KASTLE™ Asset Liability Management Delivers Quick ALM Success for Kotak Mahindra Bank

When Kotak Mahindra Bank wanted an asset and liability management solution to help improve efficiency and streamline its work processes; it chose KASTLE™ Asset Liability Management from 3i Infotech. The system is capable of both delivering quick results and providing valuable inputs for management decision-making process.

Highlights

- Significant reduction in time to process ALM data
- System allows comprehensive data analysis for decision-making
- Tools provide facility to identify risk factors and diminish threats
- Optimized workflow helps improve performance in all areas
- New solution helps bank gear for growth and excellence

Case Study

Overview

Kotak Mahindra Bank, a part of the Kotak Mahindra Group, one of India's leading financial organizations entered the banking business in 2003 after getting a license to carry on banking business.

The bank offers a comprehensive offering of retail and corporate banking, investment banking products, and life insurance services. Headquartered in Mumbai, India, the bank has a network of 77 branches across the country.

Efficient handling of assets and liabilities and managing risks are key profitability drivers in the financial industry. When prevailing interest rates are low and the 'spread' (difference between what the bank charges its borrowers and the rate at which they can borrow funds) is limited, profit growth must rely increasingly on business planning and forecasting. Kotak Mahindra Bank well understood this.

Challenge

As a new entrant into the highly competitive banking sector, Kotak Bank had to focus on finding efficiency across its operations to drive profitability and growth.

Before KASTLE™ Asset Liability Management, Kotak was finding it time-consuming to aggregate data for efficient Asset and Liability Management. It used to take four days to prepare a trial balance sheet and that meant losing a great deal of valuable time over a routine task. Therefore, the ALM performed by Kotak was very simple - putting cash flows of assets and liabilities in groups (time buckets) depending on their residual maturity profiles. However, the enormous size of the balance sheet data made it a difficult tasks to mange it in a spread-sheet.

The bank had to select a system that met its ALM requirements. It needed a solution that could process risk related MIS reports such as the Duration Analysis Report (to reckon the risk interest rate shifts pose to the market value of equity); Rate Shock Report (to measure the impact on the net interest income in an interest rate change scenario); Scenario Analysis Report (to perform Monte Carlo Simulations and present impact on NII at different scenarios of interest rate changes).

Solution

After evaluating other systems, Kotak settled for KASTLE™ Asset Liability Management (formerly called PINNACLE) from 3i Infotech. It was a well- developed product backed by an impressive list of customers using it.

3i Infotech handled the project in a phased manner. Phase one featured Gap Analysis, which included structural liquidity gap analysis and interest rate sensitivity gap analysis, regulatory reporting and other supporting reports. This phase was completed and signoff received in July 2004.

In phase two of the project, the bank implemented other ALM tools such as Duration Gap Analysis, Economic Value Analysis, Rate Shock or Earning at Risk Analysis, and Scenario Analysis among others.

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Benefits

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KASTLE™ Asset Liability Management performs various ALM analyses with greater accuracy. Reduced manual intervention has also contributed towards this end.

Following the implementation of the system, the bank is better able to utilize its resources and can respond more rapidly to business issues. These improvements are a key advantage in a banking environment of fast-paced change and helps Kotak Mahindra manage its business proactively.

The system offers multiple ALM tools to analyze data to arrive at a trade-off between economic and earning perspective

About 3i Infotech

3i Infotech (www.3i-infotech.com) provides software products and IT services for the Manufacturing, Retail & Distribution; Banking, Financial Services & Insurance (BFSI); and Government verticals. The Company is SEI CMMI Level 5 compliant for its Software Services and ISO 9001:2000 certified for its IT Infrastructure and BPO Services.

By using its domain knowledge and through continuous investment in technologies, 3i Infotech Limited helps corporations in their businesses through its expertise in enterprise-class software solutions, software services, information security consulting, system integration services, IT infrastructure and Disaster Recovery solutions. 3i Infotech services over 600 customers in more than 50 countries across five continents.

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