

PRODUCT INFORMATION

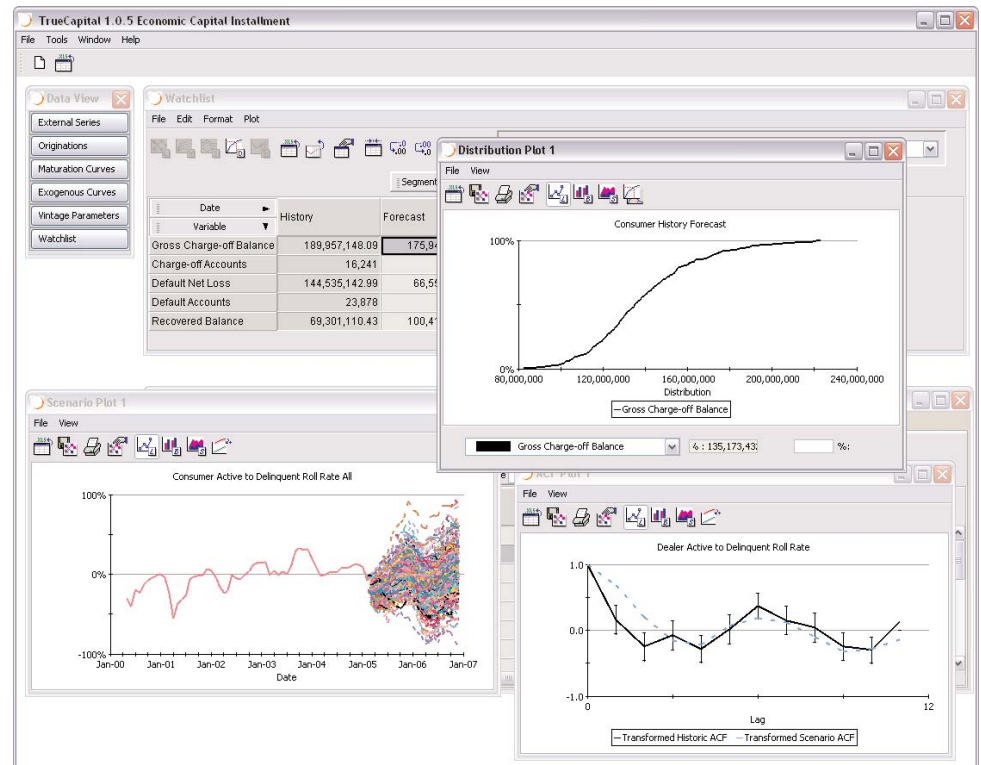
TrueCapital™

The right capital measure for your unique portfolio

TrueCapital™ software is an end-user software application for computing capital that should be held for credit risk in a portfolio of retail loans.

Instead of assuming that your portfolio looks like all others in its product category, TrueCapital software uses the behaviors, rates and impacts found in your historical vintage performance data to construct

TrueCapital™ software is a data-driven, portfolio-specific approach to computing capital. Forecasting is done using the actual maturation curves, vintage qualities, and seasonality for the portfolio currently on the books, without hidden assumptions or borrowed parameters from other businesses.



thousands of statistically-plausible futures and to populate a distribution of these outcomes for your portfolio. This distribution may be built upon default data, loss data, or losses net of revenue items.

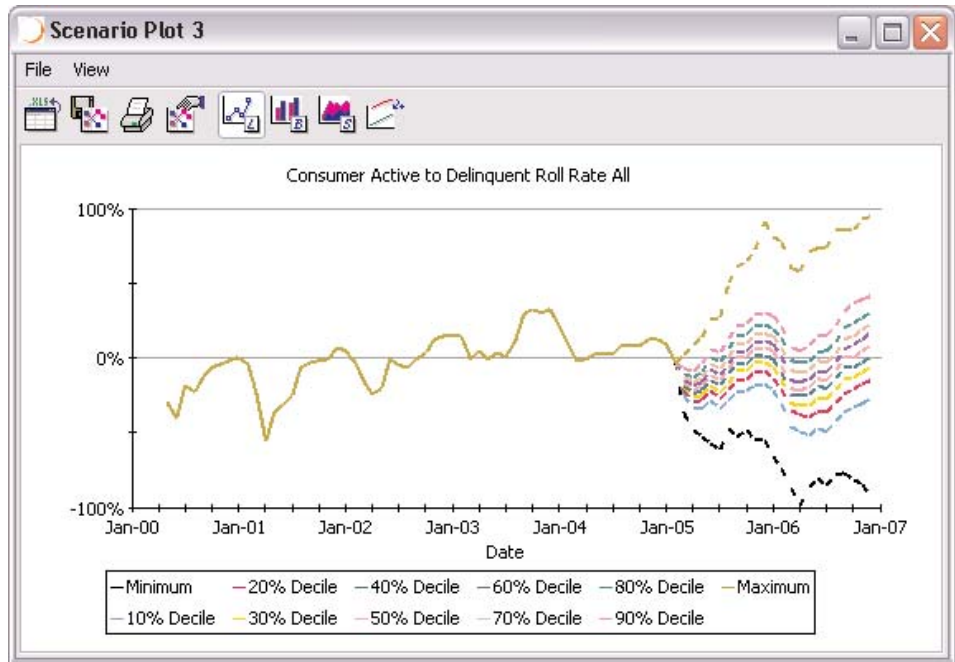
From this distribution, users may quickly derive capital requirements at any desired level of solvency. Our exclusive analytical approach leverages SA's state-of-the-art portfolio forecasting capabilities found in our LookAhead™ scenario-based forecasting software.

Retail lending products such as credit cards, auto loans, first and second mortgages, personal loans, etc., have special characteristics compared to commercial loans and traded instruments. Furthermore,

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*Analysis from TrueCapital software frames your inherent forecast uncertainty and provides a specific view on extreme scenarios.*

every retail portfolio is a unique collection of product features and consumer behaviors that should be reflected in capital estimates. TrueCapital software captures all of these elements and produces more accurate capital estimates than those obtainable through other means. Although many financial institutions



do not currently employ special capital modeling methods for their retail loan book, Basel II is now providing the impetus for examining new approaches.

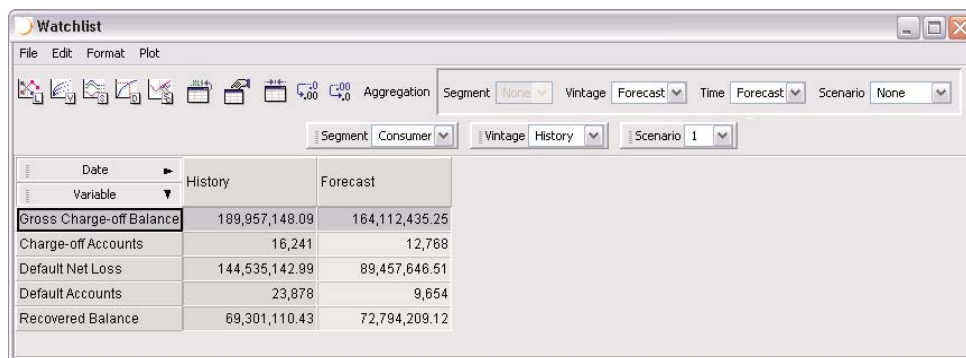
### **Hold Capital for the Unexpected**

The goal of any capital calculation should be to hold capital for the uncontrollable volatility in a portfolio.

TrueCapital software leverages SA's patent-pending nonlinear decomposition technology, Dual-time Dynamics (DtD), found in our LookAhead™ Scenario-based Forecasting software. The DtD approach is ideally suited to economic capital calculations because it distinguishes between the natural portfolio dynamics (maturation and vintage quality) and the external volatility (exogenous trend). If your current capital methodology does not discriminate between controllable and uncontrollable volatility, your capital estimates can likely be improved with our technology.

For example, subprime and near-prime portfolios naturally experience higher expected loss rates than prime portfolios. Because these expected losses are typically priced into the product offering, they should not require additional capital as long as the pricing is well calibrated. In contrast, prime portfolios may

have higher volatility relative to baseline losses than subprime portfolios, illustrating the need for a robust method to discriminate between expected and unexpected volatility. TrueCapital software uses historical portfolio performance data to measure these effects directly for each product segment.



The screenshot shows the 'Watchlist' application window. It features a menu bar (File, Edit, Format, Plot), a toolbar with various icons, and a control panel with dropdown menus for Segment (None), Vintage, Forecast, Time, Forecast, and Scenario (None). Below this, there are more specific dropdowns for Segment (Consumer), Vintage (History), and Scenario (1). The main area contains a table with columns for Date, Variable, History, and Forecast. The table data is as follows:

Date	History	Forecast
Gross Charge-off Balance	189,957,148.09	164,112,435.25
Charge-off Accounts	16,241	12,768
Default Net Loss	144,535,142.99	89,457,646.51
Default Accounts	23,878	9,654
Recovered Balance	69,301,110.43	72,794,209.12

*Configurable Watchlist captures all scenarios for metrics of interest to the user. Watchlist supports drill-down by vintage, segment and variable. The Watchlist features pivot-type tables that may be quickly manipulated with a drag-and-drop interface.*

## Managing with Capital

TrueCapital software delivers outstanding value to your lending operation beyond more accurate capital estimates.

For portfolio managers, TrueCapital software illustrates the specific drivers of prescribed capital for their current portfolio and provides capital-based guidance for future origination plans. Users can inspect the sources of volatility in a portfolio and gauge the impact of specific policies and behaviors on capital requirements.

TrueCapital software also supports multi-year capital calculations for computing lifetime capital requirements.

Without good lifetime capital estimates, accurate risk-based pricing is problematic. Multi-year capital estimates are not supported by the Basel II formulas or any other methodology that delivers a simple point-estimate of capital.

## Integration with Enterprise Risk Efforts

TrueCapital software results may be easily used with enterprise risk aggregation technologies. This allows your finance staff the flexibility to adopt new capital technology where appropriate and to ensure its compatibility across broader bank activities such as trading and commercial lending.

## Available as End-User Software or as a Service

TrueCapital software may be licensed as an end-user software application that runs on Windows or UNIX. It is designed to run with multiple PCs for rapid and efficient processing. Alternatively, you may obtain TrueCapital results for your portfolios as a service through Strategic Analytics and partner companies.

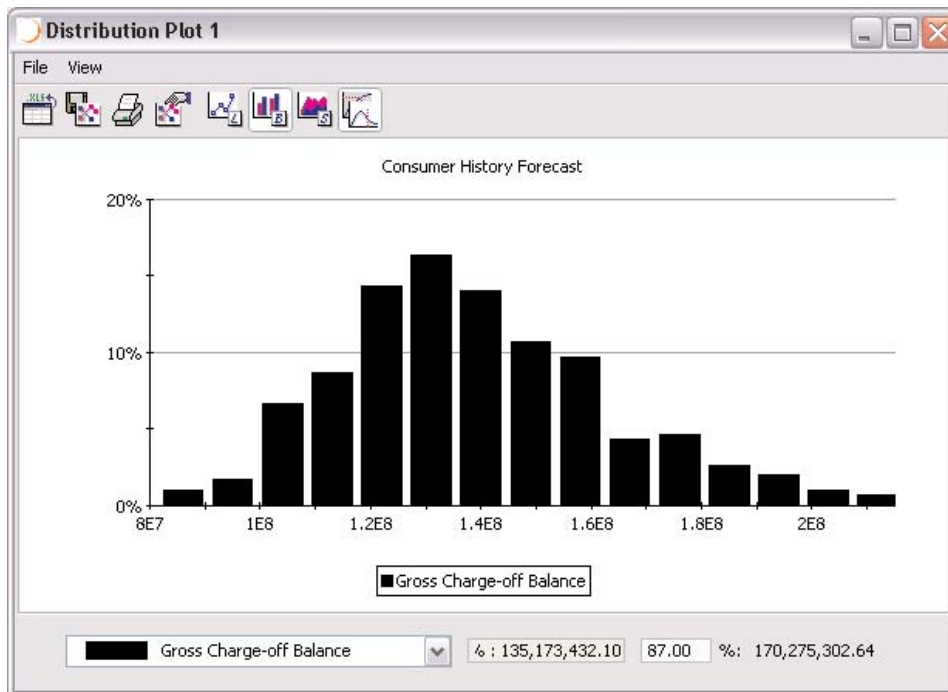
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Capital estimates may be drawn directly from the distribution of statistically-plausible futures created by TrueCapital software from the performance characteristics of your portfolio. Alternatively, TrueCapital software results may be imported into enterprise risk packages for further cross-correlation analysis going beyond retail lending activities.

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### Analytical Features

- Measures capital for only uncontrollable volatility—tuned precisely to your portfolio.
- Data-driven methodology avoids ad hoc assumptions and borrowed parameters.
- Applies to all retail lending products without adjustment or tuning of the model.
- Studies default data, loss data, or losses net of revenue items.
- Computes capital for asset lifetimes or any other time-horizon.
- Easily integrates into the regular loss forecasting process.

### Software Features

- Calibrations and settings controlled by the end-user.
- Validation suite included covers Monte Carlo diagnostics and a full range of results tests.
- Supports investigation of individual scenarios for stress testing and contingency planning purposes.
- Editable watchlist allows users to collect results on specific metrics.
- Software supports multiple CPUs for large-scale processing and consolidation of results.

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STRATEGIC ANALYTICS was founded in 1999 to develop innovative analytical applications for banks and consumer finance companies. The company's lead product is called LookAhead™, a software application giving portfolio managers new capabilities to analyze, forecast and optimize their portfolios under user-defined economic and business scenarios. TrueCapital™ software builds on this capability to bring the full power of distributional analysis to retail portfolio management.