

Risk Management Solutions



**Make Better
Risk Decisions**

CreditQuest Rating Manager: Manage the Risk Rating Process

CreditQuest® Rating Manager™ is a highly flexible software solution that enables financial institutions to deploy and use almost any internal risk rating model for assessing counterparty risk. Ratings may be used as a key element during initial credit approval and for ongoing risk assessment for established relationships.

CreditQuest Rating Manager supports rating models that incorporate data from many sources, including borrower demographics, analysis of financial statements, management quality assessments, industry segment risk, related parties, bank account activity, quality of collateral, real-time alerts, and more. In addition, CreditQuest Rating Manager enforces the business workflow for gathering data and approving ratings, including support for audited overrides.

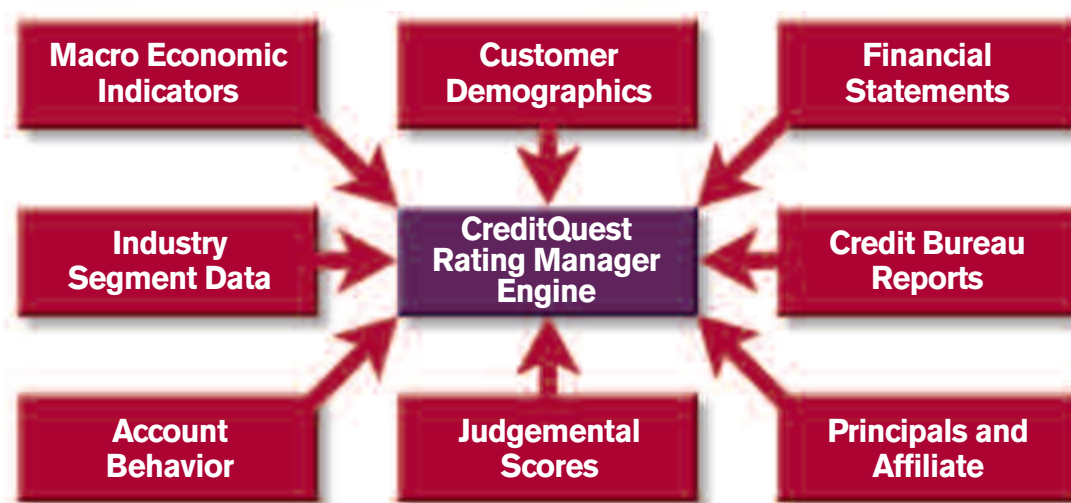
Deploy Practically Any Type of Internal Risk Rating Model

The flexible model configuration and the advanced internal calculation tool in CreditQuest Rating Manager support most known types of risk rating models and may incorporate data from external or third-party risk models. These models may automatically aggregate the information that is in the customer's credit file and supplements it with manual contribution by the rating staff.

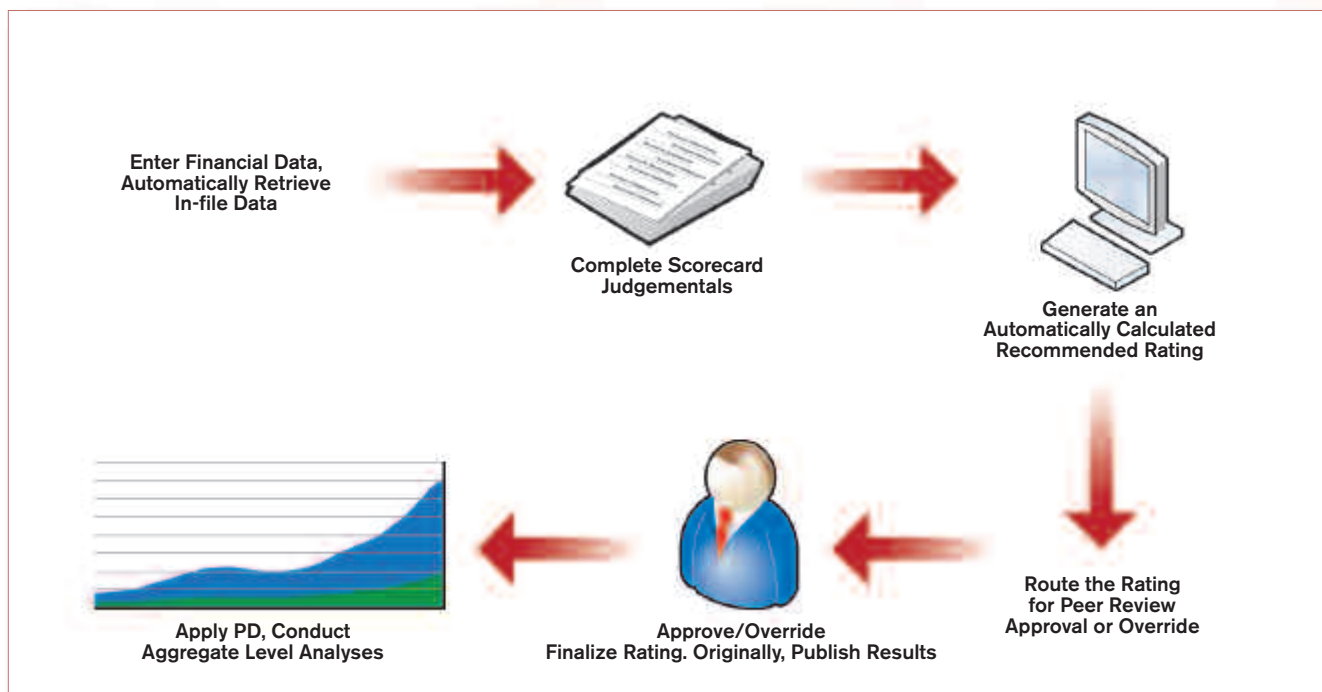
The system supports an unlimited number of rating models and workflows within the rating process.

Unique models are usually designated based on:

- Customer type – individual, small business, large business, non-profits
- Demographics and data availability – small business with/without financial statement spread
- Product line – mortgage, C&I, commercial real estate
- Credit Status – new credit, established relationship



CreditQuest Rating Manager supports a complete risk assessment, incorporating information from many topics.



Multiple, flexible workflows are supported to address ratings for simple, small business exposures or more complex commercial relationships.

Manage the Entire Risk Rating Business Process

CreditQuest Rating Manager oversees and enforces the entire risk rating business process, through a dedicated, flexible and controllable workflow. Processes may include:

- Automated retrieval of in-file supporting information, such as key financial ratios, demographics, credit bureau scores and account information
- Manual entry of judgmental assessments with supporting commentary
- Routing a risk rating between peers or to a supervisor for review and final approval
- Application of manual overrides, when appropriate, with justification notes
- Assignment of a Probability of Default (PD) and logging historical data for analytical reporting

Personalized Desktop

The desktop displays the individual and workgroup status of ratings. Ratings are queued and listed based on relationship manager and workload assignments. Rating progress can be viewed and tracked, and users can pick up instantly from the last save point when a prior effort was only partially complete.

Easy-to-Use Rating Process

Ratings follow an application-style workflow. Information is entered on-screen and pressing the “next” button brings up the next screen in the workflow. Visual indicators show progress and highlight the complete vs. incomplete scorecard modules.

The screenshot shows the 'Marketplace Scorecard' application. The sidebar on the left contains a tree view with the following items: 'Risk Rating Application' (with sub-items 'Rating History', 'Rating Application', and 'Rating Results'), 'Commercial Rating Model - for demo July 2010' (with sub-items 'Risk Total', 'Demographic Risk Factor', 'Management Risk Factor', 'Marketplace Risk Factor', and 'Marketplace'), 'Desktop', 'Relationship', 'Risk Rating', 'Ancillary Rating', 'Credit Memos & Letters', 'Document Management', 'Credit Administration', and 'Setup & Maintenance'. The main content area has two tabs: 'Marketplace Scorecard' and 'History'. Under the 'Marketplace Scorecard' tab, there are five questions, each with a 'Response 1' dropdown menu:

- Local market vitality: Response 1: Stable - moderate
- National market vitality: Response 1: Stable-moderate
- Competitive Position: Answer: Top-quartile
- New vs recurring sales: Response 1: 30 to 50% of bookings
- Exchange exposure: Response 1: Limited unhedged exposure

The 'Exchange exposure' dropdown menu is open, showing the following options:

Code	Description
1	No information
2	All exposure hedged
3	Limited unhedged exposure
4	Significant unhedged exposure

At the bottom of the main content area, there are buttons for 'Back', 'Save & Next', and 'Done'. The status bar at the bottom shows 'Internet' and '100%' zoom.

Scorecard questions may display in several formats. Drop-down boxes shown above.

Streamlined Entry of Rating Data

Entering scorecard rating data is fast and easy. Some questions can be automatically answered by using in-file information, leaving only the manual and judgmental responses for staff entry. The questions can be configured for display in familiar formats depending upon the response desired. This can include specific values for continuous value variables, or specific responses via drop-down lists, radio buttons or matrix style responses. Responses can be constructed to allow for an individual's response, peer responses or supervisor overrides. Full text notes may be added to any question/scorecard item.

Context-Sensitive Credit Policy Guidelines

CreditQuest Rating Manager includes context-sensitive help screens to provide rating staff with credit policy guidelines for each part of the system. These help screens are fully configurable by the system administrator, thereby enabling proprietary credit policy guidelines to be documented and communicated. For example, when applying judgmental scores to the quality of the management team, the guidelines may include a detailed description of specific attributes that must be reviewed.

Detailed Results, Validation Audits

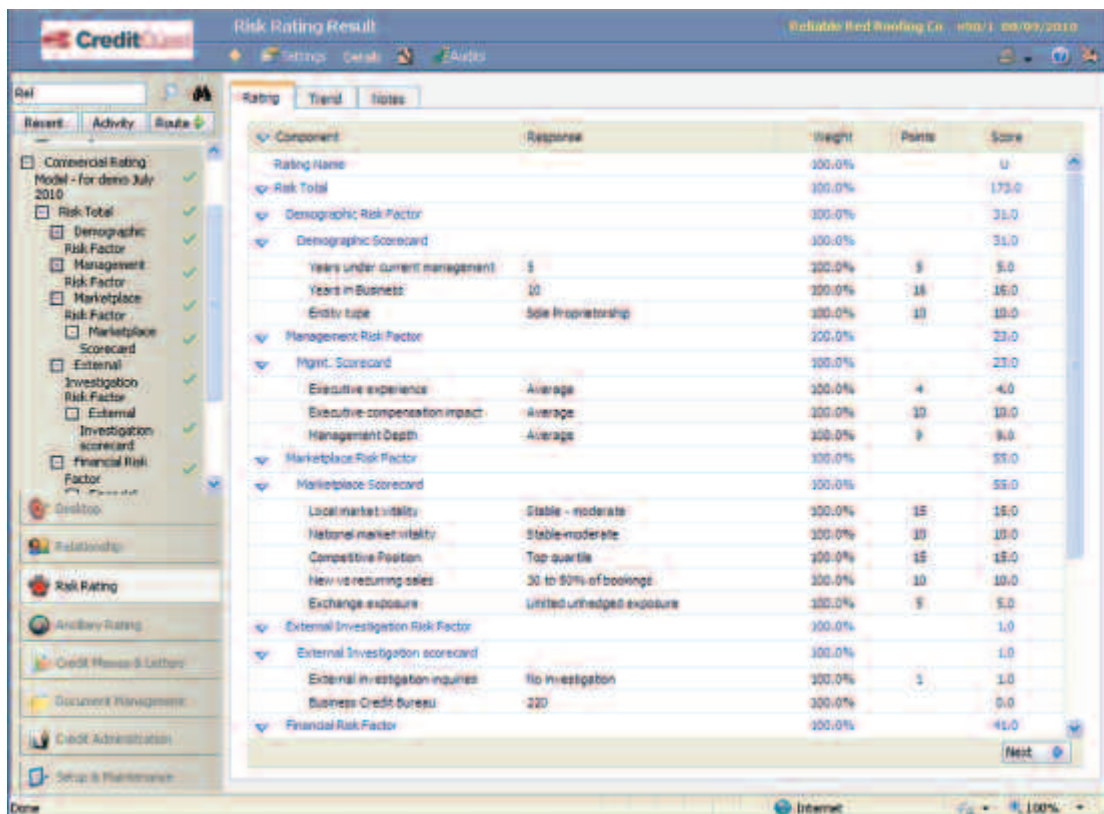
Accurate rating requires high quality data, therefore an audit function is provided within CreditQuest Rating Manager to ensure questions are completed and consistency validations can be applied on the data entered.

Overrides

Where permitted, overrides may be entered. Justification reasons may be categorized and tracked for analytical reporting. Override values are stored separately from the scorecard values to ensure an unmodified history of original data.

Beyond Individual Rating

In addition to data result details, the entire rating can be formed into a credit memo-style report to include supporting narrative, financial statements, and account or relationship information, as well as the recommendations and approvals. As additional ratings are completed over time, the historical results are visually displayed to indicate trends and assist in identifying areas of strength and weakness, improvement and decline. Rating history is aggregated for each customer. Additionally, CreditQuest Rating Manager conveniently displays the ratings of related customers, giving an aggregate picture of complex commercial counterparty groups, which often represent large exposures and key dependencies.



Component	Response	Weight	Points	Score
Rating Name		100.0%		0
Risk Total		100.0%		173.0
Demographic Risk Factor		100.0%		31.0
Demographic Scorecard		100.0%		31.0
Years under current management	5	100.0%	5	5.0
Years in Business	10	100.0%	15	15.0
Entity type	Sole Proprietorship	100.0%	10	10.0
Management Risk Factor		100.0%		23.0
Mgmt. Scorecard		100.0%		23.0
Executive experience	Average	100.0%	4	4.0
Executive compensation impact	Average	100.0%	10	10.0
Management Depth	Average	100.0%	9	9.0
Marketplace Risk Factor		100.0%		51.0
Marketplace Scorecard		100.0%		55.0
Local market vitality	Stable - moderate	100.0%	15	15.0
National market vitality	Stable-moderate	100.0%	10	10.0
Competitive Position	Top quartile	100.0%	15	15.0
New vs returning sales	50 to 90% of bookings	100.0%	10	10.0
Exchange exposure	Limited unhedged exposure	100.0%	5	5.0
External Investigation Risk Factor		100.0%		1.0
External Investigation scorecard		100.0%		1.0
External investigation inquiries	No investigation	100.0%	1	1.0
Business Credit Bureau	220	100.0%	0	0.0
Financial Risk Factor		100.0%		41.0

Rating Results stores all detail for historical analysis.

Meets Advanced Risk Rating Requirements

CreditQuest Rating Manager was designed to support advanced credit risk management practices. In fact, it meets many of the key requirements necessary for compliance with the Foundation and Advanced IRB requirements of Basel II.

Topic	Basel II requirement	Support in CreditQuest Rating Manager
Model development	Internal rating models must be developed by the financial institution by statistically validating the correlations between the risk factors that make up the model with defaults and/or debt recovery.	While the development of rating models is not within the scope of CreditQuest Rating Manager and would be handled by external quantitative solutions (e.g., SAS, SPSS, etc.), CreditQuest Rating Manager completes a detailed history of risk-related data that is gathered through the ongoing use of the solution, including the values for each of the risk indicators, calculated risk ratings, overrides, versions of the rating models that were used, etc. Each of these data elements is time stamped and validated, and may be easily exported to an external quantitative analysis solution in order to back test the performance of the models over time.
Model usage	Rating models must use the most recent data available regarding the counterparty. In addition, the financial institution must verify a separation of authorities in the rating process to ensure that users who approve the rating do not benefit directly from the credit granting.	CreditQuest Rating Manager supports interfaces that can automatically update information available to the financial institution regarding its counterparties. CreditQuest Rating Manager also accommodates the organizational structure of the financial institution, allowing the separation of authorities to be configured within the CreditQuest Rating Manager workflow engine.
Model versioning	From time to time, internal models must be updated and fine-tuned in accordance with actual empirical data about their usage. In addition, the financial institution must monitor the process of applying the new versions of these models.	The version management features of CreditQuest Rating Manager enable rating models to be updated. In addition, a complete audit trail of version updates is maintained.
Periodic updates to ratings	Counterparty ratings must be reassigned periodically, as well as upon the availability of new information that materially affects a counterparty's ratings.	CreditQuest Rating Manager can specify a time-out for each assigned rating based on the attributes of the rating and the counterparty. Users are prompted to update expired ratings. In addition, CreditQuest Rating Manager includes an alerts mechanism that can be used to highlight material information that requires a new rating assignment.
Overrides	Assigned ratings may be subjected to a manual overrides. The financial institution must ensure that overrides are used appropriately and are not overused or abused.	CreditQuest Rating Manager supports overrides. The authority to perform an override may be restricted to specific roles within the financial institution. In addition, CreditQuest Rating Manager includes real-time reporting tools that allow the financial institution's credit risk control unit to monitor and audit the usage of overrides in order to prevent abuse.
Credit risk control	The financial institution's credit risk control unit must audit and document the ongoing use of the rating system as well any changes to the rating models and processes.	CreditQuest Rating Manager includes built-in reporting tools, as well as a detailed log that allows the credit risk control unit to monitor key performance metrics based on the usage of internal ratings. Reports may be configured as needed without writing code.

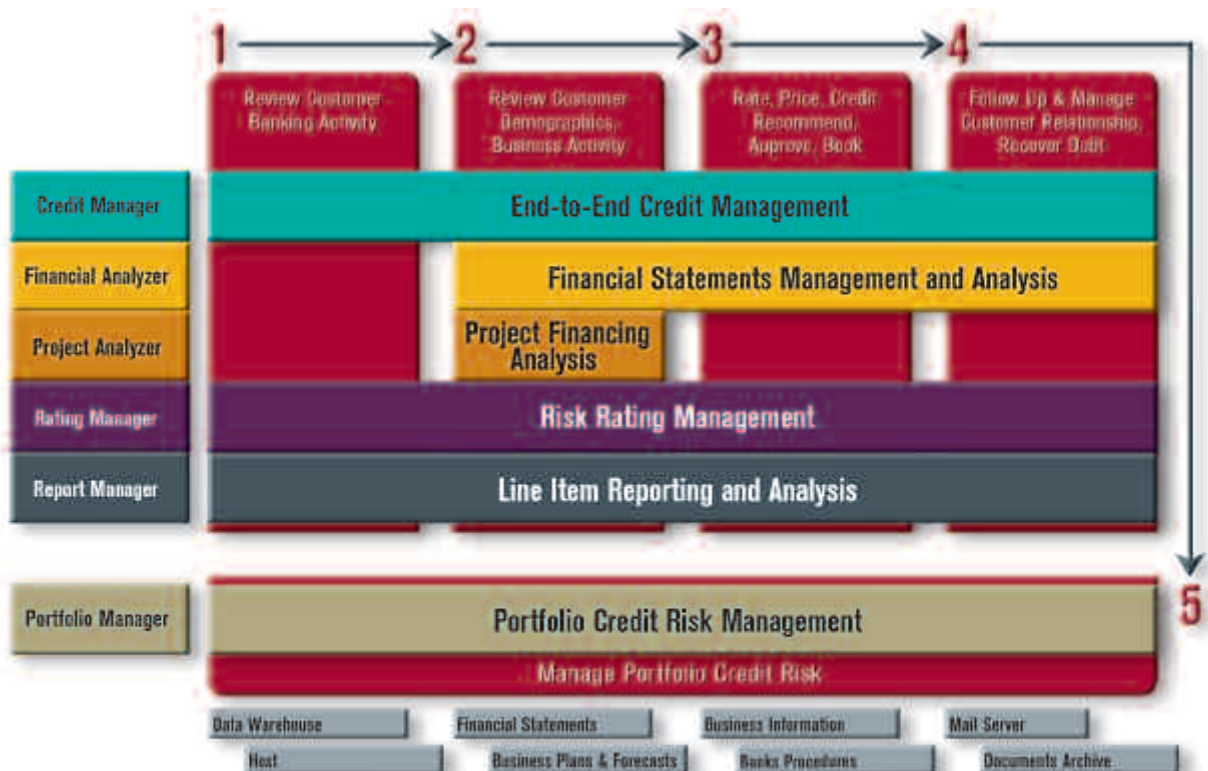
Part of the CreditQuest Suite

CreditQuest Rating Manager is part of the CreditQuest suite. It was designed from the ground up to validate and store all types of credit risk-related information to build a strategic data mart of historical risk data. The data mart is at the heart of the entire CreditQuest suite. It can be used for detailed reporting and analysis, developing and validating internal rating models and fine tuning their accuracy on an ongoing basis.

The rating information can be displayed to—or hidden from—other CreditQuest users. Detailed security configuration control enables the administrator to have control over who is permitted to see or update any rating information. Any information available in the CreditQuest Credit Manager, Financial Analyzer and Portfolio Manager applications can be accessed, reviewed and used for risk rating work. Having this information at your fingertips ensures that your ratings are always performed with the most recent information.

Overview of CREDITQUEST®

Mapping the Credit Management Process



Harland Financial Solutions, (www.hfsworldwide.com), supplies software and services to thousands of financial institutions of all sizes providing credit risk management software and related services to banks and financial services providers around the world.

Our flagship solution, CreditQuest® is an end-to-end credit management system that brings origination, financial analysis, underwriting, documentation, risk rating automation, rating model administration and executive reporting together in a collaborative, streamlined workflow. It combines a unified, relationship-centric view of the customer's financial data and supporting documents with advanced portfolio management capability.

RiskManagementSolutions

- CreditQuest®
 - Streamlined Credit Workflow
 - Relationship Management
 - Financial Statement Analysis
 - Covenant Monitoring
 - Collateral and Exception Tracking
 - Executive Reporting
 - Risk Rating Automation
 - Rating Model Administration
 - Portfolio Management

CoreSystems

- Phoenix™ System

Harland Financial Solutions

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