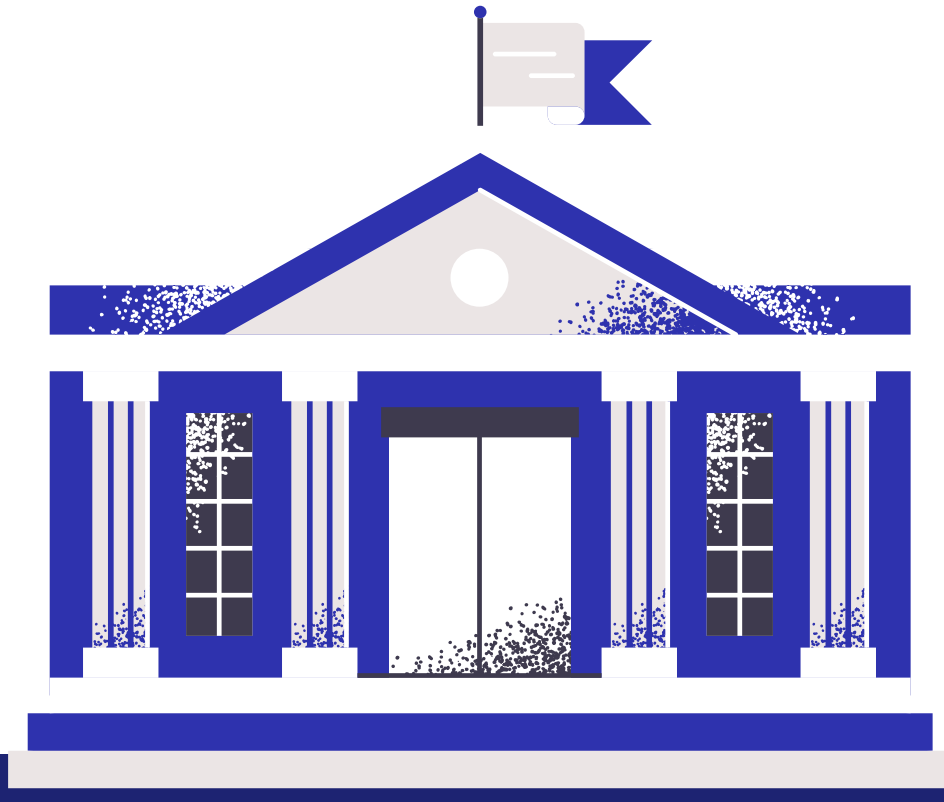
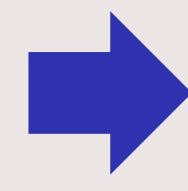


# Quick Guide: 11 Steps to IFRS 9 Compliance according to EBA Expectations



EBA Expectations



Aryza Solution

## Step 1: SICR Deployment Excellence

**EBA Issue:** Persistent macroeconomic uncertainties hinder collective SICR assessment under IFRS 9. Concerns arise from SICR threshold practices not aligning with IFRS 9 objectives.

**Solution:** The Aryza Evaluate parameter engine enables rapid PD model deployment, flexible SICR testing, and ensures validation of significance criteria for deployment.

## Step 2: Risk Assessment Findings

**EBA Issue:** Analyses in HDPs reveal persistent practices causing delays in Stage 2 transfers, contributing to variability in ECL outcomes across institutions.

**Solution:** Our control engine sets specific rules for portfolio segments, ensuring appropriate treatment in stage allocation, model coverage, and provision process for HDPs.

## Step 3: Enhanced SICR Measures

**EBA Issue:** Institutions can't rely solely on triggers for staging and implement qualitative and quantitative indicators, including a threefold increase in lifetime PD, for robust SICR.

**Solution:** Our parameter engine supports swift PD model deployment and Significance criteria validation. Simulation environment aids historical portfolio testing, allowing easy implementation of staging rules.

## Step 4: Diverse Overlay Practices

**EBA Issue:** Institutions use overlays extensively, but varied practices and judgment in calibration highlight the need for sound methodologies and governance processes.

**Solution:** We support overlay deployment at transactional or portfolio levels, tracking and ensuring a governed approval process.

## Step 5: Unified IFRS 9

**EBA Issue:** Some institutions lack targeted IFRS 9 models, impacting ECL determination. Uniform modeling practices are crucial for consistent Expected Credit Losses.

**Solution:** We assist in developing models for any segment, tracking portfolio performance, and providing back-testing for model validation.

## Step 6: ECL Framework Overlays

**EBA Issue:** Overlays are integral to the ECL framework, requiring a structured approach, robust governance, and understanding of their nature, significance, and permanence.

**Solution:** Our tool supports overlay deployment, tracking, and approval processes, ensuring a structured governance approach.

## Step 7: ESG Integration

**EBA Issue:** Few institutions consider climate and sustainability risks in ECL models, despite their materiality.

**Solution:** Our tool easily integrates ESG characteristics, enabling specific treatment in the provision process.

## Step 8: IFRS 9 Sensitivities

**EBA Issue:** Divergent practices affect the modest impact of forward-looking information. Smoothing practices may hinder accurate IFRS 9 figures.

**Solution:** Our parameter engine deploys macroeconomic scenarios, testing effects on provision and staging, ensuring accurate and timely assessments.

## Step 9: Back Testing Challenges

**EBA Issue:** Limited effective use of back testing for IFRS 9 models raises supervisory concerns.

**Solution:** Our tool automates back testing, tracks model performance over time, and allows flexible testing in a user-friendly environment.

## Step 10: IFRS 9 Back Testing

**EBA Issue:** Some institutions lag in developing back testing frameworks for IFRS 9, impacting the adequacy of provisions.

**Solution:** Our tool supports back testing of lifelong vectors used for stage 2 provision, ensuring adequacy in provision calculations.

## Step 11: Back Testing Concerns

**EBA Issue:** Inadequate follow-up on back testing results raises prudential concerns about ECL figure consistency.

**Solution:** For stage 3 back testing, we have automated the process, escalating identified deviations to desired levels, ensuring feedback and updates to maintain consistency.

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