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## RAIFFEISEN ZENTRALBANK ÖSTERREICH AG | CONCEPT AND IMPLEMENTATION OF BASEL II

**Project background and objectives**

With total assets of about EUR 63 billion, Raiffeisen Zentralbank Austria AG, headquartered in Vienna and the country's third largest bank, is one of Austria's leading commercial and investment banks. At the same time, with its 15 network banks and two representative offices, RZB Group is today one of the top players in Central and Eastern Europe (CEE).

The technical and technological concept for RZB Group's implementation of the new Basel II regulatory requirements is being created and realised with the support of zeb/. The focus of the project lies in determining the amount of capital required for credit risk for the total international bank portfolio of RZB Group relevant for Basel II. All project results are being generated in the English language to enable international implementation.

**Project results and role of zeb/**

The project included three modules: "Technical and Implementation Concepts", "Data Warehouse Concept" and "Functional Integration" (cf. Fig. 1).

In the "Technical and Implementation Concepts" module, among other things, the following topics were developed with the support of zeb/ to become RZB Group standards:

- Technical and implementation concept of the risk weighted assets (RWA) calculation for the standard and international ratings based (IRB) approaches
- Technical and implementation concept of asset class segmentation for the standard approach, IRB approach and IRB retail approach
- Specification of requirements as well as development of approaches for a group-wide data pooling
- Technical concept for backup and stress testing in conformity with Basel II
- Technical concept for a loss/default database as well as optimised security calculation
- Technical concept for determining credit risk parameters (PD, LGD, EAD/CCF) in accordance with Basel II

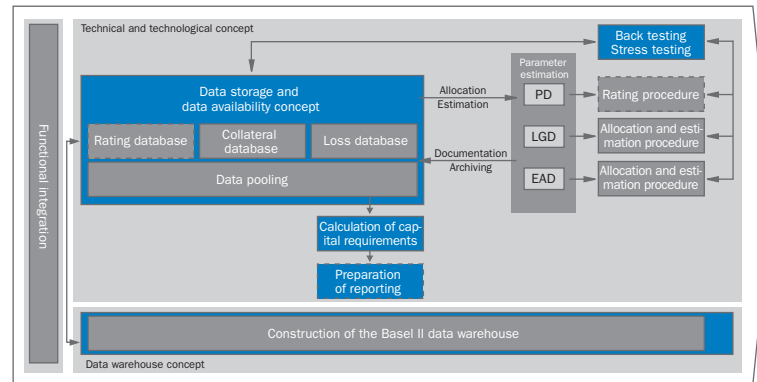


Fig. 1: Overview of project modules

In the "Data Warehouse Concept" project module, the requirements derived from and specified in the "Technical and Implementation Concepts" module were transferred into the data warehouse (DWH).

The construction of the logical data model and the requirements for the physical DWH of the Group including the specification of the interfaces from the operating systems into the DWH were determined as the most important results. Beyond this, Basel II database quality assurance workshops were implemented.

In the further course of the project, zeb/ was entrusted with the "Functional Integration" module as the central authority for technical questions across the project portfolio of the bank.

The technical support of the feasibility study for implementation of the Basel II computation module and the review of the Basel II master plan and rollout planning constituted the project focus at this phase. The ongoing coordination and clarification of open technical questions and questions related to supervisory regulations, as well as the running of Basel II trainings were also important issues to be addressed.

The presented, integrated approach and the linkage between work on internal and external requirements rank as the most essential success factors of this joint project. Working closely with zeb/ both ensured the technical consistency of project results and set the bank on the right course for a successful inspection by the banking regulators.

## Outlook

The technical and technological implementation of the Basel II calculation module is to be completed on the basis of a standard software solution, before the Basel II regulations come into force. Simultaneously the physical construction of the data warehouse and the linking of the DWH with legacy systems are being driven forward. Such an approach should result in a modern software solution for Basel II in RZB Group which forms an important basis for subsequent integration in the framework of value-based management of the bank as a whole.

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