

The Ri\$K Capital 2006 Survey - Results

1) What Are The Key Catalysts Of Risk Management In Your Firm?

- a) **Regulatory Compliance – 39%**
- b) Investor Demands – 7%
- c) Benchmarking Performance – 9%
- d) Reducing Earnings Volatility – 29%
- e) Benchmarking Performance – 11%
- f) Other – 5% (Economic Capital, Improve Performance, Regulatory Compliance Optimising Risk Return Profile, Reducing Earnings Volatility, Risk Model Construction etc)

2) What Areas Of Risk Will Be The Most Important To Your Firm Within The Next 12 Months?

- a) Enterprise-Wide Risk management – 30%
- b) Basel II Compliance – 35%
- c) **Credit Risk – 37%**
- d) Market Risk – 26%
- e) Operational Risk – 33%
- f) Reputational Risk – 16%

3) Which Areas Pose The Greatest Risk Management Challenge To Your Firm?

- a) **Credit Risk – 34%**
- b) Market Risk – 22%
- c) Operational Risk – 31%
- d) Reputational Risk – 13%

4) Which Firm Do You Consider To Be The Most Innovative In:

- Credit Risk - Citigroup
- Operational Risk – JPMorgan
- Economic Capital Allocation - Deutsche Bank
- Market Risk? JPMorgan

5) How Does Your Firm Currently Allocate Economic Capital?

- a) Top Down – 24%
- b) Bottom Up – 15%
- c) **Combination Of Both – 61%**

6) How Much Does Capital Really Matter To The Shareholder?

- a) It Is Of Critical Importance – 30%
- b) **It Is Important – 47%**
- c) It Is Of Interest – 18%
- d) It Does Not Matter Much – 4%
- e) It Does Not Matter At All! – 1%

7) Which Risk Management Regulations Are Going To Be Of Most Concern To You After Basel II?

- a) **Basel III – 34%**
- b) Mifid – 10%
- c) Sarbox – 19%
- d) IAS – 22%
- e) Solvency II – 15%

8) How Big Will The Impact Of The US Delay On Basel II Be For Your Firm?

(0=no impact ranging to 10= massive impact)

Average 2.3

9) What Is The Key Ingredient For Turning Risk Management From Theory To Practice?

- a) Building A No Surprises Culture – 13%
- b) Feedback Loops – 10%
- c) Holistic Risk Identification – 7%
- d) **Aligning Risk Management To Strategic Objectives – 65%**
- e) Other – 5% (Competitive Advantage, Management Buy Into Model & Understand How To Blend Theory & Practice, Training At All Employee Levels etc)

10) When Is Your Firm Likely To Be Fully Compliant With Basel II?

- a) We Are Already – 12%
- b) Before 2006 – 9%
- c) **Before 2008 – 50%**
- d) Before 2010 – 11%
- e) Not In The Near Future – 18%

11) Which Credit Risk Modelling Approaches Does Your Bank Use?

- a) Reduced Form – 20%
- b) Structured – 34%
- c) **Hybrid – 36%**
- d) Other – 10% (Mix Of Above, Financial Ratio Analysis, Standardised, Multivariate Analysis, etc)

12) Which Method Does Your Bank Use To Calculate Operational Risk?

- a) Basic Indicator Approach – 19%
- b) Standardised Approach – 24%
- c) **Internal Measure Approach – 32%**
- d) Loss Distribution Approach – 11%
- e) Scorecard Approach – 14%

13) How Do You Estimate The Default Risk On Different Counterparties?

- a) **Traditional Analysis – 40%**
- b) Multivariate Analysis – 30%
- c) Market Value Models – 18%
- d) Implied Rates From Credit Default Swaps – 12%

14) Credit And Market Risk Integration Is...

- a) Already Sorted In My Firm – 19%
- b) In Place But Issues Need Ironing Out – 22%
- c) **Theoretical But Not Yet Practical – 36%**
- d) A Little Way Off Yet – 23%

15) If You Weren't A Risk Manager, What Would You Be?

- a) Polar Explorer – 8%
- b) Mountaineer – 23%
- c) Astronaut – 15%
- d) **Other – 54%**

Apart from a few Entrepreneurs, Asset Managers and Engineers, other respondents include aspiring Marine Biologist, Yacht Racer, DJ, Exotic Dancer, Beach Resort Owner, Fiction Writer, A (Retired) Lottery Winner, Diving Instructor, Farmer, Game Ranger, Pianist, Missionary, Professional Shopper, Racing Driver, Ski Guide, Pirate, Train Driver, Soul Surfer, Prime Minister and Rock Star and many more!