



Credit Monitoring – Assessment and Evaluation

Credit monitoring is a complex, onerous task which involves the bank's whole structure, from the commercial network to central management services. The process can be broken down as follows:

- a first stage, generally carried out centrally, basically of an assessment nature with the aim of identifying positions with an anomalous trend;
- a second administrative/management stage, where the most appropriate type of intervention is defined following the indications of anomaly.

This dual nature requires highly sophisticated tools, able to strengthen checks in terms of time and effectiveness, without leading to additional duties for the bank's staff.

Moreover these tools should provide strong support to the organisation by defining and automating the work-flow management in the credit control process.

Exprivia has experience and can provide tools covering both aspects of the credit monitoring process.

Exprivia solutions for the assessment stage: SEAC

SEAC is a software tool supporting the credit monitoring process, allowing the bank to detect emerging non-performing loans on the one hand and, on the other, to fulfil the new criteria for rigorousness and transparency imposed by the regulators on the balance sheet and on the quality of granted loans assessment.

Today, the traditionally available tools only make an initial scanning of positions, identifying those for which special indicators give values considered at risk and requiring the subsequent intervention of the human expert, who has to analyse the overall position and identify those which are effectively at risk.

Sometimes, the correct assessment of a phenomenon cannot only be deduced from the value given by a particular indicator. In such cases, just the individual analysis of each indicator without an overall assessment of the position reduces the scanning ability of the tool. This has a detrimental effect on productivity and the timely intervention of the risk department staff who have to go through a high number of selected anomalous positions, many of which after further analysis, do not highlight effective risk situations. In comparison with conventional tools, **SEAC** is also able to carry out a 'supplementary' analysis through the use of very sophisticated techniques of knowledge modelling.

Such supplementary analysis is generally carried out by human experts and is aimed at the correct interpretation of the meaning of certain indicators and the rectification of the initial assessment, by selecting the positions which really highlight significant anomalies.

The primary functions of **SEAC** are:

- identification of positions which highlight incorrect or faulty behaviour and for which some corrective actions and/or information collection are required;
- application of the same analysis criteria applied by human experts but with the addition of speed arising from the calculation power of electronic systems;
- automatic management of data referring to counterpart relationship data (available from bank legacy system);
- ability to differentiate the detection of anomalies based on loan transaction types and their utilisation patterns.

SEAC considers all the active customers (positions) registered in the master data system, producing as output:

- data grids, at bank level and for each operational unit of the bank (branches, areas and offices), which show the information referring to the type of anomaly found, aggregated for credit amount classes and the



classification of the positions examined in *normal*, *abnormal*, *impaired*, *being restructured* and *non-performing*. This information is put into chronological order and recorded in a structured data form. This enables the generation of data grids where the results of each session can be displayed according to the aggregations required;

- the production of a Risk Rating for each position examined expresses the assessment of the gravity of the anomalies found in numerical form. This rating can be used by an Internal Rating tool which integrates the information relating to the trend in the relationship with a structural and financial assessment of the counterpart.

SEAC can detect, among other, the following phenomena:

- facility limit overruns using specific criteria for each category;
- unsatisfactory quality of the commercial paper presented (unpaid items and recalls);
- turnover of the position (if little or excessive) and resulting static situations;
- pending items (cheques, bad debts, others);
- instalments due and unpaid for loans with repayment by instalments;
- frequent extension of due date of operations with a fixed deadline;
- situations of repayment or withdrawal from short term loans;

- variation in guarantees received, given and in secured loans;
- significant variations of the levels of debt;
- serious problems - non-performing, guarantees enforced with no result and insolvency proceedings (if a link to a credit bureau is available).

SEAC consists of the following components:

- *Analysis* Module: identifies abnormal positions;
- *Inhibitor* Module: procedure which filters and checks the positions recognised as abnormal by the Analysis module, in particular identifying those which must not be notified to users as they do not highlight significant changes with respect to the last processing;
- *Output* Module: generates reports on individual positions and data grids with different aggregation levels.

SEAC is usually activated on a monthly basis, but the activation frequency can be increased considering the availability of new data.

EXPRIVIA

Exprivia Spa (www.exprivia.it) is an IT company specialising in the implementation of innovative software solution and IT services.

Exprivia bases its success on a wealth of skills and experience gained from more than 25 years of constantly working in Information Technology for banks and financial institutions, industry, energy, telecommunications, utilities, public administration and healthcare.

Listed on the Italian Stock Exchange since 2000 and in the STAR segment since October 2007, Exprivia has currently a team of about 1.400 people distributed among the offices in Italy, Spain, Mexico and Guatemala.