

PRICER TOOL DEVELOPMENT

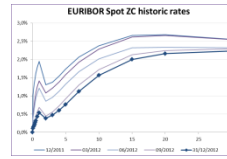
All dummy numbers & graphs for illustrative purposes only

Client Situation

- Belgian insurance companies/groups
- Internal needs to price non liquid asset or highly structured products
- Internal need to challenge Mark-to-Market prices or price estimations coming from counterparties
- Requirement to estimate complex products price under stress testing (SOLVENCY II or other regulatory/internal purpose)
- Need to integrate complex product pricer into existing ALM model

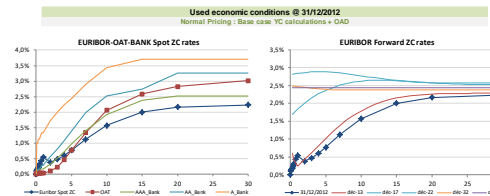
Issues

- Insure market consistency
- Tool should be
 - Easy to understand/use
 - Auditable or validated
 - Operational
 - Integrated
- Addition of price sensitivity to economics indicators



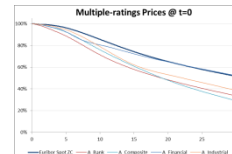
OVERVIEW SUMMARY for deterministic PRICING @ 31/12/2012
Normal Pricing - Base case: YC calculations + OAD

Asset category	DIRTY PRICE		Book Value	ACCRUED INTEREST	EFFECTIVE DURATION (OAD)	DIRTY PRICE		Book Value	ACCRUED INTEREST	EFFECTIVE DURATION (OAD)
	Market-Model	VE				Market-Model	VE			
CMS	22.243.152.893	20.981.003	332.027	4.23						/
Bonds FFP	29.049.585.744	3.400.750	31.017	-0.47						/
Bonds FPN	11.575.541.222	10.668.974	479.484	0.90						/
Bonds										/
TOTAL	36.823.144.719	35.050.727	842.527	2.52						/



DETAILED SUMMARY for deterministic PRICING @ 31/12/2012
Normal Pricing - Base case: YC calculations + OAD

Asset category	S. struct n°	DIRTY PRICE		Book Value	ACCRUED INTEREST	EFFECTIVE DURATION (OAD)	DIRTY PRICE		Book Value	ACCRUED INTEREST	EFFECTIVE DURATION (OAD)
		Market-Model	VE				Market-Model	COM			
CMS	22.243.153	20.981.003	332.027	4.23							/
Struct 02	4.733.973	5.000.000	23.930	0.46							0,00
Struct 04	5.716.887	3.000.000	34.973	5.70							0,00
Struct 05	1.919.525	2.000.000		2,25							0,00
Struct 06	1.912.572	2.000.000	8.653	2,71							0,00
Struct 07	1.632.269	1.000.000	24.247	5,03							0,00
Struct 10	587.516	500.000	5.531	-0,70							0,00
Struct 37	1.137.268	1.000.000	41.607	3,64							0,00
Struct 49	2.214.821	1.981.003	79.180	2,88							0,00
Struct 65	2.439.896	2.000.000	77.811	13,01							0,00
Struct 91	2.140.020	2.000.000	14.247	4,20							0,00
Struct 98	495.597	500.000	21.849	11,16							0,00
0	0	0	0	0,00							0,00
0	0	0	0	0,00							0,00
0	0	0	0	0,00							0,00
0	0	0	0	0,00							0,00
0	0	0	0	0,00							0,00



Reacfin Contribution

- Propose collaboration for model conception and metrics definition
- Selection and classification of products
- Methodological choices for each products class
- Model structuration and implementation
- Model testing and operationalization (incl .doc.)
- Parameters calibration and pre-production tests
- Supporting client company in audit and external review
- Advisory in complex products management

Results & Benefits

- Improved product comprehension
- More transparency and knowledge for products management
- Multiple uses for business or regulatory needs
- More independence with counterparties
- Integration to internal financial reporting system
- Optimal ratio "Complex tool/costs"