ECL Calculation

For stages 1 & 2, IFRS 9 calls for the calculation of an Expected Credit Loss (ECL) that takes probability-weighted macroeconomic scenarios into account.

In general, the calculation of Expected Credit Loss is based on the following parameters: PD, LGD, EAD and macroeconomic parameters.

Different methods for calculating these parameters need to be applied, depending on the individual product portfolio, customer types and functionality (which might already be available in the source). Therefore the Expected Credit Loss Workbench provides various components for each parameter.