



Business & Decision



Fortis Lease

Industry

banking & finance

Business Issue

Meet the need for complex financing solutions across borders and stay in line with Basel II regulations

Solution

SAS® Credit Risk framework

Benefits

The new framework allows to meet internal deadlines more efficiently and to stay perfectly in line with Basel II requirements.



"The SAS Credit Risk Framework deployed by Business & Decision allows us to measure and manage our risk data faster and more accurately. And this fully in line with both the Basel II accord and our pan-European scope."

Peter De Neef

Risk Manager at Fortis Lease

The Power to Know®

Improved risk management intelligence

SAS and Business & Decision enhance fine-tuning of pricing strategy

Companies are increasingly investing across borders throughout Europe. This brings with it a growing need for complex financing solutions. To meet this demand, Fortis Lease adopted a European customer and risk management strategy based on uniform international prices and pan-European account management. Such a strategy entails vast quantities of data, which Fortis Lease wanted to centralize and optimally exploit. The company also had to be fully in line with the Basel II regulations implying more complex risk measurement and transparent reporting. The SAS Credit Risk Framework presented the ideal answer and was rapidly deployed by SAS partner Business & Decision Benelux. Employees can now quickly consult key figures in preprogrammed reports. They can also make up their own reports through the user-friendly Web interface. The reporting system is now far more efficient. It even opens up new management possibilities to further improve the company's strategy.

Pan-European approach

Fortis Lease, a major European provider of financial leasing solutions, helps companies invest in professional equipment. Buildings, cranes, vehicles, and machinery are just some examples of the scope of their investments. In recent years, both their existing and potential customers have increasingly explored new opportunities beyond traditional national borders. Fortis Lease saw the opportunity and developed a pan-European service strategy.

"Wherever our customers are doing business, we want to offer them a complete package of solutions, coherent account management and a uniform pricing and guarantee policy", explains Peter De Neef, Risk Manager at Fortis Lease. "If a French crane

builder produces in Poland and sells through offices in, for instance, Spain, Italy and Belgium, they do not have to present their investment plan in each country. We offer them a single relationship manager that deals with all of their needs, nationally as well as internationally. This way, they only have to tell their story once." Fortis calls this their 'Act as One' strategy. But it is only possible when every Fortis Lease employee, whether in Belgium or abroad, has access to the same information. The data structure therefore needed to be redesigned accordingly.

In line with Basel II

The need for change was also driven by external factors. Fortis Lease not only wanted their new data structure to match their pan-European scope, they also needed it to be Basel II-compliant. By year-end 2006, financial institutions will have to comply with the new Basel II regulations. This means, among other things, that credit providers will have to report more frequently and more transparently to their stakeholders. Ultimately, this increases the need for a more automated and detailed reporting system.

"Basel II also enforces us to revise our global risk measurement by estimating the default probability of our debtors as well as the loss ratio of our assets", notes De Neef. "These estimates are also used to fine-tune our pricing strategy. Our data structure and data sets therefore needed to be adapted in order to be more complete. New functions were also required to turn these data into intelligence."

SAS framework supports new strategy

The implementation of a new reporting system to comply with the Basel II regulations and to support the pan-European strategy demanded expert advice. Fortis Lease joined forces with

SAS and their partner, Business & Decision. "We considered three expert companies in the field of IT integration", says De Neef. "The combination of SAS and Business & Decision came out a clear winner. They had the best overall score on key criteria such as management, processing and presentation of data. And they could start the project immediately."

The project was finished on time and within budget. Business & Decision implemented the SAS Credit Risk Framework and centralized all the credit-related data onto a single server in Belgium in only four months time. "The data is accessible to all of our colleagues in France, Germany and the Netherlands. The framework is Web-based so they can access all the information they need in just a few mouse clicks," adds De Neef.

Rapidly available information

With the new Credit Risk Framework in place, Fortis Lease employees spend a lot less time making up monthly reports. They can now find all the information in standardized documents. "Every month we have to measure and report specific figures and numbers", says De Neef. "How much outstanding debt a customer has and the amount of economic and regulatory capital required are just some examples. Thanks to SAS, we just select a report and click, and we immediately get the data, along with the necessary graphs and tables.

This time saving has also made it possible for Fortis Lease to start its 'Project 15', which aims to provide all necessary management reports within 15 days after the closing of a month. "Our new framework allows us to meet our internal deadlines more efficiently and to stay perfectly in line with Basel II requirements," declares an enthusiastic De Neef.

Improved risk management

The new Credit Risk Framework also allows country and financial managers to generate customized reports by submitting their own queries. This opens up a whole new array of management possibilities. De Neef observes that the project has given them much better insight into all the data they have in storage and how they can use it to better evaluate their pricing strategies. "For instance, we can now analyze how many clients with a weaker rating still have outstanding payments for leased assets with a poor resale value. This is very valuable information. We use it, for example, to steer the inflow in our portfolio, to adjust our provision policy, to refine our pricing strategy and to improve our overall risk management," explains De Neef.

The future is open

In the near future, the new Credit Risk Framework will also be used as a simulation tool. Fortis Lease intends to use it to evaluate how the purchase or sale of a new portfolio of items will

affect the return on required equity (RORE) of the company. This information gives them the opportunity to improve their own profitability. The framework is also perfectly scalable. At present, only the offices in Belgium, France, Germany and the Netherlands are connected to the centralized database. But in the future, the Fortis Lease offices in Spain, Italy, Luxembourg and the United Kingdom can easily be added. The framework is not only able to follow the Group's growth, it also helps Fortis Lease better prepare for the future.



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