

CLIENT SPOTLIGHT: Bank Muamalat Indonesia

"With RiskAnalyst, we have significantly reduced the loan processing time and make more informed decisions with confidence."



Pak Aruddy
Risk Management Head,
Bank Muamalat Indonesia

Moody's Analytics Solution Set
RiskAnalyst
International Financial Template
IRMA
RAFTA

The Challenge: Streamlining the Lending Process

Bank Muamalat's goal was to improve the risk assessment process by streamlining its lending processes. Success in today's commercial lending environment depends on attracting new business, making better loan decisions by reducing defaults, and underwriting more profitable transactions while being compliant with regulators. Bank Muamalat wanted to achieve all these goals and do more with fewer resources and faster turnaround times. However, the inefficiencies in the bank's loan origination process were impacting its productivity and profitability.

The bank wanted to make better origination decisions and become more efficient with its technology and people. It was challenging to accomplish this objective in the business banking portfolio because the bank relied on manual processes and excel spreadsheets for spreading, scoring and workflow. The bank needed a more robust models framework which could be deployed within a software solution or used on a standalone basis. It also needed an audit trail and automated monitoring of portfolios across locations. To accomplish these objectives, the bank needed consistent templates and data formats, centralized data storage, data integrity checks, data security, and efficient business processes.

Moody's Analytics Solution

Moody's Analytics RiskAnalyst™ software allowed the bank to have a single platform for spreading and scoring corporate and small- and medium-sized enterprise borrowers. It also provided an integrated data model for risk, which enabled the bank to enforce a consistent data format and predefined and configurable validation rules across the organization. This eliminated redundant systems and reduced multiple data entry errors through automated reconciliations error prompts. The bank now has the capacity to store unlimited historical and projected data in a consistent manner. The stored data can be retrieved easily and on demand, supporting the bank's future model validation and audit requirements.

The bank integrated RiskAnalyst software with its internal core banking/back office systems and configured it to reflect internal business processes. This integration led to improved operational efficiency by standardizing origination and risk management processes, including customer initiation, product proposals, pricing, underwriting, risk rating, credit approvals and portfolio monitoring. The reporting capabilities of RiskAnalyst software made it possible for the bank to gain deeper insight into counterparty relationships, including historical transactions and performance. It also made it easy to generate standardized reports such as credit write-ups.

With these capabilities, the bank is now able to enforce consistent risk management policies and procedures, address regulatory pressure and improve financial performance. The bank's relationship managers are also able to reduce time spent creating new proposals at the start of each origination process.

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Success Metrics:

- » **Operational Efficiency:** The bank reduced time spent assessing and approving credit applications from 2–3 days to about an hour.
- » **Number of Users:** More than 400 users in the middle-market business banking lending team are using the RiskAnalyst software. This number is expected to grow to 500 by 2015, as the group grows. The Bank plans to integrate the micro-lending segment of the business as well, with 100 more users expected to start using RiskAnalyst software by 2015.
- » **Cost of Ownership:** Currently a team of two people maintains the system at the bank. The bank's IT team is confident that the system will not be high touch and do not foresee the need for more people to manage and support the software.
- » **Time to Deploy:** It took around three months to deploy the RiskAnalyst spreading and scoring solutions in the Bank. Some of this time was owing to the Bank's internal IT issues and the phased implementation of the solution.

"RiskAnalyst enables us to centrally store all financial and ratings data, allowing for deep insight into portfolio analysis. Our Risk Managers are able to make better decisions by looking at portfolio concentration by sector and risk-rating category."
Pak Aruddy, Risk Management Head, Bank Muamalat Indonesia

Looking Ahead

The bank's goal is ultimately to have an end-to-end origination solution. As an early move in that direction, the bank is looking to developing rating models specific to its needs. RiskOrigins™ software may also be part of this longer term solution. The bank is also planning to implement tools to measure economic capital opening the way for RiskFrontier™ software.

About Bank Muamalat

PT Bank Muamalat Indonesia Tbk, established in 1991 and endorsed by the Indonesian Council of Ulemas and the Government of Indonesia, commenced operations in 1992. Bank Muamalat provides services to more than 2.5 million customers through 275 outlets spread across 33 provinces in Indonesia.

ABOUT MOODY'S ANALYTICS

Moody's Analytics helps capital markets and credit 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.

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