

CLIENT SPOTLIGHT: Bank of Queensland

“We have been able to produce the models, alter them and deploy them internally ourselves using the authoring tools and the financial templates.”



Christopher Peters
Head of Credit Risk Analytics &
Basel Credit Program
Bank of Queensland

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

The Challenge: Gain Internal Rating Board Accreditation

Bank of Queensland is looking to be one of the first Australian tier-2 bank to attain IRB accreditation. The bank also has the overall objective of establishing a class-leading enterprise risk management system and demonstrating more maturity in its risk management processes. One of the main drivers for this exercise is to reduce its cost of funding compared to the Big Four banks in Australia. The bank's decentralized operating model, including owner-managed branches and several asset finance business acquisitions, has made it difficult to centralize and standardize risk policies and procedures. Most of the bank's financial subsidiaries had adopted different rating systems, some of which were based on excel spreadsheets. The bank wanted to create a consistent global rating system that could be used across its various divisions and branches located in Brisbane, Melbourne, Sydney, and Perth.

Moody's Analytics Solution

While most of the systems in use at various divisions within the bank were not as sophisticated, the acquisition of Australia and NZ asset finance portfolios from CIT, who were an existing Moody's Analytics customer, provided an existing RiskAnalyst™ footprint at Bank of Queensland. In order to align with the bank's standardized IT architecture model, which involves getting more out of the existing technologies, they decided to broaden the scope of the RiskAnalyst spreading and scoring solutions to cover the C&I portfolio and commercial mortgage books across its business banking division. To build its own internal rating models, the bank acquired two model authoring tools: Internal Rating Model Author (IRMA) and Financial Template Author (RAFTA). They used these tools to implement the models in which the bank had already invested considerable time.

Standardization and consistency in spreading and scoring has enabled the bank to integrate its various divisions into one common system. Currently the RiskAnalyst software is used by the bank's commercial lending divisions, but also plans to extend its use to the retail business.

Success Metrics:

- » **Number of Users:** More than 160 staffers are using RiskAnalyst software, mainly in the bank's business banking lending subsidiaries. This number will likely grow organically as the division represents the bank's main growth driver. The bank plans to integrate retail side of the business as well with 100 users expected to start using RiskAnalyst software by 2015.
- » **Cost of Ownership:** Currently a team of six people, who maintain the internal rating models, also maintain the system. The bank is confident that the system will not be high touch and will outsource maintenance to HP who manages their IT platform.

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» **Time to Deploy:** It took around six months to deploy the RiskAnalyst spreading and scoring solutions across identified divisions in the bank. During implementation the bank began to make substantial changes to its IT outsourcing agreements creating a need to rebuild and redeploy the infrastructure into a new IT operating environment. Despite this change, the project was not significantly delayed and the credit analysts were able to continue to work on authoring through the local machine deployment, offered as a standard MRA implementation.

"I am very happy with the relationship, no major issues with implementation and whatever issues were there, were sorted out immediately. Moody's Analytics has proven to be a good partner to help us achieve what we wanted to."

Christopher Peters

Looking Ahead

The bank is working to become the top bank in Australia in terms of risk management policies and processes. To achieve this objective, the bank must ensure that its risk management systems are utilized optimally, and that these systems are aligned to both the bank's business and IT strategy. Demonstrating to the regulators that the bank has disproportionately advanced and sophisticated risk management methodologies to its size, will help it attain IRB accreditation.

As an early move in that direction, the bank will standardize its retail lending platform so that its data systems can be integrated with other systems. RiskAnalyst software may be part of this longer term solution as well.

About Bank of Queensland

Bank of Queensland (branded BOQ) is a retail bank in Queensland, Australia. It is one of the oldest financial institutions in Queensland, with a network of almost 270 branches. Its branch network includes 152 in Queensland, 52 in New South Wales, 23 in Victoria and 34 in Western Australia. Following the Home Building Society and Pioneer mergers, it now has more than 650,000 customers.

ABOUT MOODY'S ANALYTICS

Moody's Analytics, a unit of Moody's Corporation, 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 offering leading-edge software and advisory services, as well as the proprietary credit research produced by Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges.

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