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Making your loan book collateral work harder

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Recent volatility in the banking industry has brought a sharper focus onto lending and the quality of assets securing the loan book

Recent bank liquidity issues have rocked global financial markets, bringing a renewed emphasis on capital adequacy and credit risk modelling. Basel 3.1 is driving significant changes to the calculation of risk weighted assets and capital adequacy modelling is becoming more risk sensitive and complex. The regulator is more focused than ever on bank asset quality and credit risk.

At the same time, banking is facing a business climate in which liquidity is tighter and more costly. Significant headwinds include war, market volatility and a climbing cost of living. All of this points to the bank needing new business and operational efficiencies – not least in lending and, specifically, in collateral management.

EUROPEAN BANKING FACES SOME OF THE HEAVIEST REGULATION IN THE WORLD

We know that the regulatory and supervisory pressure on European banks is already among the strongest anywhere in the world. On top of the European Banking Authority's ongoing supervisory activities, regulators are no longer satisfied with bank-originated reports – they are interested in the bank's raw data. In the case of lending, they want the bank to provide underlying loan and collateral data so that they can do their own analysis.

Within the bank, whether it is for RWA calculations, loan decisioning, LTV ratios or loan-loss provisioning, etc. – loan data quality is a critical success factor in the loan book.

DIGITIZATION IS DRIVING DEMAND FOR IMPROVED COLLATERAL & CREDIT RISK MANAGEMENT

Many banks struggle to produce a comprehensive and accurate view of loan book collateral data to support regulatory reporting requirements and internal management. Credit collateral data is often fragmented and held over multiple, dispersed systems. Asset valuations are often out-dated and loan relationship linkages frequently broken,

making it difficult to associate important loan data points like Customer, Credit, Liens, Assets, etc.

Banks often fail to demonstrate an adequate hold over the capital and collateral secured in the book. As a result, they are having to over-provision for their loan books.

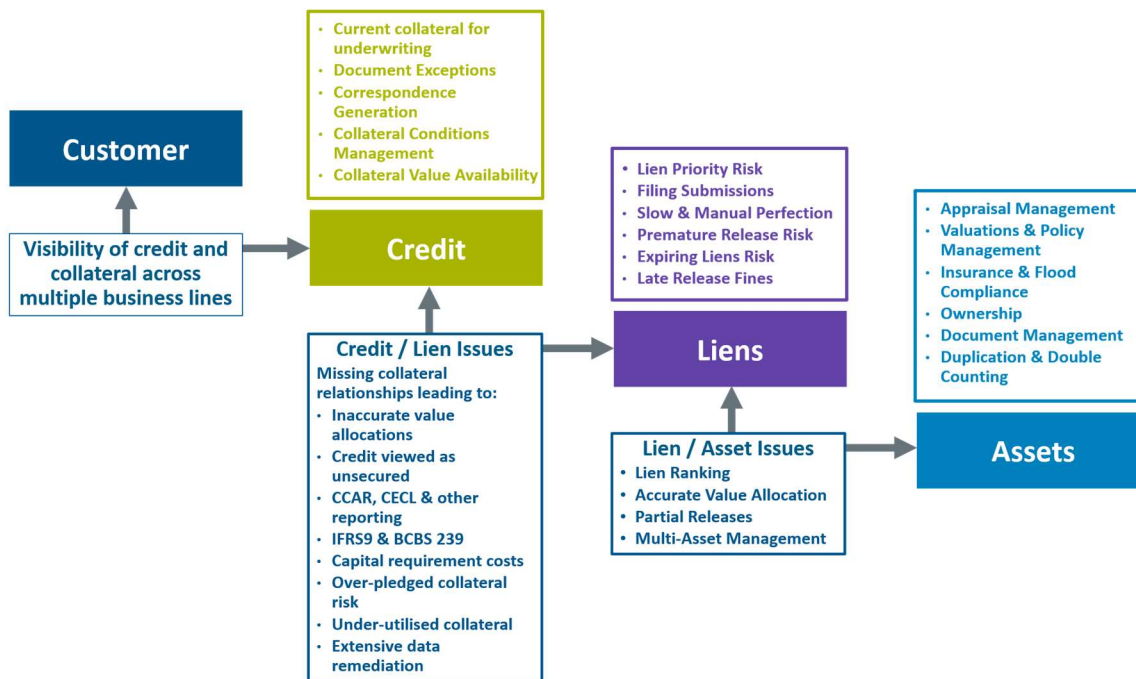
At Broadridge, we work with a bank which has estimated that 12% of their current capital provisioning was an over-provision due to poor collateral quality and inaccurate loan relationship data. This has cost them over \$40M p.a..

We are helping them to fix this problem.

**WE HELP BANKS UNLOCK
VALUE QUICKLY BY EXPOSING
'IN-GOOD-ORDER'
COLLATERAL DATA AND
LINKAGES FOR IMMEDIATE
USE IN REPORTING &
MANAGEMENT**

CHALLENGES ARISE WHEN COLLATERAL DATA IS DISPERSED ACROSS MULTIPLE SYSTEMS AND IS CO-MINGLED WTH OTHER CREDIT DATA

Credit data is perfected with accurate linkages and relationships delivering the holistic data sets and lineage needed to drive credit risk mitigation and improve business decisioning.



BANKS ARE REDUCING RWA AND ACHIEVING EFFICIENCIES

Banks that address collateral quality get access to cheaper funding by reducing RWA, lessening the capital load on their loan books, creating efficiencies or releasing funds either directly to the balance sheet or even to drive more lending. We also help our customers raise funds by improving the eligibility and quality of collateral for covered bond sales.

Digitization and credit transformation initiatives are playing an important role as banks aim to make their collateral work harder. They want to go beyond accurately tracing credit event histories and LTV ratios.

At Broadridge, we believe that credit collateral requires a system of record in its own right. A dedicated collateral management system manages and optimizes collateral and its linkages through the full life of the loan.

Initiatives to optimize collateral data in the RWA context have typically been time consuming, costly and fragmented. We help our customers to shorten time to value by exposing 'in-good-order' collateral data and linkages for immediate use in reporting and management.

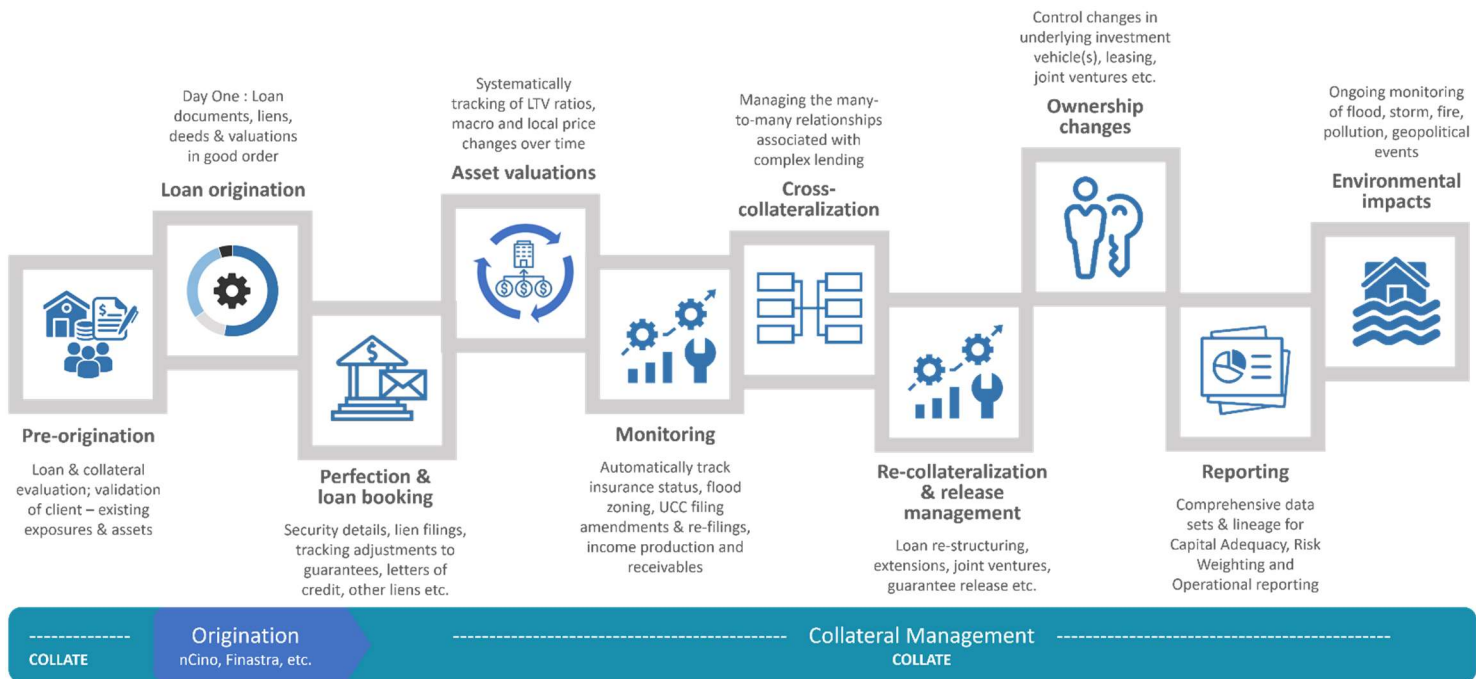
A PRACTICAL AND STRATEGIC APPROACH

Some leading banks have begun to effectively adapt their business process models to accommodate new standards for credit and operational risk, and credit evaluation adjustments including Basel 3.1.

Broadridge has been helping these banks strategically, as well as with practical improvements, like detailed collateral data cleansing to remediate collateral information at a very granular level. Our solution, supported by bulk collateral data cleansing, is the only technology that delivers a golden source for all types of banking book collateral data with minimal day-to-day disruption.

LOAN COLLATERAL NEEDS TO BE MANAGED CORRECTLY THROUGH THE LIFE OF THE LOAN

Unless maintained, loan data quality is deteriorating from Day One.



Typical loan origination systems set up collateral well on Day One, they don't maintain it over time. We help banks to demonstrate to all stakeholders - and to the regulator - that their loans are properly secured and managed all the way through the life of the loan. This results in better reporting while substantially reducing RWA, improving the opportunity for covered bond sales and driving better collateral utilization across the book.

We can work with one book or across the entire business. We offer a fast-track point in time solution for immediate reporting value, or a process that supports collateral value strategically through the life of the loan.

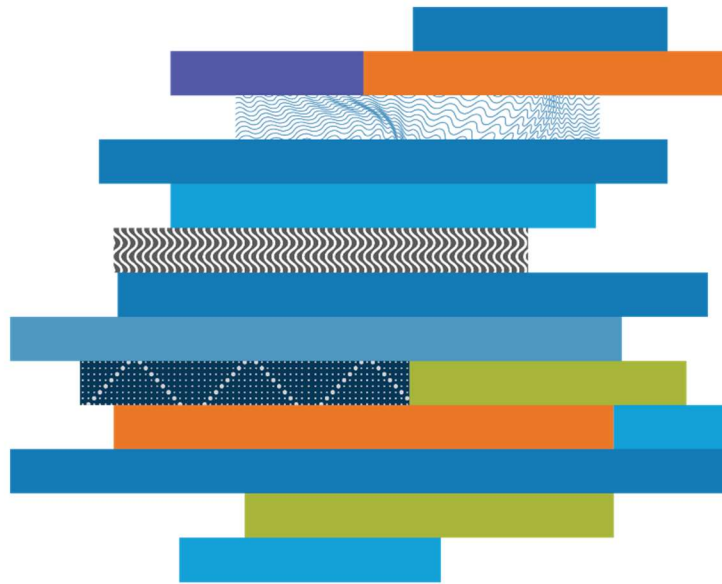
WHY BROADRIDGE

Broadridge is a global fintech leader that helps to drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth. We have revenues of over \$5+ billion in revenue and over 14,000 employees.

COLLATE, from Broadridge, is an enterprise software platform that accurately manages collateral across the entire lending lifecycle for commercial lending institutions. It consolidates collateral across all asset classes and lines of business using an industry standard domain model built up over 25 years that enables scaling of the business and futureproofs it against credit risk and regulatory change.

For more information, please contact goncalo.vicente@broadridge.com or visit broadridge.com/collate

**A BANK WE WORK WITH IS
ACHIEVING A 30 BPS
COVERED BOND BENEFIT AS
A RESULT OF IMPROVED
COLLATERAL ELIGIBILITY**



Broadridge, a global Fintech leader with over \$4.5 billion in revenues and part of the S&P 500® Index, provides communications, technology, data and intelligence. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

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Ready for Next

Communications
Technology
Data and Analytics



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