PRODUCT SHEET

OneSumX® Funds Transfer Pricing

The Funds Transfer Pricing module – part of OneSumX Financial Risk Management – allows the assignment of transfer rates and spreads to every financial contract. This enables the calculation of interest income at a single contract level that can be allocated to business units, products and customers. The transfer rate assignment takes contract-specific rules of actual data sets into account, as well as planned contracts in the pipeline and non-maturing contracts. The assignment of spreads allows flexible combinations of standard and user-defined spreads that allow a breakdown of margin components over time.

Our solution supports functionality for:

Transfer Rate Assignment

FTP rates are based on available historical yield curves or defined rates of the analyst. During an assignment, the terms chosen take into account contractual attributes. Methods supported include:

- Par Rate Method
- Duration Method
- Sensitivity Method
- Strip Funding Method
- Replication Portfolio Approach

The rate assignment methodologies can be applied to all types of retail instruments. It takes amortizations, interest capitalizations, step-ups and other contract-specific rules into account. It also takes into account the impact of prepayments and fees.

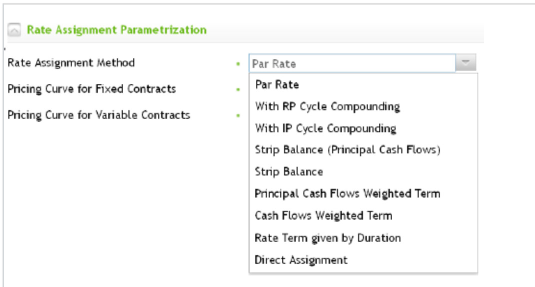

Figure 1. Rate Assignment Methods

Spread Assignment

Apart from assigning transfer rates, the solution also allows the assignment of spreads. This includes liquidity risk spreads, credit risk spreads or any other spread to cover specific costs incurred by the Treasury. Standard out-of-the-box solutions or user-defined algorithms for more sophisticated use may be invoked.

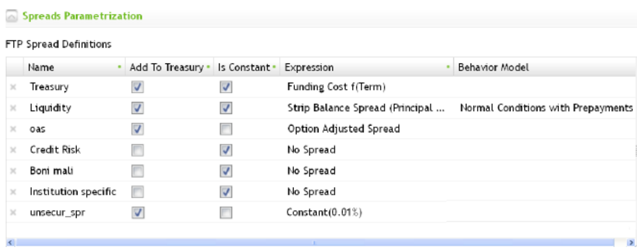

Figure 2. Standard and user-defined spread parameterization

In the liquidity spread definition, the following methodologies can be selected out-of-the-box:

- Par Rate Approach
- Principal-Weighted Spread
- Strip Balance Spread

Replication Portfolio Modeling

The replication of non-maturing contracts is based on moving average with the modelling of the stable and volatile parts of deposits and ad-hoc replication models. The replication of non-maturing contracts may be

Wolters Kluwer
Financial Services

deterministic or contingent and may use standard money market, capital market and option instruments as required by the business case.

Behavioral Assumptions

The impact of prepayments can be taken into account using fair, nominal and book value concepts. Prepayment fees can be defined using flexible expression language.

Stress Testing

As our solution offers integrated stress testing capabilities, stresses can be applied to the FTP output in the same way as the ALM module.

Dynamic Simulation

To assess potential profitability, various combinations of what-if market assumptions, behavioural assumptions, as well as strategies for new volume and rollovers, are configurable.

Internal Views

Having the transfer rate functionality running in the same platform as our ALM and Liquiity Risk Management solution allows us to calculate Net Present Values (NPV), sensitivities, as well as cash flows, using the internal rates. The NPV, key rate duration, liquidity gap and sensitivity reports gap.

Margin Analysis

Accrual-based profitability is calculated and stored at the single contract level. Furthermore, it is possible to define margin splits between funding and responsibility centres. The calculation of income is seamlessly taken into account over time and can be decomposed across business units, products and customers.

In planning/forecasting, any volume projections or targets for future time buckets for all contracts including non-maturing contracts will be taken into account to capture potential profits and losses.

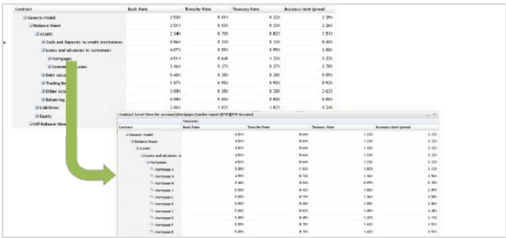

Figure 3. Balance Sheet Reporting and Drilldown Functionality

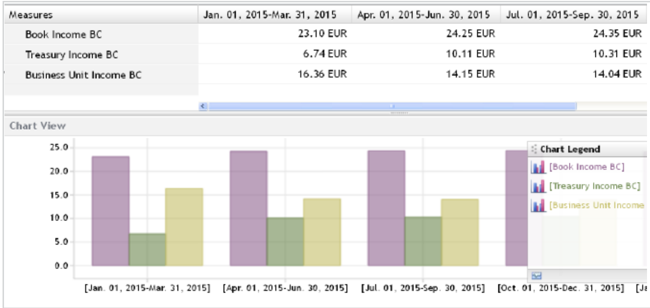

Figure 4. Simulation of Potential Income: Treasury vs Business Unit

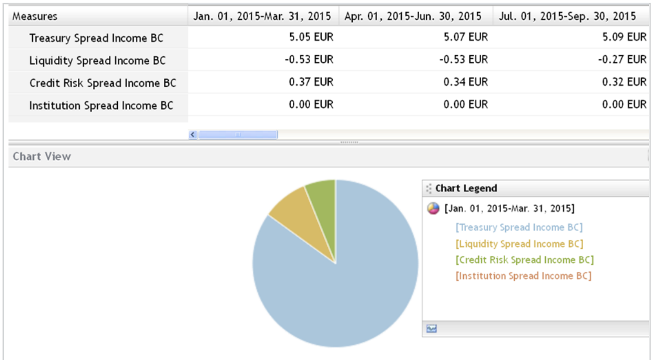

Figure 5. Spread Income Components Breakdown over time

Performance Measures

Fair values of every financial contract are stored in the system to measure performance on a daily basis. Amortizations, prepayments, drawings and new investments are taken into account.

Integration with OneSumX for Performance Management

FTP output can be integrated into OneSumX for Performance Management, which enables additional functionality for: Customer and product profitability analysis, cost allocation, P&L Explain and risk-adjusted performance solutions.

ABOUT WOLTERS KLUWER FINANCIAL SERVICES

Whether complying with regulatory requirements or managing financial transactions, addressing a single key risk, or working toward a holistic enterprise risk management strategy, Wolters Kluwer Financial Services works with customers worldwide to help them successfully navigate regulatory complexity, optimize risk and financial performance, and manage data to support critical decisions. Wolters Kluwer Financial Services provides risk management, compliance, finance and audit solutions that help financial organizations improve efficiency and effectiveness across their enterprise. With more than 30 offices in 20 countries, our prominent brands include: AppOne®, AuthenticWeb™, Bankers Systems®, Capital Changes, CASH Suite™, GainsKeeper®, NILS®, OneSumX®, TeamMate®, Uniform Forms™, VMP® Mortgage Solutions and Wiz®.

Wolters Kluwer Financial Services is part of Wolters Kluwer, which had 2014 annual revenues of €3.7 billion ($4.9 billion), employs 19,000 employees worldwide, and maintains operations in over 40 countries across Europe, North America, Asia Pacific, and Latin America. Wolters Kluwer is headquartered in Alphen aan den Rijn, the Netherlands. Its shares are quoted on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices.

Please visit www.wolterskluwerfs.com for more information.

Wolters Kluwer
Financial Services

When you have to be right