PORTFOLIO CREDIT RISK MEASUREMENT

MOODY'S KMV DEAL**ANALYZER**

DealAnalyzer® provides loan originators and credit decision makers with quick and simple access to Moody's KMV Portfolio Manager™ analytics to accurately assess the risk adjusted return of new loans.

MARKET CHALLENGE: ACTIVE MANAGEMENT OF THE LOAN ORIGINATION PROCESS

The best way to initiate active management of a loan portfolio is to analyze the risk and return contribution of new loans before they enter the portfolio. Many institutions use risk-adjusted return on capital (RAROC) tools to perform this analysis at the time of loan origination.

However, these tools often fail to fully consider correlation effects and tend to place all borrowers in a limited number of risk categories.

MOODY'S KMV DEALANALYZER: BRINGING PORTFOLIO MANAGEMENT TECHNOLOGY TO LOAN ORIGINATIONS

DealAnalyzer helps lending institutions improve their assessment of new deals by using the industry-leading methodology of Moody's KMV Portfolio Manager to consider the impact of correlations and Moody's KMV EDF™ (Expected Default Frequency) credit measures. DealAnalyzer brings the full sophistication of Portfolio Manager to the loan origination function, delivering risk/return calculations in the short time frames demanded by a fast-paced environment.

MOODY'S KMV DEALANALYZER: AVAILABLE IN TWO ANALYTICAL CONFIGURATIONS

Standard DealAnalyzer implements Portfolio Manager's analytical approximation of capital, an efficient calculation approach that has been the proven analytic core of DealAnalyzer since its introduction.

Enhanced DealAnalyzer adds the option of performing a very rapid Monte Carlo simulation on incremental deals. It adds capital estimates based on simulated risk contribution and simulated tail risk contribution. Enhanced DealAnalyzer also assesses the risk and return of exposure profiles, which are credit risk profiles from derivatives or other transactions that cannot be modeled as simple loans.

MOODY'S KMV DEALANALYZER OFFERS:

- Real-time, active portfolio management in the origination process
- Forward-looking measurements that reflect market expectations
- Quantification of loan risk in the context of a portfolio

PRODUCT HIGHLIGHT

Credit Evaluation Worksheet

Loan Amount:	$2,000,000
Projected Utilization:	60%
Risk Rating:	4
Collateral Type:	Plant, Property & Equipment
Industry:	Pharmaceuticals
Term (Months):	84
Spread:	4.50%

Calculate Risk Adjusted Return

Return on Capital:	37.44%
Approval Status:	**APPROVED**

Users can tailor DealAnalyzer to fit into their deal origination process.

KEY PRODUCT FEATURES

RISK/RETURN ANALYTICS

For each deal (which may be a single loan or basket of loans), DealAnalyzer® provides:

- Required spread and deal valuation at the time of origination
- Capital allocation for each loan
- Return calculations reflecting capital allocation for each loan
- Statistics characterizing the risk (expected loss, unexpected loss, risk contribution and tail risk contribution) of each loan

ACCURATE INPUT TO IMPROVE CREDIT DECISIONS

- Full Portfolio Manager analytics are applied to deal origination
- Deal assessment explicitly considers correlation effects
- Highly granular deal assessment using EDF credit measures
- Powered by Portfolio Manager's analytic and simulation engines to produce consistent, comparable results

RICH DATA SET

Proper assessment of a new deal requires information on the deal structure as well as portfolio characteristics. DealAnalyzer explicitly considers factors relevant to this assessment, utilizing a comprehensive data set that includes:

- Terms and conditions for the deals to be analyzed
- Borrower EDF credit measures, R-squared measures, industry and country weights and recovery assumptions
- Characteristics of the Portfolio Manager reference portfolio, including holdings and risk statistics

INTEGRATION WITH MOODY'S KMV PRODUCTS

DealAnalyzer can be easily integrated with a number of Moody's KMV products, including EDF credit measures and R-squared measures for public firms and Moody's KMV LossCalc™. DealAnalyzer also shares data sets with Portfolio Manager, including private company information, credit recovery assumptions, EDF credit measures and other financial data.

PROFESSIONAL SERVICES

Advisory Services helps credit institutions take full advantage of the latest portfolio management and valuation techniques available from Moody's KMV. Implementing new tools and processes for managing risk can be a complex and multi-faceted task. The Advisory Services team provides tailored consulting projects to meet analysis, implementation and training needs.

> **For extended details on this product, please visit the Moody's KMV product page:**
>
> **www.moodyskmv.com/products**

MOODY'S KMV DEALANALYZER

To Learn More:

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