S&P Global
Market Intelligence

Essential components for IFRS 9 Impairment

IFRS 9 accounting standards require firms to factor future expected credit losses to calculate provisions for their investment portfolio, loan book, and trade receivables. This change requires investment in forward-looking analytics. With deadlines fast approaching, are you prepared for the transition?

Having an inadequate approach to these regulations could leave you with an allowance that is too high, impacting deployment of capital to other revenue generating functions, or too low, exposing your firm to unexpected losses in a downturn. Our suite of products help banks comply with IFRS 9 credit impairment requirements.

Approach

Assess credit risk with confidence, consistency, and convenience.

- Leverage established methodologies for Advanced Internal Ratings Based approach (AIRB) for regulatory capital calculation.
- Ensure consistency between regulatory capital calculation and provisioning with forward-looking probability of default (PD) and loss given default (LGD) assessments available for 60+ sector-specific credit risk and LGD scorecards, including: 35+ Corporate sectors, Financial Institutions, Public Finance, Project Finance, Asset Finance, Real Estate and SMEs.

Evaluate probability of default:

- One assessment generated by the credit risk scorecard is associated with a 12-month PD or lifetime PD, depending on requirement, as well as a Basel-compliant PD.
- Basel-compliant PDs can be adjusted using an overlay, accounting for user defined scenarios based on the following factors:

  - Global GDP Growth (%)
  - Global Change in Unemployment (%) Change in S&P 500 (%)
  - Change in Energy Index (%)
  - Change in Non-Energy Index (%)
  - Change in proportion of downgrades (%) (can also be considered a country/regional/industry factor)

Calculate loss given default:

- Employ our Basel Compliant LGD scorecard, a robust framework used by all types of credit sensitive institutions.
- Select among three possible macroeconomic scenarios ("positive", "neutral", "negative") to account for the current environment.

Data

Expand the scope, recalibrate, or supplement your own internal models for IFRS 9 compliance with our unrivalled data.

- Derive adjustments for 12-month and lifetime probability of defaults (PD) based on S&P Global Ratings default and ratings migration data for 15,000 companies, 175,000 securities, 250,000 structured finance issues, and 175+ sovereign ratings across the globe.
- Evaluate future default and ratings migration scenarios, adjust internal calibration of models, stress test assumptions, and benchmark internal performance as well as bridge gaps in internal ratings data.
- Support selection of factors considered when determining changes in credit risk with access to 20+ years of historic credit ratings from S&P Global Ratings across all sectors, including over 9,000 global issuers, 600 government entities, 15,000 structured finance deals, and 850,000 securities.
- Build a competitive edge with data that spans 99% of the world's total market capitalization including fundamental data for 700,000+ private companies and 60,000 public companies.

Technology & Delivery

Whether you need to adjust inputs for your macroeconomic scenarios, apply probability weights to estimate expected values, or calculate expected credit loss (ECL), our models can be easily implemented into your current systems through web- and Excel-based solutions, alongside bulk feed and API channels.

About S&P Global Market Intelligence

S&P Global Market Intelligence integrates financial and industry data, research, and news into tools that help track performance, generate alpha, identify investment ideas, understand competitive and industry dynamics, perform valuation, and assess risk.

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