



triReduce Energy

Managing credit risk, maximizing value

triReduce Energy offers TriOptima's award-winning multilateral portfolio compression service for OTC energy swaps. Participation is key to managing credit risk and creating some head room in your capital allocation decisions. TriOptima currently runs regular triReduce compression cycles in oil, gas and power swaps in a range of products; coal swap cycles are being planned.

Continuing volatility in the energy markets, a changing regulatory landscape and escalating demands on capital highlight the benefits of energy swap compression activities. As more trading occurs and capital remains scarce, market participants are eager to shed unnecessary inventory while maintaining their trading risk profiles. With triReduce Energy compression, you can reduce your gross positions without changing your net positions. Our compression cycles provide an easy, cost-effective method for maximizing value in your energy swap portfolios.

The benefits of triReduce compression

The energy industry is experiencing significant challenges from market pressures to new regulatory scrutiny. There is industry and management momentum to ensure that the most efficient and "best" practices are in place and operating. Getting rid of unnecessary transaction inventory that does not contribute to your market risk position can yield many benefits especially for trades where the underlying prices are high, credit lines are constrained, collateral demands have escalated, or capital is in demand.

- By tearing up transactions, credit lines are freed up, exposures are redistributed, and bottlenecks that might impede new trading are avoided.
- Our counterparty exposure tools make it easier to manage bilateral risk within collateral thresholds as portfolios are thinned out.
- As transactions are terminated working capital is released and redeployed to support new business opportunities.
- By implementing industry approved best practices, you anticipate future requirements and support new initiatives that improve operational and administrative processes.
- Operational risk and back office costs are directly proportionate to the number of trades. If the trades are terminated so are their risks and their costs.

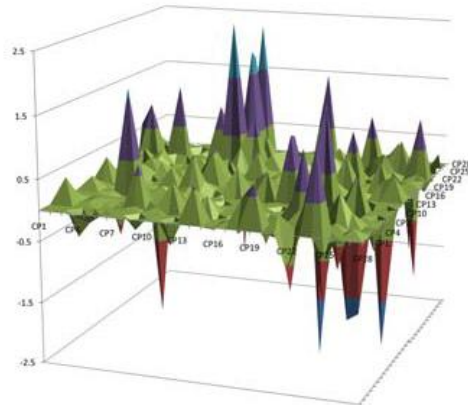
Efficient credit risk management through triReduce compression

In recent years, credit risk management has assumed the highest priority, and regulatory initiatives have focused on improving exposure management. Regular

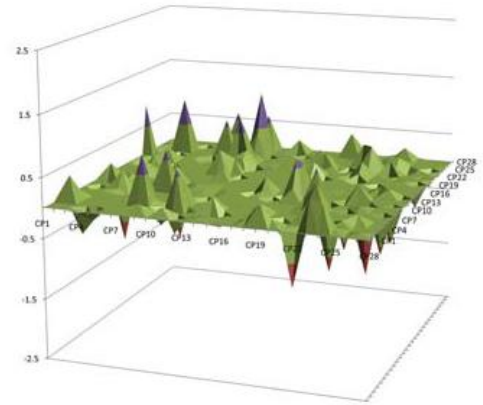


participation in triReduce Energy compression cycles reduces your counterparty exposures overall. But more importantly, as illustrated below, the tolerance-setting stage of the triReduce compression process also enables you to smooth out the peaks and troughs of remaining exposure so that it is distributed efficiently among counterparties.

Counterparty risk **before** triReduce cycle



Counterparty risk **after** triReduce cycle



The triReduce compression process

Participants identify and submit OTC trades against other cycle participants that they would like to eliminate from their books, which TriOptima matches based on economic fields. A market risk neutral unwind proposal is then generated, identifying trades that can be compressed at **each institution's own mid market-to-market values** while still respecting the counterparty credit parameters set by each institution. Once the unwind proposals are accepted by all parties, the trades can be completely eliminated from the books and cease to incur costs, risks and capital.

TriOptima is recognized in the energy markets as an innovator. Previous winner of the Energy Risk Innovation of the Year for its triReduce Energy service, TriOptima continues to expand its activities in energy compression to meet customer needs.

For more information, please contact the TriOptima office nearest you.

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