

# Oracle Financial Services Credit Risk Management



Risk managers in financial institutions often lack the ability to provide a single, consistent view of portfolio credit risk across the organization because data is dispersed across multiple risk applications. In order to fully understand credit risk and respond effectively, managers must be able to quickly identify significant portfolio issues and drill into relevant data. Oracle Financial Services Credit Risk Management provides a comprehensive view of credit risk across the organization, enabling a financial institution to respond to demanding regulatory reporting requirements that focus on issues such as counterparty credit risk, stress testing, and delinquency management.

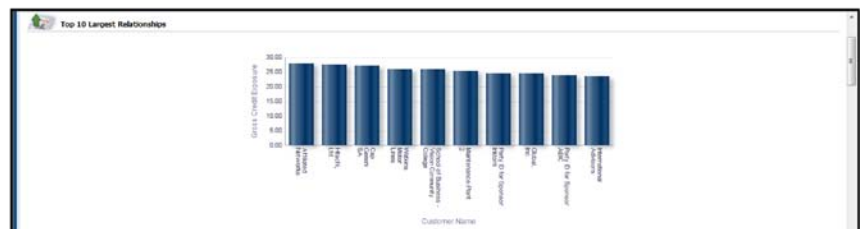
## KEY FEATURES

- Extensive credit risk functionality integrated with economic and regulatory credit risk applications
- 300+ pre-built credit risk reports and dashboards covering retail, wholesale and counterparty credit risk
- Reports on credit quality, reserves, delinquency, new business, risk migration, capital requirement and concentration
- Designed with extensive drill-down capabilities to enable granular analysis of risk information
- Aggregates credit risk data across multiple sources and computes over 20 critical credit risk ratios

## Gain an Enterprise-Wide, Comprehensive View of Credit Risk

Oracle Financial Services Credit Risk Management provides a comprehensive view of credit risk through 300+ pre-built reports covering credit quality, reserves, delinquency, new business, risk migration, capital requirement, collections and concentration. The application aggregates credit data from multiple sources and eliminates data silos to achieve an enterprise-wide repository of credit risk information. By eliminating data silos, a financial institution can view credit risk across multiple product types, lines of business, geographies, and legal entities.

In addition, Oracle Financial Services Credit Risk Management can help define business rules and analyze critical measures such as Gross/Net Credit Exposure, Relationship Exposure, PPNR, and Return on Assets. The unified data model offered by Oracle Financial Services Software and integrated results area bring together various risk aspects for a given exposure, such as Risk Weighted Assets from Basel, fair value/amortized cost from IFRS 9 and Economic Capital. This helps the user to view its risks in a multi-faceted and holistic way.



**KEY BENEFITS**

- Comprehensively monitor credit risk and provides one version of the analytical “truth”
- Enables strategic and operational decision making
- Real-time access to data
- Comply with stringent regulatory norms and effective decision making
- Achieve a single customer view of credit risk across exposures
- Leverage a unified, transparent and flexible analytical platform

Rank	Customer Name	Line of Business	Industry	Gross Credit Exposure
1	Affiliated Networks	Commercial Banking	Mattress ManufacturingT	27.85
2	Hitachi, L.td.	Commercial Banking	Soybean FarmingT	27.45
3	Cap Gemini SA	Commercial Banking	Offices of Physical, Occupational and Speech Therapists, and Audiologists	27.15
4	Watkins Motor Lines	Commercial Banking	Ophthalmic Goods Merchant Wholesalers	25.89
5	School of Business - Vision Community College	Commercial Banking	International Affairs	25.84
6	Maintenance-Plant 2	Commercial Banking	Radio BroadcastingT	25.31
7	Party ID for Sponsor Inkstomi	Commercial Banking	Construction Sand and Gravel Mining	24.56
8	Global, Inc.	Commercial Banking	Offices of Physical, Occupational and Speech Therapists, and Audiologists	24.55
9	Party ID for Sponsor ASIC	Commercial Banking	Administration of Housing Programs	23.86
10	International Advisors	Commercial Banking	Offices of Physical, Occupational and Speech Therapists, and Audiologists	23.51
<b>Grand Total</b>				<b>255.96</b>

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Figure 1: Customer view report by line of business and industry

**Actively Manage Credit Risk and Improve Risk Governance**

Oracle Financial Services Credit Risk Management enables executive management to adapt quickly to complex and changing credit risk scenarios through accurate, real-time processing and consistent information on cross-business and business-specific credit risk metrics. The application also computes key credit risk ratios and averages such as delinquency ratio, weighted average default rate, NPA ratio, etc. These metrics are computed at various levels of granularity and facilitate decision making by providing crucial information on portfolio credit risk.

In addition, Oracle Financial Services Credit Risk Management facilitates operational decision making by providing advanced reports with extensive drill-down capabilities. This enables line of business managers and product managers access to granular data with intermediate results for detailed analysis and informed decision making.

Along with its extensive credit risk functionality, Oracle Financial Services Credit Risk Management fully integrates regulatory and economic capital calculations, providing timely support for changing regulatory and business requirements. Financial institutions can therefore address regulatory demands and thus improve risk governance with on-demand information on credit risk, including counterparty credit risk.

Product Type	Total Loan Portfolio	90DP 90+ Loans	Unfunded Commitments	Gross credit Exposure without LCR	Impairment Balances	Non Impaired Loans	Non Performing Assets (NPAs)	NPA as % of Loans	Allowance for Loan and Lease Losses (ALLL)	ALLL as % of Loans
Loans	\$1,156.29	1,194.72		\$1,213.01	\$1,307.46	\$,688.85	\$1,748.16	99.10%	\$5.91	3.77%
Credit Card	\$68.04	0.00	\$,961.91	\$9,804.88	0.00	\$68.84	0.00	0.00%	\$,862.30	494.42%
Outstanding	\$,841.23	0.00		\$,941.23	0.00	\$,841.23	0.00	0.00%	\$11.28	5.13%
Loans - Commercial										
Financing	4,211.74	5,413.18		4,211.74	\$,417.18	\$1,618.64	\$,618.38	99.81%	\$71.12	9.18%
Loans - Mortgage	2,115.11	1,874.98		2,115.11	1,874.98	280.15	1,654.26	96.18%	\$50.90	23.92%
Loans - Others	2,917.51	2,589.35		2,917.51	2,589.35	391.16	1,682.78	96.10%	190.25	5.02%
Loans - Purchased Receivable	4,367.71	1,246.08		4,367.41	1,828.17	\$28.53	1,972.32	90.95%	\$60.67	8.24%
Loans - Revolving Line Products										
Mutual Funds	4,752.45	4,128.18		4,752.45	4,128.18	613.26	4,292.86	90.13%	\$65.82	9.80%
Options	21.11	0.00		21.11	0.00	21.11	0.00	0.00%	\$5.29	248.20%
Others	5,311.88	1,119.15		5,311.88	1,119.15	1,109.33	89.92%	195.28	12.52%	
Security Financing	3,508.17	0.00		3,508.17	0.00	3,508.17	0.00	0.00%	\$8.11	3.98%
Transitions										
Semi - Other	2.30	0.00		9.21	0.00	2.30	1.85	74.00%	\$0.25	1202.18%
<b>Grand Total</b>	<b>\$8,614.20</b>	<b>\$7,875.85</b>	<b>\$,967.91</b>	<b>\$8,120.93</b>	<b>\$8,587.79</b>	<b>\$3,446.44</b>	<b>\$1,670.86</b>	<b>64.68%</b>	<b>\$,394.89</b>	<b>14.41%</b>

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Figure 2: Credit quality report with drill-down capabilities

**Leverage a Unified, Transparent & Flexible Analytical Platform**

Oracle Financial Services Credit Risk Management, part of Oracle Financial Services Enterprise Risk Management suite of products, helps financial institutions achieve enterprise-wide risk management by leveraging other industry-leading Oracle Financial Services Analytical Applications, including Oracle Financial Services Basel Regulatory Capital, Economic Capital Advanced, and Loan Loss Forecasting and Provisioning, as well as existing third party application investments.

**RELATED PRODUCTS**

- Oracle Financial Services Economic Capital Advanced
- Oracle Financial Services Basel Regulatory Capital
- Oracle Financial Services Loan Loss Forecasting & Provisioning
- Oracle Financial Services Operational Risk Economic Capital
- Oracle Financial Services Operational Risk
- Oracle Financial Services Asset Liability Management
- Oracle Financial Services Hedge Management and IFRS Valuations
- Oracle Financial Services Model Risk Management

The Oracle Financial Services Advanced Analytical Applications Infrastructure provides a stress testing framework to support methodologies for Scoring, PD-LGD modeling using the following statistical techniques:

- **Regression Techniques:** Generalized Linear Model (Gamma and Gaussian errors), Linear Regression, Logistic Regression, Monte Carlo expectation Maximization, Poisson Regression, Stepwise Regression
- **Factor Analysis:** Discriminant Analysis, Principal Component Extraction Method, Maximum Likelihood Extraction Method
- **Classification and Regression Trees:** Entropy and GINI
- **Multivariate Models:** Hierarchical Clustering, K-Means, Boundary based prediction

The Oracle Financial Services stress testing capability allows a user to define the stress at an enterprise-level where-by generic what-if and stress testing scenarios are applied across all product types and applications/solutions.

With Oracle Financial Services Enterprise Risk Management suite, financial institutions can meet emerging business and regulatory requirements for consistent reporting across risk categories including credit, market, operational and interest rate risk through shared data, metadata, computations and business rules.

A single, unified data model and infrastructure provides one version of the analytical "truth" to business users throughout the entire enterprise. This enables financial services institutions to confidently manage performance, governance, risk and compliance. Shared data, metadata, computations and business rules enable institutions to meet emerging business and regulatory requirements with reduced expenses. The unified platform helps financial institutions to leverage their existing investments while linking back to the front office data model via staging data integration.

The Oracle Financial Services Analytical Applications Infrastructure R Modeling Framework gives financial institutions the ability to model using NAG, R and third party modeling techniques.

### About Oracle Financial Services Analytical Applications

Oracle Financial Services Analytical Applications bring financial institutions best of breed capabilities to proactively manage Risk, Treasury, and Finance. The applications are built upon a commonly available analytical infrastructure consisting of a unified financial services data model, analytical computations, a Metadata driven "R" modeling platform, and the industry-leading Oracle Business Intelligence platform. This provides one version of the analytical "truth" throughout the enterprise.

Oracle Financial Services Enterprise Risk Management spans all areas of risk, including credit, market, operational, liquidity, fixed asset, business, and reputational risk. This solution enables financial institutions to establish a single measure of risk across the organization and obtain a comprehensive and consistent view of risk and performance. Oracle Financial Services Enterprise Risk Management helps manage all risk and provides necessary feeds for compliance-based reporting. The capabilities of Oracle Financial Services Analytical Applications for finance and risk help institutions address compliance issues that demand a close operational synergy between finance and risk functions.



## CONTACT US

For more information about Oracle Financial Services Credit Risk Management, visit [oracle.com](http://oracle.com) or call +1.800.ORACLE1 to speak to an Oracle representative.

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**Hardware and Software, Engineered to Work Together**

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