



Private Banking

#### Industry

Banking

#### Business Issue

Retain customers offering an attractive portfolio without surprises

#### Solution

SAS® solution for Risk Management

#### Benefits

Dexia BIL improved risk management, offers its customers a strong portfolio and daily monitors portfolio performance



"Using SAS, business experts can better simulate market evolutions and fine-tune portfolio composition."

**Bernard Herman**

Managing Director for Operations and Markets at Dexia BIL

*The Power to Know®*

## Closer monitoring of asset portfolios

### SAS helps bank improve management of securities

Controlling risk is the primary challenge for every institution offering private banking services. A top priority at Dexia BIL is to continuously fine-tune risk management. Doing so helps this Luxembourg-based bank deliver the return that clients expect on their investment. SAS plays a double role in meeting this objective: it helps compound strong portfolios and it closely monitors the evolution of asset performance. The application has helped the bank achieve greater control over both portfolio risks and returns.

In private banking, providing an attractive asset portfolio is absolutely essential for retaining clients. This sophisticated clientele looks for portfolios that provide the return on investment they expect, without any unwelcome surprises. At Dexia Banque Internationale à Luxembourg (BIL), that is exactly what SAS helps them achieve. It assists investment experts in putting together attractive portfolios and supports client advisors by monitoring performance evolutions.

#### Greater control over risks

The SAS-based solution at Dexia BIL continuously monitors all risks related to client assets. It keeps track of portfolio performance from day one and indicates all variances from expected evolutions. The application carries out both ex ante and ex post calculations, monitors the daily volatility of securities, and keeps track of changes in market trends. The measured performances are plotted against a median in order to highlight gaps. If the performance of a client's portfolio is disappointing, the SAS application generates an alert. A signal is then automatically sent to a client advisor, who can directly access all client data in order to work out corrective actions.

"The system aims to provide maximum transparency to clients regarding their

portfolio's performance," says Bernard Herman, Managing Director for Operations and Markets at Dexia BIL. What return can they expect? Why was a certain performance not achieved? What actions were undertaken to improve it? Using the figures reported by SAS, client advisors can provide clients with timely and accurate answers to these fundamental questions.

#### Picking the right portfolio components

"The daily track record SAS provides on portfolio evolutions is a key element in the decision making of our client advisors," continues Herman. "Both the ex ante and ex post volatility reports generated by SAS are extremely valuable. They provide indications on whether our approach is correct or not. They also indicate whether the risks taken are in line with the bank's overall strategy."

The SAS application enables the revision of the composition of portfolios, if necessary. It helps investment experts assess all of the key portfolio components and calculates which securities should be bought and which are better sold. It selects securities from an extensive database, based on parameters that are pre-defined by the bank. Model portfolios can also be simulated by business experts to test new strategies related, for instance, to risk management or currency trends. The tool enables new portfolio structures to be fine-tuned in line with corporate targets.

#### Monitoring service quality

The software is a daily working tool for 120 client advisors, who use it to monitor portfolio performance. It is also used by a dozen risk control managers. The application plays a major role in helping differentiate Dexia BIL from other banks by positioning it as an institution that has greater control over portfolio risks and performance.

"One of the key objectives of the IT system implemented at Dexia BIL was to improve the financial management of the bank's portfolios," explains Herman. "The system had to allow for a discretionary management of individual client portfolios, but at the same time be open to the data of about 10,000 customers. And it had to foster a more personalized relationship between the client advisor and the client."

Statistics are kept on the number of alerts that were triggered and on the actions undertaken, as well as by whom. In this respect, the application provides valuable feedback on staff efficiency and on how well clients are helped and kept informed. The reports also keep track of the initiatives taken by client advisors, including their telephone calls to customers. These reports also form a basis for auditing and quality monitoring purposes. Moreover, the system helps Dexia BIL in complying with regulations related to accountability and decision tracking.

#### **In line with strategic adjustments**

The implementation of the SAS software is aligned with a large scale project undertaken at the bank. Called Vision, this program aims to redefine the role of the client advisor and to develop a commercial strategy that better meets client needs while further optimizing risk control.

When it set out to look for the best application to support its Vision program, Dexia BIL took a close look at three systems. "We obviously had a number of key requirements," recalls Herman. "We were looking for a tool with an extensive library of robust statistical applications. Reliability was another essential parameter. I am happy to say that the risk of errors is extremely limited in a SAS environment. Given the nature of our business - which is strongly based on statistics - we needed to be absolutely certain that our reporting system does not give us any surprises in terms of errors. In addition, we were looking for a system capable of being continuously adjusted to the evolutions of our Vision program. SAS offers exactly that, thanks to its modeling features and the calculating power of its engine."

#### **Minimizing surprises**

Because the risk evolution is now monitored daily, clients feel more confident regarding the risks they are taking. The new system provides them with greater guarantees regarding what they can expect. What's more, they know that, as soon as the return on their portfolio does not attain a certain level, a client advisor will discuss the situation with them. All these elements have contributed to strengthening client loyalty towards the bank. And have turned SAS into a valuable asset all on its own.

#### **About Dexia BIL**

The history of Dexia Banque Internationale à Luxembourg goes back to 1856. The bank offers a wide range of services in the areas of private banking, fund services, asset management, financial banking, and commercial banking. It is part of the Dexia Group, which is a top three value of the Euronext 100. Dexia BIL intends to have EUR 50 billion of private banking assets under management by 2006.

#### **How Dexia BIL benefits from SAS technology**

- Faster compounding of strong portfolios
- Easier portfolio simulations by investment experts
- Daily monitoring of portfolio performance
- Greater awareness of performance gaps
- Improved risk management
- Helps monitor quality of staff interventions



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