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A Weissman-type estimator of the conditional marginal expected shortfall

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Abstract

The marginal expected shortfall is an important risk measure in finance and actuarial science, which has been extended recently to the case where the random variables of main interest are observed together with a covariate. This leads to the concept of conditional marginal expected shortfall for which an estimator is proposed allowing extrapolation outside the data range. The main asymptotic properties of this estimator have been established, using empirical processes arguments combined with the multivariate extreme value theory. The finite sample behavior of the proposed estimator is evaluated with a simulation experiment, and the practical applicability is illustrated on vehicle insurance customer data.

Keywords: Conditional marginal expected shortfall, extrapolation, Pareto-type distribution.

1 Introduction

A central topic in actuarial science and finance is the quantification of the risk of a loss variable. This is done by risk measures, the most basic among them is the Value-at-Risk (VaR), defined as the p -quantile of a loss variable Y :

$$Q(p) := \inf\{y : F_Y(y) \geq p\}, \quad p \in (0, 1),$$

where F_Y denotes the distribution function of Y . We refer to Jorion (2007) for a review. The main drawbacks of VaR are that it does not take the loss above this p -quantile into consideration and it is not a coherent risk measure (Artzner et al., 1999). Recently, the conditional tail expectation (CTE), defined as

$$CTE(p) = \mathbb{E}(Y|Y > Q(p)), \quad p \in (0, 1),$$

became a popular alternative to Value-at-Risk. It is more conservative than VaR and it is also a coherent risk measure. This measure has been extensively studied in the literature, see, e.g.,

Artzner et al (1999), Cai and Tan (2007) and Brazauskas et al. (2008). The conditional tail expectation has also been extended to the multivariate context, leading to the concept of the marginal expected shortfall (MES). For a pair of risk factors $(Y^{(1)}, Y^{(2)})$, the marginal expected shortfall is defined as

$$\theta_p = \mathbb{E}(Y^{(1)} | Y^{(2)} > Q_2(1 - p)), \quad p \in (0, 1),$$

where Q_2 denotes the quantile function of risk factor $Y^{(2)}$. This measure was introduced by Archarya et al. (2010), to measure the contribution of a financial firm to an overall systemic risk. For a financial firm, the MES is defined as its short-run expected equity loss conditional on the market taking a loss greater than its VaR. Cai et al. (2015) studied the MES in a bivariate extreme value framework, and proposed an estimator for it when the $Y^{(2)}$ quantile is extreme, i.e., when $p < 1/n$, where n is the sample size, leading to extrapolations outside the data range. We also refer to Landsman and Valdez (2003), Cai and Li (2005), Bargès *et al.* (2009), Cousin and Di Bernardino (2013), Di Bernardino and Prieur (2018), Das and Fasen-Hartmann (2018, 2019).

Recently, Goegebeur et al. (2020) have considered the estimation of the marginal expected shortfall, but this time in case where the random variables of main interest $(Y^{(1)}, Y^{(2)})$ are recorded together with a random covariate $X \in \mathbb{R}^d$. This leads to the concept of conditional marginal expected shortfall, given $X = x_0$, and defined as

$$\theta_p(x_0) = \mathbb{E} \left[Y^{(1)} \middle| Y^{(2)} \geq Q_{Y^{(2)}}(1 - p | x_0); X = x_0 \right].$$

In the sequel, we will denote by $F_j(\cdot|x)$ the continuous conditional distribution function of $Y^{(j)}$, $j = 1, 2$, given $X = x$, and use the notation $\bar{F}_j(\cdot|x)$ for the conditional survival function and $U_j(\cdot|x)$ for the associated tail quantile function defined as $U_j(\cdot|x) = \inf\{y : F_j(y|x) \geq 1 - 1/\cdot\}$. Also, we will define by f_X the density function of the covariate X and by x_0 a reference position such that $x_0 \in \text{Int}(S_X)$, the interior of the support $S_X \subset \mathbb{R}^d$ of f_X , which is assumed to be non-empty. Considering $(Y_i^{(1)}, Y_i^{(2)}, X_i)$, $i = 1, \dots, n$, independent copies of $(Y^{(1)}, Y^{(2)}, X)$, Goegebeur et al. (2020) proposed the following nonparametric estimator for $\theta_{k/n}(x_0)$

$$\bar{\theta}_{\frac{k}{n}}(x_0) := \frac{\frac{1}{k} \sum_{i=1}^n K_{h_n}(x_0 - X_i) Y_i^{(1)} \mathbb{1}_{\{Y_i^{(2)} \geq \hat{U}_2(n/k|x_0)\}}}{\hat{f}_n(x_0)},$$

where $K_{h_n}(\cdot) := K(\cdot/h_n)/h_n^d$, with K a joint density function on \mathbb{R}^d , k an intermediate sequence such that $k \rightarrow \infty$ with $k/n \rightarrow 0$, h_n a positive non-random sequence of bandwidths with $h_n \rightarrow 0$ if $n \rightarrow \infty$, $\mathbb{1}_A$ the indicator function on the event A , and $\hat{f}_n(x_0) := (1/n) \sum_{i=1}^n K_{h_n}(x_0 - X_i)$ is a classical kernel density estimator. Here, $\hat{U}_2(\cdot|x_0)$ is an estimator for $U_2(\cdot|x_0)$, defined as $\hat{U}_2(\cdot|x_0) := \inf\{y : \hat{F}_{n,2}(y|x_0) \geq 1 - 1/\cdot\}$ where

$$\hat{F}_{n,2}(y|x_0) := \frac{\frac{1}{n} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \mathbb{1}_{\{Y_i^{(2)} \leq y\}}}{\hat{f}_n(x_0)}. \quad (1)$$

The asymptotic behavior of $\bar{\theta}_{k/n}(x_0)$ has been established by Goegebeur et al. (2020) and is recalled in Theorem 5.1 in Section 5. Due to the conditions $k, n \rightarrow \infty$ with $k/n \rightarrow 0$, the $Y^{(2)}$ -quantile is intermediate, and thus the estimator $\bar{\theta}_{k/n}(x_0)$ cannot be used for extrapolation outside the $Y^{(2)}$ -data range. Extrapolation is relevant for practical data analysis, since often we want to go beyond the range of the available data. With a classical empirical estimator like $\bar{\theta}_p(x_0)$ where $p < 1/n$ this is not possible, as it would always lead to the trivial estimate of zero. The aim of this paper is to solve this issue and to define a new estimator which allows extrapolation and thus which is valid for $p < 1/n$.

The Value-at-Risk and conditional tail expectation mentioned above have also been studied in an extreme value framework with random covariates. As for the estimation of extreme conditional quantiles we refer to Daouia et al. (2011, 2013). In El Methni et al. (2014), for the framework of heavy-tailed distributions, the conditional tail expectation was generalised to the conditional tail moment, and estimators were introduced for the situation where the variable of main interest Y was observed together with a random covariate X . This work was extended to the general max-domain of attraction in El Methni et al. (2018).

The remainder of the paper is organized as follows. In Section 2, we introduce our estimator for the conditional marginal expected shortfall allowing extrapolation and we establish its main asymptotic properties. The efficiency of our estimator is examined with a small simulation study in Section 3. Finally, in Section 4 we illustrate the performance of our estimator on vehicle insurance customer data. Some preliminary results are given in Section 5, whereas the proofs of the main results are postponed to Section 6.

2 Estimator and asymptotic properties

We assume that $Y^{(1)}$ and $Y^{(2)}$ are positive random variables, and that they follow a conditional Pareto-type model. Let RV_ψ denote the class of regularly varying functions at infinity with index ψ , i.e., positive measurable functions f satisfying $f(tx)/f(t) \rightarrow x^\psi$, as $t \rightarrow \infty$, for all $x > 0$. If $\psi = 0$, then we call f a slowly varying function at infinity.

Assumption (D) For all $x \in S_X$, the conditional survival function of $Y^{(j)}$, $j = 1, 2$, given $X = x$, satisfies

$$\bar{F}_j(y|x) = A_j(x)y^{-1/\gamma_j(x)} \left(1 + \frac{1}{\gamma_j(x)} \delta_j(y|x) \right),$$

where $A_j(x) > 0$, $\gamma_j(x) > 0$, and $|\delta_j(\cdot|x)|$ is normalized regularly varying at infinity with index $-\beta_j(x)$, $\beta_j(x) > 0$, i.e.,

$$\delta_j(y|x) = B_j(x) \exp \left(\int_1^y \frac{\varepsilon_j(u|x)}{u} du \right),$$

with $B_j(x) \in \mathbb{R}$ and $\varepsilon_j(y|x) \rightarrow -\beta_j(x)$ as $y \rightarrow \infty$. Moreover, we assume $y \rightarrow \varepsilon_j(y|x)$ to be a continuous function.

Clearly, Assumption (\mathcal{D}) implies that $U_j(\cdot|x), j = 1, 2$, satisfy

$$U_j(y|x) = [A_j(x)]^{\gamma_j(x)} y^{\gamma_j(x)} (1 + a_j(y|x)), \quad (2)$$

where $a_j(y|x) = \delta_j(U_j(y|x)|x)(1 + o(1))$, and thus $|a_j(\cdot|x)| \in RV_{-\beta_j(x)\gamma_j(x)}$.

Now, to estimate $\theta_p(x_0)$ it is required to impose an assumption on the right-hand upper tail dependence of $(Y^{(1)}, Y^{(2)})$, conditional on a value of the covariate X . Let $R_t(y_1, y_2|x) := t\mathbb{P}(\bar{F}_1(Y^{(1)}|x) \leq y_1/t, \bar{F}_2(Y^{(2)}|x) \leq y_2/t | X = x)$.

Assumption (\mathcal{R}) For all $x \in S_X$ we have as $t \rightarrow \infty$

$$R_t(y_1, y_2|x) \rightarrow R(y_1, y_2|x),$$

uniformly in $y_1, y_2 \in (0, T]$, for any $T > 0$, and in $x \in B(x_0, r)$, for any $r > 0$.

Assuming (\mathcal{D}) with $\gamma_1(x_0) < 1$ and (\mathcal{R}) , one can show (see Cai et al., 2015, Proposition 1) that

$$\lim_{p \rightarrow 0} \frac{\theta_p(x_0)}{U_1(1/p|x_0)} = - \int_0^\infty R(s, 1|x_0) ds^{-\gamma_1(x_0)},$$

from which the following approximation can be deduced

$$\theta_p(x_0) \sim \frac{U_1(1/p|x_0)}{U_1(n/k|x_0)} \theta_{\frac{k}{n}}(x_0) \sim \left(\frac{k}{np}\right)^{\gamma_1(x_0)} \theta_{\frac{k}{n}}(x_0).$$

Thus, to estimate $\theta_p(x_0)$, we need first to estimate $\gamma_1(x_0)$. We propose the following estimator

$$\hat{\gamma}_{1, k_1}(x_0) := \frac{\frac{1}{k_1} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \left(\ln Y_i^{(1)} - \ln \hat{U}_1(n/k_1|x_0) \right) \mathbb{1}_{\{Y_i^{(1)} \geq \hat{U}_1(n/k_1|x_0)\}}}{\hat{f}_n(x_0)}, \quad (3)$$

based on an intermediate sequence k_1 such that $k_1 \rightarrow \infty$ with $k_1/n \rightarrow 0$. This sequence may be different from k , the one used in the estimator $\bar{\theta}_{\frac{k}{n}}(x_0)$, but the two sequences are linked together (see Theorem 2.2 below). On the contrary, for convenience, we use the same bandwidth h_n and kernel K for both the estimation of $\gamma_1(x_0)$ and $\theta_p(x_0)$. Note that $\hat{\gamma}_{1, k_1}(x_0)$ is a local version of the Hill estimator (Hill, 1975) from the univariate extreme value context.

Now, we are able to define a Weissman-type estimator for $\theta_p(x_0)$, given by

$$\hat{\theta}_p(x_0) = \left(\frac{k}{np}\right)^{\hat{\gamma}_{1, k_1}(x_0)} \bar{\theta}_{\frac{k}{n}}(x_0).$$

Our aim in this paper is to establish the asymptotic behavior of $\hat{\theta}_p(x_0)$, which requires the asymptotic behavior of $\hat{\gamma}_{1, k_1}(x_0)$ in terms of the process on which the estimator $\bar{\theta}_{\frac{k}{n}}(x_0)$ is based on (see Theorem 5.1 in Section 5). To reach this goal, some assumptions due to the regression context are required. In particular, $f_X(\cdot)$, $R(y_1, y_2|\cdot)$ and the functions appearing in $\bar{F}_j(y|\cdot), j = 1, 2$,

are assumed to satisfy the following Hölder conditions. Let $\|\cdot\|$ denote some norm on \mathbb{R}^d .

Assumption (H) *There exist positive constants M_{f_X} , M_R , M_{A_j} , M_{γ_j} , M_{B_j} , M_{ε_j} , η_{f_X} , η_R , η_{A_j} , η_{γ_j} , η_{B_j} , η_{ε_j} , where $j = 1, 2$, and $\beta > \gamma_1(x_0)$, such that for all $x, z \in S_X$:*

$$\begin{aligned} |f_X(x) - f_X(z)| &\leq M_{f_X} \|x - z\|^{\eta_{f_X}}, \\ \sup_{y_1 > 0, \frac{1}{2} \leq y_2 \leq 2} \frac{|R(y_1, y_2|x) - R(y_1, y_2|z)|}{y_1^\beta \wedge 1} &\leq M_R \|x - z\|^{\eta_R}, \\ |A_j(x) - A_j(z)| &\leq M_{A_j} \|x - z\|^{\eta_{A_j}}, \\ |\gamma_j(x) - \gamma_j(z)| &\leq M_{\gamma_j} \|x - z\|^{\eta_{\gamma_j}}, \\ |B_j(x) - B_j(z)| &\leq M_{B_j} \|x - z\|^{\eta_{B_j}}, \end{aligned}$$

and

$$\sup_{y \geq 1} |\varepsilon_j(y|x) - \varepsilon_j(y|z)| \leq M_{\varepsilon_j} \|x - z\|^{\eta_{\varepsilon_j}}.$$

We also impose a condition on the kernel function K , which is a standard condition in local estimation.

Assumption (K) *K is a bounded density function on \mathbb{R}^d , with support S_K included in the unit ball in \mathbb{R}^d , with respect to the norm $\|\cdot\|$.*

Our first aim, now, is to show the weak convergence, denoted \rightsquigarrow , of the process based on $\hat{\gamma}_{1, k_1}(x_0)$, but in terms of the same process as the one used in Theorem 2.3 from Goegebeur et al. (2020).

Theorem 2.1 *Assume (D), (H), (K), $x_0 \in \text{Int}(S_X)$ with $f_X(x_0) > 0$, and $y \rightarrow F_1(y|x_0)$, is strictly increasing. Consider sequences $k_1 \rightarrow \infty$ and $h_n \rightarrow 0$ as $n \rightarrow \infty$, in such a way that $k_1/n \rightarrow 0$, $k_1 h_n^d \rightarrow \infty$, $h_n^{\eta_{\varepsilon_1}} \ln n / k_1 \rightarrow 0$, $\sqrt{k_1 h_n^d} h_n^{\eta_{f_X} \wedge \eta_{A_1}} \rightarrow 0$, $\sqrt{k_1 h_n^d} h_n^{\eta_{\gamma_1}} \ln n / k_1 \rightarrow 0$, $\sqrt{k_1 h_n^d} |\delta_1(U_1(n/k_1|x_0)|x_0)| \rightarrow 0$. Then we have,*

$$\sqrt{k_1 h_n^d} (\hat{\gamma}_{1, k_1}(x_0) - \gamma_1(x_0)) \rightsquigarrow \frac{\gamma_1(x_0)}{f_X(x_0)} \left[\int_0^1 W(z, \infty) \frac{1}{z} dz - W(1, \infty) \right],$$

where $W(z, \infty)$ is a zero centered Gaussian process with covariance function

$$\mathbb{E}(W(z, \infty)W(\bar{z}, \infty)) = \|K\|_2^2 f_X(x_0) (z \wedge \bar{z}),$$

with $\|K\|_2 := \sqrt{\int_{\mathbb{R}^d} K^2(u) du}$.

Note that the variance of the limiting distribution of $\hat{\gamma}_{1, k_1}(x_0)$, after normalization, is given by $\gamma_1^2(x_0) \|K\|_2^2 / f_X(x_0)$, compared to an asymptotic variance of γ_1^2 for the Hill estimator in the univariate context.

Before stating the weak convergence of $\hat{\theta}_p(x_0)$, we need to introduce a second order condition, usual in the extreme value context.

Assumption (S). *There exist $\beta > \gamma_1(x_0)$ and $\tau < 0$ such that, as $t \rightarrow \infty$*

$$\sup_{x \in B(x_0, r)} \sup_{y_1 > 0, \frac{1}{2} \leq y_2 \leq 2} \frac{|R_t(y_1, y_2|x) - R(y_1, y_2|x)|}{y_1^\beta \wedge 1} = O(t^\tau),$$

for any $r > 0$.

Our final result is now the following.

Theorem 2.2 *Assume (D), (H), (K), (S) with $x \rightarrow R(y_1, y_2|x)$ being a continuous function, and $y \rightarrow F_j(y|x_0)$, $j = 1, 2$, are strictly increasing. Let $x_0 \in \text{Int}(S_X)$ such that $f_X(x_0) > 0$. Consider sequences $k = \lfloor n^\alpha \ell_1(n) \rfloor$, $k_1 = \lfloor n^{\alpha_1} \ell_2(n) \rfloor$ and $h_n = n^{-\Delta} \ell_3(n)$, where ℓ_1, ℓ_2 and ℓ_3 are slowly varying functions at infinity, with $\alpha \in (0, 1)$ and*

$$\alpha \leq \alpha_1 < \min \left(\frac{\alpha}{d} [d + 2(\eta_{f_X} \wedge \eta_{A_1} \wedge \eta_{\gamma_1})], \frac{\alpha + 2\gamma_1(x_0)\beta_1(x_0)}{1 + 2\gamma_1(x_0)\beta_1(x_0)} \right),$$

and

$$\begin{aligned} & \max \left(\frac{\alpha}{d + 2\gamma_1(x_0)(\eta_R \wedge \eta_{A_1} \wedge \eta_{\gamma_1})}, \frac{\alpha}{d + 2(1 - \gamma_1(x_0))(\eta_{A_2} \wedge \eta_{\gamma_2} \wedge \eta_{B_2} \wedge \eta_{\varepsilon_2} \wedge \eta_{f_X})}, \right. \\ & \frac{\alpha}{d} - \frac{2(1 - \alpha)\gamma_1^2(x_0)\beta_1(x_0)}{d + d(\beta_1(x_0) + \varepsilon)\gamma_1(x_0)}, \frac{\alpha - 2(1 - \alpha)(\gamma_1(x_0) \wedge (\beta_2(x_0)\gamma_2(x_0)) \wedge (-\tau))}{d}, \\ & \left. \frac{\alpha_1}{d + 2(\eta_{f_X} \wedge \eta_{A_1} \wedge \eta_{\gamma_1})}, \frac{\alpha_1 - 2(1 - \alpha_1)\gamma_1(x_0)\beta_1(x_0)}{d} \right) < \Delta < \frac{\alpha}{d}. \end{aligned}$$

Then, for $\gamma_1(x_0) < 1/2$ and p satisfying $p \leq \frac{k}{n}$ such that $\frac{\ln k/(np)}{\sqrt{k_1 h_n^d}} \rightarrow 0$ and $\sqrt{\frac{k}{k_1}} \ln \frac{k}{np} \rightarrow r \in [0, \infty]$, we have

$$\begin{aligned} & \min \left(\sqrt{kh_n^d}, \frac{\sqrt{k_1 h_n^d}}{\ln k/(np)} \right) \left(\frac{\hat{\theta}_p(x_0)}{\theta_p(x_0)} - 1 \right) \\ & \rightsquigarrow \min(r, 1) \frac{\gamma_1(x_0)}{f_X(x_0)} \left(\int_0^1 W(y, \infty) \frac{1}{y} dy - W(1, \infty) \right) \\ & + \min \left(1, \frac{1}{r} \right) \left\{ -(1 - \gamma_1(x_0)) \frac{W(\infty, 1)}{f_X(x_0)} + \frac{1}{f_X(x_0)} \frac{\int_0^\infty W(y, 1) dy^{-\gamma_1(x_0)}}{\int_0^\infty R(y, 1|x_0) dy^{-\gamma_1(x_0)}} \right\}, \end{aligned}$$

where $W(y_1, y_2)$ is a zero centered Gaussian process with covariance function

$$\mathbb{E}(W(y_1, y_2)W(\bar{y}_1, \bar{y}_2)) = \|K\|_2^2 f_X(x_0) R(y_1 \wedge \bar{y}_1, y_2 \wedge \bar{y}_2|x_0),$$

$W(y, \infty)$ is the limiting process of Theorem 2.1, and $W(\infty, y)$ is a zero centered Gaussian process with covariance function

$$\mathbb{E}(W(\infty, y)W(\infty, \bar{y})) = \|K\|_2^2 f_X(x_0)(y \wedge \bar{y}).$$

The variance of the limiting random variable in Theorem 2.2, denoted \mathbb{W} , is given by

$$\begin{aligned} \text{Var}(\mathbb{W}) = & \frac{\|K\|_2^2}{f_X(x_0)} \left\{ (\min(r, 1))^2 \gamma_1^2(x_0) \right. \\ & + \left(\min\left(1, \frac{1}{r}\right) \right)^2 \left[\gamma_1^2(x_0) - 1 - c^2 \int_0^\infty R(s, 1|x_0) ds^{-2\gamma_1(x_0)} \right] \\ & + 2 \min\left(r, \frac{1}{r}\right) \gamma_1(x_0) \left[(1 - \gamma_1(x_0) + c) R(1, 1|x_0) \right. \\ & \left. \left. - \int_0^1 \left(1 - \gamma_1(x_0) + cs^{-\gamma_1(x_0)}(1 - \gamma_1(x_0) - \gamma_1(x_0) \ln s)\right) \frac{R(s, 1|x_0)}{s} ds \right] \right\}, \quad (4) \end{aligned}$$

where $c := (\int_0^\infty R(s, 1|x_0) ds^{-\gamma_1(x_0)})^{-1}$.

3 Simulation experiment

In this section, we illustrate the finite-sample performance of our conditional marginal expected shortfall estimator with a simulation experiment. To this aim, we consider the three models already used in Goegebeur et al. (2020), but this time in the case where $p < 1/n$, i.e., allowing extrapolation outside the $Y^{(2)}$ -data range. These models are the following:

Model 1: The conditional logistic copula model, defined as

$$C(u_1, u_2|x) = e^{-[(-\ln u_1)^x + (-\ln u_2)^x]^{1/x}}, \quad u_1, u_2 \in [0, 1], \quad x \geq 2. \quad (5)$$

In this model, X is uniformly distributed on the interval $[2, 10]$, and the marginal distribution functions of $Y^{(1)}$ and $Y^{(2)}$ are Fréchet distributions:

$$F_j(y) = e^{-y^{-1/\gamma_j}}, \quad y > 0,$$

$j = 1, 2$. We set $\gamma_1 = 0.25$ and $\gamma_2 = 0.5$. It can be shown that this model satisfies Assumption (S) with $R(y_1, y_2|x) = y_1 + y_2 - (y_1^x + y_2^x)^{1/x}$, $\tau = -1$ and $\beta = 1 - \varepsilon$ for some small $\varepsilon > 0$.

Model 2: The conditional distribution of $(Y^{(1)}, Y^{(2)})$ given $X = x$ is that of

$$(|Z_1|^{\gamma_1(x)}, |Z_2|^{\gamma_2(x)}),$$

where (Z_1, Z_2) follow a bivariate standard Cauchy distribution with density function

$$f(z_1, z_2) = \frac{1}{2\pi} (1 + z_1^2 + z_2^2)^{-3/2}, \quad (z_1, z_2) \in \mathbb{R}^2.$$

Here, X is uniformly distributed on $[0, 1]$ and

$$\begin{aligned} \gamma_1(x) &= 0.4 [0.1 + \sin(\pi x)] \left[1.1 - 0.5e^{-64(x-0.5)^2} \right], \\ \gamma_2(x) &= 0.1 + 0.1x. \end{aligned}$$

Again, Assumption (\mathcal{S}) is satisfied for this model with $R(y_1, y_2|x) = y_1 + y_2 - \sqrt{y_1^2 + y_2^2}$, $\tau = -1$ and $\beta = 2$ (see, e.g., Cai et al., 2015, in the context without covariates).

Model 3: We consider again the conditional logistic copula model defined in (5) but this time with conditional Burr distributions for the marginal distribution functions of $Y^{(1)}$ and $Y^{(2)}$, i.e.,

$$F_j(y|x) = 1 - \left(\frac{\beta_j}{\beta_j + y^{\tau_j(x)}} \right)^{\lambda_j}, \quad y > 0; \quad \beta_j, \lambda_j, \tau_j(x) > 0,$$

$j = 1, 2$. We set $\beta_1 = \beta_2 = 1$, $\lambda_1 = 1$, $\lambda_2 = 0.5$, and

$$\tau_1(x) = 2e^{0.2x}, \quad \tau_2(x) = 8/\sin(0.3x).$$

Similarly to Model 1, this model satisfies (\mathcal{S}) .

Note that for all these models, Assumption (\mathcal{D}) is satisfied since all the marginal conditional distributions are standard examples from this class of heavy-tailed distributions (see, e.g., Beirlant et al., 2009, Table 1), and Assumption (\mathcal{H}) also holds.

We simulate 500 datasets of size $n = 500$ and 1000 from each model. For each sample, we compute $\hat{\theta}_p(x_0)$ for two different values of p : $1/(2n)$ and $1/(5n)$, and three different sets of values of the covariate position x_0 : $\{3, 5, 7\}$ for Model 1 and Model 3, and $\{0.3, 0.5, 0.8\}$ for Model 2.

Concerning the kernel function K , we use the bi-quadratic function

$$K(x) = \frac{15}{16}(1 - x^2)^2 \mathbb{1}_{\{x \in [-1, 1]\}},$$

for both the estimation of $\hat{\gamma}_{1, k_1}(x_0)$ and $\bar{\theta}_{k/n}(x_0)$. This kernel function clearly satisfies Assumption (\mathcal{K}) . To compute these estimators, we need also to select a bandwidth h_n . To this aim, we use the cross-validation procedure introduced by Yao (1999), and already used in the extreme value framework by Daouia et al. (2011, 2013) and Escobar-Bach et al. (2018a), and defined as:

$$h_{cv} := \operatorname{argmin}_{h_n \in \mathcal{H}} \sum_{i=1}^n \sum_{j=1}^n \left(\mathbb{1}_{\{Y_i^{(2)} \leq Y_j^{(2)}\}} - \hat{F}_{n, h_n, 2, -i}(Y_j^{(2)} | X_i) \right)^2, \quad (6)$$

where \mathcal{H} is the grid of values defined as $R_X \times \{0.05, 0.10, \dots, 0.30\}$, with R_X the range of the covariate X , and

$$\hat{F}_{n, h_n, 2, -i}(y|x) := \frac{\sum_{k=1, k \neq i}^n K_{h_n}(x - X_k) \mathbb{1}_{\{Y_k^{(2)} \leq y\}}}{\sum_{k=1, k \neq i}^n K_{h_n}(x - X_k)}.$$

Concerning the choice of the sequence k_1 in the estimation of $\gamma_1(x_0)$, a graphical assessment is used. The retained value of k_1 corresponds to the smallest value of k after which the median of the estimates $\hat{\gamma}_{1, k}(x_0)$ over the 500 replications exhibit a stable part. This choice is common in

extreme value theory where we search at a plateau of an extreme value estimator as a function of the intermediate sequence.

Figures 1 to 6 display the boxplots of the ratios between the estimates $\hat{\theta}_p(x_0)$ and the true value $\theta_p(x_0)$ based on the 500 replications for the different values of x_0 (corresponding to the rows) and the two sample sizes (corresponding to the columns: $n = 500$ on the left, $n = 1000$ on the right). Figures 1 and 2 correspond to Model 1 for $p = 1/(2n)$ and $1/(5n)$, respectively. Similarly, Figures 3 and 4 correspond to Model 2, and Figures 5 and 6 to Model 3.

Based on these simulations, we can draw the following conclusions:

- Our estimator $\hat{\theta}_p(x_0)$ performs quite well in all the situations, although its efficiency depends obviously on the model and also on the covariate position. This is expected because as is clear from our models, the marginal distributions in Model 1 do not depend on the covariates but the dependence structure does. On the contrary, the dependence structure in Model 2 does not depend on the covariate but the marginal distributions depend on x_0 , and in Model 3 both of them depend on x_0 . Thus, Model 1 is less challenging than the two other models;
- Note that the estimation in Model 2 is difficult and depends a lot on the value of the covariate. This can be explained by the fact that the plot of $\gamma_1(x)$ as a function of x exhibits two local maxima, one of which being close to 0.3, and a local minimum at 0.5. Thus, we get an underestimation of $\theta_p(x_0)$ near the local maxima and an overestimation of $\theta_p(x_0)$ near the local minima, due to the local nature of the estimation. Outside these neighborhoods, the estimation is without bias. This is the case for $x_0 = 0.8$. Note also that sometimes a local bandwidth instead of a global one as in (6) can give better results, especially at covariate positions where the function $\gamma_1(x)$ changes quickly;
- As expected, the smaller p is, the more difficult is the estimation, due to an important extrapolation outside the $Y^{(2)}$ -data range. This results in an increase of the variability of the estimates. Note that the values $p = 1/(2n)$ and $p = 1/(5n)$ correspond to quite severe extrapolations since the estimation is done locally, and the local number of observations is much smaller than n .

Next, we investigate in Table 1 the coverage probabilities of the pointwise 95% confidence intervals for $\theta_p(x_0)$, based on a log-scale version of Theorem 2.2, namely for

$$\min \left(\sqrt{kh_n^d}, \frac{\sqrt{k_1 h_n^d}}{\ln k/(np)} \right) \ln \frac{\hat{\theta}_p(x_0)}{\theta_p(x_0)},$$

which has the same limiting distribution as in Theorem 2.2, and this for the three models with their different values of x_0 , and three values for p : $1/n, 1/(2n)$ and $1/(5n)$. These confidence

intervals are given by

$$\left[\frac{\hat{\theta}_p(x_0)}{\exp \left\{ \Phi^{-1} \left(1 - \frac{\alpha}{2} \right) \frac{\sqrt{\widehat{\text{Var}}(\mathbb{W})}}{a_n} \right\}}, \frac{\hat{\theta}_p(x_0)}{\exp \left\{ -\Phi^{-1} \left(1 - \frac{\alpha}{2} \right) \frac{\sqrt{\widehat{\text{Var}}(\mathbb{W})}}{a_n} \right\}} \right], \quad (7)$$

where $a_n := \min(\sqrt{k h_n^d}, \sqrt{k_1 h_n^d} / (\ln k / (np)))$, Φ^{-1} denotes the standard normal quantile function and $\widehat{\text{Var}}(\mathbb{W})$ is an estimate for the asymptotic variance given in (4), obtained by using the local Hill estimate (3) for $\gamma_1(x_0)$ and the following estimate for $R(y_1, y_2|x_0)$:

$$\hat{R}(y_1, y_2|x_0) = \frac{\frac{1}{k} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \mathbb{1}_{\{\hat{F}_{n,1}(Y_i^{(1)}|X_i) \leq \frac{k}{n} y_1, \hat{F}_{n,2}(Y_i^{(2)}|X_i) \leq \frac{k}{n} y_2\}}}{\hat{f}_n(x_0)}, \quad (8)$$

where $\hat{F}_{n,1}$ is a kernel estimator for F_1 , of the same form as $\hat{F}_{n,2}$ given in (1). Note that this estimator (8) can be viewed as an adjusted version of the estimator proposed in the context of estimation of the conditional stable tail dependence function by Escobar-Bach et al. (2018b). Remark also that we use here the log-scale version of Theorem 2.2 as suggested by Drees (2003) since it improves the coverage probabilities. This can be explained by the fact that the normal approximation of $\log(\hat{\theta}_p(x_0)/\theta_p(x_0))$ is more accurate than the one of $\hat{\theta}_p(x_0)/\theta_p(x_0) - 1$, since by definition of $\hat{\theta}_p(x_0)$, the log-transform yields to a linear function of $\hat{\gamma}_{1,k_1}(x_0)$, which distribution is well approximated by a normal distribution. For the construction of the confidence intervals, k and k_1 were selected in a data driven way, by using a stability criterion as in Goegebeur et al. (2019). Concerning h , the global bandwidth h_{cv} defined in (6) is first used. Overall the confidence intervals have reasonably good coverage probabilities, if one takes into account the fact that the asymptotic variance given in (4) has a complicated form with several integrals that depend on $R(y_1, y_2|x_0)$, which needs to be replaced by an estimator. As expected, the coverage probabilities of the asymptotic confidence intervals depend on the model and the covariate positions: the positions where $\theta_p(x_0)$ is estimated well (with no/little bias) give good coverage probabilities, and those with bias lead typically to smaller coverage probabilities. To improve them, a solution is to use a local bandwidth leading to a smaller value of h . This is illustrated in Table 1 where a heuristic value $h = h_{cv}/2$ is also used. As is clear from that table, the coverage probabilities improve a lot, being closer to the nominal level, in the cases where the estimation is biased with a global bandwidth. From Table 1, we can also remark that the coverage probabilities are not too much sensitive on the value of p . Alternative methods, such as empirical likelihood or bootstrap approaches, could be also investigated in future research to see their impact on coverage probabilities.

4 Application to vehicle insurance data

In this section, we illustrate our method on the Vehicle Insurance Customer Data, available at <https://www.kaggle.com/ranja7/vehicle-insurance-customer-data>, which contains socio-economic data of insurance customers along with details about the insured vehicle. We estimate

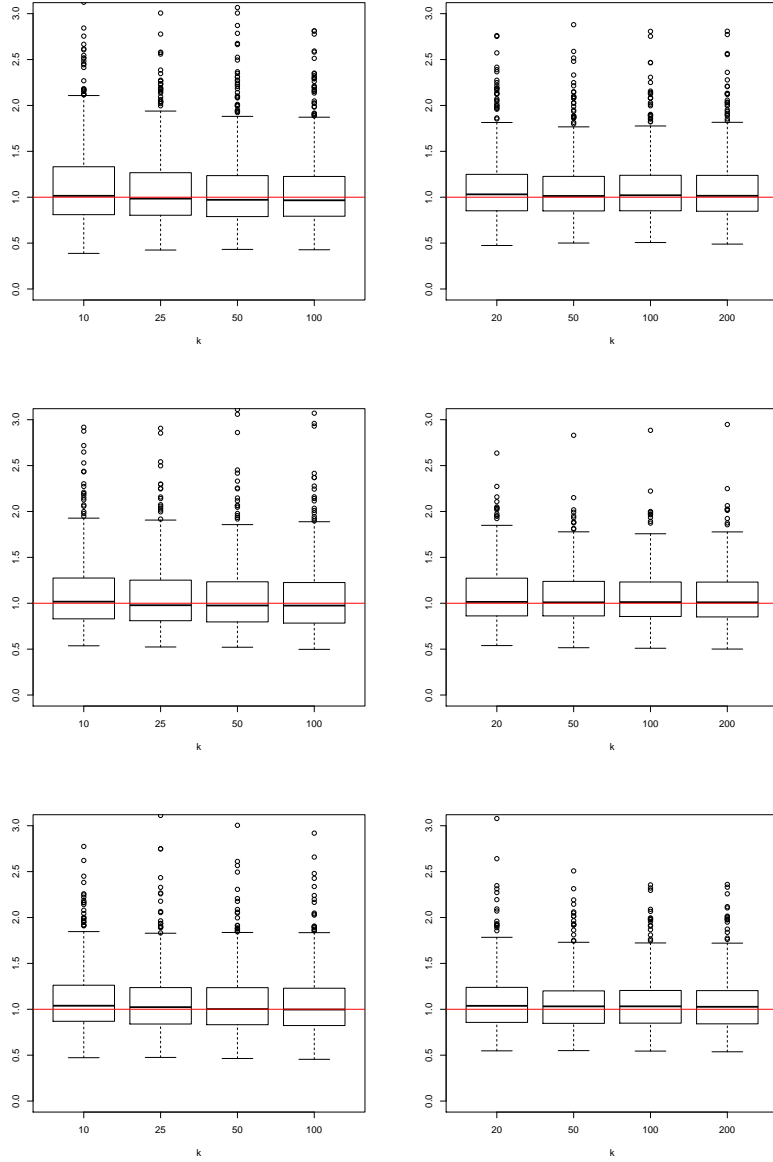


Figure 1: Boxplots of $\hat{\theta}_p(x_0)/\theta_p(x_0)$ for Model 1 based on 500 replications of sample sizes $n = 500$ (left column) and $n = 1000$ (right column) for $p = 1/(2n)$. From top to bottom we have $x_0 = 3$, $x_0 = 5$ and $x_0 = 7$. The values of k are taken as 2%, 5%, 10% and 20% of n .

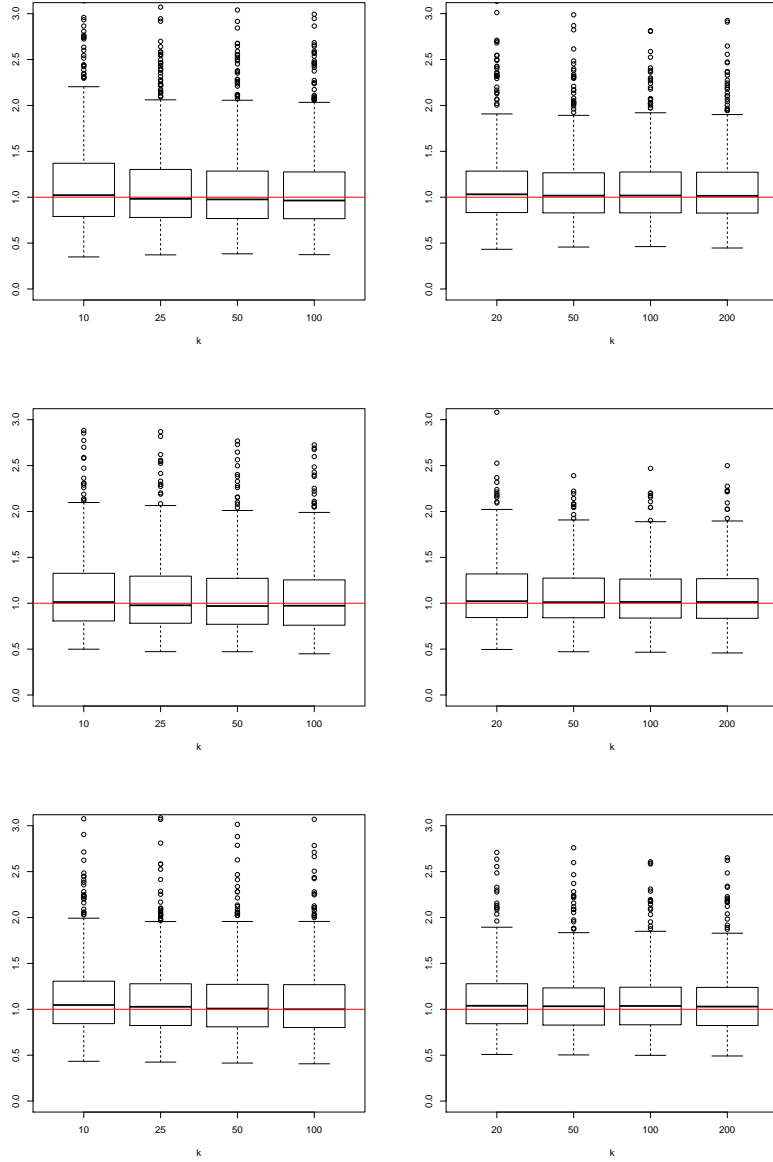


Figure 2: Boxplots of $\hat{\theta}_p(x_0)/\theta_p(x_0)$ for Model 1 based on 500 replications of sample sizes $n = 500$ (left column) and $n = 1000$ (right column) for $p = 1/(5n)$. From top to bottom we have $x_0 = 3$, $x_0 = 5$ and $x_0 = 7$. The values of k are taken as 2%, 5%, 10% and 20% of n .

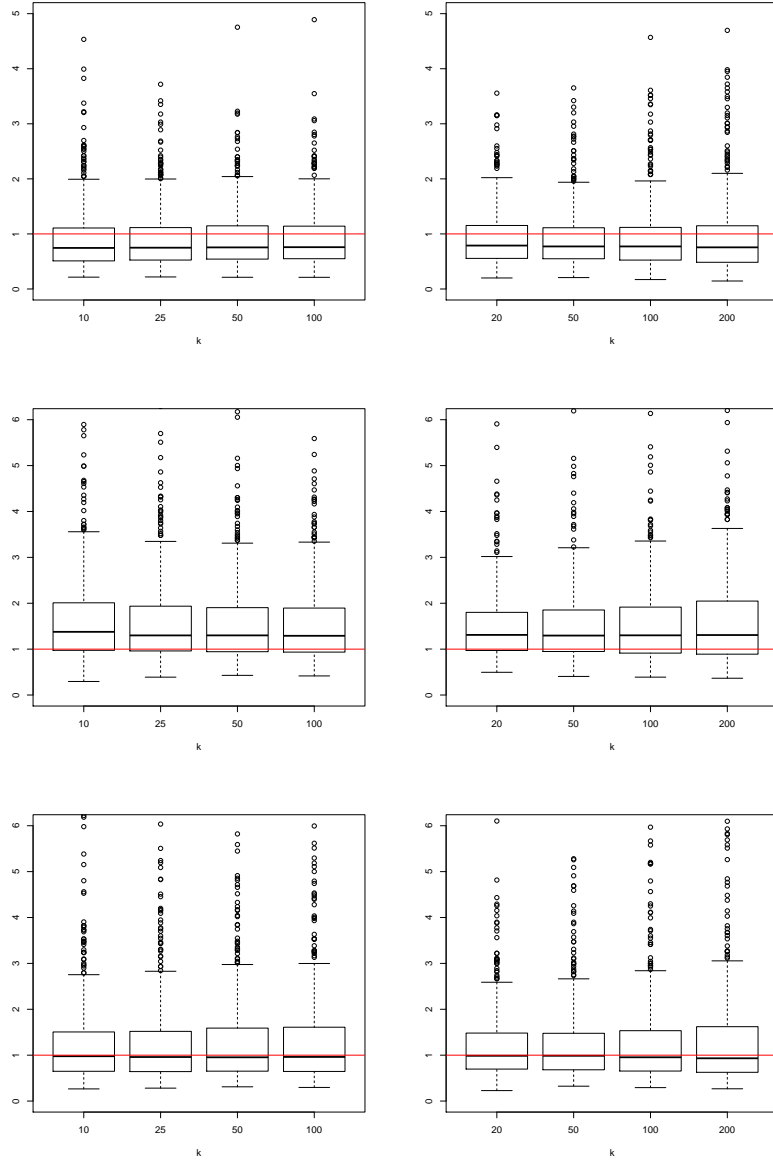


Figure 3: Boxplots of $\hat{\theta}_p(x_0)/\theta_p(x_0)$ for Model 2 based on 500 replications of sample sizes $n = 500$ (left column) and $n = 1000$ (right column) for $p = 1/(2n)$. From top to bottom we have $x_0 = 0.3$, $x_0 = 0.5$ and $x_0 = 0.8$. The values of k are taken as 2%, 5%, 10% and 20% of n .

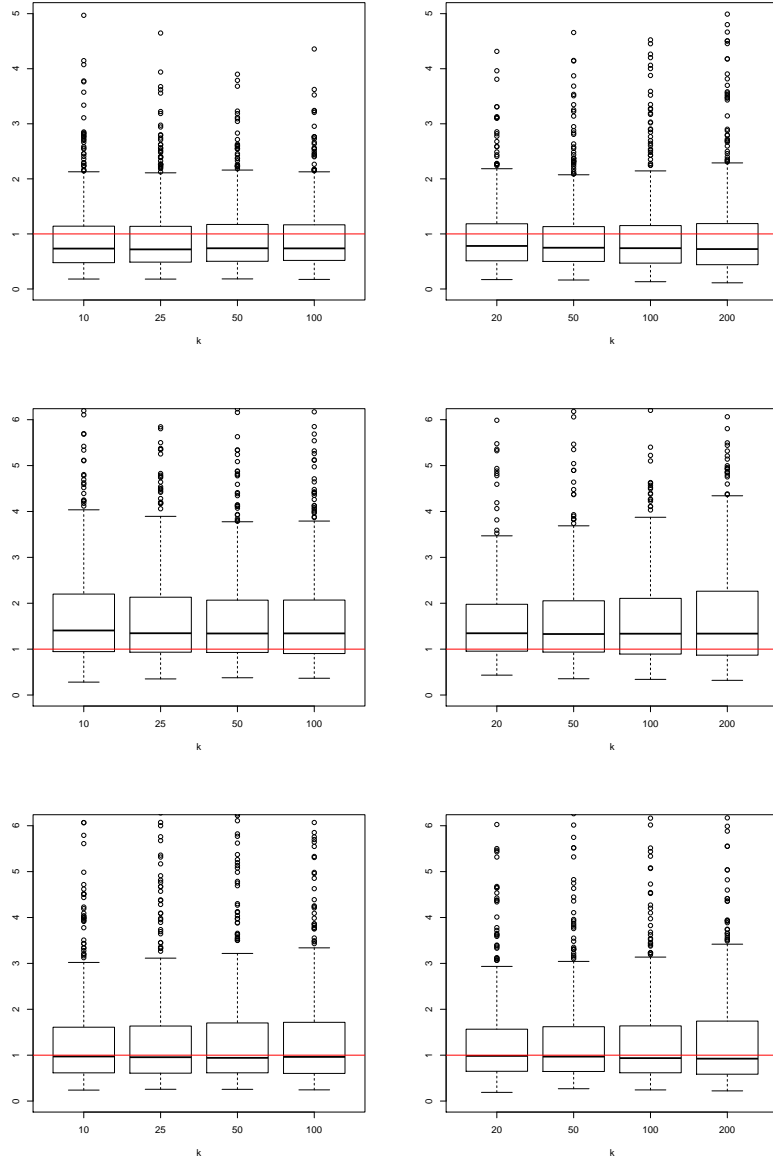


Figure 4: Boxplots of $\hat{\theta}_p(x_0)/\theta_p(x_0)$ for Model 2 based on 500 replications of sample sizes $n = 500$ (left column) and $n = 1000$ (right column) for $p = 1/(5n)$. From top to bottom we have $x_0 = 0.3$, $x_0 = 0.5$ and $x_0 = 0.8$. The values of k are taken as 2%, 5%, 10% and 20% of n .

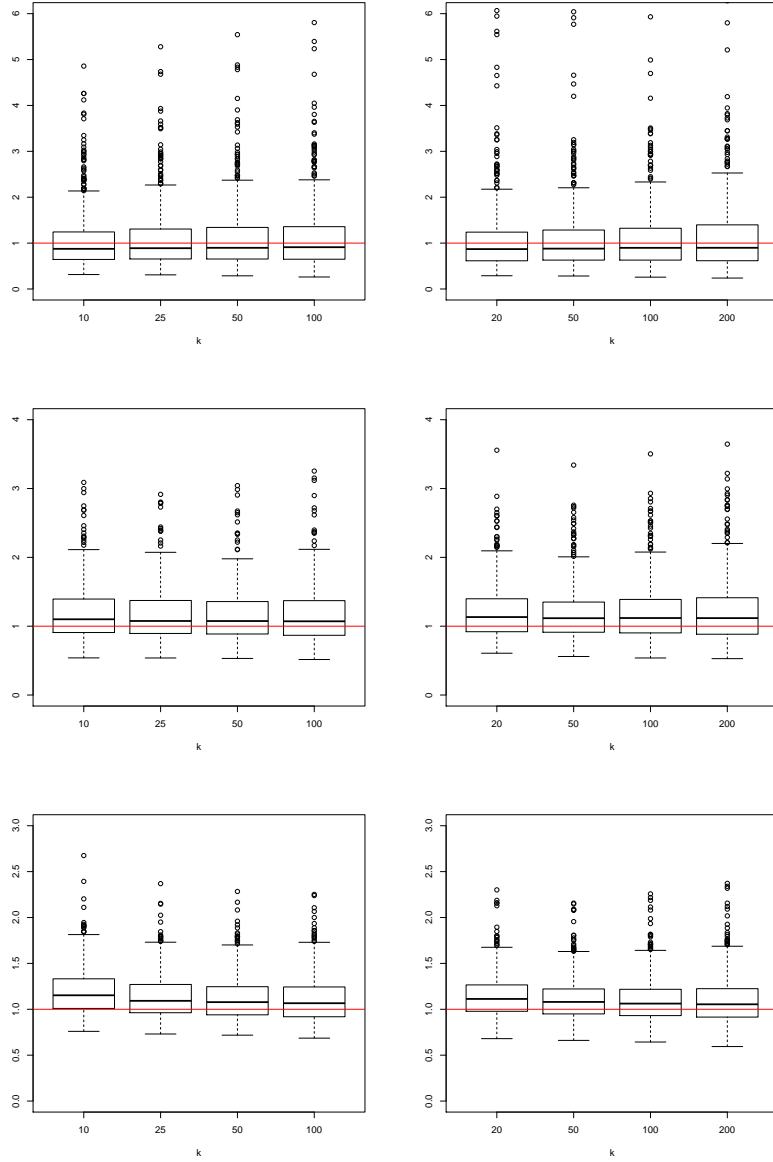


Figure 5: Boxplots of $\hat{\theta}_p(x_0)/\theta_p(x_0)$ for Model 3 based on 500 replications of sample sizes $n = 500$ (left column) and $n = 1000$ (right column) for $p = 1/(2n)$. From top to bottom we have $x_0 = 3$, $x_0 = 5$ and $x_0 = 7$. The values of k are taken as 2%, 5%, 10% and 20% of n .

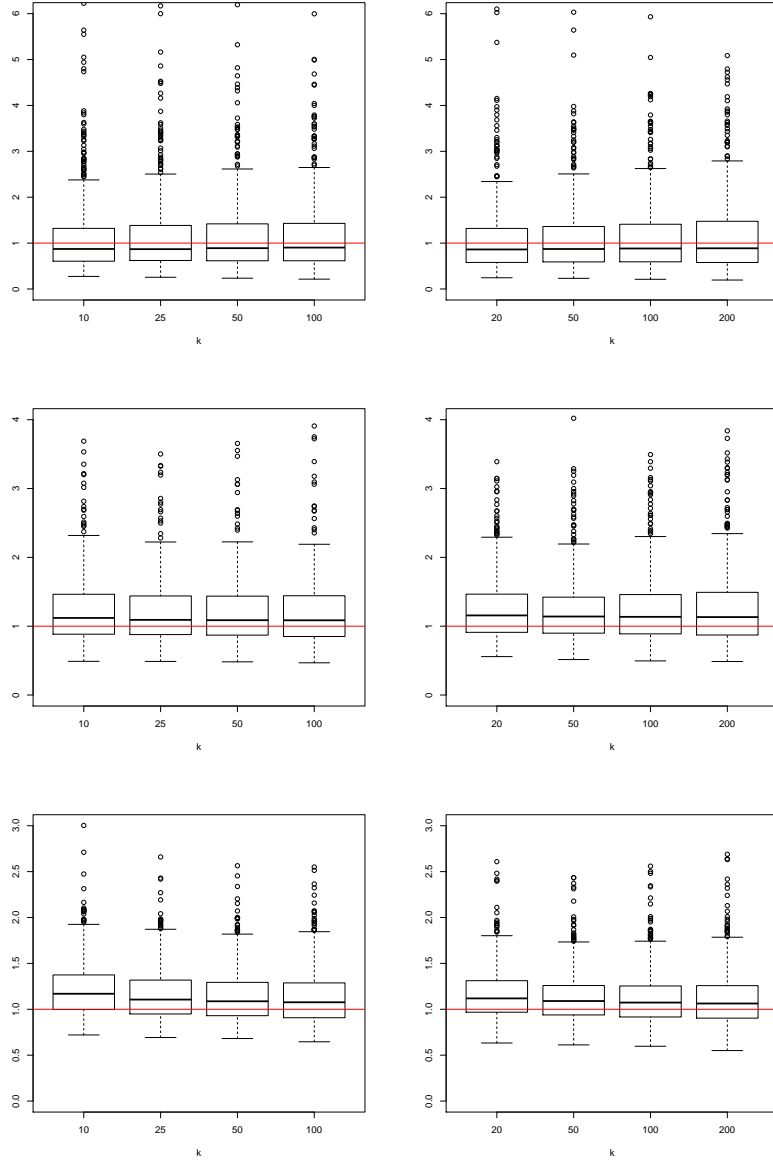


Figure 6: Boxplots of $\hat{\theta}_p(x_0)/\theta_p(x_0)$ for Model 3 based on 500 replications of sample sizes $n = 500$ (left column) and $n = 1000$ (right column) for $p = 1/(5n)$. From top to bottom we have $x_0 = 3$, $x_0 = 5$ and $x_0 = 7$. The values of k are taken as 2%, 5%, 10% and 20% of n .

| | x_0 | $p = 1/n$ | $p = 1/(2n)$ | $p = 1/(5n)$ |
|---------|-------|---------------|---------------|---------------|
| Model 1 | 3 | 0.946 (0.954) | 0.946 (0.954) | 0.948(0.954) |
| | 5 | 0.956 (0.960) | 0.960 (0.960) | 0.962 (0.958) |
| | 7 | 0.958 (0.936) | 0.956 (0.936) | 0.956 (0.936) |
| Model 2 | 0.3 | 0.842 (0.906) | 0.842 (0.906) | 0.842 (0.906) |
| | 0.5 | 0.838 (0.954) | 0.840 (0.952) | 0.844 (0.954) |
| | 0.8 | 0.956 (0.936) | 0.958 (0.936) | 0.958 (0.934) |
| Model 3 | 3 | 0.938 (0.962) | 0.942 (0.964) | 0.940 (0.964) |
| | 5 | 0.880 (0.956) | 0.880 (0.958) | 0.876 (0.958) |
| | 7 | 0.854 (0.954) | 0.856 (0.948) | 0.854 (0.944) |

Table 1: Empirical coverage probabilities of 95% confidence intervals for $\theta_p(x_0)$ based on 500 simulated datasets of size $n = 1000$ with $h = h_{cv}$ defined in (6) (with $h = h_{cv}/2$).

the conditional marginal expected shortfall of the total claim amount (i.e., cumulative over the duration of the contract), $Y^{(1)}$, conditional on the customer lifetime value, $Y^{(2)}$, exceeding a high quantile and a given value for the covariate income, X . In our analysis, we only use the data with a nonzero value for the income variable, leading to $n = 6817$ observations. The scatterplot of total claim amount versus customer lifetime value, shown in Figure 7, indicates a positive association between these variables. In order to verify the Pareto-type behavior of $Y^{(1)}$, we construct the local Pareto quantile plots of the $Y^{(1)}$ data for which $X \in [30000, 40000]$ and $X \in [70000, 80000]$, respectively, see Figure 8, top row. Clearly, the local Pareto quantile plots become approximately linear in the largest observations, which confirms underlying Pareto-type distributions (see Beirlant et al., 2004, for a general discussion of Pareto quantile-quantile plots). Also shown in Figure 8 are the Hill estimates of the total claim amount for which $X \in [30000, 40000]$ and $X \in [70000, 80000]$, respectively (bottom row). When focusing on the stable horizontal parts of these plots we can clearly see that the theoretical requirement $\gamma_1(x_0) < 0.5$ is satisfied. Also for $Y^{(2)}$ the local Pareto quantile plots become linear in the largest observations, indicating underlying Pareto-type distributions, though the linearity is only in the very largest observations; see Figure 9. Similar local Pareto quantile plots were obtained at other incomes. Next, we investigate the asymptotic dependence assumption by plotting, in Figure 10, $\widehat{R}(2, 2|x_0)$ given in (8) as a function of k , at $x_0 = 35000$ and $x_0 = 75000$. Clearly, the displays show a positive estimate for $R(2, 2|x_0)$, which gives evidence of asymptotic dependence of $Y^{(1)}$ and $Y^{(2)}$ given $X = x_0$. Finally, we illustrate the estimation of the conditional marginal expected shortfall of total claim amount given a customer lifetime value that exceeds a high quantile and given a certain income. In Figure 11, we show $\widehat{\theta}_p(x_0)$ as a function of income for $p = 0.1\%$ and $p = 0.05\%$. To obtain the estimate for $\theta_p(x_0)$, we firstly obtain $\widehat{\gamma}_{1, k_1}(x_0)$. This is done by plotting $\widehat{\gamma}_{1, k_1}(x_0)$ as a function of k_1 , followed by determining k_1 by applying a stability criterion as described in Goegebeur et al. (2019). Then, the k -value for the estimation of the conditional marginal expected shortfall at a given x_0 was obtained in a similar way. Note that k and k_1 are determined in an automatic data driven way, as the bounds on α , α_1 , and Δ in Theorem 2.2 cannot be used in practice, since they depend on unknown parameters. Also the bandwidth parameter h_n was determined in a data driven way with the same cross-validation

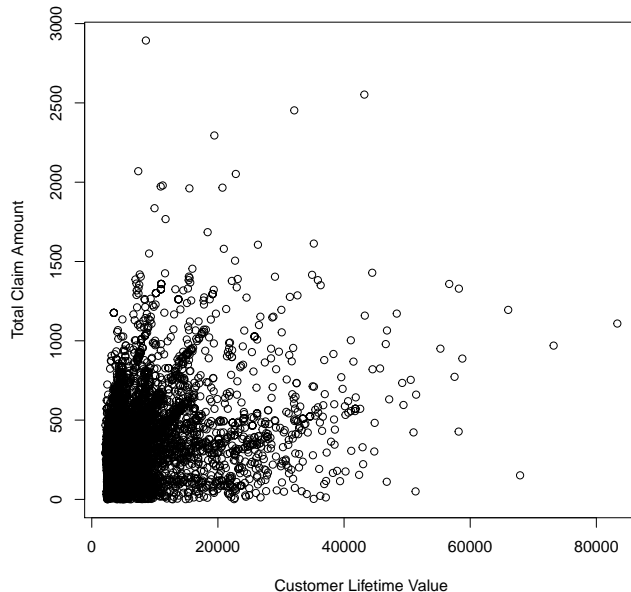


Figure 7: Vehicle insurance dataset. Scatterplot of total claim amount versus customer lifetime value.

criterion as in the simulation section, resulting in $h_n = 26950$. From Figure 11 we see that smaller values of p lead to larger estimates of the conditional marginal expected shortfall, as expected. Overall, the conditional marginal expected shortfall is quite stable for incomes up to 60000 whereafter it shows a slight decrease. In Figure 11 we show also pointwise 95% confidence intervals for $\theta_p(x_0)$ based on (7). As expected, the confidence intervals are clearly wider for $p = 0.05\%$ than for $p = 0.1\%$, reflecting the higher uncertainty of the estimate at $p = 0.05\%$ due to the fact that the estimation is based on fewer observations.

5 Preliminary results

To be self contained, we recall below Theorem 2.3 from Goegebeur et al. (2020) which states the weak convergence of $\bar{\theta}_{\frac{k}{n}}(x_0)$. Note that this theorem has been adjusted due to our Assumption (S) which is slightly different from the one in the latter paper, and the additional Hölder-type condition on the R -function in Assumption (H).

Theorem 5.1 *Assume (D), (H), (K), (S) with $x \rightarrow R(y_1, y_2|x)$ being a continuous function, and $y \rightarrow F_j(y|x_0)$, $j = 1, 2$, are strictly increasing. Let $x_0 \in \text{Int}(S_X)$ such that $f_X(x_0) > 0$. Consider sequences $k = \lfloor n^\alpha \ell_1(n) \rfloor$ and $h_n = n^{-\Delta} \ell_3(n)$, where ℓ_1 and ℓ_3 are slowly varying*

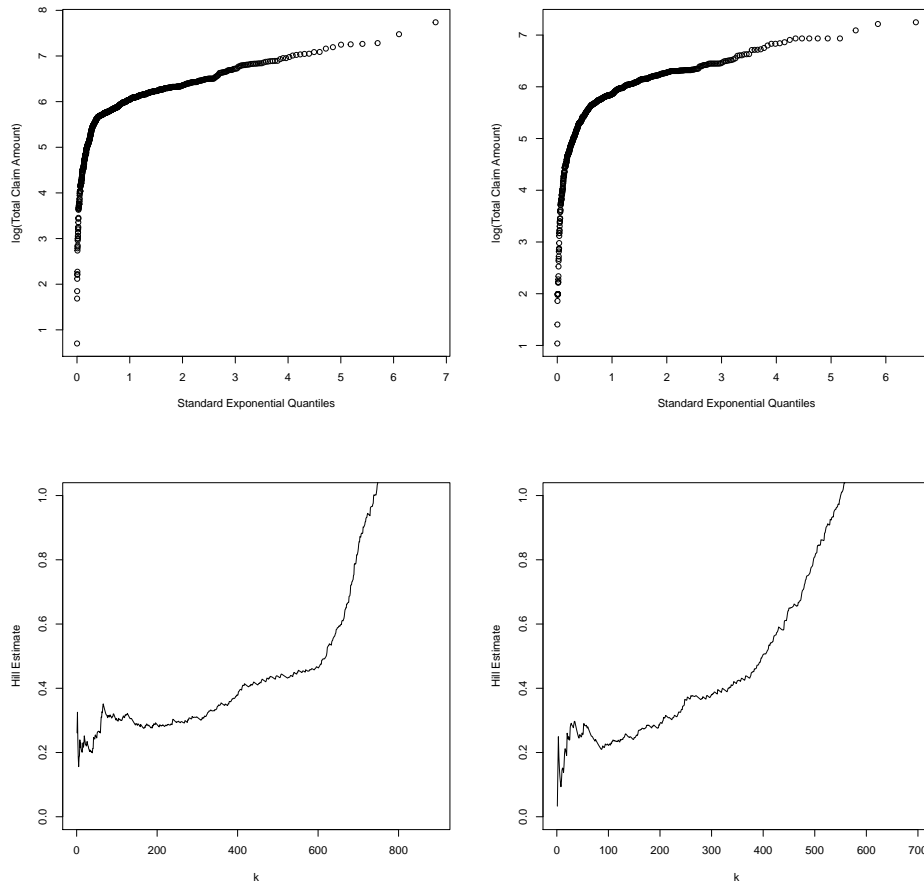


Figure 8: Vehicle insurance dataset. Top row: Pareto quantile plots of the total claim amount for which income $\in [30000, 40000]$ (left) and income $\in [70000, 80000]$ (right). Bottom row: Hill estimates of the total claim amount for which income $\in [30000, 40000]$ (left) and income $\in [70000, 80000]$ (right).

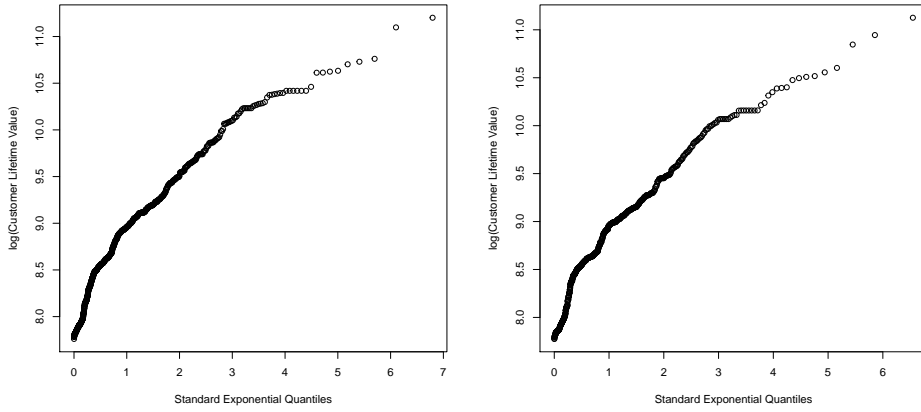


Figure 9: Vehicle insurance dataset. Pareto quantile plots of the customer lifetime value for which income $\in [30000, 40000]$ (left) and income $\in [70000, 80000]$ (right).

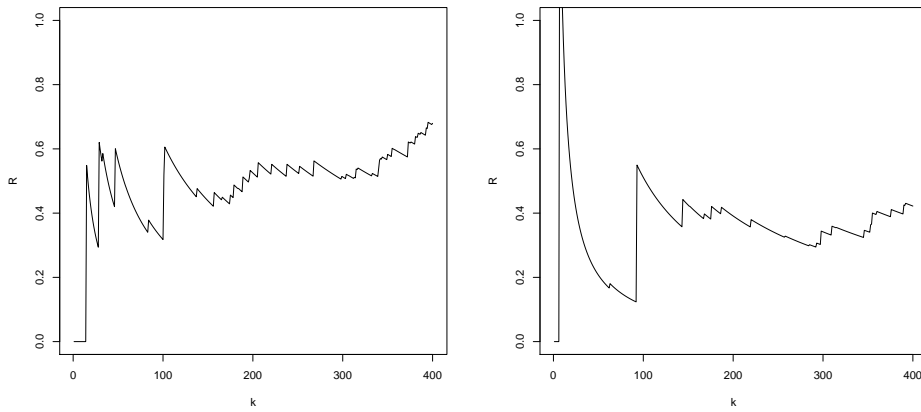


Figure 10: Vehicle insurance dataset. $\widehat{R}(2, 2|x_0)$ as a function of k , for $x_0 = 35000$ (left) and $x_0 = 85000$ (right).

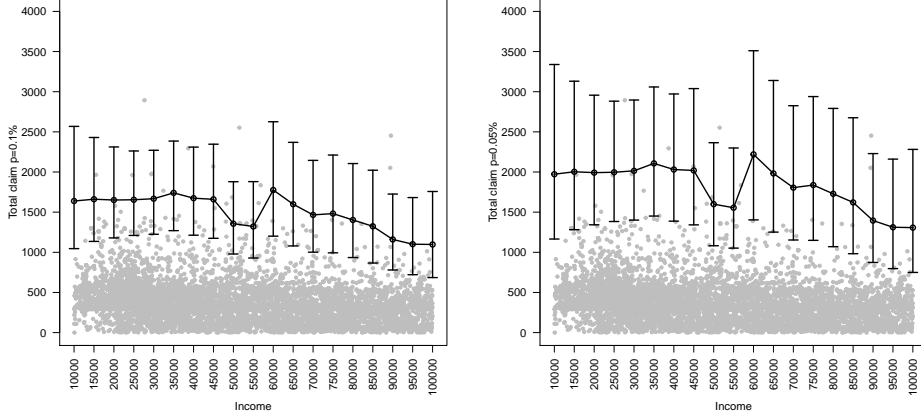


Figure 11: Vehicle insurance dataset. $\hat{\theta}_p(x_0)$ along with pointwise 95% confidence intervals for $\theta_p(x_0)$ at several values of x_0 for $p = 0.1\%$ (left), $p = 0.05\%$ (right).

functions at infinity, with $\alpha \in (0, 1)$ and

$$\max \left(\frac{\alpha}{d + 2\gamma_1(x_0)(\eta_R \wedge \eta_{A_1} \wedge \eta_{\gamma_1})}, \frac{\alpha}{d + 2(1 - \gamma_1(x_0))(\eta_{A_2} \wedge \eta_{\gamma_2} \wedge \eta_{B_2} \wedge \eta_{\varepsilon_2} \wedge \eta_{f_X})}, \frac{\alpha}{d} - \frac{2(1 - \alpha)\gamma_1^2(x_0)\beta_1(x_0)}{d + d(\beta_1(x_0) + \varepsilon)\gamma_1(x_0)}, \frac{\alpha - 2(1 - \alpha)(\gamma_1(x_0) \wedge (\beta_2(x_0)\gamma_2(x_0)) \wedge (-\tau))}{d} \right) < \Delta < \frac{\alpha}{d}.$$

Then, for $\gamma_1(x_0) < 1/2$, we have

$$\sqrt{kh_n^d} \left(\frac{\hat{\theta}_{\frac{k}{n}}(x_0)}{\theta_{\frac{k}{n}}(x_0)} - 1 \right) \rightsquigarrow -(1 - \gamma_1(x_0)) \frac{W(\infty, 1)}{f_X(x_0)} + \frac{1}{f_X(x_0)} \frac{\int_0^\infty W(s, 1) ds^{-\gamma_1(x_0)}}{\int_0^\infty R(s, 1|x_0) ds^{-\gamma_1(x_0)}}.$$

Now, remark that, assuming that $F_1(y|x_0)$ is strictly increasing in y , we have

$$\begin{aligned} \hat{\gamma}_{1, k_1}(x_0) &= \frac{1}{\hat{f}_n(x_0)} \frac{1}{k_1} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \int_{\hat{U}_1(n/k_1|x_0)}^{Y_i^{(1)}} \frac{1}{u} du \mathbb{1}_{\{Y_i^{(1)} \geq \hat{U}_1(n/k_1|x_0)\}} \\ &= \frac{1}{\hat{f}_n(x_0)} \int_{\hat{U}_1(n/k_1|x_0)}^\infty \frac{1}{k_1} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \frac{1}{u} \mathbb{1}_{\{Y_i^{(1)} \geq u\}} du \\ &= \frac{1}{\hat{f}_n(x_0)} \int_{\hat{U}_1(n/k_1|x_0)}^\infty \frac{1}{k_1} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \mathbb{1}_{\{\bar{F}_1(Y_i^{(1)}|x_0) \leq \frac{k_1}{n} \frac{n}{k_1} \bar{F}_1(u|x_0)\}} \frac{1}{u} du \\ &= \frac{\gamma_1(x_0)}{\hat{f}_n(x_0)} \int_0^1 \frac{1}{k_1} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \mathbb{1}_{\{\bar{F}_1(Y_i^{(1)}|x_0) \leq \frac{k_1}{n} \frac{n}{k_1} \bar{F}_1(z^{-\gamma_1(x_0)} \hat{U}_1(n/k_1|x_0)|x_0)\}} \frac{1}{z} dz \\ &= \frac{\gamma_1(x_0)}{\hat{f}_n(x_0)} \int_0^1 T_n(\hat{s}_n(z|x_0)|x_0) \frac{1}{z} dz, \end{aligned} \tag{9}$$

where

$$T_n(y|x_0) := \frac{1}{k_1} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \mathbb{1}_{\{\bar{F}_1(Y_i^{(1)}|x_0) \leq k_1/n, y\}},$$

$$\text{and } \hat{s}_n(z|x_0) := \frac{n}{k_1} \bar{F}_1 \left(z^{-\gamma_1(x_0)} \hat{U}_1(n/k_1|x_0) \middle| x_0 \right).$$

Thus we need to study the asymptotic properties of $T_n(y|x_0)$, $\hat{s}_n(z|x_0)$ and $\hat{U}_1(n/k_1|x_0)$.

We start by showing the weak convergence of the process based on $T_n(y|x_0)$, first when the process is centered around its expectation (Theorem 5.2) and then when it is centered around the dominant term of its expectation (Corollary 5.1).

Theorem 5.2 *Assume (\mathcal{D}) , (\mathcal{H}) , (\mathcal{K}) , and $x_0 \in \text{Int}(S_X)$ with $f_X(x_0) > 0$, and $y \rightarrow F_1(y|x_0)$ is strictly increasing. Consider sequences $k_1 \rightarrow \infty$ and $h_n \rightarrow 0$ as $n \rightarrow \infty$, in such a way that $k_1/n \rightarrow 0$, $k_1 h_n^d \rightarrow \infty$ and $h_n^{\eta_{\gamma_1} \wedge \eta_{\varepsilon_1}} \ln n/k_1 \rightarrow 0$. Then for $\eta \in [0, 1/2)$, we have,*

$$\sqrt{k_1 h_n^d} \left(\frac{T_n(y|x_0) - \mathbb{E}(T_n(y|x_0))}{y^\eta} \right) \rightsquigarrow \frac{W(y, \infty)}{y^\eta}, \quad (10)$$

in $D((0, T])$, for any $T > 0$.

Proposition 5.1 *Assume (\mathcal{D}) , (\mathcal{H}) , (\mathcal{K}) , and $x_0 \in \text{Int}(S_X)$ with $f_X(x_0) > 0$. Consider sequences $k_1 \rightarrow \infty$ and $h_n \rightarrow 0$ as $n \rightarrow \infty$, in such a way that $k_1/n \rightarrow 0$, and $h_n^{\eta_{\gamma_1} \wedge \eta_{\varepsilon_1}} \ln n/k_1 \rightarrow 0$. Then for $\eta \in [0, 1)$, we have,*

$$\begin{aligned} \frac{\mathbb{E}(T_n(y|x_0))}{y^\eta} &= y^{1-\eta} f_X(x_0) + O\left(h_n^{\eta_{f_X} \wedge \eta_{A_1}}\right) + O\left(h_n^{\eta_{\gamma_1}} \ln \frac{n}{k_1}\right) + O\left(\left|\delta_1\left(U_1\left(\frac{n}{k_1} \middle| x_0\right) \middle| x_0\right)\right| h_n^{\eta_{B_1}}\right) \\ &\quad + O\left(\left|\delta_1\left(U_1\left(\frac{n}{k_1} \middle| x_0\right) \middle| x_0\right)\right| h_n^{\eta_{\varepsilon_1}} \ln \frac{n}{k_1}\right), \end{aligned}$$

where the O -terms are uniform in $y \in (0, T]$, for any $T > 0$.

Corollary 5.1 *Assume (\mathcal{D}) , (\mathcal{H}) , (\mathcal{K}) , $x_0 \in \text{Int}(S_X)$ with $f_X(x_0) > 0$, and $y \rightarrow F_1(y|x_0)$ is strictly increasing. Consider sequences $k_1 \rightarrow \infty$ and $h_n \rightarrow 0$ as $n \rightarrow \infty$, in such a way that $k_1/n \rightarrow 0$, $k_1 h_n^d \rightarrow \infty$, $h_n^{\eta_{\varepsilon_1}} \ln n/k_1 \rightarrow 0$, $\sqrt{k_1 h_n^d} h_n^{\eta_{f_X} \wedge \eta_{A_1}} \rightarrow 0$, $\sqrt{k_1 h_n^d} h_n^{\eta_{\gamma_1}} \ln n/k_1 \rightarrow 0$, $\sqrt{k_1 h_n^d} |\delta_1(U_1(n/k_1|x_0)|x_0)| h_n^{\eta_{B_1}} \rightarrow 0$, and $\sqrt{k_1 h_n^d} |\delta_1(U_1(n/k_1|x_0)|x_0)| h_n^{\eta_{\varepsilon_1}} \ln n/k_1 \rightarrow 0$. Then for $\eta \in [0, 1/2)$, we have,*

$$\sqrt{k_1 h_n^d} \left(\frac{T_n(y|x_0)}{y^\eta} - y^{1-\eta} f_X(x_0) \right) \rightsquigarrow \frac{W(y, \infty)}{y^\eta},$$

in $D((0, T])$, for any $T > 0$.

In the sequel, for convenient representation, the limiting process in Theorem 5.2 and Corollary 5.1 will be defined on the same probability space as the original random variables, via the Skorohod construction, but it should be kept in mind that it is only in distribution equal to

the original process. The Skorohod representation theorem gives then, with keeping the same notation, that

$$\sup_{y \in (0, T]} \left| \sqrt{k_1 h_n^d} \left(\frac{T_n(y|x_0)}{y^\eta} - y^{1-\eta} f_X(x_0) \right) - \frac{W(y, \infty)}{y^\eta} \right| \rightarrow 0 \text{ a.s. ,}$$

as $n \rightarrow \infty$.

For the intermediate quantile estimate $\hat{U}_1(n/k|x_0)$, we recall Lemma 5.6 from Goegebeur et al. (2020), which is used several times in our proofs, and which states the weak convergence of $\hat{u}_n := \hat{U}_1(n/k_1|x_0)/U_1(n/k_1|x_0)$.

Lemma 5.1 *Assume (\mathcal{D}) , (\mathcal{H}) , (\mathcal{K}) , $x_0 \in \text{Int}(S_X)$ with $f_X(x_0) > 0$ and $y \rightarrow F_1(y|x_0)$ is strictly increasing. Consider sequences $k_1 \rightarrow \infty$ and $h_n \rightarrow 0$ as $n \rightarrow \infty$, in such a way that $k_1/n \rightarrow 0$, $k_1 h_n^d \rightarrow \infty$, $h_n^{\eta_{\varepsilon_1}} \ln n/k_1 \rightarrow 0$, $\sqrt{k_1 h_n^d} h_n^{\eta_{f_X} \wedge \eta_{A_1}} \rightarrow 0$, $\sqrt{k_1 h_n^d} h_n^{\eta_{\gamma_1}} \ln n/k_1 \rightarrow 0$, $\sqrt{k_1 h_n^d} |\delta_1(U_1(n/k_1|x_0)|x_0)| \rightarrow 0$. Then, as $n \rightarrow \infty$, we have*

$$\sqrt{k_1 h_n^d} (\hat{u}_n - 1) \rightsquigarrow \frac{\gamma_1(x_0) W(1, \infty)}{f_X(x_0)}.$$

From Lemma 5.1, we can show now the uniform convergence in probability of $\hat{s}_n(z|x_0)$ towards z for any $z \in (0, T]$.

Lemma 5.2 *Under the assumptions of Lemma 5.1, for any $T > 0$, we have*

$$\sup_{z \in (0, T]} |\hat{s}_n(z|x_0) - z| = o_{\mathbb{P}}(1).$$

Proof of the preliminary results

Proof of Theorem 5.2. Recall that

$$\frac{T_n(y|x_0)}{y^\eta} = \frac{1}{k_1} \sum_{i=1}^n K_{h_n}(x_0 - X_i) \mathbb{1}_{\{\bar{F}_1(Y_i^{(1)}|x_0) \leq \frac{k_1 y}{n}\}} \frac{1}{y^\eta}.$$

The proof of Theorem 5.2 follows the lines of proof of Theorem 2.1 in Goegebeur et al. (2020). Below, we only outline the main differences and refer to the latter paper otherwise. To start, we need some notations from empirical process theory with changing function classes, see for instance van der Vaart and Wellner (1996). Let P be the distribution measure of $(Y^{(1)}, X)$, and denote the expected value under P as $Pf := \int f dP$ for any real-valued measurable function $f : \mathbb{R} \times \mathbb{R}^d \rightarrow \mathbb{R}$. For a function class \mathcal{F} , let $N_{\square}(\varepsilon, \mathcal{F}, L_2(P))$, denote the minimal number of ε -brackets needed to cover \mathcal{F} . The bracketing integral is then defined as

$$J_{\square}(\delta, \mathcal{F}, L_2(P)) = \int_0^\delta \sqrt{\ln N_{\square}(\varepsilon, \mathcal{F}, L_2(P))} d\varepsilon.$$

We introduce our sequence of classes \mathcal{F}_n on $\mathbb{R} \times \mathbb{R}^d$ as

$$\mathcal{F}_n := \{(u, z) \rightarrow f_{n,y}(u, z), y \in (0, T]\},$$

where

$$f_{n,y}(u, z) := \sqrt{\frac{nh_n^d}{k_1}} K_{h_n}(x_0 - z) \mathbb{1}_{\{\bar{F}_1(u|x_0) \leq \frac{k_1}{n} y\}} \frac{1}{y^\eta}.$$

Denote also by F_n an envelope function of the class \mathcal{F}_n . Now, according to Theorem 19.28 in van der Vaart (1998), the weak convergence of the stochastic process (10) follows from the following four conditions. Let ρ_{x_0} be a semimetric, possibly depending on x_0 , making $(0, T]$ totally bounded. We have to prove that

$$\sup_{\rho_{x_0}(y, \bar{y}) \leq \delta_n} P(f_{n,y} - f_{n,\bar{y}})^2 \longrightarrow 0 \text{ for every } \delta_n \searrow 0, \quad (11)$$

$$PF_n^2 = O(1), \quad (12)$$

$$PF_n^2 \mathbb{1}_{\{F_n > \varepsilon \sqrt{n}\}} \longrightarrow 0 \text{ for every } \varepsilon > 0, \quad (13)$$

and

$$J_{\square}(\delta_n, \mathcal{F}_n, L_2(P)) \longrightarrow 0 \text{ for every } \delta_n \searrow 0. \quad (14)$$

We start with verifying condition (11), with $\rho_{x_0}(y, \bar{y}) := |y - \bar{y}|$. Without loss of generality, we may assume that $y \leq \bar{y}$. We have

$$P(f_{n,y} - f_{n,\bar{y}})^2 = \frac{nh_n^d}{k_1} \mathbb{E} \left[K_{h_n}^2(x_0 - X) \left(\frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} y\}}}{y^\eta} - \frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} \bar{y}\}}}{\bar{y}^\eta} \right)^2 \right].$$

We consider now two cases.

Case 1: $y \leq \delta_n$. We have

$$\left(\frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} y\}}}{y^\eta} - \frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} \bar{y}\}}}{\bar{y}^\eta} \right)^2 \leq 3 \frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} y\}}}{y^{2\eta}} + \frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} \bar{y}\}}}{\bar{y}^{2\eta}}.$$

This implies that

$$\begin{aligned}
P(f_{n,y} - f_{n,\bar{y}})^2 &\leq 3 \frac{nh_n^d}{k_1} \mathbb{E} \left(K_{h_n}^2(x_0 - X) \frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}y\}}}{y^{2\eta}} \right) \\
&\quad + \frac{nh_n^d}{k_1} \mathbb{E} \left(K_{h_n}^2(x_0 - X) \frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}\bar{y}\}}}{\bar{y}^{2\eta}} \right) \\
&= 3 \frac{nh_n^d}{k_1} \int_{\mathbb{R}^d} \frac{1}{h_n^{2d}} K^2 \left(\frac{x_0 - v}{h_n} \right) \frac{P \left(\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}y | X = v \right)}{y^{2\eta}} f_X(v) dv \\
&\quad + \frac{nh_n^d}{k_1} \int_{\mathbb{R}^d} \frac{1}{h_n^{2d}} K^2 \left(\frac{x_0 - v}{h_n} \right) \frac{P \left(\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}\bar{y} | X = v \right)}{\bar{y}^{2\eta}} f_X(v) dv \\
&= 3 \frac{n}{k_1} \int_{S_K} K^2(v) \frac{P \left(\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}y | X = x_0 - h_nv \right)}{y^{2\eta}} f_X(x_0 - h_nv) dv \\
&\quad + \frac{n}{k_1} \int_{S_K} K^2(v) \frac{P \left(\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}\bar{y} | X = x_0 - h_nv \right)}{\bar{y}^{2\eta}} f_X(x_0 - h_nv) dv.
\end{aligned}$$

Since $P \left(\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}y | X = x_0 - h_nv \right) = \bar{F}_1 \left(U_1 \left(\frac{n}{k_1}y | x_0 \right) | x_0 - h_nv \right)$, this yields

$$\begin{aligned}
P(f_{n,y} - f_{n,\bar{y}})^2 &\leq 3y^{1-2\eta} \int_{S_K} K^2(v) f_X(x_0 - h_nv) dv \\
&\quad + 3 \int_{S_K} K^2(v) \left[\frac{1}{y^{2\eta}} \frac{n}{k_1} \bar{F}_1 \left(U_1 \left(\frac{n}{k_1}y | x_0 \right) | x_0 - h_nv \right) - y^{1-2\eta} \right] f_X(x_0 - h_nv) dv \\
&\quad + \bar{y}^{1-2\eta} \int_{S_K} K^2(v) f_X(x_0 - h_nv) dv \\
&\quad + \int_{S_K} K^2(v) \left[\frac{1}{\bar{y}^{2\eta}} \frac{n}{k_1} \bar{F}_1 \left(U_1 \left(\frac{n}{k_1}\bar{y} | x_0 \right) | x_0 - h_nv \right) - \bar{y}^{1-2\eta} \right] f_X(x_0 - h_nv) dv.
\end{aligned}$$

Using Lemma 5.1 in Goegebeur et al. (2020) and the fact that $\rho_{x_0}(y, \bar{y}) \leq \delta_n$ which implies $\bar{y} \leq 2\delta_n$, we get

$$P(f_{n,y} - f_{n,\bar{y}})^2 \leq 5 \delta_n^{1-2\eta} \int_{S_K} K^2(v) f_X(x_0 - h_nv) dv + o(1),$$

where the $o(1)$ -term does not depend on y and \bar{y} .

Case 2: $y > \delta_n$. In that case

$$\begin{aligned}
\left(\frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}y\}}}{y^\eta} - \frac{\mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}\bar{y}\}}}{\bar{y}^\eta} \right)^2 &\leq \left(\frac{1}{y^\eta} - \frac{1}{\bar{y}^\eta} \right)^2 \mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}y\}} \\
&\quad + \frac{1}{y^{2\eta}} \left\{ \mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}\bar{y}\}} - \mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n}y\}} \right\},
\end{aligned}$$

from which we deduce that

$$\begin{aligned} P(f_{n,y} - f_{n,\bar{y}})^2 &\leq \frac{(y^\eta - \bar{y}^\eta)^2}{(y\bar{y})^{2\eta}} \int_{S_K} K^2(v) \frac{n}{k_1} \bar{F}_1(U_1(n/(k_1 y)|x_0)|x_0 - h_n v) f_X(x_0 - h_n v) dv \\ &\quad + \frac{1}{y^{2\eta}} \frac{n}{k_1} \int_{S_K} K^2(v) P\left(\frac{k_1}{n} y \leq \bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} \bar{y} \mid X = x_0 - h_n v\right) f_X(x_0 - h_n v) dv. \end{aligned}$$

These two terms on the right-hand side of the above inequality can be handled similarly as those in case 3 in the proof of Theorem 2.1 in Goegebeur et al. (2020).

Now, a natural envelope function of the class \mathcal{F}_n is

$$F_n(u, z) := \sqrt{\frac{nh_n^d}{k_1}} K_{h_n}(x_0 - z) \frac{\mathbb{1}_{\{\bar{F}_1(u|x_0) \leq k_1 T/n\}}}{[(n/k_1) \bar{F}_1(u|x_0)]^\eta}.$$

Thus, according again to the proof of Theorem 2.1 in Goegebeur et al. (2020), conditions (12) and (13) are satisfied.

Finally, we need to show condition (14). Without loss of generality we assume $T = 1$. Consider for $a, \theta < 1$:

$$\mathcal{F}_n^{(1)}(a) := \{f_{n,y} \in \mathcal{F}_n : y \leq a\},$$

and

$$\mathcal{F}_n^{(2)}(\ell) := \{f_{n,y} \in \mathcal{F}_n : \theta^{\ell+1} \leq y \leq \theta^\ell\},$$

where $\ell = 0, \dots, \lfloor \ln a / \ln \theta \rfloor$.

The class $\mathcal{F}_n^{(1)}(a)$ has been already studied in the proof of Theorem 2.1 in Goegebeur et al. (2020) and $\mathcal{F}_n^{(2)}(\ell)$ can be dealt with similar arguments as for $\mathcal{F}_n(\ell, m)$ from the latter paper, since we have the following bounds

$$\begin{aligned} \underline{u}_n(u, z) &:= \sqrt{\frac{nh_n^d}{k_1}} K_{h_n}(x_0 - z) \frac{\mathbb{1}_{\{\bar{F}_1(u|x_0) \leq k_1/n \theta^{\ell+1}\}}}{\theta^{\ell\eta}} \\ &\leq f_{n,y}(u, z) \leq \sqrt{\frac{nh_n^d}{k_1}} K_{h_n}(x_0 - z) \frac{\mathbb{1}_{\{\bar{F}_1(u|x_0) \leq k_1/n \theta^\ell\}}}{\theta^{(\ell+1)\eta}} =: \bar{u}_n(u, z). \end{aligned}$$

This concludes the proof of Theorem 5.2.

Proof of Proposition 5.1. We have

$$\begin{aligned}
\frac{\mathbb{E}[T_n(y|x_0)]}{y^\eta} &= \frac{1}{y^\eta} \frac{n}{k_1} \mathbb{E} \left[K_{h_n}(x_0 - X) \mathbb{1}_{\{\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} y\}} \right] \\
&= \frac{1}{y^\eta} \frac{n}{k_1} \int_{\mathbb{R}^d} \frac{1}{h_n^d} K \left(\frac{x_0 - u}{h_n} \right) P \left(\bar{F}_1(Y^{(1)}|x_0) \leq \frac{k_1}{n} y \mid X = u \right) f_X(u) du \\
&= \frac{1}{y^\eta} \frac{n}{k_1} \int_{S_K} K(u) \bar{F}_1 \left(U_1 \left(\frac{n}{k_1 y} | x_0 \right) \mid x_0 - h_n u \right) f_X(x_0 - h_n u) du \\
&= y^{1-\eta} f_X(x_0) + y^{1-\eta} \int_{S_K} K(u) [f_X(x_0 - h_n u) - f_X(x_0)] du \\
&\quad + f_X(x_0) \int_{S_K} K(u) \left[\frac{\frac{n}{k_1} \bar{F}_1 \left(U_1 \left(\frac{n}{k_1 y} | x_0 \right) \mid x_0 - h_n u \right)}{y^\eta} - y^{1-\eta} \right] du \\
&\quad + \int_{S_K} K(u) \left[\frac{\frac{n}{k_1} \bar{F}_1 \left(U_1 \left(\frac{n}{k_1 y} | x_0 \right) \mid x_0 - h_n u \right)}{y^\eta} - y^{1-\eta} \right] [f_X(x_0 - h_n u) - f_X(x_0)] du.
\end{aligned}$$

Following the lines of proof of Lemma 5.1 in Goegebeur et al. (2020), we have

$$\begin{aligned}
\left| \frac{\frac{n}{k_1} \bar{F}_1 \left(U_1 \left(\frac{n}{k_1 y} | x_0 \right) \mid x_0 - h_n u \right)}{y^\eta} - y^{1-\eta} \right| &= O \left(h_n^{\eta A_1} \right) + O \left(h_n^{\eta \gamma_1} \ln \frac{n}{k_1} \right) + O \left(\left| \delta_1 \left(U_1 \left(\frac{n}{k_1} | x_0 \right) \mid x_0 \right) \right| h_n^{\eta B_1} \right) \\
&\quad + O \left(\left| \delta_1 \left(U_1 \left(\frac{n}{k_1} | x_0 \right) \mid x_0 \right) \right| h_n^{\eta \varepsilon_1} \ln \frac{n}{k_1} \right),
\end{aligned}$$

with O -terms which are uniform in $y \in (0, T]$, for any $T > 0$. This yields Proposition 5.1.

Proof of Corollary 5.1. Using the decomposition

$$\begin{aligned}
\sqrt{k_1 h_n^d} \left(\frac{T_n(y|x_0)}{y^\eta} - y^{1-\eta} f_X(x_0) \right) &= \sqrt{k_1 h_n^d} \left(\frac{T_n(y|x_0) - \mathbb{E}(T_n(y|x_0))}{y^\eta} \right) \\
&\quad + \sqrt{k_1 h_n^d} \left(\frac{\mathbb{E}(T_n(y|x_0))}{y^\eta} - y^{1-\eta} f_X(x_0) \right),
\end{aligned}$$

combined with Theorem 5.2 and Proposition 5.1 yields Corollary 5.1.

Proof of Lemma 5.2. We have, for $z \in (0, T]$ and any $\varepsilon > 0$ and $\zeta \in (0, \beta_1(x_0)]$

$$\begin{aligned}
|\widehat{s}_n(z|x_0) - z| &= \left| \frac{n}{k_1} \overline{F}_1 \left(z^{-\gamma_1(x_0)} \widehat{u}_n U_1(n/k_1|x_0) \middle| x_0 \right) - z \right| \\
&= \left| \frac{\overline{F}_1 \left(z^{-\gamma_1(x_0)} \widehat{u}_n U_1(n/k_1|x_0) \middle| x_0 \right)}{\overline{F}_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right)} - z \right| \\
&\leq z \left| \widehat{u}_n^{-1/\gamma_1(x_0)} - 1 \right| \frac{1 + \frac{1}{\gamma_1(x_0)} \delta_1 \left(z^{-\gamma_1(x_0)} \widehat{u}_n U_1(n/k_1|x_0) \middle| x_0 \right)}{1 + \frac{1}{\gamma_1(x_0)} \delta_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right)} \\
&\quad + \frac{z}{\gamma_1(x_0)} \frac{\left| \delta_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right) \right|}{1 + \frac{1}{\gamma_1(x_0)} \delta_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right)} \left| \frac{\delta_1 \left(z^{-\gamma_1(x_0)} \widehat{u}_n U_1(n/k_1|x_0) \middle| x_0 \right)}{\delta_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right)} - 1 \right| \\
&\leq CT \left| \widehat{u}_n^{-1/\gamma_1(x_0)} - 1 \right| \\
&\quad + CT \left| \delta_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right) \right| \left\{ \left| \frac{\delta_1 \left(z^{-\gamma_1(x_0)} \widehat{u}_n U_1(n/k_1|x_0) \middle| x_0 \right)}{\delta_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right)} - \left(z^{-\gamma_1(x_0)} \widehat{u}_n \right)^{-\beta_1(x_0)} \right| \right. \\
&\quad \quad \left. + \left| \left(z^{-\gamma_1(x_0)} \widehat{u}_n \right)^{-\beta_1(x_0)} - 1 \right| \right\} \\
&\leq CT \left| \widehat{u}_n^{-1/\gamma_1(x_0)} - 1 \right| \\
&\quad + C\varepsilon \left| \delta_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right) \right| T^{1+\gamma_1(x_0)\beta_1(x_0)\pm\gamma_1(x_0)\zeta} \widehat{u}_n^{-\beta_1(x_0)\pm\zeta} \\
&\quad + C \left| \delta_1 \left(U_1(n/k_1|x_0) \middle| x_0 \right) \right| T \left\{ T^{\gamma_1(x_0)\beta_1(x_0)} \widehat{u}_n^{-\beta_1(x_0)} + 1 \right\},
\end{aligned}$$

for n large, with arbitrary large probability, by Proposition B.1.10 in de Haan and Ferreira (2006). In the above, the notation $a^{\pm\bullet}$ means a^\bullet if $a \geq 1$ and $a^{-\bullet}$ if $a < 1$. Using Lemma 5.1, Lemma 5.2 follows.

6 Proofs of the main results

Proof of Theorem 2.1. Using (9), we have the following decomposition

$$\begin{aligned}
\sqrt{k_1 h_n^d} (\hat{\gamma}_{1,k_1}(x_0) - \gamma_1(x_0)) &= \frac{\gamma_1(x_0)}{f_X(x_0)} \int_0^1 W(z, \infty) \frac{1}{z} dz \\
&+ \gamma_1(x_0) \sqrt{k_1 h_n^d} \int_0^1 \left[\frac{\hat{s}_n(z|x_0)}{z} - 1 \right] dz \\
&+ \frac{\gamma_1(x_0)}{f_X(x_0)} \int_0^1 [W(\hat{s}_n(z|x_0), \infty) - W(z, \infty)] \frac{1}{z} dz \\
&+ \gamma_1(x_0) \int_0^1 \left\{ \sqrt{k_1 h_n^d} \left[\frac{T_n(\hat{s}_n(z|x_0)|x_0)}{f_X(x_0) \hat{s}_n^\eta(z|x_0)} - \hat{s}_n^{1-\eta}(z|x_0) \right] - \frac{W(\hat{s}_n(z|x_0), \infty)}{f_X(x_0) \hat{s}_n^\eta(z|x_0)} \right\} \frac{\hat{s}_n^\eta(z|x_0)}{z} dz \\
&- \frac{\gamma_1(x_0)}{f_X(x_0) \hat{f}_n(x_0)} \int_0^1 T_n(\hat{s}_n(z|x_0)|x_0) \frac{1}{z} dz \sqrt{\frac{k_1}{n}} \sqrt{n h_n^d} (\hat{f}_n(x_0) - f_X(x_0)) \\
&=: \frac{\gamma_1(x_0)}{f_X(x_0)} \int_0^1 W(z, \infty) \frac{1}{z} dz + \sum_{i=1}^4 T_{i,n}.
\end{aligned}$$

We study each term separately.

Concerning $T_{1,n}$, following the lines of proof of Lemma 5.2, we have

$$T_{1,n} = \gamma_1(x_0) \sqrt{k_1 h_n^d} \left[\hat{u}_n^{-1/\gamma_1(x_0)} - 1 \right] + o_{\mathbb{P}}(1).$$

Now, combining Lemma 5.1 with a Taylor expansion, we have

$$T_{1,n} \rightsquigarrow -\frac{\gamma_1(x_0)}{f_X(x_0)} W(1, \infty).$$

Concerning $T_{2,n}$, for $\delta \in (0, 1)$, we use the decomposition

$$\begin{aligned}
T_{2,n} &= \frac{\gamma_1(x_0)}{f_X(x_0)} \left\{ \int_0^\delta [W(\hat{s}_n(z|x_0), \infty) - W(z, \infty)] \frac{1}{z} dz + \int_\delta^1 [W(\hat{s}_n(z|x_0), \infty) - W(z, \infty)] \frac{1}{z} dz \right\} \\
&=: T_{2,n}^{(1)} + T_{2,n}^{(2)}.
\end{aligned}$$

Using Lemma 5.2 combined with Potter's bounds (see Proposition B.1.9 (5) in de Haan and Ferreira, 2006), we have for any $\zeta \in (0, 1/\gamma_1(x_0))$, for n large, and with arbitrary large probability

$$\begin{aligned}
|T_{2,n}^{(1)}| &\leq \frac{\gamma_1(x_0)}{f_X(x_0)} \sup_{z \in (0, 2]} \frac{|W(z, \infty)|}{z^\eta} \left[\int_0^\delta \frac{\hat{s}_n^\eta(z|x_0)}{z} dz + \frac{\delta^\eta}{\eta} \right] \\
&\leq C \int_0^\delta \frac{1}{z} \left[z^{-\gamma_1(x_0)} \hat{u}_n \right]^{\eta(\pm\zeta - 1/\gamma_1(x_0))} dz + C \delta^\eta \\
&\leq C \hat{u}_n^{(\pm\zeta - 1/\gamma_1(x_0))\eta} \delta^{(1 - \gamma_1(x_0)\zeta)\eta} + C \delta^\eta \\
&= C \varepsilon^{1 - \gamma_1(x_0)\zeta} + C \varepsilon, \text{ by choosing } \delta^\eta = \varepsilon.
\end{aligned}$$

Now, concerning $T_{2,n}^{(2)}$, remark that following the lines of proof of Lemma 5.2, we have

$$\sup_{z \in [\delta, 1]} \left(k_1 h_n^d \right)^{1/4} |\hat{s}_n(z|x_0) - z| = o_{\mathbb{P}}(1),$$

from which we deduce that, for any $\xi > 0$

$$\begin{aligned} & \mathbb{P} \left(\sup_{z \in [\delta, 1]} |W(\hat{s}_n(z|x_0), \infty) - W(z, \infty)| > \xi \right) \\ & \leq \mathbb{P} \left(\sup_{z \in [\delta, 1]} |W(\hat{s}_n(z|x_0), \infty) - W(z, \infty)| > \xi, \sup_{z \in [\delta, 1]} |\hat{s}_n(z|x_0) - z| \leq \frac{1}{(k_1 h_n^d)^{1/4}} \right) \\ & \quad + \mathbb{P} \left(\sup_{z \in [\delta, 1]} |\hat{s}_n(z|x_0) - z| > \frac{1}{(k_1 h_n^d)^{1/4}} \right) \\ & \leq \mathbb{P} \left(\sup_{z \in [\delta, 1], |y-z| \leq \frac{1}{(k_1 h_n^d)^{1/4}}} |W(y, \infty) - W(z, \infty)| > \xi \right) + \mathbb{P} \left(\sup_{z \in [\delta, 1]} |\hat{s}_n(z|x_0) - z| > \frac{1}{(k_1 h_n^d)^{1/4}} \right) \\ & = o(1), \end{aligned}$$

by the continuity of $W(\cdot, \infty)$. This implies that

$$|T_{2,n}^{(2)}| \leq \varepsilon \ln \frac{1}{\delta} = -\frac{\varepsilon}{\eta} \ln \varepsilon.$$

Hence, $T_{2,n} = o_{\mathbb{P}}(1)$.

Concerning $T_{3,n}$, from Lemma 5.2, we have, for n large, with arbitrary large probability

$$|T_{3,n}| \leq \frac{\gamma_1(x_0)}{f_X(x_0)} \sup_{y \in (0, 2]} \left| \sqrt{k_1 h_n^d} \left(\frac{T_n(y|x_0)}{y^\eta} - y^{1-\eta} f_X(x_0) \right) - \frac{W(y, \infty)}{y^\eta} \right| \int_0^1 \frac{\hat{s}_n^\eta(z|x_0)}{z} dz.$$

Then, by Corollary 5.1 combined with the Skorohod representation theorem, we can conclude that $T_{3,n} = o_{\mathbb{P}}(1)$.

Finally, $T_{4,n} = o_{\mathbb{P}}(1)$ using the properties of the kernel density estimator.

This achieves the proof of Theorem 2.1.

Proof of Theorem 2.2. We use the decomposition

$$\frac{\hat{\theta}_p(x_0)}{\theta_p(x_0)} = \underbrace{\left\{ \left(\frac{k}{np} \right)^{\hat{\gamma}_{1,k_1}(x_0) - \gamma_1(x_0)} \right\}}_{T_{5,n}} \underbrace{\left\{ \frac{\bar{\theta}_{\frac{k}{n}}(x_0)}{\theta_{\frac{k}{n}}(x_0)} \right\}}_{T_{6,n}} \underbrace{\left\{ \frac{\left(\frac{k}{np} \right)^{\gamma_1(x_0)} \theta_{\frac{k}{n}}(x_0)}{\theta_p(x_0)} \right\}}_{T_{7,n}},$$

from which we deduce that

$$\frac{\hat{\theta}_p(x_0)}{\theta_p(x_0)} - 1 = \left\{ \left(\frac{k}{np} \right)^{\hat{\gamma}_{1,k_1}(x_0) - \gamma_1(x_0)} - 1 \right\} T_{6,n} T_{7,n} + \left\{ \frac{\bar{\theta}_{\frac{k}{n}}(x_0)}{\theta_{\frac{k}{n}}(x_0)} - 1 \right\} T_{7,n} + \left\{ \frac{(\frac{k}{np})^{\gamma_1(x_0)} \theta_{\frac{k}{n}}(x_0)}{\theta_p(x_0)} - 1 \right\}. \quad (15)$$

We will study the three terms $(T_{i,n} - 1)$, $i = 5, 6, 7$, separately.

Concerning the term $(T_{5,n} - 1)$, remark that, assuming $\frac{\ln k/(np)}{\sqrt{k_1 h_n^d}} \rightarrow 0$ and using Theorem 2.1, we have

$$\begin{aligned} \left(\frac{k}{np} \right)^{\hat{\gamma}_{1,k_1}(x_0) - \gamma_1(x_0)} - 1 &= \exp \left\{ \sqrt{k_1 h_n^d} [\hat{\gamma}_{1,k_1}(x_0) - \gamma_1(x_0)] \frac{\ln k/(np)}{\sqrt{k_1 h_n^d}} \right\} - 1 \\ &= \sqrt{k_1 h_n^d} [\hat{\gamma}_{1,k_1}(x_0) - \gamma_1(x_0)] \frac{\ln k/(np)}{\sqrt{k_1 h_n^d}} (1 + o_{\mathbb{P}}(1)), \end{aligned}$$

from which we deduce that

$$\frac{\sqrt{k_1 h_n^d}}{\ln k/(np)} \left\{ \left(\frac{k}{np} \right)^{\hat{\gamma}_{1,k_1}(x_0) - \gamma_1(x_0)} - 1 \right\} \rightsquigarrow \frac{\gamma_1(x_0)}{f_X(x_0)} \left[\int_0^1 W(z, \infty) \frac{1}{z} dz - W(1, \infty) \right]. \quad (16)$$

The asymptotic behavior of the term $(T_{6,n} - 1)$ has been already established in Theorem 5.1.

Now, concerning the term $(T_{7,n} - 1)$, remark that

$$\begin{aligned} \frac{(\frac{k}{np})^{\gamma_1(x_0)} \theta_{k/n}(x_0)}{\theta_p(x_0)} - 1 &= \left(\frac{\theta_{k/n}(x_0)/U_1(n/k|x_0)}{\theta_p(x_0)/U_1(1/p|x_0)} - 1 \right) \frac{U_1(n/k|x_0)(\frac{k}{np})^{\gamma_1(x_0)}}{U_1(1/p|x_0)} \\ &\quad + \frac{U_1(n/k|x_0)(\frac{k}{np})^{\gamma_1(x_0)}}{U_1(1/p|x_0)} - 1. \end{aligned} \quad (17)$$

Under assumption (\mathcal{D}) , (2) yields

$$\frac{U_1(n/k|x_0)(\frac{k}{np})^{\gamma_1(x_0)}}{U_1(1/p|x_0)} - 1 = \frac{1 + a_1(n/k|x_0)}{1 + a_1(1/p|x_0)} - 1 = o\left(\frac{1}{\sqrt{k h_n^d}}\right), \quad (18)$$

since $\sqrt{k h_n^d} |\delta_1(U_1(n/k|x_0)|x_0)| \rightarrow 0$ and $\sqrt{k h_n^d} |\delta_1(U_1(1/p|x_0)|x_0)| \rightarrow 0$ under our assumptions.

Moreover

$$\begin{aligned}
\frac{\theta_{k/n}(x_0)}{U_1(n/k|x_0)} &= \int_0^\infty \frac{n}{k} \mathbb{P}\left(Y^{(1)} > y_1, Y^{(2)} \geq U_2(n/k|x_0) \mid x_0\right) \frac{dy_1}{U_1(n/k|x_0)} \\
&= \int_0^\infty \frac{n}{k} \mathbb{P}\left(1 - F_1(Y^{(1)}|x_0) < 1 - F_1(y_1|x_0), 1 - F_2(Y^{(2)}|x_0) \leq \frac{k}{n} \mid x_0\right) \frac{dy_1}{U_1(n/k|x_0)} \\
&= \int_0^\infty R_{n/k}\left(\frac{n}{k} [1 - F_1(y_1|x_0)], 1 \mid x_0\right) \frac{dy_1}{U_1(n/k|x_0)} \\
&= - \int_0^\infty R_{n/k}\left(\frac{n}{k} [1 - F_1(z_1^{-\gamma_1(x_0)} U_1(n/k|x_0)|x_0)], 1 \mid x_0\right) dz_1^{-\gamma_1(x_0)} \\
&= - \int_0^\infty R(z_1, 1|x_0) dz_1^{-\gamma_1(x_0)} \\
&\quad - \int_0^\infty \left[R_{n/k}\left(\frac{n}{k} [1 - F_1(z_1^{-\gamma_1(x_0)} U_1(n/k|x_0)|x_0)], 1 \mid x_0\right) \right. \\
&\quad \quad \left. - R\left(\frac{n}{k} [1 - F_1(z_1^{-\gamma_1(x_0)} U_1(n/k|x_0)|x_0)], 1 \mid x_0\right) \right] dz_1^{-\gamma_1(x_0)} \\
&\quad - \int_0^\infty \left[R\left(\frac{n}{k} [1 - F_1(z_1^{-\gamma_1(x_0)} U_1(n/k|x_0)|x_0)], 1 \mid x_0\right) - R(z_1, 1|x_0) \right] dz_1^{-\gamma_1(x_0)} \\
&=: - \int_0^\infty R(z_1, 1|x_0) dz_1^{-\gamma_1(x_0)} + T_{8,n} + T_{9,n}.
\end{aligned}$$

Now, by Assumption (\mathcal{S})

$$\begin{aligned}
|T_{8,n}| &\leq \sup_{x \in B(x_0, h_n)} \sup_{0 < y_1 < \infty, \frac{1}{2} \leq y_2 \leq 2} \frac{|R_{n/k}(y_1, y_2|x) - R(y_1, y_2|x)|}{y_1^\beta \wedge 1} \\
&\quad \times \left| \int_0^\infty \left(\left\{ \frac{n}{k} [1 - F_1(z_1^{-\gamma_1(x_0)} U_1(n/k|x_0)|x_0)] \right\}^\beta \wedge 1 \right) dz_1^{-\gamma_1(x_0)} \right| \\
&= O\left(\left(\frac{n}{k}\right)^\tau\right) = o\left(\frac{1}{\sqrt{kh_n^d}}\right),
\end{aligned}$$

by our assumptions on the sequence k , and

$$\begin{aligned}
|T_{9,n}| &\leq \sup_{\frac{1}{2} \leq y_2 \leq 2} \left| \int_0^\infty \left[R\left(\frac{n}{k} [1 - F_1(z_1^{-\gamma_1(x_0)} U_1(n/k|x_0)|x_0)], y_2 \mid x_0\right) - R(z_1, y_2|x_0) \right] dz_1^{-\gamma_1(x_0)} \right| \\
&= o\left(\frac{1}{\sqrt{kh_n^d}}\right),
\end{aligned}$$

by Lemma 5.4 in Goegebeur et al. (2020). Thus

$$\frac{\theta_{k/n}(x_0)}{U_1(n/k|x_0)} = - \int_0^\infty R(z_1, 1|x_0) dz_1^{-\gamma_1(x_0)} + o\left(\frac{1}{\sqrt{kh_n^d}}\right). \quad (19)$$

A similar type of property can be obtained for $\theta_p(x_0)$ instead of $\theta_{k/n}(x_0)$. Indeed

$$\begin{aligned}
\frac{\theta_p(x_0)}{U_1(1/p|x_0)} &= - \int_0^\infty R_{1/p} \left(\frac{1}{p} \left[1 - F_1(z_1^{-\gamma_1(x_0)} U_1(1/p|x_0)|x_0) \right], 1|x_0 \right) dz_1^{-\gamma_1(x_0)} \\
&= - \int_0^\infty R(z_1, 1|x_0) dz_1^{-\gamma_1(x_0)} \\
&\quad - \int_0^\infty \left[R_{1/p} \left(\frac{1}{p} \left[1 - F_1(z_1^{-\gamma_1(x_0)} U_1(1/p|x_0)|x_0) \right], 1|x_0 \right) \right. \\
&\quad \quad \left. - R \left(\frac{1}{p} \left[1 - F_1(z_1^{-\gamma_1(x_0)} U_1(1/p|x_0)|x_0) \right], 1|x_0 \right) \right] dz_1^{-\gamma_1(x_0)} \\
&\quad - \int_0^\infty \left[R \left(\frac{1}{p} \left[1 - F_1(z_1^{-\gamma_1(x_0)} U_1(1/p|x_0)|x_0) \right], 1|x_0 \right) - R(z_1, 1|x_0) \right] dz_1^{-\gamma_1(x_0)} \\
&=: - \int_0^\infty R(z_1, 1|x_0) dz_1^{-\gamma_1(x_0)} + T_{10,n} + T_{11,n}.
\end{aligned}$$

Clearly $T_{10,n} = O(p^{-\tau}) = o\left(\frac{1}{\sqrt{kh_n^d}}\right)$, by our assumptions on k and p . For $T_{11,n}$, we follow the lines of proof of the second part of Lemma 5.4 in Goegebeur et al. (2020), using the Lipschitz property of the function R , for $T_n \rightarrow \infty$, we have

$$\begin{aligned}
\sqrt{kh_n^d}|T_{11,n}| &\leq \sqrt{kh_n^d} \left| \int_0^{T_n} \left[R \left(\frac{1}{p} \left[1 - F_1 \left(z_1^{-\gamma_1(x_0)} U_1(1/p|x_0)|x_0 \right) \right], 1|x_0 \right) - R(z_1, 1|x_0) \right] dz_1^{-\gamma_1(x_0)} \right| \\
&\quad + \sqrt{kh_n^d} \left| \int_{T_n}^\infty \left[R \left(\frac{1}{p} \left[1 - F_1 \left(z_1^{-\gamma_1(x_0)} U_1(1/p|x_0)|x_0 \right) \right], 1|x_0 \right) - R(z_1, 1|x_0) \right] dz_1^{-\gamma_1(x_0)} \right| \\
&\leq -\sqrt{kh_n^d} \int_0^{T_n} \left| \frac{1}{p} \left[1 - F_1 \left(z_1^{-\gamma_1(x_0)} U_1(1/p|x_0)|x_0 \right) \right] - z_1 \right| dz_1^{-\gamma_1(x_0)} \\
&\quad + 2 \sup_{z_1 \geq 0} R(z_1, 1|x_0) \sqrt{kh_n^d} T_n^{-\gamma_1(x_0)} \\
&\leq -\sqrt{kh_n^d} \frac{|\delta_1 \left(U_1 \left(\frac{1}{p} |x_0 \right) |x_0 \right)|}{|\gamma_1(x_0) + \delta_1 \left(U_1 \left(\frac{1}{p} |x_0 \right) |x_0 \right)|} \int_0^{T_n} z_1 \left| \frac{\delta_1 \left(z_1^{-\gamma_1(x_0)} U_1 \left(\frac{1}{p} |x_0 \right) |x_0 \right)}{\delta_1 \left(U_1 \left(\frac{1}{p} |x_0 \right) |x_0 \right)} - 1 \right| dz_1^{-\gamma_1(x_0)} \\
&\quad + C \sqrt{kh_n^d} T_n^{-\gamma_1(x_0)} \\
&\leq C \sqrt{kh_n^d} \left| \delta_1 \left(U_1 \left(\frac{1}{p} |x_0 \right) |x_0 \right) \right| T_n^{1-\gamma_1(x_0)+(\beta_1(x_0)+\varepsilon)\gamma_1(x_0)} + C \sqrt{kh_n^d} T_n^{-\gamma_1(x_0)} \\
&\leq C \sqrt{kh_n^d} \left| \delta_1 \left(U_1 \left(\frac{n}{k} |x_0 \right) |x_0 \right) \right| T_n^{1-\gamma_1(x_0)+(\beta_1(x_0)+\varepsilon)\gamma_1(x_0)} + C \sqrt{kh_n^d} T_n^{-\gamma_1(x_0)},
\end{aligned}$$

for n large. Then, if α and Δ are chosen as stated in Theorem 2.2 and $T_n = n^\kappa$ with κ chosen such that

$$\frac{\alpha - \Delta d}{2\gamma_1(x_0)} < \kappa < \frac{2(1 - \alpha)\gamma_1(x_0)\beta_1(x_0) - (\alpha - \Delta d)}{2[1 - \gamma_1(x_0) + (\beta_1(x_0) + \varepsilon)\gamma_1(x_0)]},$$

we have

$$\frac{\theta_p(x_0)}{U_1(1/p|x_0)} = - \int_0^\infty R(z_1, 1|x_0) dz_1^{-\gamma_1(x_0)} + o\left(\frac{1}{\sqrt{kh_n^d}}\right). \quad (20)$$

Combining (17), (18), (19) and (20), we deduce that

$$\frac{\left(\frac{k}{np}\right)^{\gamma_1(x_0)} \theta_{k/n}(x_0)}{\theta_p(x_0)} - 1 = o\left(\frac{1}{\sqrt{kh_n^d}}\right). \quad (21)$$

Finally, decomposition (15) combined with Theorem 5.1, (16) and (21) achieves the proof of Theorem 2.2.

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