

News Release

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Survey of Credit Portfolio Management During Credit Crisis Finds Strong Performance But Different Approaches Towards Managing Risk

New York, NY – The International Association of Credit Portfolio Managers, the International Swaps & Derivatives Association, and The Risk Management Association today announced the completion of the 2007 Survey on Credit Portfolio Practices conducted jointly with McKinsey & Company exploring credit portfolio management practices during the height of the current credit crisis. The survey finds 95 percent of credit portfolio managers believe their reputation for managing risk has strengthened during the crisis. At the same time, the results reveal institutions take significantly different approaches to portfolio management and that affects how managers view additional action steps.

“The current credit crisis is the most dramatic test of active credit portfolio management since the system began to be practiced,” said Som-lok Leung, Executive Director of the IACPM. “We conducted this survey to fuel informed discussion over what should or should not be done to better manage risk and return.”

“Risk managers are taking a hard look at the new market realities and are attempting to reorient portfolio management to address new circumstances,” said Robert G. Pickel, Executive Director and Chief Executive Officer of ISDA. “Not surprisingly, credit derivatives remain an important risk distribution tool for active credit portfolio managers.”

Credit portfolio managers at more than 60 banks and insurance companies in



the Americas, Europe, Africa, Asia and Australia participated in the survey representing more than half of all global banking assets. Traditionally, many of these institutions were “buy and hold” which means they made loans and held them until maturity or default. Active credit portfolio management (“originate, manage, sell”), on the other hand, seeks to achieve the optimal risk managed return through influencing origination as well as the existing credit portfolio and capital consumption. The survey is the most comprehensive evaluation to date of credit portfolio management business practices.

“We are very pleased to conduct this survey because portfolio management can create significant value for financial institutions. The industry’s interest in the survey reinforces the importance of the credit portfolio management function, in particular during the events of the recent crisis. Furthermore participants see significant additional benefits in further strengthening an effective credit portfolio management function in their institutions,” commented Uwe Stegemann, Partner at McKinsey & Company which conducted the survey.

Importantly, while risk professionals overwhelmingly believe portfolio management under stress is critical, they disagree on how well prepared their firms are in the event of another crisis. Fifty percent of survey respondents are concerned their institutions do not have systematic and sufficiently rigorous analytical cycle management in place and many of these managers advocate spreading active portfolio management throughout their firms to cover most or even all of their institutions’ assets. On the other hand, a significant number of managers argue current coverage and approaches are sufficient and developing contingency plans is difficult given the unique natures of different crises. Other important areas for discussion emanating from the survey are performance measurement of the portfolio management function, its value proposition for the institution, as well as the allocation of functional responsibilities and govern-

ance.

“The survey has helped clearly define differing views and approaches (e.g., regarding mandate and power of portfolio management units),” commented Kevin Blakely, President & Chief Executive Officer of the RMA. “Now, using this information, each our associations is scheduling sessions to be held at our upcoming meetings to discuss and debate the merits of the different approaches.”

Survey results also indicate risk professionals are additionally focusing on several tools many believe should be improved. The tools include scenario analyses and stress tests, action plans to deal with unexpected events such as unforeseen contagion, quick reaction and execution to handle adverse market conditions, risk transparency of complex instruments and independent risk analysis separate from the rating agencies.

McKinsey's Stegemann concluded: "This survey marks only the beginning of a discussion within the industry on how the function should develop over the next 3 – 4 years".

About IACPM

The IACPM, with 90 member institutions located in 16 countries, is a professional association dedicated to the advancement of credit portfolio management. Founded in 2001, the organization's programs of meetings, studies, research and collaboration are designed to increase awareness of the value and function of credit portfolio management among financial markets worldwide, and to discuss and resolve issues of common interest to its members.

About ISDA

ISDA, which represents participants in the privately negotiated derivatives industry, is among the world's largest global financial trade associations as measured by number of member firms. ISDA was chartered in 1985, and today has over 825 member institutions from 55 countries on six continents. These members include most of the world's major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

About RMA

Founded in 1914, The Risk Management Association is a not-for-profit, member-driven professional association whose sole purpose is to advance the use of sound risk principles in the financial services industry. RMA promotes an enterprise approach to risk management that focuses on credit risk, market risk and operational risk.

Headquartered in Philadelphia, Pennsylvania, RMA has 3,000 institutional members that include banks of all sizes as well as nonbank financial institutions. They are represented in the Association by more than 20,000 risk management professionals who are chapter members in financial centers throughout North America, Europe, and Asia/Pacific. Visit RMA on the Web at www.rmahq.org.

McKinsey & Company

is a management consulting firm that helps leading corporations and organizations make distinctive, lasting and substantial improvements in their performance. Over the past eight decades, the Firm's primary objective has remained constant: to serve as an

organization's most trusted external advisor on critical issues facing senior management. With consultants deployed from over 80 offices in more than 40 countries, McKinsey advises companies on strategic, operational, organizational and technological issues. The Firm has extensive experience in all major industry sectors and primary functional areas as well as in-depth expertise in high-priority areas for today's business leaders.