

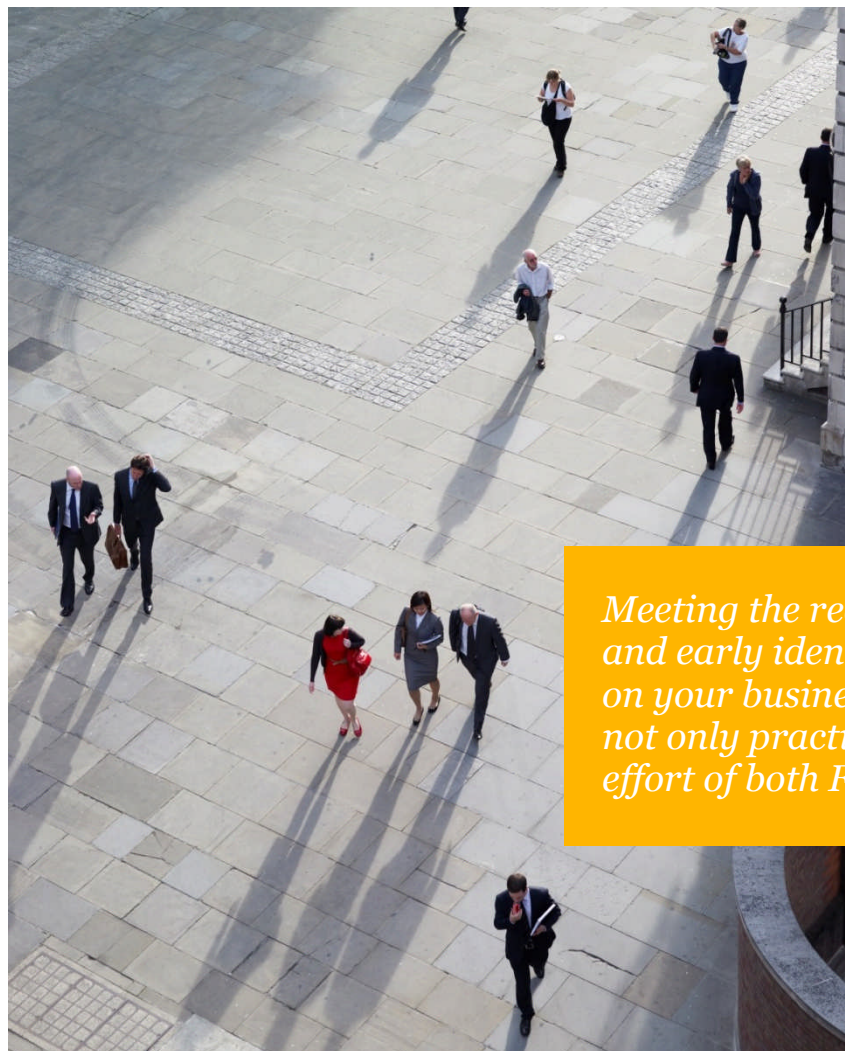
IFRS9

The most significant change in accounting regulations over the last 10 years

IAS 39 revolutionised accounting treatment of financial instruments by imposing new accounting concepts.

Now, a new tide is looming ahead. IFRS9 is expected to come into force in 2018 (subject to EU endorsement) and will have a significant impact on assets classification and measurement and loan loss provisioning. This will create a number of challenges for the banks, mostly in the following areas:

- ***Loan Loss Provisioning***
- ***Classification and Measurement***
- ***Hedge Accounting***



Meeting the requirements of new standards and early identification of potential impact on your business are a must. This requires not only practical experience, but also joint effort of both Finance and Risk function.

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In order to meet forthcoming challenges, we propose scope in three building blocks (plus one optional) covering the key areas of IFRS9 implementation that naturally link Finance and Risk competences.

Block	Streams	How we can help you
Loan Loss Provisioning	Risk methodological framework (Bank)	<ul style="list-style-type: none"> Advice on new impairment framework under “expected loss” model Review and comment on a new loan loss provisioning model Advice on updating in accounting procedures, policies and IT tools
	Risk methodological framework (Subsidiaries)	
	Implementation	
Classification & Measurement, Hedge Accounting	Business model and SPPI * test guidance	<p><i>Conduct impact assessment on P&L, net assets and regulatory capital based on historical data using our tools for diagnosis and impact measurement</i></p> <ul style="list-style-type: none"> Support in conversion from IAS39 categorization of financial instruments Comparison of IFRS 9 vs IAS 39 requirements in hedge accounting area Advice on accounting procedures, policies and reporting
	Business model and SPPI * assessment	
	Hedge accounting	
	Implementation	
Shared Components	Accounting concept	<ul style="list-style-type: none"> Advice on updating bank’s policies and manuals Preparation of red-line version of impact on financial statements and reporting process (comments to pro-forma financial statements)
	Impact simulation	
	Disclosures and reporting	
Supporting Streams (optional scope)	PMO support	<ul style="list-style-type: none"> Advice on the project plan and project progress reporting tools Compilation of progress reports based on materials sent to Project Manager Participation in status meetings
	Tax module	<ul style="list-style-type: none"> Analysis of new accounting rules vs tax law and identification of issues in tax calculation process
	Business impact analysis workshops	<ul style="list-style-type: none"> Business impact analysis workshops

*solely payments of principal and interest on the principal amount outstanding’ (or ‘SPPI’)

Our goal is to assure efficiency in Classification and Measurement ('C&M') stream and to be in line with bank's strategy and risk management...

...so we will concentrate on new requirements and all the key products you offer.

C&M and Hedge Accounting

The objectives of the C&M stream can be summarised as follows:

- Advise and comment on accounting
- Advise on guidelines for the business model and SPPI assessment and test simulation
- Carry out an initial impact simulation
- Analyse the impact of new requirements on disclosures in the following reports: financial statement, consolidation tool/package, MIS reporting
- Advise on business and functional requirements as a basis for the IT implementation
- Perform hedge accounting assessment

Our Competence

We have a tool that can be used in preliminary SPPI tests to support you in defining your SPPI questions. We are ready to assist you in SPPI tests based on structured questionnaires at your specific IT-environment and link this analysis with the business model assessment.

Our project expertise ranges from the concept phase, functional implementation support, to assistance in testing as well as migration/go-live and stabilization support.

We already have functionally designed and supported the IT implementation of SPPI test and other tools in our projects. This also puts us in the best position to help your bank in deciding on their IT infrastructure for implementation whilst adhering to the general principle of leveraging common IT platforms.

We are prepared to carry out a detailed impact study of the new requirements on bank's financial statements and other reporting.

We know new hedge accounting rules, will compare IAS 39 vs IFRS9 and advise on how to benefit from the new requirements.

Our goal is to build upon existing IRB-compliant models, available data and current validation framework also for Loan Loss Provisioning under IFRS9...

...therefore, we involve experts who have extensive experiences with IRB and Loan Loss Provisioning projects, and familiar with the current methodology.

Loan Loss Provisioning ("LLP")

According to our understanding, the objectives of the LLP stream can be summarised as follows:

- Comment on accounting concepts and risk methodological concepts
- Advise on IFRS9 compliant models' development
- Carry out an initial impact simulation
- Analyse the impact of new requirements on disclosures in the following reports: financial statement, consolidation tool/package, MIS reporting
- Advise on requirements and testing approach for a dedicated IT tool
- Advise on updating internal regulations

Our Competence

We have developed accounting concepts for IFRS9 LLP. You will benefit from this experience that we bring into your project.

We have developed and implemented a number of credit risk models (rating models, PD, LGD and CCF models) for impairment measurement and Internal Rating Based Approach, stress-testing methodologies and calculation engine and Basel III framework. We also run many projects related to AQR.

We have developed an IFRS9 Impairment simulation tool which has been successfully used in our projects to assess initially the impact of the new impairment approach under IFRS9.

Questions to be answered when your bank is designing and implementing a target operating model for the LLP process include topics like: detailed IT- and functional architecture, (de)centralisation of tasks, split of responsibilities between risk, accounting and credit departments, credit risk management processes and performance management. We have helped several clients in answering such questions and will provide you with those insights in line with market practice whilst retaining your bank specifics.

Accounting Advisory Group in PwC Slovakia

When business change happens - an acquisition or global expansion, an IFRS conversion, the adoption of new standards, a complex transaction, a regulatory review or restatement, etc. - a company will often find itself facing a number of complex, time-sensitive accounting issues, each of which could have a significant impact on its financials and operations.

In such situations, having a professional advisor on your side is critical. We don't come to you with pre-packaged technical answers. We take the time to get to know your unique business and goals and the unique ways in which the accounting circumstances you face will impact them.

PwC's accounting specialists are highly experienced and knowledgeable in both Slovak and international regulatory and accounting issues. We work with you to define and deliver the value that you want.

Let's continue the conversation



Martin Gallovič
Director

Tel.: +421 (0)2 59350 144
martin.gallovic@sk.pwc.com



Juraj Tučný
Partner

Tel.: +421 (0)2 59350 565
juraj.tucny@sk.pwc.com

Offices in PwC Slovakia

PwC Bratislava
Námestie 1. mája 18, 815 32 Bratislava
Tel.: +421 (0)2 59350 111, Fax: +421 (0)2 59350 222

PwC Košice
Protifašistických bojovníkov 11, 040 01 Košice
Tel.: +421 (0)55 3215 311, Fax: +421 (0)55 3215 322

office.general@sk.pwc.com



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www.pwc.com/sk

