

Credit Risk Management

PT Bank Internasional Indonesia Tbk moves towards Basel II compliance, by using Credit Risk Rating Platform

actico
Smarter Decisions

Success Story

Goals

- Implement a credit rating system that meets the requirements of Basel II – IRB Approach
- Achieve efficiency in business process and output accuracy

Leading the way towards the future

PT Bank Internasional Indonesia Tbk (BII) is one of the largest banks in Indonesia with an international network that comprises 422 branches and over 1,500 ATMs across Indonesia.

BII envisaged replacing their existing risk rating system with a robust and flexible software solution to meet the growing needs of its business. The new desired system should establish a foundation for the bank to build rating models which meet the Basel II IRB guidelines.

In order to induce efficiency in their business processes, BII also wanted to incorporate workflows around automated risk ratings.

Business Drivers

One of the major drivers was to have a centralized automated rating system, including collateral and risk data enhancements which are part of the risk data management system to support calculation of risk weighted assets in accordance with the Internal Rating Based Approach. This system should be agile, flexible and dynamic enough to implement current and future requirements of the industry as it grows in Indonesia and other regional markets.

The BII management wanted to substantially improve efficiency in the process of credit rating with a high level of accuracy. For business owners and the IT department, choice of technology was to be made in such a way, so as to require the least efforts in development and ongoing maintenance.

Being a business critical application, a high level of business and IT cooperation was also desired by the management.

Another important feature which was required from the system was simulation capabilities to determine portfolio behaviour to changes in market parameters. This is required to effectively hedge portfolio risk against economic factors.



BII wins Risk Management Award

For its Centralized Credit Risk Rating System PT Bank Internasional Indonesia Tbk has been awarded the Risk Management Award at the Financial Insights Innovation Awards 2014. Organized by IDC Financial Insights, the annual Financial Insights Innovation Awards recognize and honor innovations that achieve specific business objectives set by financial services institutions in Asia-Pacific.

Technology selection and kick off

Based on the drivers of this project, the BII management selected the Credit Risk Rating Platform from ACTICO, which is based on the ACTICO Rules technology. The powerful solution offers a robust, scalable and centralized platform, with end-to-end risk assessment process support. The project team was constituted and stakeholders were aligned in October 2011.

As the Credit Risk Rating Platform empowers business users to independently manage their credit risk rating models, a team consisting of business and IT owners was formed. This approach provided the team with the ability to quickly master the entire lifecycle management of rating models, which results in dramatically lower TCO and efficiency.

Solution

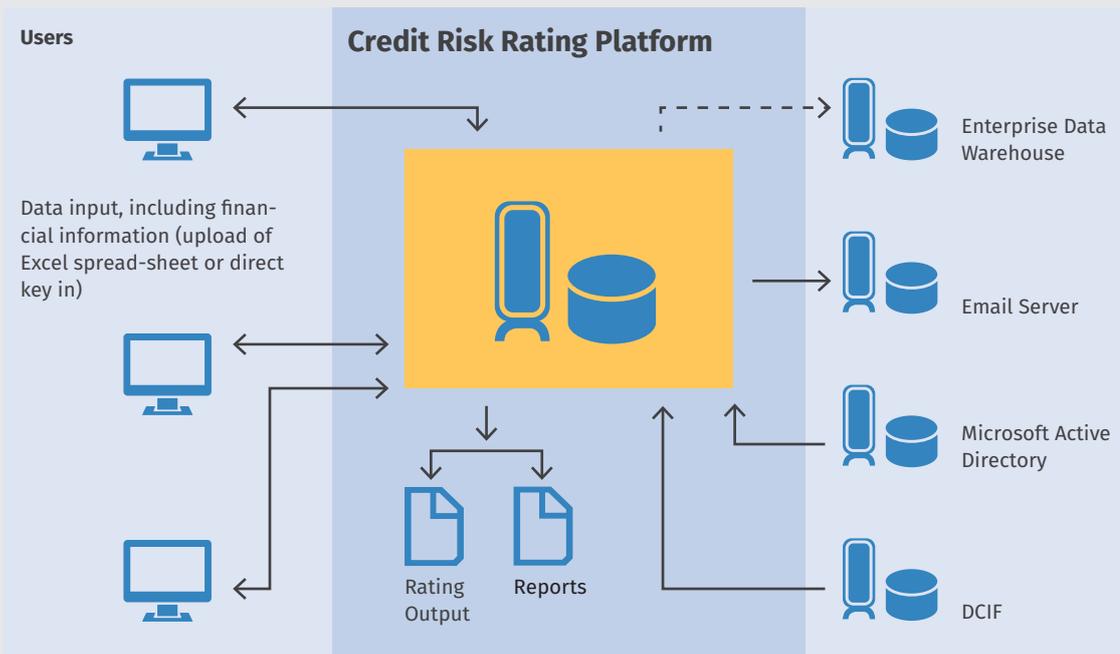
ACTICO implemented the Credit Risk Rating Platform solution which incorporates bank-specific scorecards for corporate and retail segments. Key features of the solution are:

- Credit rating model development and definition for corporate and retail segments
- Incorporation of workflows(s) for the rating approval process
- Generation of data for credit rating approval reports and credit portfolio related reports
- Audit reports and rating model versioning
- Batch processing of PD, EAD and LGD
- Calculation for the retail segment

While the business logic is modelled using ACTICO Rules, the user interface is dynamically generated using a Dynamic Application Framework. This solution supports multiple data input facilities including manual data input and an Excel upload for financial statements. It is seamlessly integrated with the enterprise IT architecture to extract data required for scorecard calculations and to provide rating data to the bank's enterprise data warehouse.

Benefits

- Automated credit assessment process
- Transparent credit risk rating process for corporate loans
- IRB Approach implemented in shorter time duration
- Portfolio simulation capabilities



CRRP is capable of performing simulation with respect to changing market parameters. This leads to better risk management for the Bank.

Intelligent workflows enable faster turnaround time for application processing.



"Besides providing the technology, ACTICO also transferred adequate knowledge to empower us for making amendments in the application, based on user needs. The service, to respond to all problems, is reliable and formulated in clear and detailed Service Level Matrix. It truly helps us to enter the next level of Credit Risk Rating with Basel – IRB Compliance to expand more on loans with risk based selections."

Leonardi Widjaja

Senior Vice President, Head of Basel and enterprise risk management, PT Bank Internasional Indonesia Tbk



"Graphical implementation of risk models was a unique proposition that came with ACTICO' solution. It is simple to create, manage and maintain risk models in ACTICO Rules. This approach not only provides better visibility of the risk models but also provides us better control of processes. Improved business-IT collaboration due to a graphical approach led to agile development for this project."

Ariffin Morad,

Senior Advisor, Basel and enterprise risk management, PT Bank Internasional Indonesia Tbk

About PT Bank Internasional Indonesia Tbk

PT Bank Internasional Indonesia Tbk (BII) is one of the largest banks in Indonesia with 422 branches, including Syariah branches and overseas branches, and 1,524 ATMs. The bank provides a full range of financial services and is active in

business, retail and global banking. BII was established in 1959. It is owned by Malayan Banking Berhad (Maybank), Malaysia’s largest bank and financial group, and listed on the Indonesia Stock Exchange (BNII).

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ACTICO is a leading international provider of software solutions and technologies for decision management.

In a digital world it is necessary to process large volumes of data and make fast, consistent and auditable decisions; that is where our software solutions provide an advantage. Business rules and processes can be easily adapted and executed automatically, which improves the efficiency and agility of our customers in their competitive area. This also enables them to accelerate their growth, innovate effectively, stay compliant and as a result, increase profits.

ACTICO provides software solutions for the areas:

- Credit Risk Management: Assess and monitor credit risk
- Loan Origination: Automate credit checks and decisions
- Compliance: Enable transparency, comply with regulations and avoid fraud
- Claims Management: Make claim settlement processes quicker, consistent and cost-effective
- Client Management: Handle sensitive customer data securely – from onboarding to reporting

ACTICO’s roots go back to 1997 and Innovations Software Technology GmbH, which became part of the Bosch Group in 2008. ACTICO was formed when Bosch spun off its financial software operations in November 2015. As an independent company, it supports its international customers from locations in Germany, the U.S., and Singapore.

More information at www.actico.com