

# ORACLE FINANCIAL SERVICES INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ANALYTICS

ORACLE'S FINANCIAL SERVICES ANALYTICS ENABLE INSTITUTIONS TO MEASURE AND MEET RISK ADJUSTED GROWTH OBJECTIVES, PROMOTE A RISK MANAGEMENT CULTURE AND MITIGATE THE COSTS OF REGULATION THROUGH THE LOWEST POSSIBLE TCO

## KEY FEATURES

- Pre-configured reports covering Pillar I and Pillar II reporting
- Enables tabular as well as graphical reporting
- Drill-through functionality allows for detailed analysis
- Risk measures and capital numbers displayed as point-in-time values, trends, heat maps, distributions etc.
- Metrics displayed across multiple levels and risk categories

## KEY BENEFITS

- Provides an enterprise-wide view of risk to the top management
- Compliance with ICAAP requirements of Pillar II of Basel II Accord
- Internal Risk Management
- Enables capital allocation decisions based on risk profile
- Improves decision making ability by providing timely and accurate information
- Comply with BIS Principles for Effective Risk Data Aggregation and Risk Reporting

*The increasingly interdependent nature of financial risk has rendered the traditional approach of managing these risks in separate silos, nearly obsolete. The current global economic crisis has dramatized the need for financial institutions to have a view of risk that is not only enterprise-wide, but directly integrated with a sound capital management strategy. Oracle Financial Services ICAAP Analytics enable institutions to make effective operational and strategic capital decisions by providing extensive reporting and dashboards covering all aspects of Pillar II requirements of Basel II.*

## Comply with Pillar II requirements of Basel II Accord

The Basel II Accord has stressed the need for financial institutions to develop suitable internal procedures and systems in order to improve risk management practices. Oracle Financial Services ICAAP Analytics provides extensive reports covering risk identification, materiality assessment, risk quantification and capital planning. These analytics are compliant with the Internal Capital Adequacy Assessment Process (ICAAP) prescribed under Pillar II of Basel II Accord.

## View risk across multiple levels in the organization

Oracle Financial Services ICAAP Analytics recognize the need for delivering the right information to the right person, thus enabling institutions to view risk across multiple levels and roles within the organization. Tailor-made dashboards deliver custom views and reports specific to the needs of each user precisely when needed to manage risks and optimize capital more effectively than ever before.

## Provide pervasive and actionable insight to C-level management

Oracle Financial Services ICAAP Analytics delivers a comprehensive set of reports to the CFO and CRO in a manner that provides an enterprise-wide integrated view of risk. It enables them to view the emerging trends in key metrics and also drill-through the reports to analyze these in detail. The on-demand information provided through the analytics enables the C-level management to make informed and timely risk and performance based decisions.

## Bring all material risks on to the organizational radar

ICAAP mandates each institution to identify all risks it faces and then determine the associated materiality. Oracle Financial Services ICAAP Analytics provides reports, charts and heat maps that helps institutions identify and assess multiple risks. It provides the assessment criteria for each risk and displays the respective scores. Each risk is categorized as Immaterial, Low, Medium, High, and Very High which enable institutions to take suitable action to manage risks based on their materiality levels. Comparison of risk assessment score is enabled across risk categories as well as across time.

Risk Materiality Assessment of <Group-LOB1> - Trend Analysis		
Risk Category/Sub-Category	31.03.07	31.03.08
I. Credit Risk	Medium	Low
(i) Credit Concentration Risk	Low	Low
(ii) Residual Risk	Low	Low
(iii) Counterparty Credit Risk	High	Low
(iv) Securitization Risk	Low	Low
II. Market Risk	High	Medium
(i) Interest Rate Risk	High	Low
(ii) Equity Risk	Medium	Low
(iii) Commodity Risk	Low	Low
(iv) Foreign Exchange Risk	High	High
III. Operational Risk	Low	Medium
IV. Strategic/Business Risk	Medium	High
V. Reputational Risk	Low	Medium
VI. Liquidity Risk	Low	High
VII. IRRBB	Medium	Medium

Figure 1: Assessment of Risk Materiality

**Quantify risk across multiple categories**

Oracle Financial Services ICAAP Analytics has a comprehensive set of pre-configured reports covering credit risk, market risk, operational risk, strategic risk, liquidity risk, interest rate risk in the banking book, and reputational risk. These reports are designed to cater to the regulatory and the internal risk management needs of an institution.

Regulatory and economic capital numbers can be viewed and compared which enable the reconciliation of ICAAP with Pillar I. Metrics such as Value-at-Risk, Earnings-at-Risk, PD, LGD, Re-pricing Gap, Economic Value of Equity, Liquidity Ratios; Component VaR, etc. are reported at multiple levels within the organization. In addition, interim reports such as Frequency and Severity analysis in case of operational risk, “allocate cash flow” report in case of market risk and so on are displayed. These risk metrics can be viewed in the form of point-in-time values, trends and comparisons. The drill-through functionality of the application enables a detailed analysis of the various metrics.

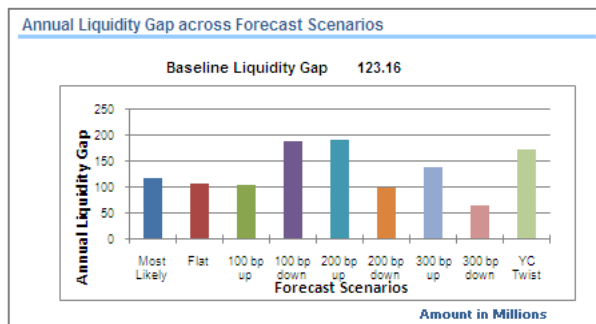


Figure 2: Comparison of Annual Liquidity Gap across Forecast Scenarios

**Estimate risk under extreme scenarios**

Oracle Financial Services ICAAP Analytics allows banks to assess risk under extreme scenarios of economic conditions. Institutions can view the impact of a single scenario across multiple risks thereby recognizing the effects of the overlap of risk factors which are common to multiple risks. The application estimates key risk and capital measures under adverse scenarios and allows for comparison between the effects of multiple scenarios. It also displays the distribution of the change in key measures on applying the stress scenario.

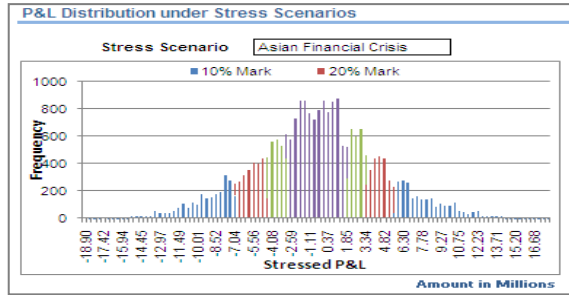


Figure 3: P&L Distribution under Stress Scenario

**Achieve sound capital planning**

Sound capital planning and management is the ultimate aim of every organization. Oracle Financial Services ICAAP Analytics provides robust capital planning to ensure that banks possess adequate capital to meet current and future regulatory and economic capital requirements under baseline and stressed scenarios. This is enabled through reports forecasting profit and loss, balance sheet and capital, trend analysis of capital requirements and availability and comparison of target and actual capital.

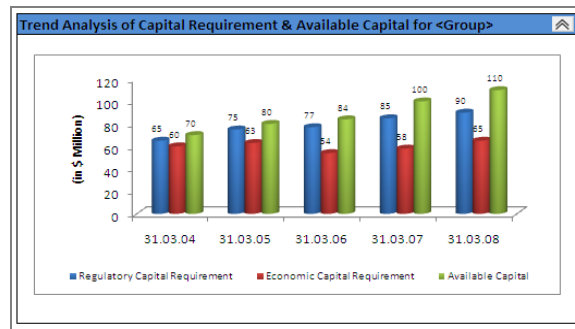


Figure 4. Comparison between Capital Requirement and Available Capital

## RELATED PRODUCTS

The following solutions are also available from Oracle Financial Services:

- Oracle Financial Services Economic Capital Advanced
- Oracle Financial Services Enterprise Risk Assessment
- Oracle Financial Services Market Risk
- Oracle Financial Services Retail Credit Risk
- Oracle Financial Services Operational Risk Economic Capital
- Oracle Financial Services Operational Risk
- Oracle Financial Services Basel Regulatory Capital
- Oracle Financial Services Asset Liability Management
- Oracle Financial Services Enterprise Modeling

## About Oracle Financial Services Analytical Applications

Oracle Financial Services Internal Capital Adequacy Assessment Process Analytics is part of the Oracle Financial Services Analytical Applications family of solutions for the global financial services industry.

Oracle Financial Services Analytical Applications are built upon a commonly available analytical infrastructure consisting of a unified financial services data model, analytical computations and the industry-leading Oracle Business Intelligence platform.

Oracle Financial Services Analytical Applications include award-winning solutions for Enterprise Risk Management; Governance, Risk, and Compliance (GRC); Enterprise Performance Management (EPM); and Customer Insight for financial services.

## Contact Us

For more information about Oracle Financial Services Analytics, visit [oracle.com](http://oracle.com) or call +1.800.ORACLE1 to speak to an Oracle representative.



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