IFRS9-2

IFRS9 VS BÂLE : FIN DE PROJET ET NOUVELLES INCERTITUDES ?

CHOIX DE MISE EN ŒUVRE : ANALYSE ET CRITÈRES DE CHOIX

EIFR – 19 MAI 2017

DEVELOPPONS ENSEMBLE





- 2. Modelisation
- 3. Local calculation ("M" scenario)
- 4. Central monitoring and governance:
 - Enslavement to SG Group models referential
 - ✓ S2 homogeneous treatment for non-retail counterparts
- **5.** SG Group detailed report for regulatory monitoring purposes
- 6. Processes and Change management



GENERAL OVERVIEW



Accounting IFRS9-2 requirements differ from regulatory Basel requirements. Still, cartography of portfolios must be consistent between both processes.

	Basel	IFRS 9 phase 2	Implementation impact
Perimeter	Prudential	Consolidated entities	Extension of perimeter
Delay of production	➤ 15 days	3 days	Local production
Responsibility	 Central production at SG (even if legal entities remain responsible for the data quality of outstanding and RWA output) 	 Local production to comply with IFRS local accounting when need be 	 Use of a mutualised calculator in major entities Enslavement to SG Group referentials for potential entities with own calculator
Reporting	Breakdown of outstanding and RWA	 Breakdown of outstanding and tracking of stages changes for Provisions since January 1st 	More granular report at corporate level and use of big data



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IMPLEMENTATION CHALLENGES DUE TO DIFFERENCES BETWEEN REGULATORY AND ECL MODELS



Consistency with Basel is required even though full alignment is not possible, resulting into high complexity: specific internal ECL models must therefore be designed internally on top of regulatory models.

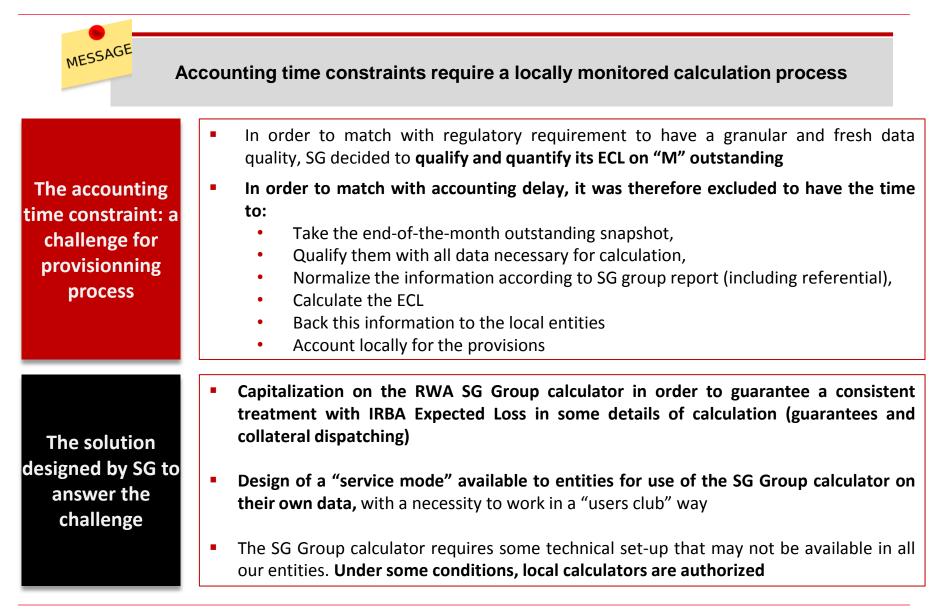
	Basel	IFRS 9 phase 2
Time Horizon	12-month horizon Expected Loss	Lifetime ECL required for stage 2 exposure
ECL parameters	Parameters (PD, EAD, LGD) set by internal models in IRB approach. Otherwise ("Standard" approach), predetermined by regulator	No parameters predetermined by IASB
"Point in Time" vs "Through the Cycle"	Internal Models use 'through-the cycle" approach neutralising economic fluctuations	"Point in Time": use all information about past events, current and forecast economic conditions at each reporting date
Forward looking	No forward looking	ECL must reflect unbiased and range of possible economic scenarios (probability-weighted)
Prudence vs Neutrality	Models include adjustment for prudence (e.g. floored LGDs)	No adjustment for prudence allowed: an unbiased approach is required



	SG internal approach for IFRS 9 Phase 2 ECL models	
2 Methods for ECL calculation	 Reference (sophisticated) method for 80 % of Group perimeter: entities using IRB portfolios or with sufficient detailed data history to support advanced statistics (Basel models adapted for IFRS 9 phase 2) Simplified method for other entities (20 % of perimeter): backed by loss history where available 	
Forward looking approach	 Step 1: Model linking ECL of sub portfolios to relevant macro economic drivers Step 2: Probability-weighted ECL amount based on 3 macro economic scenarios (base case, stress case, optimistic the 3-year scenarios that are used for financial planning, stress and optimistic scenarios being based on "normative" economic shocks). 	

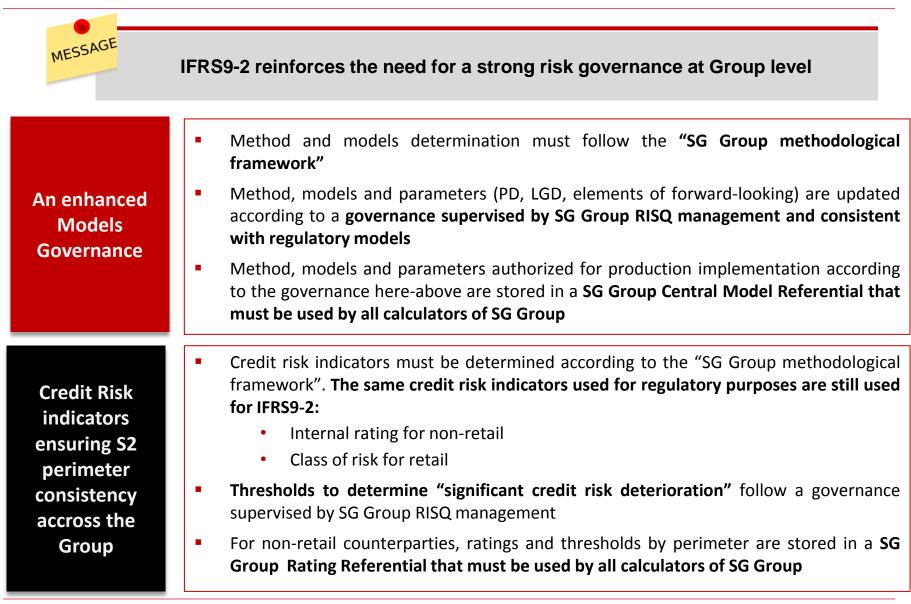


LOCAL PRODUCTION





CENTRAL MONITORING AND GOVERNANCE





SG GROUP DETAILED REPORT FOR REGULATORY PURPOSES

MESSAGE The requirement of new type of reports accelerated the roll out of more granular datawarehousing of retail at Group level ("contract level") transfer Impairment or Changes due to repayments and disposals Changes due to origination balance Impairment or irectly to the Closing **Bækæwær**ies of directly to the Illustration (net) without Changes due statement of adjustments statement of to update in institution's and acquisition through decrease in impairment impairment written-off written-off vritten-off reversal of reversal of allowance previously directly to FINREP report (net) with Write-off Amounts amounts ecorded Amounts Opening artially totally Other the Allowances for financial assets without increase in 5 6 3 4 8 9 12 1 2 7 10 11 010 credit risk since initial recognition (Stage 1) 020 Debt securities 030 Central banks 040 General governments 050 Credit institutions 060 Other financial corporations 070 Non-financial corporations 080 Loans and advances 090 Central banks 100 General governments 110 Credit institutions 120 Other financial corporations 130 Non-financial corporations 140 Households En attente de définition de la part des régulateurs. Par défaut on peut considérer que pour les Stages 1 et 2 les 160 of which: collectively assessed allowances mouvements sont « collectively assessed » et le Stage 3 « individually assessed » sauf le retail «Harmonisation » qui 170 of which: individually assessed allowances est collectively assessed Allowances for debt instruments with significant **180** increase in credit risk since initial recognition but not credit-impaired (Stage 2) Ventilation similaire à celle pour le Stage 1 Allowances for credit-impaired debt instruments 350 (Stage 3) Ventilation similaire à celle pour le Stage 1 530 Total on-balance sheet assets Commitments and financial guarantees given 560 (Stage 1) Commitments and financial guarantees given 570 (Stage 2) Commitments and financial guarantees given 580 (Stage 3) 590 Total

PROCESSES AND CHANGE MANAGEMENT

