

CAPITAL PLANNING TOOL

Forecasting capabilities for solvency ratios

AGENDA

1. Global overview
2. Objectives and principles
3. Process and functionalities
4. Analysis and integration



GLOBAL OVERVIEW

Leveraging on its experience and in line with market practices, Avantage Reply has developed a Capital planning tool.

Flexible and easy to use, it provides financial institutions with a tactical tool which allows them to easily perform capital simulations under different scenarios and integrate key outcomes into capital management and decision-making processes.

Appropriate capital planning and modeling is a prerequisite for simulating and understanding the capital position and capital adequacy.

The Capital planning tool has many features, as summarized on the right:



Multi-scenarios and multi-simulations

Allows calibration of multiples scenarios and simulations (numerator, denominator)



Sensitivity analysis

Ability to simulate and analyze the sensitivity of key risk drivers impacting capital ratios and planning



Multiple approaches with different level of severity

Baseline or Adverses



Projected metrics

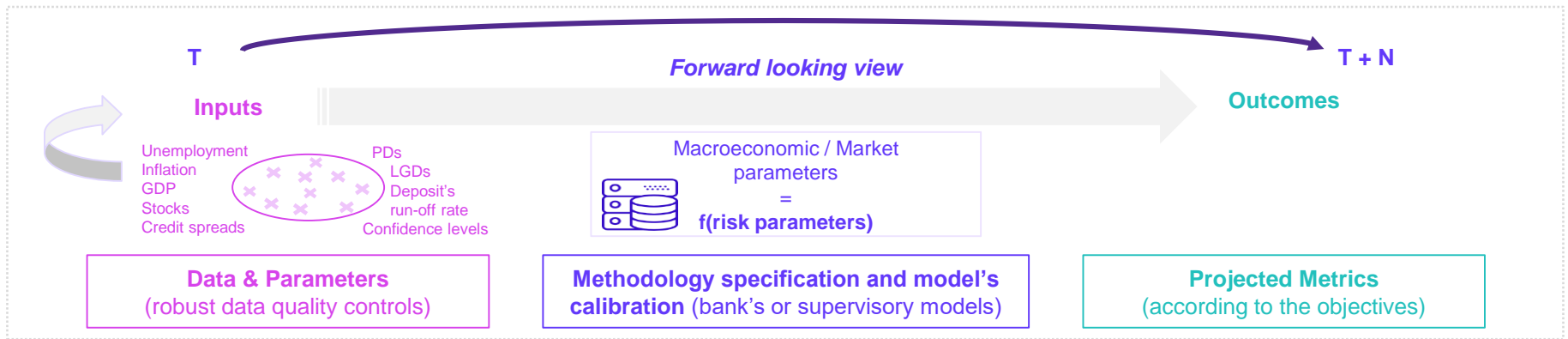
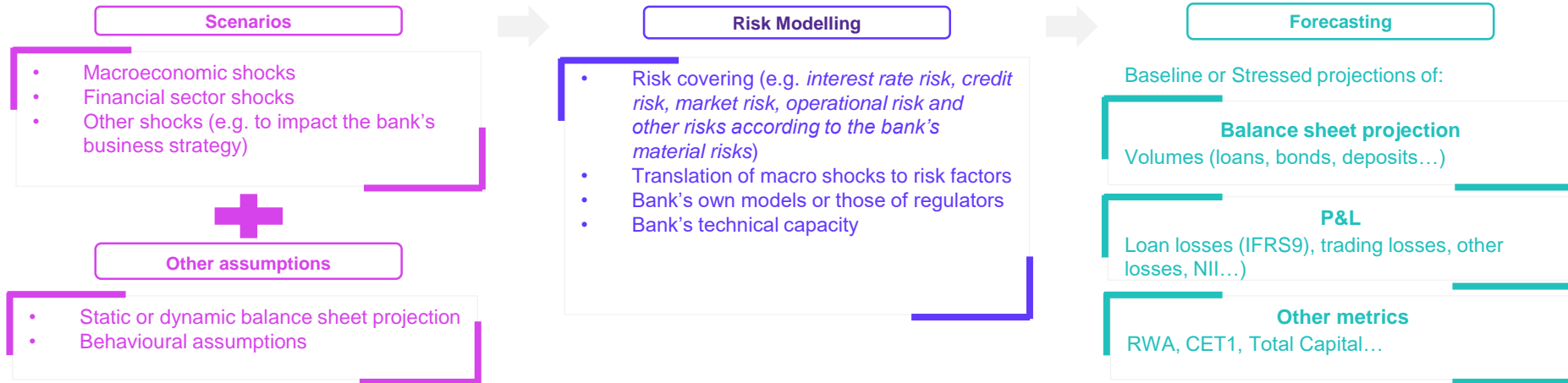
CET1 ratio
Total Capital ratio
RWA projections

....



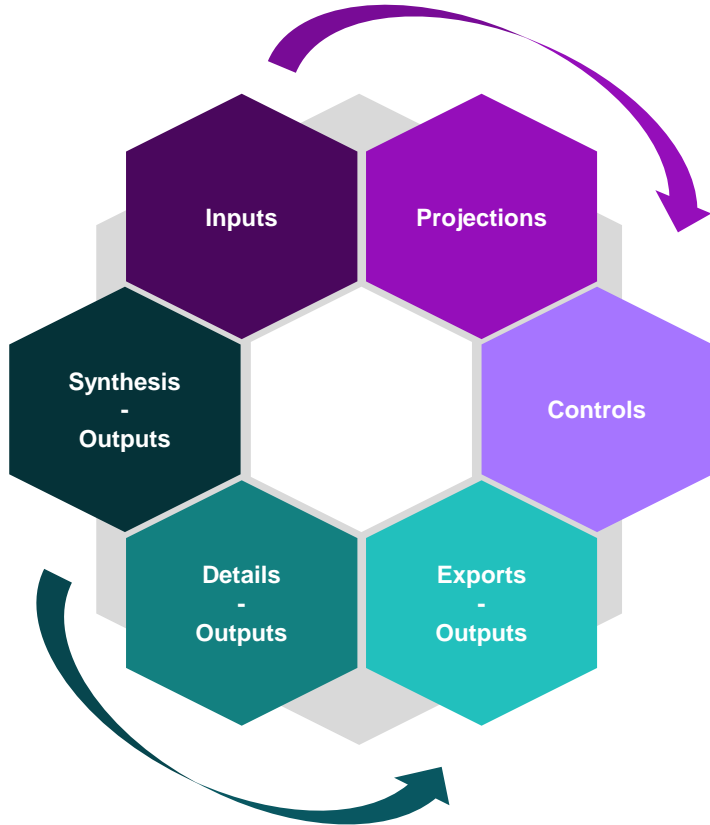
OBJECTIVES AND PRINCIPLES

A practical capital planning tool to assess risk and capital for internal processes and to meet supervisory expectations



CAPITAL PLANNING TOOL PROCESS

Description of the key building blocks



Regulatory reports: COREP, FINREP

Internal reports: Internal data extracts for the projection of RWA, CCF, Provi, CRM, ...



Numerator: One form used to define the assumptions of the projected values according to 7 levers to CET1. It also allows to integrate a lever to the global capital amount.

Denominator: Two dedicated forms including one to select projection levers (8 in total) with the type of projection to be associated. The 2nd form used to enter the forecast values.



Operational risk controls and global consistency checks related to the use of capital planning tool.



Solvency ratios medium term projections (CET1 ratio, Global solvency ratios...)
Graphic presentations in normal and stressed situations (including the potential activation of management buffer)



Calculations and outcomes of numerator projections
Calculations and outcomes of denominator projections



Data backup and backtesting on historical windows
(also include reports for internal or external purposes)



CAPITAL PLANNING TOOL FUNCTIONALITIES

Key functions of the tool

Date	Poids moyen	21/03/20	21/06/20	30/09/20
...

- Regulatory reportings:
 - COREP
 - FINREP
- Internal reportings and information
 - Commercial activity plan
 - EAD,
 - Provision,
 - CCF ...

1. Results of the year
2. Dividends
3. OCI accumulated
4. PVA adjustments
5. T2 transitional adjustments
6. Subordinated debt
7. Goodwill
8. Others (adjustment lever)

Description	Valeur	Statut
...

Consistency check

Inputs

Projection of solvency ratio

Numerator projection levers

Denominator projection levers

1. Provisions
2. CRM
3. Credit conversion factors (FCC)
4. RWA average weightings
5. New production
6. EAD other risks
7. RWA other risks

Outputs

- Results of the projections of each component of the solvency ratio by scenario
- Graphics

Paramètres EAD/RWA - Risque de Crédit	Bilan		Hors Bilan	
	g Actual	g Actual	g Actual	g Actual
AResult	3,5%	9,0%		
Frais Financement	4,2%	10,2%		
Rester Financement	4,3%	10,2%		
Financement - MLT - RSC	0,0%	0,0%	X	Choisir
Financement - MLT - TAG	0,0%	0,0%	X	Choisir
XXX	4,3%	10,2%	X	Choisir
YYY	4,3%	10,2%	X	Choisir
ZZZ	4,3%	10,2%	X	Choisir

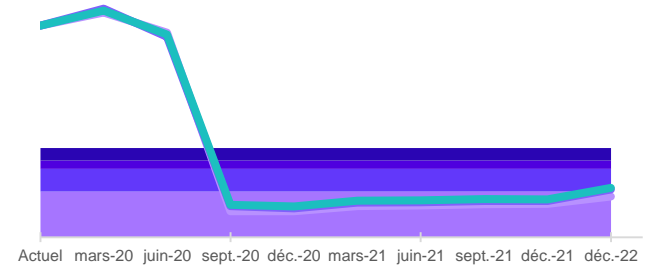
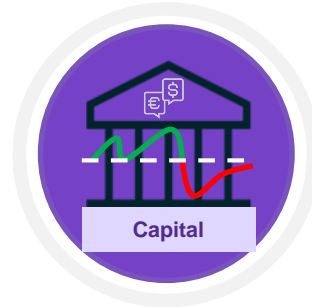


ANALYSIS AND INTEGRATION

A practical and flexible tool that can be used for strategic and budget planning but also for capital management strategy

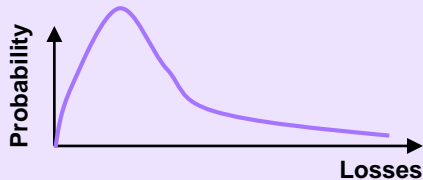
Forecast of volumes, P&L and RWAs

Profit and Loss	Balance Sheet	Risk (Pillar 1)
Net Income <input type="text"/>	TB <input type="text"/> ST liabilities <input type="text"/>	Credit risk <input type="text"/>
Fees & commissions <input type="text"/>	BB <input type="text"/> LT liabilities <input type="text"/>	Market risk <input type="text"/>
<input type="text"/>	Goodwill <input type="text"/> Equity <input type="text"/>	<input type="text"/>
<input type="text"/>	Off balance <input type="text"/>	Risk (Pillar 2)
		Concentration <input type="text"/>
		<input type="text"/>



Strategic steering

Budget Planning and Risk Profile understanding

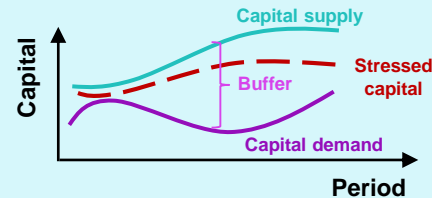


- Estimation of potential unexpected losses under macro-economic slowdown scenarios, a real estate crisis...
- Understanding the distribution of risk exposure across sectors and geographic areas to set Risk Appetite.

Budget Planning ✓

Risk Management ✓

Capital Management



- Capital adequacy under various macroeconomic scenarios.
- Set adequate capital targets and an appropriate capital allocation policy.

Capital Management ✓

AVANTAGE REPLY FRANCE

Our service offering

Expert and methodological support in ALM, Finance and Risk around strategic risk management and management processes, governance of Finance and Risk functions, risk modeling and scarce resources (capital, liquidity) and stress tests



Finance Risk

- Our teams support CROs and CFOs from the design of target systems to operational implementation at Group or entity level.
- Our missions last from 1 month to 1 year. On average, they last 6 months.

	Strategy and governance	Steering	Modeling	Regulatory (transversal offer)
Finance	Business model assessment	ICAAP	P&L Modeling and Stress tests	<ul style="list-style-type: none"> • Regulatory watch • Regulatory strategy • Remediation • Project management
	Capital management governance	Capital allocation policy	Business / Capital modeling	
	Solvency stress testing governance	TLAC/MREL	Resolution modeling	
Risk	Risk governance	Material risk assessment	Pillar 1 Risk models design and validation	
	Model risk management	Risk appetite	Model risk tiering and scoring	
	Regulatory strategy	Recovery plan	Pillar 2 models and risk stress tests	
ALM	ALM governance	ILAAP	ALM risk metrics	
	ALM strategy (including hedging)	IRRBB	ALM models	
	Fund transfer pricing	Contingency plan	Liquidity stress tests	
Trading Activities	Desk strategy	P&L attribution	Pricing models	
	Desk hedging strategy	Market risk policy	Valuation/PVA	
	Model risk management	Limit framework	Risk models/Stress tests	
				SREP/TRIM
				BRRD
				CRR/CRD 4
				CRR2/CRD 5
				Guidelines EBA/BCE...



Strategic diagnosis, gap analysis and benchmarking



Definition and design of steering processes and dashboard



Organizational and governance redesign



Deployment and operational implementation



Modeling and Quantitative studies



Subject matter expert support



Contacts



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