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VUB CUTS RISK TIME TO INTELLIGENCE TO 2 HOURS

Slovakia's VUB needed to integrate all transaction and customer data into a single source of intelligence, for both internal risk measurement and regulatory reporting. Its Risk Data Infrastructure (RDI) and in-house risk expertise have reduced time to intelligence from days to just two hours and have given VUB unique competitive advantages.

Business Issue

Need to integrate data to support market and credit risk management, develop in-house expertise as competitive advantage, and meet specific local regulatory requirements.

Solution

Creation of a Risk Data Infrastructure supporting daily and ad hoc reporting on market and credit risk, reconciliations and regulatory reporting. This project also supports IFRS (IAS 39) bad debt provisioning.

Benefits

Elimination of time-consuming data reconciliation requirement. Improved credit risk management. Better customer insight. Improved relationship with National Bank of Slovakia. Creation of in-house risk expertise.



Samuel Kytka
Executive Manager
Risk Management Group

A subsidiary of Gruppo Banca Intesa, VUB is Slovakia's second largest bank with 2 million retail customers and 90,000 business customers. It is Slovakia's largest issuer of mortgages, a tough market with many institutions offering cut-price loans.

Risk management is central to its strategy. In 2004-2005, VUB built a Risk Data Infrastructure (RDI) covering market and credit risk. The system integrated data from no fewer than 10 legacy systems and reconciled it with general ledger data. "Data integration was a key reason for choosing SAS," says Samuel Kytka, Executive Manager, Risk Management Group, VUB Bank. Before RDI, data had to be reconciled manually, which took days. After RDI, all of the data integration and reconciliation could be performed automatically in two hours, and the process became even faster in 2006.

Advantages of the solution include:

- Unified data structures and granularity.
- Auditable data.
- Up-to-date information.
- Low maintenance.
- Fast daily reporting and ad hoc analyses.
- User friendly presentation layer.
- Openness – ability to import new data.
- Common platform for all risks.

"Regulatory compliance is important, but the main driver of our risk strategy is the business requirement to understand customers and control risk. Thanks to this project, VUB now has better in-house expertise than any other Slovak bank."

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RDI supports liquidity reporting, credit, interest rate, operational and FX risk reporting. As a result of the implementation of RDI, VUB analysts can now devote more time to making the bank more profitable. For example, they used historical data to measure the stability of deposits and to remodel VUB's liquidity position, enabling the bank to release more funds for high interest-bearing investments.

After the successful completion of the integrated RDI project, a new project for Basel II compliance and credit scoring commenced in December 2005. VUB will implement the Basel II standardized approach in 2007 and the internal ratings based (IRB) approach in 2009. This new project is under development and being implemented with the SAS® Credit Risk Management solution. The final solution will integrate existing Risk Data Infrastructure with Detail Data Store that serves as a primary data store for the SAS Credit Risk Management solution.

VUB is the only Slovak bank that is implementing a local end-to-end solution for risk management – adding to its customer insight and satisfying the local regulator.

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