

«We are pleased with the results of this project. The price-performance of the application is truly remarkable»

Wolfgang Hütter
Head of Group Operational Risk & Security
Volksbank AG



Volksbank Group has a comprehensive Operational Risk Management and Internal Controls solution for the entire organisation

The Avanon System offered the Volksbank Group an excellent fit to address the diversified organization and requirements for the firm's group operational risk management framework. Avanon staff worked closely with Volksbank's various team to deploy a global solution that reaches across fifteen countries and is safely managed from a single, central source.

Beyond this the same platform is delivering extended support for the Internal Controls framework, which is tied closely to the risk governance process.

Volksbank AG is a leading Austrian financial services group. Founded in 1922 as the central institution of the nation's credit co-operatives, the bank has traditionally played a key function as a partner for small and medium-sized enterprises. In addition to corporate the Group's business segments also include retail, real estate financing and financial markets. Volksbank was the first Austrian bank to expand into Central and Eastern Europe in 1991.

The group vision and strategy are based on the values of a cooperative economic system and the principles of a stakeholder business model. The ownership structure allows for goals and strategy to have long-term and long-lasting character.

Management Attention

Building on Basel II's standardized approach, Volksbank's managing board also pro-actively engages in the Group OpRisk management process, with focus on mitigating any loss potential tied to prevailing risks. The group OpRisk framework covers risk identification, risk measurement and control at portfolio and transaction levels, together with comprehensive reporting. Both qualitative and quantitative assessment methods are employed.

Creating an appropriate risk and control culture and awareness for risk is essential. These governing principles apply at all levels, from the board, senior

Case Study



managers, their teams and all staff. Communication is open, lessons are learned, all of which are addressed fairly and constructively.

Numerous measures are defined at Group and local levels to optimize processes and reduce operational risks. Documentation and active monitoring of internal controls supports the risk governance process.

An early warning dashboard uses key risk, control and performance indicators to highlight top issues, provide detail and decision support.

Selection

Volksbank's existing solution was comprised of an event database and Excel sheets. A broader solution needed to handle further requirements and in a more holistic manner. Management's selection preference was for a standard, mature tool with complete functional coverage.

A detailed requirements specification was issued; this led to ten potential suppliers, from which a short list was made. Following a series of on-site workshops using the short-listed vendor tools and careful analysis

of price-performance, the evidence and a decision pointed clearly to Avanon.

Specific Requirements

Strict alignment to Volksbank's pre-existing and management-approved group framework is essential, as is the capability to evolve as needed. A core component of the solution is the event database.

Pro-active risk and control self assessments are conducted across all business departments.

Transparent risk reporting is performed at the Group level and supports business owners, risk owners and the managing and supervisory boards.

Further key requirements include global administration of all data, document archiving to support internal and external audit, embedded notification features and true integration of all modules.

Global Delivery

Detailed testing was conducted prior to rollout across two designated pilot banks. Only minor issues were identified and quickly eliminated. After the successful pilot all modules were rolled out to nearly 30 legal

INDUSTRY

- Banking

LOCATIONS

- Headquarters in Vienna
- 30 branches across Austria
- 10 countries in Eastern Europe

PROJECT SCOPE

- Group-wide and integrated management of operational risk and internal controls
- Meet current Basel II requirements
- Establish the foundations for Basel II AMA

IMPLEMENTATION HIGHLIGHTS

- Significant latitude for parameterisation
- Production-ready in 6 weeks
- Roll-out to all group companies
- Unlimited users, currently > 1,000
- Strong support from senior management

BENEFITS

- Control of all key oprisks and controls
- Low total cost of ownership
- Consistent and well-structured

entities in 11 markets across the CEE region. The «train-the-trainer» approach enabled rapid and reach to all relevant users.

Avanon's Loss Tracking Module has served as a gateway to all other modules, for which the general handling is similar. Regular User meetings are used as a forum to raise issues, clarify misunderstandings discuss new requirements. Going forward, the Key Indicator Module will form the core of an early-warning dashboard.

Results

The top priority of the entire operational risk management process has been to optimize all processes that reduce the likelihood of negative events and limit the impact of those which do happen. Consequently, beyond the coverage provided for regulatory compliance, the solution also improves Volksbank Group structures and processes related to a pro-active risk control strategy. The Avanon System delivers the support needed to achieve this aim.



Avanon AG has developed and successfully delivered a solution for a wide spectrum of risk management disciplines since 1999. For many years the Avanon System has been widely recognized as a leading vendor by international market research firms. Avanon Solutions are deployed globally by financial services firms and industry.

The modular application supports consistent capture, monitoring and control of potential risks before the actual losses occur. The Avanon System is recognized as a leading application because of its well-designed integration of all functionality. A high degree of flexibility provides extended support for individual client requirements. The Avanon System can be deployed module-by-module or as a complete package, so allowing for incremental activation of functionality whenever it is needed.

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