

BAWAG P.S.K. | IMPLEMENTING THE BASEL-II AND CREDIT PORTFOLIO MODEL

Initial situation and project assignment

BAWAG P.S.K. Group, with assets of EUR 56 billion, is one of the largest banks in Austria and manages savings of EUR 18 billion, more than any other institution in the country. In addition to numerous domestic investments, the bank has subsidiaries in all neighboring countries to the east.

The aim of the project is the functional and technical implementation of a software solution compliant with Basel II provisions. This assignment will focus on calculating the equity requirements in accordance with pillar 1 for both standardised and IRB approach, as well as, determining the credit-VaR for the bank's entire credit portfolio to cover the requirements of pillar 2. The models used for estimating loss potential take correlation effects into consideration whether for the entire credit portfolio or individual sub-portfolios. These can then be used in the framework of a risk capacity analysis, a risk capital allocation, and a limit system to manage the credit risk.

This project will simultaneously create the basis for a future-oriented, economic and regulatory credit risk management at BAWAG P.S.K. Group.

Project results and the role of zeb/

zeb/ supports the entire operational and technical implementation of both software modules: zeb/basel.II, which calculates the equity requirements for the group credit risk; and, the zeb/credit.risk-manager, which determines the credit-VaR of the entire credit portfolio.

During the course of the project, the modules "Concept Configuration zeb/basel.II and zeb/credit.risk-manager", "Data Feed and Mapping", "Implementation and Test" and "External and internal Reporting" will be developed for the BAWAG P.S.K. Group with expert support from zeb/ (see fig. 1).

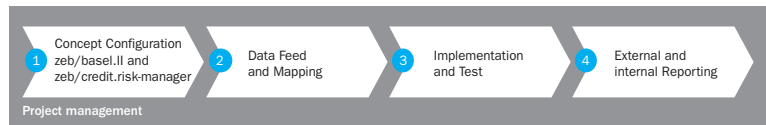


Fig. 1: Overview of project module

The following topics are addressed in the project module “Concept Configuration zeb/basel.II and zeb/credit.risk-manager”:

- Calculation specifications according to standardised, Foundation-IRB, and IRB-Retail approach
- Recognition of collateralls to optimize the equity requirements
- Definition of the control portfolio for the zeb/credit.risk-manager
- Determination of statistical data for credit-VaR calculation

The project module “Data Feed and Mapping” addresses the following topics as derived from the concept:

- Perform quality control of the data warehouse
- Definition of the interface with the data warehouse
- Mapping of the data fields in the input level for zeb/basel.II and zeb/credit.risk-manager

The following topics are addressed in the project module “Implementation and Test”:

- Conduct of training on the use and configuration of the software modules
- Testing of zeb/basel.II and zeb/credit.risk-manager software modules in the final configuration and delivering to the bank for operations

The following topics are addressed in the project module “External and internal Reporting”:

- Definition of internal reports for zeb/credit.risk-manager and zeb/basel.II, and implementation with zeb/control-reporting
- Development of an interface in the data warehouse for reports to supervisory authorities

The support from zeb/ not only guarantees the functional and technical consistency of the project results, but also smooths the way for a successful acceptance by the authorities.

Outlook

The functional and technical implementation of both software modules should be completed by the end of 2006. Parallel to this, progress will continue in the physical linkup of subsidiary banks to the data warehouse already developed. Following this plan, the result should be a state-of-the-art IT platform for Basel II for pillars 1 and 2 at the BAWAG P.S.K Group, which provides a basis for an integrated risk management.



Dr. Josef Schwarzecker
Board Member
BAWAG P.S.K.



Mag. Robert Cerwinka
Project Manager, Basel II
BAWAG P.S.K.



Martin Danne
Managing Partner
zeb/information.technology



Werner Konezny
Senior Manager
zeb/