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fineVARE[™]

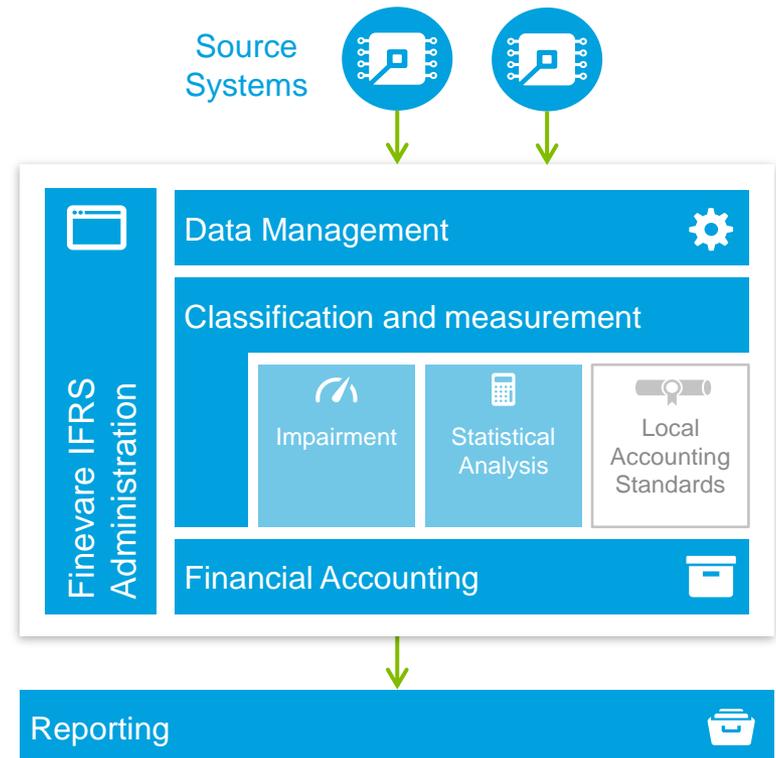
A smooth transition to
IFRS 9 compliance
with *fineVARE*[™]

November, 2014



A smooth transition to IFRS 9 compliance with *fine*VARE™

- ✓ Finevare is a comprehensive **industry-strength software solution** to support banks in their transition to IFRS 9
- ✓ Embeds **IFRS Best Practice** based on the combined expertise and experience of the Deloitte EMEA IFRS 9 Task Force
- ✓ A solution path that supports all aspects of the transition to IFRS 9, from fast-track **impact assessments** through to a robust software platform that can be embedded in the bank's **operational IT infrastructure** for the longer-term
- ✓ Supports an integrated modular approach for **data management, provisioning, reporting, accounting** and can be further leveraged for **business-driven benefits** based on statistical analysis and reporting of the historical data
- ✓ An **open solution** that integrates with the bank's proprietary quantitative models as well as 3rd party models
- ✓ A platform developed, implemented and supported by Deloitte, based on 10+ years of **international experience in software development** and **production-level client support**
- ✓ Used by a broad range of **financial institutions across geographies (25 banks in EMEA)**

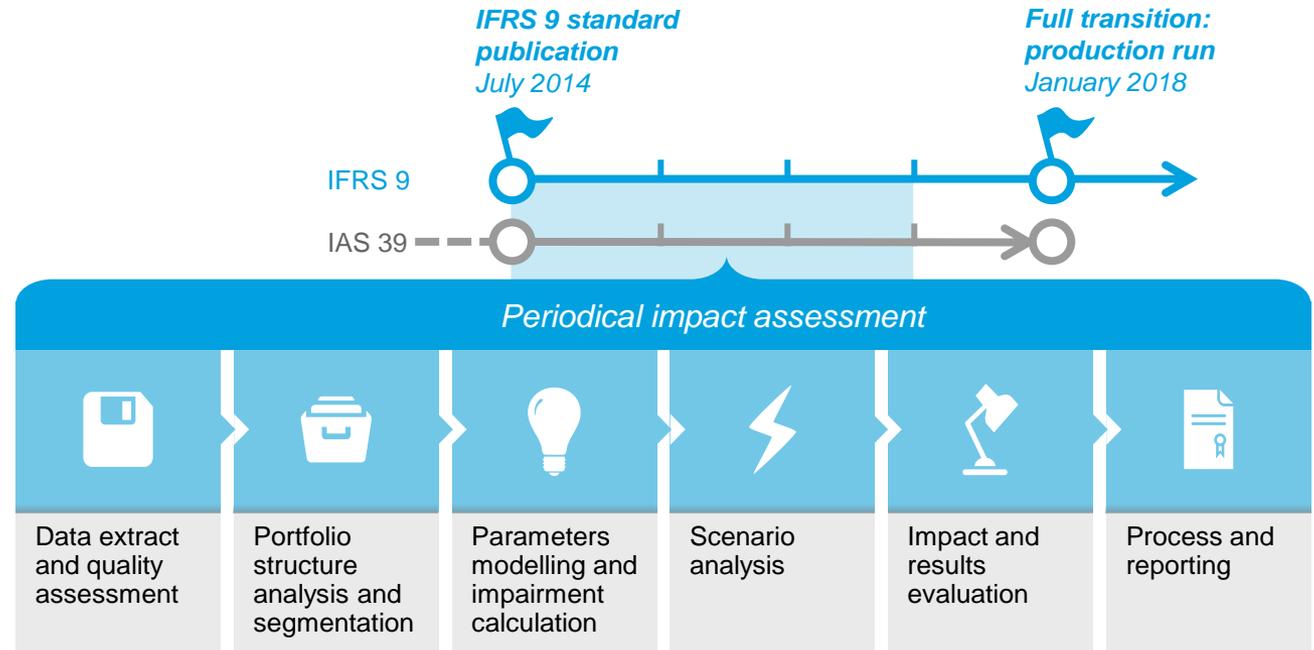


A smooth transition to IFRS 9 compliance for impairment assessment

Finevare enables structured process of transition to IFRS 9, including the **six elements** supporting impairment estimation and reporting.

Early analysis of potential implications allows for informed decision regarding target implementation model.

Periodic impact assessment allows to be prepared in advance for the new standard implications. Under a well thought-out approach, switching to production usage is as simple as pressing a button.



Finevare modular structure allows flexible choice regarding the level of depth and detail of the analysis performed within each of the steps above. It also gives choice which of the steps are performed in Finevare and which outside.

Data quality assurance

Appropriate quality of the input data is one of the major prerequisites for consistent and precise provisions estimation. Therefore, **three essential elements of data quality management** are implemented in Finevare.

In the context of IFRS 9 analytics, Finevare ensures various **range of analysis** can be performed both based on pre-aggregated quickly available data sets, as well as comprehensive contract level snapshot of a bank's portfolio.

Validation of Input Data

A set of automatic, configurable rules run for each data load.

- Data quality is checked at the earliest moment possible, before the data is loaded to Finevare
- The rules are fully configurable, to adjust the checks to the actual possible data quality issues. Standard rules are pre-configured
- Response of the system depends on the severity of the issue found
- Aside of DQ view, Finevare provides also System control points view that presents a comprehensive log on processes running in the system

Sample Data Quality Dashboard



Reconciliation

Similar to Data Quality rules, Finevare allows including absolute and percentage automatic acceptance thresholds for data reconciliation with a General Ledger on account level (analytical accounts vs. GL accounts).

Data enhancement

Having rich data enhancement layer, Finevare can be used as powerful tool for data quality improvement.

Portfolio risk profile visualisation and segmentation

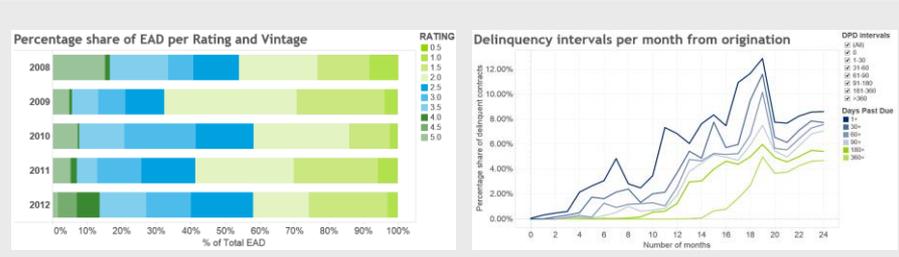


Analysis of portfolio structure enables to identify **leading risk drivers** and segments for which impairment value could be most severely affected by the transition to new IFRS 9 standard.

Finevare allows for customised choice of segmentation criteria including **Stage II triggers**. In particular, **Finevare Early Warning** signals may naturally map on Stage II triggers.

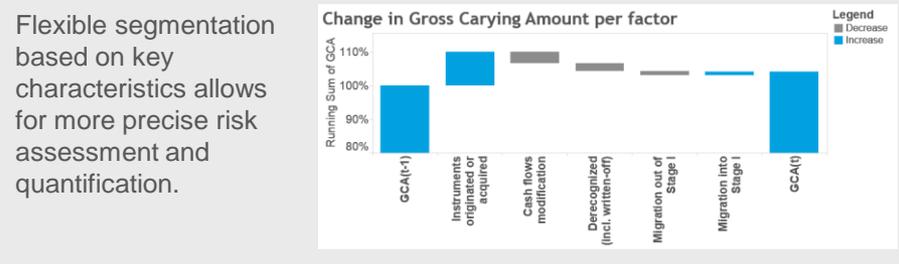
Visualisation simplifies compliance with descriptive and qualitative disclosure requirements.

Portfolio structure



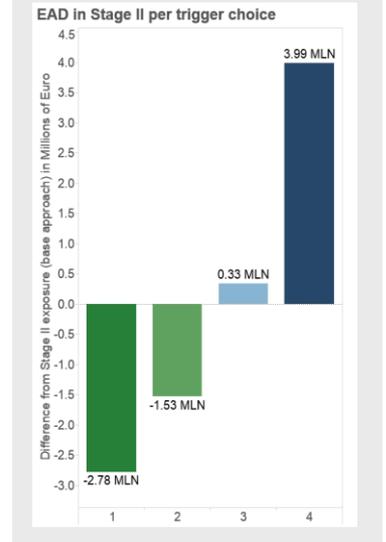
Product	Vintage	Days in arrears	Rating	Forbearance
Debt to income	Loan to value	Geographical location	Industry	Issuer type

Sub-portfolio segmentation



Stage segmentation

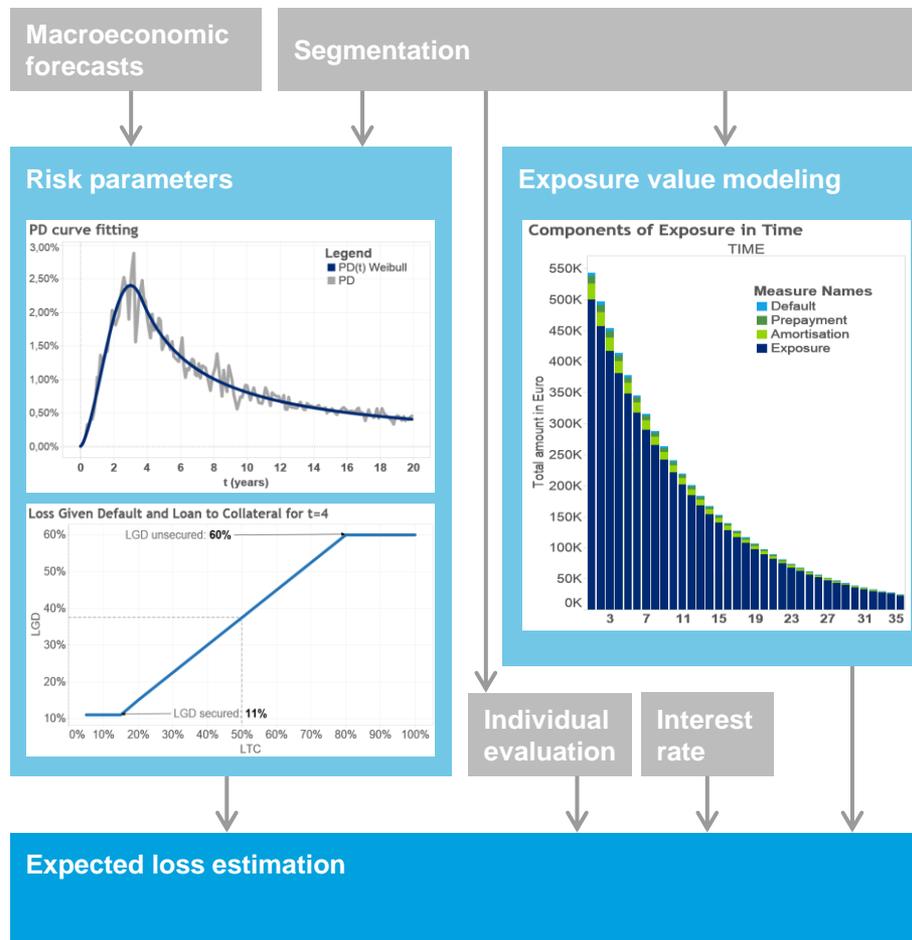
IFRS 9 assumes three impairment stages. Based on our impact study, mostly affected may be provision for clients, which under IFRS 9 will fall into Stage II. Finevare offers flexible choice and of Stage II triggers, including EWS.



Flexible risk parameters modelling and provisions calculation

The model of expected loss estimation is designed to easily incorporate various methodological assumptions and a range of risk parameters modelling techniques.

Individual components (building blocks) of expected loss model can be either estimated directly in Finevare (based on historical data) or manually configured / loaded from external sources.



Building block structure allows:

- to incorporate variety of methodological assumptions
- to plug in any predefined model for risk parameters estimation

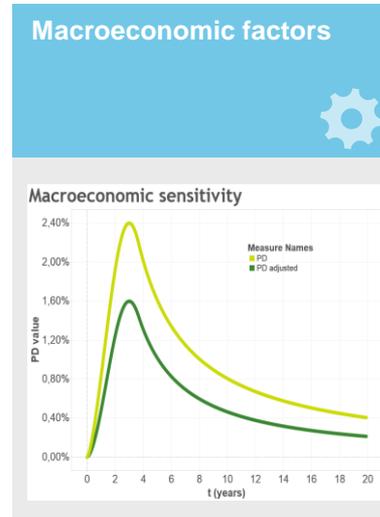
Available range of different sophistication levels allows to align the methods to the client's data availability, local regulatory requirements and specific needs.

Finevare comes with multiple models for risk parameters (Probability of Default, Loss Given Default, Credit Conversion Factor) estimation implemented out-of-the-box.

Training provided by Deloitte covers applied modelling techniques and assumptions facilitates informed choice of target model and compliance with qualitative disclosure requirements set out in IFRS 9.

Conquer the sources of uncertainty

Structure of the portfolio and macro-economic factors that influence credit risk may change over time and especially before IFRS 9 effective date of January 1, 2018. **Scenario analysis and stress testing** of results allows to better capture potential future impact. That includes scenarios for Stage II triggers, EWS signals in particular.



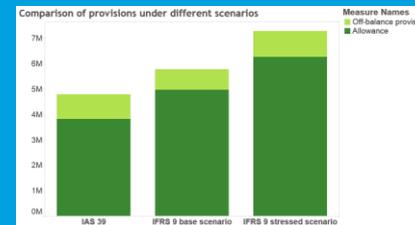
Stress testing enables assessment and comparison of severity of the impact under IAS 39 and IFRS 9.

A user may analyse impact on future provision level of such components as:

- Economic conditions changes, with direct incorporation of risk parameters correlation
- Changes of portfolio structure
- Impact of new production, changes of amortization profile for both close-end and open-end portfolios
- Various off-balance utilization patterns

Finevare's functionalities enable **deep insight** into the root causes of provision level changes through individual components stressing as well as comprehensive scenario analysis (multiple factor change).

Forecasted loss amount within given time horizon under chosen scenario



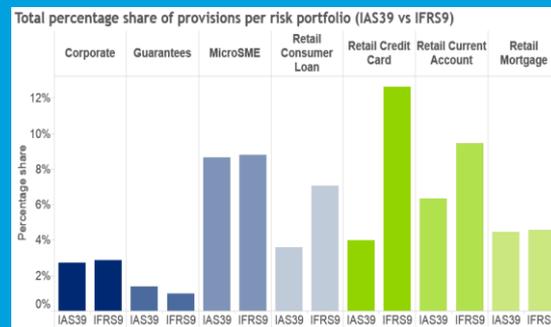
Transparent presentation of calculation results and transition impact

Explore risk management possibilities with vivid visualisation of results.

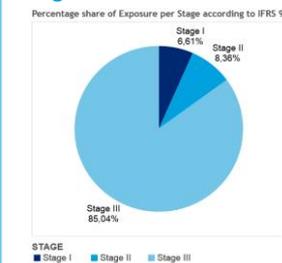
- Finevare combines and presents the outcomes of estimation and impact on provisions level under multiple segmentation and modelling assumptions in a way intuitive for the user

- Well structured analysis and comprehensive information for top management enhances informed decision making

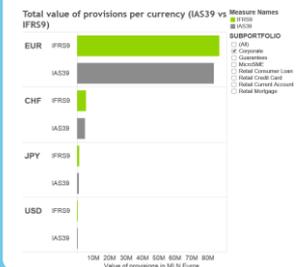
IFRS vs. IAS 39 provisions



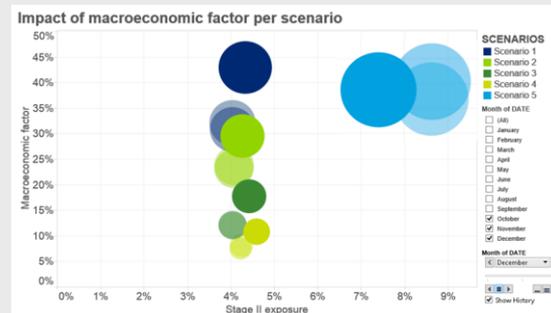
IFRS 9 impairment per stage



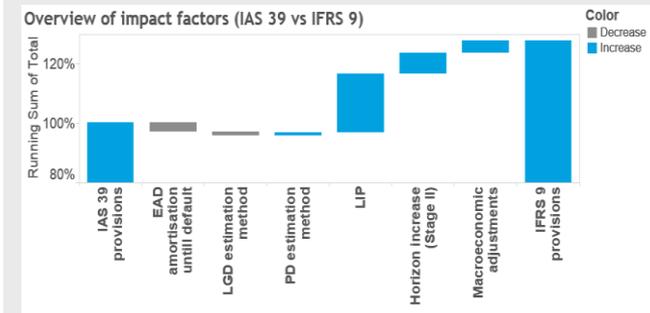
IFRS 9 vs. IAS 39 provisions per currency



Results of automatic analysis of multiple scenarios



Sources of change between IAS 39 and IFRS 9 provisions



Reporting and process

Finevare facilitates easy access to source data and results (no need of technical assistance or advanced knowledge), including flexible report creating engine.

A range of standard reports and user friendly report wizard enable Finevare to meet vast requirements related to both **IFRS 7** and **IFRS 9** standard reporting as well as specific regulatory or internal reporting requirements.



Source data
(core system
extracts, users)

New disclosure requirements



- Disclosures at initial application of IFRS 9 impairment

Contract ID	Allowance IAS 39	Allowance IFRS 9	Off-balance provision IAS 37	Off-balance provision IFRS 9
LMT82739412	173.16	229.93	19.45	25.83
MRT29638001	1 021.61	1 245.38	-	-
MRT83749001	21.54	33.31	-	-
MRT91263001	3 002.05	3 102.62	-	-
LMT83339574	1 403.22	1 402.45	487.27	486.99

- Disclosures at each reporting date

Amount	Loss allowance 2014-01-31	Loss allowance 2013-12-31	Difference
Stage I	83.91	80.24	3.67
Stage II	9.21	7.02	2.19
Stage II (w/o impaired at origination)	10.04	9.03	1.01
Lease receivables - simplified approach	0.87	0.66	0.21
Impaired at origination	1.45	1.23	0.22

Reporting module



- Predefined and ad-hoc custom reports
- Interactive dashboards
- Saving user's time by off-line calculation of the reports. On-line notification when the report is ready to be downloaded by user.



Results
(Excel, pdf)

User-friendly wizard



Data presentation views





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