

Improved decision making and turnaround time through customized application scorecards for a leading domestic bank in UAE



Client Profile

The client is one of the leading domestic banks in UAE offering a variety of retail and corporate products. The Bank is jointly owned by the Governments of Abu Dhabi and Dubai and is growing to become one of the key players not just in UAE but in the entire Middle East region. The Bank has won many awards locally and internationally for its customer support and product innovation.

Summary

The objective of this project was to develop application scorecards by analyzing the client's portfolio, assessing the data maturity and quality, recommending a model development approach and finally building for various retail products. In retail, the client had both secured and unsecured personal loan and credit card products and was looking to implement product-specific application scorecards with any applicable segmentation, to improve on decision making and to improve the turnaround time of their existing application processing.

Insights

The application score, when used along with the credit policy, improved the clients underwriting process by reducing the turnaround time, provided uniformity on application evaluation, increased overall portfolio quality and enabled to target customers in line with the Bank's credit policies and acquisition strategy.

Client Benefits

- Score-based decision process, enabling uniformity and transparency
- Improved turnaround time for application decisioning
- Ability to provide flexible pricing based on score value

Business Challenge

Product specific scorecards: The key challenge for the bank was to have specific scorecards for secured and unsecured products with segmentation on nationality that would assist in accept/reject decisions.

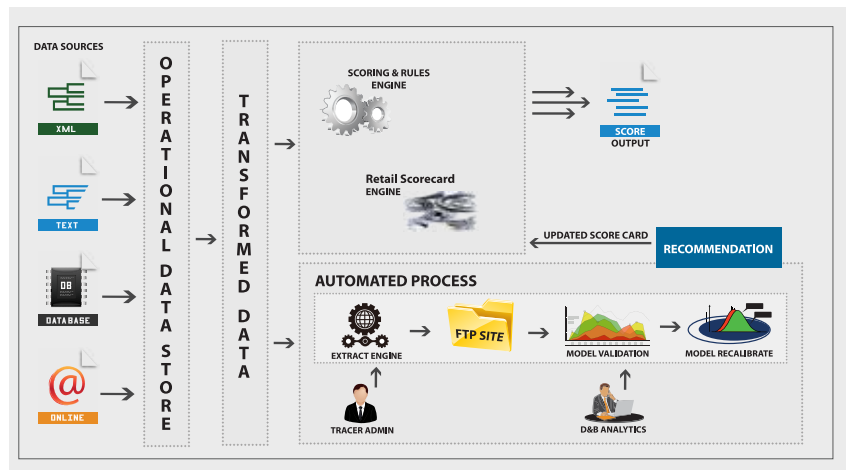
Policy changes: The data profile of the Bank customers has changed due to change in lending policy in the last one year and the Bank wanted to reflect these through scorecards.

Turnaround time: The existing lending process was very rule based and the client had many rules to be verified as part of the application process leading to increase in time to make decisions.

Standardization: The client was unable to create a uniform process as there were many deviations followed at branch level leading to lack of consistent approval process.

Performance assessment: As there was no scorecard, the client was not able to measure the performance of the portfolio and assess the defaults against a pre-defined benchmark.

Technical Design



D&B Solution

D&B approached the fulfillment of client requirements through various key-phased activities:

Data assessment: D&B requested the client for key data elements to understand the availability, quality and maturity. Exploratory data analysis was done on this available data to gain various insights.

Business review: A series of workshops was held with the business to review various product features, credit policies and rules, current processes, etc. These sessions were also used to finalize bad definition, performance period, data exclusions and data groupings.

Model development approach: D&B found that for unsecured products there was not sufficient historical data available to build statistical models. Hence a hybrid approach was proposed for development of scorecards for these products. The secured products had few years of application and payment data and hence statistical model was suggested for the same.

Model development: For unsecured products, the expert scorecard was developed by harnessing the knowledge base of D&B business professionals with extensive regional and contextual knowledge and enhanced based on client experience. For secured products, the model was developed using various statistical techniques to identify the data elements that can be used to measure the probability of an applicant becoming default. The models were validated by scoring a population that was not used for development and after verifying for good, the same was deployed using D&B Tracer.