

# Mid-Size Bank Deploys Loss Given Default Data Capture Application in the Cloud in 3 Weeks



"A complex data model that continues to evolve as data is being entered. Data entry staff that need to share work across a nation while not overwriting each others' data. Real-time reports to management. Less than a month from inception to production in the cloud."

In other words, the kind of job Enterprise Model Manager™ was designed for.

## The Opportunity:

In 2013, this mid-sized banking institution dedicated itself to creating profitable and sustainable growth, and a major rebranding effort clearly put customers first, with a new slogan and a very consumer-friendly graphics approach. Of course, risk management, so critical to the banking industry, also received renewed attention, and the bank identified that Loss Given Default, or LGD, which had remained largely a paper-based, ad-hoc process, could be substantially improved.

At this bank, as is the case with most banking institutions, LGD requires flexibility as well as the ability to leverage data that does not typically exist within bank systems. Analysis was typically occurring at the point of default, rather than prior to default, and was done using spreadsheets, ad-hoc databases, and other desktop tools. There was no common data model from which the institution's aggregate LGD position could be determined. Executives did not have access to current LGD information, and concerns were raised that regulators might impose more strict capital requirements than would be the case if accurate LGD data were available. This possibility was unacceptable in light of the bank's dedication to being a customer-focused institution.

## The Solution:

Few commercial off-the-shelf software solutions exist to address the complexities of Loss Given Default, and those that do require the banking institution to alter its business processes to suit the software. In combination with a risk management expert, Quantellia's World Modeler<sup>®</sup> was brought in and configured to provide an agile, enterprise LGD solution for the bank. Featuring robust workflow management, monitoring and reporting capabilities, and fully integrated model management, the solution, built on World Modeler's Enterprise Model Management Platform, World Modeler EMM<sup>®</sup>, was implemented in approximately three weeks and at a cost far less than the default potential of many of the bank's outstanding loans. In addition, the cloud-based implementation required minimal IT investment, and allowed the solution to be deployed quickly.

## The Outcome:

The bank's 2013 Annual Report looked quite different than the 2012 version in several key respects, including posting a statutory net profit after tax nearly \$200M, a significant turnaround from the prior year's losses. Cash earnings after tax increased by more than 8x, and the full year dividend increased by six cents per share. Most telling, however, are these results:

Underlying improvement in the credit quality of our portfolio was evidenced by improvement across all key metrics. Impairment expense was down more than 70% and total impaired assets fell nearly 30%