Reporting Line by Region of Domicile and Asset Size



Especially at larger banks, CPM committee representation (with/without voting rights) continues to increase on the Credit/Deal committee (62%/3%), the Capital Allocation committee (52%/21%) and other committees. Committee participation positioned CPM as a contributor to enterprise-level risk and capital decisions.

Figure 5
CPM's Committee Representation

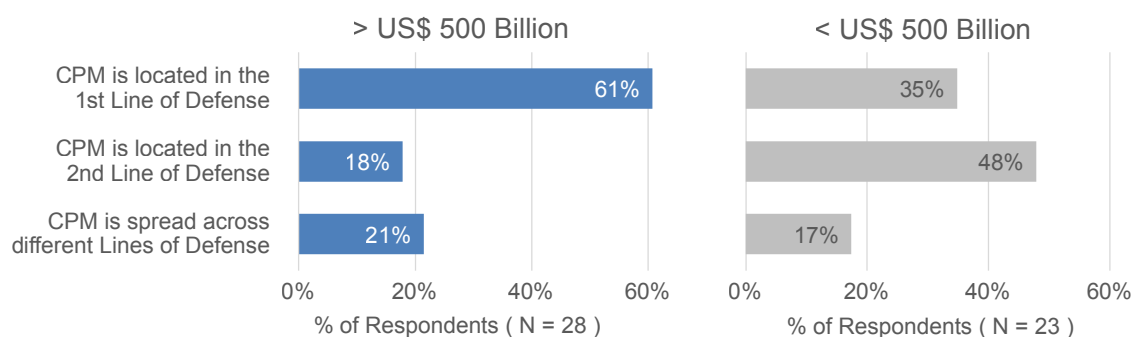


The CPM location in the 3 Lines of Defense framework differs depending on size of institution. At larger banks, CPM is typically part of the 1st LoD, while at about half of smaller firms, CPM can be found in the 2nd LoD.

Banks in EMEA and APAC exhibit the largest regional differences. At banks in EMEA, CPM is often part of the 1st LoD, while at APAC banks CPM can be found in the 2nd LoD. At banks in the Americas, there is an almost even split between those in the 1st LoD, the 2nd LoD, or spread across different LoDs.

CPM reporting lines might be at least in part a function of CPM's location in the 3 LoD framework or vice versa: If the head of CPM is reporting to the Line of Business or Finance/Treasury, CPM is typically part of the 1st LoD; if the head of CPM reports to Risk, CPM is most often part of the 2nd LoD.

Figure 6
CPM Location in 3 Lines of Defense Framework by Asset Size



Strategic Priorities and Talent

CPM Priorities

Banks continue to prioritize RWA optimization, concentration management, and capital velocity, but the most significant development is the surge of investment in data, analytics, and GenAI. Climate risk, while less visible as a standalone agenda item, is increasingly embedded in portfolio-level analysis.

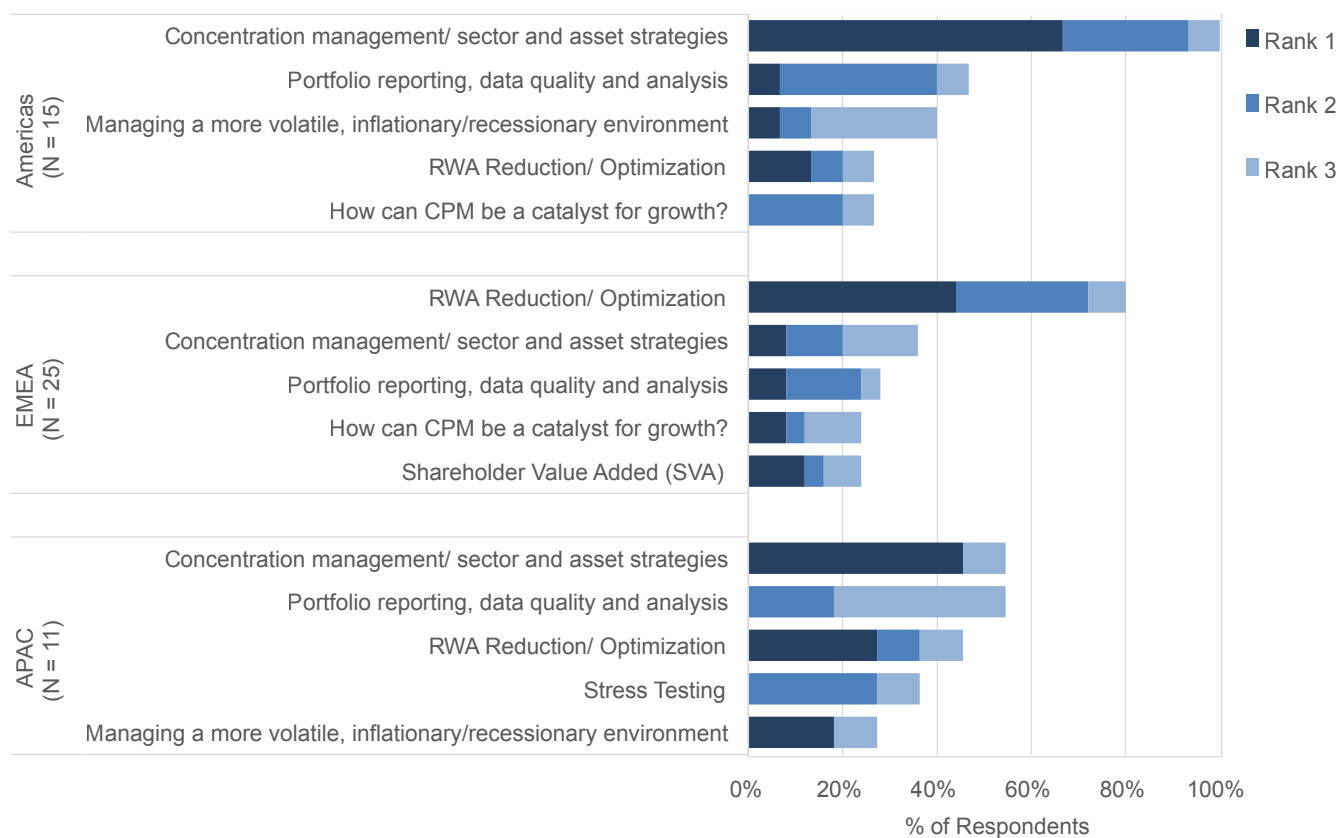
CPM Priorities, while varying somewhat by banks' region of domicile, have mostly stayed consistent and focus on the management of concentrations in the loan portfolio, sector and asset strategies, capital efficiency, as well as portfolio reporting and analysis to support these priorities.

While CPM at all banks in the Americas prioritize concentration management, including sector and asset strategies, only about half of their peers in APAC and one third at banks in EMEA have the same priority. At banks in EMEA, CPM's main emphasis is on capital efficiency through the reduction and optimization of RWA. At APAC banks, CPM focuses on concentration management as well as portfolio reporting, data quality, and analysis.

"More focus on "you manage what you measure"--so surfacing risk adjusted return data is of paramount importance."

Survey Respondent

Figure 7
Credit Risk and Portfolio Management Top Priorities by Region



With CPM priorities remaining largely consistent, key performance indicators (KPIs) for assessing CPM's Economic Value also remain. Larger banks primarily concentrate on RWA optimization, concentration reduction, and ROE, while smaller institutions emphasize concentration reduction, followed by RWA optimization, and RAROC.

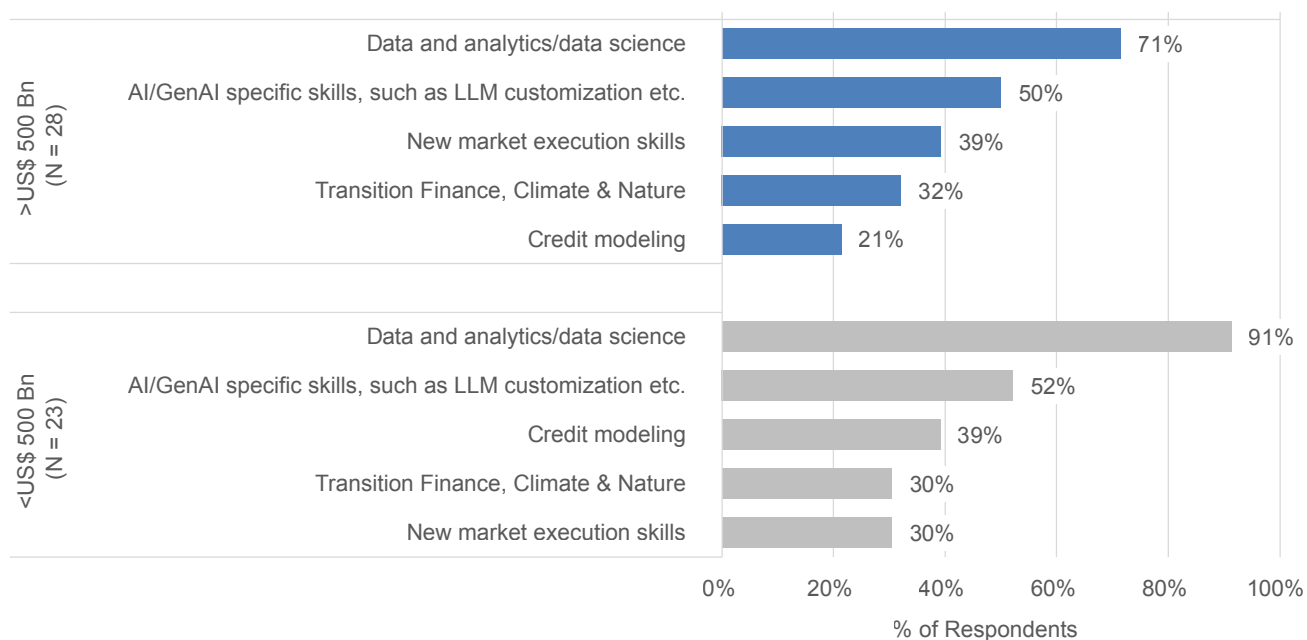
Talent Implications

To support the breadth and ongoing expansion of CPM's mandates and priorities, data, data science, and analytics remain the desired skillsets when hiring new talent. There is a new emphasis on AI and GenAI proficiency, including expertise such as Large Language Model (LLM) customization.

Two years ago, adding climate risk knowledge to the function was one of the main priorities. That seems to be less prominent now, which might suggest - and supported by anecdotal evidence - that climate risk has become embedded in banks' BAU credit risk analysis.

As CPM builds capabilities that blend credit expertise with technology to support the multidisciplinary nature of the CPM function, it must compete for scarce advanced data and AI talent.

Figure 8
CPM Priorities Demand Additional Skillsets (by asset size)



Portfolio Management Practices: Tool Selection Reflects Strategic Priorities, Risk Objectives, and Regulatory Pressures

Tools and Execution: Growing Importance

In 2025, CPM professionals globally rated concentration limits, regulatory capital measurement tools as well as true loan sales, syndications and funded sub-participations as their most important **tools to manage credit portfolios**.

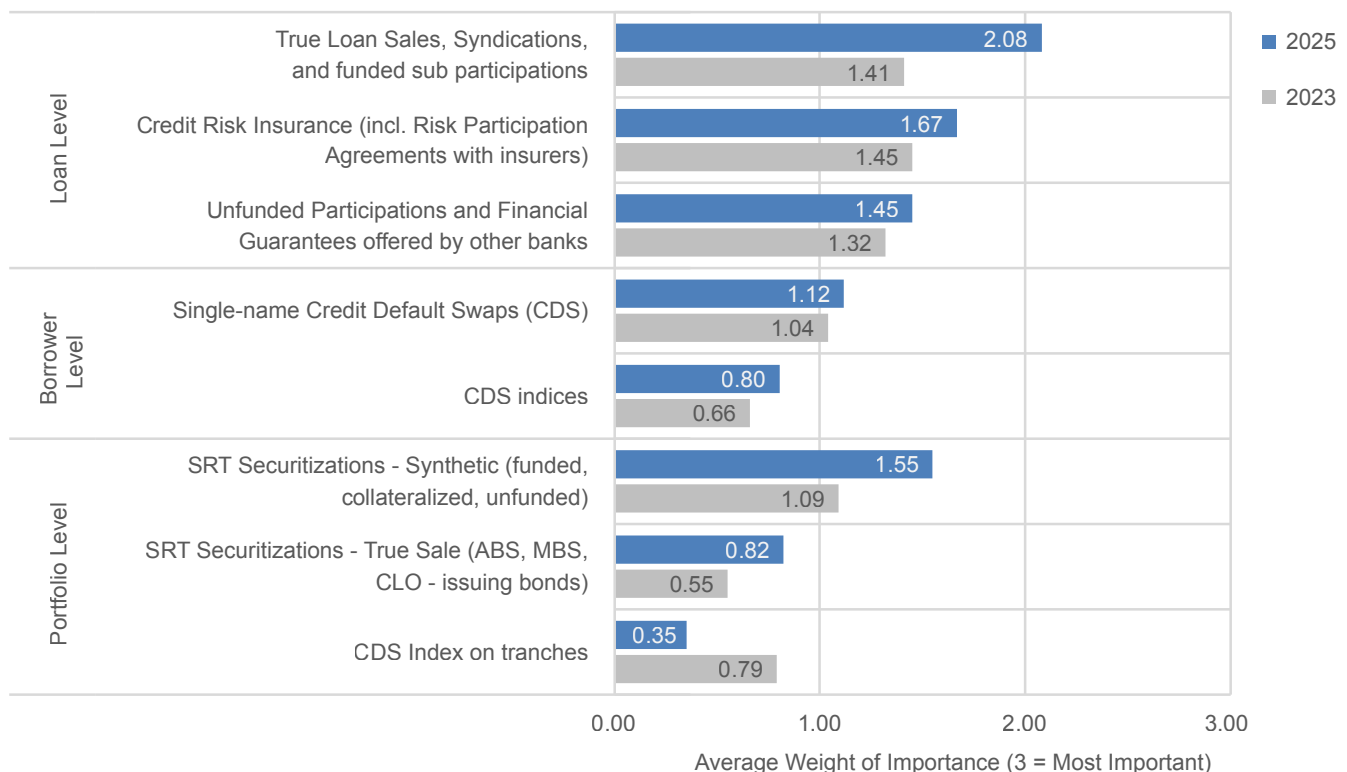
The **relative importance of portfolio management tools has grown** over the past two years. Globally, looking at a scale from 1-3, the average weight of importance of true loan sales, syndications and funded sub-participation has increased from 1.41 in 2023 to 2.08 in 2025. Similarly, the importance of CRI as well as SRT synthetic securitizations has increased, from 1.45 in 2023 to 1.67 in 2025 and from 1.09 in 2023 to 1.55 in 2025 respectively.

"Increased focus on distribution to support new business growth and optimizing capital returns."

Survey Respondent

Over the past two years, SRT synthetic securitization has increased in importance in EMEA and the Americas. Following the trend of the past couple of years, the relative importance of SRT securitizations (funded, collateralized, and unfunded) as well as credit risk insurance for risk mitigation are expected to continue to increase globally.

Figure 9
Relative Importance of CPM Market Tools over Time

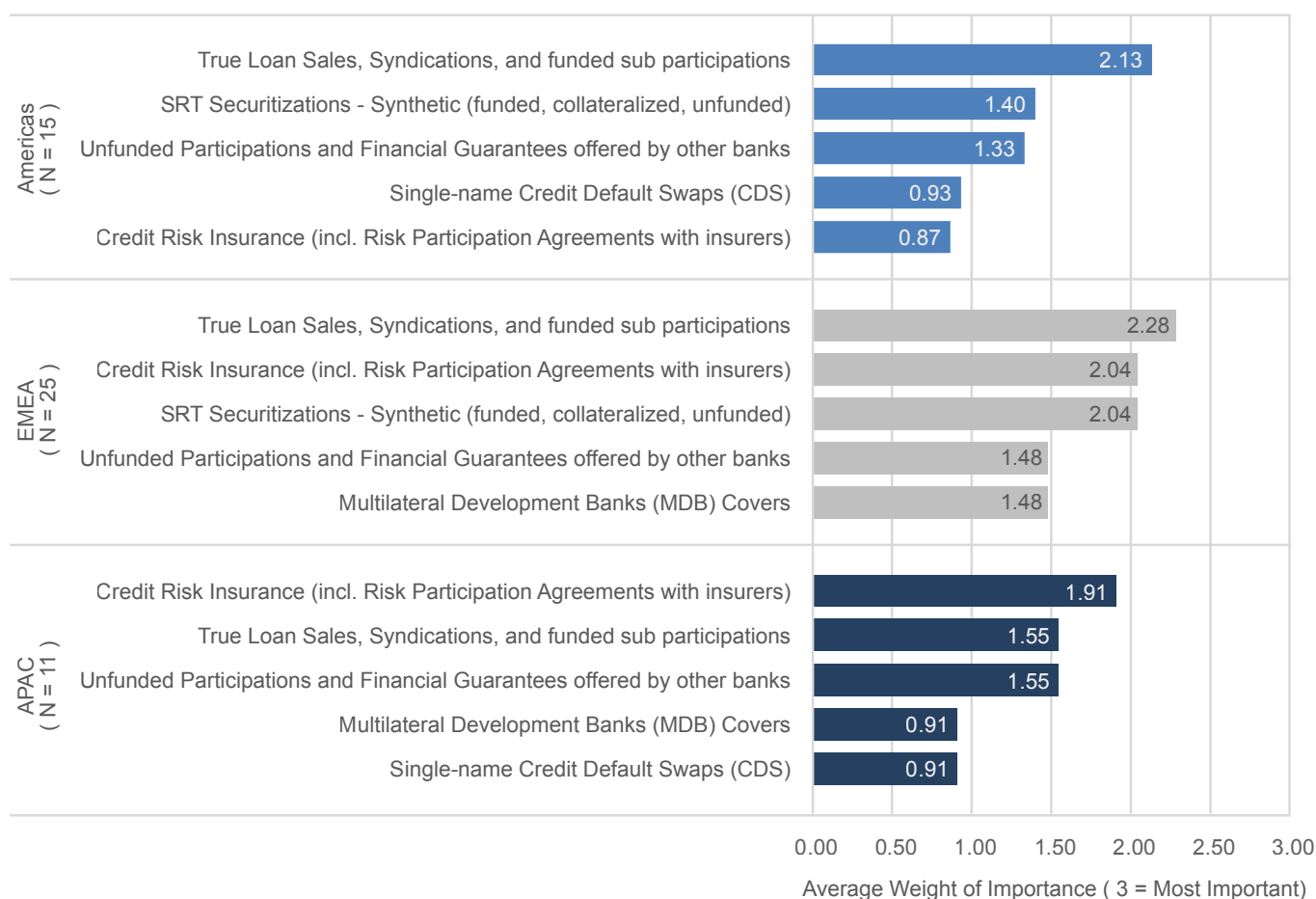


Distribution Strategies

For banks globally, the primary goal when using market tools is to mitigate risk and thereby reduce capital as capital requirements have become increasingly more stringent.

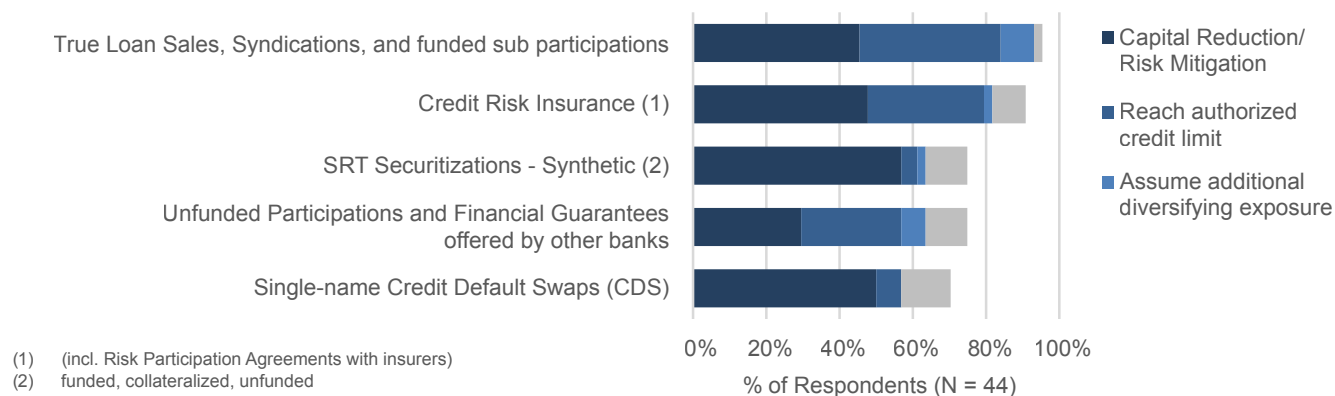
Banks continue to rely on SRT, credit risk insurance (CRI), loan sales and syndication, with usage shaped by regulatory capital treatment and investor appetite. Regional preferences differ, with European institutions more active in SRT and North American peers relying more heavily on loan sales.

Figure 10
Relative Importance of CPM Market Tools By Region



When using market tools, capital reduction through risk mitigation to increase capital efficiency in support of the real economy as well as limit and concentration management are the **primary motivations** for banks globally with some observable variations depending on region and employed tool. For example, to mitigate risk and reduce capital, some two-thirds of respondents in EMEA and the Americas (67%/57%) use SRT synthetic securitization while banks in APAC prefer CRI (67%).

Figure 11
Banks' Primary Goals when Using Market Tools



Over the past years, the usage of SRT to mitigate risk and reduce capital increased at banks in EMEA and the Americas in line with more favorable regulatory changes for the tool.

Looking Forward

Two-thirds of survey respondents globally reported an increase in Senior Management's level of confidence over the past twelve months. The increasing confidence reinforces CPM's strategic role, expanding mandate and breadth of responsibilities. Key areas of focus include:

Capital optimization to support growth

The implementation of final Basel III rules is influencing portfolio strategies, particularly around capital optimization and the economics of risk transfer. CPM is uniquely positioned to support business priorities as a core part of the risk management framework and is instrumental in optimizing portfolios based on multiple constraints through effective limit setting and distribution activities in support of new business growth and the efficient use of capital.

Advanced analytics and generative AI

As firms are starting to adopt generative AI into key business areas, CPM is driving responsible integration of analytics and generative AI into credit processes. Survey results show that globally over half of responding banks are exploring the use of generative AI agents in CPM. First tasks include fundamental credit analysis, early warning indicators, the querying of internal policy documents, legal document review, assessment of clients' climate/ESG risk disclosures, as well as regulatory reporting.

"[We are] exploring proof of concept for streamlining/efficiencies in the underwriting process [including] intelligent search across policies and procedures and underwriting memo drafting based on structured and unstructured information used by underwriters."

Survey Respondent

The utilization of AI applications for CPM should reduce the need for manual processes as data quality and infrastructure improve, and result in an increase of operational efficiency from digitalization and automation, which ultimately will make CPM an even more effective and integral part of banks' risk management.

Emerging risk identification

As CPM adopts advanced analytics and generative AI into credit processes, core credit competencies remain critical across the key CPM mandates: loan origination, monitoring, and distribution. These core credit competencies are key to addressing the implications of the prevailing uncertainty and the potential for an economic downturn including increasing default rates while at the same time keeping an eye on revenue generation which remains one of the top business priorities at banks globally.

CPM's deepening integration within banks ensures portfolio management actions are consistent with business strategy and board risk appetite. Integration within banks makes CPM a central function well positioned for identifying emerging risks in the credit portfolio and allowing CPM to address developing challenges and opportunities effectively, now and looking forward.

By engaging openly, benchmarking effectively, and acting collaboratively, CPM practitioners continue to turn economic challenges and regulatory change into opportunity, strengthening both their institutions and the discipline as a whole. The IACPM looks forward to supporting members through targeted initiatives as they navigate a changing landscape and, together, advance the practice of Credit Portfolio Management in support of a resilient global economy.

Appendix: Survey Methodology

The International Association of Credit Portfolio Managers (IACPM) recently completed its 2025 Principles and Practices in CPM Survey. Sixty member firms globally participated in the 2025 Survey, including 51 banks and nine development banks or export credit agencies. More than half of the participating banks reported total balance sheet assets exceeding US\$500 Billion.

Figure 12
Survey Participants by Region of Domicile

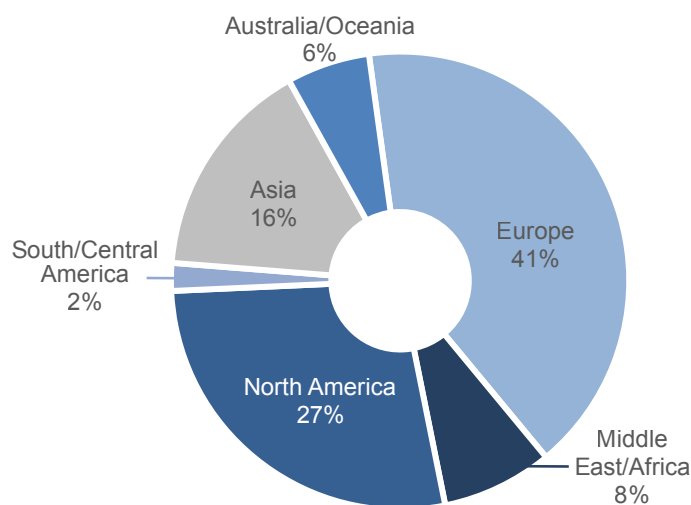
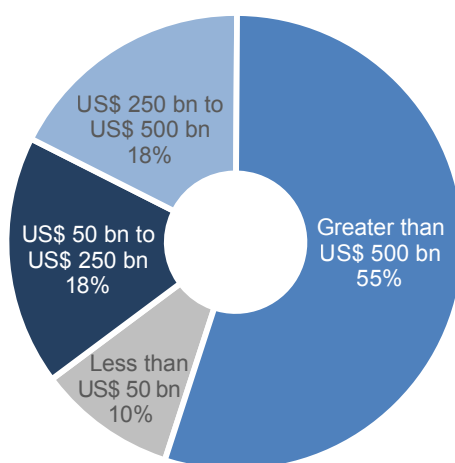


Figure 13
Survey Participants by Total Balance Sheet Assets





Further Information

Please contact us to share insights on current priorities and challenges and to get involved in IACPM's Meetings, Research and Advocacy.

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About the IACPM

The IACPM is an industry association established to further the practice of credit exposure management by providing an active forum for its member institutions to exchange ideas and take collective action. Credit portfolio managers have a unique and evolving role in today's financial markets, and the IACPM offers an excellent forum through which these issues can be identified, understood and addressed. The Association holds annual conferences and regional meetings, conducts research on the credit portfolio management field, represents its members before regulatory and administrative bodies around the world, and works with other organizations on issues of mutual interest relating to the measurement and management of credit portfolio risk. Currently, there are 150+ financial institutions based in 30+ countries that are members of the IACPM.

Disclaimer

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