

PRESSE RELEASE

Results of the 4th I-CV Banking Study “Based on I-CV stress tests, new banking regulations may lead to a significant capital shortfall”

Zurich, 25th of May 2010 – Independent Credit View AG published the results of their 4th banking study, assessing the current situation of global financial institutions and their future challenges. The study contains the credit assessment of over 50 banks in Europe, North America, Asia and emerging markets respectively BRIC-Countries. The study deployed quantitative and qualitative analysis, stress testing, deleveraging scenarios and peer group comparisons to arrive at its conclusions.

Based on the research undertaken by Independent Credit View AG (I-CV), a research boutique specialising in credit analysis for institutional clients, the risk management systems of major banks continue to fail with accumulated losses since mid 2007 of USD 1.5 Trillion. The pressure from politicians and regulators alike to introduce more effective safety nets is mounting. The Bank for International Settlements is currently working with other institutions on new requirements for banks. At the centre of these efforts is the strengthening of global capital and liquidity requirements. These developments in conjunction with I-CV's latest stress tests indicate higher capital needs for banks.

A 4-phase model with over 30 parameters and stress testing

To assess and monitor the current status of the global banking industry I-CV deployed a 4-phase model. In phase 1 each bank was analysed taking into account over 30 parameters resulting in an overall relative ranking. Thereafter the bank balance sheets underwent stress testing and the implications of potential regulatory interventions were looked at. The results from the multiple phases are consolidated into the I-CV stand-alone rating.

Banks from BRIC economies emerge as winners

“The analysis reveals, that a bank's resilience or vulnerability is determined to a large extent by the macro-economic environment of their primary market” says Christian Fischer from I-CV. Whilst the majority of western banks are currently in deleveraging mode and pre-occupied with resolving internal issues, banks from BRIC economies benefit from a better economic climate. Their main challenge will be to continue to finance the strong growth momentum and to balance the risk/reward opportunities. Amongst the losers are banks from developed economies that have missed the chance in 2009 to closer align credit provisions with credit risks.

The winners of the comprehensive research are namely “Toronto Dominion”, JP Morgan” and “BNP Paribas”, with “Allied Irish”, “Commerzbank” and “Alpha Bank” falling into the losers category. The large Swiss banks (UBS and Credit Suisse) score well in the study, whilst Germany's Deutsche Bank and Commerzbank are found to be in the middle and at the end of the ranking table respectively. Implications for the losers are that without state support or debt restructuring it will become increasingly difficult to raise capital. The winners however can enjoy the flexibility to pursue acquisitions or to support strong organic growth. These banks should even under tightening regulatory conditions, easily be able to fulfil the necessary requirements. “We expect a second wave of rating downgrades from Moody's, S&P and Fitch. The stand-alone assessment of a bank will gain in prominence and become the focal point

going forward. Generally speaking the pressure on banks will continue to mount during the second half of 2010", says Fischer.

Independent Credit View AG (I-CV) was founded in 2003 in Zürich and has since been acting successfully as the only independent research boutique in Switzerland serving institutional bond investors. As a consultancy I-CV analyses, evaluates and monitors the credit quality of national and international issuers. The company maintains a team of seasoned credit specialists and a robust analytical framework, which results in an I-CV rating and a relative value recommendation. The I-CV rating is now well recognised in the marketplace as an alternative and unbiased source providing investors with an accurate and leading indicator of forthcoming rating changes. I-CV acts solely in the interest of its clients – the investor – and generates tangible added value through comprehensive research on a broad range of subjects. I-CV has been able to build an excellent reputation in the marketplace for its substantiated opinions and early identifications of market movements (cf. I-CV Sovereign Study). The proximity to its clients, the experience and expertise of its research team as well as its independence are among the company's most important success factors.

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