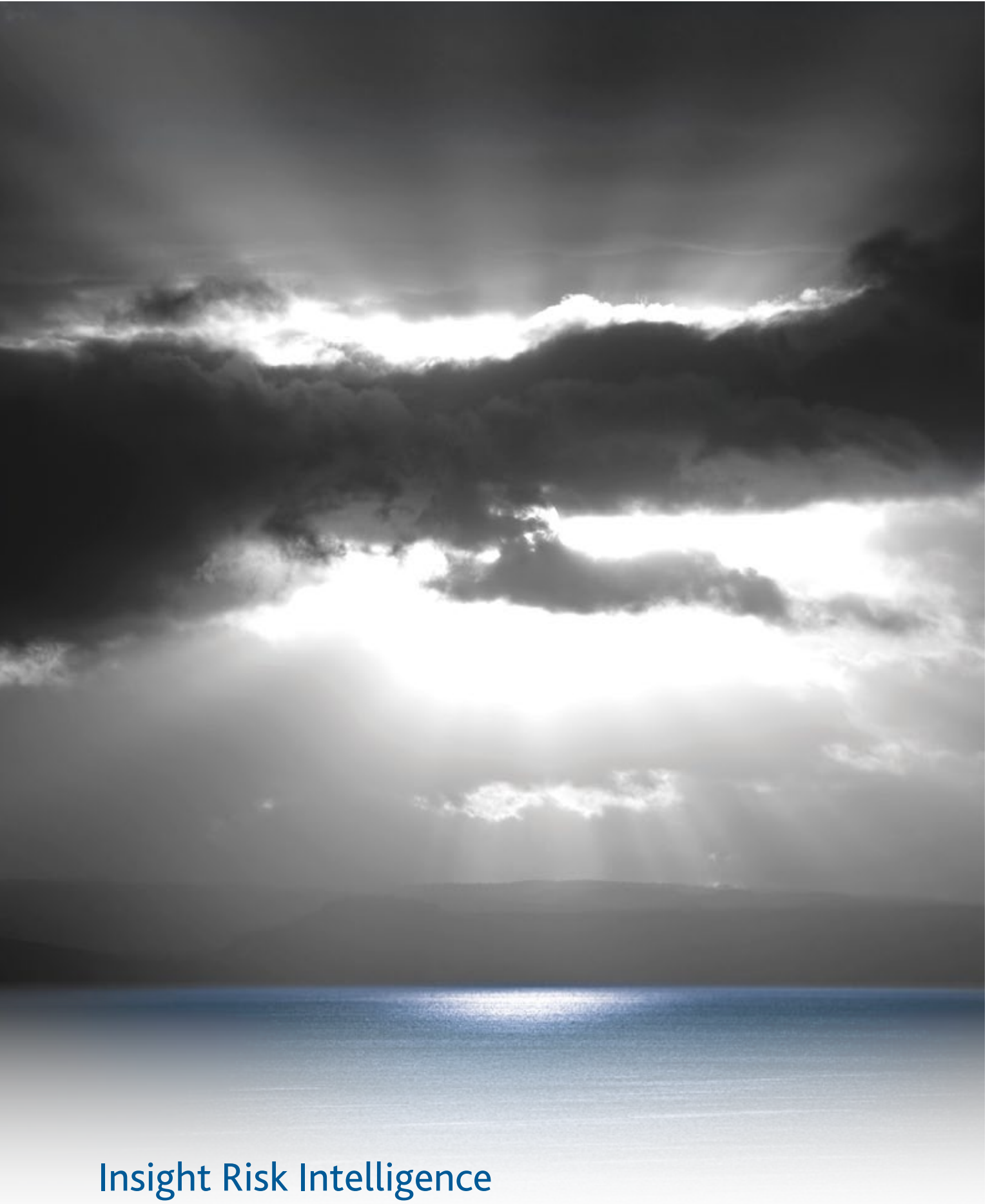




TEMENOS
The Banking Software Company



Insight Risk Intelligence

Insight Risk Intelligence

An Enterprise Risk Management Solution

An Integrated Approach to Risk Management

The Basel II and III regulatory frameworks impose specific compliance and reporting requirements, which create many challenges for financial institutions, whose ultimate objectives are to implement more risk adverse investment strategies; free up more working capital and efficiently manage their liquidity risk.

Only banks that have both a sophisticated and comprehensive understanding of all their business activities are able to leverage more complex and sophisticated approaches in assessing and mitigating their risk exposures.

Temenos understands these challenges and has created an integrated risk management solution to enhance a bank's approach to Basel II, Asset & Liability Management and market risk management strategy.

Insight Risk Intelligence

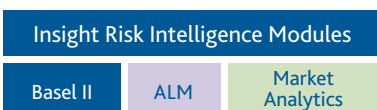
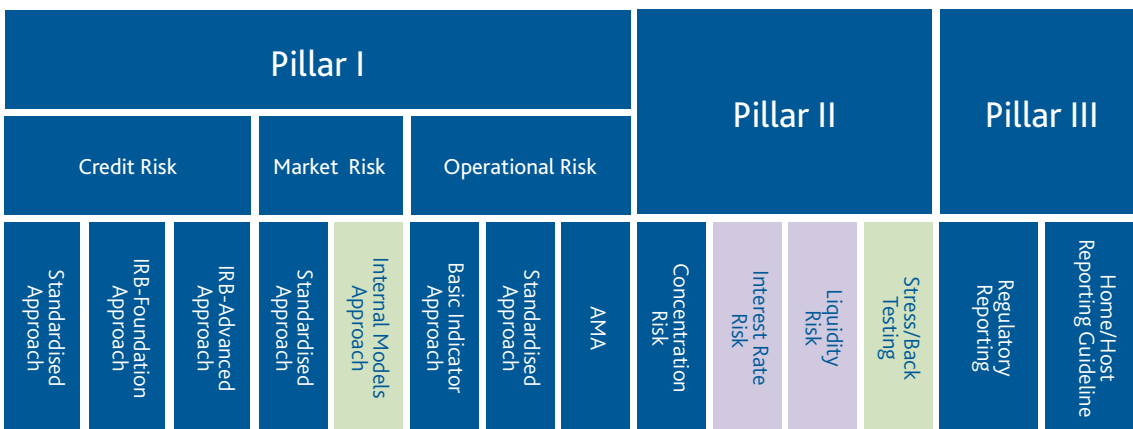
Insight Risk Intelligence is an enterprise wide risk management platform which is designed to be simple to integrate in order to maximise your return on investment. Offered as a component of Insight, our business intelligence solution, Insight Risk Intelligence leverages our business oriented data model and analytical capabilities.

Consisting of three modules - Regulatory Capital, Market Analytics and Asset & Liability Management, which can be adopted individually or together, Insight Risk Intelligence comes as a flexible framework that can be adapted to meet different local and international reporting requirements, providing banks with the tools to fully comply with Basel II in accordance with its 3 pillars.

The business functionality provided by Insight Risk Intelligence can be summarised in the diagram (fig.1) as part of the Basel II framework.

fig. 1

Basel II Framework Fully Supported by Insight Risk Intelligence





Insight Risk Intelligence- Regulatory Capital Module

The Regulatory Capital Module enables banks to accurately calculate their risk weighted assets and therefore regulatory capital requirement and can be deployed against any regulatory approach. Regulatory rules are predetermined within the software and can be adapted to local reporting requirements; ensuring banks meet their compliance needs. This module also offers a powerful credit risk mitigation engine enabling banks to intelligently downsize their exposures.

Regulatory Capital Calculation

Banks can easily calculate their RWA (Risk Weighted Assets) and therefore regulatory capital for all Basel II approaches:

Credit Risk

- Standardised Approach – Simple Mitigation
- Standardised Approach – Comprehensive Mitigation
- IRB Foundation Approach
- IRB Advanced Approach

Market Risk

- Standardised Approach

Operational Risk

- Basic Indicator Approach
- Standardised Approach

Concentration Risk

Insight Risk Intelligence allows each counterparty to be assigned to a Concentration Risk Group which can be influenced by one or more Concentration Risk Factors – such as:

- Increase in Oil Prices
- Political Change in a Country

Reporting Engine

The Basel II module offers out-of-the-box reports that support overall Basel II regulatory reporting requirements. The reporting engine provides financial institutions with the flexibility to build ad-hoc reports and publish them in a variety of formats.

Insight Risk Intelligence- Market Analytics Module

Insight Risk's Market Analytics module enables financial institutions to extend their analytical capability by using a range of tools, including VaR (Value at Risk) engine, yield curve modelling and pricing tools. It is equipped with a strong and flexible reporting engine and brings to your organisation a powerful tool to browse and navigate to the lowest level of granularity, enabling the production and distribution of valuable reporting. Risk reporting can be analysed by aggregation terms such as currency, interest rates and equity prices.

Product Functionalities Include:

- Yield Curve Modelling
- Covariance-based VaR
- Calculation of VaR using Historical Simulation
- Calculation of VaR using Monte Carlo Simulation
- Calculation of Parametric VaR
- Derivation of Volatilities and Correlations
- VaR Back Testing
- Cash Instruments Stress Testing
- Pricing of Illiquid Debt Instruments

This module operates in both batch and interactive modes, so that VaR calculations can be used for limit management, as well as for end of day risk management reporting. It comes with a high level stress testing capability and has a powerful concentration risk scenario analysis. This capability supports single risk factor scenario but can easily be extended to any type of risk factor scenario by extension of the data model.



Insight Risk Intelligence - Asset and Liability Management Module (ALM)

The ALM module provides comprehensive liquidity and interest rate risk analytics and reporting. Incorporated within this module is also Funds Transfer Pricing (FTP) functionality, which enables banks to calculate and allocate the profit contribution of their respective business units and treasury function.

ALM is functionally rich, enabling banks to perform a wide range of analysis and reporting:

- Balance Sheet Modelling
- Balance Sheet simulation & Stress Testing
- Duration Gap Reporting
- Liquidity Gap Reporting
- Liquidity Ratios
- Interest Rate Sensitivity Reporting

Banks using this solution can define cash flow bucketing and construct forward cash-flow schedules. ALM offers automatic recognition of asset and liability cash flow mismatches. Additionally various analysis scenarios can be developed to identify impact on economic value of equity by applying interest rate shock. Insight Risk Intelligence uses standard logic to calculate the delta.

Duration/Liquidity Gap report contains the following analysis:

- Absolute Mismatch
- Absolute Mismatch (%)
- Cumulative Mismatch
- Cumulative Mismatch (%)
- NII (Net Interest Income)
- NIM (Net Interest Margin)
- Modified Duration of Assets
- Modified Duration of Liabilities
- Modified Duration of Total Assets
- Modified Duration of Total Liabilities
- Weight (RSL / RSA)
- Modified Duration Gap

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Features & Benefits

- **Easy to Integrate** - plug and play offering.
- **Regulatory Reporting** - out-of-the-box standardised regulatory reports.
- **Flexibility** - scalable to support your risk strategy and organisational structure.
- **Fully Auditable** - comprehensive audit trail.
- **Usability** - use of configurable dashboard and collaborative framework.

Banks wishing to realise the benefits of Insight Risk Intelligence with non-T24 sites can do so using Insight Pathway, contact us for further information.

www.temenos.com

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