

CASE STUDY

West Bromwich Building Society Implements Risk Integrated's System for Comprehensive Portfolio Risk Management



WEST BROMWICH
BUILDING SOCIETY

A building society with a large commercial real property portfolio completes the installation of the Specialized Finance System, to improve workflows and bolster risk analysis.

Risk Integrated, a consulting and technology firm focused on risk management for specialized finance, has installed the firm's Specialized Finance System (SFS) at the West Bromwich Building Society, one of the UK's leading building societies for commercial lending. This will further strengthen the risk management of its commercial real estate portfolio and help in assessing complex structures for new deals.

At a time of increasing regulatory and risk management pressures, West Brom Building Society is using the SFS to strengthen the quantitative analysis of credit risk, both for structuring new deals and in monitoring the portfolio's overall profile. This will help to improve profitability, allow senior management deeper insights into commercial real estate (CRE) deals for business planning and keep the bank firmly in line with the practices of the world's leading commercial real estate institutions. The SFS is now live after undergoing two months of testing with the Building Society, which chose the system above a number of competitors because of its comprehensive functionality, proven track record and readiness.

"Although experienced lenders have an intuitive understanding of how a deal's features will be reflected in the risk, it is difficult to always accurately assess the probability of default in complex CRE deals," says Mike Nixon, Managing Director of West Bromwich Commercial Limited. "Risk Integrated has given us the ability to quantify, for example, the extent to which hedging interest rates can reduce the probability of default. We expect these insights to be a major factor in the development of new business."



Yusuf Jafry, CTO, Risk Integrated comments, "It has been a pleasure working with West Bromwich Building Society– it has been such a smooth implementation. We will continue to support the Society and look forward to seeing it reap the benefits from further insight into the risk profile of the growing portfolio. In addition, this paves the way to meet the Advanced capital requirements for Basel II."

The project was implemented in four phases, with Phase 1 allowing the building society immediate access to the SFS via Risk Integrated's ASP web server. This allowed West Bromwich Building Society to test the SFS and quickly satisfy itself that Risk Integrated covered the needs of the Society.

In Phase 2 West Bromwich Building Society specified some minor changes to the system including customised graphs and a reformatting of the automatic credit committee report. In Phase 3 the enhanced system was installed in-house on the Society's servers and in Phase 4 the system is being linked to the Society's core banking systems for analysis of the live portfolio. The system will be supported through a multi-year maintenance agreement with Risk Integrated.

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About West Bromwich Building Society

The West Bromwich Building Society has been a mutual building society for over 150 years and is committed to staying that way. That is because, as a building society, we don't pay dividends to outside shareholders. This means that we are able to pass on more to our members. Our main objective is to deliver significant member value through the following:

- We distribute products and services through branches (over 50, primarily in the West Midlands), telephone and internet.
- We employ over 850 staff.
- We are the 8th largest building society and have assets of over £8.3 Bn.
- We demonstrate our commitment to mutuality in a tangible way. Last year we shared over £34 M with members through competitive mortgage and savings rates and extra Privileged Membership rate benefits to reward loyalty and the contribution of existing members to our success.
- We invest more than £500,000 each year in the communities we have grown from, through sponsorship and supporting community and grassroots projects.

About Risk Integrated

Risk Integrated is a consulting and software firm focusing on risk measurement for specialized lending including commercial real estate, project finance, object finance, commodities, and asset-backed securities. Our core product, the Specialized Finance System, is a complete, enterprise-level platform to assist financial institutions to quantify, manage and report their risks. Our objective is to give each client a clear, integrated view of their risk in structuring new assets and managing portfolios of thousands of assets. ■

