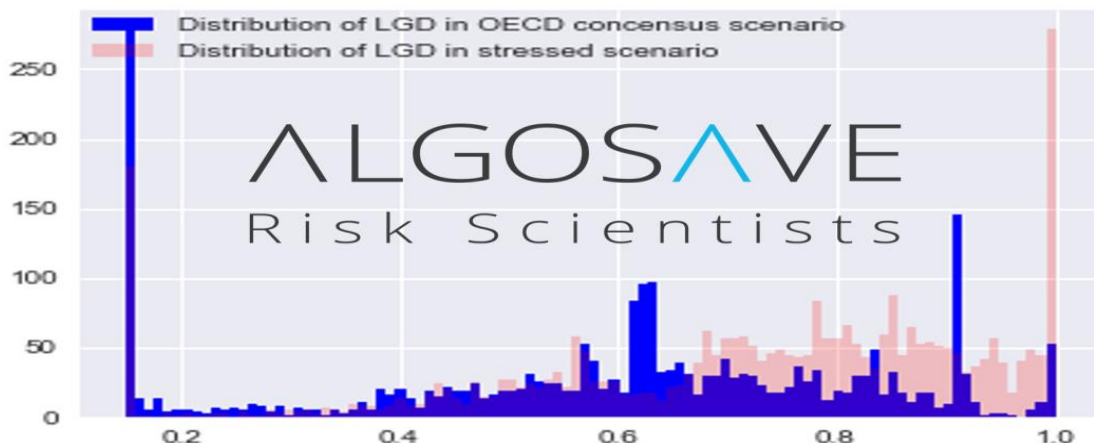


Use case # 2	Possible objectives	Examples of outcome
You are Chief Risk Officer or the Head of “Economic capital and Strategy” of your financial institution ?	SAVE capital and IMPROVE RAROC assessment.	Save capital by gaining powerful insights into issues of credit dependencies in your credit portfolio

Why and how ALGOSAVE helps banks save substantial capital.

1. Departing from traditional LGD Beta Distribution, ALGOSAVE proprietary Financial Technology delivers Seniority specific and economic-cycle sensitive Point in Time Loss Given Default (LGD) term structure.



2. ALGOSAVE proprietary and scenario-sensitive Probability of Default (PD) term structure is calibrated on capital market PD term structure which comes from CDS, bonds and/or secondary loan trading.

3. ALGOSAVE proprietary joint PD correlation technology is a lot lower than its ill-fated full of “market noise” CDS and equity price correlation proxies.

4. ALGOSAVE proprietary FinTech will also be the source of a dramatic improvement in RAROC assessment. Indeed, ALGOSAVE provides the much-needed forward looking parameters as well as the dynamics required to produce proper forecasts and deliver a robust RAROC pricing decision support system.

Conclusion – putting those 3 critical innovations together and applying ALGOSAVE proprietary Financial Technology to a typical corporate loan portfolio, helps banks save 45% in Economic Capital. Indeed, where traditional Expected Loss model points toward a 3.30% Economic Capital requirement ALGOSAVE only requires 1.80% at 99.9% confidence level. **That’s cause for celebration !**

Scenario : OECD expected economic growth

Ranking Table of Loss Amount (sample portfolio of 150 corporates from ALGOSAVE database)					
ALGOSAVE deliverables				Traditional Models	
Confidence Interval		Rank			
Expected Loss → 0.15%					1.20%
95.0%	5% of 10,000 = 500	Top 500	95%	0.91%	2.82%
99.0%	1% of 10,000 = 100	Top 100	99%	1.44%	4.41%
99.9%	0.1% of 10,000 = 100	Top 10	99.90%	1.96%	4.50%

Capital requirement at different level of confidence					
ALGOSAVE deliverables				Traditional Models	
Confidence Interval	Value at Risk	Expected Loss	Economic Capital		
95.0%	5% of 10,000 = 500	0.91%	0.15%	0.76%	1.62%
99.0%	1% of 10,000 = 100	1.44%	0.15%	1.29%	2.94%
99.9%	0.1% of 10,000 = 100	1.96%	0.15%	1.80%	3.30%