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*f*LITE
Your fast track to IFRS 9 compliance

fLITE is **software** developed **by Deloitte** in order to provide financial institutions with a **flexible solution** for a smooth and efficient transition to the IFRS 9 standard **within a strict implementation timeline**. It is a part of the Finevare™ mature family, composed of solutions with embedded subject matter know-how and experience.

fLITE has a modular structure and can be tailored to meet client's needs in the areas of:

• loan provisioning

• risk parameters calculation

• classification and measurement

• disclosures

• reporting

www.finevare.com
finevare@deloitte.com

Herve Phaure
Partner | France
hphaure@deloitte.fr
+33 6 32 55 23 22

Romuald Paprzycki
Partner | Poland
rpaprzycki@deloittece.com
+48 605 601 442

Ready-to implement IFRS9 solution

Meets requirements for provisioning the system to conform with the IFRS9 regulation: 3 stages of impairment calculations, simulations, risk parameters, interest revenue correction, EIR and amortized cost calculations, relevant IFRS 7 disclosures, out-of-the-box charts and reports

Easy to deploy architecture

Standalone, server-side calculation engine with light integration requirements

Independent from costly database licenses – able to interact with any database available in the Bank

Easily extensible models thanks to statistical "R" packages usage
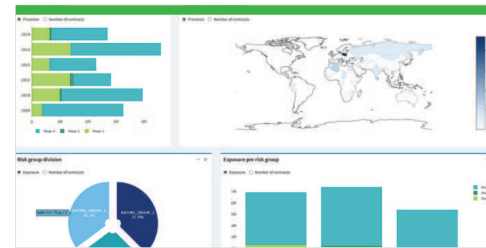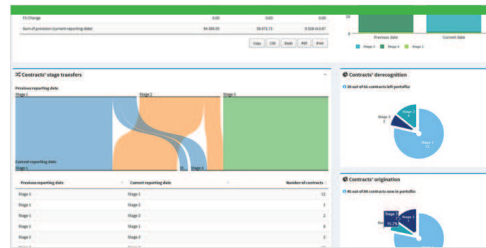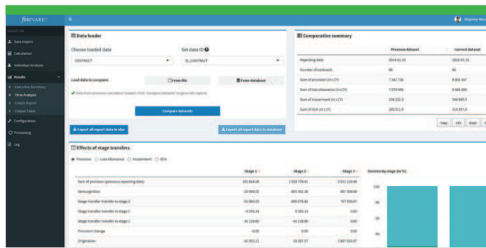
User-friendly interface

fLITE is a user-friendly system with a modern and intuitive graphical interface, operated via a web-browser

Interactive charts for reports visualization, reporting wizard for ad-hoc pivot tables creation

Simple and easy to use configuration and administration, running reports, simulations, etc.

Backed by more than 10-year experience

Best Deloitte experts involved in application development and delivery

Up-to-date proven methodology as a basis for application parametrization

Based on our expert judgement, fLITE is tailored to the client's needs by applying only suited IFRS 9 functionalities

fLITE key areas
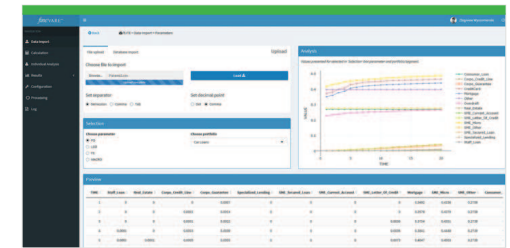
fLITE Core

fLITE platform baseline

- **System configuration, operation and administration** via user-friendly Graphical User interface
- **Data quality** checks through a special set of functionalities for definition, adjustment and running of input data quality and integrity checks before calculations are performed
- **Reports and disclosures generation** to produce tabular, comparative and out of the box reports, interactive charts and relevant IFRS 7 disclosures

Impairment Calculation and Simulation

Supports process of calculation of IFRS 9 loss allowance for on-balance sheet exposure and provisions for off-balance sheet items

- **Assignment to Stages** – allows Stage 1-3 allocation
- **Segmentation** – configurable grouping of financial assets according to common characteristics and assignment of the appropriate method of assessment
- **Expected Loss** – calculation of 12 months and lifetime expected loss, including support for methodologies based on multiple macroeconomic scenarios
- **Collective provision calculations** – calculation and assignment of final provisions for collectively assessed loans, both balance and off-balance sheet part of exposure, basing on internally calculated or external risk parameters. Numerous out-of-the-box algorithms are available
- **Individual provision calculations** – loss allowance calculation for individually significant loans, based on discounting of expected cash flow input data
- **Interest revenue correction, unwinding** – allows to continue usual interest revenue calculation for Stage 3 loans and then fLITE-calculated contract level adjustments for proper interest revenue accrual
- **Impairment Simulations** – application of multiple configurations over the same input data set to estimate provisions under specific conditions in parallel to basic calculations, supported by comparative reports

Classification and Measurement

Supports classification of assets (between amortized cost valuation, fair value through profit and loss and fair value through other comprehensive income), initial, and subsequent measurement

- **Business model assignment** is performed through segmentation rules based on input data, following the bank's methodology and product-level SPPI tests
- **Initial valuation** at fair value using either direct market data input (Level 1) or through discounted cash flow approach based on "market rate" parameter of the input data and contractual cash flows data
- **Effective interest rate** calculation and amortization of fees and costs through the lifetime of a financial instrument on a monthly basis
- **Subsequent measurement** through implementation of the relevant business events, like cash flows change, modifications, POCI assets handling, etc.

Risk Parameters

Flexible engine for modelling of risk parameters allowing implementation of lifetime PD, LGD, and lifetime EAD models as agreed with the bank

Thanks to the "R" platform, fLITE is efficient and flexible on **implementation of ECL risk parameters and EAD models**, both from fLITE library and new ones. Examples include:

- Lifetime PD calculated based on historically calibrated migration matrices
- Lifetime PD calculated based on PIT/TTC value, imported or configured in fLITE for each portfolio and formula based sensitivity to macroeconomic adjustments
- Lifetime LGD based on user-defined decision trees or regression functions
- Lifetime EAD based on rule based repayment vectors
- Other methodologies of similar complexity

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