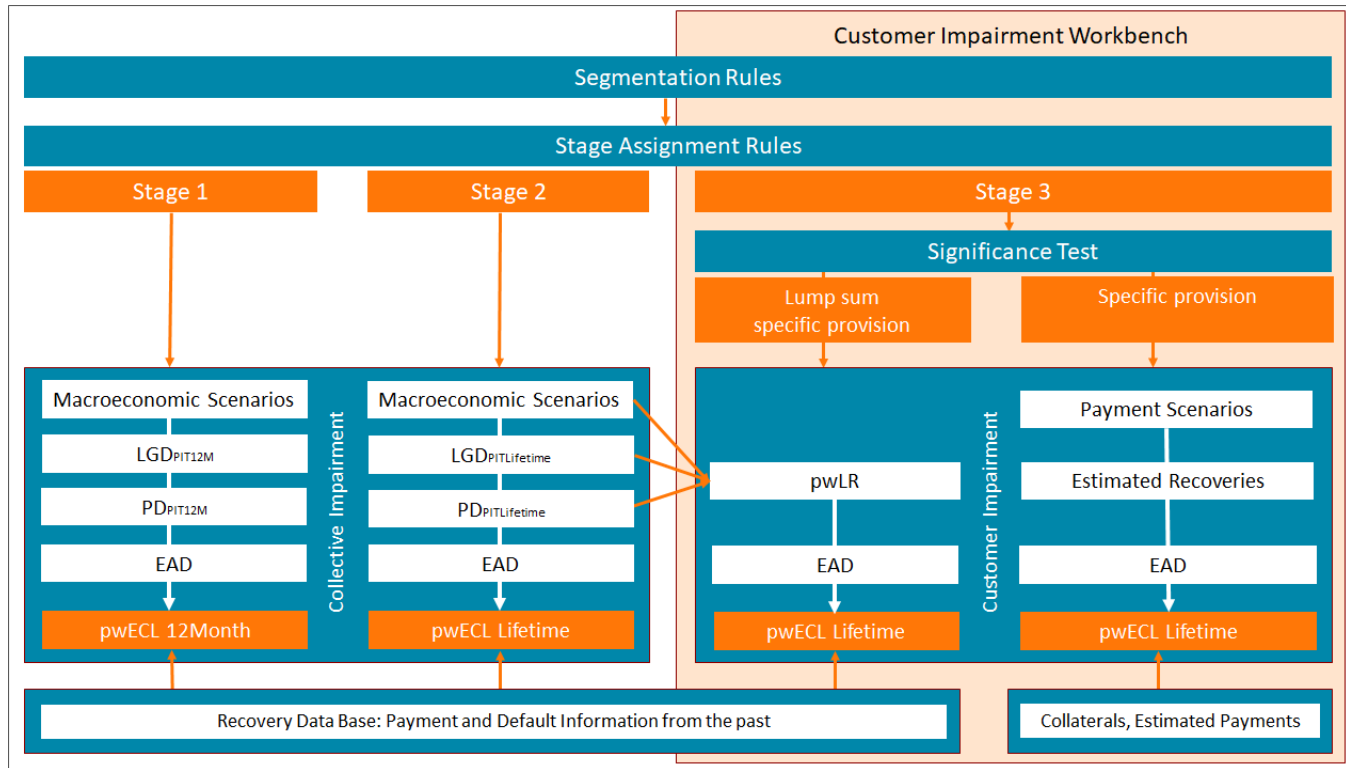


The component **Customer Impairment Workbench** can be used for

- Collateral management (refer to [Collateral](#))
- For **non-significant deals** assigned the impairment type "Lump-sum Specific Provision": Calculation and journalisation of lifetime ECLs, taking collateral recoveries into account
- For **significant deals** assigned the impairment type "Specific Provision": Calculation and journalisation of lifetime ECLs, taking recoveries of collateral, regular and irregular recoveries into account



The Customer Impairment Workbench covers all requirements related to **specific provision of significant financial assets** and for **lump-sum specific provisioning of non-significant financial assets**.

The Customer Impairment Workbench needs to be fed in general on individual deal level with the following information

- Information about of objective evidence impairment. For this purpose FlexFinance supports the automatic identification based on rule sets, Import from a source as well as manual capture of impairment trigger in FlexFinance.
- Test of Significance

For **lump sum specific provisioning** of non-significant deals it expects the delivery of a probability weighted lossrate (pwLR). This pwLR can be provided by the Collective Impairment Workbench or imported from a source.

In general, the Customer Impairment Workbench provides **fully automated** support for significant and non-significant deals:

- Calculation of risk provision on the basis of lifetime expected credit losses:
 - Automatic calculation of risk provisions comparing the actual gross carrying amount (GCA) and the sum of expected recoveries discounted with the original effective interest rate (EIR)
 - Calculation of unwinding for subsequent measurement of impaired deals
 - Analysis of calculation runs for specific risk provisions
 - Access to calculation results for lifetime expected credit losses (ECL) at customer level, drilldown to individual deal level and to scenarios entered for recoveries
- Generation of journal entries at individual deal level:

- Generation of debit/credit entries to reflect risk provisions in the balance sheet and profit and loss account

In addition, the **Customer Impairment Workbench** supports for **significant deals**:

- **Capture and maintenance of individual deal specific recovery data for significant deals:**
 - Recoveries from different sources are supported: In addition to collateral, irregular and regular recovery expectations about future payments can be captured and maintained
 - Recovery cashflows can be
 - Automatically imported from a source
 - Uploaded manually in the UI from a source
 - Captured in the UI
 - Automatically generated based on collateral data
 - Probability-weighted scenarios support the consideration of various expectations about future payment behaviour of the customer
- **Simulation of specific risk provisions**
 - For significant deals assigned to stage 3, calculation of risk provisions used to figure out how validity and allocation rules impact risk provisioning without posting
- **Documentation of objective evidence of impairment for significant deals:**
 - Capture and maintenance of information on reasons for the objective evidence of impairment and related impairment triggers
 - Addition of documents and individual notes

Figure: Customer Impairment Workbench: documentation of objective evidence for significant deals

- **Support of organisational processes for significant deals:**
 - Intra- and inter-departmental processes can be organised using workflows and roles
 - Process notes and notifications to simplify daily work
 - Various watch lists can be configured to reflect the importance of following up a possible deterioration in the credit quality of portfolios of financial assets:
 - A watch list shows individual financial assets that are to be monitored closely.
 - A task list shows financial assets that are part of an active workflow.

© FERNBACH Financial Software