

Highlights:

- Support of specific approaches depending on the deterioration of credit quality and significance of a financial asset
- Separate workbench to cope with requirements of probability-weighted approaches and individual recovery-based approaches
- Risk provision traceable to individual deal level including calculation details and underlying data
- Consideration of scenarios
- Simulation before journalisation

Risk provision is an important topic in all GAAPs.

Nonetheless each GAAP answers the following questions in a different way:

- At which point in time should a risk be considered in the balance sheet and income statement?
- How much provision should be considered?

FlexFinance provides the following components as instruments for the configuration, simulation and consideration of risk provisions in financial statements:

- Collective Impairment Workbench
- Customer Impairment Workbench
- Collateral

For GAAP-specific usage, please refer to the specific sections. For IFRS 9 please refer to IFRS 9 Blueprint Impairment.

The result of the risk provision process in FlexFinance are

- · Debit/credit entries and
- Data marts

These data marts support detailled analyses, for example:

| 010 | Transfers between S To Stage 2 from Stage 1 010 | Stage 1 and Stage 2 To Stage 1 from Stage 2 | Gross carrying amount Transfers between Sta | | Transforn baburoan Sta | | |
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| | To Stage 2 from Stage 1 | | | te 2 and Stage 3 | | | |
| 040 | | | | To Stage 2 from Stage 3 | Transfers between Stage 1 and Stage 3 To Stage 3 from Stage 1 To Stage 1 from Stage 3 | | |
| 010 | | 020 | To Stage 3 from Stage 2 030 | 040 | 050 | 10 Stage 1 from Stage 3 060 | |
| | 0.00 | | 0.00 | 0.00 | -680,400.00 | 000 | |
| 020 | 0.00 | | 0.00 | 0.00 | 0.00 | | |
| ments 030 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| ns 040 | 0.00 | | 0.00 | 0.00 | 0.00 | | |
| corporations 050 | | | 0.00 | 0.00 | 0.00 | | |
| | | | 0.00 | 0.00 | 0.00 | | |
| | | | | | | -45,7 | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | -5,7 | |
| | | | | | | | |
| | | | | | | -40.0 | |
| | | | | | | -45,7 | |
| 150 | | | 0.00 | 0.00 | 0.00 | | |
| | opporations 050 opporations 060 070 070 nents 090 ts 100 opporations 110 opporations 120 130 140 | Opportations 050 0.00 opportations 050 0.00 070 -16,541.34 0.00 080 0.000 0.00 080 0.000 0.00 090 0.00 0.00 091 0.00 0.00 095 0.00 0.00 opportations 110 0.00 130 -16,551.34 -16,551.34 | Opportations OD OD | opportations 050 0.00 0.00 0.00 predictions 060 0.00 0.00 0.00 070 -16,541.34 -48,366.70 -31,309.21 -31,309.21 060 0.00 0.000 0.000 0.000 -0.000 -0.000 -0.000 -0.000 0.000 0.000 0.000 0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.000 -0.0 | opportations 050 0.00 0.00 0.00 prevaluons 060 0.00 0.00 0.00 070 -1.65.13 88.96.70 -31.308.71 -3222.98.84 080 0.00 0.000 0.000 0.000 080 0.00 0.000 0.000 0.000 091 0.000 0.000 0.000 0.000 092 0.000 0.000 0.000 0.000 0.000 000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 <td< th=""><th>opgorations 60 0.00 0.00 0.00 0.00 prediction 66 0.00 0.00 0.00 0.00 prediction 00 0.00 0.00 0.00 0.00 prediction 0.00 0.00 0.00 0.00 0.00 66 0.00 0.00 0.00 0.00 0.00 0.00 67 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 <td< th=""></td<></th></td<> | opgorations 60 0.00 0.00 0.00 0.00 prediction 66 0.00 0.00 0.00 0.00 prediction 00 0.00 0.00 0.00 0.00 prediction 0.00 0.00 0.00 0.00 0.00 66 0.00 0.00 0.00 0.00 0.00 0.00 67 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 <td< th=""></td<> | |

Figure: Transfers between impairment stages (gross basis presentation)



Workbenches for risk provisioning



| Movements in allowances for credit losses, provisions / Movements in allowances and provisions for credit losses necore 1/16/18/22/24/44/ | | | | | | | | | | | thee toot pearch | ¢ 🛛 |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------|------------------------------------|-----------------------|--------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------|
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| NAX . | | | | | | | | | | | | |
| rts in allowances and provisions for credit loases | | | | | | | | | | | | |
| res in antivisinges and provisions for credit losses | | | | | | | | | | | | |
| | | | Opening balance | Increases due to origination and | Decreases due to | Changes due to shange in oredit dair | Changes due to modifications without deecognition | Charges due to update in the institution's methodology for estimation | Decrease in allowance account due to write- | Closing balance | faccouses of previously writtee of amounts recorded directly to the statement of profit or Amounts writtee-of | 1 directly to the state |
| | | | 112 | acquisition 020 | derecognition 628 | 1980 940 | (1997) 158 | 1940 323 | offs educrets 000 000 | 180 | 118 | 120 |
| es for financial assets without increase in credit risk since initial recognition (Stage 1) | Celot excurities | | 2 0 | 1,655 | 02 | 40.50,994 | | 10000 | 0 10 30100200 10 10 100 | 1985 56 | 10 | |
| | | Central banks E Denaral governances D Credit institutions D Other financial D | 40 0 | 80 8.00 | 00 | 1 | 8 10 | 01 | | 0 030 | 0.00 | |
| | | Ored1 institutions 0 Other financial 0 | 52 O | 80 0.00 80 0.00 | 3 0.3 | 4 10 | 4 <u>40</u> 0 10 | 6 03 6 03 | 0 0.0 0.0 0 0.00 0.0 | 0 0.20 | a.co a.co | |
| | | corporations Non-ferancial corporations (| | 10 1.0 | 3 63 | 8 V | 8 16 | 01 | 8 0.0 0. | 0 0.00 | 10 | |
| ł | | Central London D | 40 -15/712,939 -514 | 10 -72,864,855.92 | 2 27,995 5 6 423.6 | 10 -321,523,064 0 | 6 E0 | -1800803 | | | 0.00 | |
| | | General governments 3 | 00 -10,824 10 -42,441 | 46 -043.37 | 5 03 8 1903 | | 1.0 | 0 | 0 8.00 18,567. 0 8.00 - 148,313. | 9 -3,240 54 | 0.00 | |
| | | General governments 1 Credit institutions 1 Other Enancial 1 | 29 0 | 10 0.00 | 0.0 | 10 LC | 8 80 | 0.00 | 0 0.0 0. | 0 0.30 | 0.00 | |
| | | corporations Non-ferancial corporations T | 30 0 | 80 0.00 | 0.0 | 1 | | 0 | 0 1.00 1. | 0 0.30 | 0.00 | |
| for debi instruments with significant increase in credit risk since initial recognitive but set credit impaired | | Pousebolds 5 | 40 -0.588,684 | 36 0.00 | 8 28,128.4 | 0 -44,585,840 1 20 -100,252 | 3 10 | 0 01 0 01 | 100 - 133,473,664 100 - 133,473,664 100 - 200,904 | 0 -74,491,000 M | 0.00 0.00 | |
| F | Oubit securities | Central banks 2 | 99 0 | 80 9.00 | 0.0 | 4 | 0 0 0 0 | | 0 1.00 0. | 0 0.00 | 0.00 | |
| | | | 10 0 | 10 2.00 | 0.0 | () | 6 8.0 | | 1.0 1 | 0 030 | 0.00 | |
| | | Oradit Institutions 2 Other Francial 2 | 20 0 | 80 9.00 80 0.00 | 0 03 | 8 10 | 8 10 | | | 0 0.30 | 0.00 | |
| | | corporations Non-financial corporatione(2) | 40 0 | 10 0.00 | 0.0 | . U | | 01 | 8 0.0 0. | 0 0.00 | 0.00 | |
| | Loans and advances | Sentral banks 2 | 50 -110,786 60 0 | 20 0.00 | 03 | -306252.1 | 10 10 | 0 | 0 1.0 20104 | 8 -216998.54 | 0.00 | |
| | | Seneral governments II Sredit institutions II Other Financial II | 22 0 | 10 1.00 | | 10 L0 | 6 1.0 | 01 | 0 1.0 1.0 | 3 31,000 15 | 9.00 | |
| | | Other financial 2 | 90 -2072 90 0 | N 0.00 | 0.0 | 1 1/ | 1 | | | 0 0.30 | 0.00 | |
| | | corporations Non-financial corporations (it | | 10 0.00 | 07 | | 8 10 | 0 | 10 1.0 1. | 0 0.00 | 0.00 | |
| angeforming | | Pountoits 2 | 10 -186534 50 -36034 | 27 0.00 | 0.0 | -70294.0 | 10 | 0 | 0 1.0 -142,172 1.0 | -176920.40 -151.620.90 | 0.00 | |
| | (white excurities | ď | -154,977 | 17 | 23 | -27,741,472,5 | d 19 | 8 | 1.0 -75,401,7451 | 6 -37,741,389,71 | 1.00 | |
| 1 | | Certral berks | 10 0 | 80 0.00 | | 4 40 | 6 1.0 | | 0 0.00 0. | 0 636 | 0.00 | |
| | | Central banks 3 General governments 2 Credit institutions 4 Other financial 4 | 90 0 00 0 | 80 0.00 80 0.00 | 02 | 10 | 1 10 8 10 | 0 | 12 0.00 0.1 12 0.00 0.1 | 0 030 | 0.00 | |
| | | | 33 0 | 80 0.00 | 0.3 | d 8.0 | 1 10 | e 03 | 0 0.00 0. | 0 0.30 | 0.00 | |
| | | Non-financial corporations C | | 80 8.00 17 39,301,10 | 03 | 10 EC | 4 10 | 0 01 | 0 0.00 0.00 0 0.00 15,487,4457 | 0 0.30 | 0.0 | |
| | | Entral Lastes 6 Deterni governments 6 Drefit Institutions 6 Drher Financial 6 | 40 0 | 80 0.00 80 0.00 | 03 | 10 E C | 20 E0 | 0 | | | 0.00 | |
| | | Credit institutions d | 8 | 80 9.00 | 03 | 254491 | 0 10 | 01 | 0 0.00 -444,000 | 234,450 91 | 0.00 | |
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| ance for debt indivanents | Commitments and financial guarantees giver (Slage | e 10 8 | 29 -15/978,522 38 -172,080 | 40 -72,999,482,50 50 - 4,816,00 | 27,895.19 | -319,367,669,3 68,171,5 | 2 <u>80</u> | 18000 | 1.00 438,742,443. | | 0.00 0.00 | |
| 1 | Commitments and financial guarantees given (Stage | of which non-performing fi | 40 0 | 0.00 | 0.0 | 4 10 | 10 | e () | 10 1.00 1.0 | 0 0.30 | 9.00 | |
| | Commitments and financial guarantees given (Stage | e X) 2 | 60 O | 20 20 40 | 0.2 | 4,001001 | 4 8.0 | 01 | 0 1.0 -16335.278 0 1.0 -15895.04 | 8 4001080 14 | 9.00 | |

Figure: Movements in allowances and provisions for credit losses

