

# Stress Testing and Scenario Analysis



Drill down into data



Prioritize risk remediation efforts



Assess emerging risks



## The Issue

The pandemic, inflation and geopolitical events have created a plethora of new challenges to financial institutions. Regional shutdowns, travel bans and supply chain disruptions have heightened the risk of credit defaults across industries. Elevated volatility within capital markets put trading profits at risk. And unemployment and interest rate movements threaten the stability of core deposits. As a result, firms face an array of strategic challenges – and the decisions they make can determine if they survive post-crisis and how strongly they can recover.

Information is crucial for decision making. But with economic conditions outside of everyday norms, managing based on historical trends is insufficient. This has led banks to increasingly adopt stress-testing tools and techniques to better inform their business decisions. However, many financial institutions continue to struggle with process inefficiencies and control breakdowns within their existing stress test programs.

Banks are increasingly recognizing the benefits of enterprise stress testing, but what's needed is a more sustainable approach that replaces time-consuming, resource-intensive processes with a powerful, efficient solution for both regulatory and internal stress-test requirements.

## The Challenge

**Uncertain and ever-changing outlooks.** Management needs timely analyses to inform decision making. SAS® allows you to quickly analyze outcomes across diverse scenarios.

**Slow and inflexible processes.** While periodic supervisory tests can be well-planned and orchestrated, strategic response requires nimbleness. SAS reduces cycle times so you can quickly iterate multiple scenarios and assumptions. Customizable reporting facilitates ad hoc analyses to address pressing concerns.

**A small pool of qualified talent.** Scenario analysis and stress testing require a blend of analytical skills and business acumen. Industry competition makes recruitment and retention difficult. SAS provides a highly automated, UI-driven process that reduces key person risks.

**A hybrid workforce that makes collaboration difficult.** Patchwork analysis can lead to miscommunication, inconsistent models and misaligned assumptions. SAS unifies your process for cohesive, consistent analyses.

**Maintenance of controls and transparency.** A dynamic, iterative environment heightens operational risks. Our structured, transparent workflow maintains systematic controls and auditability for strong governance.

## Our Approach

Banks need a readily accessible working environment to analyze their performance quickly over a wide range of scenarios. We approach the problem by providing software and services to help you manage your portfolio with:

- **Rapid access to powerful risk analytics.** SAS provides a cloud-based, open environment for scenario-based stress testing. Quickly begin analyzing your portfolio over a wide range of economic scenarios and business assumptions.
- **Synchronized process orchestration.** SAS helps you to optimize workstreams and facilitate collaboration. Ensure your entire team is using a consistent set of scenarios and assumptions. Maintain strong governance and controls.
- **Powerful model implementation and execution environment.** Use prebuilt models or import your own. Rapidly perform simulations and automatically process results. Add overlays and adjustments with full transparency.
- **Flexible data visualization and reporting.** Take advantage of the included capital and financial measures. Generate income statement and balance sheet projections. Easily drill into results to identify key drivers and understand their impacts.
- **Attribution and trend analysis.** Quantify the effects of changing scenarios and assumptions. Estimate impacts of potential strategies.

## The SAS® Difference

SAS helps financial institutions of all sizes address their most challenging issues in risk and financial management. Our global experience, combined with our leading-edge analytical platform, provides a scenario-based stress test solution that offers:

- **Cloud-based convenience.** A quick and easy-to-implement environment covers the entire process, including data collection, scenario management, model execution and reporting.
- **Proven high-performance analytics.** Financial institutions across the globe rely on SAS for critical risk and finance functions. Our industry-leading analytical and reporting environment enables you to address business challenges effectively and efficiently.
- **Flexibility and scalability to meet evolving requirements.** Highly automated, dashboard-driven capabilities support more expansive value-add across your organization.
- **Technical and subject-matter expertise.** SAS offers global technical and domain-level support services to ensure your immediate and ongoing success.

SAS ranked No. 2 overall in the Chartis RiskTech 100 and was the category winner in:



- Artificial Intelligence for Banking
- Balance Sheet Risk Management
- Behavioral Modeling
- Enterprise Stress Testing
- IFRS 9
- Model Risk Management
- Risk and Finance Integration

Learn more about [SAS solutions for stress testing](#).

