

CLIENT SPOTLIGHT:

KomBank: Leveraging Data Consolidation to Deliver Regulatory Capital Compliance and Business Insight



“The solution from Moody’s Analytics has helped us to consolidate a disparate array of databases into a single dataset and streamline our regulatory compliance process.

It has helped us comply with Basel II quickly, as well as enhancing the management control of our business and our risks.”

Head of Risk Management,
KomBank

Background

KomBank is a Serbian bank, with a presence in Montenegro and Bosnia-Herzegovina, and is focused on commercial and retail banking. It is owned by the government of Serbia and the European Bank of Reconstruction and Development (EBRD).

KomBank’s regulator, the National Bank of Serbia wanted to develop the Serbian banking sector, as well as align it more closely with the European Union’s (EU) banking regulations. In June 2011 it introduced a new set of banking regulations, based on Basel II and required all banks in Serbia to begin reporting under Basel II from September 2011 on a solo basis and on a consolidated basis from December 2011.

KomBank’s existing data infrastructure was distributed across four different business units (KomBank Belgrade, its subsidiaries in Montenegro and Bosnia-Herzegovina, and the KomBank Invest Fund), each with its own data format and structure. It recognized that this presented a significant challenge if the bank was to comply with Basel II on time and at a reasonable cost.

KomBank also recognized that changing the way it managed its core banking data — for example credit card information, customer accounts, loans, mortgages, collateral, and asset management — presented it with an opportunity to consolidate a disparate array of databases into a single dataset. This would enhance the way that it managed the business by giving senior management a consistent, in-depth and accurate picture of how their business was performing.

After a comprehensive review of its options, KomBank selected Moody’s Analytics as its partner. Andrijana Milanovic, KomBank’s Head of Risk Management said “The reason KomBank chose Moody’s Analytics was because it had a demonstrable and established track record of helping banks implement Basel II. Its solution and expertise gave KomBank the most confidence.”

About the Moody’s Analytics Solution

KomBank recognized that the greatest challenge in delivering Basel II compliance was consolidating its core banking data. The bank realized that its dispersed data model, spread across four different sites, could not give it the accurate calculations for the regulatory capital ratios it needed to satisfy its regulator, at a reasonable cost. The limited timescale for implementing a solution was also an important factor.

The solution that Moody’s Analytics proposed centred on the use of a datamart to consolidate all of KomBank’s core banking data and act as a foundation for its regulatory and business reporting. Using the datamart’s Export-Transform-Load (ETL) functionality, KomBank was able to import all the essential data from its different systems, and transform the data, with its diverse formats and structure, into a single, comprehensive dataset. This allowed the bank to manage its regulatory calculations and deliver its reports accurately and cost effectively, all in one place.

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To maintain the accuracy and consistency that KomBank required, the imported data was evaluated using the data quality assessment tools within the datamart. These tools capture 500 data parameters that quickly highlight missing data or errors that occur during the import and ETL process. They ensured that KomBank had the quality of data that enabled it to deliver accurate results the first time, every time.

Using the datamart as a foundation, KomBank was able to calculate and manage its credit risk and market risk, under Basel II, using the Moody's Analytics capital adequacy solution. The solution embeds the Basel II calculations within the application, which enables it to be deployed quickly and without the need for extensive application development.

KomBank's regulatory reporting requirements were met by Moody's Analytics regulatory reporting solution. This solution used the calculations for market risk and credit risk and formulated the regulatory reports for KomBank's regulator, using the correct templates and format to deliver accurate reports on time.

These reports, 15 in total, are reported to the National Bank of Serbia on a quarterly basis. In addition, KomBank also uses a set of internal reports that use the same core data to enhance its management's understanding of how the business is performing.

Taking this comprehensive and integrated approach to managing regulatory capital enabled KomBank to be among the first banks in Serbia to comply with Basel II, enhancing its reputation in the region as a leading bank.

As well as meeting the demands of Basel II, KomBank also wanted to enhance its management of the business by having a single consolidated view of its activities. This would help it make better informed decisions. By having a single management view, KomBank also aimed to reduce its cost of capital by ensuring it had quantified all of its credit and market risks across the whole group and that its regulatory capital position fully met its requirements.

The consolidated datamart provided granular, transaction-level data on the bank's business and customers, giving KomBank's senior management visibility of all activity down to branch level. It helped them to quickly understand which types of products and services were popular and which new offerings and promotions might be valuable to its customers.

For KomBank, the solution delivered both regulatory capital management as well as business control and allowed it to align itself with the EU's banking sector and maintain its profile as a leader in its chosen markets.

About Moody's Analytics

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services, and research, including the proprietary analysis of Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges.

For further information about Moody's Analytics regulatory capital and reporting solution visit us at www.moodyanalytics.com/riskauthority or call:

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