Smarter Analytics Live

Paolo Sironi - Algorithmics, an IBM Company
Tullio Lucca - Intesa Sanpaolo, Direzione Risk Management

Soluzioni di Risk Analytics per il Wealth Management

IBM Risk Analytics combines the capabilities of Algorithmics, OpenPages and IBM to drive client outcomes

Banking and Financial Markets (Sell Side)

Asset owners, asset servicers and asset managers (Buy Side)

Operational Risk, GRC and Content

ChartisResearch

Risk
TECHNOLOGY RANKINGS
2011

HFM AWARDS
WINNER 2012
EUROPEAN HEDGE FUND SERVICES AWARDS
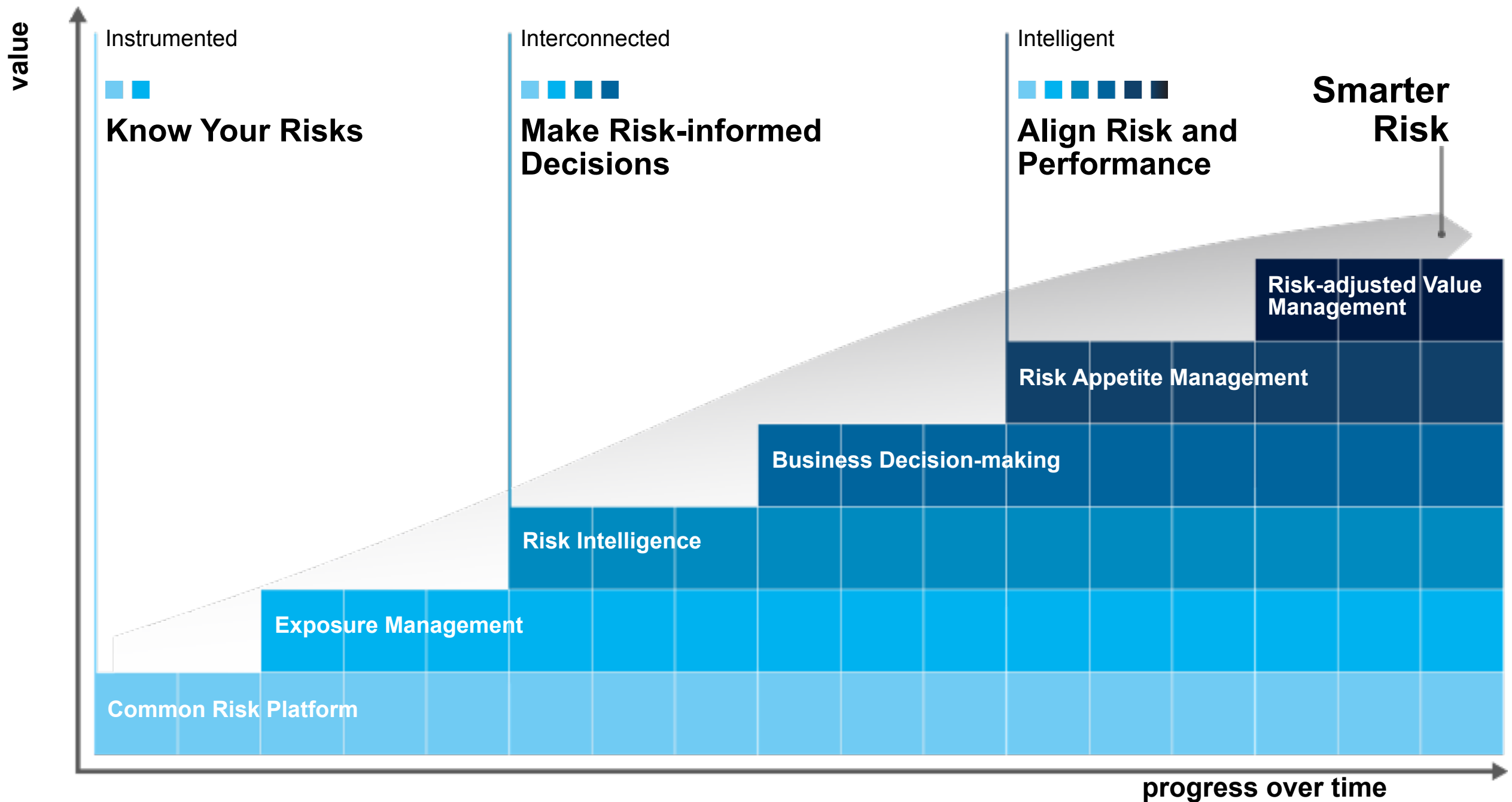Best risk management technology provider

FORRESTER

waters
rankings
2011
Best Risk Analytics Provider
Winner
Algorithmics

Buy-Side Technology

Life& PensionRisk
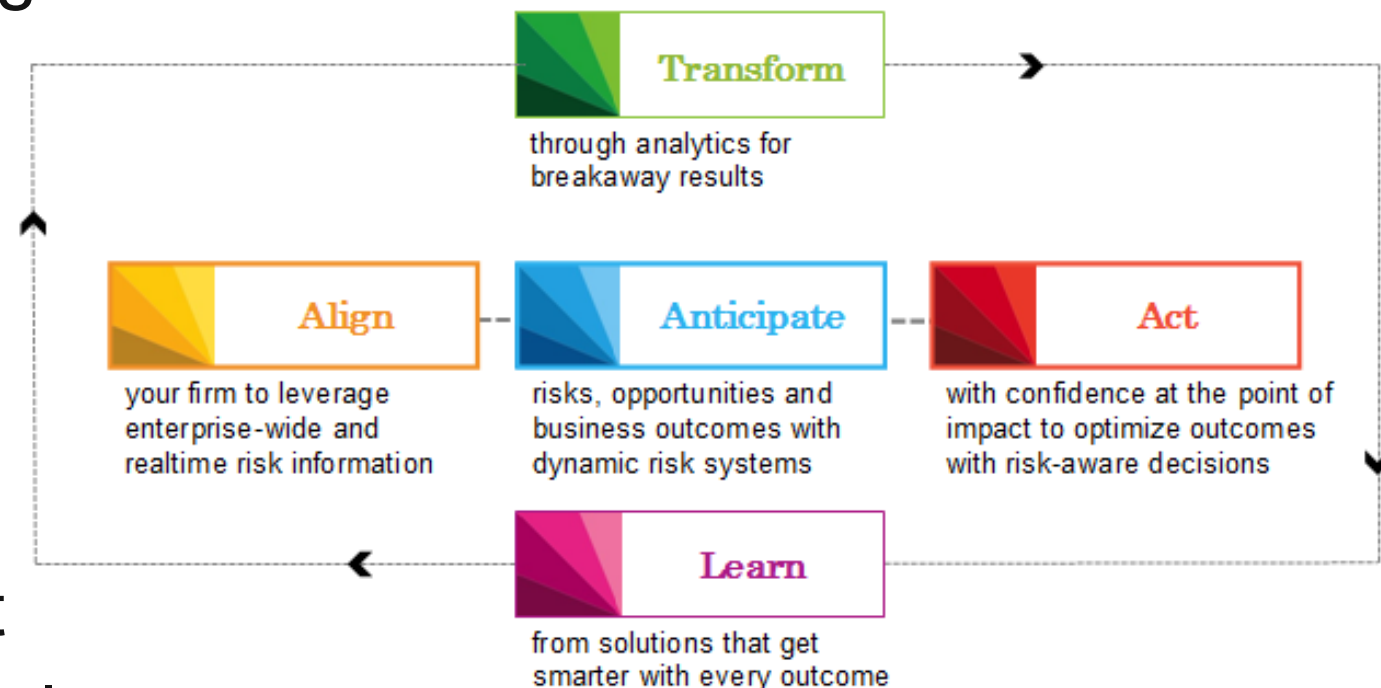
Risk Analytics transform business models

IBM Smarter Analytics is a holistic approach that turns information into insight and insight into business outcomes
IBM Risk Analytics defines Smarter Analytics for Risk

Firms that use advanced risk analytics broadly in their business decisions perform better than others.

They align around insights, anticipate risks and opportunities, and act to optimize outcomes.

They learn continually and as a result can transform their business models.

Transform
through analytics for breakaway results

Align
your firm to leverage enterprise-wide and realtime risk information

Anticipate
risks, opportunities and business outcomes with dynamic risk systems

Act
with confidence at the point of impact to optimize outcomes with risk-aware decisions

Learn
from solutions that get smarter with every outcome

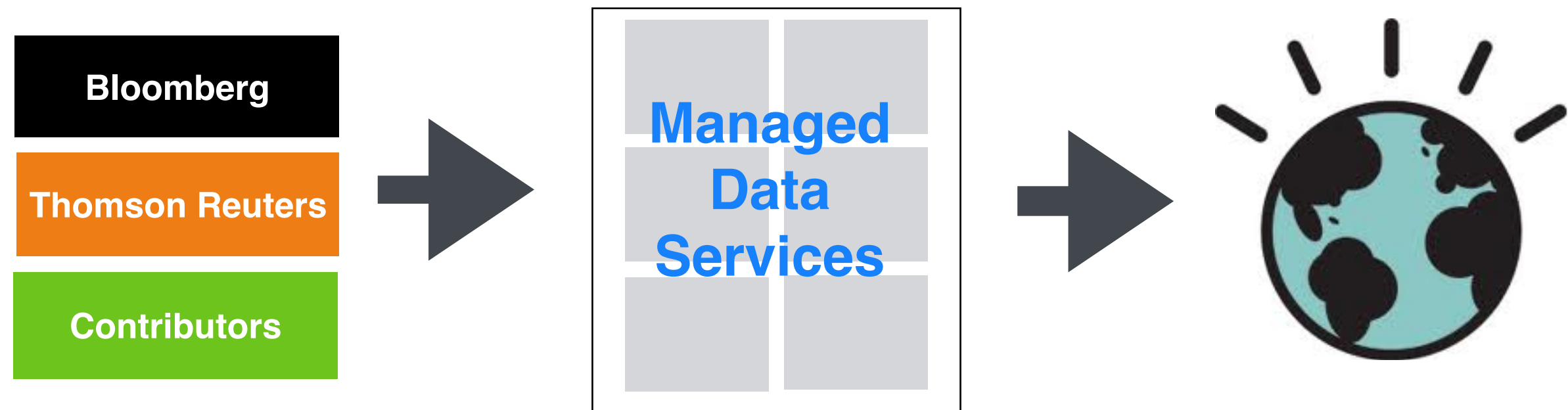# Investors demand simple answers to simple questions in complex economies.

The IBM move in Wealth Management Analytics, that follows the acquisition of Algorithmics, is part of a strong commitment to deliver **transformational technology** that simplifies the banking experience to ensure that financial advisory:

Align - Is performed on strong data evidence and foundations (re. Managed Data Services).

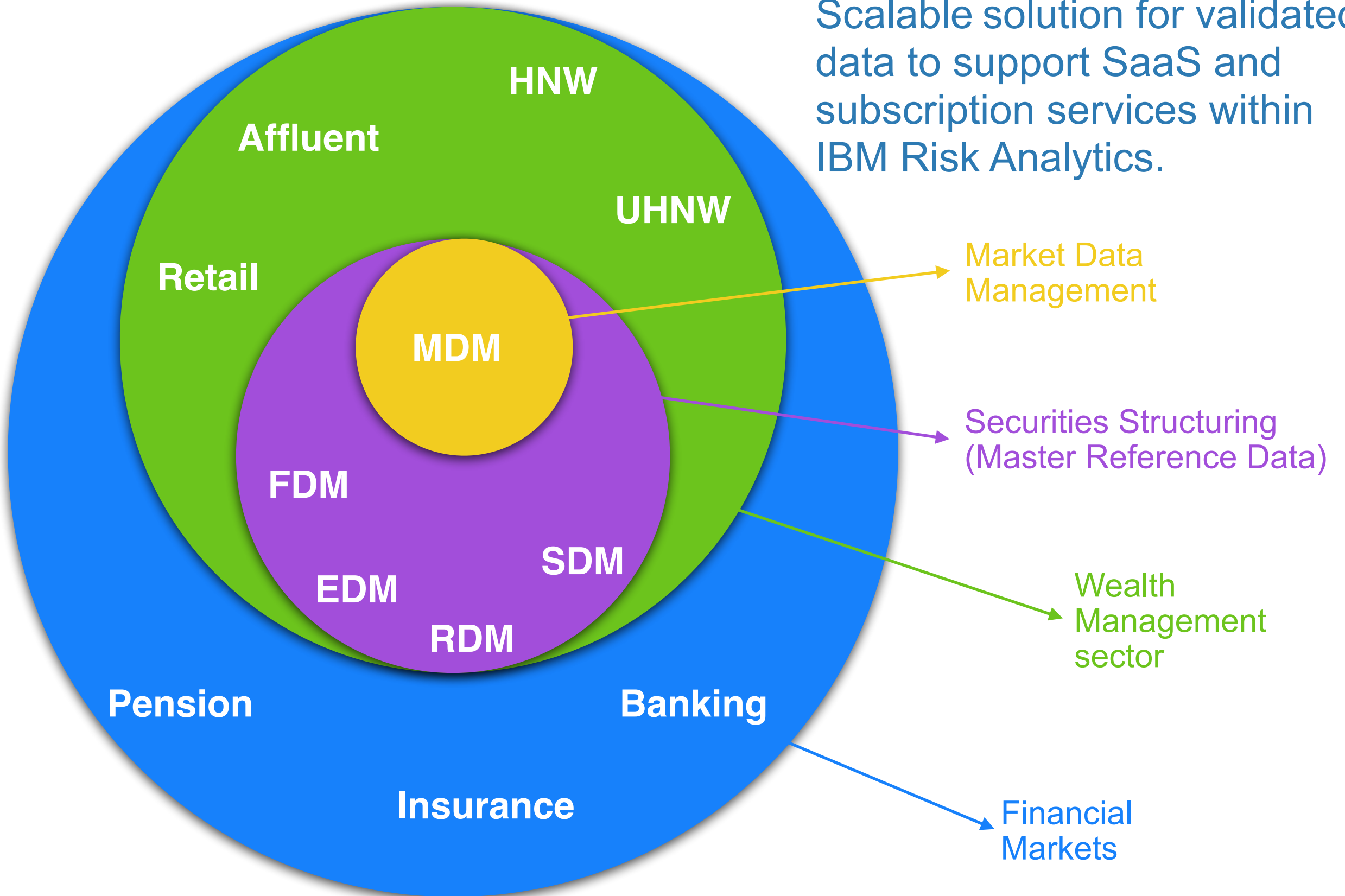## Anticipate - It is acted in the best interest of the client (re. Multi-Period Optimization).

Act - It enhances the customers' experience by means of financial intuition (re. What-if MtF scenarios and graphical representation).

Poor Data   -   Poor Analytics

| Bloomberg |
| Thomson Reuters |
| Contributors |

Banks dedicated infrastructure

Managed Data Services

| Bloomberg |
| Thomson Reuters |
| Contributors |

Good Data   -   Good Analytics

Scalable solution for validated data to support SaaS and subscription services within IBM Risk Analytics.

HNW

Affluent

UHNW

Retail

MDM — Market Data Management

FDM

SDM

EDM — Securities Structuring (Master Reference Data)

RDM

Wealth Management sector

Pension

Banking

Insurance — Financial Markets

We thank Intesa Sanpaolo for this contribution to the conference.

Build a stronger business with:
- monitoring and regulatory compliance.

Advanced portfolio and risk/return analytics allow wealth managers to properly construct and allocate investors' portfolios.

This enables to **grow our business**, irrespective of the scale or make-up of the client base.

We looked for Analytics' solutions capable to address the needs of all wealth managers in retail and private banking, as well as ultra high net worth investments.

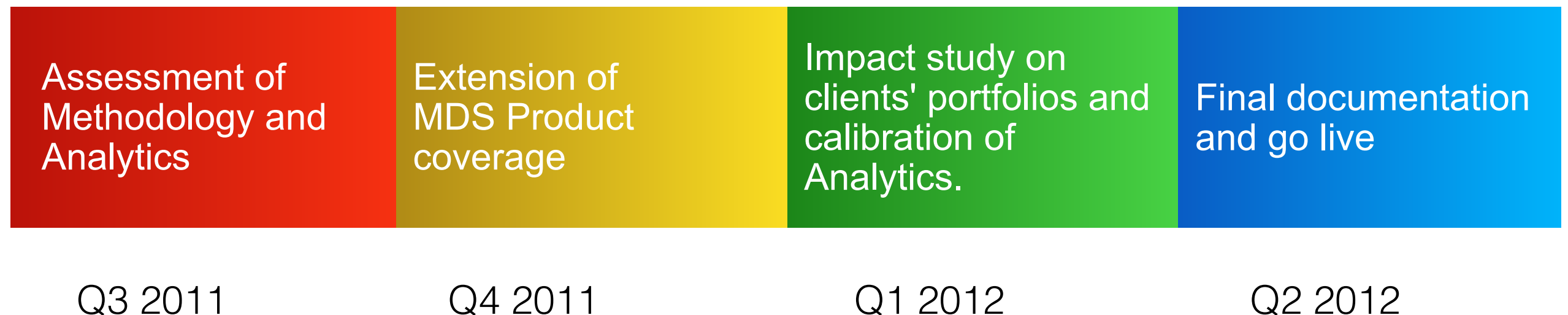**Retail Banking** | **Mass Affluent** | **HNW** | **UHNW**

Scalable and strategic approach
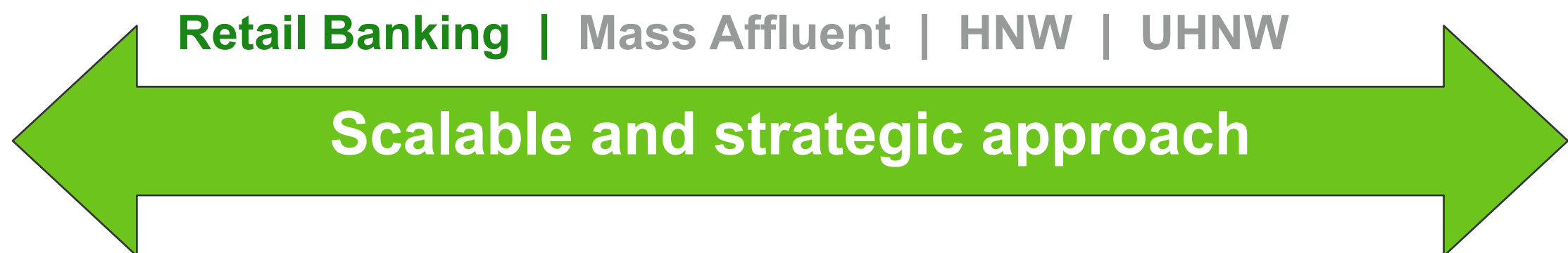
IBM Risk Analytics supports Intesa Sanpaolo clients operations.

Focus – Retail and Private banking operations throughout Italian branches.

Scope – Risk measurement of ca 3 million individual clients' investments to fulfill MiFID and CONSOB regulation and facilitate better informed investment decision making.

Services – IBM Algorithmics Wealth Management delivers potential profit and loss simulations for more than 40000 potential investments in financial securities (Bonds, Investment Funds, Ceritificates, Stocks, Insurance contracts, Discretionary Portfolios) by simulating more than 5000 individual risk factors (e.g. Interest rate curves, credit spreads, fx rates, inflation expectations, ...)

Assessment of Methodology and Analytics	Extension of MDS Product coverage	Impact study on clients' portfolios and calibration of Analytics.	Final documentation and go live
Q3 2011	Q4 2011	Q1 2012	Q2 2012

Why Algorithmics, an IBM Company?

Recognition - internationally recognized player in the space of Risk Analytics.

Consistency - Risk Analytics need to be consistent with investment banking and proprietary trading as they are also based on Mark-to-Future technology.

Transparency - Risk Analytics need to be transparent and facilitate autonomous validation of inputs and outputs.

Customization - utilize Risk Analytics in a service modality without loosing on the possibility to **customize**, **refine** or **amend** available analytics to better fit Intesa Sanpaolo **knowledge**, **preference**, **expertise** and **competitive advantage**.
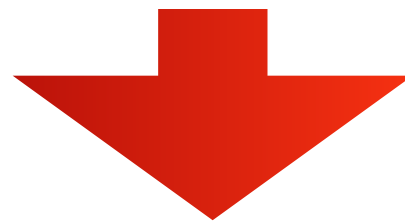
Think Same Language

**Proprietary Laboratory Environment to structure and assess risk/return autonomously.**

Focus on customization.

Product Structuring - assessment and simulation.

Enhancement - outputs are inputs to proprietary analytics which are capable of enhancing and integrating specific credit risk models (default)

Modular solution - Project implementation perceived as evolution, not replacement, of existing infrastructure as it has been deployed as a "smart plug-in" where relevant.

Strong Risk Analytics require strong data evidence and foundation

Unformatted
raw data

Normalized
raw data
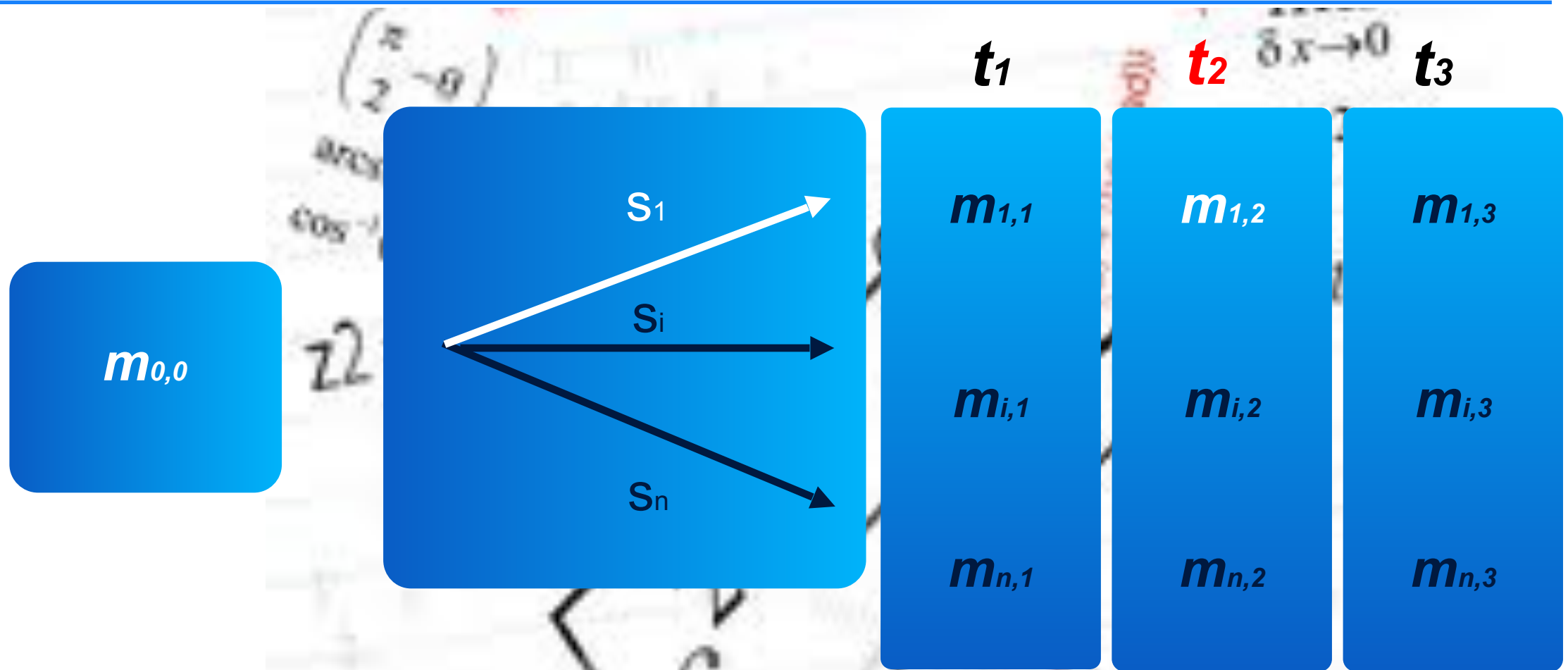
Added-value
derived data

IBM Risk
Analytics
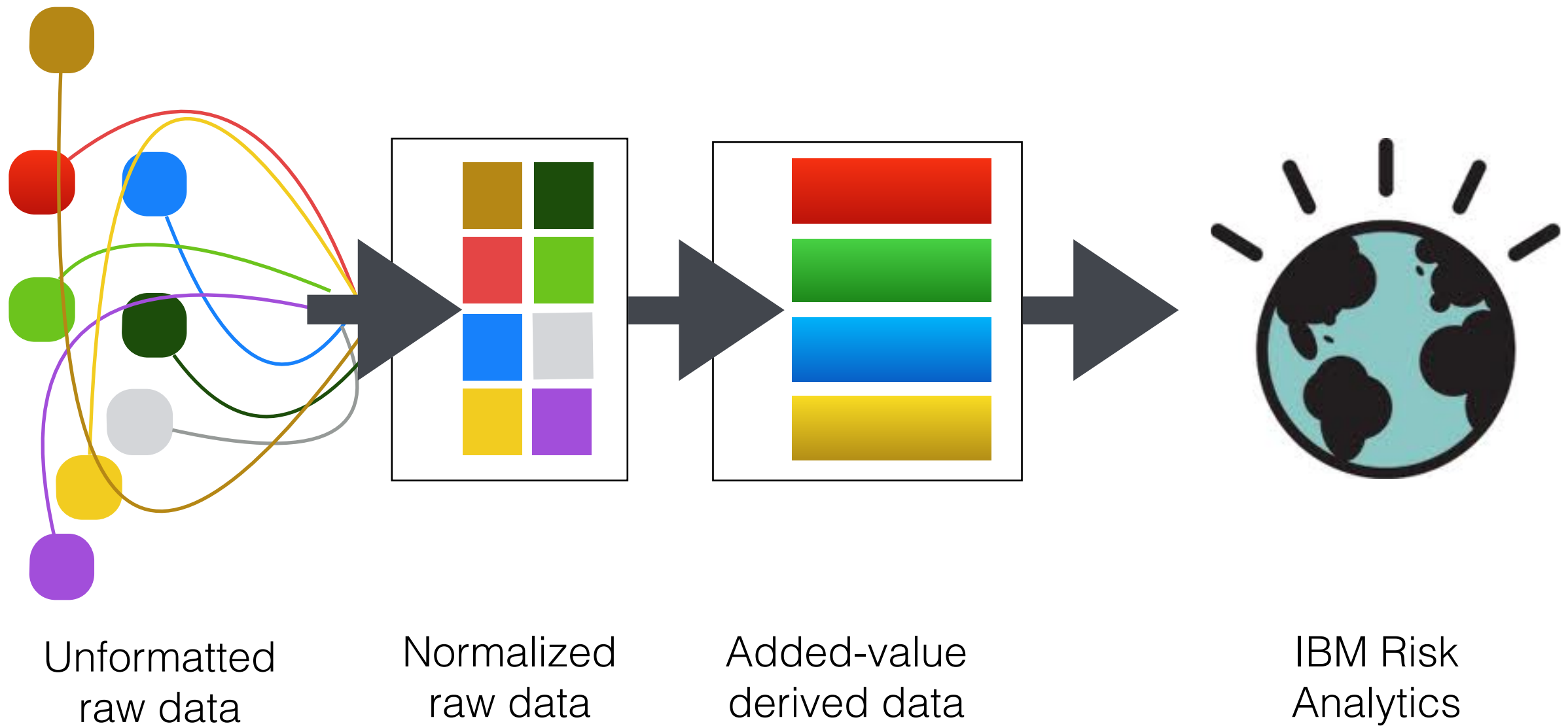
This requires both rigorous data transformation and capability to enhance/enrich available data to achieve high level of fungibility.

Consider a single financial instrument ... Mark to Future

| Mark-to-Market | Scenarios | Simulation |

t_1 t_2 t_3

$m_{0,0}$

s_1
s_i
s_n

$m_{1,1}$ $m_{1,2}$ $m_{1,3}$

$m_{i,1}$ $m_{i,2}$ $m_{i,3}$

$m_{n,1}$ $m_{n,2}$ $m_{n,3}$

Heavy calculations computationally intensive