



CASE STUDY

East West Bank's 'Financial Transformation Program' Underpinning its Growth Strategy

East West Banking Corporation (East West Bank), a universal bank in the Philippines that provides a wide array of products and services to retail customers and mid-market corporate customers, developed the 'Financial Transformation Program' in order to support its growth strategy. To deliver on the vision, East West Bank chose Wolters Kluwer Financial Services' integrated risk, finance and compliance platform. The implementation of this software suite has led to improved data quality, shorter period closing times, cost reduction, and better management analysis and decision making.

East West Banking Corporation (East West Bank) is a universal bank in the Philippines that provides a wide array of products and services to retail customers and mid-market corporate customers. East West Bank's principal banking products include Consumer Loans, Deposits, Corporate Banking, Treasury and Trust products and Cash Management Solutions, among others.

Keeping in view its target to grow its overall presence in retail branches nationwide and its loan portfolio, East West Bank initiated a challenging project entitled 'the Financial Transformation Program'. The objective of the Program was to have a single, integrated platform for all enterprise risk and financial management and reporting needs.

East West Bank envisaged that the system would provide a universal and central view of the bank's risks and financials, and offer a central repository of the bank's risk and financial data. In addition, the software would serve as a financial platform to support the bank's initial requirements of a general ledger with multi-dimensional attributes, profitability & MIS, Basel, regulatory, and management reporting.

Ideally, the selected solution would enable the bank to use the existing system for other management, reporting and compliance requirements such as consolidation, IFRS and event-based accounting, and RAROC. Finally, the bank wanted a platform with tools that offered flexibility to allow it to manage and support the system internally.



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East West Bank is rapidly expanding organically and through acquisitions and mergers with other banks. This rapid growth compelled the bank's Information Technology team to re-evaluate its existing infrastructure and IT systems.



The team identified that the required solution had to have the ability to match the bank's current data volume and be able to handle significant increase in data volume as it continues to grow its branch network.

Broadly outlined, the solution would have to:

- reconcile data from over 10 different source systems run on a variety of platforms ranging from Sybase to Oracle
- be flexible enough to handle and configure data enrichment and data cleansing rules
- process hundreds of thousands of transactions daily
- prepare dozens of regulatory report extracts
- calculate Capital Adequacy Ratio
- be fully scalable to support expansion.

The project kicked off with the implementation of Wolters Kluwer Financial Services' general ledger solution, a component of their Finance module. This solution is supported by a solid foundation, built on a financial data architecture that handles both risk and financial data, and provides the bank with timely, granular and more accurate reporting.

For the purposes of internal reporting requirements, accounting reports are generated dynamically based on bank-specific reporting structures. This internal reporting comprises information on the bank's net income, sub ledger and trial balance for the bank's senior management, financial management group, and accounting. From this ledger, tax reporting and financial statements for multiple GAAPs are generated automatically.

Working with its local partner in the Philippines, Total Information Management Corporation (TIM), Wolters Kluwer Financial Services jointly implemented the solution ensuring there was localized support for EastWest Bank, with TIM also serving as Wolters Kluwer Financial Services' development partner for additional regulatory reports for the Bank.

Having a central repository for risk and financial data meant that the solution could interface with over 10 source systems from various business areas – further strengthening the bank's initial belief in a single source of information.

The second phase of the project concerned the implementation of regulatory reports including Bangko Sentral ng Pilipinas (BSP) and Financial Reporting Package (FRP), Performance Management (MIS), and internal and external risk reporting (Basel) elaborating on the solid foundation that was put in place during the first phase of the project.

"With Wolters Kluwer Financial Services' solution suite, we have ready access to all of our bank's risk and financial information, all from a single version perspective. This makes us better equipped to realize our strategies and plans, and we can honestly say that we have taken a more competitive stance. As seen from the dedication and knowledge of their experts and implementation team, we are truly glad to have partnered with Wolters Kluwer Financial Services."

Rene De Borja, CFO, EastWest Bank



Wolters Kluwer Financial Services' solution suite is at the very center of EastWest Bank's back office, from initially supporting 500 users to serving over 1,000 Finance, Risk, and Compliance users, and users in 325 branch stores spread throughout the country. The implemented solution has improved the workflow and efficiency of the accounting division by reducing period closing times by close to 400%¹ and incorporates automatic email notifications for exceptions, allowing more focus on analysis and controllership.

Integration of Finance, Performance Management (MIS), Risk Systems and Regulatory Reporting in a single reconciled environment reduces the disparity of information currently extracted and consequently, reduces significantly the need for reconciliation.

EastWest Bank also benefits from seamless compliance with Basel Accord and IFRS requirements via Wolters Kluwer Financial Services' Regulatory Update Service (RUS) – a subscription-based service incorporated into its regulatory reporting solution, and maintained by our team of experts. It ensures

that our solution is kept up to date with the on-going changes in regulation and local requirements on a continuous basis, minimizing risk of non-compliance and the associated cost to stay up-to-date.

Overall, Eastwest Bank has a solid solution that is flexible to cater for current and future requirements for the complex and detailed reporting required by EastWest Bank senior management for business planning, and by the BSP for compliance. The solution also has the flexibility to support new products and to interact with other internal/external systems and is based on a common architecture and best practices across international operations.

Other benefits include automated validation and reconciliation between ledger and sub ledger for internal reporting, automated calculation of the BSP supervision fee, as well as Gross Receipts Tax and PDIC Insurance, and better quality reporting in preparation for listing on the Philippine Stock Exchange. Another benefit is the journal enrichment which automatically balances the journal at Book, Branch and Currency levels thereby eliminating reconciliation of imbalances.

Wolters Kluwer Financial Services' solution offers complete data transparency for risk management, finance, regulatory reporting and performance, taking multiple, disparate data sources into an integrated centralized data architecture. East West Bank implemented the following:

- Accounting:

- Combined ledger approach (sub ledger and general ledger)
- Accounting generator
- Journal entry
- Year End cleardown
- FX revaluation
- Reconciliation engine

- MIS

- Profitability
- Cost allocation
- FTP
- Management accounting
- Budgeting & Forecasting

- Risk and capital management

- Basel II
- ALM: interest rate risk, liquidity risk, cash flow engine

- Reporting:

- Regulatory reports: Bangko Sentral NG Pilinas (BSP), Financial Reporting Package (FRP), and Capital Adequacy Ratio (CAR)
- Basel II
- Management reporting and ad-hoc reporting building & BI analysis

“The automated validation and reconciliation, the different automated risk and finance calculations, as well as better data quality and complete data transparency across different departments provides us with more time for analysis and sound decision making.”

Rene De Borja, CFO, EastWest Bank

¹ Based on v3.0 processing time of 765 mins to v4.0's 195 mins



About East West Banking Corporation

East West Banking Corporation is a subsidiary of the Filinvest Development Corporation (FDC), one of the largest and well-established business conglomerates in the country. FDC, established in 1955, is identified with the Gotianun family and, aside from banking, its business interests include real estate, sugar, hospitality and tourism, and power generation.

Awards:

- 2012 Best Performer in Visa Classic Cards-in-Force Growth in the Philippines
- 2012 Best Performer in Visa Classic Transaction Number Growth in the Philippines
- 2012 Best Performer in Visa Classic Payment Volume Growth in the Philippines
- 2012 Best Performer in Visa Debit Transaction Number Growth
- 2012 Best Performer in Visa Debit Cards in Force Growth.

About Wolters Kluwer Financial Services

Whether complying with regulatory requirements or managing financial transactions, addressing a single key risk, or working toward a holistic enterprise risk management strategy, Wolters Kluwer Financial Services works with more than 15,000 customers worldwide to help them successfully navigate regulatory complexity, optimize risk and financial performance, and manage data to support critical decisions. Wolters Kluwer Financial Services provides risk management, compliance, finance and audit solutions that help financial organizations improve efficiency and effectiveness across their enterprise. With more than 30 offices in 20 countries, the company's prominent brands include: AppOne®, ARC Logics®, AuthenticWeb™, Bankers Systems, Capital Changes, CASH Suite™, FRSGlobal, FinArch, GainsKeeper®, NILS®, TeamMate®, Uniform Forms™, VMP® Mortgage Solutions and Wiz®. Wolters Kluwer Financial Services is part of Wolters Kluwer, a leading global information services and solutions provider with annual revenues of (2013) €3.6 billion (\$4.7 billion) and approximately 19,000 employees worldwide.

Please visit our website for more information.

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