

Marketing Communications - For Professional Investors

ENHANCING INVESTMENT PROCESSES USING AI

ENHANCING RETURNS, RISK, QUALITY AND EFFICIENCY

SEPTEMBER 2023



BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world

Strengthening investment processes using AI



Context

- Small loan private credit is a challenging asset class from an operational perspective:
 - Underwriting
 - Monitoring
 - Risk & Compliance requirements
- **AI has risks and challenges:**
 - **Data security? What data is used? Unreliable answers?**
 - **Unfamiliarity? Will my job become obsolete?**



How can AI help?

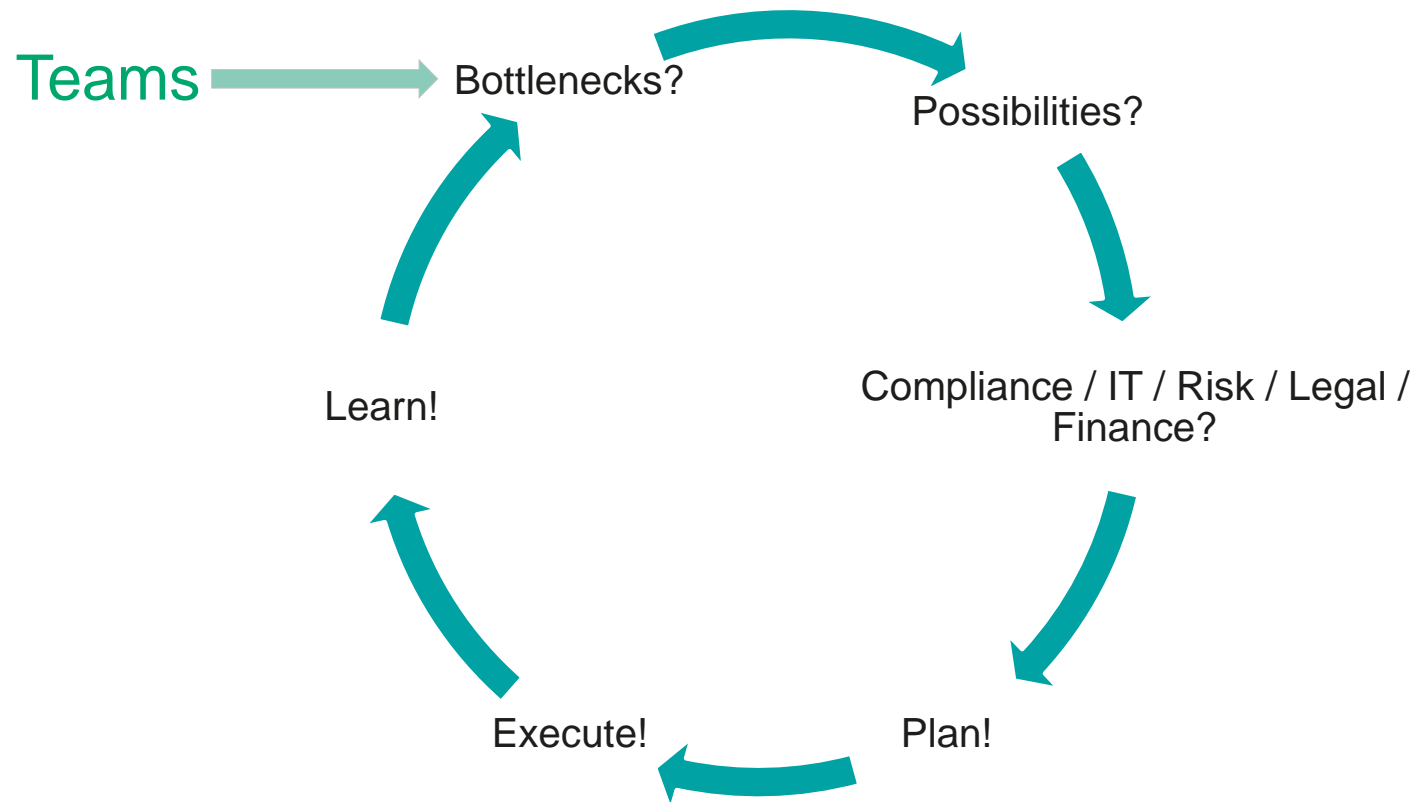
- Large amounts of unstructured data, incl. documents?
 - è Large Language Models can help!
- Complex and large-scale quantitative analysis of loan default prediction?
 - è Machine Learning can help!



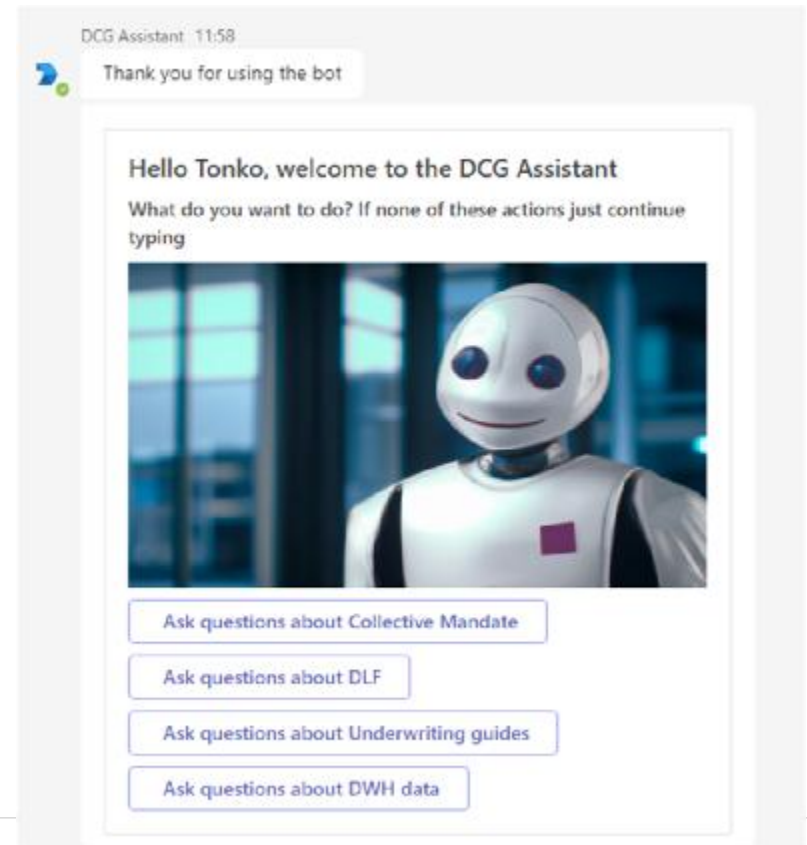
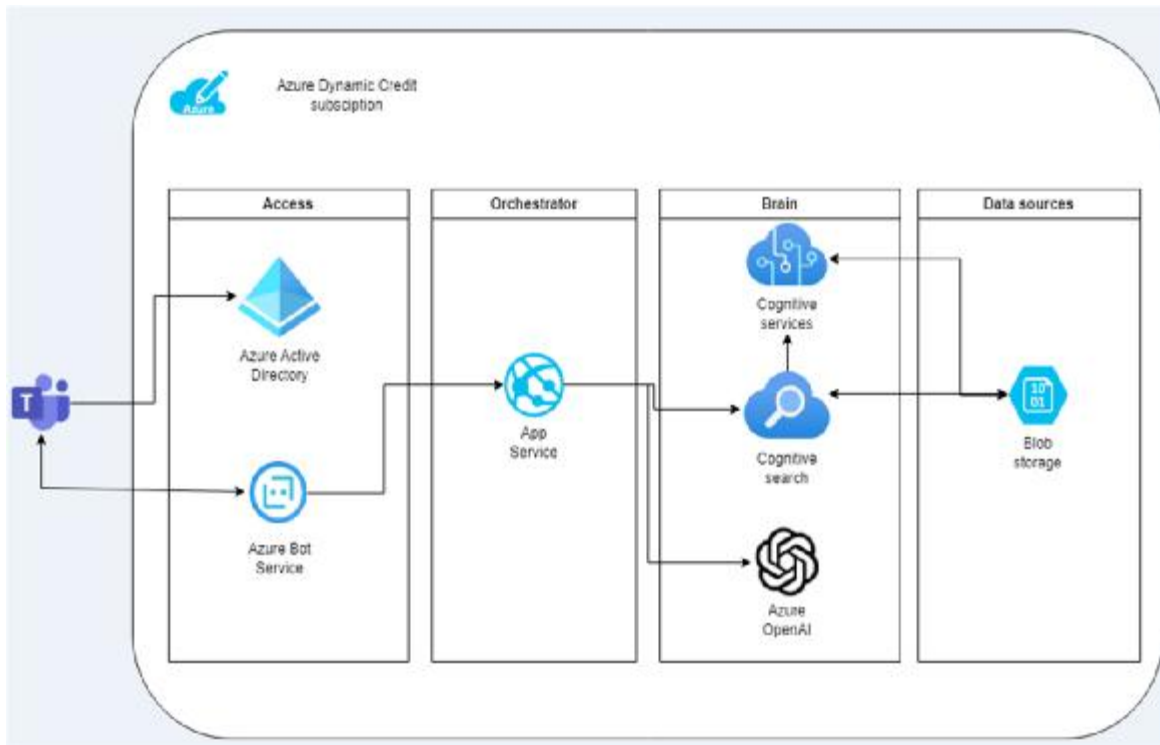
Benefits for:

- Clients: Enhance returns, lower risk
- Employees: Enhance our employee experience
- Company: Quality & Efficiency, we can grow faster without increasing our # FTEs

Bottom-up initiatives, driven by team bottlenecks



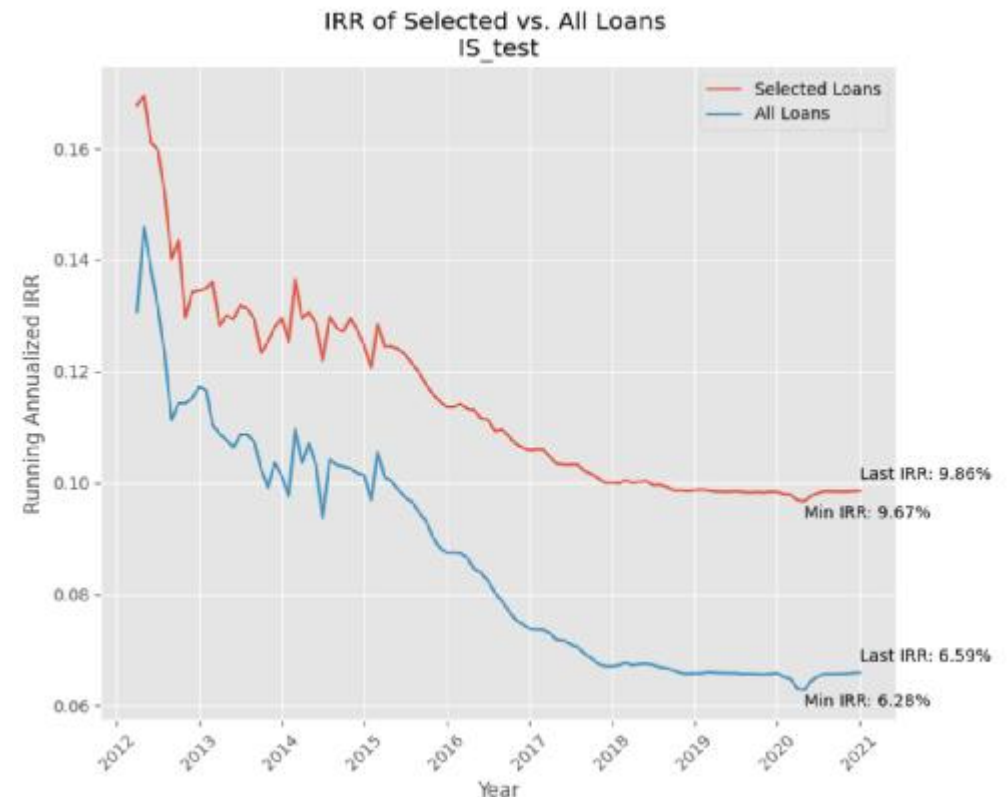
Example: Internal Assistant, interacting with our own documents using AI



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Example: Diversified Loan Strategy, enhancing loan default predictions using AI

- We researched enhancing our US household loan default prediction model by applying neural networks
- We added local macro-economic data to the inputs
- Large data set: millions of US loans, with 20+ attributes, for a 10-year period based in 60 US local macro economies
- Result: our loan selection can be enhanced by using neural network model, increasing projected returns and lowering risk



Source: Dynamic Credit. July 2023.

Conclusions

- Initial results of working with AI look promising
- Important to work on bottom-up bottlenecks identified by the teams
- Bring Compliance / Risk / Legal / IT / Finance in the process early
- Company wide open discussions help creativity and adaptation
- This is probably only the beginning.... Look out for the orchestrator bots!

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APPENDIX

BNPP AM bought majority stake in Dynamic Credit Group



The renowned Dutch specialist Dynamic Credit is part of the BNP Paribas Group, and benefits from BNPP's full support and access to a global client-base

€10bn

Assets under Management

Founded in 2003 Dynamic Credit has €10bn¹ AUM and is based in Amsterdam



Strong investor base

Banks, insurance companies and pension funds (Mainly Dutch)



Extensive experience

Extensive investment experience through several market cycles

BNPP's global client base is bolstered by Dynamic Credit's strengths in this asset class, in particular:



Scalable & flexible

Dynamic Credit's unique origination capacity and investment structuring enables the offering of highly tailored portfolios



Well established track record

Incl. a CEO who pioneered this field and has maintained an outstanding track record of innovation & performance

AUM: assets under management

(1) Source: Dynamic Credit Group, as of June 2023. Trademark, copyright, and other intellectual property rights are and remain the property of their respective owners.

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