



White paper

Transforming IRRBB into a strategic advantage

Unlock insights and put your money to work with FIS Balance Sheet Manager

Didier Erne, Senior Consultant, FIS
March 2025

Executive summary

Regulatory mandates for Interest Rate Risk in the Banking Book (IRRBB) are often dismissed as bureaucratic hurdles. However, progressive financial institutions are discovering that these requirements can unlock transformative benefits – if they're approached strategically.

This paper explores how banks are leveraging IRRBB reporting to do more than just satisfy regulators; they're fortifying risk management frameworks, stabilizing earnings and gaining a competitive edge.

By weaving in real-world examples, regulatory trends and insights from FIS® experts, we demonstrate how IRRBB compliance is evolving from a checkbox exercise into a cornerstone of modern banking risk strategy.

Then we explain how FIS Balance Sheet Manager unlocks better management, evaluation and control of all types of financial risk by centralizing operations across finance and ensuring that your resources are utilized, protected and put to work effectively.



1. The shifting landscape of IRRBB

The global regulatory environment is undergoing a seismic shift. Institutions like the Basel Committee and the European Banking Authority (EBA) have expanded the scope of IRRBB beyond traditional risk measurement, integrating it into broader capital adequacy and strategic decision-making frameworks. New requirements, such as the 6,000+ data fields in COREP 3.4 templates and the inclusion of Credit Spread Risk in the Banking Book (CSRBB), demand unprecedented precision in reporting.

The challenges are daunting. But banks that have embraced them are uncovering opportunities to streamline operations, reduce costs and build stakeholder trust.

Case study: Speaking in an EBA-organized industry roundtable, a mid-tier European bank shared that automating its IRRBB workflows **cut manual reporting time by 30%**, allowing its risk team to focus on stress testing and hedging strategies.

This example reflects a broader trend: institutions are no longer viewing IRRBB as a compliance burden but as a tool to drive profitability.

2. The strategic benefits of proactive IRRBB reporting

2.1 Unlocking financial resilience through precision

At its core, IRRBB reporting compels banks to scrutinize their exposure to interest rate fluctuations. By simulating scenarios like the EBA's prescribed +/- 225 basis point shocks, institutions can identify and address vulnerabilities in their Net Interest Income (NII) and Economic Value of Equity (EVE) – and therefore strengthen their financial resilience.

Case study: A Scandinavian bank recently used these simulations to discover that a prolonged low-rate environment would erode its mortgage portfolio margins by **9%**. Armed with this insight, the bank renegotiated loan terms and introduced dynamic pricing models, reducing the projected loss to 3%.

These exercises are not just academic. The EBA's Supervisory Outlier Test (SOT) identifies banks whose NII declines exceed **5%** of Tier 1 capital under stress scenarios and whose EVE declines exceed **15%** of Tier 1 capital. Proactive institutions are using these thresholds for building additional metrics for setting internal risk appetite, ensuring that they are doing more than just staying well within regulatory limits – they're also optimizing their balance sheets.

2.2 Operational efficiency: harmonizing chaos into cohesion

Many banks still rely on manual processes for IRRBB reporting. A 2023 survey by a leading consultancy found that **68%** of European regional banks spend more than 200 hours a month reconciling data for EBA templates.

This reliance on manual processes often stems from siloed systems – for example loan portfolios that are priced and managed without regard to the deposit base or trading book data that's isolated from banking book metrics.

But this approach increases inefficiencies and risk, and forward-thinking institutions are breaking down these siloes and considering risk interdependency.

Case study: A North American bank integrated its core banking, treasury and risk management systems into a unified platform. The result? **A 40% reduction in data reconciliation time and a 25% drop in reporting errors.**

These types of improvements are critical as regulators like the ECB emphasize BCBS239 compliance, requiring data to be accurate, consistent, reconcilable, explainable and traceable.

2.3 Unlocking stakeholder trust

In an era of economic uncertainty, transparent risk disclosure acts as a currency. Investors increasingly rely on Pillar 3 reports to gauge banks' resilience to rate shocks, with empirical analyses suggesting that institutions that offer granular IRRBB disclosures often command a discernible market valuation premium over peers with less transparent practices. Regulators, too, reward integration and transparency.

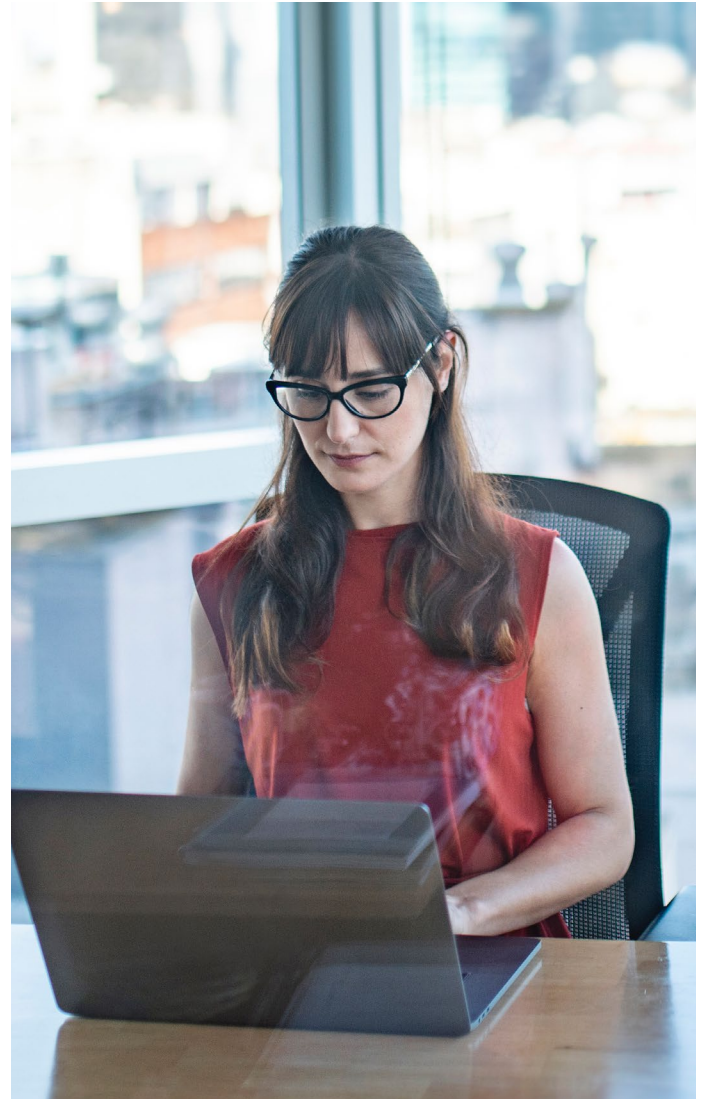
Case study: During a 2024 ECB On-Site Inspection, a German bank's automated IRRBB workflows and real-time dashboards impressed auditors, earning it a "low risk" designation. This classification not only reduced supervisory scrutiny; it also **lowered the bank's cost of capital by 0.5%**.

2.4 Unlocking capital and profitability

IRRBB reporting's most underappreciated benefit lies in capital optimization. By precisely quantifying interest rate risks, banks can avoid over-hedging – a common pitfall that erodes returns. Consider a Southeast Asian bank that reduced its hedging costs by \$8 million annually after recalibrating its EVE models to reflect localized prepayment behaviours.

Similarly, aligning IRRBB metrics with CSRBB exposures has proven transformative.

Case study: A UK-based institution recently harmonized its credit spread risk assessments with its IRRBB framework, uncovering \$15 million in redundant hedges. These savings were redirected into high-yield corporate lending, **boosting annual profits by 4%**.



3. Overcoming implementation pain

3.1 Unlocking data quality: the foundation of success

The adage "garbage in, garbage out" holds painfully true for IRRBB. Many banks struggle with incomplete cash flow data, particularly for non-maturity deposits (NMDs) and off-balance-sheet instruments.

Case study: A southern African bank's initial IRRBB submissions were rejected by regulators due to inconsistent behavioural assumptions for savings accounts. The bank responded by partnering with a technology provider to deploy advanced analytical models that analysed 10 years of transaction data, identifying patterns in deposit withdrawals during rate hikes. The refined models **improved forecast accuracy by 35%**, earning regulatory approval and **reducing capital volatility by 18%**.



Speaking in an EBA-organized industry roundtable, a mid-tier European bank shared that automating its IRRBB workflows cut manual reporting time by 30%, allowing its risk team to focus on stress testing and hedging strategies.

3.2 Harmonizing behavioral modeling in a post-LIBOR world

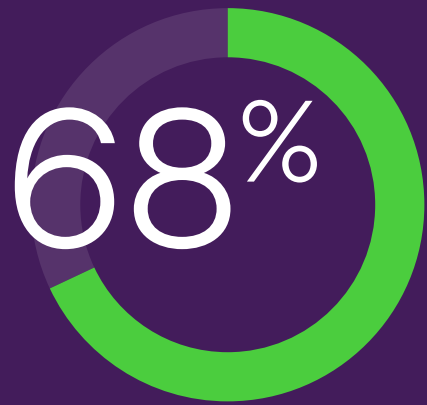
The transition from LIBOR to risk-free rates (RFRs) has upended traditional behavioural models. Banks accustomed to backward-looking LIBOR data now grapple with forward-looking term SOFR and SONIA curves.

Case study: A French bank's legacy models underestimated deposit decay in a rising SOFR environment, leading to a \$22 million funding gap. In response, the bank adopted data-driven modelling techniques that factor in customer behaviour trends such as transaction frequency to predict deposit stability. This approach **reduced modelling errors by 50%** and is now being replicated across its global operations.

3.3 Harmonizing regulatory divergence

While the Basel Committee provides a global framework, local regulators often layer on additional requirements.

For example, the South African Reserve Bank (SARB) mandates inflation-adjusted stress tests for IRRBB, reflecting the country's volatile macroeconomic conditions. Conversely, the ECB's CSRBB guidelines exceed Basel standards, requiring banks to include certain off-balance-sheet derivatives.



A 2023 survey by a leading consultancy found that 68% of European regional banks spend more than 200 hours a month reconciling data for EBA templates.



Case study: A pan-African bank that operates across 12 jurisdictions addressed this complexity by implementing a modular reporting system. The platform's "regulatory adapters" automatically adjust calculations for local rules, **cutting compliance costs by 30%** and **halving the time** required for multi-country submissions.

4. Unlocking your advantage with FIS Balance Sheet Manager

In this complex landscape, technology partners like FIS are proving indispensable. FIS Balance Sheet Manager isn't just another regulatory reporting tool; it's a strategic enabler.

4.1 Unlocking value with a single, modern platform

Our platform's scenario engine simulates more than 50 regulatory and custom shocks, from parallel rate shifts to yield curve inversions.

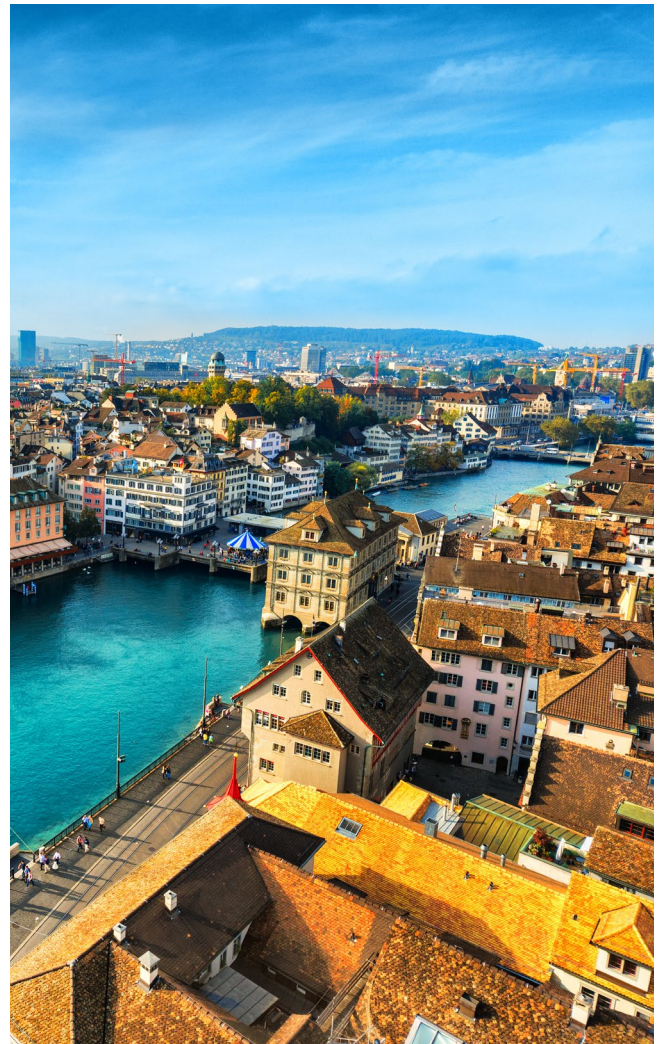
Case study: A Swiss private bank used Balance Sheet Manager to stress-test its \$50 billion mortgage portfolio, identifying an overexposure to 10-year fixed-rate loans. By rebalancing toward shorter-duration products and using swaptions to hedge residual risks, the bank **improved its NII-at-Risk metric by 20%**.

Balance Sheet Manager also excels at CSRBB integration.

Case study: When the EBA expanded its CSRBB scope in 2023, a Spanish bank faced a six-month backlog in reclassifying fair-value instruments. The FIS team mapped the bank's €120 billion portfolio to EBA templates in **three weeks**, leveraging pre-built taxonomies and automated validation rules.

Case study: A Middle Eastern bank **reduced IRRBB capital charges by 22%** after adopting Balance Sheet Manager's behavioural models, which incorporated region-specific data on Islamic profit-rate sensitivities.

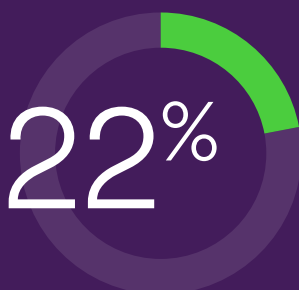
Case study: A Canadian institution slashed its XBRL reporting time from 20 days to 5 days using Balance Sheet Manager's auto-mapping features, achieving **100% error-free submissions** for the first time.



5. The future of IRRBB: trends to watch

5.1 Advanced analytics and scenario design

The future of IRRBB lies in sophisticated scenario analysis that is tailored to evolving economic and business conditions. Banks are increasingly customizing stress tests to reflect localized risks, such as inflation spikes in emerging markets or the impact of geopolitical volatility, on volume, sector, pricing and earnings contribution.



A Middle Eastern bank reduced IRRBB capital charges by 22% after adopting Balance Sheet Manager's behavioral models, which incorporated region-specific data on Islamic profit-rate sensitivities.

5.2 ESG integration

Regulators are beginning to link climate scenarios with IRRBB. For example, the Bank of England's 2024 stress tests included a "green transition shock," where rapid decarbonization triggers rate volatility. Banks using Balance Sheet Manager can easily model these scenarios, assessing precisely how climate policies might impact mortgage prepayments or corporate loan spreads.

5.3 Regulatory harmonization

Efforts to align global standards, such as the Basel Committee's push for consistent CSRB treatment, will reduce cross-border compliance costs. Institutions that adopt flexible, forward-looking frameworks like Balance Sheet Manager will be in the strongest position to both adapt these efforts and drive the benefit to their organization.

6. Conclusion: unlocking a competitive edge

IRRBB reporting is no longer a back-office chore; it's a boardroom priority. Banks that treat it as a strategic exercise are reaping dividends: lower capital costs, leaner operations and unshakable stakeholder confidence.

Now, the path forward requires three actions:

- 1. Invest in unified data architectures:** Break down silos between risk, finance and ALM teams.
- 2. Embrace advanced modeling:** Replace static assumptions with flexible, dynamic, data-driven insights.
- 3. Partner for scale:** Collaborate with experts like FIS to navigate regulatory complexity and enable innovation.

Is your IRRBB implementation on track?

Regulation is constantly evolving, and EBA has named IRRBB/CSRB and the new IRRBB reporting as a core focus area for years to come.

Now is the time to elevate your treasury, risk and balance sheet management to the next level with a modern and strategic platform that can help you improve operational excellence and reduce costs sustainably. FIS Balance Sheet Manager can help to get you there.

Additional resources:

FIS Balance Sheet Manager

Guidelines on IRRBB and CSRB | European Banking Authority (europa.eu)

EU/EEA bank's profitability is holding up well despite declining net interest margin

Let's deliver IRRBB together

Find your unlock

Chartis
RiskTech Quadrant®
Category Leader
ALM Solutions, 2024

Chartis
RiskTech Quadrant®
Category Leader
Capital & Balance Sheet
Optimization Solutions, 2024

Chartis
RiskTech Quadrant®
Category Leader
Financial Planning &
Budgeting Solutions, 2024

Chartis
RiskTech Quadrant®
Category Leader
FTP Solutions, 2024

Chartis
RiskTech Quadrant®
Category Leader
Hedging & Risk Management
Solutions, 2024

Chartis
RiskTech Quadrant®
Category Leader
LRM Solutions, 2024



FIS Balance Sheet Manager helps you manage risk to protect shareholder value, expand your balance sheet and drive growth by making money work harder.

Our **technology** powers the global economy across the money lifecycle.



Money
at rest

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.

.....



Money
in motion

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.

.....



Money
at work

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.

About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index. To learn more, visit [FISglobal.com](https://fisglobal.com). Follow FIS on LinkedIn, Facebook and X (@FISglobal).



fisglobal.com/contact-us



[X.com/fisglobal](https://x.com/fisglobal)



linkedin.com/company/fis