Creditinfo

Your local expert with international knowledge and experience

Executive Summary

Only 20% of African SMEs have access to credit

The SME Sector

- SMEs contribute on average 60% of total employment

- Account for 90% of all industrial firms

The G20 has inspired the Action Plans across many countries and banks for SME Lending.

Creditinfo can provide expertise with **international scoring solutions** to ensure they **provide SME loans to maximize profitability.**

G20 Action Plan on SME Financing
Joint Action Plan of G20 GPFI SME Finance Sub-Group and IIWG

1. *Drivers and constraints for innovative SME finance policies and instruments*
2. *Addressing SME data gaps*
3. *SME Long Term Financing – The Role of Different Instruments*

Creditinfo
Capabilities

Creditinfo Group

- Established in 1997, now with more than 400 employees worldwide, many of which are internationally renowned experts in their field with 2 or more decades experience and knowledge.

- Among the fastest growing companies in both business information and consumer bureaus.

- Proven solutions based on 20 years experience working in more than 30 countries and 4 continents.

- Frequently requested to advise and assist in credit bureau and credit risk management best practice, including changing laws to assist with this.

- Validated and supported by internationally recognized and authorized organisations worldwide
e.g. World Bank, IFC, MCC, Central Banks, Governments, MFIs,
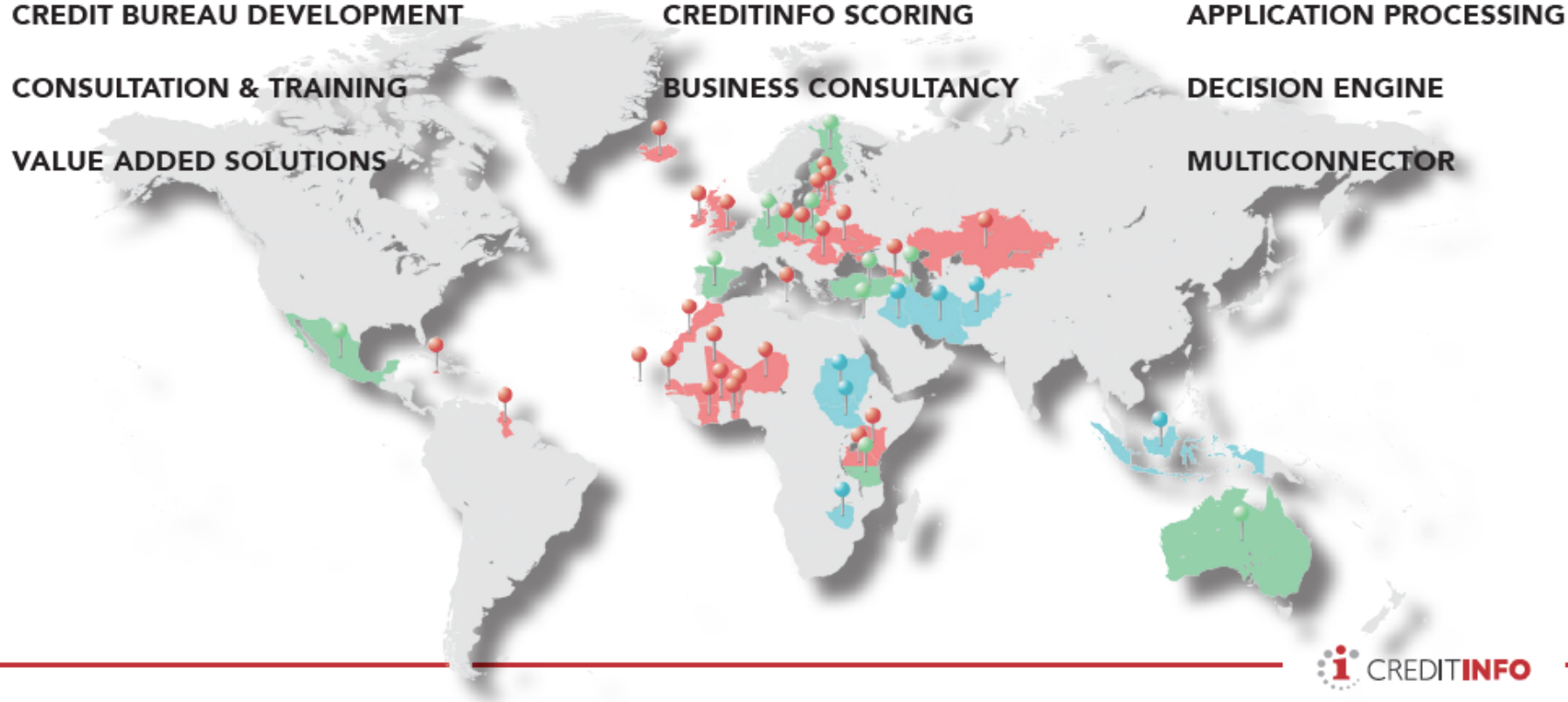
Products & Services

We provide Consultancy, Analytics & Automation services across the whole Credit Lifecycle

Providing business scores

- Creditinfo has a strong focus on evaluating businesses
  - Creditinfo Credit Bureau
  - Creditsafe Credit Bureau
  - CIT Leasing (7 European Countries)
  - Credit Agricole Bank
  - Wells Fargo (UK)

- From both the perspective of;
  - Classical business financial scorecards
  - Credit bureau behavioural data

- In some situations they have been first generation scores
  - We understand and meet the need for training and knowledge sharing
  - We understand that the data has never have been truly reviewed and we must anticipate data weaknesses

Creditinfo has the knowledge and experience in developing highly predictive Business Scorecards on differing data sources.

Why Creditinfo
Providing Strong SMEs Stamp and Certificates

Makes them more feasible customers

They become targets

Receive better rates

Helps them to promote their products and services

Eligibility for such an award requires the fulfilment of strict quality standards. MSME's therefore need to take care of their own Rating

How can Creditinfo help you?

CREDIT**INFO**

Creditinfo will provide…

- Scorecards

- Blended Scorecards

- Consultancy

- Implementation

SME Scorecards

Risk Classification – SME Loans

The Challenges for SME lending are Universal

Some Challenges

- Typically no or poor quality financial statements and cash flow

- Finances of the owner and the business frequently intertwined

- Seasonal revenue trends in agriculture or tourism difficult to monitor or predict

- Difficult to obtain objective assessment of management capabilities

Typical Approach

- Detailed interview and data gathering

- Ability to pay assessment

- Structured training and assessment

Supplementary Approach

- Benchmark risk classification

- External data sources

- Data recording in consistent format

Motivation For Change

Basel III / IFRS

- **Internal Rating Based Approach (IRB);** A rating to be used in the lending process is required.

- **Re-orgainsation;** Loans up to $1M are typical classified in retail, this led to a re-orgainstion in many Banks and more centralised mind-set.

Operational Efficiency

- **Labour Costs**; Costs of manual assessment have increased

Data Availability

- **Credit Bureau;** expansion of credit bureau has led to increased access to cheaper, automated data

- **Application Processing Systems;** In the retail sector application processing systems can be adapted for SME lending

Four Stages of Small Business Lending

Banks have typically travelled through 4 stages in evolving their SME lending, this has been accelerated by Basel II

S T A G E 1   Traditional – Commercial Lending Model
- Custom lending
- High cost

S T A G E 2   „Service center" Concept
- Beginning some centralization or regionalization
- Introduction to scoring
- Judgmental decisioning
- Field has final say on authority and pricing
- Still high-cost

S T A G E 3   Concentration of Expertise
- Evolution of sales culture begins
- Establishment of sales goals
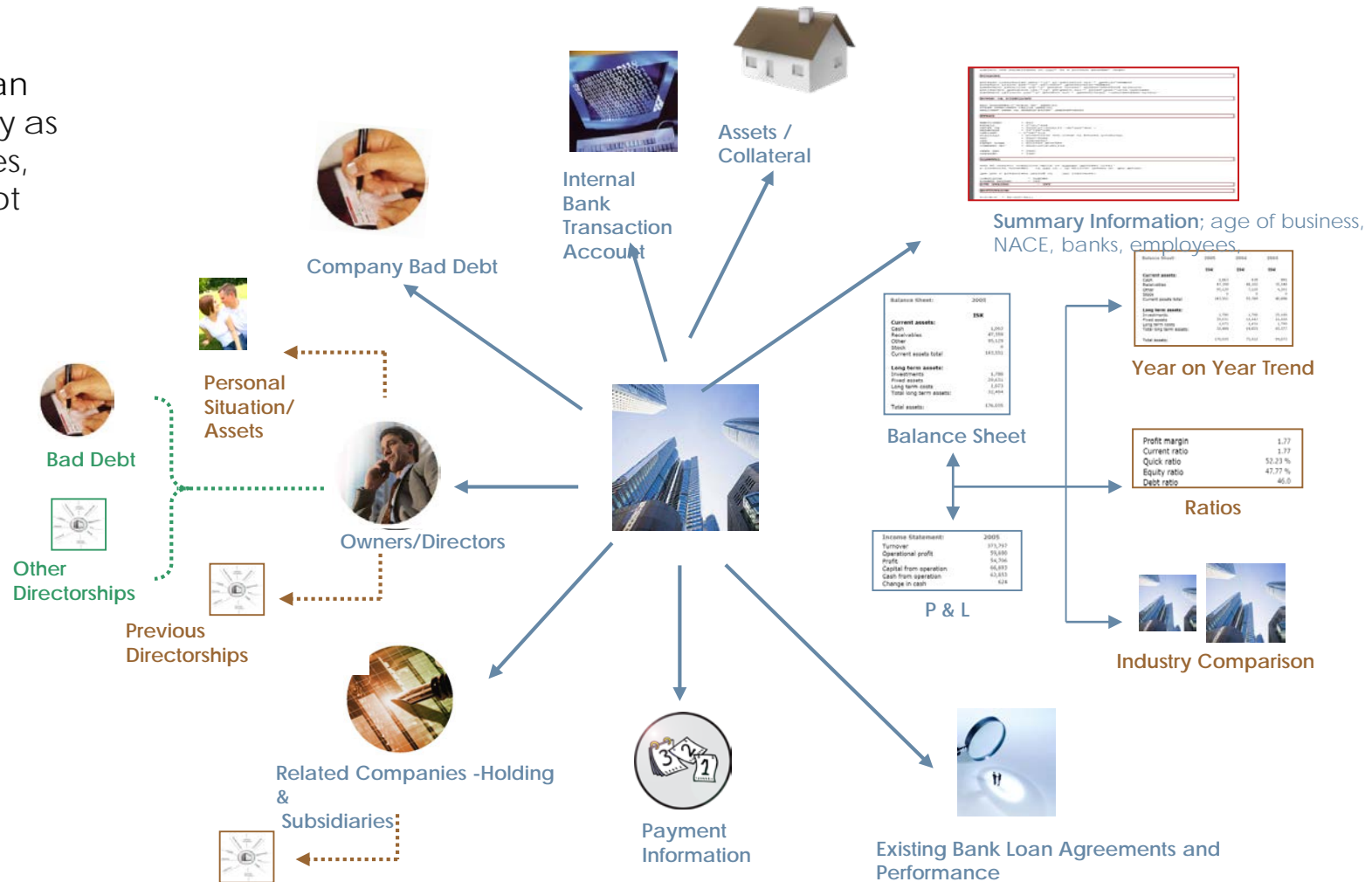- Concentration of lending expertise
- Limited authority in the field

S T A G E 4   Integrated Low-cost delivery
- Segmentation of channel
- Integrated electronic platform
- Auto decisioning on some requests
- Lowest cost process
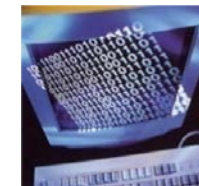
Predictive Data Sources

Data Sources for which we have Identified Strong Trends, some are relevant only to certain markets or company size. Furthermore, the loan and ability to pay. Consider stability as well as predictive power of variables, eg SMEs frequently financials are not reliable

Company Bad Debt

Internal Bank Transaction Account

Assets / Collateral

Summary Information; age of business, NACE, banks, employees,

Personal Situation/ Assets

Bad Debt

Other Directorships

Owners/Directors

Previous Directorships

Balance Sheet

Year on Year Trend

Ratios

P & L

Industry Comparison

Related Companies -Holding & Subsidiaries

Payment Information

Existing Bank Loan Agreements and Performance

Creditinfo Scoring

- Based on local data, worked out by international standards

- Reviewed periodically based on historical data on defaults

- Parameters are updated and weight change adapted in order to improve forecast performance evaluation

- Credit assessments are calculated / updated in real time

- Based on the latest data available for each time

- Secure data ensured

- Designed with the customers in mind by working in close cooperation with the users

Scorecard Development Methodology

We have a standard methodology to provide a strong foundation.

We have flexibility in approach as in our experience credit bureau and markets are not standard.
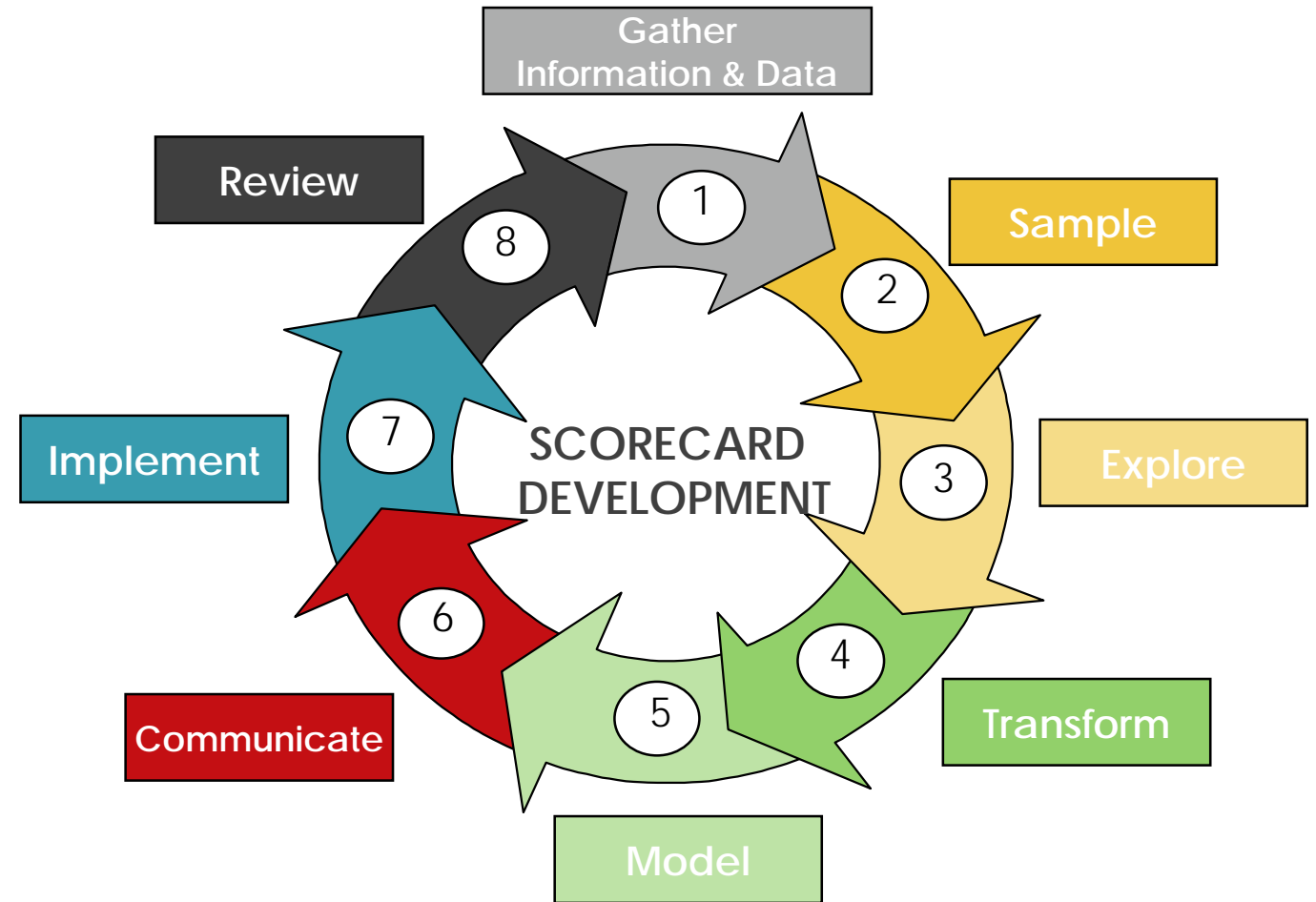
Blended Scorecards

Why Blended Scoring?

- A blended and integrated solution provides an "holistic" view of SMEs

- Scorecards need to be adjusted to the size of the company and adapted to specific parameters

- Significant lift can be achieved with consumer and commercial data

- Proved through statistical evidence from Creditinfo

Small Businesses are a special and unique subset whose success is closely linked to that of their Proprietors and Directors

What is Corporate Blended Scorecard

- **Company Blended Score** is a scoring model, which combines company payment behavior and financial information with demographic and payment behavioral patterns available on managers and shareholders

- **Company Blended Score** provides Blended CIP score, relevant Probability of default and Risk Grade. Additionally, it outlines the Reason Codes which have the biggest impact on total score
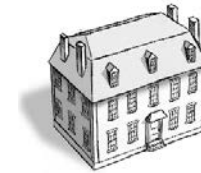
- **Model** is constantly updated and reviewed

A Proven Concept – Case Study Example

5.3 Model Development and Verification
An example of Creditinfo MSME Rating

Using business information only:

Risk assessment	% probability	Risk category / description
Probability of default	4,77%	6
Probability of insolvency	4,08%	Watch

Question:

Would you lend this company without including information about its owner?

5.3 Model Development and Verification
An example of Creditinfo MSME Rating

Information about the owner revealed:

- A poor score of related companies
- Negative payment remarks on the owner
- Linkages to bankrupt companies

5.3 Model Development and Verification
An example of Creditinfo MSME Rating

The result by using blended Data:

Risk assessment	% probability	Risk category / description
Probability of default	33,01%	9
Probability of insolvency	20,42%	Extreme Risk

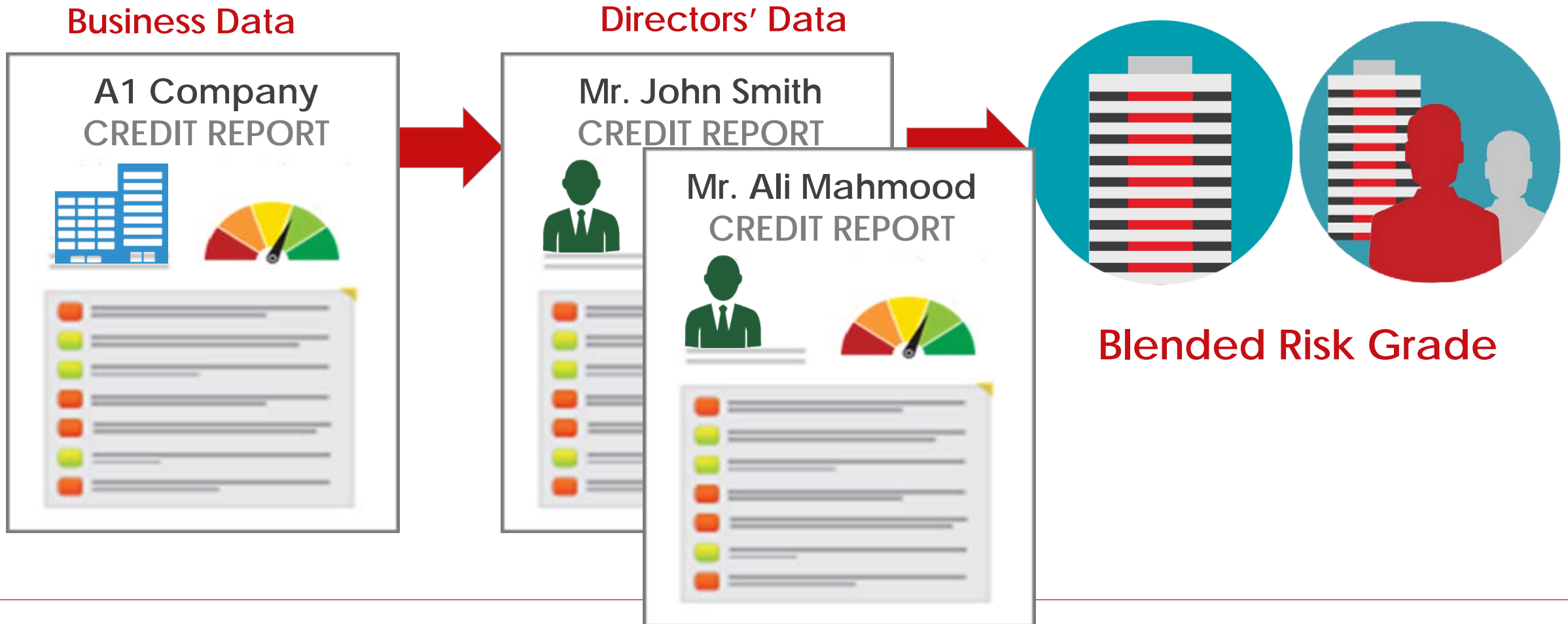| Risk assessment	% probability	Risk category / description
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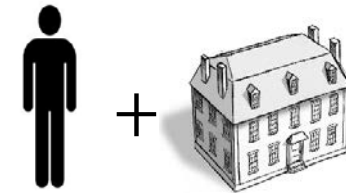
Would you still lend this company?

Case Study
Georgia

Blended Scorecards

When you make a score on a **business**,
you can also **add** details of the **owners and directors**

Business Data

A1 Company
CREDIT REPORT

Directors' Data

Mr. John Smith
CREDIT REPORT

Mr. Ali Mahmood
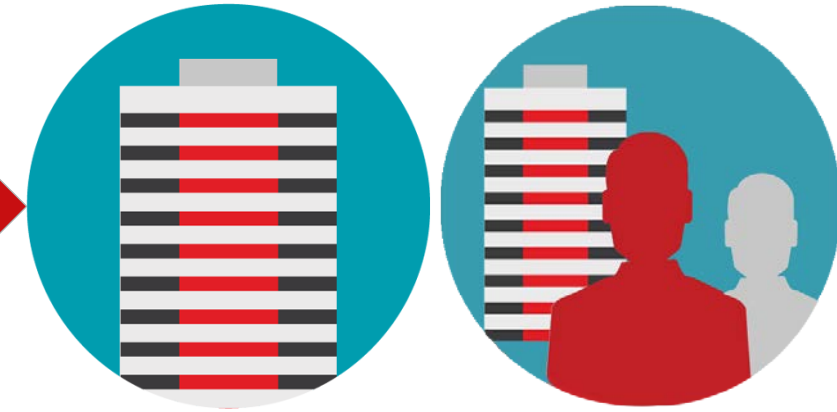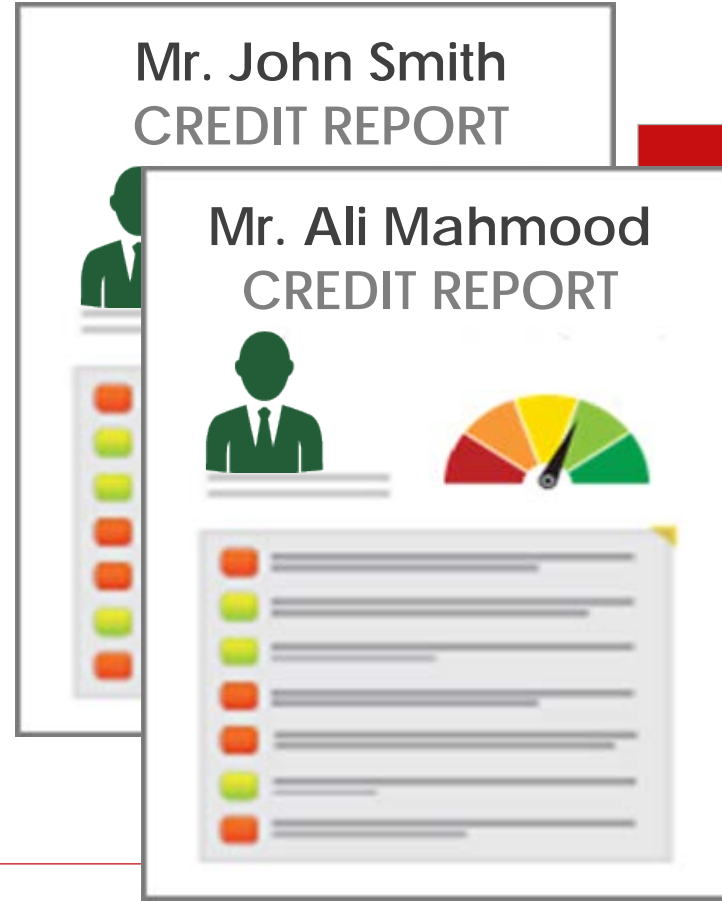CREDIT REPORT

Blended Risk Grade

Blended Scorecards

Where we have **Little Information** of a Business, **Director Information** delivers SME Scores and access to credit

Business Report

A1 Company
EMPTY CREDIT REPORT
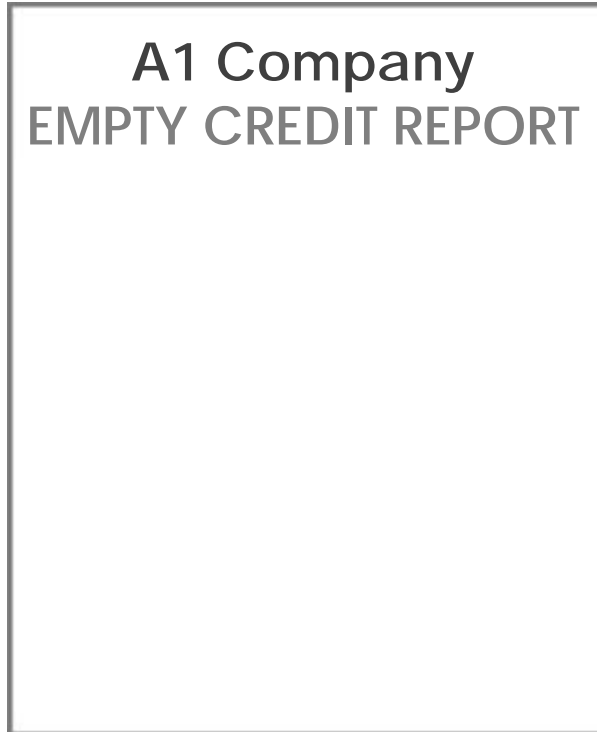
Directors' Credit Report

Mr. John Smith
CREDIT REPORT

Mr. Ali Mahmood
CREDIT REPORT

Blended Risk Grade

SME Lending – Leading Bank

Credit Process

SME Loan

- Risk Calc ™
- Business Credit Bureau
- Underwriter

Accepted Portfolio

LOW MEDIUM HIGH
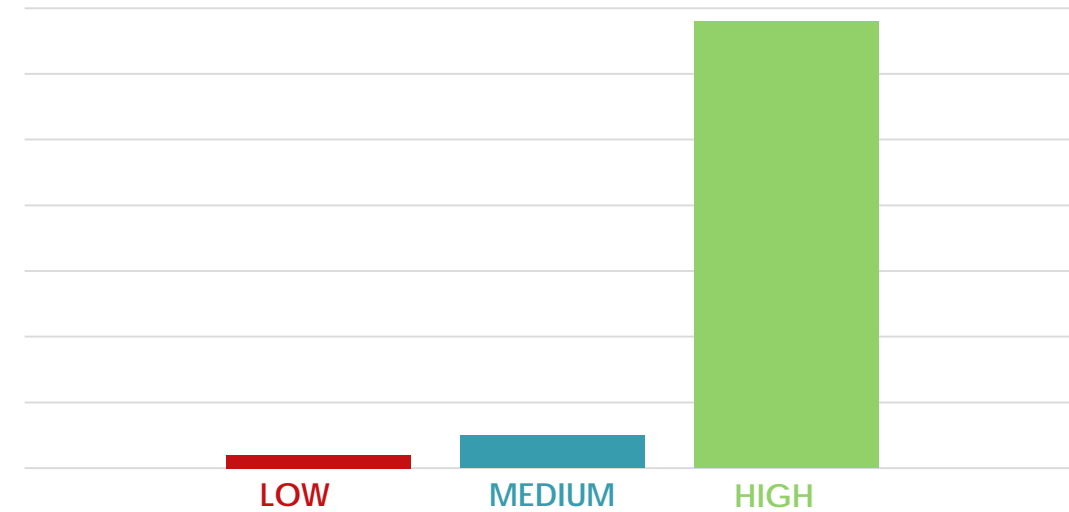
Blended Score

Consultancy

Creditinfo Consultancy

We provide **comprehensive consultation** about **best practices** for data sharing solutions for all parties involved in the setting up and ongoing **management of a credit bureau** including but not limited to bureau operators & subscribers. We provide **decision consultancy** which combines our expertise and knowledge on **model development** with meticulous analysis on the specific situation and the challenges that each of our clients are addressing.

Implementation

Creditinfo Decision Platform
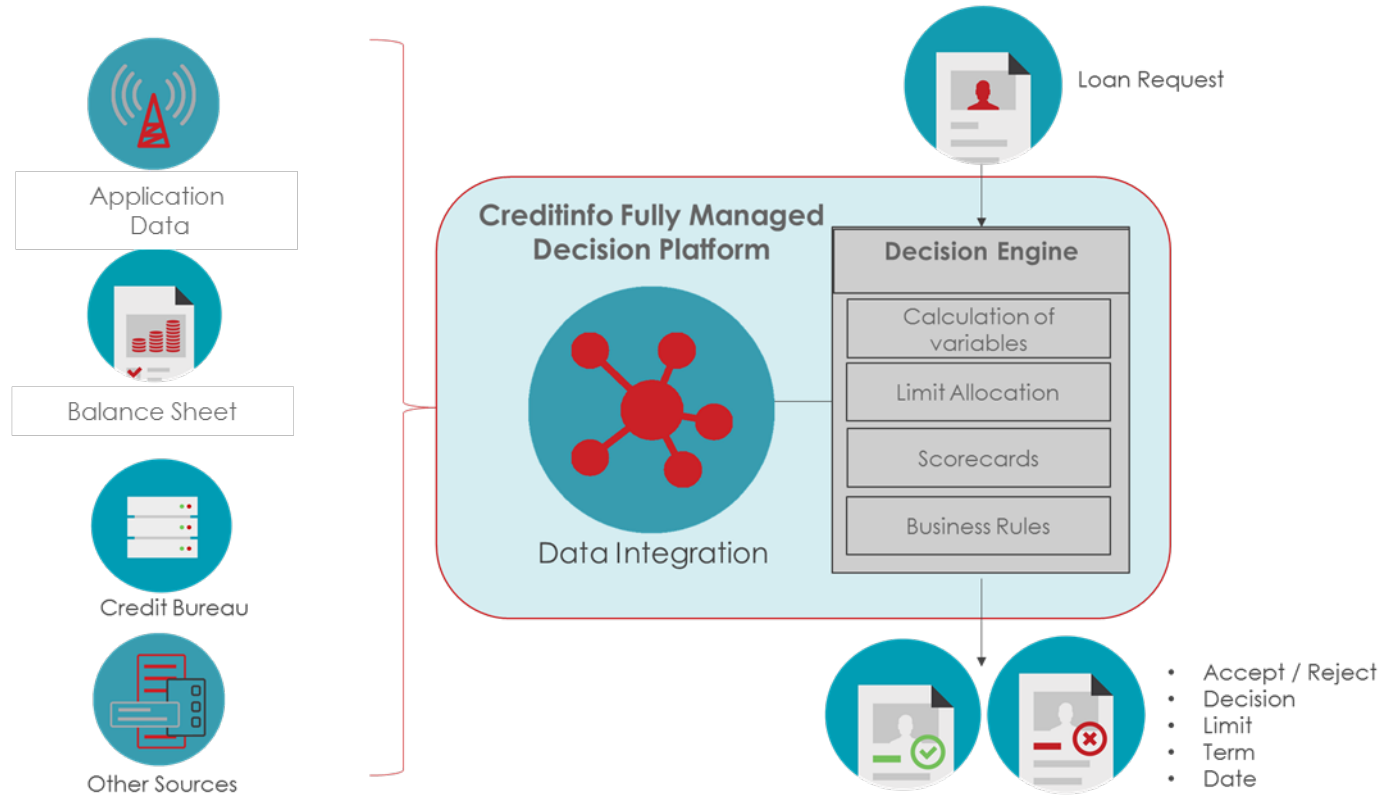
1. Selection of data for decisions for each market segment

2. Decision technology solution

3. Data Integration solution

4. Credit Scorecard Development

5. Decision strategy – accept/decline, limit allocation, term, rates, etc.

6. Maintaining Decision Engine parameters

7. Monitoring and Reporting on Credit decisions, recommendations for strategy change.

Summary

Creditinfo will ....

1. In the short term, provide a SME scorecard which combines different credit bureau data

2. Develop a compete in-house solution,

3. Review your processes and provide advice on improvements

4. Work with you every step of the way

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