

# WHY CHOOSE RISKFRONTIER™?

## Moody's KMV RiskFrontier

Moody's KMV RiskFrontier™ and its predecessor, Portfolio Manager™, are the industry standard for Economic Capital models and are used by the majority of leading banks. Moody's KMV (MKMV) has ensured that RiskFrontier achieves this status by investing in unparalleled research and development. MKMV also delivers content, such as correlations and migration analysis, which cannot be bettered by any competing vendor.

<b>Purpose</b>	RiskFrontier calculates required credit risk economic capital for the entire portfolio, enabling better understanding of enterprise-wide credit risk. It is therefore suitable for Basel II Pillar 2 purposes and advanced credit risk management, including risk/return analysis and portfolio management.
<b>Coverage</b>	<p>RiskFrontier is suitable for portfolios spanning corporate, SME, retail, sovereigns, structured asset investments, and more.</p> <p>Specifically, RiskFrontier deals with multiple asset types: loans, CDS, CDOs (see below), basket default swaps, equities, and so on. The RiskFrontier lattice valuation model handles pre-payment options, call/put options, and other embedded optionality.</p> <p>The product is appropriate for use at the group level (that is, for aggregation and correlations across all portfolios) and at the business-unit level.</p>
<b>CDO Handling</b>	RiskFrontier analyzes CDO tranches in the context of a portfolio. The analysis considers name concentration in both the collateral pool and the wider portfolio; capital is allocated to the names in the collateral pool.
<b>Approach</b>	<p>RiskFrontier is market-driven and uses a bottom-up approach to analysis. RiskFrontier:</p> <ul style="list-style-type: none"> <li>▪ Employs a simulation model</li> <li>▪ Uses granular/core customer-level data (not aggregations, unless desired)</li> <li>▪ Gives granular and aggregated outputs</li> <li>▪ Provides various ways of viewing portfolio output to improve understanding and identify problem areas</li> <li>▪ Informs analysis of new deals via Moody's KMV DealAnalyzer®</li> </ul>
<b>Correlations</b>	Correlations are critical to the analysis of portfolio and economic risk. RiskFrontier uses an open framework that includes the option of integrating Moody's KMV Global Correlation Model, the world's leading credit correlation factor model.

<b>Migrations</b>	<p>Portfolio risk and economic capital reflect changing risk profiles; therefore, credit risk migration is a key determinant. RiskFrontier offers choices for credit migration:</p> <ul style="list-style-type: none"> <li>▪ MKMV-specific empirical migration</li> <li>▪ Financial institution's internal migration analysis</li> <li>▪ Publicly available migration matrices, such as those based on ratings-agency data</li> </ul> <p>Functionality includes the ability to revalue exposures at the horizon.</p>
<b>Data History (for Correlations and Migrations)</b>	<p>Moody's KMV database:</p> <ul style="list-style-type: none"> <li>▪ Is the largest and cleanest available in the industry</li> <li>▪ Is based on history going back prior to 1990</li> <li>▪ Has a well-established track record of nearly twenty years</li> </ul>
<b>Capital Allocation</b>	<p>Capital is allocated to the exposure level using either tail-risk contribution or risk contribution.</p>
<b>Reporting Flexibility</b>	<p>The tool accommodates client-defined variables. The customizable home page provides immediate access to preferred reports.</p>
<b>Robust Architecture</b>	<p>RiskFrontier is a multi-user, client-server application with password security.</p>
<b>Portfolio Size</b>	<p>RiskFrontier is designed to handle very large portfolios.</p>
<b>Run-time</b>	<p>The system is fast and scalable; it is able to use multiple processors to reduce end-to-end calculation time.</p>
<b>Rapid Implementation</b>	<p>Moody's KMV Advisory Services has an unparalleled record for client satisfaction by implementing software quickly. A dedicated team addresses installation, data loading, training, portfolio analysis, and interpretation of results.</p>
<b>Expertise and Reputation</b>	<p>Continuing support is provided by MKMV, which pioneered credit portfolio modeling and remains the industry leader today; experts are available across the globe to assist clients.</p> <p><i>Risk Magazine</i> selected Moody's KMV as the 2007 winner of its Risk Management Systems Vendor award.</p>
<b>Regulator Familiarity</b>	<p>The BIS Models Committee, the FDIC, and other regulators have used MKMV products to parameterize and benchmark Basel II models.</p>
<b>Support</b>	<p>Moody's KMV ranked first in customer satisfaction in Chartis Research's 2007 RiskTech 100 report of the top risk technology firms. The MKMV support team consistently receives top rankings in third-party surveys.</p> <p>Moody's KMV clients form a community of credit risk practitioners with whom to share insights and best practices at MKMV conferences.</p>

***Moody's KMV delivers the most advanced analytics in RiskFrontier with a proven track record of success. This, combined with the deep expertise of our Professional Services group, provides clients with a comprehensive solution to credit risk management issues.***