

Pegasystems' powerful new exceptions management suite for financial institutions helps tear down walls between operational silos

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'Smart' BPM payment exceptions applications deliver enterprise control while helping to reduce operational cost and risk

CAMBRIDGE, Mass., March 24, 2004 – Pegasystems Inc. (NASDAQ: PEGA), a leading provider of smart, rules-based business process management (BPM) software, today announced extensive new functionality in its packaged applications for financial services. With the latest release of PegaCARD™ Smart Dispute™, an automated card dispute and chargeback solution, and PegaPAYMENT™ Smart Adjust™, an automated payment exceptions solution for retail banks, financial services institutions can exercise broad control over enterprise exceptions and disputes, helping to decrease the high cost of customer service, reduce financial and operational risk, and respond more quickly to customers.

These new capabilities build on Pegasystems' recently announced horizontal application, Pega Quality & Exception Manager™, to deliver a comprehensive suite for managing and resolving payment exceptions with greater automation, ease and flexibility. The applications, built on Pegasystems' fourth-generation, Java- and XML-based BPM platform, provide management of the wide range of exceptions on a single backbone, enabling financial services firms to improve coordination and control across disparate business areas, geographies and operational silos.

Pegasystems provides a genuinely differentiated approach to solving complex process management challenges, thanks to its combination of out-of-the-box rule sets, extensive integration abilities, expertise in unifying front-to-back-office processes, platform flexibility ranging from mainframe to UNIX to Linux and, above all, the ability to provide business users with the agility to help change and specialise their processes quickly and easily. The new applications leverage the company's extensive expertise with many of the world's largest financial institutions, including eight of the top 15 U.S. card issuers, nine of the top 12 U.S. banks, such as Bank of America, Citigroup and JPMorgan Chase, and all 12 U.S. Federal Reserve Banks.

Smart Dispute and Smart Adjust, as well as Pega Quality & Exception Manager, leverage the power of Pegasystems' new Process Commander™ Version 4 BPM platform. With integrated business rules and process management, V4 is designed to handle decision-intensive processes, manage processes across multiple departments and empower business users to effect rapid change of both rules and processes. The applications support global financial institutions with multi-currency and multi-language capabilities, sophisticated reporting and activity monitoring for improved control, and the flexibility to continuously adapt to the company's operations.

"A rules-based business process management infrastructure is the link that turns back-end systems into efficiency and cost-cutting gains everywhere in the enterprise," said Robert Hunt, senior analyst in

the Retail & Commercial Banking practice of TowerGroup, a leading financial services research and consulting firm.

Packaged functionality for the enterprise

PegaCARD Smart Dispute helps credit and debit card companies minimise unnecessary write-offs, improve operational efficiency and reduce the cost of processing disputes. Smart Dispute includes association regulations for automated reason code handling to help save costs and improve resolution times.

PegaPAYMENT Smart Adjust automates research and adjustments across multiple payment forms, through a combination of best-practice rules and processes for retail payment exceptions. Smart Adjust is image-enabled and "Check 21-ready," and can process check exceptions as well as other payment types to help bridge operational silos and create a single view of payment exceptions.

"Launching these packaged applications represents a big step forward in our strategy to deliver a suite of exceptions management applications to automate and help control the costly, complicated and often manually-intensive processes for payment exceptions and disputes. Capturing these business rules and processes as corporate assets will help enterprises see greater efficiency, control and responsiveness in their operations and customer service," said Henry Ancona, president and COO, Pegasystems.

Platforms and availability

PegaCARD Smart Dispute and PegaPAYMENT Smart Adjust on PegaRULES Process Commander V4 are available now through Pegasystems and its partners. They run on Windows, AIX, Linux, Solaris and mainframe platforms, and the IBM DB2, Microsoft SQL and Oracle databases. Contact Pegasystems or an authorised partner for pricing information.

About Pegasystems

Pegasystems Inc. (NASDAQ: PEGA) provides rules-based, smart business process management (BPM) software to large organisations, helping to deliver significant ROI and providing them with the flexibility and agility to respond to changing business needs. With annualised revenues of approximately \$100 million and a blue-chip customer base, the company offers applications for the financial services, healthcare, insurance and government markets, as well as a cross-industry BPM application. Pegasystems is headquartered in Cambridge, Mass., and has regional offices in North America, Europe and the Pacific Rim. For more information, visit www.pegacom.com.

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Forward-Looking Statements

Certain statements contained in this press release may be construed as “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995 including, without limitation, our financial guidance with respect to 2004 revenue, profit before tax, tax rate, earnings per share and cash from operating activities. The words “believe,” “expect,” “hope,” “anticipate,” “plan” and similar expressions, among others, identify forward-looking statements, which speak only as of the date the statement was made. The Company does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are based on current expectations and assumptions and involve various risks and uncertainties, which could cause the Company's actual results to differ from those expressed in such forward-looking statements. These risks and uncertainties include volatility of our quarterly operating results, difficulty in predicting the completion of product implementations and consequently the timing of our license revenue recognition, the timing of term software license renewals, customer acceptance of our new PegaRULES Process Commander technology, our ability to develop new products and evolve existing ones, the impact on our business of the ongoing consolidation in the financial services market, historically our core market, our ability to attract and retain key employees, reliance on certain key third-party relationships, and other risks and uncertainties. Further information regarding these and other factors, which could cause the Company's actual results to differ materially from any forward-looking statements contained in this press release, is contained in the Company's most recent report on form 10-K and other recent filings on file with the Securities and Exchange Commission. The forward-looking statements contained in this press release represent the Company's views as of March 23, 2004. Investors are cautioned not to place undue reliance on such forward-looking statements and there are no assurances that the matters contained in such statements will be achieved. Although subsequent events may cause the Company's view to change, the Company does not undertake and specifically disclaims any obligation to publicly update or revise these forward-looking statements whether as the result of new information, future events or otherwise. The statements should therefore not be relied upon as representing the Company's view as of any date subsequent to the date of this release.

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