



Kasinathan Kasipillai
Chief Risk Officer

GOING BEYOND BASEL II COMPLIANCE

SAS® helps AFFINBANK build stronger competitive edge through better risk management practices

■ Industry

Banking

■ Business Issue

Integrate risk management procedures and comply with Basel II Accord.

■ Solution

SAS® Enterprise Risk Management.

■ Benefits

Met the Basel II deadline (January 2008) ahead of schedule. Able to offer better risk management practice via better knowledge of their customers' portfolio. Also able to offer risk-adjusted pricing to their customers.

Incorporated in 1975, Affin Bank Berhad (AFFINBANK) is a wholly-owned subsidiary of Affin Holdings Berhad, which is listed on Bursa Malaysia. With a network of 82 branches nationwide, the bank serves both retail and corporate customers.

AFFINBANK's business units comprise Enterprise Banking, Consumer Banking, Treasury and Hire Purchase. While Consumer Banking provides credit cards, personal loans, mortgages and deposit-taking services to individuals, Enterprise Banking is the primary unit and complements the other business units. In addition, AFFINBANK has an Islamic banking subsidiary, Affin Islamic Bank Berhad (AFFINISLAMIC) that offers a complete range of Islamic banking products and services encompassing the areas of enterprise and consumer banking.

Driving an evolution through Basel II

The Basel II framework seeks to increase financial stability by better aligning a bank's regulatory capital to actual risks. Banks' processes are supervised with Basel II, and banks with a lower risk profile are rewarded.

In an effort to comply with the Basel II mandate that governs the computation of the capital adequacy ratio set by the Central Bank of Malaysia, AFFINBANK saw a parallel opportunity to support its recent re-branding vision 'Banking Without Barriers™.'

AFFINBANK Chief Risk Officer Kasinathan Kasipillai says, "AFFINBANK

constantly endeavors to better service its customers, while maintaining good management of its banking strategy and operations."

In compliance with Basel II, AFFINBANK implemented a SAS enterprise risk management solution and integrated its risk management procedures, which had previously been separated from the business lines.

According to Kasipillai, an obvious reason to incorporate SAS solutions was SAS' proven solution expertise in working with more than 430 banks worldwide, as well as its local reputation for its highly customized solution.

"There is no doubt that AFFINBANK is a small bank with its own peculiarities such as internal reporting requirements and data structure; yet we do not want to settle for anything less than a world-class solution that can scale according to our expansion. SAS is a powerful tool but yet is able to give us a big advantage for being so uniquely flexible," says Kasipillai.

Emerging as a winner

While AFFINBANK was not one of the first among the local banks in Malaysia to start on Basel II initiatives, it has emerged as a leading bank in meeting the Central Bank's deadline ahead of schedule.

Kasipillai shares, "The Basel II deadline was looming close and other banks had already begun implementation, but we thoroughly researched on Basel II's importance and benefits to ensure that we

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have the right team that would be able to align the standards to the bank's visions.”

The effort paid off. Not only did AFFINBANK find the right team in SAS Malaysia but with admirable teamwork and cooperation from both sides, AFFINBANK's Basel II implementation was completed ahead of schedule.

“People talk about having the first mover advantage. But in the race to be Basel II-compliant, AFFINBANK was able to benefit greatly from SAS' expertise and prior experience of having worked with other banks globally. As a result, we managed to avoid many implementation pitfalls,” says Kasipillai.

“We emerged a winner, as the implementation process with SAS was remarkably swift, and we are well ahead in establishing a true Basel II culture at AFFINBANK.”

AFFINBANK is at the first stages for both credit (standardized approach) and operational (basic indicator approach) risk

management. For credit risk, there are plans to adopt the second stage (internal ratings based models) over time. As clean and verifiable data is critical to corroborate the soundness and predictive qualities of these rating models, AFFINBANK has started to work on more stringent data requirements for this progression.

Better risk practices

AFFINBANK's Basel II project was not only initiated as a regulatory exercise, but to drive better risk management as a fundamental management technique toward better banking practices and business effectiveness.

The big SAS advantages are its data integration, metadata management, user authority management and credit/operation risk reporting capabilities that are fused within a single platform.

“With these, SAS was able to provide AFFINBANK with comprehensive risk-related reporting capabilities to meet both internal

management and Basel-related reporting, as well as solid justifications to set the bank's strategic and operational directions,” says Kasipillai.

With the extremely versatile, insightful and useful SAS reports extracted from a singularly integrated database, AFFINBANK gains an enhanced risk management capability that better translates our loan losses records and patterns in order to formulate sound business and credit plans and policies that are no longer based on gut feel.

On the consumer front, AFFINBANK will gradually remove the boundaries set by the conventional risk management policies in selling and serving its customers.

“We can now look to have better knowledge of our customer portfolio, which we can manage more proactively and profitably – by offering risk adjusted pricing to our customers – for a more personalized and engaging relationship,” says Kasipillai.



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TO KNOW.**

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