June 2011

EFMA studies

European Credit Risk Outlook

Results of the Second European Credit Risk Managers Survey

FICO

Best practices in retail financial services

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Contents

Introduction

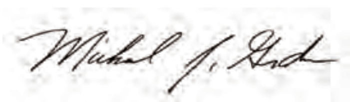
Challenging times for European banking continue. Restrictions on profitability from delinquency, declining credit usage and regulatory pressure on capital have converged with monetary policy pressure for banks to extend credit to individuals and small businesses in order to fuel economic growth. Housing markets have not stabilized to the degree hoped, and sovereign debt and bailout programmes across Europe continue to make headlines as we near the second half of 2011.

These market forces form the background of this report, the second European Credit Risk Outlook. Together, FICO and Efma have turned to thought leaders at top banks throughout Europe to gather a forward-looking picture of the credit market.

This report continues to look at credit supply and demand, and also examines the role that changing consumer behaviours may have in the on-going European credit marketplace. In addition, credit risk managers have addressed the actions that banks are taking to restore profitability.

Findings from this survey will in turn help to inform the Risk Managers Advisory Council, a group of European risk professionals formed by Efma and sponsored by FICO, and to enliven discussion at the RMAC meetings. Survey findings will also help FICO in shaping the agenda for its client conference, FICO World, scheduled for 1-4 November 2011 in New York City.

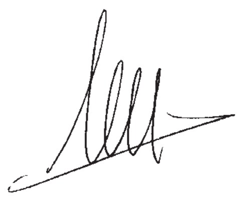
We are grateful to all the executives representing organisations both large and small who took the time to participate in this survey. Over the coming year, watch for new reports from Efma and FICO on these changing market conditions



Mike Gordon

Vice President EMEA

FICO



Patrick Desmarès

Secretary General

Efma

Summary

FICO and Efma conducted a survey of credit trends in May 2011 with risk professionals in Europe. The aim of this survey, which will be conducted semi-annually, is to provide a forward view of potential growth and challenges in the granting of consumer credit.

Participants included credit-granting institutions ranging from local banks to global institutions. More than 100 representatives from 24 European countries and 91 companies responded to this second survey.

The survey asked participants for their forecast over the next six months. Results of this survey show:

- Across Europe, risk manager responses reflect greater optimism than in the prior survey overall, yet still project troubling trends for mortgages and current account overdrafts.

- Credit supply and demand appear to have become more balanced, suggesting both a reduction in credit demand by cautious consumers and an increase in credit supply spurred by stimulus programmes and increased lender optimism. While, a significant "credit gap" still exists for small businesses, it is lower than in the previous survey, released in February 2011.

- Consumers' relationships with their banks are changing. They are more concerned with service, more reluctant to borrow or use credit, and more interested in building their savings.

- Some shift in borrower payment hierarchies has been observed, with many respondents reporting that consumers will pay their credit card ahead of other obligations, including their mortgage. This survey does not by itself illuminate whether this is driven by economic factors or is the result of consumer attitudinal shifts.

- Banks are using or considering a wide range of strategies for improving profitability, including charging fees on current accounts and credit cards, offering new credit products, and reducing rewards, though none of these are overwhelmingly being adopted. Banks appear to be generally targeting higher-income and lower-risk customers, which is part of a general European trend toward serving the affluent population – a conservative strategy in rocky economic times yet a challenging one due to the competition for these customers.

- Regulations, especially those restricting the range and type of fees that lenders can invoke, appear to have reduced the willingness of lenders in the UK to experiment with new programmes and fee structures. Other regions report greater use of new products to improve profitability.

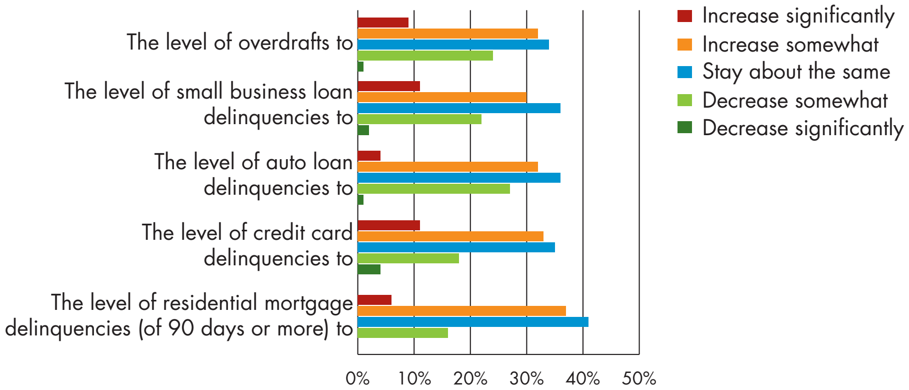
This report shares the key findings for all respondents, and in addition breaks out specific responses by three regions: DACH (Germany, Austria, Switzerland), the Iberian peninsula (Spain and Portugal) and the United Kingdom. Members of the Efma Risk Management Advisory Council will have access to more detailed of results of survey responses from enterprises in Turkey, Central and Eastern Europe and the Nordics.

The European Credit Risk Managers Outlook was prepared by Efma and FICO.

Results

Credit Delinquencies

Looking at the banking industry in your region, over the next six months, do you expect:



Survey results continue to show a pronounced degree of caution surrounding the most dominant retail credit products and their delinquency rates when examined from a pan-European perspective.

- Respondents remain more optimistic about the performance of auto lending portfolios than they do for other consumer products. Only 36% of respondents expect to see an increase in auto delinquency, compared with 28% expecting a decrease in delinquency. This bodes well for auto-producing countries dependent on these exports for their overall economic health.

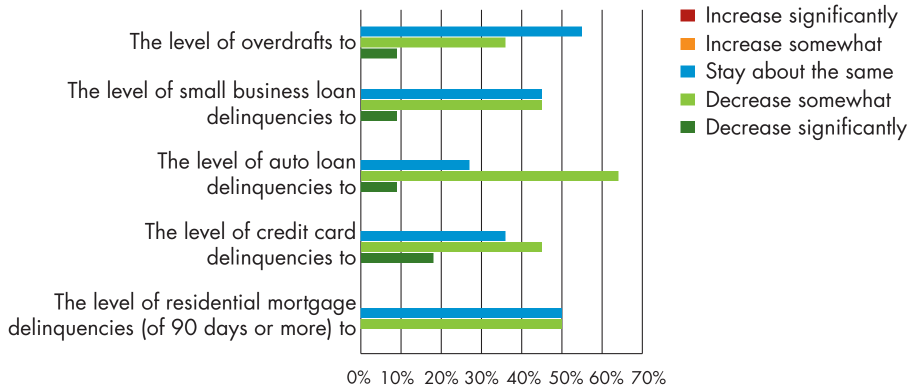
- Just over a third of respondents expect overdraft delinquencies to stay about the same, while pessimism regarding overdrafts has moderated compared to the previous survey – 41% of respondents expect to see delinquencies worsen (down from 48% in the prior period),and a significantly higher portion of respondents expect improvement in delinquency rates (25% expect improvement in the current survey, compared to only 10% in the prior period). This suggests that there is economic and job growth success in at least some regions of Europe.

- Expectations for small business lending performance moderated slightly, with 41% expecting delinquency to worsen (down from 47% in the prior period). The continuing pessimism in this sector bodes poorly for economic growth, and suggests that stimulus programmes focused on small business lending have been less effective than desired.

- Mortgage trends remain troubling, with 84% of respondents expecting mortgage delinquencies to remain the same or rise, compared to 69% in the prior survey. Only 16% of respondents expect mortgage delinquencies to decrease somewhat. This underscores the continued struggles of residential housing markets in Europe. The direct correlation between personal wealth deterioration and housing market price deterioration, coupled with the rising cost of homeownership, has triggered so-called "strategic defaults" by homeowners in the US. Because the legal conditions throughout Europe more securely prevent consumers from abandoning obligations, it is unlikely that the same phenomenon will take hold here. Yet this may mean that distressed debtors continue to struggle with mortgages that are no longer affordable or attractive to them.

- Credit card delinquencies are expected to worsen by 44% of responders, just slightly lower than in the prior survey. This is not surprising given the mixed levels of credit card usage and demographic profiles of credit card users that exist across Europe. One might also assume that continued frugality by consumers – fearful of price inflation for food and fuel, austerity impacts on taxes and jobs, and on-going private sector employment weakness – may be contributing both to worsening delinquency impacts and to improved overall portfolio quality evident in the 22% of respondents expecting delinquency to decrease. It is also possible that card issuers, having purged the worst performers during line decrease and card cancellation programs during and immediately following the crisis, are seeing a more relaxed use of credit cards by surviving portfolio members, which may have grown the denominator in the delinquency rate calculation.

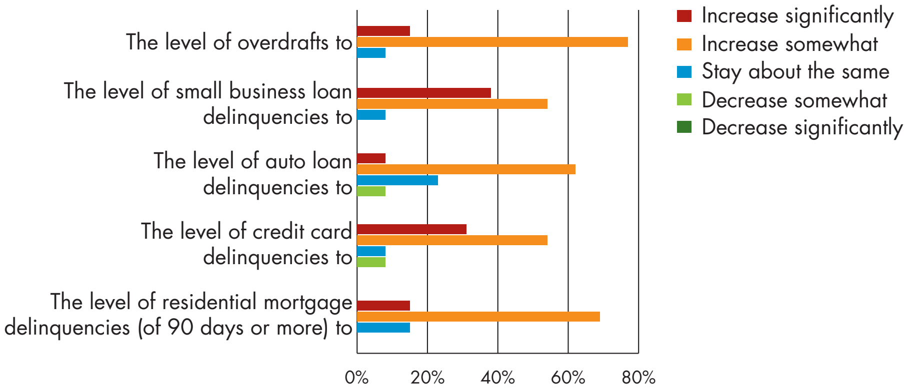
DACH
Looking at the banking industry in your region, over the next six months, do you expect:



With countries in the DACH region (Germany, Austria and Switzerland) experiencing stronger economic performance than many other European sectors, it is not surprising the delinquency expectations are considerably more optimistic than elsewhere. Delinquencies are not expected to increase for any category of lending addressed by respondents. Notably, auto delinquencies are expected to improve by 75% of responders. DACH respondents are also optimistic regarding credit cards and mortgages, with decreased mortgage delinquency expected by 50% of respondents, and with 63% expecting credit card delinquency to decrease. Even small business loan delinquency is expected to decrease by more than half of all DACH respondents (54%). These expectations for small business performance represent a marked shift from the prior survey, when 60% of respondents expected delinquency to worsen.

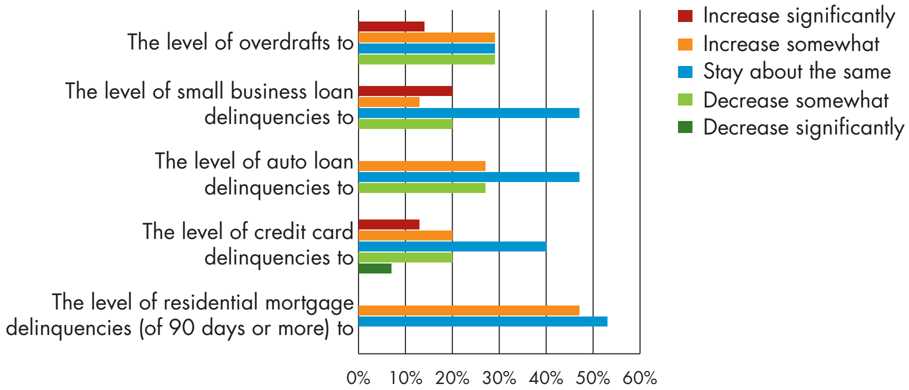
Iberian peninsula

Looking at the banking industry in your region, over the next six months, do you expect:



Despite the overall negative outlook from respondents in the Iberian peninsula (Spain and Portugal), the forecast has improved since the survey released in February 2011. A small portion of respondents expect both credit card, auto loan and small business delinquencies to improve somewhat, whereas in the prior survey no category was forecast as improving. Overall, however, at least 70% of respondents expected delinquency to worsen for every credit product surveyed. Most concerning are the 92% of respondents who expect overdraft delinquency to worsen, given the central role that current accounts play across all credit and billing obligations. This speaks to income disruption attributable to the high rate of persistent unemployment plaguing Spain and Portugal, and the continued degree of property market exposure hampering the economy.

UK
Looking at the banking industry in your region, over the next six months, do you expect:



Respondents from the United Kingdom continue to have generally pessimistic expectations regarding both consumer and small business obligations. In the responses in this section and others, the impact of the economic situation in Ireland may be felt, due to UK lenders' consumer portfolios in Northern Ireland.

- Delinquency is expected to worsen at least somewhat by no less than 27% of responders for any portfolio. Yet this shows an improved expectation by respondents when compared to the prior period, when at least 35% of respondents expected deterioration in delinquency across all products.

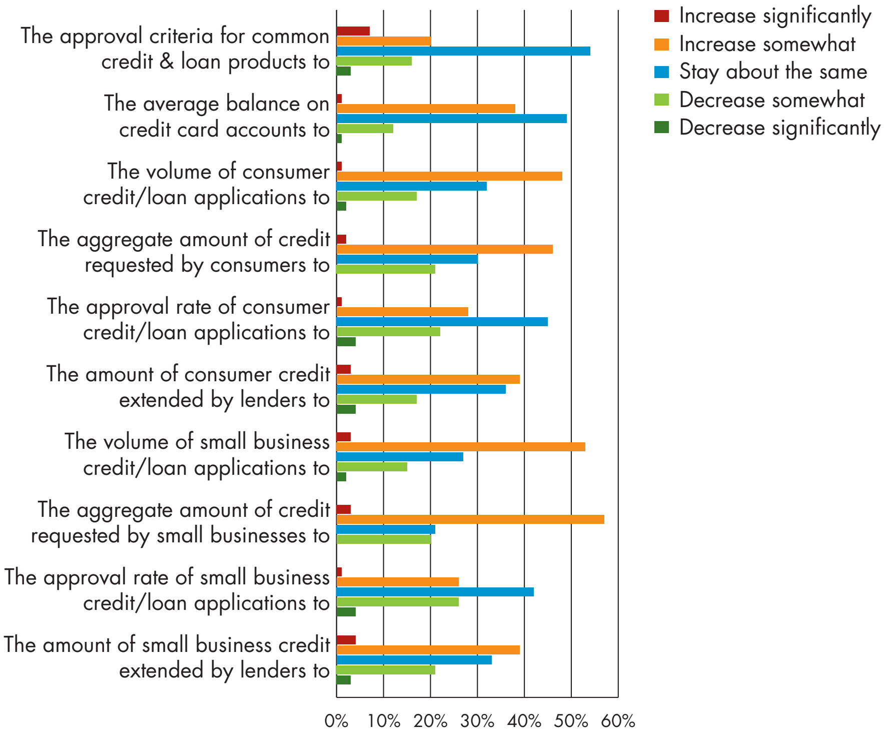
- More pronounced pessimism exists with respect to overdrafts, which 43% of responders expect to deteriorate, and mortgages, which are expected to deteriorate somewhat by 47% of responders. Even more strikingly, no respondents expect mortgage delinquency to decrease.

- Only for credit cards do a portion of respondents expect to see delinquency decrease significantly (7%), although 33% of respondents still expect delinquency will worsen. Cards continue to represent the area of greatest diversity in risk appetite and risk policy in the UK market.

The singularly pessimistic expectations for overdrafts and mortgages remain red flags for the UK market, given the importance of current accounts in the payment process for UK consumers and continuing challenges in the housing sector.

Credit supply and demand

Looking at the banking industry in your region, over the next six months, do you expect:



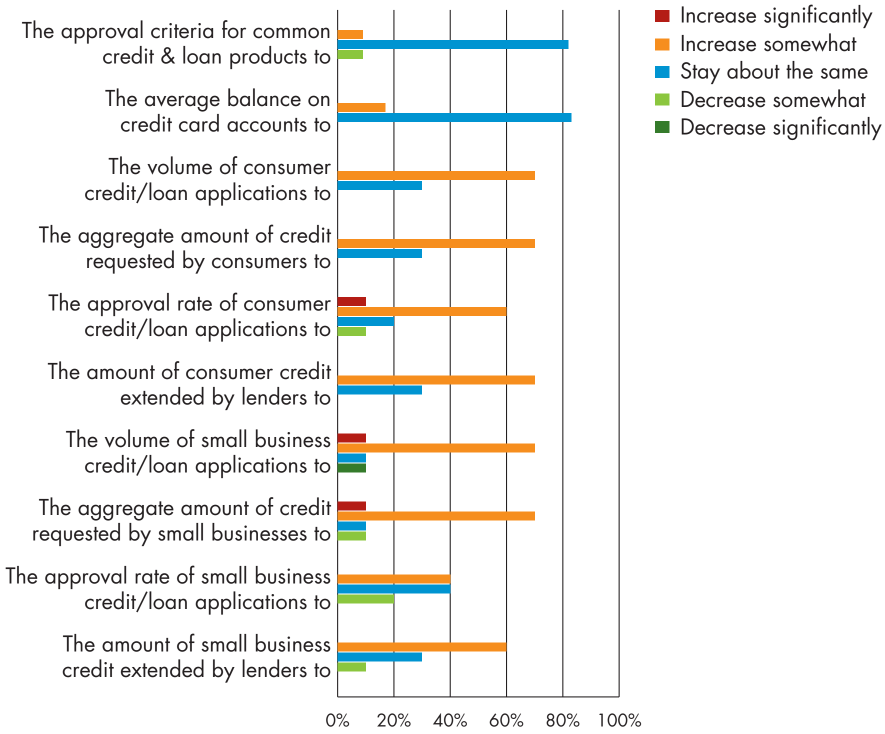
These questions address the issue of credit supply and demand. On the whole, respondents from across Europe continue to expect a gap in credit supply when compared to credit demand, yet this is not without a strain of optimism.

- The amount of credit respondents expect to issue is rising. Nearly three in ten responders (29%) expect consumer credit approval rates to rise, while almost the same proportion (27%) expect small business approval rates to rise and 43% of respondents expect the amount of small business credit extended to rise. Still, the demand for credit is rising faster.

- 60% of respondents expect increases in the amount of small business credit requested, while only 43% see an increase in the amounts granted. While the credit gap for small businesses persists, both numbers are higher than in the prior survey, suggesting that government stimulus to encourage growth in small business activity coupled with government encouragement of lender programmes to fund small business borrowing are having an impact.

- Consumers seem comparably more reluctant, however, as less than half of respondents expect to see an increase in balances, in application volumes nor in amount of credit extended for consumers. This remains consistent with other surveys on consumer attitudes, which have reported concerns over job security, tax and price increases (especially for food and fuel) and cutbacks tied to austerity budgets, showing shaky consumer confidence and reluctant retail spending.

DACH
Looking at the banking industry in your region, over the next six months, do you expect:



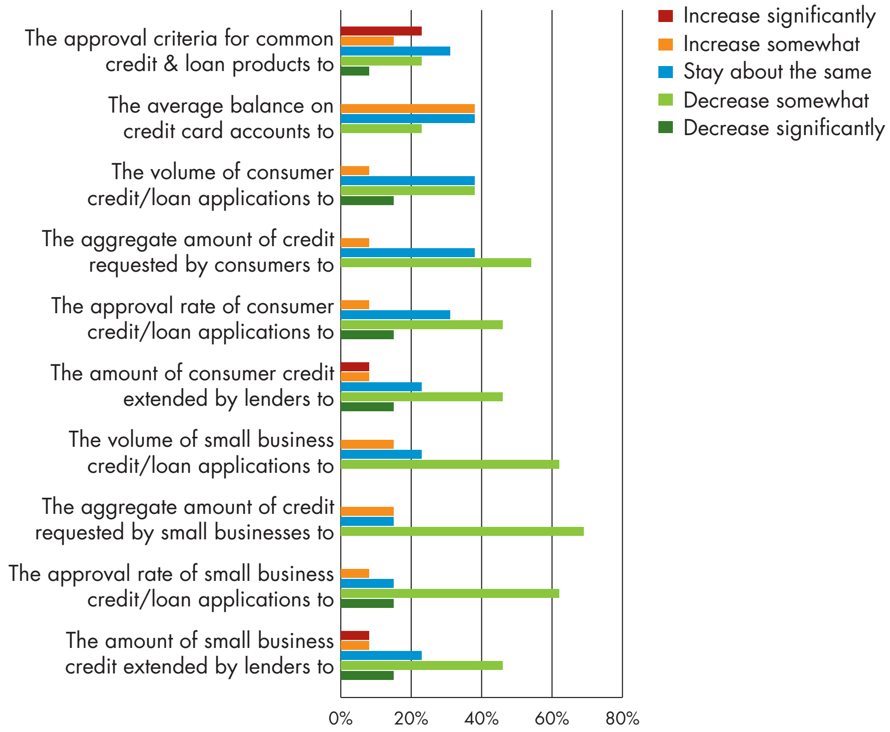
As in the prior survey, DACH credit grantors remain more optimistic than other European credit issuers regarding credit supply, consistent with their view on the health of the consumer expressed in their views on delinquency.

- Approval policies are not expected by DACH respondents to be eased or tightened significantly, yet consumer application volumes, amounts of credit requested, amounts of credit extended and consumer approval rates are each expected to increase somewhat or significantly by at least 70% of DACH respondents.

- Growth in small business application volume and credit requested by small businesses is expected by 80% of respondents to increase somewhat or significantly. Approval rates for small business applications are expected by 80% of respondents to stay the same or increase, and the amount of credit extended to small businesses in DACH to increase by 60% of respondents.

- Only consumer credit card accounts are expected to show weak growth in balances, again consistent with the DACH preference for other forms of credit.

Iberian peninsula
Looking at the banking industry in your region, over the next six months, do you expect:

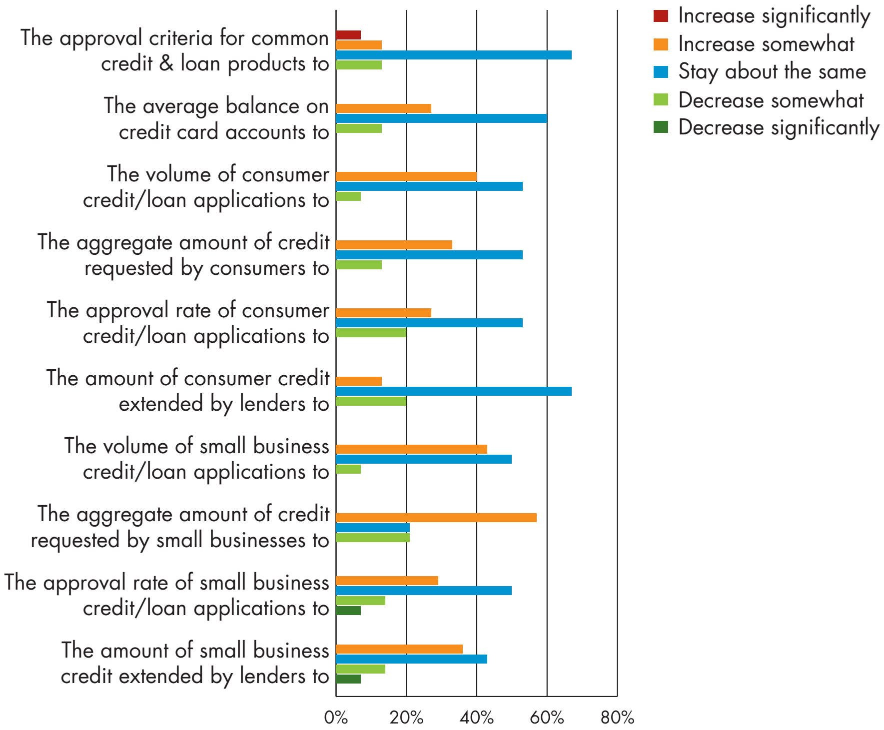


In the Iberian peninsula, economic expectations remain dismal, with high unemployment, the recent IMF bailout of Portugal, and lingering concerns over Spanish economic health all at work. The expected contraction in both small business and consumer credit demand and in consumer and small business credit supply reflects this gloomy economic outlook.

- 54% of respondents expect a decrease in the amount of credit requested, 53% of respondents expect a decrease in the volume of consumer credit applications, and 23% of respondents expect a decrease in the average balance on credit cards. Yet 38% of respondents expect card balances to increase, suggesting one area of potential optimism for the market.

- Small business credit demand is also expected to decrease. More than 60% of respondents expect a decrease in the volume of small business credit applications (62%), a decrease in the amount of credit requested by small businesses (69%), and a decrease in the approval rate for small business applications (77%).

UK
Looking at the banking industry in your region, over the next six months, do you expect:



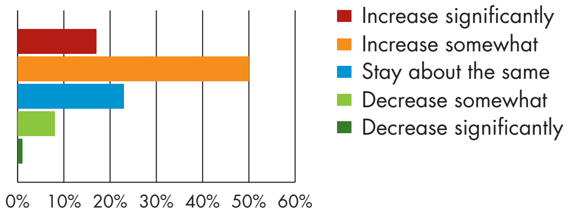
The United Kingdom continues to expect extremely modest economic growth. It is not surprising then that lenders largely expect to maintain the status quo in consumer credit supply. Yet there is greater expectation that consumer credit demand will increase, increasing the credit gap. At the same time, credit supply and demand may be more balanced for small business populations.

- While one-third of respondents expect increases in the amount of credit requested by consumers, only 13% expect the amount extended to increase, and 20% see an actual reduction in the amount extended. This is a reversal of the trend from the prior survey, when more respondents saw growth in credit extended than in credit demand.

- Small business lending does appear to be somewhat impacted by stimulus packages attempting to boost lending. More than four in ten responders see an increased volume of small business credit applications (43%) and an increase in credit requested (57%). Almost eight in ten respondents expect small business approval rates to remain constant or increase (79%) and a like proportion expect small business credit extended to stay about the same or increase (79%). That said, there still appears to be a gap between the expectation for growth in the amount of credit requested by small businesses (57%) and the amount extended (36%).

Interest Rates

In your region, over the next six months, do you interest rates for consumer credit to:

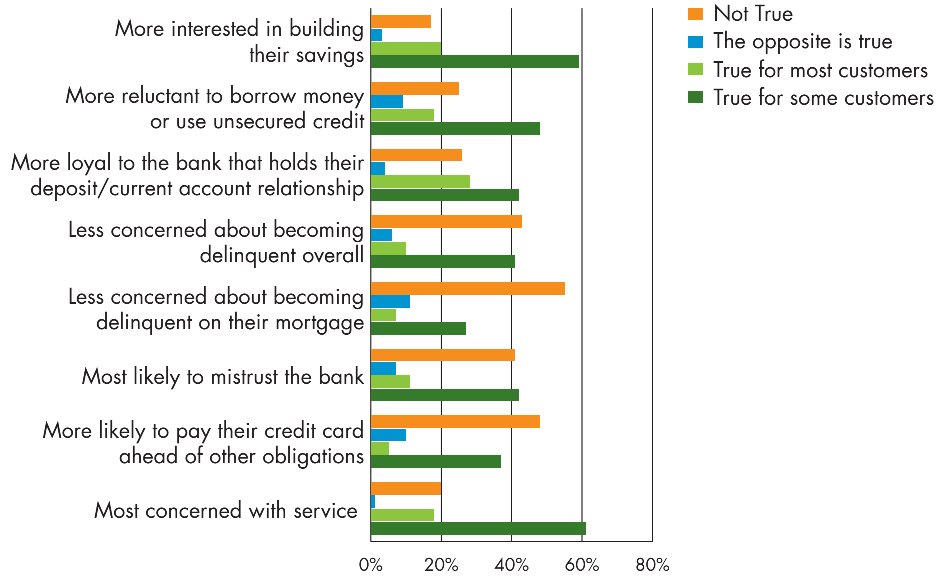


Slightly over 2/3 of all respondents expect interest rates in Europe to increase during the next six months. This is a larger proportion of respondents than in the prior period, when about 45% of respondents expected rates to rise. There is significant variation between the large credit economies in this regard, with 27% of DACH respondents, 62% of UK respondents, and 100% of Iberian respondents expecting rates to rise. Only 9% of respondents expect a decrease in rates, a reduction from 11% in the prior period.

Rising rates may help banks attract more deposits and savings balances, yet may increase payment amounts for any variable-rate credit products. Impacts would seemingly be greatest on variable rate mortgages and current account overdrafts, as reflected in survey responses on delinquency. The impact on credit cards will be more pronounced in the UK, given the greater prevalence of credit card obligations as a component of consumer debt.

Consumer Behavior Toward Credit

Which of the following changes have you seen among your bank's customers?



Data from other surveys and anecdotal observation from lenders have suggested that there is a shift occurring in consumer behaviors, especially with respect to consumer payment hierarchies. In discussions with lenders, FICO and Efma have heard mixed response – sometimes indicating a significant shift in the payment hierarchy, with consumers placing revolving credit payments ahead of collateralized loan payments including mortgages, and sometimes suggesting that these trends were exclusive to the US and UK markets, where credit granting was perceived as having a more promiscuous bent. Consumer trends surveys in the meantime have suggested a more value-conscious consumer, reluctant to spend, seeking a higher level of service and more likely than ever before to mistrust banks and credit grantors.

The survey validates some of these observations, while throwing others in a new light. According to respondents:

- Consumers across Europe are most concerned with service (79% see this is true for some or most customers).

- Customers are interested in building their savings (79% support), which corresponds to consumer survey data emphasizing consumer caution and uncertainty.

- Customers are more reluctant to borrow or use unsecured credit, also supporting the idea of a desire of saving over spending. This was validated by two-thirds of respondents (66%).

- Consumers are seen as more loyal to the bank that holds their deposit/ current account, according to 70% of respondents. However, 30% of respondents felt that this was not true or that the opposite were true, suggesting a significant difference of philosophy over customer relationship management and loyalty strategies for organic growth.

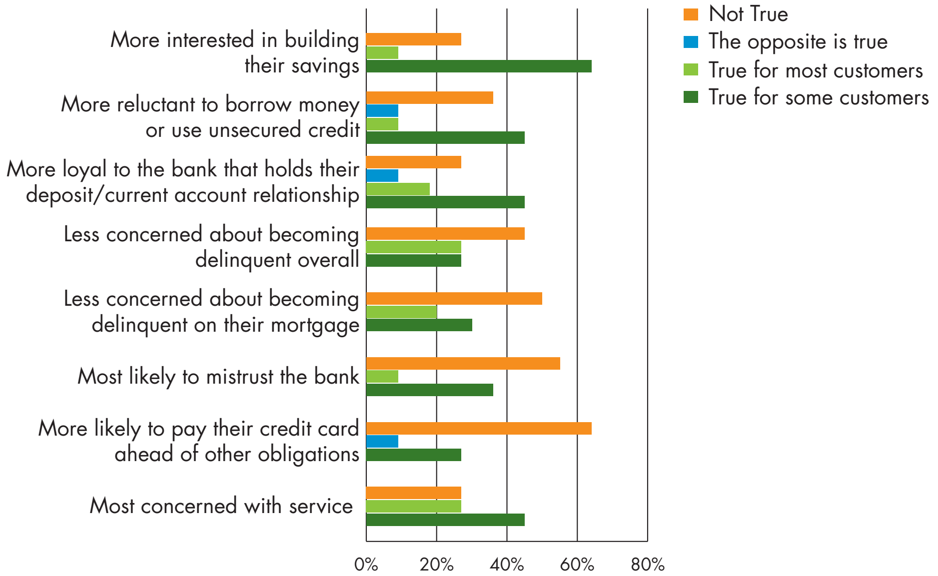
- Respondents were decidedly mixed on the issue of bank trust. Slightly more than half of respondents (52%) believed it true that some or most customers are likely to mistrust the bank, yet a strong minority (48%) felt that this was not true or that the opposite were true. As we will see in the sub-region analysis, this belief ties strongly to beliefs about the service expectations held by consumers.

- Payment hierarchy shift is also open to question. More than 40% of respondents said at least some customers were more likely to pay their credit cards ahead of other balances, yet 58% felt that this was untrue or that the opposite were true. This is tied to the prominence of credit cards as a component in total consumer debt for each sub-region.

- More than half (51%) of respondents believed that some or most customers were less concerned about delinquency, while 43% felt this isn't true. Similarly, while more than a third (34%) of respondents believed that some or most customers were less concerned about mortgage delinquency, 55% felt this isn't true and 11% feel consumers are more concerned today.

From the strong faction of belief on both sides of these payment issues, one must conclude that consumer behaviours toward debt have shifted for a considerable sub-set of the population, making obligations more difficult to collect. What we do not explore here is whether this shift in customer behaviours reflects a change in economic circumstances that will alter should prosperity return to key markets, or whether the global credit crisis has caused long-lasting change in borrower attitudes.

DACH
Which of the following changes have you seen among your bank's customers?



- For DACH respondents, nearly three quarters believe that customers are most concerned with service (72%), while nearly three quarters (73%) believe that some or most customers are more interested in building savings.

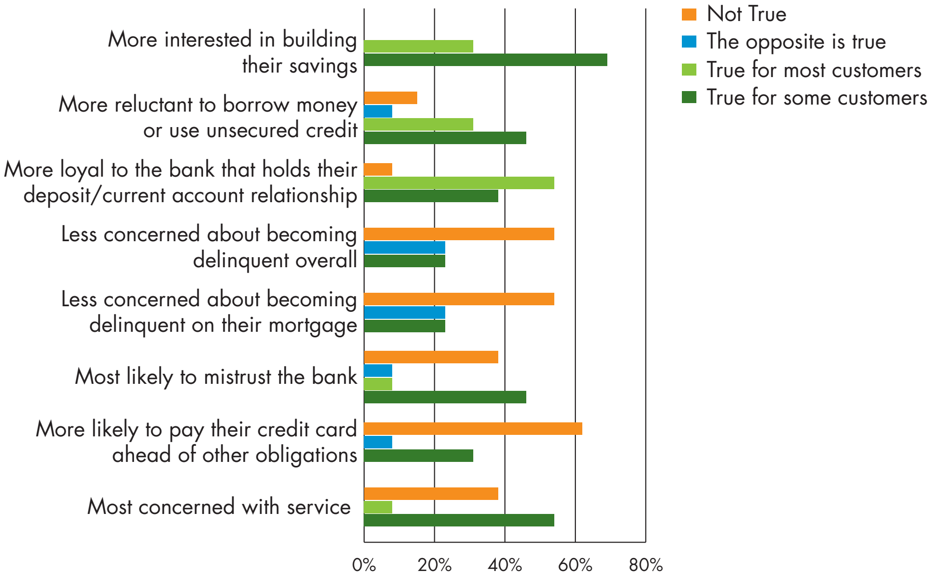
- Somewhat fewer DACH respondents – only 54% – see customers as more reluctant to borrow or use unsecured credit, reflecting the general credit-averse attitudes of the DACH population.

- More than half of DACH respondents (55%) believe that it is not true that customers are likely to mistrust the lender, while 45% feel this is true for some or most customers. Similarly, almost two-thirds (63%) see some or most customers as more loyal to the bank that holds their current account.

- DACH respondents generally don't feel that borrowers are more likely to pay their credit card ahead of other obligations, with just 27% seeing the change happening.

- On delinquencies, the results are mixed, but just over half (54%) feel that some or most borrowers are less concerned about delinquency. Strikingly, however, half of DACH respondents feel that some or most customers are less concerned about becoming delinquent on their mortgage. Given the greater optimism seen overall in DACH and the traditional aversion to credit cards in the region, this may reflect the customer's economic ability to repay, rather than the customer's willingness to repay.

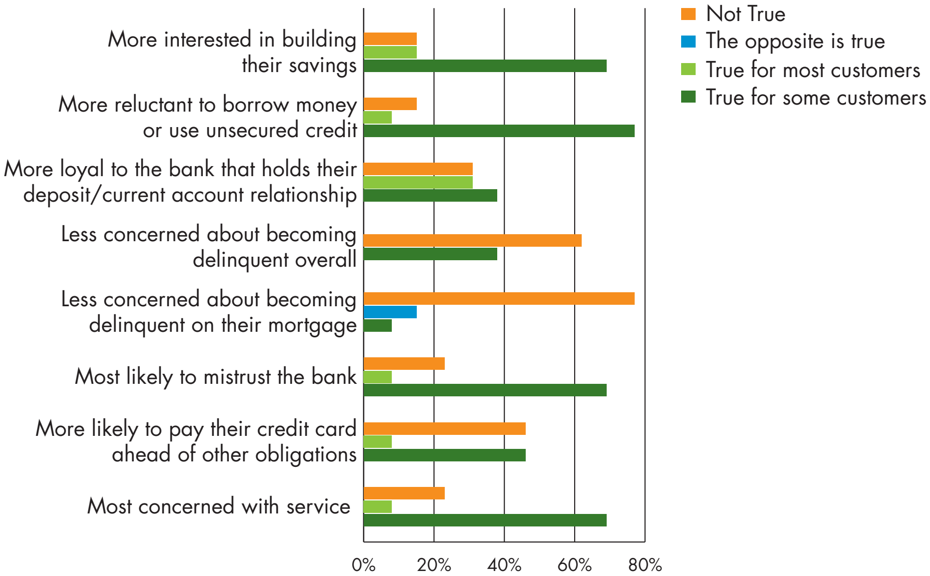
Iberian peninsula
Which of the following changes have you seen among your bank's customers?



For the respondents from the Iberian peninsula, findings are again consistent with the dire economic circumstances of this region.

- Almost two-thirds believe that customers are most concerned with service (62%).
- All respondents believe that some or most customers are more interested in building savings.
- About three-quarters of Iberian respondents (77%) see customers as more reluctant to borrow or use unsecured credit, reflecting the general economic difficulty being experienced in the region.
- More than half of Iberian respondents (54%) believe that some or most customers are likely to mistrust the lender, while 46% feel this is untrue or that the opposite is true.
- Iberian peninsula respondents are overwhelmingly agreed (92%) that some or most customers are more loyal to the bank that holds their current account. This suggests that lenders agree on the best basis for cross-selling and nurturing customer loyalty.
- Just under a third of respondents (31%) feel that some or most borrowers are more likely to pay their credit card ahead of other obligations, while less than a quarter of respondents (23%) feel that some or most borrowers are less concerned about delinquency. An identical proportion of Iberian peninsula respondents feel that some or most customers are less concerned about becoming delinquent on their mortgage. These responses would seem to reflect the customer's economic ability to repay more than an underlying behavior shift.

UK
Which of the following changes have you seen among your bank's customers?



- More than three quarters of UK respondents (77%) believe that customers are most concerned with service.

- Over eight in ten (84%) believe that some or most customers are more interested in building savings. A like proportion (85%) see customers as more reluctant to borrow or use unsecured credit, reflecting a change in trend for British borrowers, whose annual rate of debt accumulation was in the double-digits prior to the economic crisis. The fact that British lenders see weak demand for credit is associated with strong concern about overall profitability.

- Over three quarters feel that some or most customers are more likely to distrust the bank. The bank bail-outs in Britain over the last several years have undoubtedly contributed to this perception.

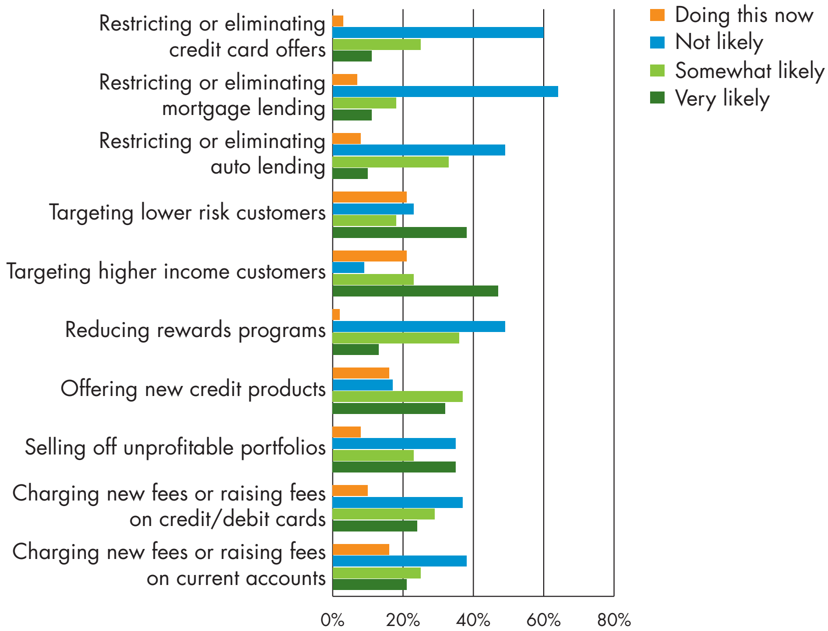
- 69% see some or most customers as more loyal to the bank that holds their current account.

- More than half (54%) of respondents feel that some or most borrowers are more likely to pay their credit card ahead of other obligations, while just over a third of respondents (38%) feel that some or most borrowers are less concerned about becoming delinquent.

- Over three quarters of UK respondents say that it is not true that consumers are becoming less concerned about becoming delinquent on their mortgage. This may be due to the level of fear and uncertainty borrowers feel because of housing market instability and concerns in the UK.

Improving Profitability

Which changes do you anticipate your bank making to improve profitability?



Continuing consumer and small business delinquency, pressure on fees and margins by regulators, increased demand for capital reserves and other regulatory rulings have put significant pressure on retail lender profitability. Here, we sought to examine whether these profitability challenges would be addressed through fees, portfolio product mix, tightening or loosening credit supply or innovation, or some combination thereof.

- Fees will continue to play a key role. Almost two-thirds (62%) of respondents indicate they are currently charging new fees or raising fees on current accounts, or are considering it likely in the next six months. For credit cards, the figures are similar.

- Nearly two thirds of respondents (65%) are presently selling off unprofitable portfolios, or are somewhat or very likely to do so in the near future.

- Just over half (51%) are currently restricting or eliminating auto lending, or are likely to do so soon.

- Despite the challenges in Europe with mortgage portfolios, only slightly over a third of respondents (36%) say that they will or are currently restricting or eliminating mortgage lending.

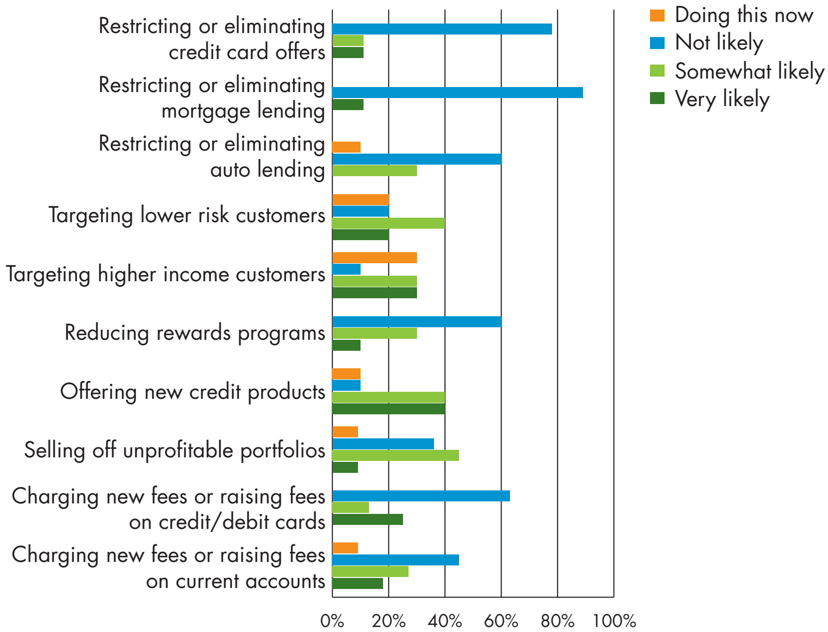
- Only 3% of respondents are currently restricting or eliminating credit card offers, while 36% are somewhat or very likely to do so.

- More than 9 in 10 respondents today target higher-income customers or are likely to do so in the future. This shows the prevalence of the affluent marketing strategy being deployed by European banks.

- About three quarters of respondents (77%) are targeting lower-risk customers or will do so. Nearly half of respondents are likely to reduce rewards programs, though only 2% are already doing this. This focus on lower-risk consumers and relatively weak indication of reduction in rewards is again consistent with mass affluent marketing strategies.

- Perhaps most surprisingly, 16% of respondents indicated that they are already offering new products into the marketplace to try to improve profitability, with 69% of respondents indicating that they are somewhat or very likely to do so going forward. Innovation is clearly an important response to today's challenging environment.

DACH
Which changes do you anticipate your bank making to improve profitability?



- Fees do not feature as prominently in DACH's strategy for return to profit as for the European average. For credit cards, no respondents are currently charging new fees or are raising fees on cards, while only 38% consider it somewhat or very likely that they will do so in the next six months.

- Nearly two thirds of respondents (64%) are presently selling off unprofitable portfolios or plan to do so.

- Only 10% are currently restricting or eliminating auto lending, and only 30% think they will do so soon. This reflects in part the importance of the auto industry in DACH's overall economic health.

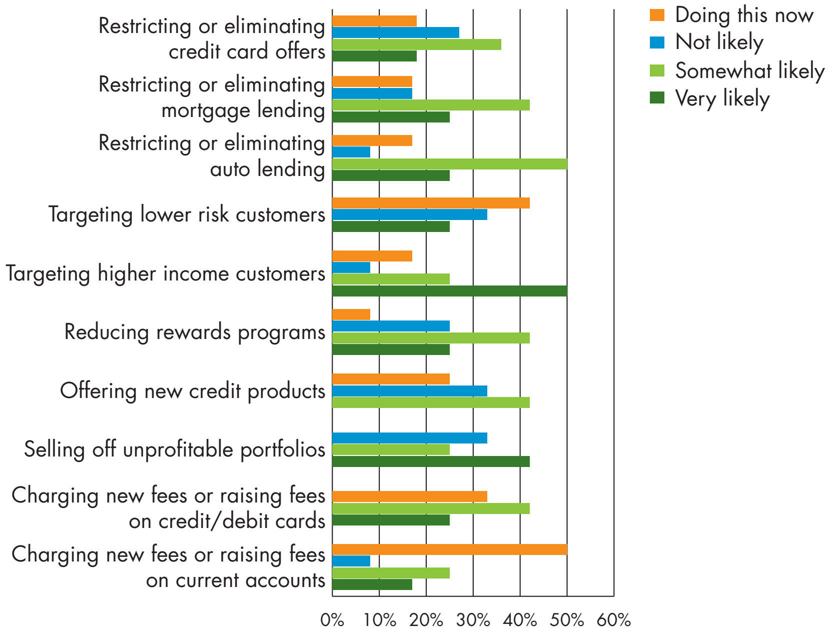
- Only 11% see themselves restricting mortgage lending. This is one of the largest differences between DACH and other regions in this survey.

- Nine in 10 respondents today target higher-income customers (30%) or are somewhat or very likely to do so in the future (80%). This shows the prevalence of the affluent marketing strategy being deployed by European banks, underscored by traditionally conservative credit policy in the DACH region.

- Eight in 10 respondents (80%) are today targeting lower risk customers (20%) or are somewhat or very likely to do so in the near future (60%). No respondents indicate current reduction in rewards programs while only 40% are somewhat or very likely to reduce reward programs in the future. This focus on lower-risk consumers and relatively weak indication of reduction in rewards is again consistent with affluent marketing strategies, and coincides for DACH with a split opinion on the importance of current account programs in defining customer loyalties.

- DACH also has a very high percentage of respondents (90%) who indicated that they are already offering new products to try to improve profitability, or plan to do so. This is characteristic of the generally higher level of optimism the DACH region holds for its consumer and SME lending practices.

Iberian peninsula
Which changes do you anticipate your bank making to improve profitability?



- Given the overall strain on the Iberian peninsula economies, it is perhaps not surprising that fees are already playing key role in maintaining profitability. Over 90% of respondents indicate they are currently charging new fees or raising fees on current accounts, or are considering it somewhat or very likely in the next six months. For credit cards, the figure reaches 100%.

- More than 90% of respondents are currently restricting or eliminating auto lending, or are somewhat or very likely to do so soon.

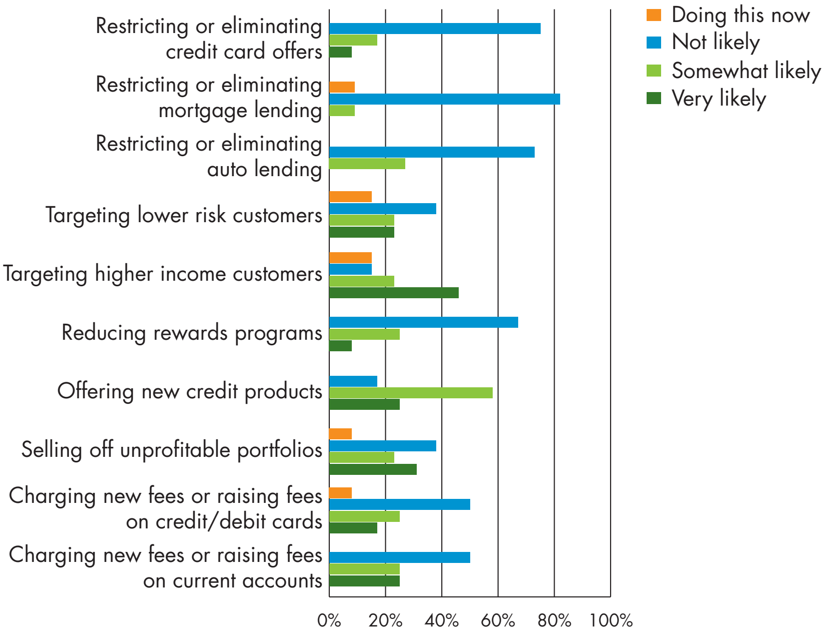
- Restricting mortgage lending is either happening now or being planned for 83% of respondents.

- Nearly three quarters of respondents (73%) are currently restricting or eliminating credit card offers or believe they will do so.

- More than 90% of respondents today target higher-income customers or are likely to do so in the future. Two thirds of respondents (67%) are today targeting lower-risk customers or are likely to do so. Most respondents (75%) will also be reducing rewards programs. This tightening of credit policy and reduction in expense factors is consistent with market need in a region with high unemployment, reduced property values and reduced incomes for its citizenry.

- New product introductions either are now or will be a component of lenders' profit-enhancing strategies for two-thirds of respondents.

UK
Which changes do you anticipate your bank making to improve profitability?



- Because fees have been subject to signifiant regulatory control in the UK, this is less of a focus for respondents here than in other regions. Only half of respondents indicate are considering it somewhat or very likely in the next six months.

- Despite the challenges in the UK residential property market, restricting mortgage lending is also not a strong component of their strategy for lenders. Only 18% say they are restricting or eliminating mortgage lending at present, or will do so soon. Similarly, no respondents are currently restricting or eliminating credit card offers, while only 23% are somewhat or very likely to do so. Property price instability and high levels of consumer indebtedness have combined to reduce flexibility in policy and fee options.

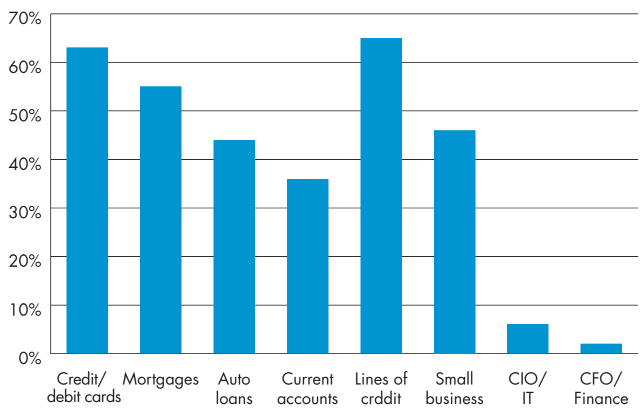
- Nearly three-quarters of UK respondents today target higher-income customers (15%) or are somewhat or very likely to do so in the future (69%). The authors see this as tightening of credit policy to keep losses under control. About two thirds of respondents (62%) are today targeting lower-risk customers or are somewhat or very likely to do so in the near future. No respondents indicate current reduction in rewards programs while only 33% are somewhat or very likely to reduce reward programs in the future. This focus on lower-risk consumers and relatively weak indication of reduction in rewards is again consistent with both constrained flexibility to deal with highly indebted consumers and with mass affluent marketing strategies.

- In the biggest contrast between the UK and other respondents in this survey, no respondents are presently offering new products to enhance profitability, while 83% of respondents do see product innovation as somewhat to very likely.

Respondents' Profile

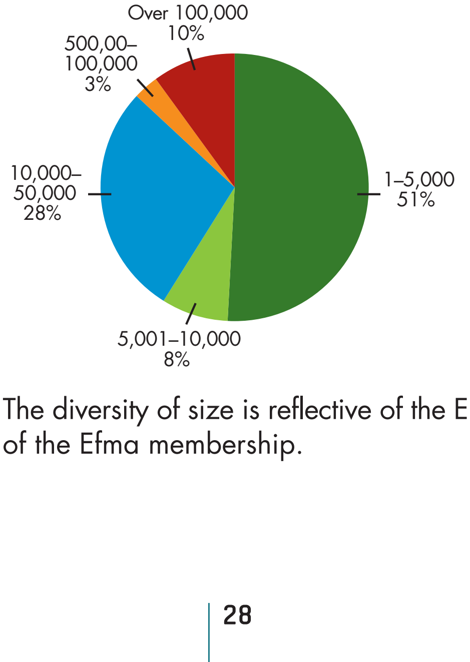
More than 100 individuals from 24 countries completed the second European Credit Risk Managers Survey. Respondents included representatives from smaller institutions as well as global banks, and the majority (73%) are from full-service banks. Just 4% of respondents work at online-only banks.

What is your area of responsability? Check all that apply



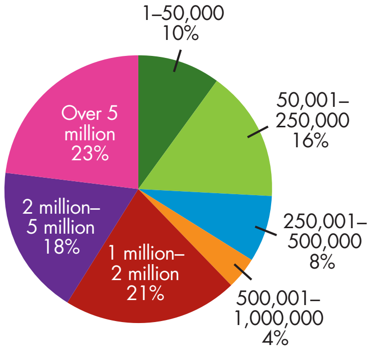
Over 90% of respondents held some level of responsibility for a consumer or small and medium enterprise (SME) credit offering. Just over 6% of respondents supported the technology functions of their institution, while approximately 2% represented the finance function.

How many employees does your bank have?



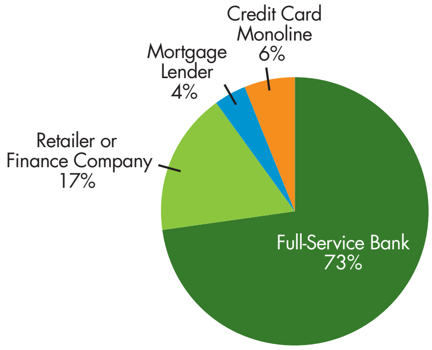
The diversity of size is reflective of the European banking market, and is representative of the Efma membership.

How many retail customers does your bank have?



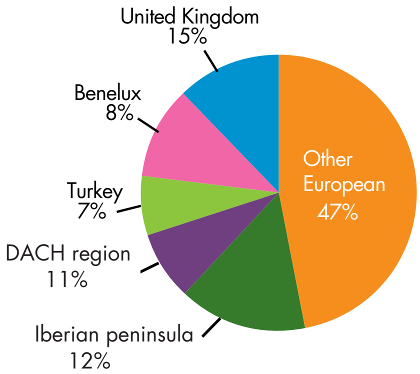
Over 40% of the respondents indicated their organizations served in excess of 2 million customers, while only 26% of respondents' banks were serving fewer than 250,000 customers. This is consistent with the high portion of respondents that report affiliation with a multi-national or global enterprise.

Business orientation of your institution



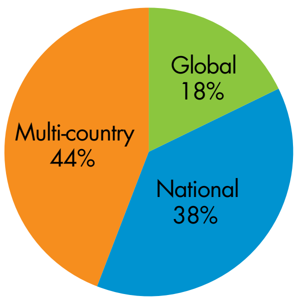
Respondents are overwhelmingly affiliated with full-service banks, giving the sample a high degree of homogeneity in business orientation. This means that while there will be regional differences and differences of opinion borne from product diversity, the type of issues experienced by the respondents as full-service banks operating in Europe should be expected to be fairly consistent.

In which country are you based?



The United Kingdom, Benelux (with Netherlands itself among the top respondents) and Turkey were among the top responding countries, while the Iberian peninsula (Portugal and Spain) and the DACH countries (Germany, Austria, Switzerland) also provided numerous responses.

What region does your bank opérate in?



Again, the multi-national focus of respondents reflects the make-up of the European banking structure. Respondents self-identifying as affiliated with multi-national or global enterprises and those that are nationally focused did not report significantly different findings in the previous survey or in this one.

About us

FICO

FICO (NYSE:FICO), formerly known as Fair Isaac, delivers superior predictive analytics that drive better decisions. As a pioneer in applying mathematics to solve business problems, FICO gives businesses the power to make more effective decisions based on sharper forecasts of consumer behavior. FICO's revolutionary solutions include the leading credit scores as well as leading global solutions for credit account management and fraud management. Most of the world's top banks, as well as leading insurers, retailers, healthcare and pharma companies and government agencies, rely on the analytic advantage of FICO solutions to accelerate growth, control risk, reduce costs and meet regulatory and competitive demands.

FICO
5th Floor - Cottons Centre
Hays Lane - London SE1 2QP
United Kingdom
Tel: +44 (0)207 940 8718
www.fico.com

For media inquiries on this report, please contact: Peggy Schelter, Catalysis, +44 (0)20 7759 2021

Efma

Efma has been an unfailing observer of the numerous transformations that the retail financial services sector has experienced over the years and has demonstrated its ongoing commitment to providing a forum for professionals from the sector. Formed in 1971 by bankers and insurers to encourage their colleagues to share experiences, promote the best practices of their institution and collaborate through alliances and partnerships, today the non-profit association's members include over 80 per cent of Europe's largest retail financial institutions. Through regular events, publications, and its comprehensive website, the association provides retail financial service professionals with answers to their questions about the main issues at stake in their business: multidistribution strategies, customer approaches, product and service marketing, risk management or operational excellence, to name a few. Efma is above all a dynamic association, providing a great opportunity for discussion and exchanges without any commercial constraints. For the past 40 years, the loyalty of its members as well as their permanent financial support are the best proof of its efficiency.

Efma
8, rue Bayen - 75017 Paris - France
Tel: +33 (0)1 47 42 52 72
www.efma.com

EUROPEAN CREDIT RISK OUTLOOK

RESULTS OF THE SECOND EUROPEAN CREDIT RISK MANAGERS SURVEY

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