Factsheet – GreenCap

Determine the impact of climate change on the bank’s balance sheet

GreenCap combines traditional banking metrics, with emergent climate science to put a dollar value on bank lending to non-green borrowers and define the optimal path to respond to climate change.

With the GreenCap solution, Skandinaviska Enskilda Banken’s Chief Sustainability Officer will be able to assess the portfolio’s green exposure positioning, design a strategy to be in line with the board’s policy and monitor adherence.

Climate change can impact both the borrower’s business assets that generate income, as well as the bank’s business environment. Traditional risk systems, such as risk-weighted assets, are not adaptable to assessing climate change impacts, making it hard for banks to unlock capital.

Stress testing, as well as balance sheet analysis, is required to build resiliency plans. The bank’s infrastructure is based on traditional risk systems, meaning stress testing would require an entirely new climate-based infrastructure.

Complex regulations, as well as lack of time and know-how has made climate impacts difficult to assess until now. GreenCap gives the ability to manage these new impacts in-house, combining traditional banking metrics, with emergent climate science to determine the impact of climate change on banks’ balance sheets.

GreenCap’s analysis shown above

How it works

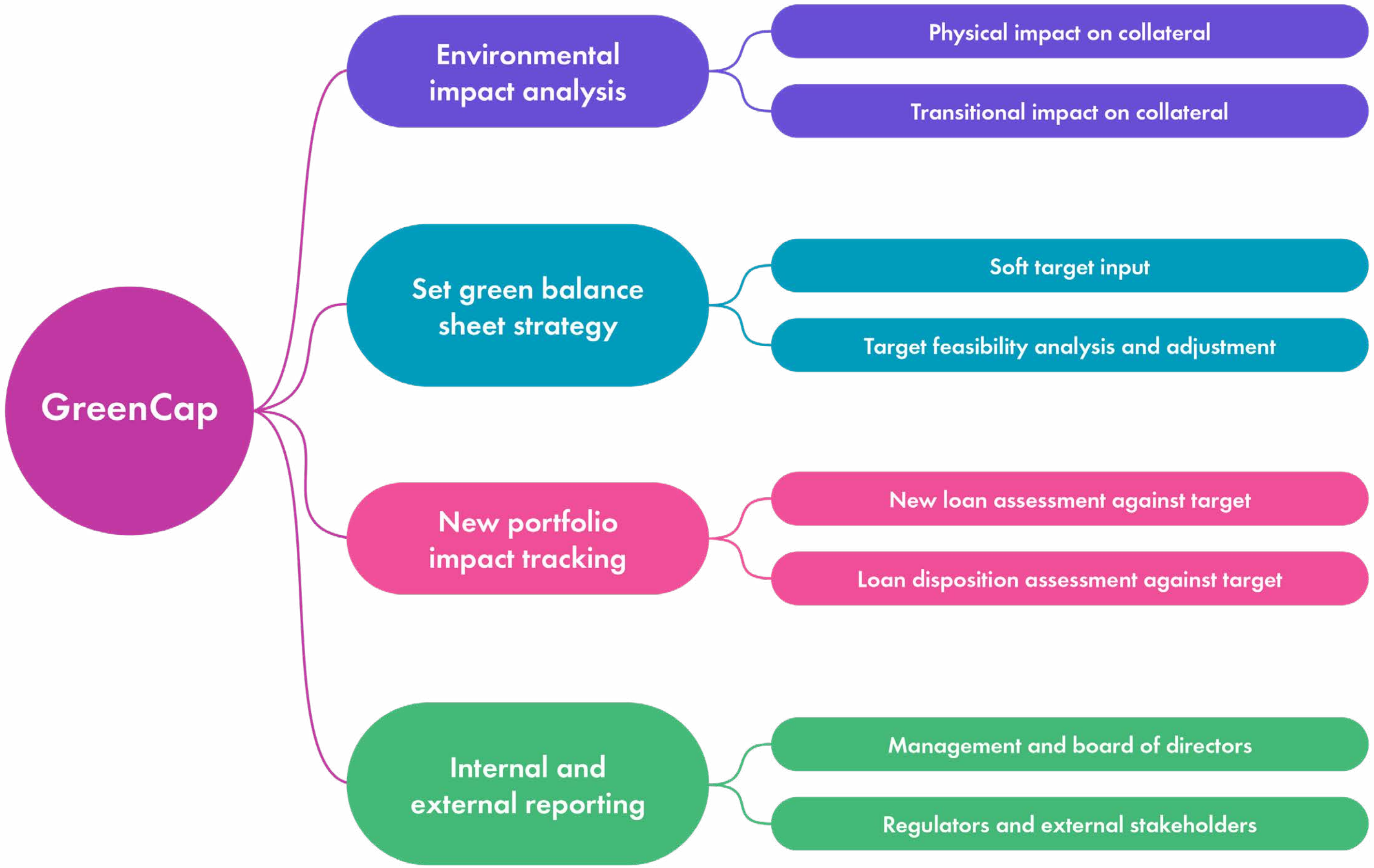
Banks' current risk-weighted assets and risk systems aren't designed for easy inclusion of climate risk factors. GreenCap's solution overcomes these challenges by optimizing banks' risk systems and promoting sustainability. GreenCap assesses the impact of climate change on its current portfolio's risk-weighted assets and provides recommendations based on extensive research, available and curated on GreenCap's website. It includes systemic economic data, loan level data, as well as industry and firm-wide data.

GreenCap applies the extended Basel model with risk-weighted assets as the foundation, and the extensions that include environmental impact analysis, setting green balance sheet strategy, new portfolio impact tracking, and internal and external reporting. This framework first breaks down the loan book by its "greenness" showing banks clearly which parts of the balance sheet are most susceptible to climate related credit impacts.

After understanding the environmental impact of climate change on the balance sheet's risk-weighted assets, the bank can set a strategy to avoid profit loss and satisfy emerging regulation requirements. This assessment is used to give customers the ability to future-proof their lending offer and define the optimal path to respond to climate change. The users can simulate the results, apply new scenarios and correlations, and most importantly shift to multiple sustainable actions. In turn banks can identify adverse risk-weighted assets or capital increases over the short and midterm.

GreenCap offers full analysis of the loan book and strategic tools through the FusionFabric.cloud integration. Using existing capabilities, it pulls Fusion Loan IQ data into the Fusion Risk database, and then the FusionFabric.cloud container. This ensures data is entered through the app and modified at a loan level if necessary. The app is available for integration with the open APIs of Fusion Optimum, Finastra's balance-sheet optimization platform, and Fusion Loan IQ, an end-to-end lending software.

GreenCap Framework explained



Why GreenCap?

Assess the impact of climate change on your current portfolio's risk-weighted assets.

Stress testing versatility with app's options to run different scenarios and assess various impacts which is in line with BIS best practice guidance.

Mitigate complexity with detailed feedback on the capital and liquidity impact.

Easy integration with Fusion Optimum and Fusion Loan IQ solutions.

While using GreenCap, the US Banks' Chief Sustainability Officer has created a plan that is credible, that explicitly ties its capital requirements (profitability and green policy targets) within defined thresholds and can be reported in the bank's annual report.

Key benefits

Climate change impact assessment

GreenCap platform determines the impact of climate change on financial institution's portfolio risk-weighted assets. To include the credit impacts of transitional policy and the physical effects of climate change, the platform uses an extended model for assessing banks' underlying risk-weighted assets.

Improve risk management

Leverage GreenCap's green risk-weighted assets methodology, to include "knowns and unknowns" in risk capital assessment with a robust approach to future-proof risk management and define the optimal path to respond to climate change.

Manage costs and increase profitability

Apply new scenarios and strategize for potential sustainability outcomes that assess the impact of systemic funding for a full range of policies. Evaluate the opportunity costs of the additional regulatory requirement, as well as new loans and facilities.

Easy and simple integration

GreenCap offers full analysis of the loan book and strategic tools through the FusionFabric.cloud integration. It is pre-integrated with the open APIs to Fusion Optimum, Finastra's balance-sheet optimization solution and Fusion Loan IQ, an end-to-end lending software.

Contact us

About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at **finastra.com**

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