



SUNGARD AMBIT RISK & PERFORMANCE
MANAGEMENT

Ambit Risk Institute

INDUSTRY-LEADING ADVISORY SERVICES FOR BETTER RISK AND PERFORMANCE MANAGEMENT

INDUSTRY OVERVIEW

The global financial crisis has had a profound impact on the way that banks view and manage risk, with two key factors driving their strategies and investments: regulation and self-correction.

In the wake of the financial crisis, governments and industry bodies have introduced, and will continue to introduce, game-changing regulations. Unsurprisingly, these regulations are changing the nature of banking itself and, most of all, banks' approach to risk.

More specifically, financial regulations and guidance such as the Dodd-Frank Act and Basel III are driving banks to adopt certain risk management practices, such as stress testing. Both the implementation of these practices and the regulatory challenge to meet stricter capital and liquidity requirements are putting a greater pressure than ever on earnings for banks – squeezing their margins and potentially reducing their profitability.

Banks' inclination to self-correct has had its own influence on risk strategies. Financial institutions are now looking for answers to the fundamental question: what went wrong? This new level of industry introspection is resulting in a greater focus on risk management best practice. The goal isn't simply risk mitigation, but rather finding ways to create risk-adjusted profits.

With dedicated board-level risk committees becoming a common, mandatory discipline across the banking industry, a more rigorous approach to risk and regulation is no longer optional. Indeed, it is the only way banks can hope to match their historic levels of return.

Put another way, it is those banks that are prepared to invest significantly in risk management, and make the soundest risk-based decisions, that will be the high-performing, most profitable and competitive banks of the future.

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BRINGING STRATEGIC THINKING TO THE MANAGEMENT OF RISK, PERFORMANCE AND REGULATION

The banks of today face a range of strategic risk challenges involving data capture, analysis, reporting, governance, compliance and, often, changes to decision-making practices.

Although technology can do a lot to address these challenges, it can't do so alone – without the back-up of knowledge, creativity and experience. SunGard created the Ambit Risk Institute (ARI) to provide this back-up.

Bringing together strategy consulting know-how with a wealth of banking, technology and regulatory expertise, ARI complements SunGard's innovative software solutions with highly valued advisory services and thought leadership to tackle the complex issues of risk, performance and regulation. It is this wide variety of experience across the three distinct areas of banking, technology and regulation that makes ARI so effective at managing the challenges of the current financial landscape.

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THE SOLUTION

With a combination of experienced banking professionals and proven, innovative technology, ARI provides advisory services and thought leadership to a wide range of financial institutions, helping them better manage risk and performance, and achieve regulatory compliance.

ARI's main services include :

- Risk Appetite Setting – establishing a framework to make sound business decisions
- Pricing and Profitability Optimization – developing a risk-based approach to pricing and profitable customers

- Stress Testing – creating and carrying out business- and regulatory-driven stress tests
- Risk Rating, Allowance for Loan and Lease Losses (ALLL) Development and Loss Forecasting – improving lending decisions and reserve-setting practices
- Capital Adequacy – advising on appropriate capital levels, planning for the future, maintaining solvency and improving shareholder value
- Model Validation – testing banks' risk models through a rigorous validation framework

Find out more on page 5, in the SOLUTION COMPONENTS section.

SOLUTION BENEFITS

Addressing the key issues facing banks today, ARI's services enable banks to:

Make Sound Risk Decisions

ARI will work with executive managers to both determine a bank's risk appetite and communicate it across the bank. Above all, that means using a defined approach to considering risk, to drive, shape and cement the day-to-day business decisions and activities of individual business units. To promote a fair and transparent risk culture, ARI can also help banks set levels of incentive compensation that are consistently in line with their appetite for risk.

Optimize Performance, Profitability and Pricing

By identifying a bank's strongest and weakest lending relationships according to their lifetime risk-adjusted return on capital, ARI can help improve balance-sheet performance, profitability and the potential for growth. The appropriate pricing of products and loans is an important way for banks to improve or re-establish relationships with customers – and increase competitiveness. ARI provides banks with an objective framework for pricing that will help achieve the necessary balance between returns, risk and growth.

Meet regulatory requirements

Banks, by their nature, are highly leveraged businesses – but it takes specialist expertise to determine the right amount of capital needed to maintain solvency in times of crisis. Stress testing is a key way to do just that, and ARI's expert team can help banks develop meaningful and workable stress tests – and comply with the ever-increasing range of financial regulations and accounting standards that relate to capital and risk.

Improve Lending Decisions

With extensive expertise in the area of loss forecasting and risk rating – the cornerstone of every credit application – ARI is able to pick up on specific areas of risk in a bank's portfolio and predict the likelihood of actual losses. It also offers multiple approaches to the complex issues of calculating reserves for loan losses and capital adequacy

Better Manage Capital

SunGard's Ambit Risk Institute helps banks not only set adequate levels, but also manage their capital and risk-adjusted return on an ongoing basis, with strategic advice on how to maintain solvency while improving shareholder value.

Develop a Robust Validation Framework for Risk Models

The financial crisis revealed the failings of the mathematical models that banks had come to rely on – and, above all, the need for more rigorous, independent ways to validate them. ARI can provide a robust validation framework that ensures risk models meet a range of regulator-mandated and best practice criteria.



THE WELL MANAGED BANK

The financial crisis led to the realization that banks need a prudent, long-term balanced view of their business. As the global economy begins its recovery, banking leaders are refocusing on their core business principles. They've recognized that their sustainability is provided by their customers; that their business operations rely on the expertise of their staff, however much this is supported by technology; and that their capital represents their ability to survive into the future.

The key is to ensure these three assets are managed in a balanced, risk-averse and profit-focused way – and SunGard can help. Our Ambit banking solution suite enables retail, corporate and private banks to better manage their customers, staff and capital. It helps more than 800 customers in over 70 countries, providing services and solutions to retain and acquire customers, achieve dynamic staff efficiency – and effectively measure and allocate their capital.

TRUST SUNGARD FOR STABILITY

SunGard is one of the world's leading software and IT services companies, with more than 25,000 customers in over 70 countries, including the world's 25 largest financial services companies. With annual revenue exceeding US\$5 billion, SunGard is ranked 380 on the Fortune 500 and is the largest privately held business software and services company on the Forbes list of private businesses. Based on information compiled by Datamonitor*, SunGard is the third largest provider of business applications software after Oracle and SAP.

*January 2009 Technology Vendors
Financial Database Tracker
www.datamonitor.com

For more information please e-mail us at ambitinfo@sungard.com or visit our website at www.sungard.com/ambit



www.sungard.com/ambit

For more information, contact us at ambitinfo@sungard.com

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