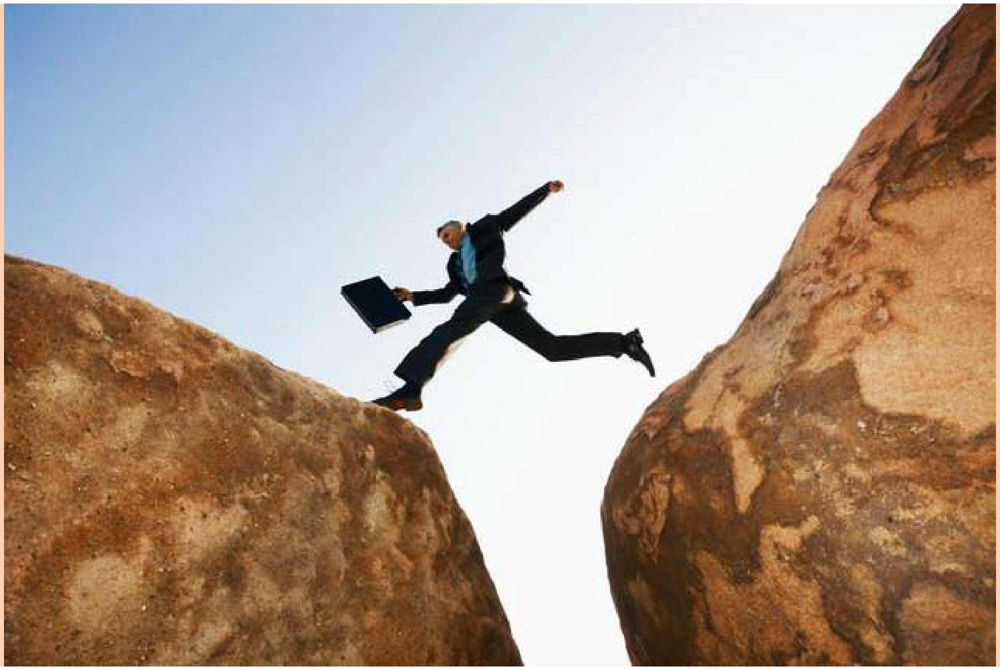
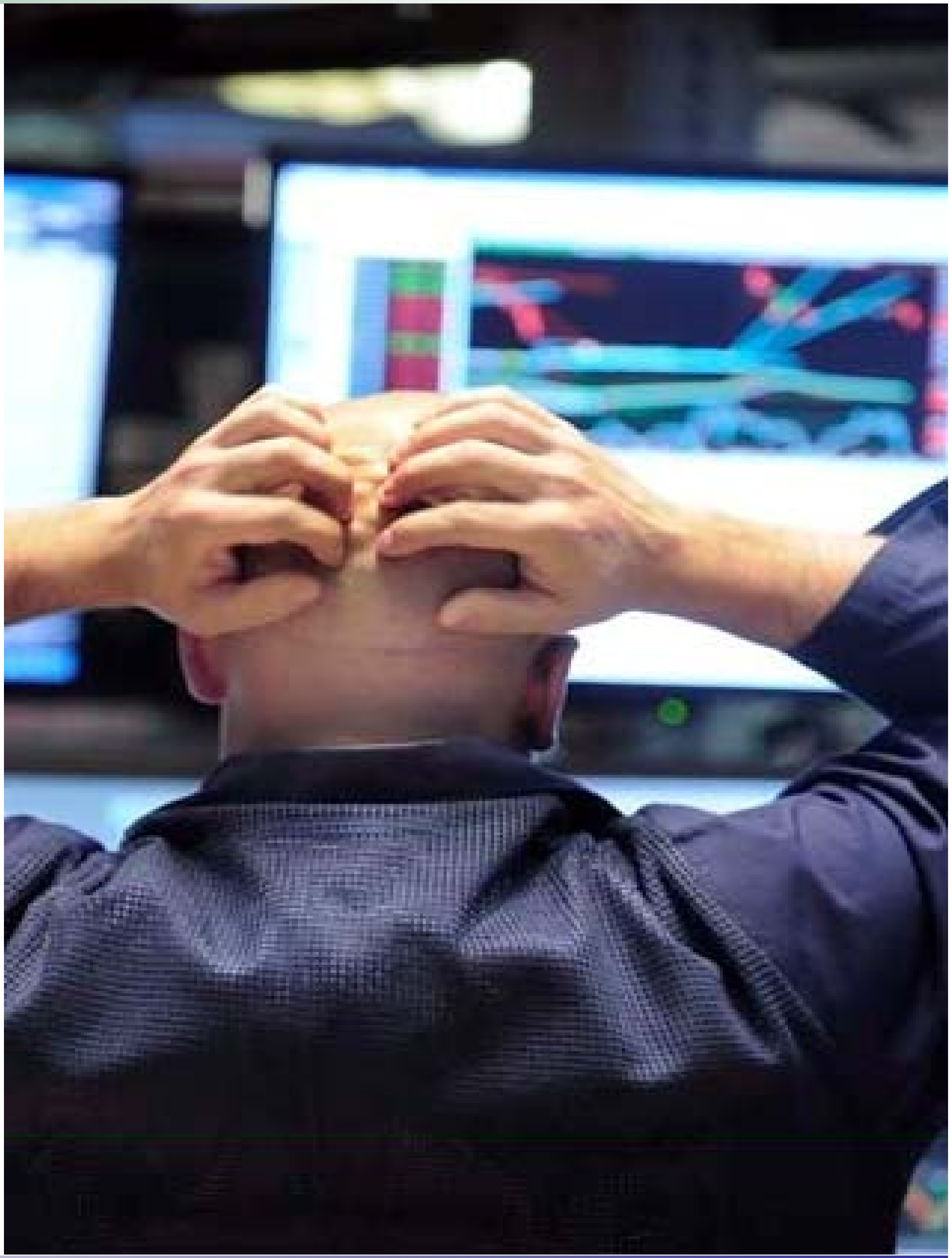
ERM – Enterprise Risk Management



Presented at Northfield's 15th Annual Summer Seminar, June 4, 2010

The unusual market conditions of recent years have focused investment organizations on the issue of enterprise-wide risk assessment.



What's needed today

- A holistic view of the company wide risk
- Intuitive, accurate and high quality risk analytics
- A framework that helps reduce the risk characteristics of a portfolio
- Extensive coverage (possibly 100%)

Companies are asking today:

- What are my risk characteristics?
- How vulnerable are my portfolios?
- How vulnerable is my company?

Northfield Risk Models and Risk Analytics

- Now available in distinct time horizons, 1 day (US stocks only), 10 days (all securities), one year (all securities)
- Risk officers can address short term risk and long term risks in a consistent way

Introducing Enterprise Risk Management

- Northfield's new advanced risk analytics
- Real time risk data for missing securities
- Dynamic rule based filters and groups
- Aggregate portfolio by groups or sub groups

ERM – A 360° view of your entire risk profile

- Drill down using any criteria or user defined attribute
- Customized reports
- Scripting language
- Local or remote processing
- Web and windows interface

ERM – Risk Analytics and Reports

Distributional Qualities and Extreme Events Report

1. Parametric Analysis – VaR, CVaR, Kurtosis, Skewness.
2. Non-Parametric Analysis – VaR, CVaR, Kurtosis, Skewness.
3. Degrees of Freedom for 1 and 2 – 5, 12, 20.
4. Confidence intervals for 1 and 2 – 90%, 95%, 99%.
5. User defined Degrees of Freedom for 1 and 2.

ERM – Risk Analytics and Reports (cont'd)

Market Exposure Report

1. OTC exposures – Choice of issuer; country; industry; credit rating.
2. OTC exposures netted against overall exposures – Choice of issuer; country; industry.
3. OTC exposures netted against bond exposures – Choice of issuer; country; industry; rating

ERM – Risk Analytics and Reports (cont'd)

Hedging Firm-wide Risks

1. Hedging risks across portfolios without capital movement.
2. Hedging risks across portfolios with capital movement.

Risk Decomposition and Funding Assumption Changes

1. Breaking up VaR, Variance and Standard Deviation down to security level.
2. Allow user to specify funding assumption

Risk model coverage

- Provides direct connectivity to Northfield sEENIAC server
- Highly secure connection over secure sockets
- One click resolves all exceptions

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Risk model coverage (cont'd)

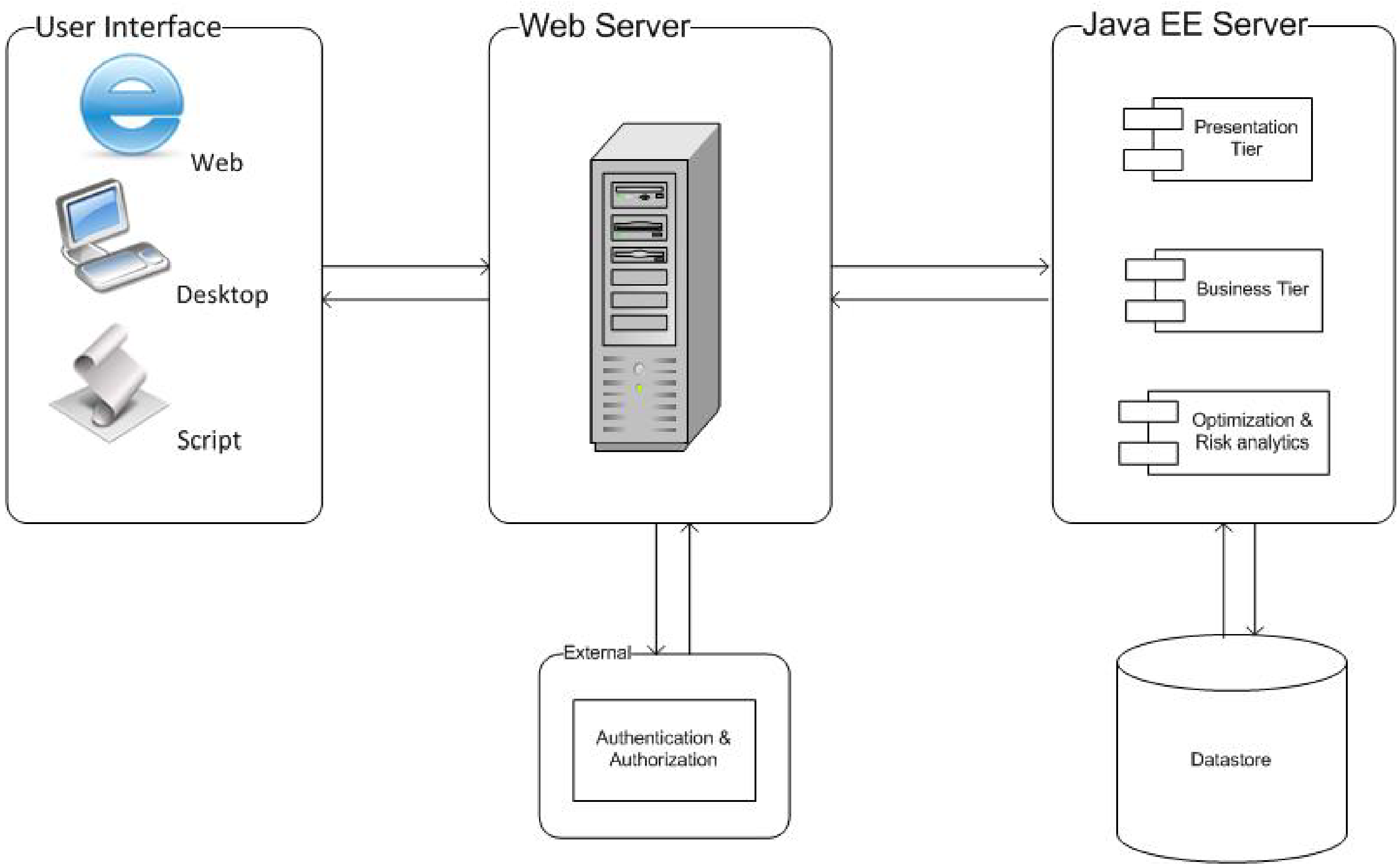
User will be able to proxy risk data of all the assets for which risk data does not exist in the NIS EE risk data file i.e:

- Municipal Bonds
- Mortgage Pool Bonds
- Derivative Instruments
- Government/corporate bonds for which terms and conditions are known
- Composites – constituents unknown
- CMO/ABS securities
- MBS Pool Securities

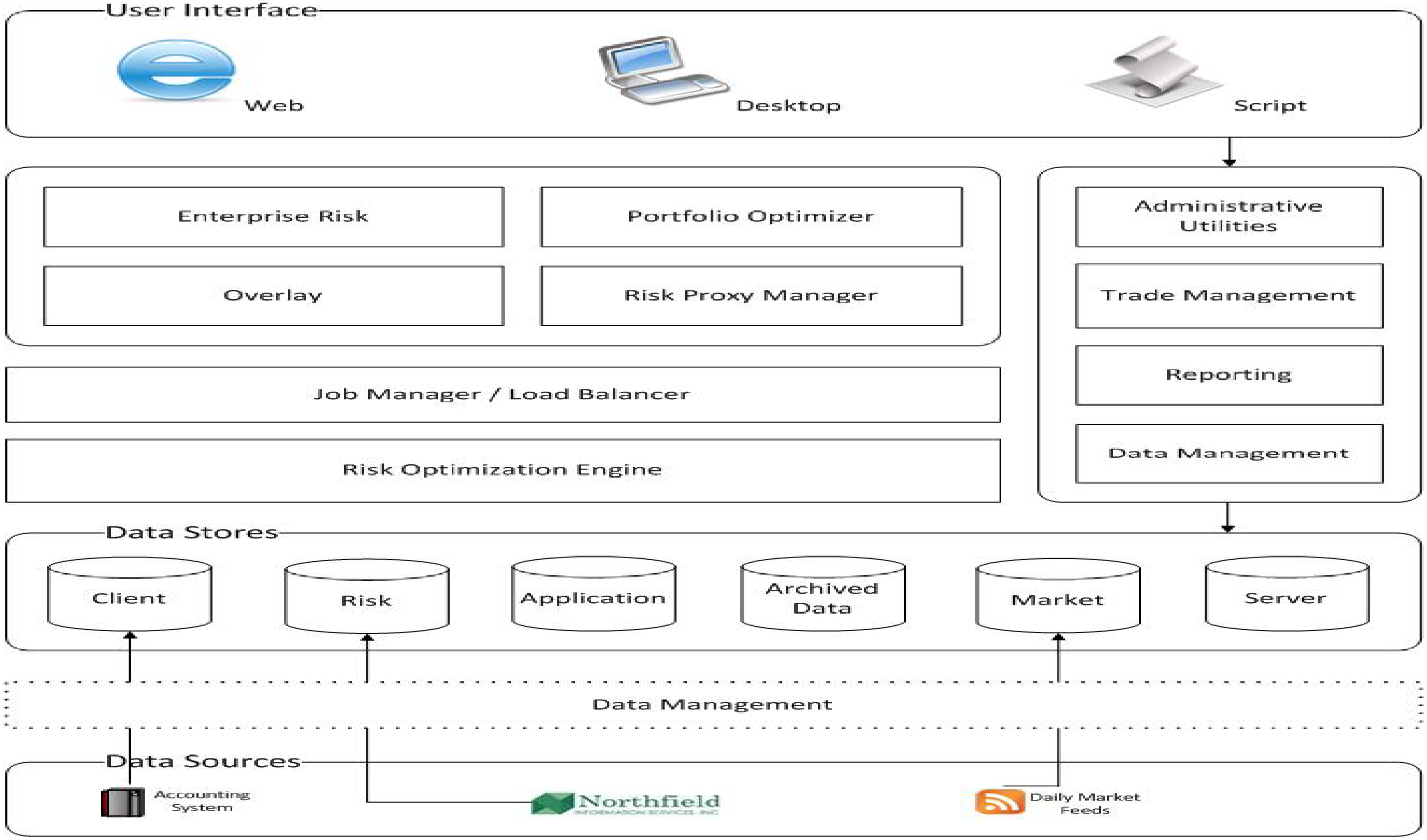
SoftPak Financial Systems

The user interface is made of loosely coupled components, using Composite UI Application Block (CAB)

4 – Tier architecture



Logical view



ERM – Summary

- 360º view of your enterprise risk
- 100% coverage (almost)
- Short term and long term risk analytics
- A framework that helps reduce the risk
- Packaged and custom reports
- Highly scalable and secure architecture
- Web or Windows interface

Thank you!

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