

ConsistGEM Impaired Debts System A reply for FAS 114

General

The impaired Debts System is meant to reply FAS 114, regarding the “measurement and disclosure of impaired debts, credit risk and credit loss Allowance”. The statement addresses the accounting by creditors for impairment of certain loans and relates to all the borrowing sectors of banks. It sets new accounting guidelines, both for the classification manner of troubled debt restructuring and the measurement of the impairment amount.

Central Bank accounting guidelines for troubled debts

The Adoption of American accounting standards for measurement and disclosure. The classification of bank credit files into two different groups:

“Large” liabilities – provision by which “case by case” is set.

“Small” liabilities – provision which collectively evaluated.

The definition of four classified debt groups: special mention, substandard, impaired and proper.

The process of classification and measurement of provision at dept level.

The measurement of provision is a constructed process that requires financial, economical and statistical instruments. Tightening write-off accounting standards. The essential changes regarding interest income recognition of troubled debts. The expending demands for documentation of the assumptions that provided the basis for measuring credit loss provisions, changes in the financial and directorate reports. The optimization of audit processes, internal and external.

The collectively evaluated specific provisions for both, balance and off-balance sheet debts.

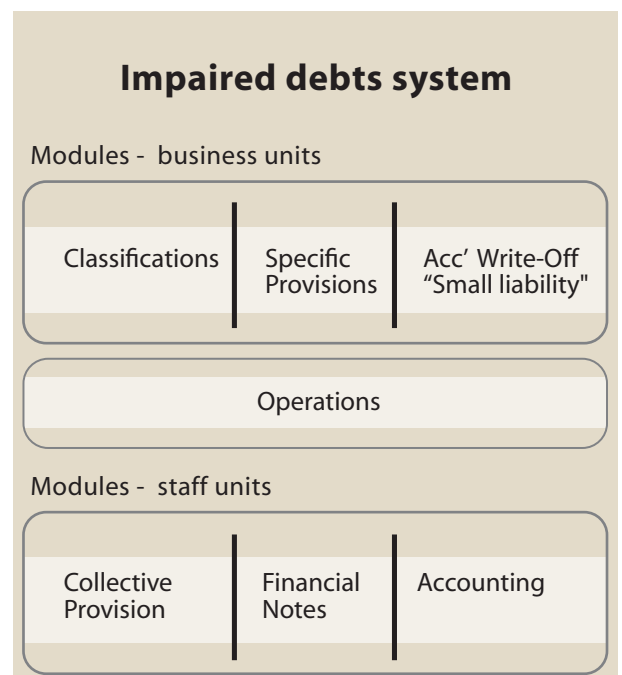
System description

The system supports classification processes and troubled debts accounting at the bank, for each of the involved: branches, regions, departments, detection and control section, business sectors, provision committees and accountancy.

The system includes instruments for detection, indication, classification, audit allocating specific provisions through standardized calculation mechanisms, write-off accounting calculations, the determination of collective provisions, collective provision rates calculations and accounting registration - all with documentation and history registration, as required.

Modules and main processes

The system consists of several modules, which can be divided into two main groups:





A) Modules that support all business units, dealing with customers: These users carry the responsibility of managing:

- Classifications Automatic or Initiated classification
- Specific Provisions for the impaired accounts.

The amount recommended for specific provision measured as follows: total balance of debt (Balance sheet debts of customer on accrual basis Discounted by accrual basis interest write-off Discounted by accounting write-off of fund) Less present value of expected future cash flows (or securities fair value) with the addition of Off-balance sheet credit loss allowance

- Accounting Write-Offs for accounts which are not impaired ("Small liability"), there are situations where debt level write-down will be executed. The amount of debt write-off calculated as follows: debt balance on accrual basis less Interest write-off on accrual basis Less present value of securities
- Operations - (workflow) Task management mechanism and system Certification cycles.

B) Modules that support specific staff units, such as accountancy and special customers sector management. These users have the access for additional data:

- Collective Provision on the general amount of exposure of the bank - calculation of collective provision (based on determined rates of provision) for all balance sheet debts of the bank that comprise the public credit, calculation of off-balance collective provision (based on determined rates of provision), calculation mechanism for collective provision rates, based on annual write-offs.
- Accounting registration control - accounting registration of journal entries for write-offs and provisions
- Financial Notes standard reports of relevant financial notes regarding impaired loans (Note 4 & directorate report).

ConsistGEM (FTP) Transfer Price Planning and Control Module

Transfer prices represent risk-free interest rates for assets and liability products, which the bank may raise funds and use riskless rates of interest.

The prices are subjected to several variables such as: linkage sector, period, reserve requirements, type of interest (fixed/variable), BID/ASK, currency etc. The transfer prices may vary every day according to market conditions and internal decisions of the bank.

The transfer pricing constitutes the basis of profitability calculations at the banking profit centers. The profitability system calculates the profit of each transaction according to the margin between the interest provided to the customer and the product's transfer price of the day.

Main inputs required

The pricing module, after establishing basic infrastructures automatically/manually (such as: rate curves, accounting rules etc), uses a set of curves and market variables (such as: central bank interest, Bloomberg, Reuters Etc) as the initial input for the pricing process.

Processes and Main products

Based on the input and a series of processes, calculations, routines and accounting, the system derives a daily product groups of transfer prices from that day and 20 years ahead.

Banking "prices of money" (transfer pricing)

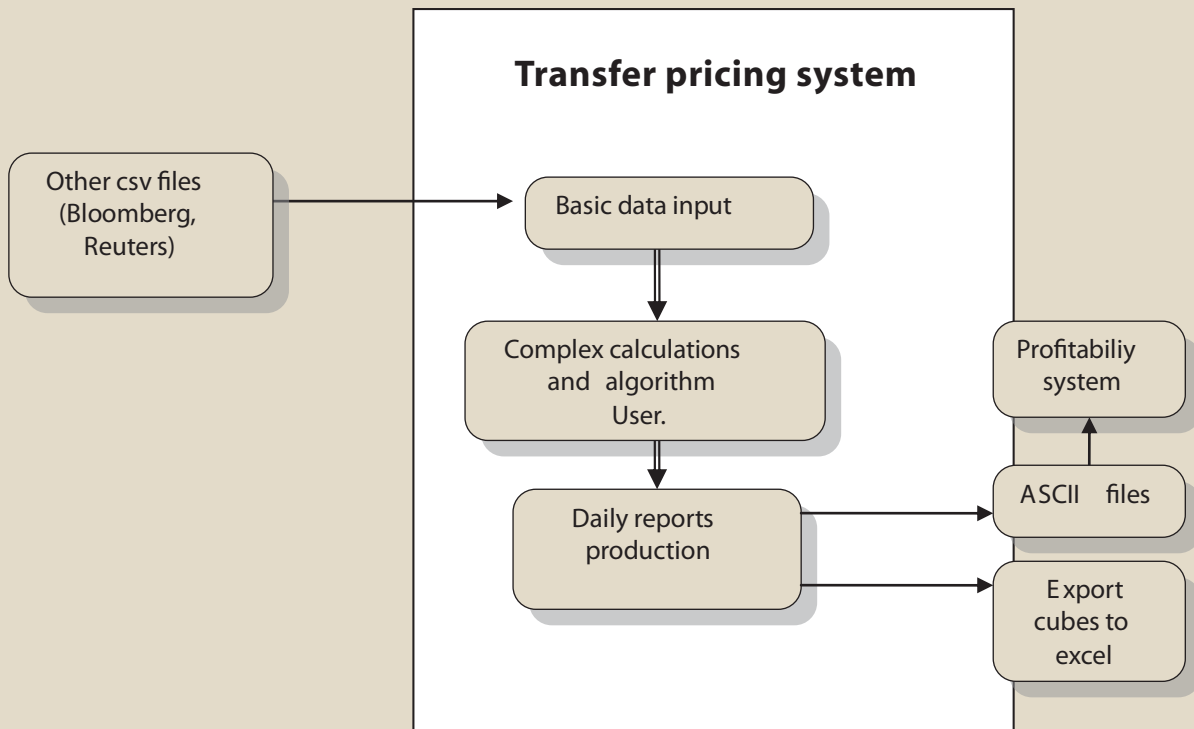
The calculations are complex and comprise, among others, of – BID/ASK margins, liquidity calculations, curve extrapolations, nominal/effective interests and margin controls.

The highly resolution management display enables the user to control and direct the system, allowing it, combined with a set of business assumptions and formulas, to derive low resolution transfer prices. The system produces pricing for each day and for every product groups for a period of 20 years. In addition, the module manages pricing for structured products. The system produces a set of operational, management and control reports.

Interfaces

The system produces a daily interface to the profitability and measurement systems/
Bank assets and liabilities management systems and others:
The transfer pricing is being calculated daily for the product groups.

System scope



Functional Description:

based on the required inputs and additional business guidance, the system calculates the rate curves. each of the curves shaped as pyramid .

All results are saved in the system (up to 7 times a day), likewise, all calculations and manual entries can be downloaded to excel via structured interface of the module.



Executive reporting of accounting Data

The ConsistGEM Dashboard helps to support better business decision-making in all areas of measurable relevance.

This helps to achieve better financial and other measurable results. It consists of a suite of applications that enables strategic thinking by analyzing, comparing and simulating information using a management model.



Profitability levels including costs and revenues are thus properly analyzed.

The ConsistGEM Dashboard contains the following features:

- Executive level reporting
- Graphic measurement display
- Gap analysis
- Graphic drill down
- Data shown in application terms
- All data is retrieved from the existing application DB
- Data is retrieved using the same business objects as in the application



