# Transforming credit risk information into credit risk insight

The financial services industry is facing its greatest challenge since the 1930s. Several of the largest banks and investment banks have failed or been sold at fire-sale prices, the quality of underlying loan assets continues to deteriorate and the availability of credit—for both bank-to-bank lending and bank lending to customers—is more squeezed than ever before. At the most basic level, the culprit for the enormous upheaval is simple—poor credit decisions.

Now, more than ever, banks need to turn the reams of information at their disposal to accurate, actionable insight about credit risk. Banks need a better understanding of the performance of their loan portfolios and the effect of credit risk performance on profitability, so that they can take the actions required to ensure healthy, profitable lending operations.

IBM Cognos 8 Banking Risk Performance – Credit Risk (Cognos Credit Risk Performance) is a packaged analytic application that provides standard reports and dashboards to accelerate access to credit risk insight. Faster to implement than building a custom solution, it includes a data warehouse with a dimensional data model specifically for performing analysis. It also includes packaged reports and dashboards designed for managing credit risk. Credit Risk Performance allows retail banks to answer key credit risk questions such as:

- What are the delinquency levels in the portfolio?

- Which products, geographies, business units or vintages are performing well and which are performing poorly?

- How much of the portfolio is rolling from one delinquency bucket to the next?

- What are credit scores across the portfolio?

- How many new loans are being originated, and with what characteristics?

- Are charge-offs rising or falling, and is one product type or geography experiencing more charge-offs than another?

- Are receivables, delinquencies, and charge-offs in-line with forecasts for these metrics?

- How is the portfolio performing on such metrics as probability of default, loss given default and exposure at default?
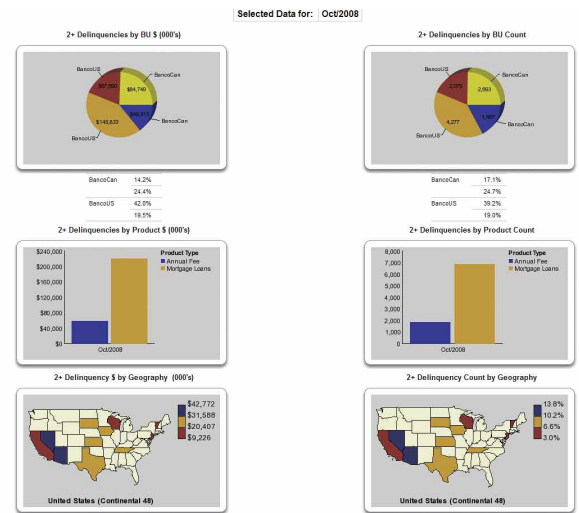
This dashboard provides and example of how risk managers can get immediate insight into delinquencies across business unit, products and geographies.

Managing credit risk throughout business units, products and geographies

Within the realm of credit risk, most retail banks have numerous data sources. Information may come from one system for mortgage loans, another for credit cards and a third for general ledger information. And it gets much more complex. Many banks have grown via acquisition and have inherited multiple, and very often duplicate, core product and financial systems across multiple business units, legal entities or geographies.

The Cognos Credit Risk Performance solution from IBM enables retail banks to standardize on a single credit risk reporting solution, allowing executives and risk managers to see the entire picture of the credit portfolio across products, geographies or business units. Credit Risk Performance works with the IBM Banking Data Warehouse—or the bank's existing credit risk warehouse—as a single source of credit risk data. The pre-built dashboards and reports then provide the enterprise view of credit risk that the bank needs.

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Packaged credit risk analytics

Cognos Credit Risk Performance has industry-leading credit risk metrics and dimensions that are available quickly in standard reporting formats, enabling banks to measure and manage the right credit risk information confidently. Cognos Credit Risk Performance addresses the five key areas for managing credit risk, across business units, geographies and products:

- Originations—Volume and characteristics of new loan originations, such as credit scores and loan-to-value calculations across the portfolio.

- Front-end performance—Delinquencies, 2+ delinquencies, delinquency roll-rates and vintage information.

- Back-end performance—Gross and net charge-offs, repossessions, foreclosures and bankruptcies.

- Financial and profitability—Risk-adjusted return on capital (RAROC), net interest margin and forecast vs. actual comparisons for metrics, including receivables, delinquencies and charge-offs.

- Basel II—Management reporting on key Basel II measures including probability of default, loss given default, expected loss, exposure at default and capital ratios.

Accelerated credit risk reporting

Cognos Credit Risk Performance adds instant business value to your existing IT assets. It's a configurable application that snaps into your existing technology environment, simplifying the delivery of relevant, reliable credit risk metrics. Cognos Credit Risk Performance allows you to incorporate credit risk data housed in financial systems, core lending product systems and other systems. In doing so, you can transform operational data from disparate source systems into actionable information to support faster, more informed decision-making.

Best of all, Cognos Credit Risk Performance requires very little programming to modify or change reports. Users define and create their own reports through an easy-to-use interface, freeing IT to focus on delivering more proactive value to the broader organization. This adaptive approach takes into account the unique way that an organization operates, enabling the automatic modification or addition of new information from your credit risk sources. It can also create new reports to reflect sudden business changes, enabling risk managers to easily add dimensions, subject areas and fact tables for use with new or existing data sources—to, in effect, change as fast as your business does.

Better analytics; Accelerated decisions

With IBM Cognos 8 Banking Risk Performance – Credit Risk, organizations have a single, packaged, adaptable platform for sourcing data and analyzing results. Fast-growing, decentralized organizations can pull data from different sources quickly, to accelerate decision-making and drive better credit risk performance. Whether it's the Chief Risk Officer, a VP of a business unit or Finance, IBM provides the tools you need to gain a competitive edge.

About Cognos, an IBM company

Cognos, an IBM company, is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in January 2008. For more information, visit www.cognos.com.

For more Information

Visit the Cognos Web site at
www.cognos.com/products/creditrisk

Request a Call

To request a call or ask a question, go to www.cognos.com/contactme. A Cognos representative will respond to your enquiry within two business days.

(10/08)

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