



Analitica IFRS 9 ImpairmentSuite™

The new International Financial Reporting Standard 9 takes effect in 2018. Although the standard prescribes changes in accounting for financial instruments, the actual impact on financial institutions is by far more extensive. The implementation requirements jointly address the strategy, finance, risk management and IT of financial institutions.

An implementation approach that sees beyond compliance will bring strategic advantages to a financial institution by establishing a new level of integral governance of organizational, risk management and technological/data issues within the company.



The Analitica IFRS 9 ImpairmentSuite™ is a comprehensive solution that automates critical functions of input data governance, credit risk management and accounting to support compliance with IFRS 9 impairment requirements for all lending sectors. The user processes are simple and transparent, and enable finance and risk departments to focus on their business mission of analyzing and reporting financial figures.

Furthermore, it is a perfect add-on to core banking/ERP systems; the core system is still used for all customer-facing activities such as contracts and payments so the related processes remain untouched.

The solution architecture consists of an integrated workflow and rule engine which is leveraged with an integrated library of calculation/scenario simulation modules. Existing internally developed risk models can be simply incorporated and reused in the solution. Rule conditions for steering the workflow are user definable. Analytical values are generated from integrated calculation modules, imported from external systems or manually overwritten in the system.

The out-of-the box solution with a flexible system of user rules settings ensures that no coding and related software testing is necessary, making the implementation project safer and faster.

Transparent access to the most granular level of calculation results and the integrated expected cash flow engine enable users to understand a complete risk profile in asset portfolios. This creates an opportunity to optimize investment and pricing strategies for the company.

The Analitica IFRS 9 ImpairmentSuite™ is a part of a complete straight-through-processing IFRS 9 solution (Taurus Portfolio Management Suite™) which also supports classification and measurement of financial instruments and hedge accounting functionality. It can be deployed as an on-site installation or as a SaaS in a trusted private cloud.

Integrated Workflow and Rule Engine

The integrated workflow and rule engine monitors input risk parameters and delinquency data to assign financial assets to appropriate impairment stages based on user-defined rules. These rules are defined as logical expressions that can include any position attributes, analytical values from calculation modules or imported indicators from external systems. The functionality can also support classification criteria for financial instruments (e.g. an SPPI test and decision tree for a business model).

Users can preview simulated stage transitions with underlying credit deterioration triggers and manually override automatic stage transitions. Users can also manually enter recovery cash flows and collateral allocations and append comments regarding their actions and findings in free text format.

Critical manual user actions require confirmation by authorized persons (the 4 eyes principle). Users are able to view assigned tasks in personal task lists, which can be combined with e-mail alerts.

All user activity and the process flow of the solution are recorded in an integrated audit trail. User permissions and privileges are defined by assigning user roles.

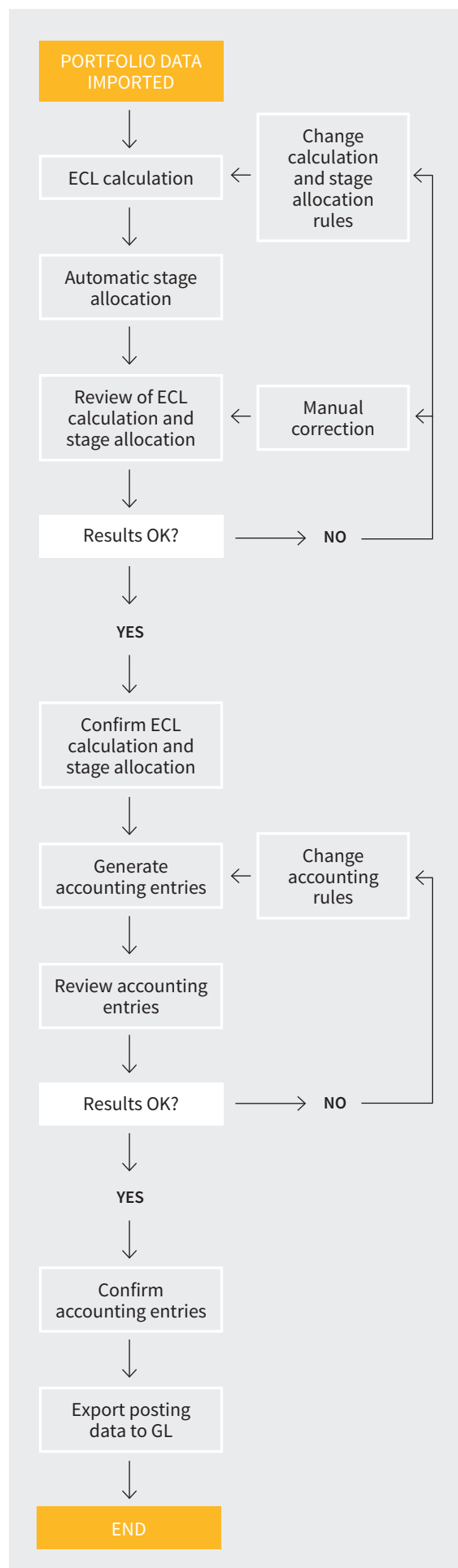
Calculation Modules & Simulation

Integrated calculation modules provide calculation of all components of ECL (PD, LGD, EAD, discount rates; 12M and life time values), EIR and additional values that can be applied in impairment stage transfer criteria (days past due...) and SPPI test.

Expected cash flows are forecast on the basis of contractual agreements, market data and expected payment behavior of the counterparties. What-if modeling of scenarios without affecting actual data and accounting entries is supported. Calculated measures such as EAD, amortized cost and fair value are split into highly granular valuation components. These components support unique business analyses far beyond the conventional breakdowns.

The solution can be optionally integrated with the Analitica Credit Scoring™ solution for the development of PD and LGD models and the Analitica EWS solution™ for the integration of external (unstructured) data sources for stage 2 transfer triggers.

Different models for PD, LGD and EAD can be assigned to particular segments of asset portfolios (rule engine settings). Analytical support for validation and backtesting of models is an integral part of the solution. During the implementation phase, the solution can be customized by integration and reuse of existing risk calculation modules.



Data Integration and Reporting

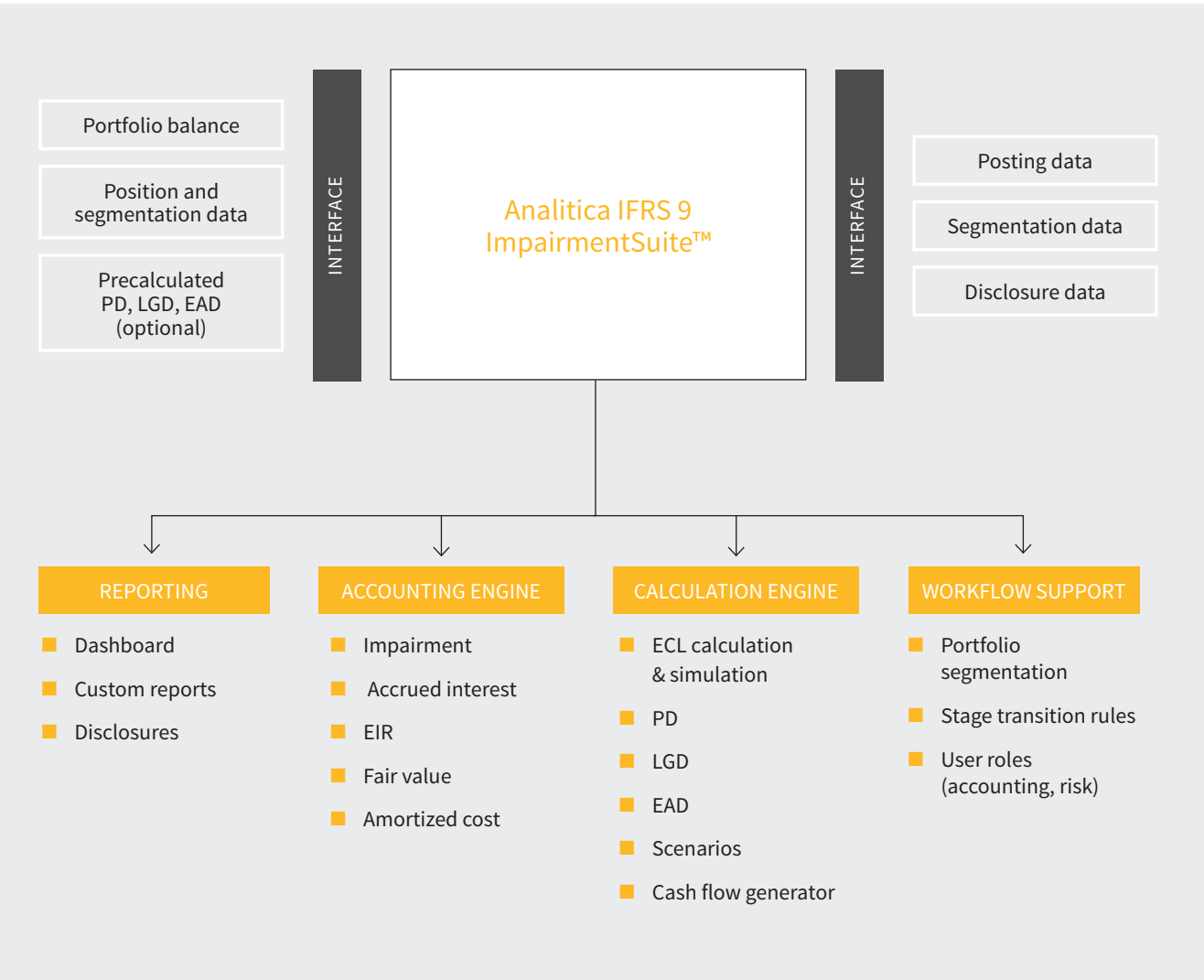
The solution is linked to customer data and contract and payment information. Input data is validated against consistency and accuracy rules. Data integration is a part of the implementation project. And the solution can be integrated in any technical architecture (db, csv, xml...).

The solution provides for full transparency and an overview of calculation data and daily data feeds. It facilitates users' understanding of data by simple dashboards, KPIs, and charts or by means of pre-defined or ad-hoc reports.

Accounting Module

The solution can export analytical values back to the core system, or it can include an optional accounting module. The accounting module automatically generates impairment provisions' journal entries to a general ledger. Users can set-up mapping to a company chart of accounts and bookkeeping rules.

Generated journal entries consist of changes to impairment provisions and modifications of bookkeeping due to stage transitions.



Key Advantages

- The Analitica IFRS 9 ImpairmentSuite™ supports fully automated, end-to-end processing with the option of manual intervention and monitoring at each stage of the process.
- The Analitica ImpairmentSuite™ guarantees a smooth transition from IAS 39 to IFRS 9 impairment rules. It is a part of a complete IFRS 9 solution Taurus Portfolio Management Suite™ with full support for classification and measurement, impairment and hedge accounting with parallel support for IAS 39.
- Its user friendly and modern graphical user interface supports full drilldown and analysis to the financial instrument level. Rich analytical functionalities enable deep insight into the root causes of changes in impairment provisions.
- Its open architecture allows the integration/reuse of existing internal risk models.
- Its workflow is part of cross department collaborative solution and supports an approval process based on the 4-eyes principle. Comprehensive audit trails and user roles support controlled operational risk.
- Its high performance platform enables granular lever calculations.
- It smoothly, openly and flexibly integrates into existing IT systems with data validation.
- Analitica is committed to maintaining its position as a regional leader for IAS 39/IFRS 9 implementations with a proven track record of success.
- Analitica's customers have complete implementation flexibility, that is, the solution can be installed in the customer's computer center or provided as SaaS in a trusted private cloud providing quick implementation and relieving the workload of the IT department.

