

PART I. COMPENSATION TRENDS

1. Bonuses Drive Compensation Growth for Risk Professionals in Capital Markets

The **2007 Risk Talent Associates Professional Compensation Survey – Capital Markets** reveals that total compensation for risk professionals in the capital markets continues to be very attractive, growing at a compound annual growth rate (CAGR) of 8% between 2003 and 2006. While growth in salary is a more modest 4% during this period, growth rates in cash and non-cash bonuses (the value of stock, options and other non-cash compensation) are 11% and 8% respectively. This survey reinforces trends presented in Risk Talent’s previous compensation surveys published in 2002, 2004 and 2006.

Figure 1: Average Total Compensation, Salary and Bonus (Cash and Non-Cash) 2003-2006

Overall Average	2003(1)	2004(1)	2005(2)	2006(2)	CAGR 03-06
Total Compensation	\$ 340,000	\$ 374,000	\$ 383,629	\$ 422,720	8%
Salary	\$ 153,000	\$ 166,000	\$ 168,916	\$ 174,244	4%
Bonus- Cash	\$ 100,000	\$ 117,000	\$ 116,534	\$ 138,236	11%
Bonus- Non Cash	\$ 87,000	\$ 91,000	\$ 98,179	\$ 110,240	8%

Source: (1) 2004 Risk Talent Associates Salary Survey (published in January 2005), (2) 2007 Risk Talent Associates Salary Survey (this report). All figures in US Dollars and rounded to nearest thousand.

Approximately 500 risk professionals participated in this survey from commercial and investment banks, foreign-owned banks, government sponsored entities (GSE’s) and other firms operating in the capital markets. Risk Talent Associates, an executive search firm focused on risk management, will publish additional survey updates in 2007 including asset management, compliance and other risk fields (software, consulting, energy and corporate). All surveys analyze compensation trends by years of experience and title, industry segment, risk focus, geography and size of company. This year’s surveys will also feature trends in hiring for risk organizations.

2. Overall Compensation Levels Increase for All Tenures

Risk professionals in the capital markets saw 9% growth in total compensation between 2005 and 2006, with healthy increases in both salary and bonuses, varying by years of experience and title. In terms of years of experience, those with 0-6 years of experience saw the healthiest gains in total compensation, followed by those with 7-15 years of experience, and those with 16 or more years of experience.

Figure 2: Average Total Compensation, Salary and Bonus by Years of Experience (in USD)

	% of Total	Total Comp		Salary		Bonus-Cash		Bonus- Non-Cash	
		2005	2006	2005	2006	2005	2006	2005	2006
0-6 years	20%	\$ 206,000	\$ 231,000	\$ 120,000	\$ 127,000	\$ 60,000	\$ 72,000	\$ 26,000	\$ 32,000
7-15 years	46%	\$ 402,000	\$ 444,000	\$ 172,000	\$ 176,000	\$ 126,000	\$ 148,000	\$ 104,000	\$ 120,000
16+ years	34%	\$ 447,000	\$ 490,000	\$ 195,000	\$ 200,000	\$ 132,000	\$ 162,000	\$ 120,000	\$ 128,000

Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.

Increases in total compensation are within 8-12% for all titles, driven by large gains in cash and non-cash bonuses between 2005 and 2006. Risk professionals at the most senior levels (Managing Director and Chief Risk Officer) continue to earn bonuses worth approximately 70% of total compensation, pushing them into the \$1 million dollar range for overall compensation. These individuals are clearly treated and compensated like Chief Executive Officers and other C-level executives.

Figure 3: Average Total Compensation, Salary and Bonus by Title (USD)

	% of Total	Total Comp		Salary		Bonus-Cash		Bonus- Non-Cash	
		2005	2006	2005	2006	2005	2006	2005	2006
Analyst/Associate	7%	\$ 111,000	\$ 121,000	\$ 90,000	\$ 92,000	\$ 14,000	\$ 20,000	\$ 7,000	\$ 9,000
Sr Assoc/Manager	10%	\$ 150,000	\$ 166,000	\$ 100,000	\$ 108,000	\$ 25,000	\$ 30,000	\$ 25,000	\$ 28,000
Vice President	35%	\$ 242,000	\$ 264,000	\$ 142,000	\$ 146,000	\$ 64,000	\$ 78,000	\$ 36,000	\$ 40,000
Director	13%	\$ 295,000	\$ 334,000	\$ 170,000	\$ 180,000	\$ 80,000	\$ 100,000	\$ 45,000	\$ 54,000
Senior VP	21%	\$ 420,000	\$ 462,000	\$ 200,000	\$ 208,000	\$ 140,000	\$ 160,000	\$ 80,000	\$ 94,000
Managing Director	9%	\$ 900,000	\$ 984,000	\$ 250,000	\$ 260,000	\$ 376,000	\$ 446,000	\$ 274,000	\$ 278,000
Chief Risk Officer	6%	\$ 928,000	\$ 1,022,000	\$ 304,000	\$ 310,000	\$ 280,000	\$ 312,000	\$ 344,000	\$ 400,000

Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.

3. Investment Bankers Receive Highest Total Compensation

As in previous surveys, risk managers from investment banks command the highest total compensation followed by professionals at foreign-owned banks and commercial banks within the capital markets.

At investment banks, all titles are compensated higher than the average for capital markets and rise at a much steeper rate with increasing seniority. The average total compensation for Managing Directors is \$1.110 million. At commercial banks, most titles approximate the average for capital markets except for Chief Risk Officer which demonstrates an average total compensation of \$1.150 million.

In this survey, 74% of participants are bankers, including 36% from investment banks, 35% from commercial banks and 3% from foreign-owned banks. The remaining participants are employed by government sponsored entities (11%), brokerage firms (7%), financial exchanges (3%), credit card companies (3%), insurance or reinsurance companies (1%) and mortgage firms (1%).

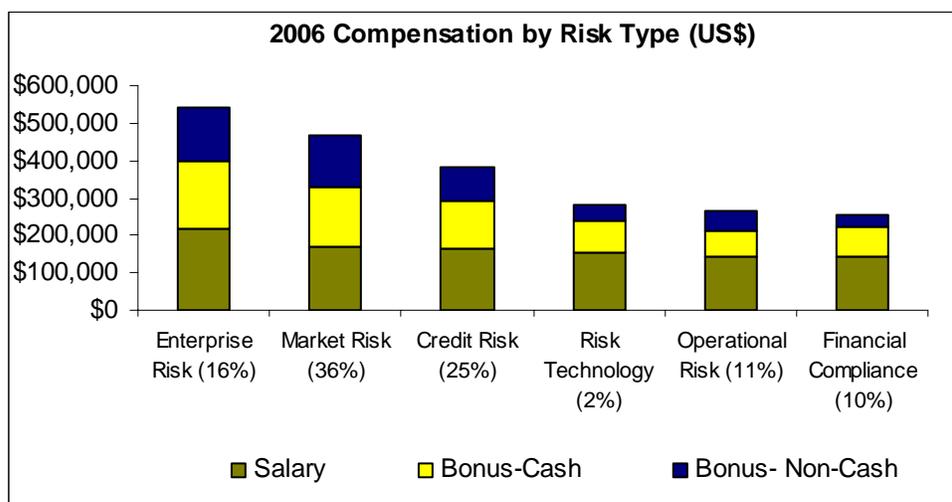
4. Largest Firms Offer Best Compensation Packages

Respondents from the largest firms (organizations with 20 to 50, 50 to 100, and 100 or more risk professionals) receive the highest total compensation packages over smaller firms (organizations with less than 5, or 5 to 20 risk professionals). This trend largely reflects that the bigger risk organizations also have the greatest percentage of the most highly paid segments in the survey – investment bankers and commercial bankers. The smaller risk organizations are more moderately compensated, and include the majority of respondents from government sponsored entities.

5. Enterprise Risk Professionals Top Capital Markets Compensation

Enterprise risk professionals receive higher total compensation than those focused exclusively on market risk, followed by those in credit risk, risk technology, operational risk and financial compliance. These differences are driven by more substantial cash and non-cash bonuses.

Figure 4: 2006 Average Total Compensation, Salary and Bonus Years by Risk Type (USD)



Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.
Note: Percentage of overall respondents reported in brackets (“%”)

Market risk professionals fare slightly better than credit risk professionals at all levels, but the differences are more pronounced for those with more years of experience.

Figure 5: Average Total Compensation, Salary and Bonus Years by Risk Type (USD)

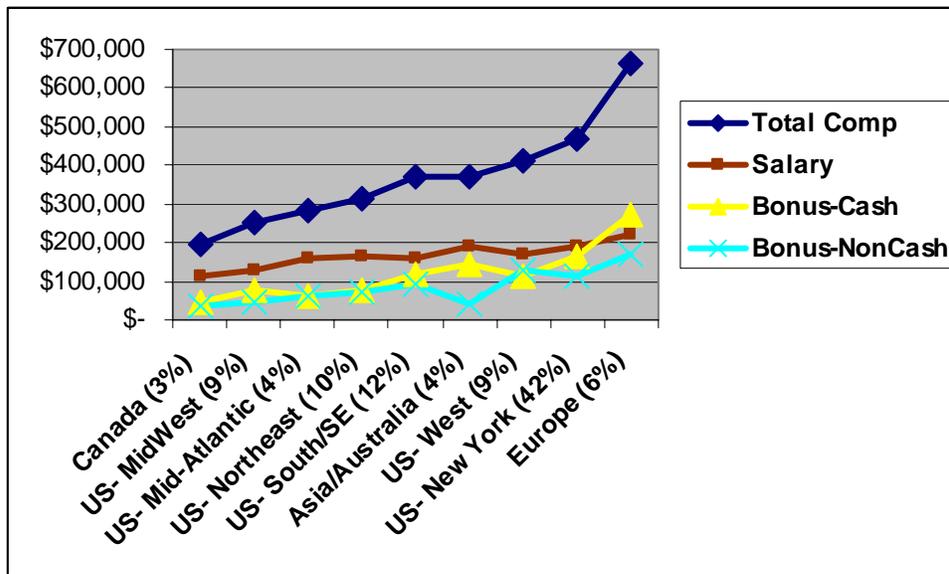
	% of Total	Total Comp		Salary		Bonus-Cash		Bonus- Non-Cash	
		2005	2006	2005	2006	2005	2006	2005	2006
Market Risk									
0-6 years	20%	\$ 180,000	\$ 203,000	\$ 110,000	\$ 120,000	\$ 54,000	\$ 65,000	\$ 16,000	\$ 18,000
7-15 years	57%	\$ 435,000	\$ 465,000	\$ 170,000	\$ 175,000	\$ 140,000	\$ 155,000	\$ 125,000	\$ 135,000
16+ years	23%	\$ 550,000	\$ 650,000	\$ 200,000	\$ 210,000	\$ 185,000	\$ 235,000	\$ 165,000	\$ 205,000
Credit Risk									
0-6 years	21%	\$ 156,000	\$ 190,000	\$ 100,000	\$ 114,000	\$ 40,000	\$ 56,000	\$ 16,000	\$ 20,000
7-15 years	42%	\$ 364,000	\$ 430,000	\$ 180,000	\$ 185,000	\$ 124,000	\$ 140,000	\$ 60,000	\$ 105,000
16+ years	37%	\$ 425,000	\$ 450,000	\$ 180,000	\$ 185,000	\$ 145,000	\$ 160,000	\$ 100,000	\$ 105,000

Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.

6. Professionals Based in Europe and New York Top Compensation

European-based risk managers command the highest total compensation, followed by those in New York City, the US West, Asia and Australia, and the US South/Southeast. These geographic regions were also the top five in last year's report of 2005 figures. The four lowest regions include the US Northeast, US Mid-Atlantic, US Midwest and Canada. The highest percentage of survey participants hail from New York City at 42%, with all other regions represented by 12% or less of the total.

Figure 6: 2006 Average Total Compensation, Salary and Bonus by Geography (USD)



Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.

PART II: HIRING FOR RISK ORGANIZATIONS

The **2007 Risk Talent Associations Professional Compensation Survey- Capital Markets** polled participants on some new questions this year to better understand trends in the growth of risk management groups.

1. 40% of survey participants predict their risk group will grow

As a whole, 40% of survey participants predict that their risk group will grow during the next year. Only 5% report that their risk group may shrink, while 55% predict their group will stay about the same. One of the drivers of growth in the risk management function is recent increases in compliance and regulatory staff. Just as risk management grew out of finance and became a critical forward-looking aspect of financial management, so too has financial compliance moved from an audit role to a strategic function.

Investment bankers who represent about a third of total survey respondents, report slightly more status quo. For this group, 34% forecast growth in size, 6% expect a reduction, and 60% predict that their group will stay about the same. Commercial bankers, who represent an additional third of total survey respondents, report figures consistent with overall averages.

2. Positions are filled through a combination of internal and external sources

Roughly 61% of respondents use more than one source to find people when filling additional risk management positions. Trends vary by type of firm, with investment banks far more likely to utilize pricier options like retained search and contingency recruiting firms, and less likely to use job boards.

- 76% of respondents leverage internal recruiting/ corporate staffing or human resources. This number goes up to 92% for commercial banks and down to 64% for government sponsored entities (GSE's) which may not have as much corporate overhead.
- 36% use retained search firms. This number is higher for investment banks, at 46%, perhaps more willing to pay top dollar for talent.
- 23% use contingency recruiting firms, also higher for investment banks at 32%.
- 24% of the overall group and commercial banks use job boards. Job boards appear to be to a vastly under-utilized resource by investment banks at 11%, while they are well-used by government sponsored entities at 50%.
- Other sources mentioned include personal networking, interns, alumni, and advertising.

3. Risk professionals always looking for better jobs

While only 17% of survey respondents report they have changed jobs in the last two years, a healthy 72% say they will consider changing jobs in the next two years. Of this number, 27% say they will change jobs in the next two years and an additional 45% say they "may" change jobs. Only 28% state they will not change jobs in the next two years.

SURVEY METHODOLOGY

The **2007 Risk Talent Associates Professional Compensation Survey – Capital Markets** was conducted in February 2007 using Survey Monkey survey software. Invitations to participate in the survey were sent to risk professionals in the Risk Talent Associates corporate database, with over 500 responses.

The survey collected information on 2005 and 2006 salary, cash and non-cash compensation (such as stock, options, and other non-cash compensation). Survey respondents identified their capital markets segment, years of experience, title, type of risk focus, geographic location, and size of company (based on the number of risk professionals in their organization).

Risk Talent Associates, an executive search firm focused on risk management, is conducting its third annual series of risk compensation surveys in 2007 across four market segments: capital markets, asset management, compliance and other fields (software, consulting, energy and corporate).

About Risk Talent Associates

Risk Talent Associates (www.risktalent.com) is the leading international executive search firm focused exclusively on positions in the fields of market, credit and operational risk, as well as financial compliance and risk technology. Risk Talent's expertise, industry knowledge, proprietary network and dedicated focus shorten the recruiting process to deliver senior and mid-level risk managers in the capital markets, asset management, energy, consulting and software industries. Risk Talent has offices in New York, Chicago, Hong Kong and London.

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