COFACE RESERVE 9

the supporting tool for impairment in compliance with IFRS 9

DO MORE THAN JUST COMPLY

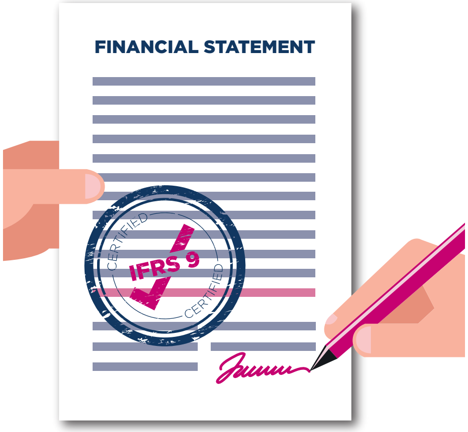
Since January 2018, businesses reporting under the International Financial Reporting Standard (IFRS) are required to adapt their trade receivables impairment process to the new IFRS 9 regulation.

This new accounting standard results from the need for more accurate and reliable accounting methods and better risk prevention. As such, companies should move to a predictive impairment model, by switching from incurred loss to Expected Credit Loss (ECL) for all trade receivables. This new accounting standard represents a significant challenge, modifying the way debt impairments should be calculated.

With our support, you can carry out this challenging exercise with ease and speed as forecasting losses is a core expertise of a leading credit-insurer such as Coface.

HOW CAN WE HELP YOU WITH THIS CHALLENGE?

Compliance requires time, resources, knowledge and expertise. Coface offers a simple solution based on sound methodologies relying on the data we use for our credit insurance activity.



This solution allows you to identify, measure and forecast the risk of loss on your trade receivables and assess your Expected Credit Losses and the corresponding impairment.

Given the methodology underlying our service is clearly documented, it will facilitate your approval steps with your financial auditors and chartered accountants.

WHAT MAKES COFACE'S SOLUTION ROBUST, UNBIASED AND COMPLIANT WITH IFRS 9 OBJECTIVES?

Expected Credit Loss is the result of cross-referencing two sets of data:

- Probability of Default (PD) of the buyer
- Loss Given Default (LGD) of a receivable

In order to assess the PD and LGD, Coface economists analyse credit risk information, namely payment history, creditworthiness and recovery probability statistics through forward looking analyses and anticipating substantial shifts in trends.

The strength of our solution is bolstered by the size and consistency of our extensive database, including the number of companies, debt collection cases, countries and sectors.

Our service is also able to factor in the impact of our insurance and / or cover obtained from other sources.

You will also be guided in taking stock of each of your buyers payment experience through a quantified variation of the ECL.

PD
LGD
Covers

	Outstanding	Expected Credit Loss
Buyer 1	150 000 €	1 250 €
Buyer 2	40 000 €	480 €
...	220 000 €	2 260 €
Buyer 100	30 000 €	330 €
Total	440 000 €	4 320 €

HOW TO BENEFIT FROM COFACE EXPECTED CREDIT LOSS VALUATION?

- Send us your outstanding balance per buyer using a dedicated template and let us do the rest.
- We will supply the detailed statements of your receivable per policy and buyer. So you get an ECL valuation for each of your trade receivable.
- Because your business is not like any other, our approach allows and guides you to make the necessary adjustments you might need to introduce to your financial statement.

YOUR BENEFITS: FORECAST YOUR LOSSES EASILY, IN THE MOST ACCURATE AND FAIR WAY

Reduce the energy spent on building your own model thanks to our turnkey solution:

Delegate the difficult job to an expert.

Projecting losses is a core function of Coface. We have been projecting credit losses for more than 70 years, using actuaries to refine our models.

Limit the volatility impact on the impairments:

Using our inclusive and historical statistical sample increases the stability of such a model.

Our PDs are established on larger populations than your portfolio and our debt collection experience reflects more buyers' profiles when estimating LGD.

Make your financial auditors feel secure and confident:

Thanks not only to the robustness of our model but also to the transparency of our solution, auditing is straight forward.

The explanatory Disclosure Note we provide is clear, precise, and shows that the methodology is in line with IFRS 9.

www.coface.com

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POUR LE COMMERCE EXTÉRIEUR
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