



Decide with Confidence

Speed & Accuracy – A Conundrum

8th Annual Middle East Retail Banking Forum

“Synergizing Retail into Retail Banking”

April 15-17, 2013

Key Points



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Pricing &
Margins

New
Products

Product
Bundling

Mass
Customization

Segmentation

Customer
Centricity

Micro Banking

Mobility

New Touch
Points

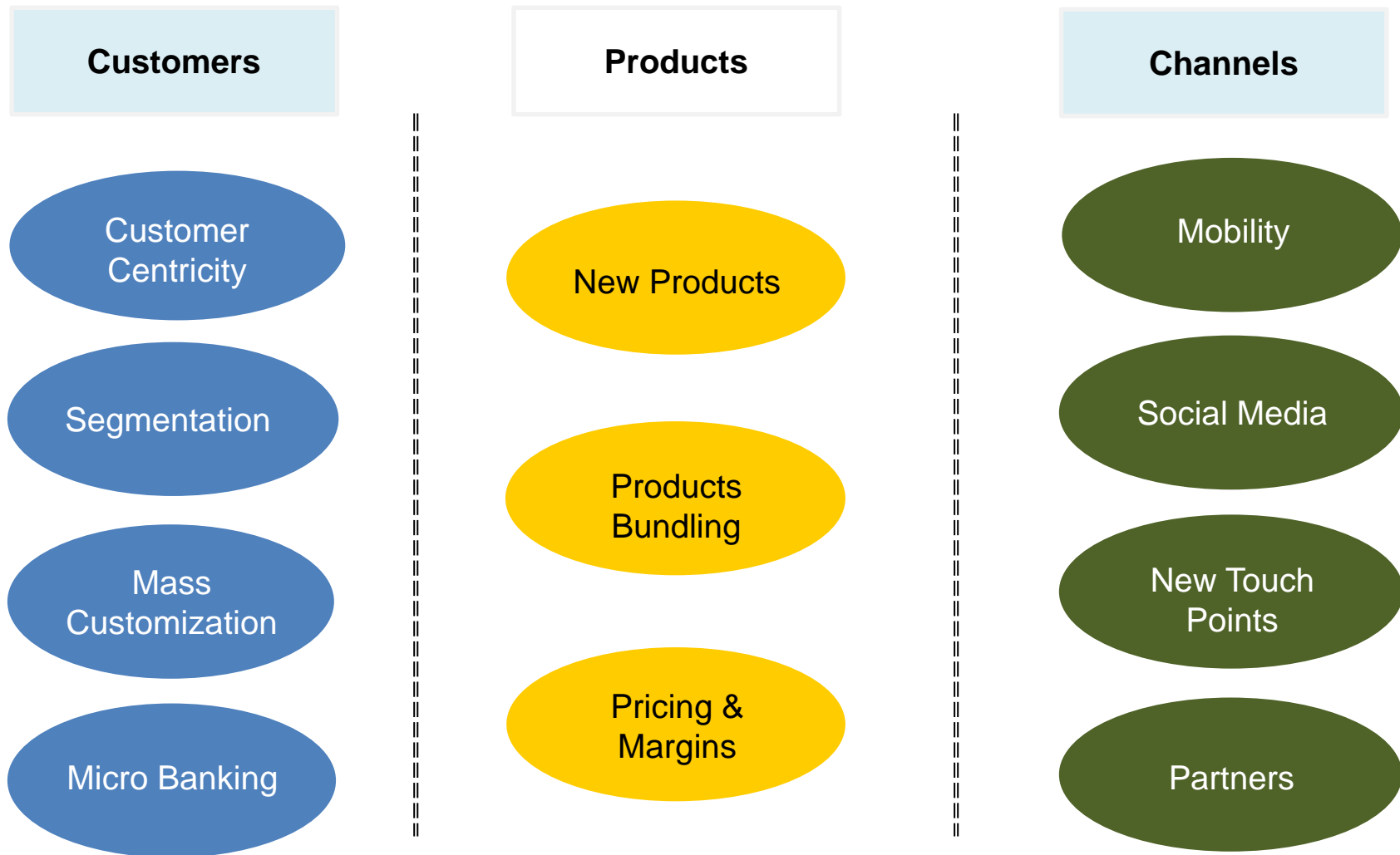
Partners

Social Media

Key Points



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Speed and Accuracy in our Decisions

Presentation Coverage



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- **Key Pillars that enable Speed and Accuracy in our decisions**
- **D&B Experience and Key Learning**

Who we are?



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D&B is world's leading and most reliable business insights provider with **Global Expertise & Local Experience**

Global Expertise

- ❑ Established in 1841
- ❑ Listed on NYSE
- ❑ Revenues of \$ 2bn
- ❑ Present in 200 countries
- ❑ Over 4,500 employees
- ❑ Consistently ranked No. 1 in Fortune's list of most admired companies

Local Experience

- ❑ Strong local knowledge & presence across South Asia, Middle East & Africa
- ❑ Regional HQ in DIFC, Dubai with local offices in Dubai, Abu Dhabi, Bahrain, India, Bangladesh, Egypt & Nigeria
- ❑ Working with regional banks, central banks and government organizations for more than a decade

Enable decisions that manage risks, increase revenue and improve portfolio performance

■ Data Products and Services

- Wide Range of Solutions (Data, Reports, Rating...)
- Across Functions & Industries (Risk Management, Marketing, Sales, Supply Chain...)

■ Analytics & Technology Solutions

- Credit Scoring & Rating Models.
- Risk and Marketing Analytics
- Risk Management Platforms
- Technology Services for converting Raw Data into Actionable Insights

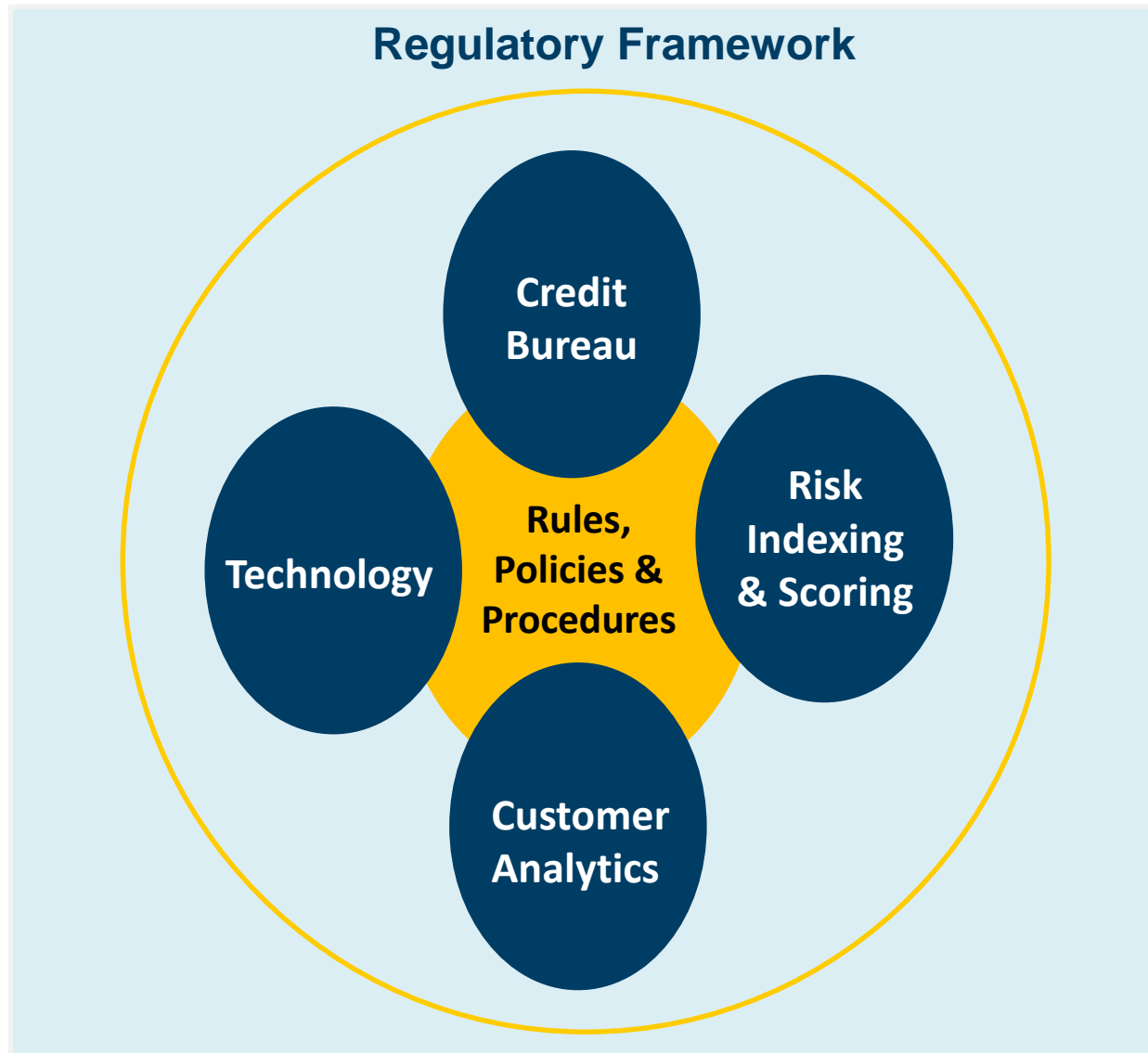
■ Research and Advisory

■ Credit Bureau Solutions

Key Pillars for Swift Decisions



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Credit Bureaus

■ Credit Expansion

- 7-8% increase in the ratio of private credit to GDP within 5 years of bureau launch

(Source: Dhjankov, Mcliesh, Shleifer, 'Private Credit in 129 countries, March 2006)

- Provide a level playing field to small lenders

■ Reduction in Credit Losses

- NPL ratios came down from 6.7% to 4.5% in Banks in Shanghai, one year after the launch of credit bureau. *(Source: Shanghai Municipality)*

■ Risk Based Pricing

- Credit Bureaus enable a shift from 'average pricing' to 'risk based pricing'
- Credit Bureaus help customers build reputational collaterals and seek better credit terms

(Source: IFC study on credit bureaus in Africa)

■ Enable swift and accurate decisions

- Scientific evidence on past credit behavior

- **Greenfield Projects in 14 countries**
- **Integration of Member Banks**
- **Composite Risk Indexes and Credit Scores**
- **Credit Decision Management**

South Asia

India, Sri Lanka, Bangladesh, Nepal, Bhutan, Maldives

Middle East

Qatar, Oman, Kuwait

Africa

Egypt, Nigeria, Ghana, Tanzania, Libya

■ Most Bureaus are in Evolution Stage

■ Data Insufficiency and Data Quality

- ❑ Lack of unified customer reference at national level
- ❑ Missing data elements
- ❑ Lack of recovery data
- ❑ No data from microfinance institutions and non regulated lenders

■ Low Adoption

- ❑ Adoption is low for private bureaus due to lack of regulatory push
- ❑ Many Banks are yet to integrate bureau reports in lending decisions
- ❑ Telecommunication, Internet and Infrastructure related challenges impact real time integration



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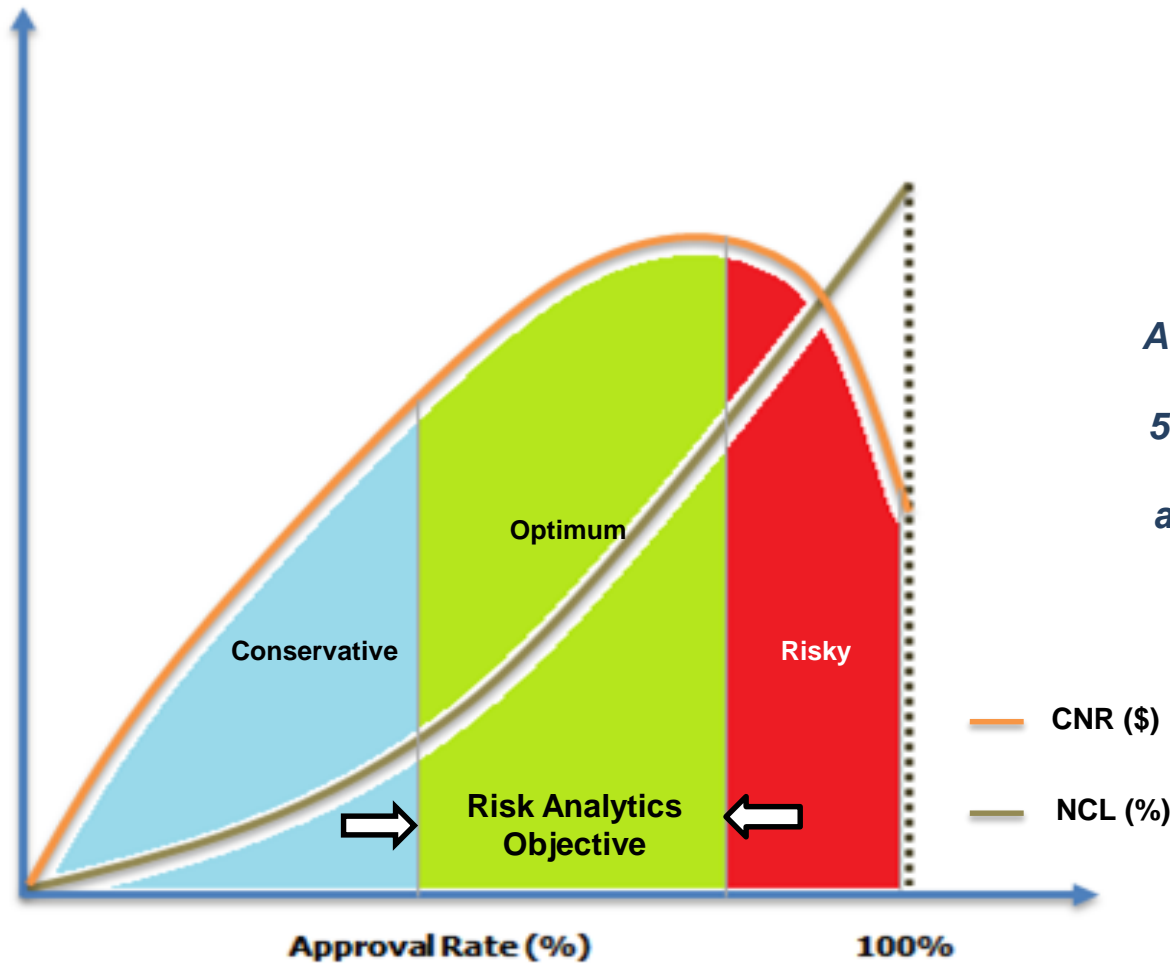
Risk Indexing & Scoring

- **Objectivity and Consistency in Decision Making**
 - Decisions based on customer profile and business rules
 - Same response across channels / touch points
- **Faster Decisions through greater automation**
- **Improvement in Accuracy of Decisions**
- **Full utilization of multiple customer touch-points**
 - Extend channel capabilities beyond marketing to sell and fulfill
- **Expansion to new markets & segments through focused Risk-Pricing Trade-Off**

Risk-Revenue Trade Off



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A recent study by D&B estimated that 5% improvement in accuracy on new applicants' credit decisions result in 1% increase in Net Revenues

■ Scorecard Development & Sustenance

- Statistical scorecards where sufficient historical data is available
- Expert / Hybrid scorecards in data scarcity situations

■ Credit Decision Platforms

- Integrate scorecards output with underwriting process
- Enable 'Real-Time' decisions across all customer touch points
- Track deviations
- Enable 'experiments' to seek optimum balance

■ Data and Variables

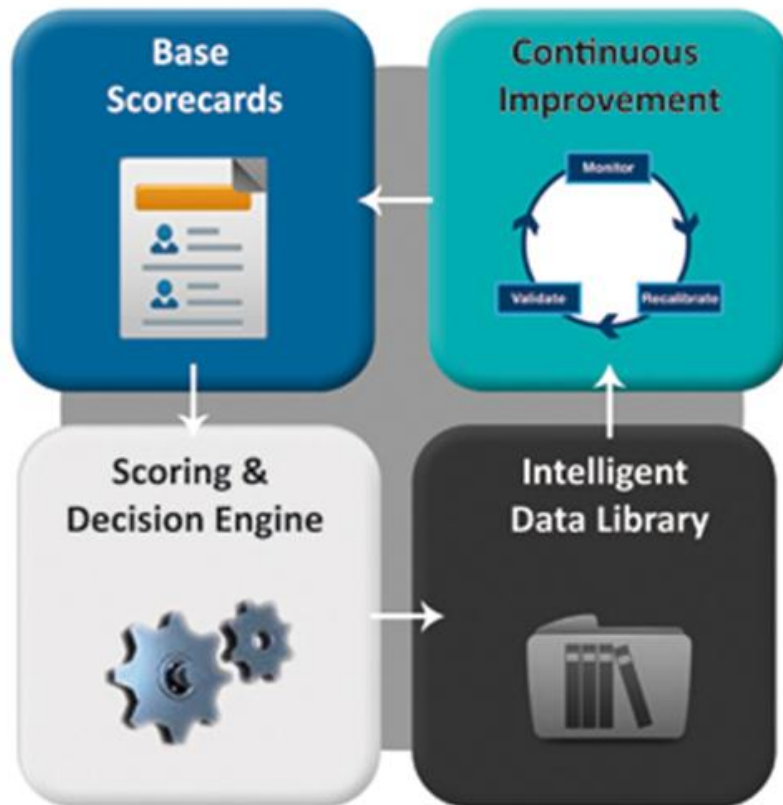
- ❑ Low numbers of customer & default data
- ❑ Quality of data is an issue
- ❑ Knowledge of local factors and variables is critical

■ Integration of scorecards in decision making process across products and channels needs improvement

■ Insufficient focus on seeking continuous improvement

- ❑ Frequent data extraction from back-end systems require time and resources in absence of enterprise data warehouses
- ❑ Impact of more accurate scorecards on portfolio performance is less understood and appreciated

D&B offers comprehensive scorecard development, implementation and ongoing sustenance services



- **Scorecard for various data maturity situations**
- **Scoring & Decision Engine for seamless integration**
- **Continuous Improvement**



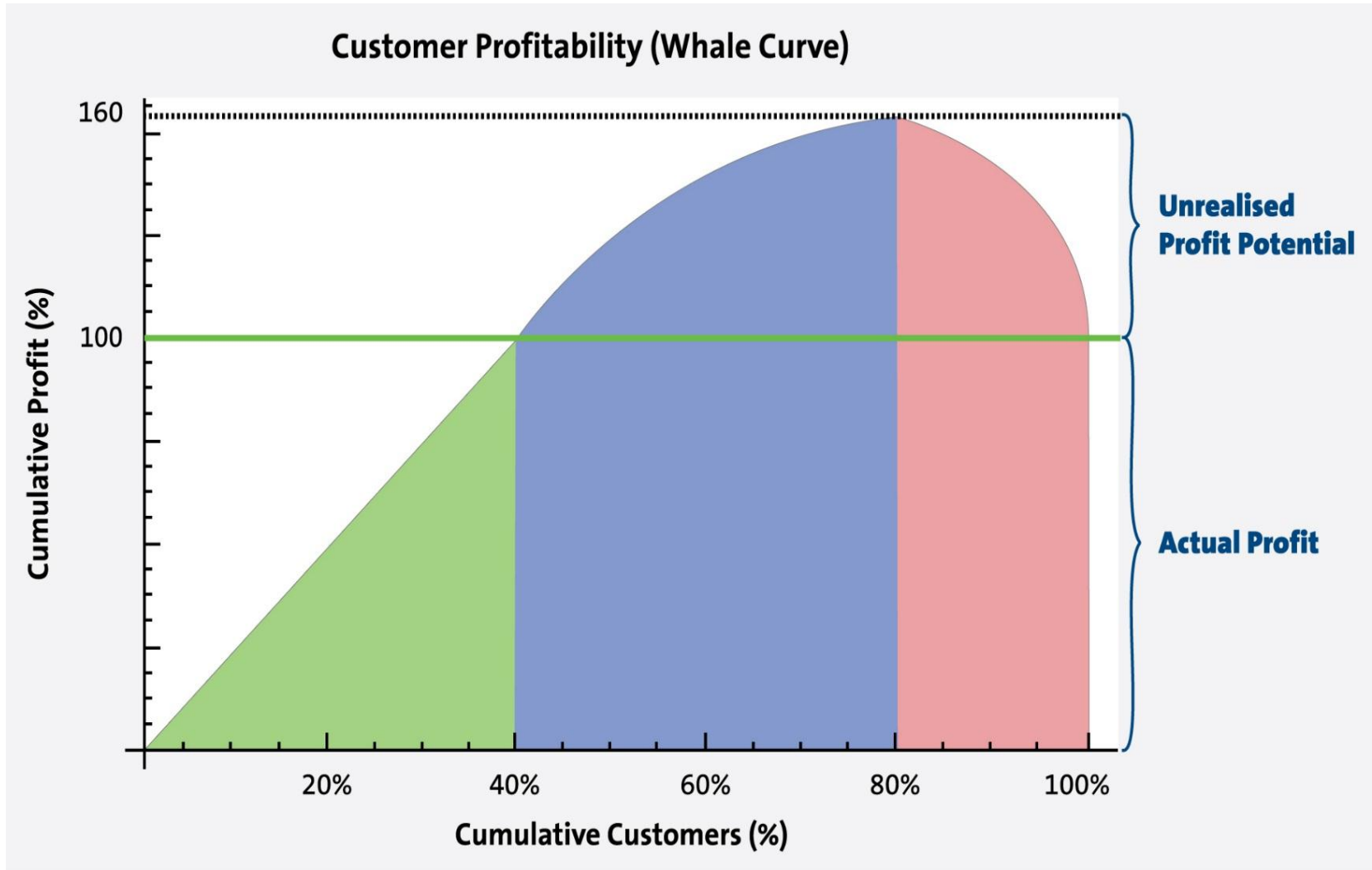
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Customer Analytics

Customer Analytics



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■ New Customer Acquisition

- ❑ Identify underserved segments (MSMEs)
- ❑ Accurate Targeting
- ❑ More effective campaigns (Higher ROI)
- ❑ Better Customer Connect across channels

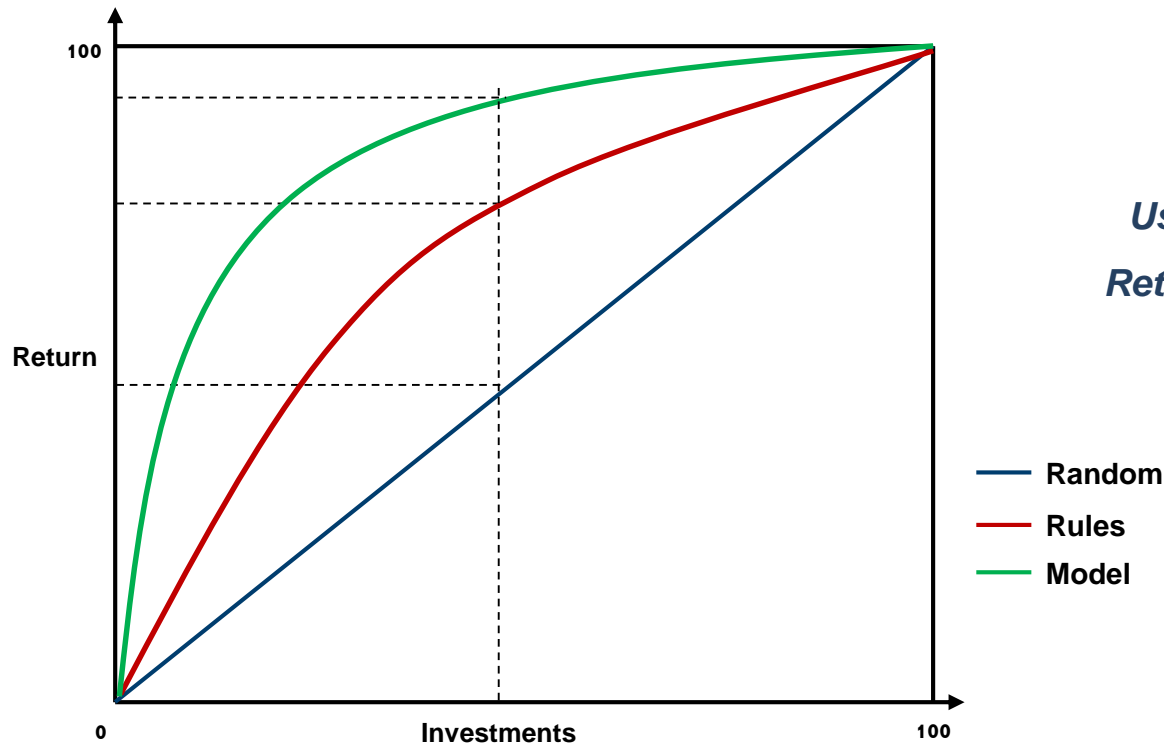
■ Portfolio Management

- ❑ Right Products at the Right Time
- ❑ Life To Date (LTD) and Life Time Profitability (LTP)
- ❑ Improve customer loyalty
- ❑ Proactive actions to reduce churn

Impact on Marketing ROI



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*Usage of Analytics can improve
Returns on Marketing Investments
by 30-50%*

- **Comprehensive Marketing Analytics for individuals and small enterprises**

- **Exhaustive Research on Micro, Small and Medium enterprises**
 - Sector and Sub-sector analysis to identify most productive segments
 - Composite scores based on individual scoring models



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Technology

■ Explosion in storage and computing power

- Computing Power per \$ has been doubling every year in last 2 decades

■ Emergence of new customer touch point and engagement platforms

- Internet
- Mobile Devices
- Social Networks

■ Availability to smaller organizations

- Overall reduction in cost of technology
- Cloud Computing
- Software As A Service (SaaS)

- **Possible to gather and store vast amount of data on customer profile, behavior and preferences**
 - Structured and Unstructured
 - Inside or Outside the Organization
 - Formal and Informal

- **Possible to analyze this data to derive actionable insights in near real time**

- **Possible to engage with customers in more innovative ways**
 - Anytime, Anywhere
 - Personalized experience
 - More choices and informed decisions

■ Manage world's biggest and most valuable commercial database

- ❑ 220 Million Entities
- ❑ 1.5 Million Updates Daily
- ❑ Gold Standard Models (FSS, PAYDEX...) accepted universally

■ Continuous R&D and Innovation

- ❑ An Example: Usage of social media data in Risk Indexing of business entities

Conclusion



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- Technology Breakthroughs & Analytical Modeling are fundamentally changing **Customer Behavior**
- Customers today demand, crave and reward **Speed**
- Banks and FIs need to have the analytical depth to manage **Accuracy** while improving **Velocity**
- The journey has started and is evolving



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Questions?

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