

ON Scenario Analysis

Part of the wider ON Credit Intelligence Suite - enables you to get ahead of risk with dynamic forward-looking scenarios

ON Scenario Analysis provides lenders the ability to run multiple macroeconomic scenarios on their loan book using forward-looking ON Industry Forecasts. Risk professionals get access to immediate and actionable intelligence on the C&I portfolio down to the individual borrower level, enabling you to:

- Run scenarios on your entire loan book without worrying about limited and costly resources, backward-looking data, technology, and modeling capabilities.
- Plan ahead for market changes and formulate targeted risk mitigation strategies to reduce defaults and charge-offs and better manage capital requirements.
- Use early warning indicators to take a proactive approach to portfolio monitoring and adjust your lending and review strategy to gain efficiency without sacrificing credit quality.
- Identify opportunities for growth, even in turbulent economic cycles making your lending process less restrictive, thereby supporting the missing middle in times of stress.

Value proposition:

1 Identify risk in your loan book earlier with scenarios that consider dynamic macroeconomic forces

- Know where risk is coming from and instill peace of mind with OakNorth's default scenarios and the Federal Reserve's Baseline and Severely Adverse scenarios..
- **BASE SCENARIO:** A forward-looking view which considers the impact of prevailing trends in the economy, as well as in specific industries.
- **HIGH NEAR-TERM INFLATION STRESS SCENARIO:** In this scenarios, inflation slows less sharply in the near term than expected. The Federal Reserve continues to follow policy tightening and rate hikes.

20+

MACRO VARIABLES BEHIND OAKNORTH'S SCENARIOS

Use the 20+ macroeconomic variables that regulators recommend to banks to configure your own scenarios. OakNorth conducted market research and consulted US banks and regulatory advisors/leaders to confirm this list of variables.

274

INDUSTRY FORECASTS COVERING 960+ NAICS INDUSTRIES

ON Scenario Analysis provides the insights and information behind the main drivers of risk that impact the sectors and industries in your commercial loan book, empowering you to develop targeted risk mitigation strategies.

DELIVERY OPTIONS

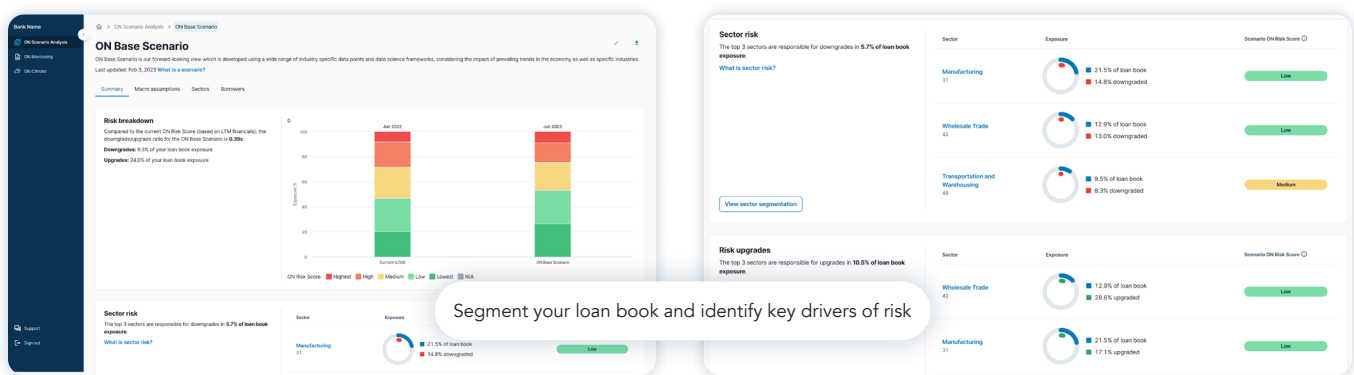
API integration

with direct feed of scenario adjusted financials into banks' internal risk models

Intuitive UI

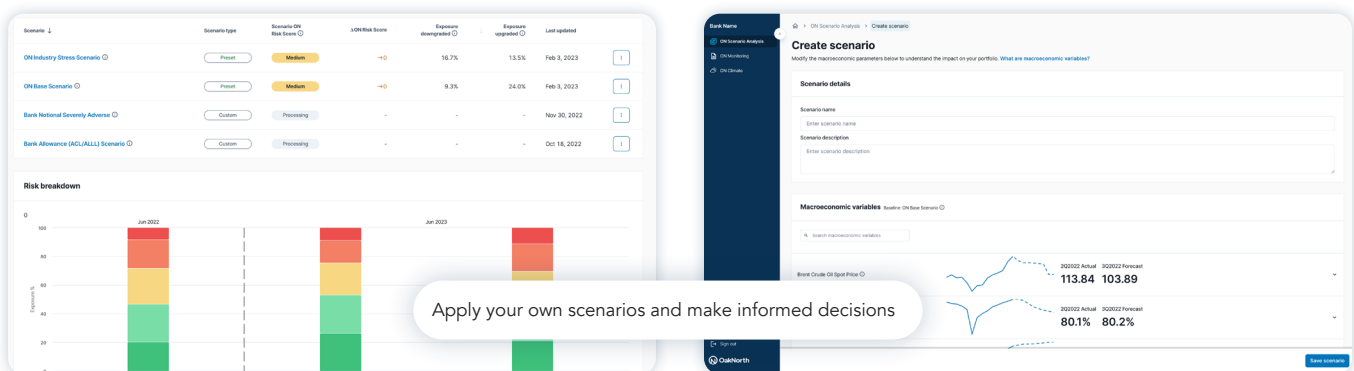
delivering forward-looking industry-level insights to your teams

- **ASSET PRICE CRASH STRESS SCENARIO:** In this scenario, the US economy enters a more severe recession as higher interest rates weigh heavily on house prices and hit business and consumer demand.
- **US FISCAL CUT STRESS SCENARIO:** In this scenario, a potential downside to the US economy stems from a cut to US fiscal policy.
- Analyze the impact of each scenario on your commercial loan book and identify losses early through an intuitive dashboard or API data feed into your existing systems.
- Use ON's forward-looking industry-level forecasts to better understand risk, and layer these onto existing historical analyses which don't consider the changing future macroeconomic environment.
- Improve efficiency by segmenting your loan book by scenario impact and identify the major drivers of risk. Pick up vulnerable borrowers early for detailed review and reduce time spent on performing borrowers.



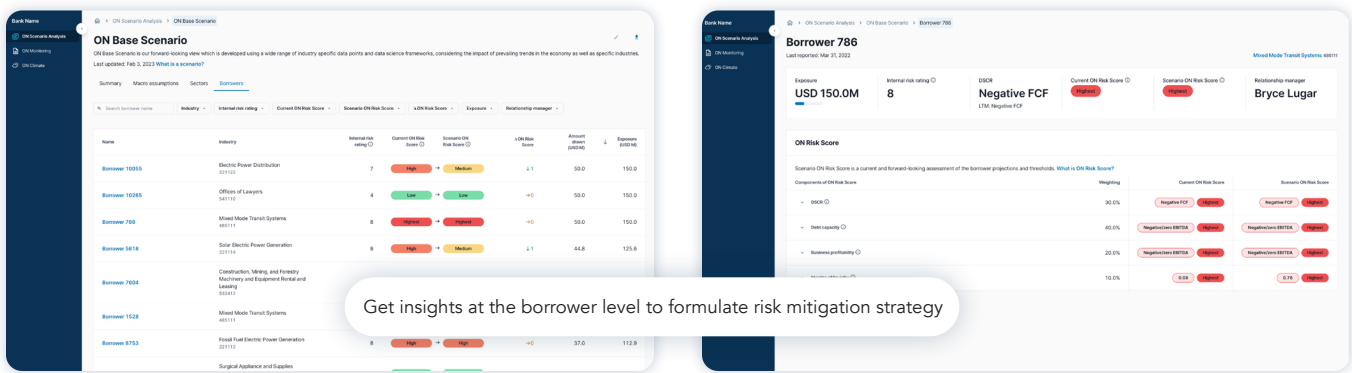
2 Apply your own macro-economic scenarios to ON's granular frameworks to generate a forward-looking view

- Apply scenarios that reflect your internal economic outlook
- Make informed decisions about high-risk, high-opportunity industries, and borrowers in your loan book based on the anticipated macroeconomic shifts.



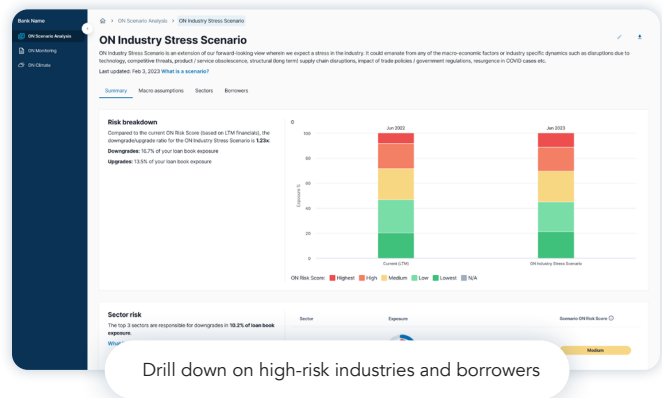
3 Allow your teams to access insights powered by the same data and analysis, from the portfolio down to the borrower level

- Break the silos throughout the credit lifecycle with connected portfolio views.
- Drill up and down, from the overall portfolio and sector level down to the industry (6-digit NAICS code) and borrower level, to better understand the impact each scenario could have on your C&I portfolio.
- Give your teams the data and tools they need to identify the sources of risk and the underlying drivers behind it – enabling you to formulate a targeted risk mitigation strategy for better capital allocation.
- Identify the macroeconomic variables that have the greatest impact on your loan book and the industries and borrowers that contribute the most to changes in performance.



4 Take preventive action to get ahead of market changes and reduce defaults and charge-offs

- ON Scenario Analysis highlights areas of risk for industries and individual borrowers that may not be identified by internal rating models, thus helping you take proactive steps to prevent potential credit deteriorations.
- Identify high-risk industries in your loan book across ONci's and your internal scenarios, investigate further (informed by your internal risk rating view), and make targeted decisions through a nuanced forward-looking view of industry-specific risk.
- Support borrowers better through the cycle with a more detailed forward-looking view of their industry's projected performance.



PROACTIVE FORWARD-LOOKING PORTFOLIO MANAGEMENT

[Request a demo](#)

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