Risk Integrated Helps Financial Institutions Implement Fast, Accurate Portfolio Stress Testing

New York/London, Dec. 7, 2009 – Risk Integrated, a consultancy and software firm specializing in risk measurement and reporting, today launched its Generalized Finance System (GFS), a web-based risk measurement and reporting platform. The system helps risk and portfolio managers calculate and report on capital and stress tests for mixed asset types, including retail loans, retail mortgages, corporate loans, commercial real estate, equities and asset backed securities by enabling risk analysts to immediately convert unwieldy spreadsheet analyses in a robust enterprise-level system.

In a post-crisis climate, governments, boards and regulators are demanding that financial institutions describe what would happen to their assets in stressed "what-if" scenarios. Obtaining these answers requires the development and refinement of new risk calculation methodologies and the collation of massive amounts of data.

"Given the very tight deadlines, many institutions have been forced to develop their analyses using spreadsheets, with the inherent problems of scalability, robustness and auditability. Spreadsheets are an excellent tool for rapidly prototyping new analytics, but not viable as an enterprise-level application," said Dr. Chris Marrison, founder and CEO at Risk Integrated.

"Many financial institutions are currently running their stress tests in unwieldy sets of spreadsheets or in inflexible systems with limited capabilities. The GFS enables risk analysts to prototype their models in Excel, but then have them be controlled and audited inside a robust, scalable system with unlimited volumes of data and high calculation speeds," said Yusuf Jafry, Ph.D., co-founder and CTO at Risk Integrated.

In order to fully explain the results of the stress, an audit trail shows all the data, assumptions and models that were used in creating that set of results. As a result, this enables reliable and timely stress test reporting.

Outputs from the GFS include stressed probabilities of default, expected loss and stress capital requirements. The analytics can also be directly linked to a Monte Carlo Evaluation engine to provide fully correlated loss distributions for the portfolio. These can then be dissected into the contribution of individual assets and sub-portfolios.

The openness of the framework helps analysts rapidly develop and implement models for each asset class, without waiting for IT programming time. If the financial institution already has prototype

models, these can be implemented immediately and further developed within the GFS framework. Analysts have the flexibility to use the most appropriate model for each asset type depending on the information available.

The GFS is founded on Risk Integrated's Specialized Finance System (SFS) which is used in 20 countries for measuring and reporting on the risk of over $100 Bn of commercial real estate assets. As with the SFS, the GFS is a web-based system that can run-standalone or be linked to live data sources including the loan management system. As result the systems can provide real-time updates and accurate management information reports. Firms can run the GFS and SFS as monthly services across the web or installed in-house.

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Notes to the editors:

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About Risk Integrated

Risk Integrated is a consulting and software firm focusing on risk measurement for specialized lending including commercial real estate, project finance, object finance, commodities, and asset-backed securities. Its core product, the Specialized Finance System, is a complete, enterprise-level platform to assist financial institutions in quantifying, managing and reporting their risks. Risk Integrated's objective is to give each client a clear, integrated view of their risk in structuring new assets and managing portfolios of thousands of assets. For more information, visit www.riskintegrated.com.