

Custom built expert scorecards for retail products improves turnaround time by more than 70% for a leading Abu Dhabi bank



Client Profile

The client is one of the leading financial institutions in Abu Dhabi with “New to Bank’ retail offerings that differentiated their product offering from others but still complied with Islamic banking principles. The Bank is fully owned by the Investment Council of the local government to contribute to the region’s growth and prosperity and offers a variety of products in retail, corporate, wealth and Islamic banking.

Summary

The client was looking to implement generic and product-specific application scorecards for its key retail products. The objective was to support their existing application processing to have automated scoring based on pre-defined criteria. D&B developed four customer application scorecards for the Bank, based on client’s available data and our analytics team experience in building scorecards for the region.

Insights

The application score, when used along with the credit policy, enhanced the clients underwriting process, improved DSO, reduced write-offs and increased overall portfolio quality, were able to refine the criterias and bands more effectively to be in line with the past happenings and also incorporate credit policies for approval.

Client Benefits

- Improved turnaround time by more than 70%
- Scoring was done for more than 95% of the application
- MIS dashboards provided sufficient information on the performance of scorecards as well as the portfolio enabling the risk team to take appropriate actions
- Enhanced monitoring & control of the credit portfolio of the Bank

Business Challenges

Application Scoring: Assess credit worthiness of new customers by using inferences from behavior of existing customers	
Data Required for Scorecard development	For statistical scorecard: Application information and credit performance of existing customers (at least 18 months of historic data)
Information used at the point of scoring	Customer's application information - e.g. Age, Gender, Occupation, Salary, Nationality etc
Final output	Scores - these are reflection of customer's likelihood to go delinquent (within 12 months of joining as a new customer)
Usage	Score ranges defined to Accept/Reject application

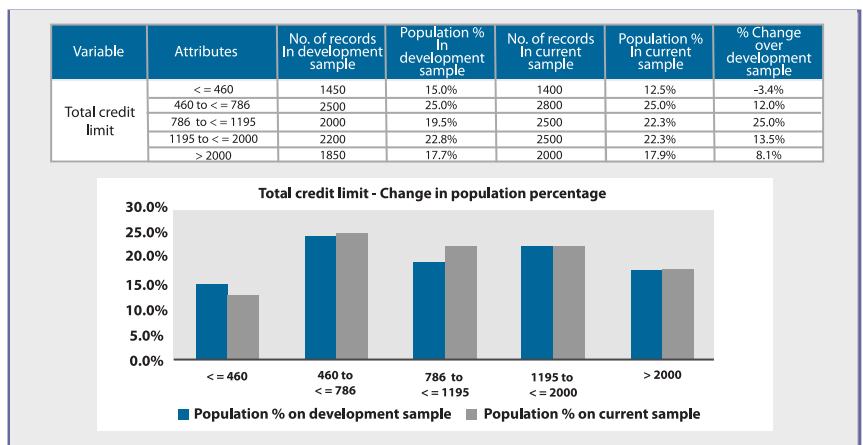
Generic and bespoke scorecards: The key challenge for the Bank was to have both generic and product specific scorecards that would assist in accept/reject decisions for all Retail Bank products.

Turnaround time: The client was finding that the turnaround time for a retail application is high compared to the competitors and the main reason for the increase in TAT is due to the manual process of calculating the score value for each application.

Uniformity: The client was not able to create a uniform process for scoring and due to this more than 35% of applications were not scored due to manual intervention. The client was looking to standardize both the scorecard and also the process of scoring an application.

MIS: The Bank also did not have any solution in place to track the performance of the applicants based on the scoring decision.

Technical Design





D&B Solution

D&B built four scorecards, one generic for multiple retail products and 3 product specific scorecards based on the available information from the Bank and also based on our experience of building retail application scoring models in the region. The application score was built to assess the potential risk that a new customer will become delinquent, write-off, or exhibit some other type of irregular payment behaviour over a specified period of time.

D&B found that the historical data availability from the client was not sufficient to build statistical scorecards. Hence D&B proposed and built expert scorecards initially by harnessing the knowledge of D&B business professionals with extensive regional and contextual knowledge. D&B also sought extensive inputs from the client on the parameters to be part of the scorecard, the weightages to be given to each parameter, the attributes within each parameter and their corresponding points.

As part of the project D&B also assisted the client in doing extensive validation checks on the viability of the scorecard before the models were deployed in a production environment.

D&B also developed extensive MIS library such as score distributions, population stability, approval rate by score range, good/ bad separation, delinquency and credit loss, vintage, segments, etc., by score range, performance of low-score override applications, etc.