



Identify Portfolio Risk Early

Crowe Portfolio Analyzer™
Solution Delivers Breakthrough
Automation in Portfolio
Credit Risk Management

In both good and bad economic times, lending institutions face a number of challenges and pressures related to the early identification and management of portfolio risk. The process of gathering and analyzing credit customer financial data to assess portfolio risk can be extremely resource-intensive. In addition, the growing complexity of financial analysis is making it difficult for lending organizations to expand credit portfolios without adding resources.

Automating the collection and analysis of information can help streamline this highly complex process by making it possible to regularly and effectively monitor your credit customer information. An effective automated solution can provide industry-specific analysis, process automation, portfolio analytics, and meaningful benchmarking capabilities to help you assess risk in an efficient, transparent manner.

A number of lending organizations have requested an easy-to-use tool that would allow them to:

- Track receipt of customer financial statements for compliance
- Spread customers' financial reports
- Use automated workflow for the credit analysis and review processes
- Create consolidations of borrowing relationships, from simple to complex
- Provide comprehensive portfolio analysis
- Monitor compliance with loan covenants and policies
- Gain better visibility into their risk exposure across their entire loan portfolio

Further, lenders have expressed the need for a tool that would include workflow automation to trigger and standardize risk management review processes. The tool would need to be easily configurable to

provide logical, comprehensive, and consistent financial reporting to accommodate various industry-specific metrics and reporting. Such a tool would provide a consistent basis for comparison and analysis across a variety of commercial credit customers.

The ideal tool would be easy to understand for both lenders and borrowers. It would provide relevant data, including industry-specific benchmarking, on a timely basis without costly and resource-intensive manual data extraction and manipulation. The tool also would need to be adaptable across a broad variety of lending scenarios, including commercial banks, floor plan lenders, and captive credit providers.

Critical Credit Industry Concerns

As various sectors of the economy experience cyclical variations, lending organizations regularly and diligently review their credit portfolios, looking for signs of risk and seeking more up-to-date and industry-relevant monitoring capabilities. They encounter a number of common pressures and concerns:

General Economic Pressures

General economic uncertainty exists in all types of businesses. Lenders whose loan portfolios include significant commercial and institutional lending see their risk exposure ebb and flow with the cyclical economic changes.

Regulatory Pressure

Regulators view the ability of lenders to monitor and assess portfolio risk in a timely manner as a sign of financial strength. Lenders are under increased scrutiny over the processes they have in place to monitor and assess risk in a time-sensitive fashion – and face considerable ongoing pressure to strengthen their risk-monitoring processes.

Less Flexibility on Loan Covenants

Fluctuating credit conditions leave many credit providers unable to offer their borrowers very much flexibility in terms of common loan covenants. This situation can cause misunderstandings and outright friction between lenders and borrowers, who may be struggling to adapt to more stringent compliance policies.

Customer Capital Constraints

Credit customers often must inject additional capital to satisfy the need to comply with some loan covenants' critical equity ratios. At a minimum, both credit providers and their customers can benefit from clear and early alerts to any potential compliance issues based on balance sheet metrics and peer comparisons.

Limited or Inconsistent Visibility Into Customer Financials

Because financial reporting formats vary from one industry to another, lenders often struggle to compile consistent, timely, and accurate performance data that enables them to evaluate their borrowers' financial stability and the level of risk that they pose. This can delay important analyses or obscure early indicators of problems until a situation has become critical.

Leaner Internal Operations

Lenders often face their own operational challenges while working to minimize costs. The edict to “do more with less” often conflicts with the need to monitor customers' business performance, especially given the resource-intensive data collection and data-processing requirements associated with normalizing highly detailed reports from varying formats.



Requirements for an Effective Solution

Even as credit providers wrestle with broader economic challenges, they must also address continued competitive pressures and the ongoing need to expand their portfolios – if for no other reason than to mitigate the risk to which they are exposed. To address these issues, banks, captive credit providers, and other types of financial services organizations need a reliable and convenient tool that provides industry-specific, up-to-date portfolio monitoring as it lays the foundation for more effective analysis of credit risks. Such a solution should achieve the following critical objectives:

- Provide timely visibility into the full lending portfolio
- Allow institutions to compare normalized data that can be compiled from commonly used business reporting formats
- Execute clear monitoring and specific steps to demonstrate regulatory compliance
- Impose minimal demands on already-strained internal resources
- Minimize internal data-entry tasks to reduce opportunities for error

- Signal early indicators of potential policy exceptions such as loan covenant compliance issues
- Extend rather than replace lending institutions' existing risk-rating systems
- Deliver useful industry-specific benchmarking and performance indicators

Crowe Portfolio Analyzer for Lenders Solution

Over many decades of working within the financial services industry, Crowe has been at the forefront in developing many of the original models, tools, and types of technology that serve as the foundation for today's most popular risk management and financial analysis systems. Crowe has built on this tradition of leadership to develop and refine a comprehensive solution that provides lenders with more effective ways to monitor and analyze credit risks.

The Crowe Portfolio Analyzer for Lenders solution fulfills the desire for an easy-to-use tool that can allow lending organizations to feed data from the borrowing organizations'

standard reporting documents, simplify the normalization of that data, and enable lenders to perform essential functions such as:

- Portfoliowide analysis of trends and risk exposure
- The creation of industry-specific portfolio peer data
- Side-by-side analysis of borrower performance data against industry-specific peer data, including detailed financial, operational, and credit risk indicators for each supported industry
- Early identification of potential problem loans, with detailed drill-down analysis to help evaluate individual company performance attributes and issues
- Risk mitigation, including automated workflow controls, electronic audit trails, and alert capabilities for policy exceptions

Crowe financial and performance specialists looked at the best performance management practices across a broad range of industries in designing the Crowe Portfolio Analyzer solution. The result is a solution that addresses the attributes both lenders and borrowers should monitor to effectively manage performance.

A comprehensive solution

Highly Automated, Industry-Specific

An important attribute of the solution is the very minimal impact it imposes on the lender's internal resources, including IT and data-entry personnel. Data entry is automated within the Crowe Portfolio Analyzer platform using the patent-pending Crowe Financial Data Automation™ solution, so the institution can quickly spread financial statements and regularly perform important analyses with minimal effort.

Unlike more-generic data-entry and gathering tools, the Crowe Portfolio Analyzer solution can be configured to accommodate the unique reporting and measurement requirements of virtually any industry.

Because the Crowe Portfolio Analyzer solution is completely web-based, no new software is required. Embedded security features that are hosted in an SSAE 16 environment allow the institution to control and manage access to individual data and report sections.

Critical Features for Credit Providers

The Crowe Portfolio Analyzer solution offers a variety of essential features that enable lenders to improve their capacity for performance and analysis in a highly cost-effective manner. These capabilities include:

- Automated tracking of financial statements and monitoring their receipt against due dates
- Compilation and normalization of data across multiple platforms for side-by-side comparisons and a 360-degree view of the customer
- A configurable and automated workflow framework that provides visibility into credit review status and the credit review process
- Portfoliowide visibility and analysis to enhance the lender's ability to monitor and react to risk and policy exceptions
- Configurable risk dashboards
- Peer-data analysis using industry-recognized criteria
- Automated alerts to critical user-defined criteria and policy exceptions
- Data-sharing controls and capabilities among individuals, offices, and departments
- Data and reporting export to Microsoft® Excel® spreadsheet software, Adobe® PDF software, and other formats for custom analysis
- An interface with risk-rating models, data warehouses, and other enterprisewide systems to help eliminate duplicate information entry
- An electronic audit trail that encompasses major steps in the loan review process
- Industry- and segment-specific financial statement spreads
- Automated user-defined, forward-looking, what-if scenarios designed to improve visibility into portfoliowide risk exposure

Ongoing Operations and Support

Crowe has provided ongoing support for the Crowe Portfolio Analyzer solution since its launch and has released periodic updates to address emerging trends. Meanwhile, each user organization further benefits from its position as a valued member of the user group for the Crowe Portfolio Analyzer solution. Over the years, this family of institutions has been instrumental in identifying and driving important enhancements that benefit users of the various Crowe Portfolio Analyzer platform products.

In addition to annual upgrades, regular reviews, peer-data sharing, and best-practice webinars, this ongoing exposure to Crowe thought leadership and industry knowledge provides further value to the lender’s relationship with Crowe.

Exhibit 1:

Industry ratios can be configured in the Crowe Portfolio Analyzer solution for lenders to monitor and analyze portfolio credit risk specific to an industry.

Sep 2015	Franklin Ford	Blosser Ford	Ford Median	Great Lakes Domestic Median
LIQUIDITY				
Current Ratio	1.10	1.25	1.27	1.49
Vehicle Equity	5,197,875	1,473,817	2,818,462	2,935,217
CAPITALIZATION				
Debt to Net Worth	0.55	3.00	3.00	2.00
Working capital as % of net worth	10 %	94 %	88 %	107 %
INVENTORY ANALYSIS				
Days Supply - New Vehicles	160	176	115	118
Days Supply - Used Vehicles	60	86	61	74
Days Supply - CIT and VIR	4	7	7	7
PROFITABILITY				
Gross per unit - New Vehicle Retail	1,583	1,130	1,001	1,163
Gross per unit - Used Vehicle Retail	2,197	2,188	1,820	1,763

A Record of Success

Crowe has more than 70 years of experience working with financial services providers. We serve more than 1,800 financial services organizations across the country, offering expertise in financial advisory and assurance services, business process management, risk management, regulatory compliance, and technology systems integration.

Crowe consistently brings together technical specialists from a comprehensive range of business competencies to develop new, high-value solutions. The Crowe Portfolio Analyzer solution was developed as a direct response to a need expressed by various lenders for an all-inclusive credit risk tool that could help them improve the management of their loan portfolios. The platform reflects our ongoing commitment to innovation and providing financial services organizations with industry-leading solutions in portfolio credit risk management.

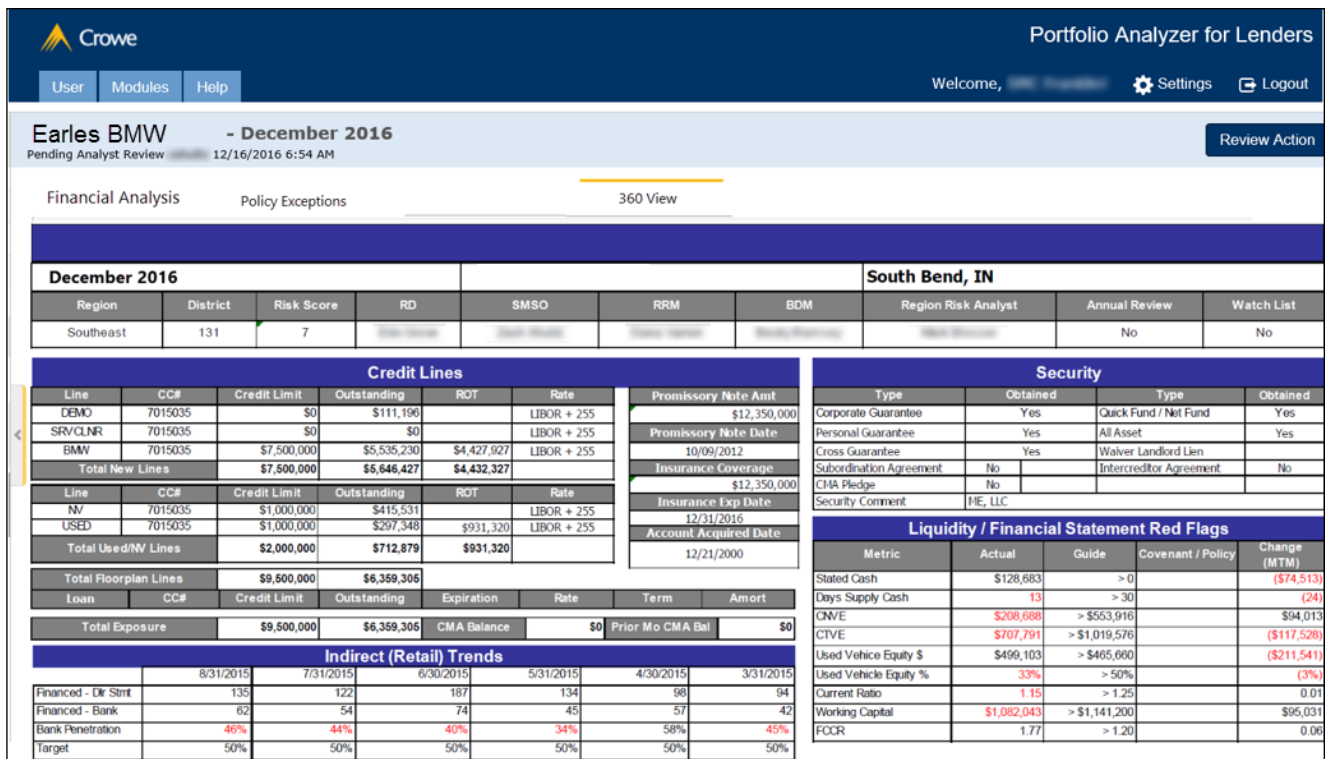
Exhibit 2:

Portfolio dashboards enable you to view the key performance and risk indicators for your portfolio in a single dashboard representation so that you can monitor your critical scenarios and understand the trends in your portfolio quickly and easily.



Exhibit 3:

The last step in the automated workflow allows for a 360-degree view of the customer and relevant information about the borrower relationship.





Connect With Us

Mark Blosser
Partner
+1 317 706 2618
mark.blosser@crowe.com

About Crowe

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The Crowe Financial Data Automation™ solution was invented by Jeff Schmidt of Crowe. A patent is pending for the Crowe Financial Data Automation solution.

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