

Client	The Customer Finance facilitator of a manufacturer of a high end brand in its industry with a global customer base.
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Project Name	Customised Credit Decision Solution
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Project Start Date	February 2007	Project End Date	October 2007
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Industry	<input checked="" type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance
	<input type="checkbox"/> Investment banking	
	<input type="checkbox"/> Private banking	<input type="checkbox"/> Asset and wealth management
	<input checked="" type="checkbox"/> Retail banking	
		<input type="checkbox"/> Corporate

Category of Service	<input type="checkbox"/> Performance measurement and monitoring	<input type="checkbox"/> Regulatory compliance and reporting
	<input checked="" type="checkbox"/> Portfolio risk management	<input checked="" type="checkbox"/> Business process improvement
	<input checked="" type="checkbox"/> Specialised risks	<input type="checkbox"/> Training and people change
	<input type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation

The Challenge	The client operating in a highly competitive environment and under pressure from Senior Management to automate the credit approval process. Basel II regulations and decreasing margins in the credit business called for enhanced Credit Management processes. However, the data capture and storage capabilities were not in a mature state and there was a lack of history on customer credit information and credit behaviour prevented the client from developing customized credit scoring and rating models. The client therefore applied external predefined credit ratings and credit scoring. These external models were not a good fit due the highly specialised nature of the client’s business.
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Approach and Solution	avantage advised the client to take a portfolio approach to their Credit Management process. Through a detailed quantitative and qualitative analysis of the portfolio and its performance undertaken using tailored credit scoring methodology that made use of external rating and credit information and internal information on customer performance, default and portfolio specific behaviour. This enabled a transformation of generic ratings into portfolio specific risk buckets. The client operated across multiple regions and markets, correlation analysis was applied in order to assess a credit’s contribution not only to credit risk but also its contribution to a well balanced and diversified portfolio.
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Results and Benefits	The client was provided with an efficient, automated credit assessment tool that enabled credit decisions based on industry specific risk, the unique structure of the credit product, the contribution to portfolio diversification and profitability. It also gave the client a tool in order to run frequent portfolio analysis obtaining transparency in terms of performance, risk mitigation, expected and unexpected loss. This was an important step in order to ensure compliance with regulatory requirements and to
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	enhance Credit Management processes.
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Software used	Not applicable.
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