The changing dynamics of Risk Management Information

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Bangkok October the 31st 2019
Disruption, friction, and change: The hallmarks of a true transformation

NEW REGULATORY FRAMEWORKS
NEW DATA
NEW TECHNOLOGY
NEW BEHAVIORS
Risk Management Transformation

NEW REGULATORY FRAMEWORKS

OPEN BANKING FRAMEWORK, GDPR, PSD2, ...

ALTERNATIVE DATA, X2A, MOBILE, ...

API ECOSYSTEM BLOCKCHAIN, 5G, ...

NEW DATA

DIGITAL CONSUMERS, PRIVACY CONCERNS, ...

NEW TECHNOLOGY

NEW BEHAVIORS
Risk Executives Must Keep Up with the New Dynamic Environment

MORE CONCERNS

OR

MORE OPPORTUNITIES

NEW REGULATORY FRAMEWORKS
NEW DATA
NEW TECHNOLOGY
NEW BEHAVIORS
New Opportunities:
The Open Banking Case: CRIF POC

NEW REGULATORY FRAMEWORKS
EU: PSD2

NEW DATA
BANKING ACCOUNTS

NEW TECHNOLOGY
API, AI, ML

NEW BEHAVIORS
CLIENT CENTRIC
Increase Access to Credit

1. Traditional credit bureau data and account payment transactions can be integrated in a unique solution.

2. Payment accounts’ transactions categorization & KPIs:
   - Food & Drink
   - Entertainment
   - Travel
   - Education
   - Transport
   - Tangible Assets
   - Loan
   - Family
   - Friends & Lover
   - Medical
   - Raw Material
   - Suppliers

3. Increase in Gini index

Score the unscorable

Improved creditworthiness evaluation
## Increase Access to Credit: Some Real Numbers from a POC

### Gini Index

<table>
<thead>
<tr>
<th></th>
<th>CB Score</th>
<th>CB Score + X2A Score</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ALL</strong></td>
<td>82.4</td>
<td>87.8</td>
<td>+5.4</td>
</tr>
<tr>
<td><strong>MAIN</strong></td>
<td>85.1</td>
<td>90.9</td>
<td>+5.9</td>
</tr>
<tr>
<td><strong>NOT MAIN</strong></td>
<td>81.1</td>
<td>84.6</td>
<td>+3.5</td>
</tr>
</tbody>
</table>

**Hit Rate**

- **ALL**: 88% to 100% (+11%)
- **MAIN**: 90.9% (remains unchanged)
- **NOT MAIN**: 84.6% to 100% (+15.4%)

### Gini Index

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<tr>
<td><strong>System</strong></td>
<td>69.5</td>
<td>82.5</td>
<td>+13</td>
</tr>
<tr>
<td><strong>Bank</strong></td>
<td>61.3</td>
<td>78.3</td>
<td>+17</td>
</tr>
</tbody>
</table>

**Hit Rate**

- **System**: 79% to 100% (+21%)
- **Bank**: 90.9% (remains unchanged)

(*) On “not main” accounts the X2A score is based mainly on the Credit Bureau Score Perform 2.0 Advanced
(**) Due to sample size, the improvements on internal performance is feasible only on the SME segment
(***) POC done in a main Italian bank with 1.3 million transactions

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Increase Access to Credit: Some Real Numbers from a POC

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<th>TO BE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granted customers</td>
<td>70%</td>
<td>90%</td>
</tr>
<tr>
<td>Rejected customers</td>
<td>30%</td>
<td>10%</td>
</tr>
</tbody>
</table>

8% to 88%: SWAP IN

88% to 8%: SWAP OUT

Bad rate <3%

Parity of Risk
Step Up Marketing Targeting Capabilities

1. Consume
   - Payment Account
   - Corporate
     - Payment Account
     - Payment Account
   - Tangible Assets

2. PAYMENT ACCOUNTS’ TRANSACTIONS CATEGORIZATION & KPIs
   - Food & Drink
   - Entertainment
   - Travel
   - Education
   - Transport
   - Row Material
   - Suppliers

3. ALGORITHM
   - Improved Creditworthiness evaluation

4. AGGREGATOR
   - Recommendation System

5. PERFECTLY MATCH CLIENT NEEDS AND BANK PRODUCTS

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Implement an Operational Ecosystem Model

Behavioral notifications enable the formulation of the right proposition to the customer of the right service, at the right time, at the right price.

- XS2A to get updated info
- Data enrichment with all partners information
- Event based marketing campaigns based on the generation of behavioral notifications
- Applicable in case of a single Partner that owns a group of companies or more Partners: one per Industry or more than one per Industry
“The difficulty lies, not in the new ideas, but in escaping from the old ones”
John Maynard Keynes