

## Prometeia delivers its EU 2018 Stress Test compliant Credit Risk Module

May 2018

Prometeia, the global leader in Risk Management consulting and software solutions, announced that its ERMAS Suite is now enhanced with a new **EU 2018 Stress Test compliant Credit Risk Module**, a tool designed to calculate impairment and RWAs in line with the latest requirements set by the IFRS framework and the EBA stress testing methodology.

The **IFRS9 accounting standards** introduced a new provision calculation method, strictly linked to credit risk parameters and based on the concepts of **stage** and **expected lifetime/12-months credit loss**. The methodology required for the **EBA Stress Test** has therefore been revised by the European regulator, in order to reflect the new requirements of the IFRS9 impairment.

*"The EU 2018 Stress Test Credit Risk Module represents a significant step forward in our methodological framework for integrated balance sheet management,"* comments **Massimo Pedroni, Senior Partner and Head of International Business at Prometeia**. *"With this component Prometeia completes a comprehensive redesign of its Risk solution in line with the new IFRS requirements, which started with the accounting classification, through the calculation of amortized cost and IFRS13 Fair Value, up to the projection of IFRS9 loss provision over the future."*

ERMAS has been integrated with dynamic features that allow the key risk parameters and the portfolio volumes to evolve according to **customer-specific satellite models** and applying **transition matrices** between **rating** and **stage** conditioned to macro-economic scenarios. Starting from the initial provisions and RWAs already available in the ERMAS Suite, it is now possible to project the future values of these variables in order to determine the **impact on future P&L** over the simulation time horizon.

Clients can achieve the **following benefits**:

- Possibility to **combine internal parameters** (PDpit, LGDpit, PDreg, LGDreg, Elbe,...) and to apply user-defined equations / user forecasts in order to calculate the future risk metrics, under the baseline and stress scenarios;
- Wide set of **dynamic migration matrices**, including the possibility to shock the rating and the stage migration separately, and then combine them or use pre-combined rating/stage migration directly;
- All risk parameters are shared with the **IFRS9 and RWA modules**, so that users can rely on consistent models, transition matrixes, PD and LGD curves;
- Possibility to determine the **lifetime PD values for the 'stage 2 provisioning'** with the bank-specific approach (migration matrix, Weibull distribution, gamma distribution, ...);
- Calculation of the **impairment values** in compliance with the related stage and the EBA methodology, coherently with the EBA template constraints;
- **RWA projections** based on the specific approach (standard or IRB) of each portfolio, the 'reg' parameters and volumes evolution.

[www.prometeia.com](http://www.prometeia.com)



Prometeia



@PrometeiaGroup



prometeiagroup



prometeia

[valeria.patane@prometeia.com](mailto:valeria.patane@prometeia.com)  
[massimo.tagariello@prometeia.com](mailto:massimo.tagariello@prometeia.com)  
[media@prometeia.com](mailto:media@prometeia.com)  
[sales@prometeia.com](mailto:sales@prometeia.com)



Users of the ERMAS platform will greatly benefit from this new analysis module, intended to **maximize the simulation flexibility** and ensure a **comprehensive modelling of credit risk drivers, fully integrated with the IFRS framework**.

Prometeia, the global leader in Risk Management consulting and software solutions, develops ERMAS, a fully integrated platform supporting Balance Sheet Risk Management, Regulatory & IFRS Compliance, Performance Management & Control, Credit Risk Analysis and Credit Decision Management.

ERMAS, the new generation of value-centric risk solutions, is used by over 200 clients in more than 20 countries to support their critical decisions and to comply with local and international regulatory requirements.

#### **ABOUT PROMETEIA**

*With over 40 years of experience in economic research, quantitative analysis and model development, Prometeia is a global provider of consulting services and software solutions focused on Risk, Performance & Wealth Management. With over 800 industry experts, we serve more than 200 financial institutions in 20 countries, through a consolidated network of foreign branches and subsidiaries located in Europe, Africa and the Middle East.*