

PORTFOLIO CREDIT RISK MEASUREMENT

# MOODY'S KMV PORTFOLIOMANAGER

Portfolio Manager™ is the credit portfolio management solution used by the world's leading institutions to measure portfolio risk and concentrations, manage economic capital and explore trading opportunities.

**MARKET CHALLENGE: ASSESSING CREDIT PORTFOLIO RISK AND RETURN**

Regulators, investors, and senior management are requiring financial institutions to improve credit portfolio risk management. Measuring and managing portfolio performance requires forward-looking data, leading-edge analytics, and experienced insight.

**MOODY'S KMV PORTFOLIO MANAGER: A POWERFUL TOOL FOR MEASURING AND MANAGING PORTFOLIOS**

Portfolio Manager provides a methodology for the measurement and benchmarking of credit portfolio risk, from credit cards to corporate loans.

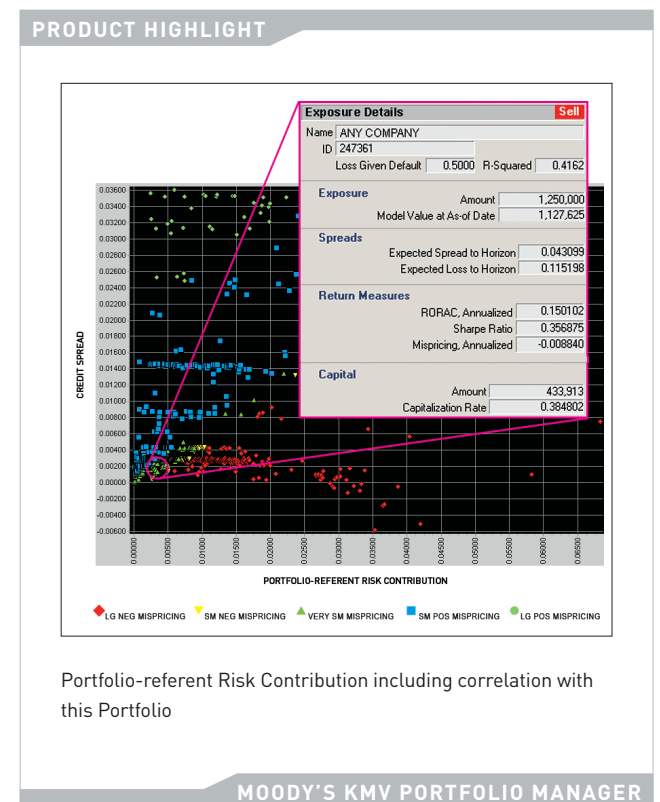
Portfolio Manager brings a single, cohesive correlation framework to an institution's balance sheet. Only by jointly estimating correlations on actual data across retail, SME and large corporate credit risks, can senior management make the comparisons needed for strategic decisions.

Portfolio Manager was used to calibrate the model in the Basel II framework. Regulators and customers value Portfolio Manager's use of empirical credit migration data and validated data on correlations through two business cycles.

Portfolio Manager is a transparent solution that includes access to a global expert practitioner base. The product allows users to examine the drivers of portfolio risk and capital, and to gain an intuitive understanding of the impact of rating, recovery, term, industry, size and other drivers of portfolio risk. This clarity is critical as institutions move to allocate economic capital to customers and business units for better decision-making.

**MOODY'S KMV PORTFOLIO MANAGER OFFERS:**

- Risk-return analysis for originations, hedges and trades
- Insight on the contribution of individual positions and customers to portfolio capital risk
- Full portfolio loss and value distributions, both in absolute terms and relative to your benchmark
- Monte Carlo-based risk measures for loss volatility and tail risk
- Performance comparisons to a benchmark portfolio
- Empirically-based calibrations drawn from the world's richest credit data sources
- Leading-edge user base that shares and shapes best practices



## KEY PRODUCT FEATURES

### IMPROVE CREDIT PORTFOLIO PERFORMANCE:

- Make strategic decisions across businesses, industries, geographies and portfolios, based on a unified correlation framework
- Identify outliers and concentrations that impact performance at the exposure, obligor and industry level
- Determine appropriate buy-sell quantities with the Trades Optimizer to enhance performance

### PRICE FOR RISK:

- Calculate Sharpe ratios and return on risk-adjusted capital (RORAC) for each exposure and the entire portfolio
- Understand how new exposures, or a package of exposures, impacts portfolio risk-return performance on the margin
- Determine the required return or spread on an exposure to match or improve portfolio risk-return performance
- Calculate the shortfall or mispricing in credit revenue for an exposure, given its risk in a portfolio

### UNDERSTAND AND MEASURE PORTFOLIO CREDIT RISK:

- Quantify and stress-test the probability of portfolio credit losses to examine the adequacy of capital and loss budgets
- Measure risk-return characteristics and the diversification impact of every credit exposure, including aggregates of extremely granular portfolios, such as credit-card lines, HELOCs and mortgages
- Analyze the counterparty credit risk of interest-rate swaps and other trading-desk instruments with highly unusual cash flow properties
- Assess each exposure in terms of stand-alone risk, portfolio risk contribution (taking into account its correlation with all other exposures) and risk-adjusted return
- Create customized graphs with Portfolio Manager's powerful reporting tool, Moody's KMV Portfolio Viewer

## INTEGRATION WITH A SUITE OF MOODY'S KMV PRODUCTS

Portfolio Manager can process data from a variety of sources, including public and private-firm EDF™ (Expected Default Frequency) credit measures, internal ratings and LossCalc™. Portfolio Manager also integrates seamlessly with DealAnalyzer® to extend portfolio analytics to the origination and trading desktops.

Portfolio Manager has several modules to help users assess their portfolios:

- GCorr™ provides details on every pair-wise correlation calculation from the Moody's KMV global correlation factor model.
- Distributed Monte Carlo speeds processing time by distributing risk calculations across multiple computers or processors.
- Modeled R-squared Calculator models the systematic risk of borrowers not covered by the client's Moody's KMV data subscriptions.

↘ For extended details on this product, please visit the Moody's KMV product page:

[www.moodyskmv.com/products](http://www.moodyskmv.com/products)

MOODY'S KMV PORTFOLIO MANAGER

## To Learn More:

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