

## IBM Banking & Financial Markets Risk Solutions Transcript

(Snippets from John Fullner's voicemail) .... John Fullner, Credit Risk Analyst.... Leave a message..... get back to you.....

(Snippets of Carolyn Daniels leaving a message) Hi John, it's Carolyn.... looking at liquidity risk.... set of mortgages I'd like you to look into...

**Carolyn Daniels:** Hi, I'm Carolyn Daniels, Chief Risk Officer at JK Financial. I'm working a bit early from home this morning, because last night I got an email from our Board Chairman.

He wants a report on our liquidity risk to make sure we can identify any potential issues before new regulatory reports are due.

I'm giving a presentation to the Board this afternoon, so getting this information is my top priority this morning.

This sort of thing used to take hours, pulling data from many financial and risk systems and spreadsheets—multiple disparate sources of information.

But a while ago, JK Financial turned to IBM. I trusted that their unique mix of industry expertise, experience, and proven tools would help address our risk management needs—and I was right.

We chose IBM Cognos Business Intelligence & Financial Performance Management software and IBM consultants to help us develop an integrated finance and risk management solution.

I now have a single, consolidated, at-a-glance view—and drill-down details—about multiple areas of risk across our entire enterprise.

Using IBM Cognos finance and risk management tools, I can get real-time, aggregated delivery of trusted information—whenever I need it, and in virtually any format I choose.

I can view the information I need in a spreadsheet, a PDF, online, or on my mobile device—so it's quick and easy to share.

With IBM Cognos Risk dashboards, I have on-demand access to information about JK Financial's Credit risk, Operational risk, Counterparty risk, and Market risk—as well as other Key Performance Indicators—all in one place.

And, I can even take advantage of capabilities like risk scenario analyses and liquidity risk reporting.

Which reminds me—that email.

The Chairman wants a report on our liquidity risk—and I can view that information right here, on the main portal.

Drilling down, the liquidity dashboard gives me an overview of our assets and liabilities liquidity.

I can even switch views—to a list, chart, graph, or map—to gain more insight about these trends.

Hm. It looks like a set of mortgages is representing a significant percentage of liability.

I'm going to take a closer look at these mortgages. Interesting. They're all in California—and these mortgages are all bundled with the same security. That could be exposing us to counterparty risk—something I definitely want to get more detail about.

But right now, I can let our CEO and Chairman know that IBM Cognos liquidity risk reporting tools put us in good shape for meeting new regulatory reporting requirements. And that's one thing I can rest easier about.

I'm going to let a Risk Analyst look into these mortgages while I take this call and head to the office. ... (on phone) Carolyn speaking... Hi, yes, I have that information right here...

**John Fullner:** Hi, John Fullner here. Risk Analyst at JK Financial. Carolyn asked me to look into some mortgages she flagged. I'm going to take a closer look at this issue in California.

I start each day looking at my Risk dashboard, which I've customized to show the key metrics I need to see at-a-glance. This morning, I was checking out our Credit Risk Performance.

Drilling down I can take a closer look at delinquencies by business unit, product type, and geography.

And sure enough—we have an issue at our branches in California.

Now, looking closer, I see that delinquencies on variable-rate mortgages are spiking.

I need to get to the bottom of this.

I'm going to set an alert so I'll be notified if any of these mortgages become delinquent by more than 90 days.

And right now, I'll pull reports on charge-offs and credit exposure trends from the Credit Risk dashboard.

As I suspected, it looks like too many loans are being made to people with low credit scores.

I'm going to send Carolyn this information, so she can quickly insert it into her presentation for the Board.

Now, the delinquencies are definitely a considerable part of our risk exposure, but Carolyn also made a good point about the bundled security. I want to check that out.

I can quickly find it using IBM Cognos query and analysis functionality.

Interesting. This security is showing up on our list of top 10 counterparty exposures.

Looking more closely, it appears this Alder investments security hasn't been performing well recently.

So, these mortgages are adding up to both credit risk exposure, and counterparty risk exposure—both of which impact our liquidity.

I'm going to let Carolyn know what I've learned right now. But I'll keep my Risk dashboard open on my desktop.

With this news, I expect Carolyn will want me to run some scenario analyses—like what would happen if we changed the minimum credit score guidance for the California branches.

Fortunately, IBM Business Analytics give me the tools I need to answer these requests quickly, and still have time for breakfast.

**Carolyn Daniels:** Wow. These reports from my analyst have some critical information.

In just a few minutes, I'll be all set for my presentation to the Board this afternoon, with some key insights about several potential risk exposures and our overall liquidity.

And this is certainly going to drive some decisions moving forward. Not only that, but I'm confident that with IBM Cognos solutions, JK Financial is prepared for new regulations that will impact the industry—and our business. Because we can answer ad hoc requests quickly, we now have more time to analyze information that will help us strike the right balance between risk and return.

And by understanding that balance, I can communicate insights throughout my organization to ensure that the risk appetite we've set is reflected in every decision made.

With the IBM Cognos finance and integrated risk solution, I see the big picture—and the important details--that drive our business.

(On phone with John Fullner)I got the reports, thanks so much for the quick info. I'll definitely be adjusting approval standards for those mortgages, and possibly make some other changes...