



Navigating balance sheet management through increased uncertainty

Unlock greater control over your balance sheet to get money working harder



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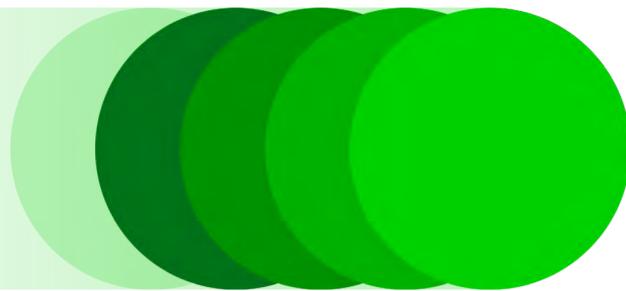
Contents

Introduction

In today's volatile environment, managing your balance sheet is no longer just about protecting capital and ensuring liquidity – it's about navigating a world of increasing radical uncertainty. Geopolitical tensions, inflation, climate threats, cyber risks, AI developments and market fragmentation are converging to create a risk landscape that challenges traditional forecasting and management approaches.

Financial institutions must now adopt a more dynamic, integrated approach to risk and balance sheet management – one that not only helps protect financial resources but also enhances resilience and provides strategic agility. Moving beyond siloed systems and outdated assumptions, banks are seeking enterprise-wide visibility, scenario-responsive planning and forward-looking stress testing to keep capital safe and working harder.

Efficient management of the balance sheet is crucial for sustaining growth, protecting resources and stabilizing returns, especially as balance sheet threats continue to expand. Modernized, transparent and integrated processes not only shield organizations from risk but also create business value, provide immediate insights and drive growth in an increasingly complex financial landscape.



“Banking supervision needs to up its game. It needs to identify weaknesses at an early stage and act forcefully to ensure that banks address the most important issues. To do this, supervisors will need to have operational independence, strengthen their forward-looking culture and adopt a more intrusive stance. They will also need to continuously seek to improve their capabilities; first, by accessing greater resources; second, by enhancing their productivity with the aid of technology.”

[Source: Speech by Mr. Agustín Carstens, General Manager of the BIS, at the European Banking Federation's International Banking Summit, Brussels, June 1, 2023](#)



Regulatory and compliance issues cost financial services organizations an average of **\$25 million** a year, and **operational inefficiencies** another **\$23 million**.

Source: FIS®, The Harmony Gap: Finding the Financial Upside in Uncertainty (with Oxford Economics), 2025

Are siloed solutions hiding costly risks?

Effective balance sheet management calls for a 360-degree view of present and future risks across your entire organization. You can't put money safely to work without that visibility.

But when each department views the world from its own perspective, it can be challenging to achieve a consistent view of how these enterprise-level financial risks come together.

The path forward

Financial institutions must be able to test and optimize response strategies for managing threats to their future balance sheet. And they can benefit from an eagle-eye overview of how key risk metrics can change across IRRBB, earnings and profitability, liquidity, credit loss, funding, hedging, capital climate and other novel risks. This level of optimization and insight can only be achieved by eliminating system silos and implementing a fully integrated risk management solution.

When systems communicate clearly with one another, you can unlock a greater view of your entire risk portfolio and can help increase the overall effectiveness of your asset-liability committee (ALCO). As a result, you may help minimize problems and costs so your business can respond to risks faster and get money working harder.

Are weak assumptions, behaviors and approximations clouding your forecasts?

Forecasting is based on a series of assumptions. Understanding how these assumptions affect future forecasts depends on their quality, accuracy and reliability, whether they're contractual, behavioral, related to pricing or of an economic nature.

Unfortunately, many of these factors are out of your firm's control, so managing ambiguity becomes essential to keep money safely and steadily at work. Plus, regulators may scrutinize all assumptions and approximations that drive the balance sheet and may be eager to focus on vulnerabilities. So, complacency is not an option.

The path forward

Improving the quality of data is the first step to better assumptions. Frequent sandbox testing and monitoring can help you better understand the effects assumptions may have on your balance sheet.

As interest rates and markets fluctuate, and geopolitics unfold, you need to test your assumptions more often. A lot can change between tests, especially if you're on a quarterly or longer testing schedule.

Two or three rapid rate changes can have a substantial impact on your capital or liquidity costs. And rapid upswings in energy costs or harder global sanctions can be inflationary, not only affecting GDP but also quickly impacting the local economy. Eliminating data silos, integrating systems and updating your assumption testing will help your firm better understand the effects of potential future market instability.



54% of financial services firms are concerned about the impact of **poor data quality and availability** on their adoption of AI and automation.

Source: FIS, The Harmony Gap: Finding the Financial Upside in Uncertainty (with Oxford Economics), 2025

Are legacy, siloed systems hindering your view of the balance sheet?

Legacy, siloed solutions and poor risk operating models still exist, even when the disadvantages are so well known. Sticking with the old ways of working plus weak data keeps inconsistent and incomplete balance sheet management alive.

In turn, you can erode the potential effectiveness of ALCO, reduce your speed of response and mask the interconnected enterprise risks you need to uncover and monitor. And ultimately, you stop your money from working as hard as it could to drive growth, while risking higher operational and even reputational losses.

The path forward

Your liquidity has a lot of work to do to keep your bank operating effectively. So, you need to be sure you can see any future risks to your cash flow. But the more siloed, segmented or duplicated your data gets, the less accurate your forecasts.

The key is to bring all your assumption, forecasting and balance sheet data into a single, unified balance sheet management solution, where ALM and liquidity risk modeling work together with credit and capital modeling.

Now you can profile risk and model your income and cash flow more clearly and accurately. Scenario, stress and “what if” analysis becomes easier in one place and puts balance sheet management at the core of your forecasting process, not the end.

Financial services firms lose an average of **\$16 million** a year to **reputation erosion** and **\$10 million** to **human errors and reworks**.

Source: FIS, The Harmony Gap: Finding the Financial Upside in Uncertainty (with Oxford Economics), 2025

Are risks known and unknown impacting your liquidity?

Technology and social media are reshaping consumer behavior and accelerating the spread of market sentiment. Risk managers increasingly need to understand how consumers act collectively, not just individually. Traditional risk management focuses on known risks, but today's environment is increasingly shaped by less-predictable variables – including geopolitical tensions, cyberthreats and AI-driven disruptions that can emerge rapidly and impact liquidity in unexpected ways.

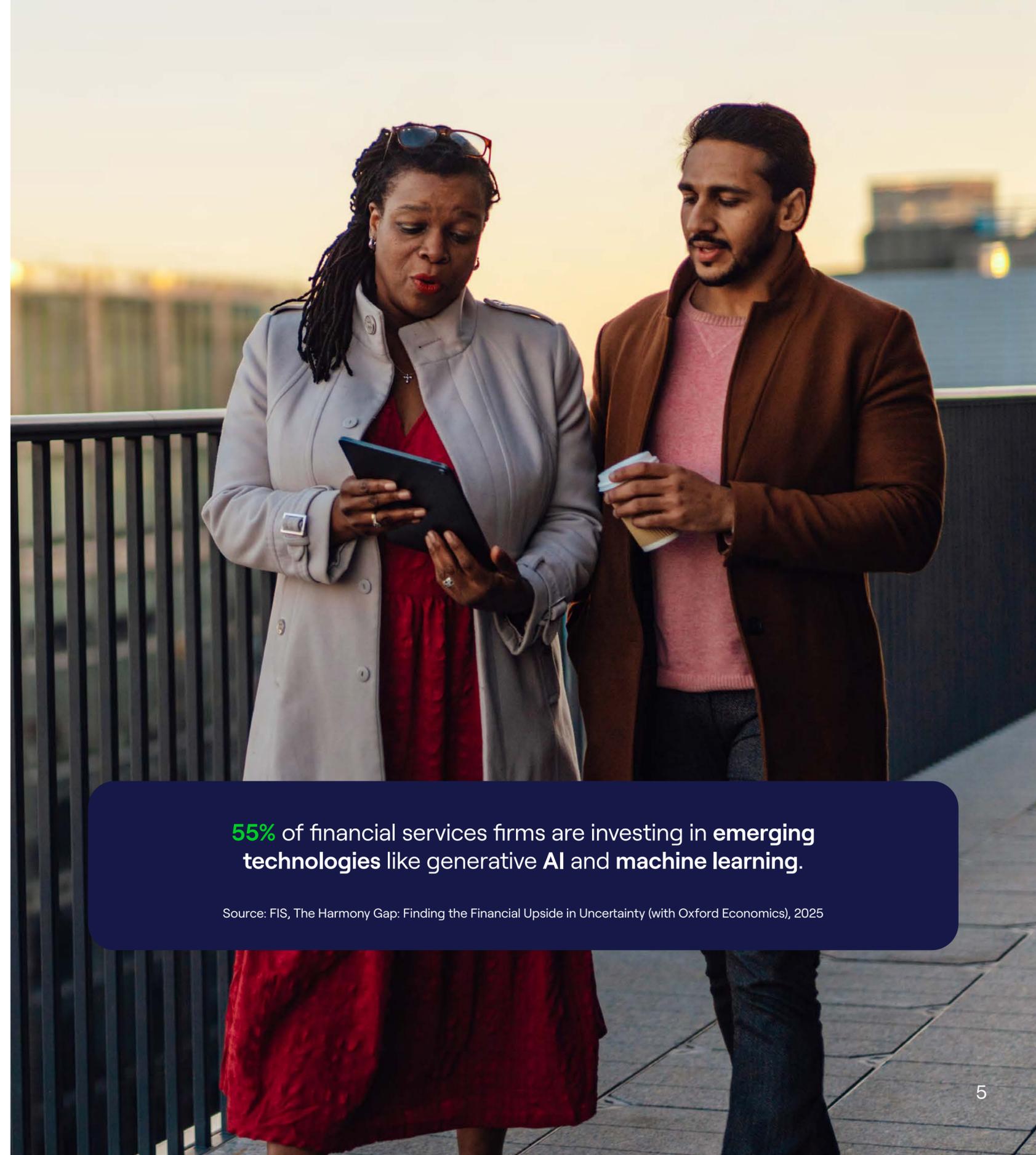
Cyberattacks can escalate during geopolitical instability. And although AI can be a powerful tool to support risk detection and analysis, it can also be weaponized by threat actors. From automated impersonation through digital channels to scanning for vulnerabilities in web-facing systems, AI may be used to exploit weaknesses at scale and speed. Additionally, AI-enabled insider risk is emerging as a critical concern, as internal actors with access to advanced technologies may attempt to bypass controls and compromise sensitive systems.

These risks are often interconnected and can trigger rapid shifts in consumer behavior, reputational damage and operational disruption. Could they stop your money from doing its job?

The path forward

Emerging technologies can be integrated into your traditional risk management solutions. When implemented with appropriate oversight, AI and machine learning may help broaden visibility into risk indicators and supplement traditional approaches. These tools are not a replacement for human judgment, but can help make your people more effective in their roles.

The possibilities are many, with potential improvements to speed, productivity, profiling, anomaly detection, assurance and validation.



55% of financial services firms are investing in **emerging technologies** like generative **AI** and **machine learning**.

Source: FIS, The Harmony Gap: Finding the Financial Upside in Uncertainty (with Oxford Economics), 2025



"The **greatest danger** in times of turbulence is **not the turbulence** – it is to act with **yesterday's logic**."

-Peter Drucker

Are you on top of your risk appetite?

Traditional risk appetite frameworks are often reviewed annually – a cadence that struggles to keep up with today's pace of change and faster-moving risk landscape. As a result, financial institutions may need to revise the frequency and depth of reviews. To better understand the impact on risk, you can't view a certain risk type in isolation; you need to look at it through different lenses, including the impact on earnings, liquidity, solvency, operational continuity and reputation.

The path forward

Institutions must adopt more dynamic, scenario-responsive approaches to risk appetite reviews. This includes integrating risk appetite into broader strategic planning, stress testing and decision-making processes. Doing so may help firms better align risk posture with evolving market conditions and regulatory expectations, ensuring that their risk appetite remains a living framework – not a static document.

Increasing the cadence of stress testing and risk appetite reviews can help build understanding and knowledge. As risks evolve, you may not always need to make immediate changes to your risk appetite – but increased vigilance and ongoing monitoring will put you more in control than ever.

Crisis can and does drive reinvention – if you have the right tooling in place.

Are spreadsheets driving a wedge between hedgers and accountants?

Hedge accounting is a proven way to put financial resources to work. However, hedging and accounting teams may not always work as closely together as they could.

While hedging rules and practices evolve over time, standalone, spreadsheet-based systems meet basic compliance needs at a very specific point in time. So, what happens when conditions change?

With spreadsheets, hedgers and accountants are only capturing part of the overall picture, leaving gaps in information that become a significant source of risk to your money.

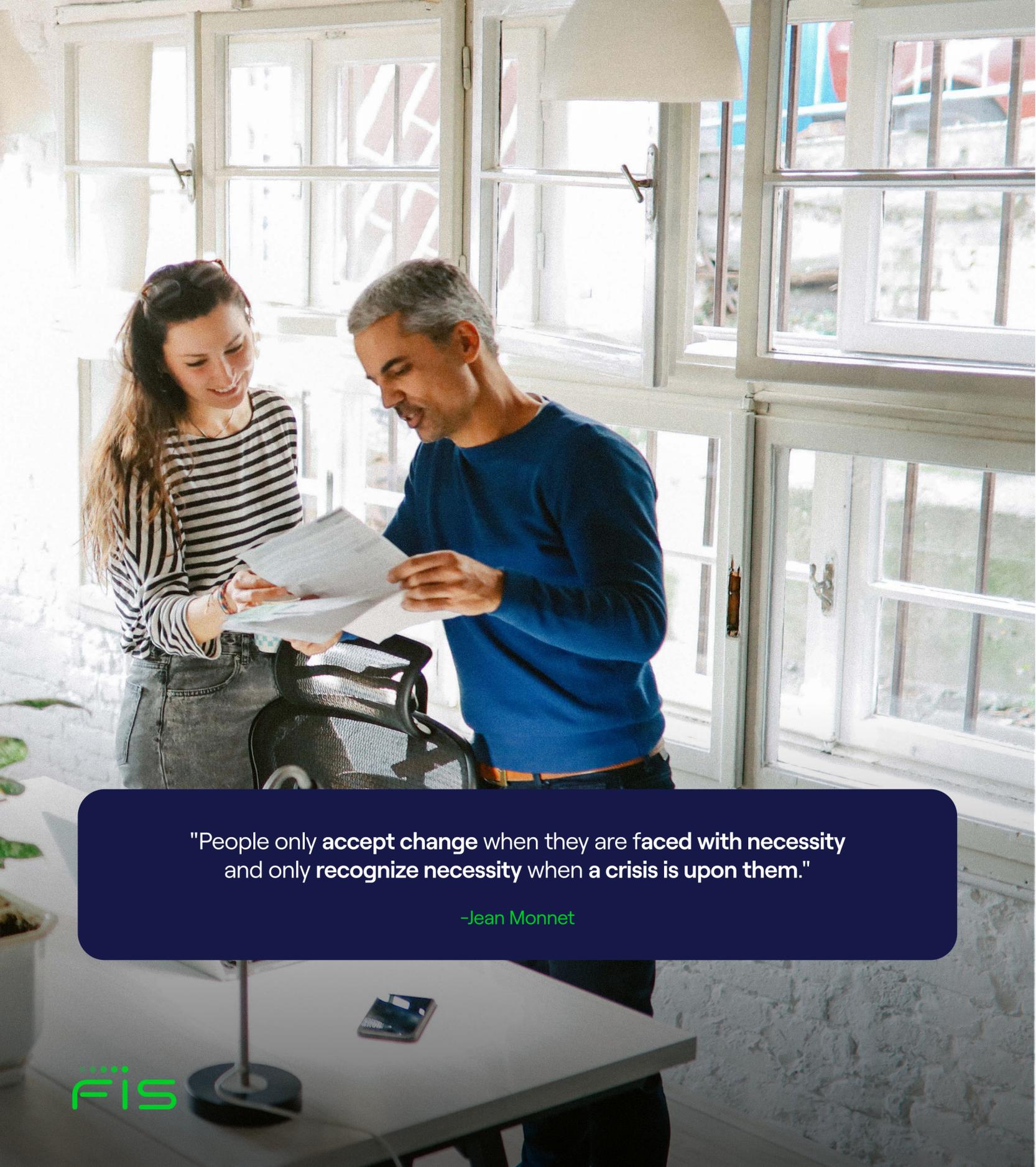
The path forward

To be better informed and keep money at work, financial institutions need a better understanding of the potential accounting implications of hedging. By playing out scenarios as interest rates, customer behavior and credit risks change, hedge effectiveness testing helps ensure that hedging strategies are accurately reflected in financial reporting – without being tied solely to a period end.



74% of financial services firms are optimistic that **advanced connectivity** will deliver **concrete value** to their business.

Source: FIS, Global Innovation Research, 2024



"People only **accept change** when they are faced with **necessity** and only **recognize necessity** when a **crisis is upon them.**"

-Jean Monnet

Do infrequent ICAAP and ILAAP leave you open to greater risks?

The Supervisory Review and Evaluation Process (SREP) is a significant undertaking for a financial institution, particularly if it's on a standalone basis and with underlying matters that may be exposed through the process. Historical wisdom is that ICAAP and ILAAP should be performed at least annually or when a material change to the business model occurs.

Financial institutions should challenge that viewpoint as it restricts their business process to a regulatory timetable, not their internal risk cycle. When it comes to running your bank, you must always be sure your capital and liquidity are up to the job.

The path forward

Consider moving to a target operating model that facilitates the SREP through your own improved analytics – and unlocks greater insights with the latest data and better forecasting capabilities.

As you move to more frequent testing, timescales shrink to accelerate decision-making and planning. So, you have the confidence you're working your financial resources as hard as you possibly can. And when you update the recovery plan and playbook as part of this process, you can make informed decisions about adjusting your risk profile in line with the operating environment, and manage risk more dynamically for greater ALCO effectiveness.

In light of the current threat horizon, early identification of vulnerabilities is more critical than ever. Are you ready to mitigate the risks your business faces – fast?

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How financial leaders can unlock greater balance sheet insights to put money to work

Financial leaders need to understand that effective balance sheet management is a company-wide commitment. The longer you use siloed systems and legacy solutions, the longer problems persist, leaving your business in a vulnerable position and your financial resources potentially slacking at their job.

Your teams need to work together, and information must flow from a centralized source for easier risk modeling and testing. Balancing your bank's books is critical to making money work harder and maximizing returns. Your balance sheet management systems should take center stage to keep your organization safe, create business value and drive growth.

Managing financial risk starts with better balance sheet management



Money at rest. Money in motion. Money at work.™

FIS financial risk management solutions help banks make their balance sheets work harder.

Our **technology** powers the global economy across the money lifecycle.



Money
at rest

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.



Money
in motion

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.



Money
at work

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.

About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index. To learn more, visit FISGLOBAL.COM. Follow FIS on LinkedIn, Facebook and X (@FISglobal).



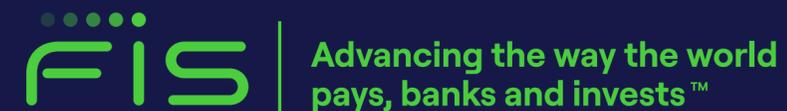
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