

OPTIMIZING RISK VERSUS RETURN

Vast amounts of market data from various sources. Similar products described differently by various entities. Information delivered in different formats. In such an environment, making asset and liability management (ALM) reports becomes a very time-consuming process. Unless the proper tool is at hand. SAS provided Fortis Bank with the right building blocks for a consolidated ALM risk management application.



Industry

Banking

Business Issue

Timely and accurate data analysis on assets and liabilities

Solution

SAS® Risk Management

Benefits

1. Fortis now has a flexible framework containing risk management best practices; data structures, models, analysis and reporting
2. Multi-user: various users can work in parallel using up to date information
3. Modular: the solution is easily expandable by users
4. User friendly: the graphical user interface makes the tool easy to use
5. Quick and easy access to information on the valuation and risks enables efficient monthly ALM reporting

SAS IMPROVES EFFICIENCY OF ALM REPORTING AT FORTIS BANK

Risk management is key

Fortis Bank is a leading Benelux-based financial services provider. Since its inception, Fortis has grown considerably through organic growth as well as through strategic acquisitions. Risk management has played a significant role in this expansion. This key support function has helped foster sound development across both business units and various national boundaries.

Asset and liability management (ALM) is part of the investment department. It focuses on managing structural risks in interest rates, equity, and liquidity in order to optimize risk versus return. Assessing such risks calls for clear and detailed reporting. However, it had reached the point where this was becoming ever more complicated within Fortis Bank.

Setting the basis for frequent risk reporting

Fortis Bank's widespread activities have created a very complex inflow of information. "Market data, product descriptions, cash flow data, and other necessary information reached us from various sources and in different formats," explains Benny

Degraeuwe, Head of Asset and Liability Management at Fortis Bank. "Making an ALM risk report based on such heterogeneous information proved to be a very time consuming task that limited us to ad hoc reporting. But management expects ALM reports regularly, on a monthly basis, taking into account all optional features of different products. To adhere to this call for transparency and completeness we needed a new and improved ALM risk management system.

One that is equipped with a reporting tool that gathers all necessary data and that enables us to create risk reports for all assets and liabilities, both consolidated and per entity."

Improved efficiency with a robust reporting tool

"We immediately contacted SAS," Benny Degraeuwe continues. "We have wide experience with SAS within the bank and have excellent internal support for its software. But more importantly, the SAS ALM solution has a modular structure, making it easy to expand the system with new modules. SAS also enables multitasking - information from various sources can be processed in parallel. In addition, SAS is extremely user friendly.

SAS ALM enables Fortis Bank to report on the valuation and risks of all assets and liabilities on an efficient monthly basis.

“SAS proved to be the right partner for realizing a consolidated ALM risk management application. Their reporting tool provided our system with the necessary robustness and flexibility we were looking for.”

Benny Degraeuwe

Head of Asset and Liability Management
Fortis Bank

For instance, compared to the previous ALM risk management system, the user/analyst no longer needs to program in a code to tailor an interest rate risk report. All of these characteristics combine to create a robust system with reliable performance.”

Working in parallel with constantly updated data

SAS ALM also adds flexibility to the application. It is a perfect combination, according to Benny Degraeuwe.

“Our first ALM risk management system could only be used by one person at a time. Today, multiple users can make various reports simultaneously. Each user is guaranteed up-to-date information at any time. Needless to say, the new system frees up an enormous amount of time.”

More time for structural risk analysis

SAS brings vast efficiency to the ALM reporting process. Today, ALM employees at Fortis Bank only need a few mouse clicks to generate such things as a duration or a value-at-risk report. “The system collects all of the necessary data, applies the correct calculation method, and presents the user with a transparent report. And there is more. All information is easily exported to, for instance, Excel where we can perform additional analyses,” says Benny Degraeuwe. “Thanks to such improvements, we now have more time available for thoroughly analyzing and interpreting the data itself.”

Users convinced from the start

Initially, the users were reluctant to change from the ALM reporting system they were used to. After the project was concluded, however, all analysts were very enthusiastic about the application. “During the project, the users were closely involved in the various testing phases,” notes Benny Degraeuwe. “The combination of full documentation and training sessions presented by the SAS project staff ensured that all users developed a thorough insight into how the system functions. This has greatly improved their confidence in the system. They are convinced that the new solution provides them with all the accurate information they require. And this in a user friendly and efficient manner.”

Prepare for the future

Today, the consolidated ALM risk reporting application generates reports on the valuation and risks attached to all assets and liabilities of Fortis Bank. This can be carried out using current market conditions as well as various stress tests. “Currently, this information is only accessible for ALM employees at Fortis Bank Brussels. But in the future, the tool will also be applicable across national boundaries. It is easily expanded, giving all ALM employees access to up-to-date ALM information - anytime, anywhere,” asserts Benny Degraeuwe.



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