

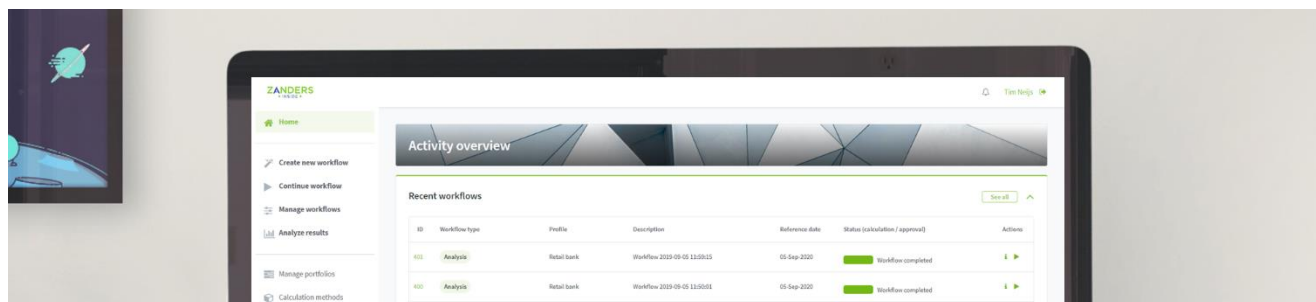


Zanders Inside™

# Credit risk suite

# Credit Risk Suite

Zanders' Credit Risk Suite, part of the award-winning Zanders Inside platform, has been designed with simplicity and flexibility in mind. The suite is a comprehensive solution that allows you to focus on what matters: understanding your counterparties and making credit decisions.



## Solution features



### Single portal for all your needs

Access all functionality in a single portal, whether you need an obligor rating or an ECL estimate.



### Convenience of the cloud

No need to worry about system maintenance, server capacity, et cetera. All you need is a browser.



### Maximum flexibility

Our Condor ECL calculation engine adapts to your data formats and methodologies.



### User friendly

The suite contains a clean user interface that makes it easy to navigate.



### Secure and robust

The solution is hosted in a secure Microsoft cloud with enterprise performance.



### Comprehensive results archiving

All activity on the system is logged and all results are archived by the system.

## Available modules

- **Condor ECL – IFRS 9 reporting & stress-testing analysis solution**  
Provides you with all the necessary tools to determine forward-looking expected credit losses in line with the requirements of the IFRS 9 accounting standard and to perform credit risk stress testing.
- **Corporate rating model**  
Our advanced rating model has been calibrated on a large financial database containing millions of counterparties across the globe, thanks to a unique partnership with a renowned data provider. Users can generate clear and concise reports that give a thorough insight in the creditworthiness of counterparties.
- **Bank rating model**  
Our bank rating model is an effective tool to obtain insight into the creditworthiness of banks. The model is the result of statistical analysis combined with the extensive experience of Zanders' credit risk specialists.
- **LGD model**  
The Zanders LGD model is an expert-based model that leverages years of experience and has been benchmarked versus other LGD models in the banking industry.

## Included reporting & analysis functionality

### Credit rating & LGD reports

Clear and concise reports give credit analysts a thorough insight in the creditworthiness of counterparties and the structure of transactions.

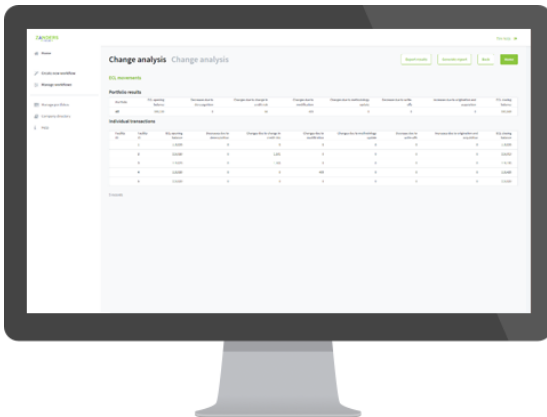
### Ex-ante ECL impact reports

Assess the ECL impact of envisaged transactions. This analysis facilitates the credit decision making and pricing processes.

### ECL reports

Generate ECL reports, providing granular results as well as a portfolio overview for your financial reporting.

## Optional features



### FINREP ECL movement analysis

Generate all results required for the IFRS 9 Impairment-related sections of FINREP, just with a few mouse clicks. Our sophisticated movement analysis software breaks down your ECL movements into different components, including (de-)recognition, stage migration and asset modification.

### BI Dashboards

Drill down to the details of every individual transactions. Our pre-configured BI dashboards provide a wealth of information and can be fully tailored to the requirements of the users.

### Local data residency

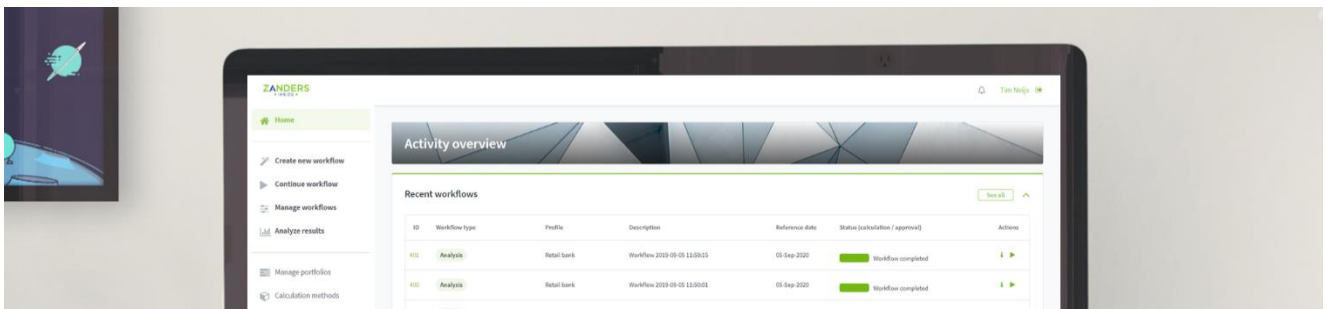
By default, the credit risk suite runs in a Microsoft Azure data centre in the Netherlands. Optionally, we can host the solution in a country of choice.



# Condor ECL

## for IFRS 9 Impairment & credit risk stress-testing

The Condor ECL module is a solution for IFRS 9 Impairment analysis and credit risk stress-testing. Built by experts in credit risk and financial reporting, Condor ECL saves you time, money – and stress.



### Solution features



#### Tailored solution

Condor ECL includes various methodologies for the calculation of probabilities of default and other expected loss components. You can easily select an approach per asset class.



#### Flexible data structure

Whether you have a fixed data format or many different files, Condor can handle it all. You can configure automated data checks and corrections, all of which are logged in the system to ensure a full audit trail.



#### Modular approach

The database used for calibration contains millions of counterparties, both public and private. Companies ranging from SMEs to large corporates and multinationals are included.



#### Robust calculation engine

The standard calibration is useful for a wide range of financial institutions. However, the calibration can be fully tailored to your individual needs and portfolio characteristics.



#### Clear documentation

Condor ECL comes with extensive documentation of the included methodology and calculations. Test evidence is available upon request.



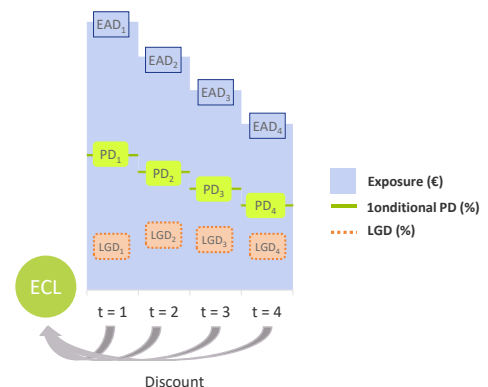
#### Great connectivity

Our platform is also able to communicate with other web APIs to leverage the results of your existing infrastructure.

### Methodology details

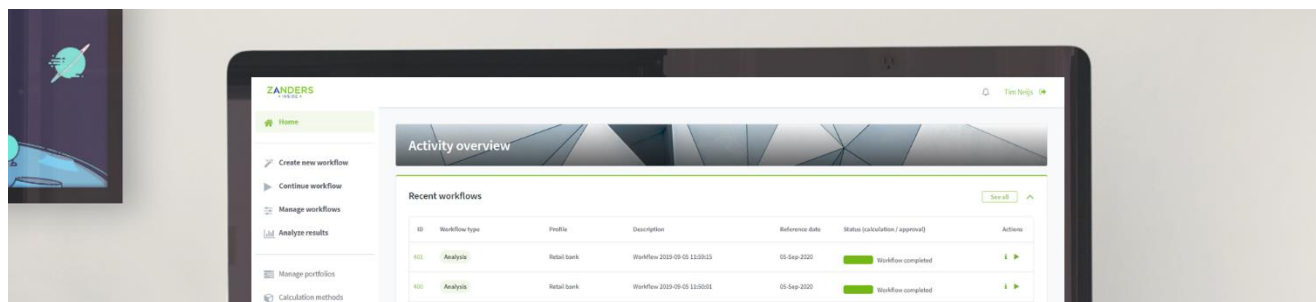
Our calculation engine creates scenario-specific projections of PD, EAD and LGD for either a set of deterministic scenarios or randomly generated ones using a Monte Carlo approach. For these components we have our own internal models available, but you just as easily make use of your existing models.

These components can be linked to macroeconomic factors using our standard Z factor-based model or another custom model of your choosing.



# Corporate rating model

The Zanders corporate rating model is an advanced rating model developed by credit risk modelling experts. Thanks to a unique partnership with a renowned data provider, the model has been calibrated on a large financial database containing millions of counterparties across the globe.



## Solution features



### Compliant methodology

Developed in line with Basel III requirements, the methodology has been accepted by prudential regulatory authorities.



### Tried and tested

The model has been implemented for numerous financial institutions based in Europe and Africa, including banks with significant trade finance activities.



### Global coverage

The database used for calibration contains millions of counterparties, both public and private. Companies ranging from SMEs to large corporates and multinationals are included.



### Customizable

The standard calibration is useful for a wide range of financial institutions. However, the calibration can be fully tailored to your individual needs and portfolio characteristics.



### Tailored

Global coverage does not mean 'one-size-fits-all'. Over 400 different scoring functions are used, depending on size, geography and industry segment, acknowledging the different characteristics of these groups.



### Transparent

No black-box methodology. The build-up of the credit ratings is highly transparent (see below for more info), enabling end-users to understand the key drivers of the credit rating.

## Optional features



### Custom calibration

If desired, a custom calibration optimally suited to the bank's portfolio can be determined.



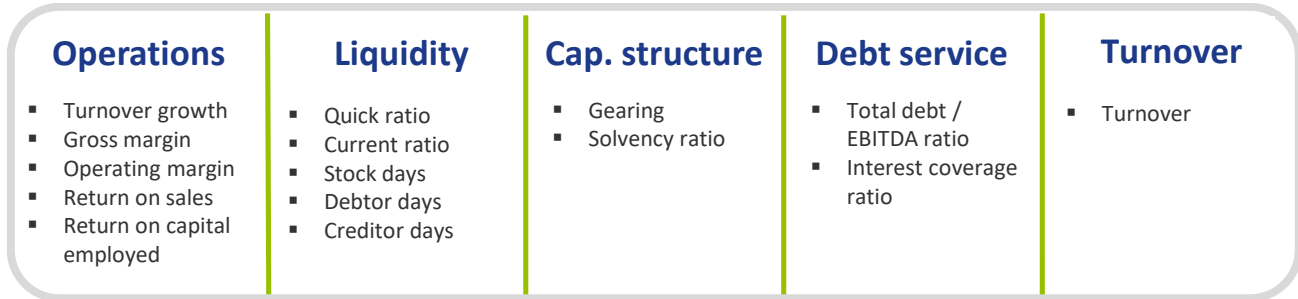
### Custom financial spreading template

The Zanders corporate rating model uses a spreading template in line with industry standards. If the bank wants to use an alternative template, for example because of even better alignment with other source systems, the template can be customised.

## Methodology details

### Step 1: quantitative assessment

The Zanders corporate rating features a comprehensive financial assessment of 15 factors across 5 different rating pillars.



### Step 2: qualitative assessment

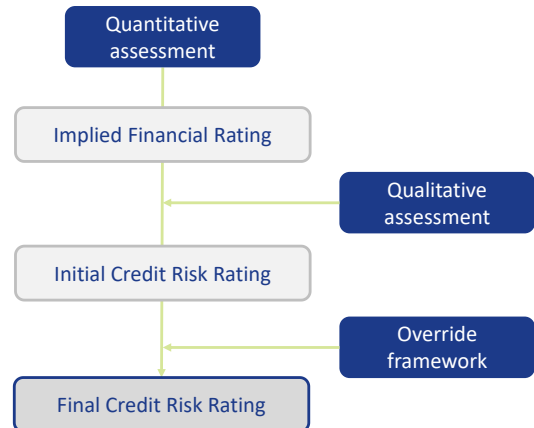
The financial assessment is complemented by a qualitative assessment. The specific factors co depend on the size of the financial institutions.

#### SMEs and large corporates

- Years in same business
- Customer risk
- Accounting risk
- Track record with corporate
- Continuity of management

#### Very large corporates (multinationals)

- Operating activities area
- Accounting risk
- Access to capital



### Step 3: overrides framework

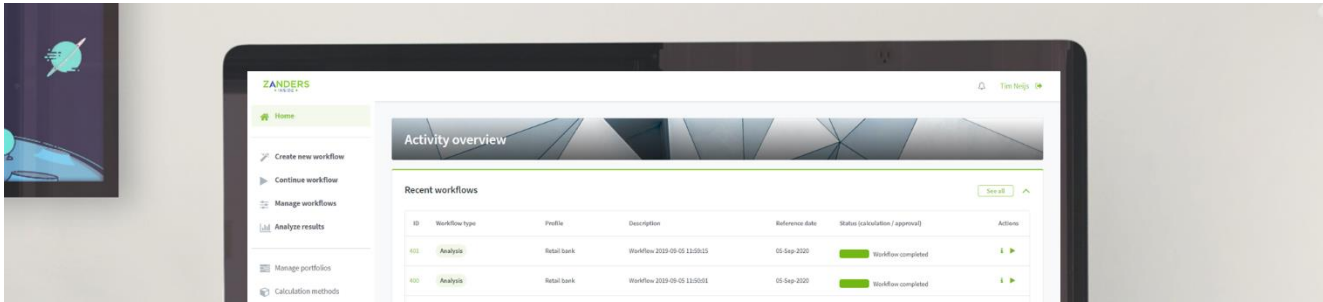
Finally, a range of overrides can be applied to assess various other elements not directly captured by the quantitative and qualitative assessment.

- Country risk
- Industry risk
- Parent company support
- Other

The three-step approach makes the impact of the qualitative assessment and any applied overrides highly transparent. All ratings types can be retrieved from the system.

# Bank rating model

The Zanders bank rating model is a simple yet effective tool to obtain insight into the creditworthiness of banks. The model is the result of statistical analysis combined with the extensive of credit risk experience of Zanders.



## Solution features

The rating model has been calibrated based on historical default data and incorporates the experience of seasoned credit risk experts as well as research from rating agencies. Furthermore, the model is benchmarked against external ratings.

## Methodology details

The rating methodology is based on two building blocks:



### Financial assessment

The assessment consists of a quantitative and a qualitative pillar with their respective sub-pillars and variables



### Overriding factors

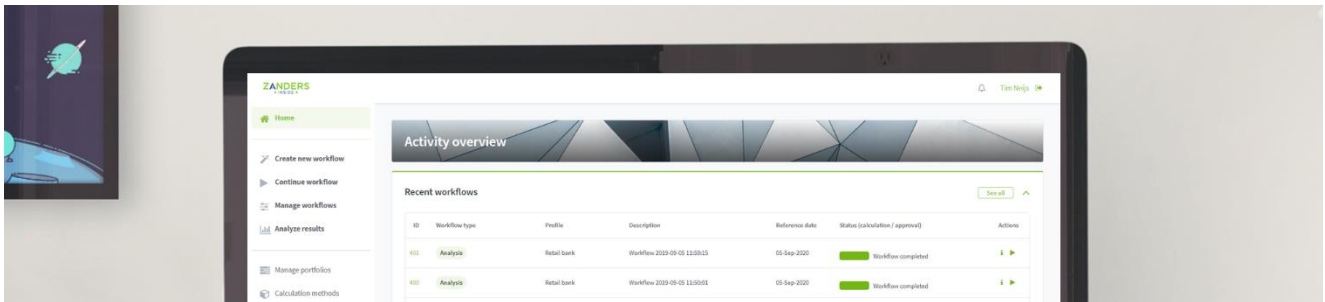
This assessment takes elements like group support and country risk into account.

The financial assessment is based on the CAMEL approach and consists of the following pillars and factors:

Liquidity	Operations	Loan quality	Capitalisation
<b>Quantitative</b>			
<ul style="list-style-type: none"> <li>Inter-bank ratio</li> <li>Customer loans / deposits &amp; ST funding</li> <li>Liquid assets / deposits &amp; ST funding</li> </ul>	<ul style="list-style-type: none"> <li>Net Interest Income / Average assets</li> <li>Pre-tax operating revenue / Average assets</li> <li>Return on average equity</li> <li>Cost-to-income ratio</li> </ul>	<ul style="list-style-type: none"> <li>Loan loss provisions / Net interest</li> <li>Impaired loans – reserves / Gross loans</li> </ul>	<ul style="list-style-type: none"> <li>Tier 1 ratio</li> <li>Total capital ratio</li> </ul>
<b>Qualitative</b>			
	<ul style="list-style-type: none"> <li>Operating activity area</li> <li>Diversification potential</li> <li>Accounting risk</li> </ul>		<ul style="list-style-type: none"> <li>Access to capital</li> <li>Size</li> </ul>

# LGD model

The Zanders LGD model is an expert-based model that leverages years of experience and has been benchmarked versus other LGD models in the banking industry.



## Solution features

The Zanders LGD model estimates a recovery rate for individual credit facilities, based on the characteristics of the facility and the availability and quality of pledged collateral. Zanders is constantly in touch with relevant industry players and performs benchmarking of its internal approach versus other approaches in the market, to ensure its approach remains in line with market practice.

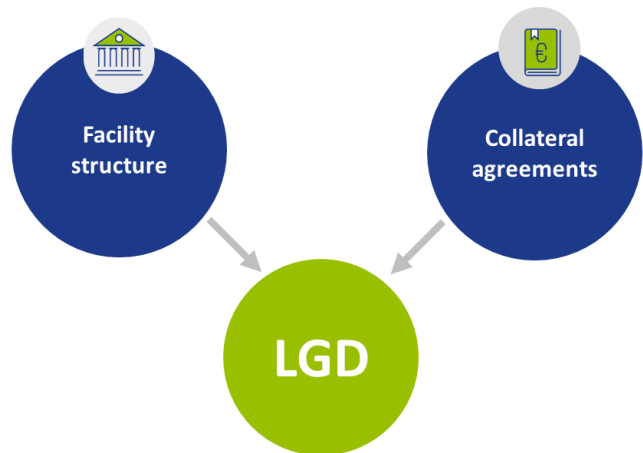
### Assessment criteria

Our LGD model takes into account the following aspects:

- Seniority of claims
- Collateral coverage
  - Collateral type
  - Country of risk
  - Collateral claim ranking
- Additional security and guarantees

### Cross-collateralisation

The Zanders model is also able to handle cross-collateralisation between facilities, which is regularly a feature of trade finance arrangements.



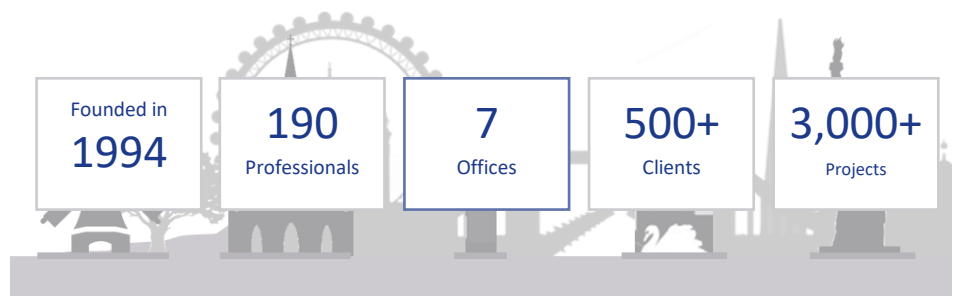


# About Zanders

Powered by experience and driven by innovation, we deliver high-quality consulting services to financial institutions, corporates, NGOs and public organizations. Our consultants combine deep financial expertise with a unique customer-centric approach. Our purpose is to create value for our clients by delivering quality solutions, based on the latest technologies and insights.

## Facts

Zanders is a consultancy firm and solutions provider specialised in Treasury, Risk and Finance. We employ over 190 professionals in 7 countries and have an extensive track record with corporate, financial and public sector clients.



## Selected client credentials

Since its founding in 1994, Zanders has obtained a significant track record among European financial institutions.

Our banking clients range from small specialised banks to large systemic institutions.

Regulatory requirements can be burdensome to smaller financial organisations. Zanders has successfully produced cost-effective solutions for these institutions.



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