

Credit Portfolio Risk Review

The Challenge

One of the major Australian Financial Institutions experienced a significant increase of write-off in one of their credit portfolios. The major increase was observed for customers opened in the recent years and affected all major distribution channels.

Our Solution

The **InfoCentric Credit Portfolio Review Framework** was applied to discover the major factors of the increased write-off rate of the credit portfolio (see diagram below).

To identify the primary driver of the increase, the write-off was decomposed into three major contributing factors: early delinquency, recovery rate and long-term delinquencies.

Decomposition enabled the isolation of the impact of the individual components on write-off growth, against a long-term average. As a result, the metric with the most significant impact on write-off was determined.

The next step of the framework estimated the impact of the deterioration in credit scoring. To remove this factor from the overall trend, the scoring model was transformed to meet an initial standard calibration.

At the final stage, decision tree based segmentation was applied to the population of recently acquired customers, in order to build homogeneous segments with stable performance. The derived segments' behaviour was compared with a long-term average to identify segments with the highest increase in target delinquency metrics.

The Benefits

By applying the **InfoCentric Credit Portfolio Review Framework**, we revealed two major issues in the portfolio:

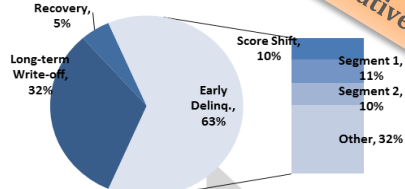
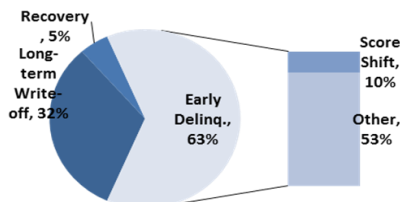
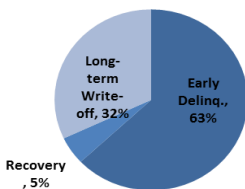
- A significant shift in the calibration of the scoring model resulted in more risky customers being accepted
- Deterioration of delinquency in some of the customer segments

InfoCentric recommendations delivered a significant reduction in early past-due rates, whilst having a minimal impact on the Institution's customer acceptance rate

How will InfoCentric help enhance your organisation's Insight today and tomorrow?

InfoCentric Credit Portfolio Review Framework

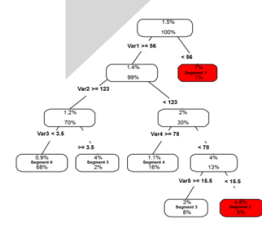
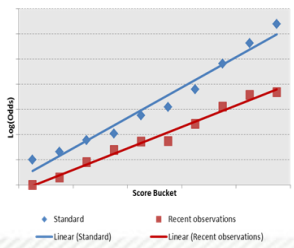
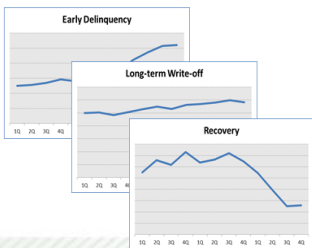
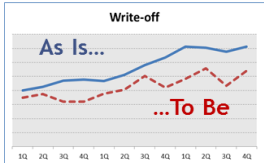
Illustrative



1 Write-off decomposition into major contributing factors

2 Impact of the shift in credit scoring models and other credit decision tools

3 Segmentation and segments analysis



Engage with InfoCentric

Find out how InfoCentric can help you gain more insight into your organisation's information today.

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