

KBC

IFRS 9

REPLACEMENT CASE STUDY



THE

CHALLENGE

KBC, a Belgian bank with operations across Europe, contacted us to help replace its IFRS 9 solution. Their existing system had been provided by a traditional vendor in this space.

THE KEY DRIVERS THAT LED KBC TO AN IFRS 9 SYSTEM OVERHAUL WERE THE DESIRE TO:

- 1. Adapt flexibly to changing risk factors**, particularly those which have been occurring globally and frequently (such as the Ukraine War, and Covid-19)
- 2. Enable limitless intra-day simulations** by performing each IFRS 9 calculation accurately and at a high speed
- 3. Add additional functionality** in the area of stage assessment with the use of lifetime PD at origination as anchor point compared to using a one-year PD.

The above was confirmed by a European Central Bank IFRS 9 review. While set on achieving the above goals, KBC also noted that the following challenges needed to be addressed:

EXISTING IFRS9 SYSTEM LIMITATIONS	DESIRED FLEXIBILITY ENHANCEMENTS
<ul style="list-style-type: none">• 24 hours+ total calculation time• Lack of time for what-if analysis• Massive vendor platform upgrade costs• User could not interact with the system• Lack of traceability• Lack of analytical reports to challenge the results	<ul style="list-style-type: none">• What-if capabilities adoption• Stage assessment logic revision• Simpler procedures for updating model parameters• Cloud adoption

KBC realized that its success would depend on finding a fast, flexible, and reliable IFRS 9 solution.

PROJECT

TIMELINE

EARLY

2020



Initial discussions with KBC on the benefits a pipeline streaming and microservices architecture brings for Financial Risk calculation platforms



2021

JUNE

Request for Proposal

SEPTEMBER

Detailed workshop and IFRS platform demonstration

2022

JANUARY/FEBRUARY

Hands on Proof of Concept

JUNE

Project kick off



2023

OCTOBER

Project go-live and start parallel run

2024

JANUARY

Decommissioning legacy platform and full go live with enhanced stage assessment and what-if analysis capabilities

THE SOLUTION



ElysianNxt, a pioneer in real-time regulatory risk management solutions, was selected from a short list of 3 vendors after a proof of concept that convinced KBC of the revolutionary features within the .NXT platform.

THE ALL-AROUND FLEXIBLE, INTUITIVE, AND FAST IFRS 9 PLATFORM

With ElysianNxt's advanced features, including **what-if analysis and stress-testing capabilities**, users have the flexibility to trigger multiple simulations as needed — an important capability that KBC had lacked.

Likewise, the ElysianNxt solution provides an end-to-end comprehensive Expected Credit Loss (ECL) solution which also includes full adoption of the KBC specific models in the platform as well as management overlay capabilities, calculation monitoring, challenging of results and so on.

Speed is another defining feature of the ElysianNxt solution. Its **lightning-fast calculation times** mean that each simulation takes KBC under an hour to complete, whereas its earlier software required more than an entire day per simulation.

There is also no limit to the number of simulations that can be performed by the ElysianNxt system, because that system's parameters can be tailored and updated with ease. Users can simply **configure and re-configure the models at will**, making ElysianNxt one of the most versatile risk management platforms on the market. This solution represents a major advance from KBC's earlier system, whose customization procedures were difficult and time-consuming to complete.

Moreover, all features of the ElysianNxt solution are entirely contained within one system. KBC would no longer need to transfer data between systems, or reconcile results between separate programs; their new solution is designed to be simple and easy to operate.

AUTOMATING WORKFLOW WITH USER-FRIENDLY UI AND VERSION TRACEABILITY

KBC had been dealing with significant operational risks, such as using SQL to make data and result corrections. The ElysianNxt solution made the correction process easier to manage — and also safer, as it requires two people to sign off on any new changes or corrections.

Furthermore, when KBC adopted ElysianNxt's IFRS 9 system, the move was greatly facilitated by our software's **simple navigation and version control**, and a UI that empowers users without any need of IT involvement.

AN EASY SWITCH

In its previous system, KBC had been stuck with huge costs at the end of every month, including vendor upgrade costs. A more flexible and cost-effective platform was needed, and KBC was pleased to learn that our ElysianNxt team manages upgrades routinely as part of our subscription service.

Our IFRS 9 system is both **quick and cost-effective**, with **fixed Software as a Service fees** but a system support model that goes above and beyond in **assisting and delivering any upgrades in minimal time**. This approach eliminates any need for an exhaustive and expensive journey when upgrading from traditional risk management platforms.

THE OUTCOME

The KBC and ElysianNxt collaborative journey resulted in a successful IFRS 9 system replacement with every goal achieved.

17 ENTITIES

Now running daily what-if analyses across 17 entities

1 SYSTEM

Implemented new stage assessment logic, comparing results within 1 system

< 1 HOUR

Total calculation time less than 1 hour

SIGNIFICANT COST SAVINGS

Realized lower operational costs through the use of modern technology and software

ULTIMATE PERFORMANCE

Calculations team can challenge results rather than rerunning the slow processes

Ultimately, KBC succeeded in improving its internal flexibility and prediction systems, implementing time-saving automation, removing legacy system limitations, and enjoying significant cost savings through ElysianNxt's IFRS 9 solution.

