



Solution Overview

Loan Portfolio Monitoring Overview

Commercial Lending

Lending is a key business activity in the financial services sector. The loan portfolio is one of the largest assets and a chief source of revenue for banks, but is also a great source of risk to a bank's safety and soundness. Whether due to lenient credit standards, poor portfolio risk management, or weaknesses in the economy, loan portfolio problems have historically been among the major cause of financial institutions' losses and failures.

While annual audits of loan portfolios may address these risks, time has revealed that continuous monitoring is the most efficient approach. Identifying control breaches, anomalies and high-risk activities at an early stage and employing a firm remediation strategy often prevents – and certainly minimizes – the impact of any potential portfolio impairment.

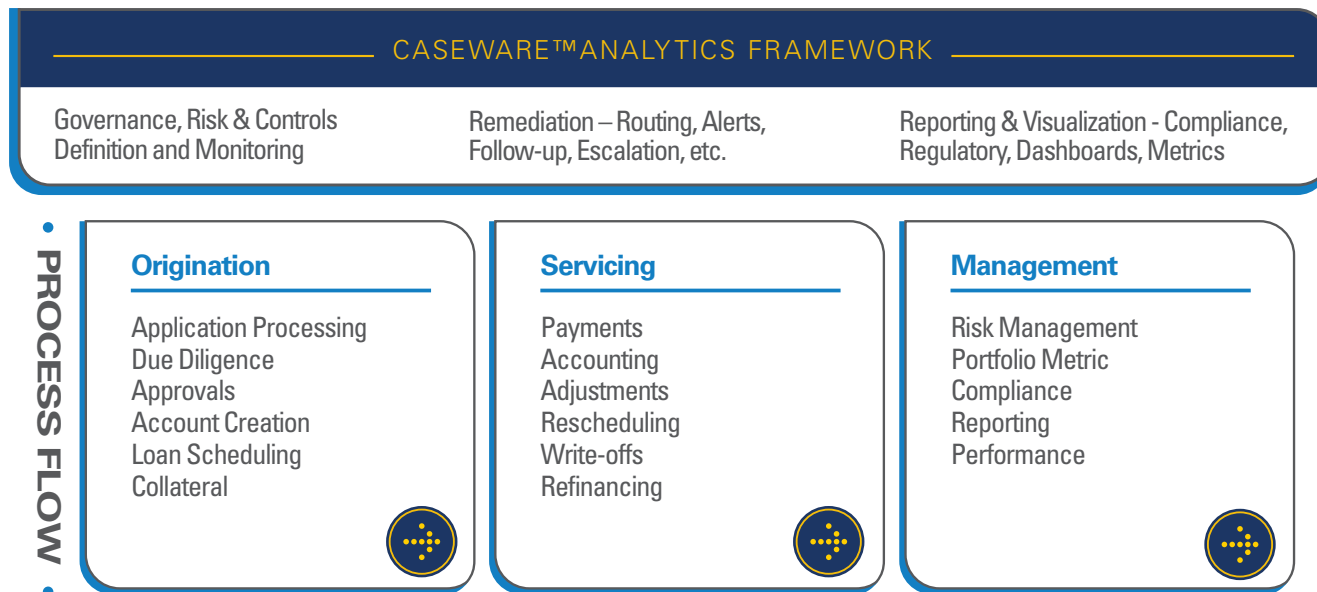
CaseWare™ Analytics Loan Portfolio Monitoring

The CaseWare Analytics platform automates the definition of governance, risk and controls within a financial institution's lending process.

The financial institution can then define the control environment from loan origination to servicing and portfolio management. Once completed, the monitoring framework examines all electronic activity to detect control breaches and automatically alerts the relevant personnel to take action.

Continuous monitoring of the loan portfolio allows stakeholders to quickly determine, by review of electronic records, any activities or conditions that require attention before they become problems.

Figure 1 - CaseWare™ Analytics Loan Portfolio Platform



Solution Benefits

Better Risk Management

Immediately detect anomalies and errors that are not in accordance with company or regulatory policies as they relate to approval limits, schedules, refinancing, delinquencies, etc.

Proactive Management of the Portfolio

Quickly recognize loans in arrears or improper disbursements to prevent a negative impact on the balance sheet.

“We have observed that banks often invest much of their project efforts on application features and functionality. In the end, however, it’s their limited focus on data strategy that causes projects to falter. The potential risks of inaction are significant and can impact a bank’s ability to achieve its objectives. An ineffective and inefficient commercial lending loan origination capability and related data environment will put a bank at a competitive disadvantage.”

PWC, Time for an Upgrade:
Five things you need to know to make your commercial lending transformation a success
January 2012

CaseWare Analytics Capabilities

Automated Analysis & Reporting

Ongoing analysis of all aspects of the loan portfolio allows for good governance and automated reporting to key stakeholders, including regulators, helps save time.

Workflow for Managing Issues/Anomalies

When a breach occurs, relevant alerts are triggered and a stringent remediation process (including escalation based on timelines, adding supporting documentation, etc.) is followed to ensure that high risk activities are addressed as stipulated by the business process owners.

CaseWare Loan Portfolio Analytics

Origination	<ul style="list-style-type: none">○ Disbursement and original loan amount varies○ Loan disbursement date and loan start date differs○ Loans without schedules or incorrect schedules○ Policy variations at origin – rates, term, principal, fees, penalties, moratorium, etc.○ Service charges differ and other charges differ from policy○ Loan approval limits exceeded○ Collateral information missing/incomplete○ Potential duplicated disbursement
Servicing	<ul style="list-style-type: none">○ Changes to schedules and customer records○ Principal repayments consistently different from schedule○ Payments applied incorrectly○ Delinquency analysis/reports○ Loans written off but not according to policy○ Policy variations at servicing – rates, term, principal, fees, penalties, moratorium, etc.○ Suspicious rescheduling, write-offs or refinancing○ New loan disbursed to customer with overdue loans○ Ex-employees still receiving employee loan terms

CaseWare Loan Portfolio Analytics (continued)

Loan Management

- Loan classifications inconsistent/inaccurate
 - Segregation of duties violations — approval, disbursement, adjustments, scheduling, etc.
 - Know Your Customer (KYC) violation
 - G/L entries incorrect
 - Loan Officer performance reports
 - Loan security margin below policy
 - Aged portfolio at risk (PAR) and repayment rates (RR)
 - Expected maturities within period
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