

# Industry standard rating models supporting Islamic banking products and automation of credit rating



## Client

- The oldest Sharia'a compliant bank in the Middle East providing innovative solutions covering corporate finance, real estate, project finance, trade, commodity finance and international banking services

## Need

- Configure a platform to permit Sharia'a compliant facilities and financial templates
- Ensure BASEL II compliance by treating Musharakah and Mudarbaha as equity
- Deploy industry specific rating models for a diverse customer portfolio
- Deploy a solution to ensure consistency and objectivity in decision making
- Implement an automated risk based pricing process

## Approach

- Provide a corporate and SME rating solution meeting the principles of Islamic banking for product management and financial analysis
- Offer end-to-end credit risk rating and workflow management to ensure regulatory compliance

## Results

- Loan origination system supporting maintenance of Islamic products
- Automated financial analysis based on one-time configuration of metrics
- Streamlining of historic data to enable the client to move towards BASEL II compliance
- Standard set of reports and outputs to meet regulatory requirements
- Sentinel allowed the client to benefit from best practices and adopt a better risk management culture

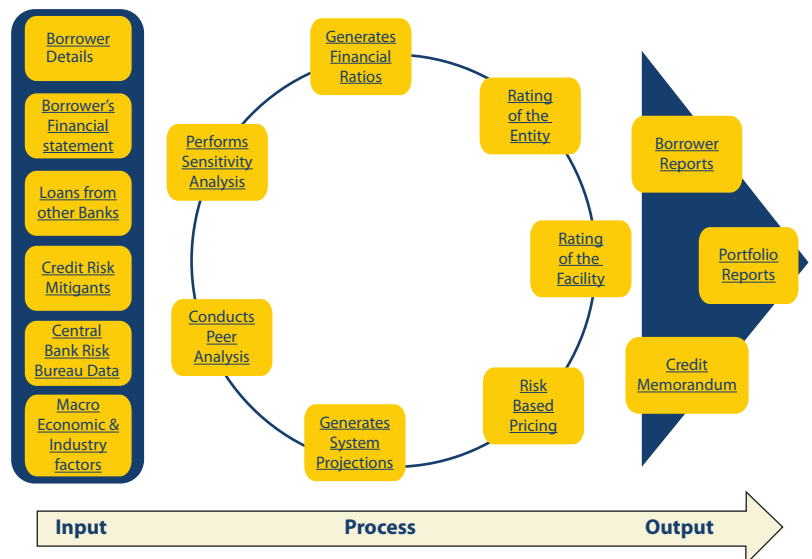
## Flexible and configurable solution to facilitate credit rating for Islamic banking facilities

D&B Sentinel platform is a flexible, user configurable system that permits corporate and SME rating and credit approval process for Islamic facilities such as Murabaha, Ijarah, Musharakah and Mudarbaha. Sentinel, D&B's BASEL II compliant corporate and SME rating solution offered complete credit risk rating and workflow modules to address the client's specific challenges.

## D&B Sentinel: Industry specific credit approval and rating solution for efficient risk management

D&B Sentinel was deployed to address the client's specific challenges. The program implementation included:

- A product configuration module to define products such as Mudarbaha, Ijarah, Istisna'a and Musharakah and define various limits and product treatment based on the facility rating
- Sector based expert rating models to enable the client to quantify, price and manage their risks and risk premium in an objective and consistent manner
- Objective analysis of financial data by generating various financial ratios and cash flow statements in line with Islamic banking principles
- Automation of the entire credit approval process through a configurable workflow management module to implement multi-stage process flows and associated maker/checker and routing validations
- Peer analysis to compare borrower financials with industry peers; Sensitivity analysis on projected company financials; Scenario Analysis on borrower portfolios



## Value-added solution for regulatory compliance and better risk management

The D&B solution facilitated automated analysis of financial data and streamlining of historic data, thereby enabling the client to move towards BASEL II compliance. By generating a standard set of reports in line with regulatory requirements, Sentinel enabled adherence to industry best practices for a better risk management culture.