



Introduction to Credit Bureau and achieving benefits of credit information sharing initiative

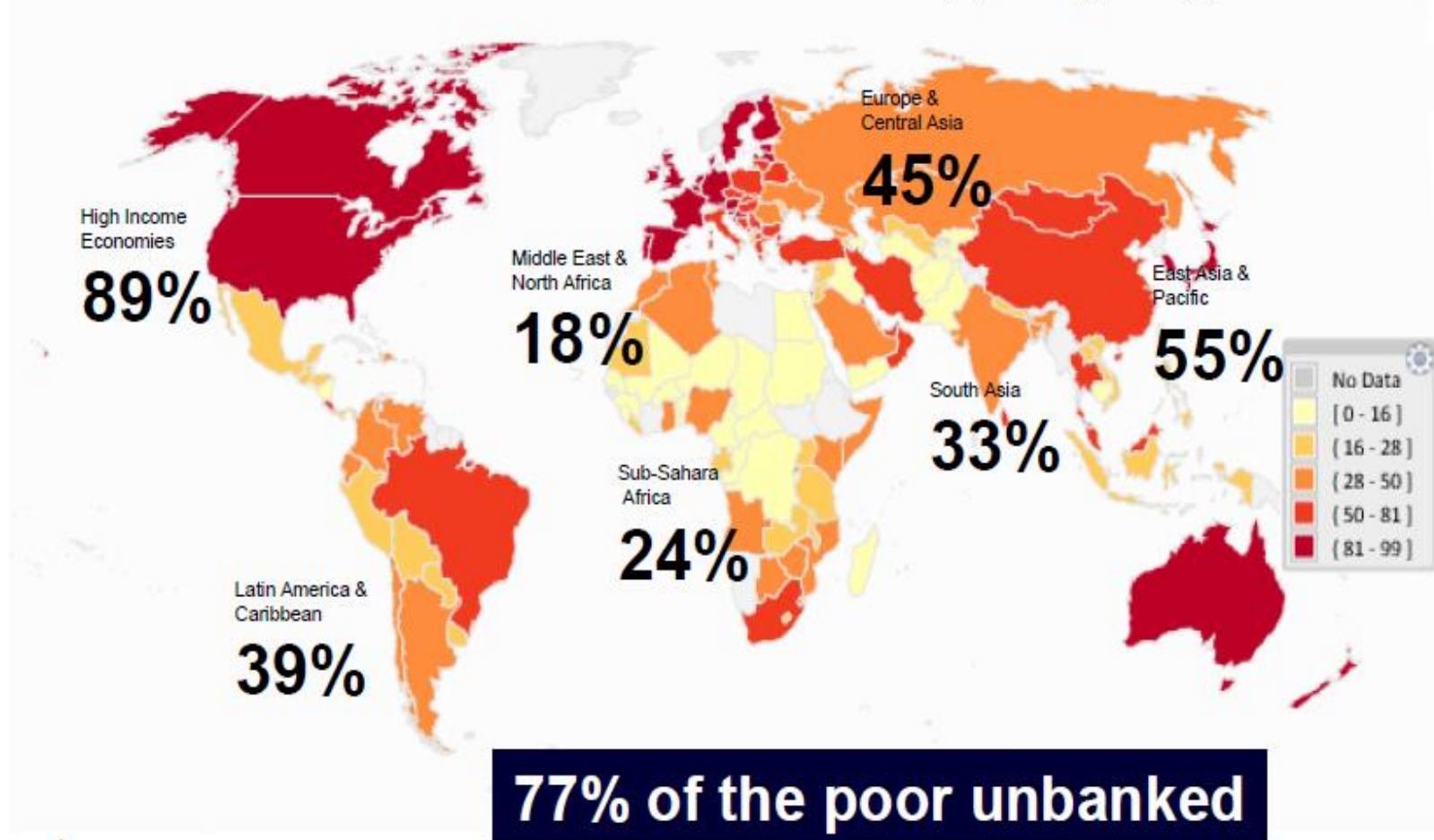
13th March 2014

Background – Access to Finance



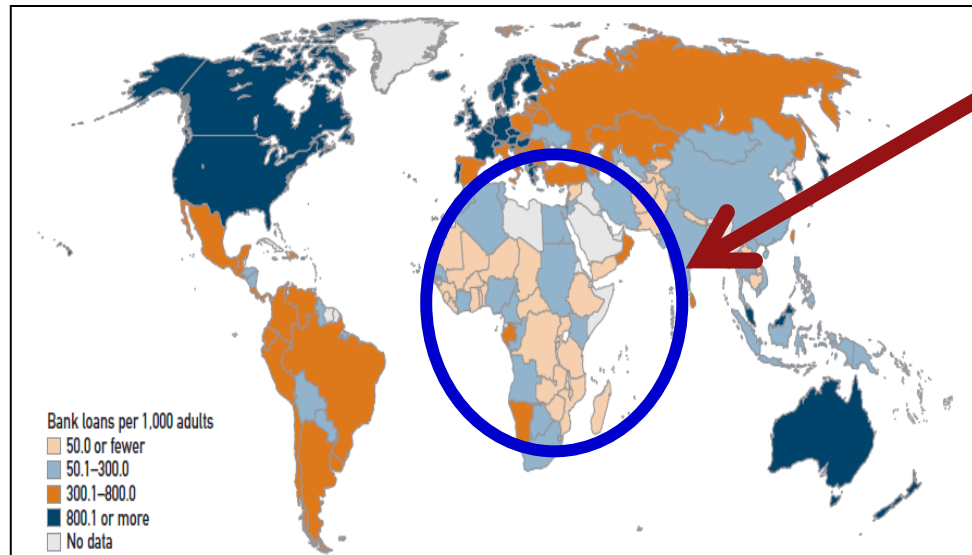
Globally, half of all working-age adults are unbanked

Adults with account at formal financial institution, (average in %)



Where does credit reporting need for starts from?

Countries without Credit Bureaus are generally the same...



Note: Estimates for countries that did not report the number of bank loans were generated from a statistical model that uses income per capita and various features of the financial system—such as the number of bank branches per 100,000 adults and the value of deposits per adult—to predict the number of commercial bank loans. Where the number of loans in nonbanks was not reported, an attempt was made to fill in data from other sources. The estimates for bank and nonbank categories were summed by country to estimate the total number of loans in each country. See the methodology appendix for more details.

Source: Financial Access database.



Note: The map shows which countries have existing, developing or no private consumer credit bureaus serving financial institutions and other lenders. The data comes from country assessments and advisory work of IFC's Global Credit Bureau Program and Doing Business Surveys.

Source: Source: Global Credit Bureau Program and *Doing Business Report*.

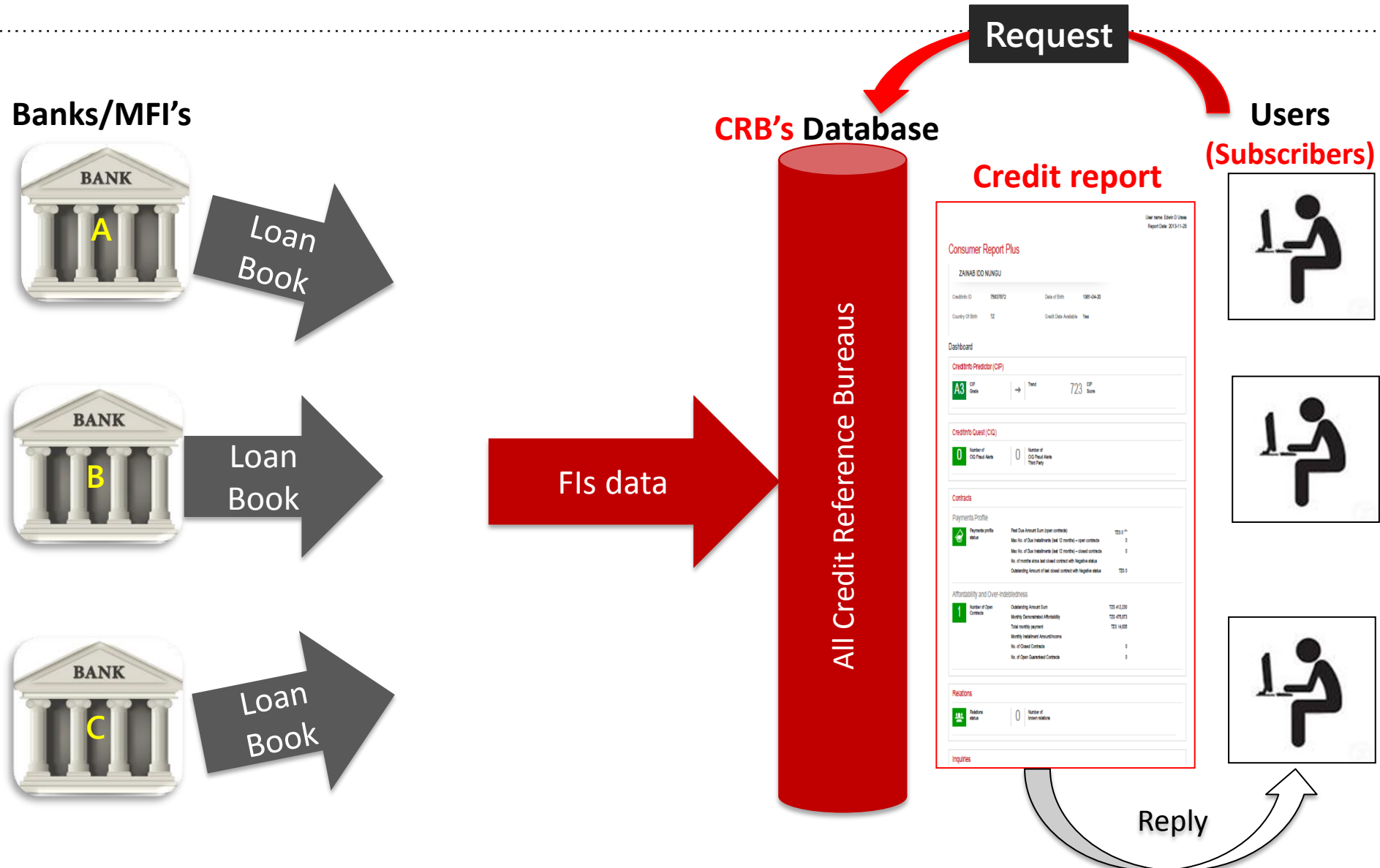
IFC International Finance Corporation

...where access to credit is more difficult!

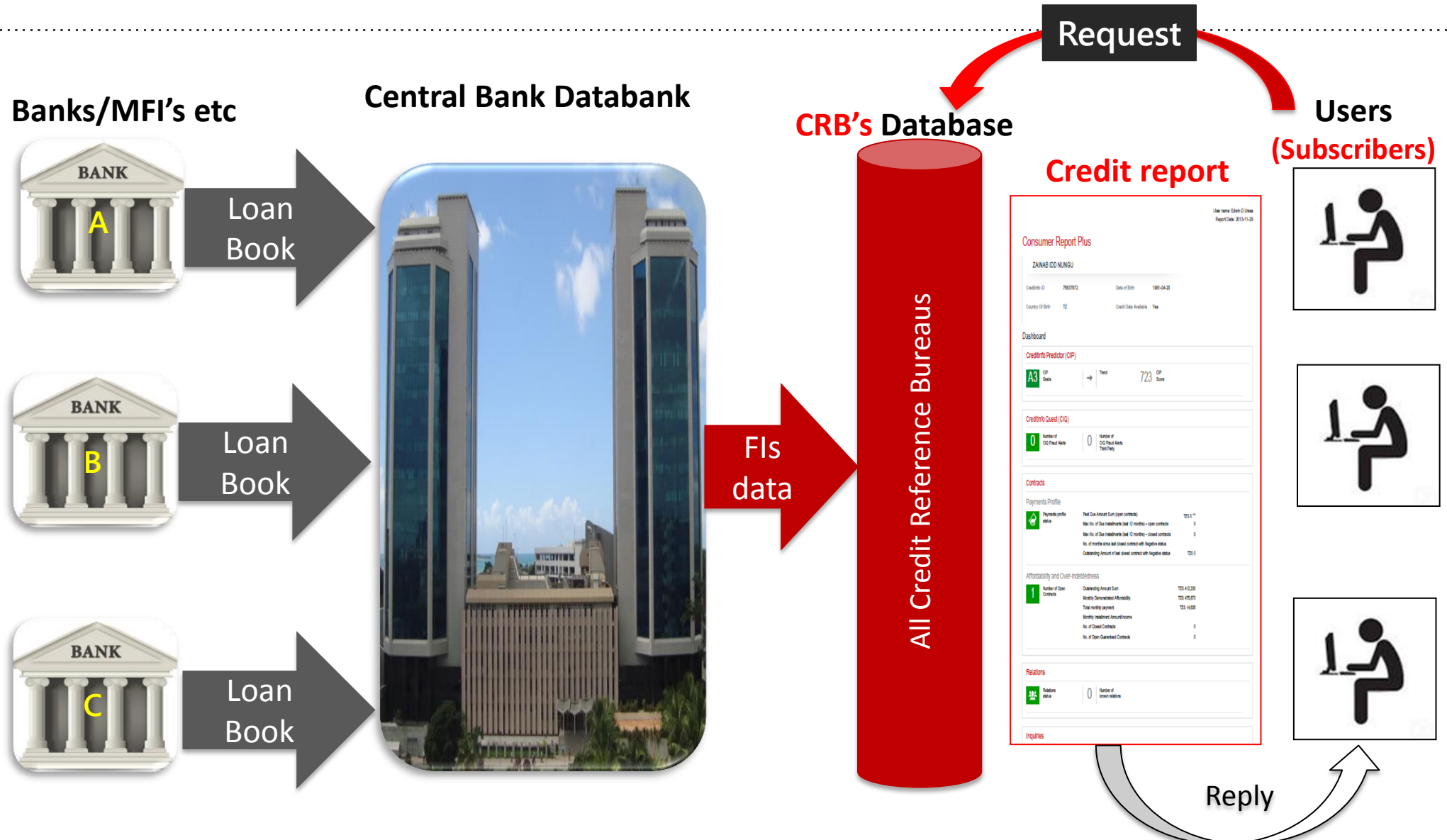
Background Credit Bureau Overview



Typical Infrastructure – Option 1



Infrastructure – Option 2



This presentation will demonstrate the 4 key market changes that occur after the introduction of a credit bureau

..... and why.....

financial institutions need to be first adopters of credit bureau and automation if they wish to grow their market share.

Illustrated by Georgia Case study

Imagine we were to introduce a credit bureau in a new market then

.....
Step to the Future
.....

2019

Change is important, as is business reaction

Think about
the worst cases
of not changing
when the environment
changes



Change after a credit bureau

Typically all banks
will increase
their portfolios.

Some banks will
benefit
significantly more
than others.

Banks / MFIs 2014



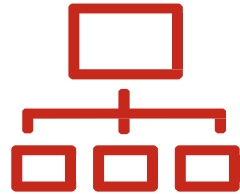
Banks / MFIs 2019



Four areas where I expect to see changes



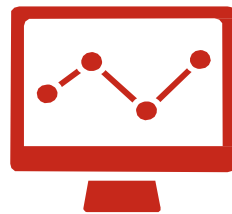
Four areas
that typically see
significant changes
in the market
as a result of a
credit bureau



Product Range



Volumes of Loans



Pricing



Competition /
New Entrants

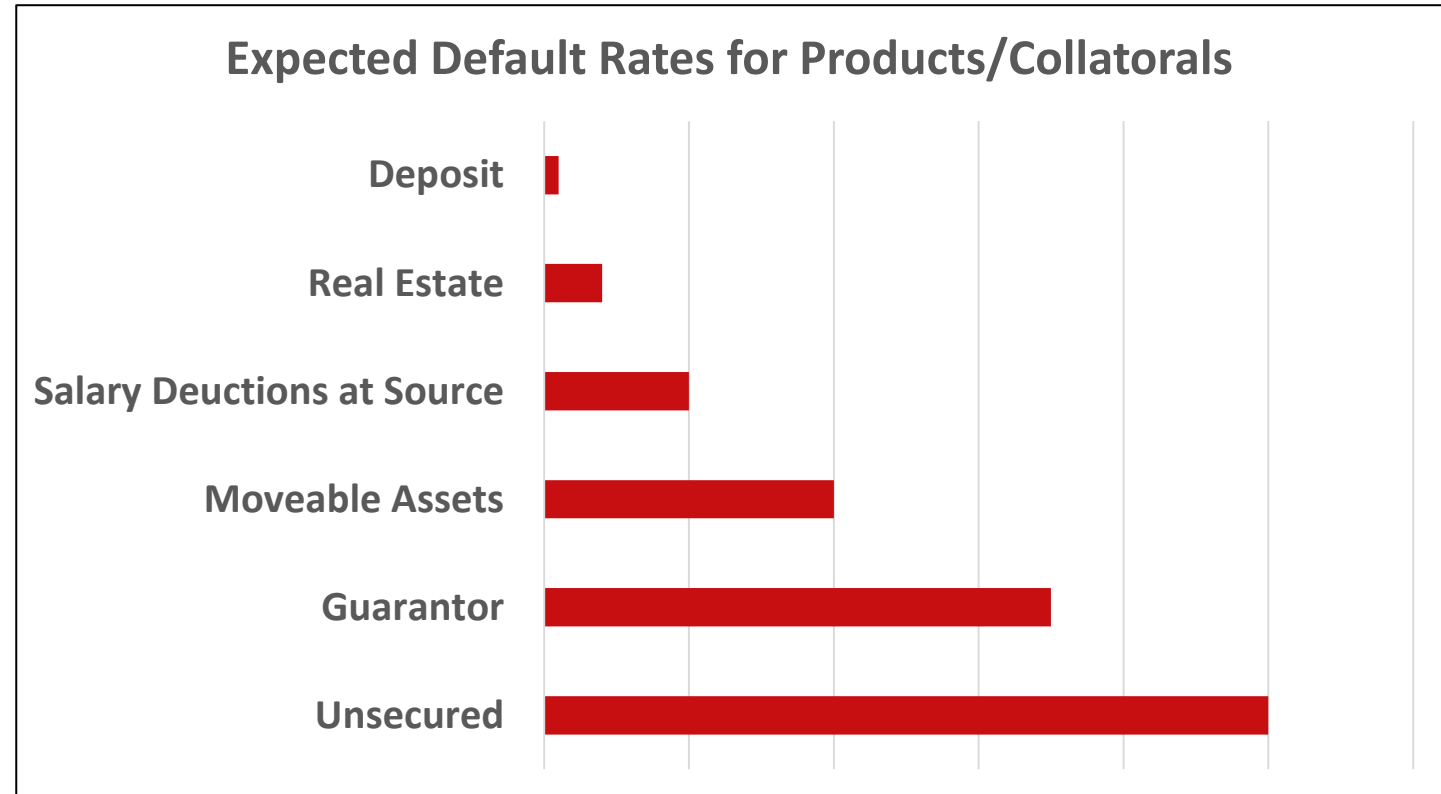
Products and Collateral



Area #1

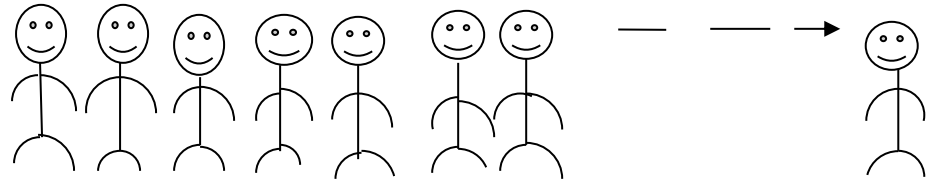
Different Products /
Collaterals
have different losses.

High default rates
mean that
Unsecured and
to a certain extent
Guaranteed Loans
are almost impossible
to deliver



No way to identify the Bad Payers

Before the introduction of the credit bureau.

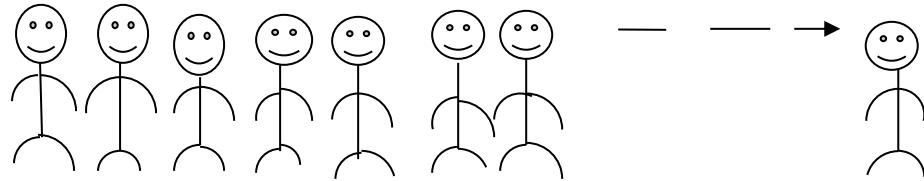


**It is very difficult to distinguish
the good and the bad payers.**

Thus we may expect a 50% default rate

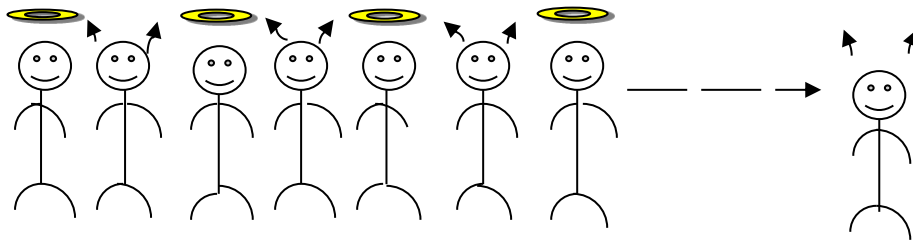
No way to Identify the Bad Payers

Before the introduction of the credit bureau.



It is very difficult to distinguish the good and the bad payers. Thus we may expect a 50% default rate

After the introduction of the credit bureau.



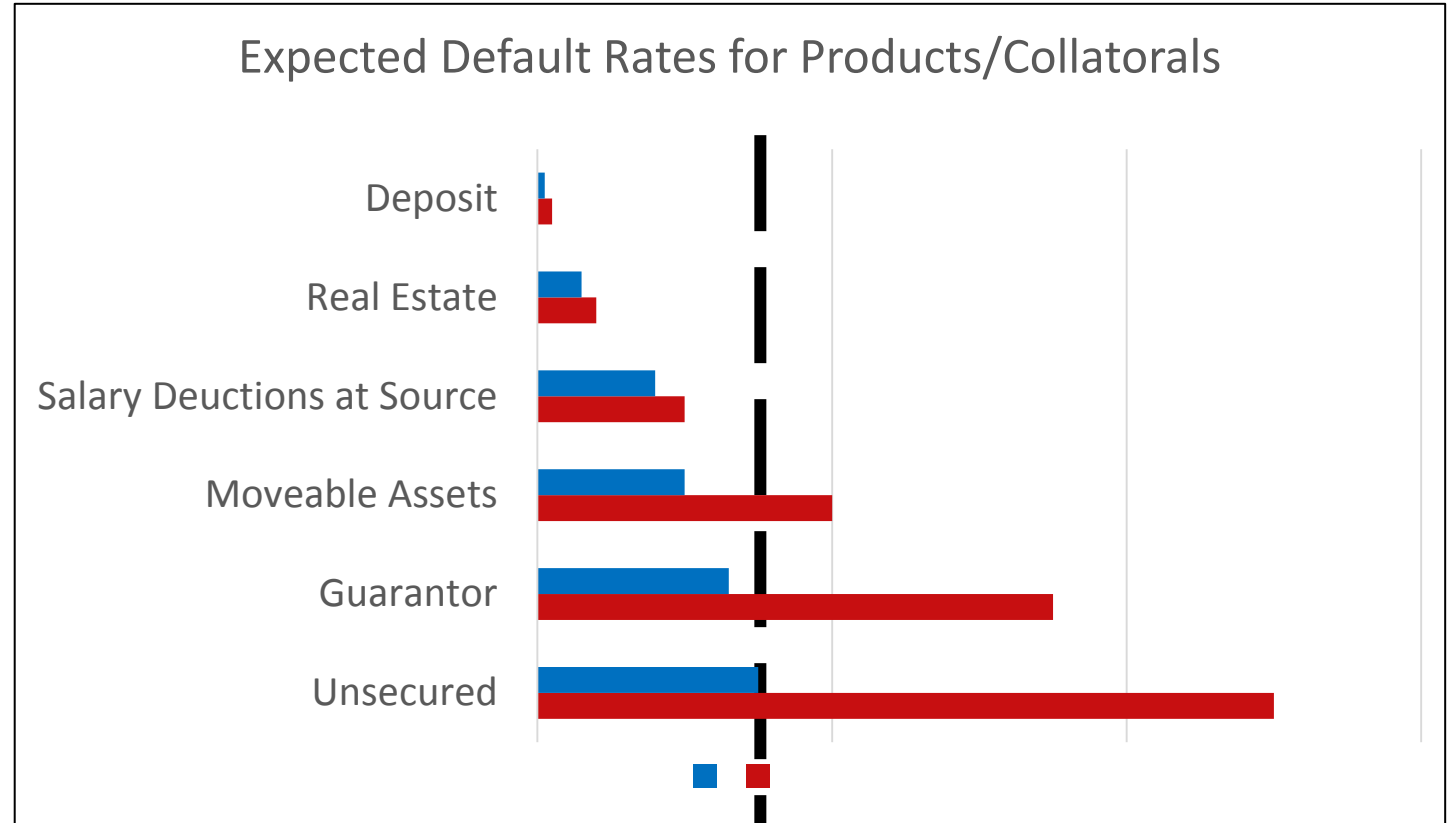
The situation is much clearer, thus providing the ability to reduce the default rate

Products and Collateral

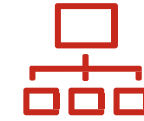


Area #1

The risk return equation starts to change considerably with the introduction of the credit bureau.



Prediction 1 - Products and Collateral



Area #1

**Unsecured Lending will
be an acceptable and
widespread approach**





**How many people
that would like to
take a loan,
.....also have access to
an acceptable collateral?**

Prediction 2 - Volumes



Area #2

**A greater number of people
that do not have access
to credit today
will have access in 2018.**

**The volumes of consumer loans will
considerably increase.**



Competition / New Entrants



Area #3

- Many financial institutions will only enter markets with credit bureau
- These institutions know how to manage in the new environment



However,

- Existing markets know the market so..... existing players that are fast adopters of credit bureau and automated processes still remain the strongest



Prediction 3 - Competition / New Entrants



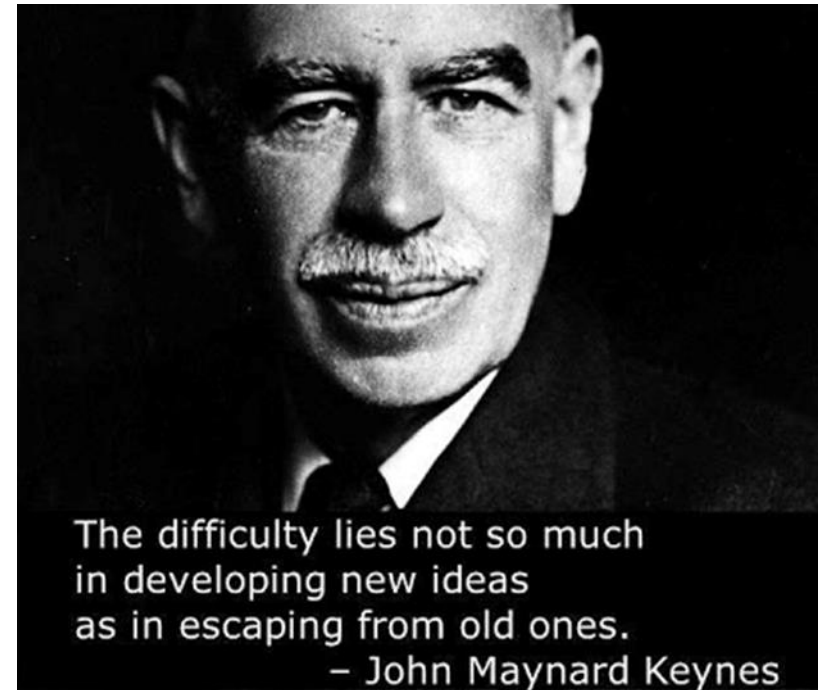
Area #3

**New financial institutions
that know how to manage
in the credit bureau environment
will enter in the coming years**





Are there any economists here?



Pricing



Area #4

Stage 1 – first few years after CB

- Demand is high, supply is low



Only a few banks will deliver
and change

Stage 2 – some years after CB

- Demand is high, supply increases



More local banks change and
competition enters

Prediction 4 – Pricing and Profits



Area #4

**First adopters will have
a period of high pricing and revenue.
(yes, they have slightly higher risks
before the credit bureau fully matures)**

**In the medium/long term
prices drop as competition increases**





Another Super Power!

Another Super Power!

Does this crazy Englishman not know
that this is not western Europe.....

Things are different here



Differences

Yes, each market is different and each has a unique cultural, historic and market environment. The change and growth will have differences and different schedules, but experience shows that most of the major changes occur.

2010 Egypt

Changes are starting to happen

2005 Ukraine, Georgia

Post Soviet Eastern Europe, credit bureau “Nyet”!

2000 South Korea

Credit Bureaus in Asia, not our culture

1990's South Africa

Positive Data, not work here!

1988 UK

By George!!! Those Yankee credit bureaus will never work in Blighty!

More thoughts

OK, but we can start to think about this
in a couple of years,
the data is too poor at the moment

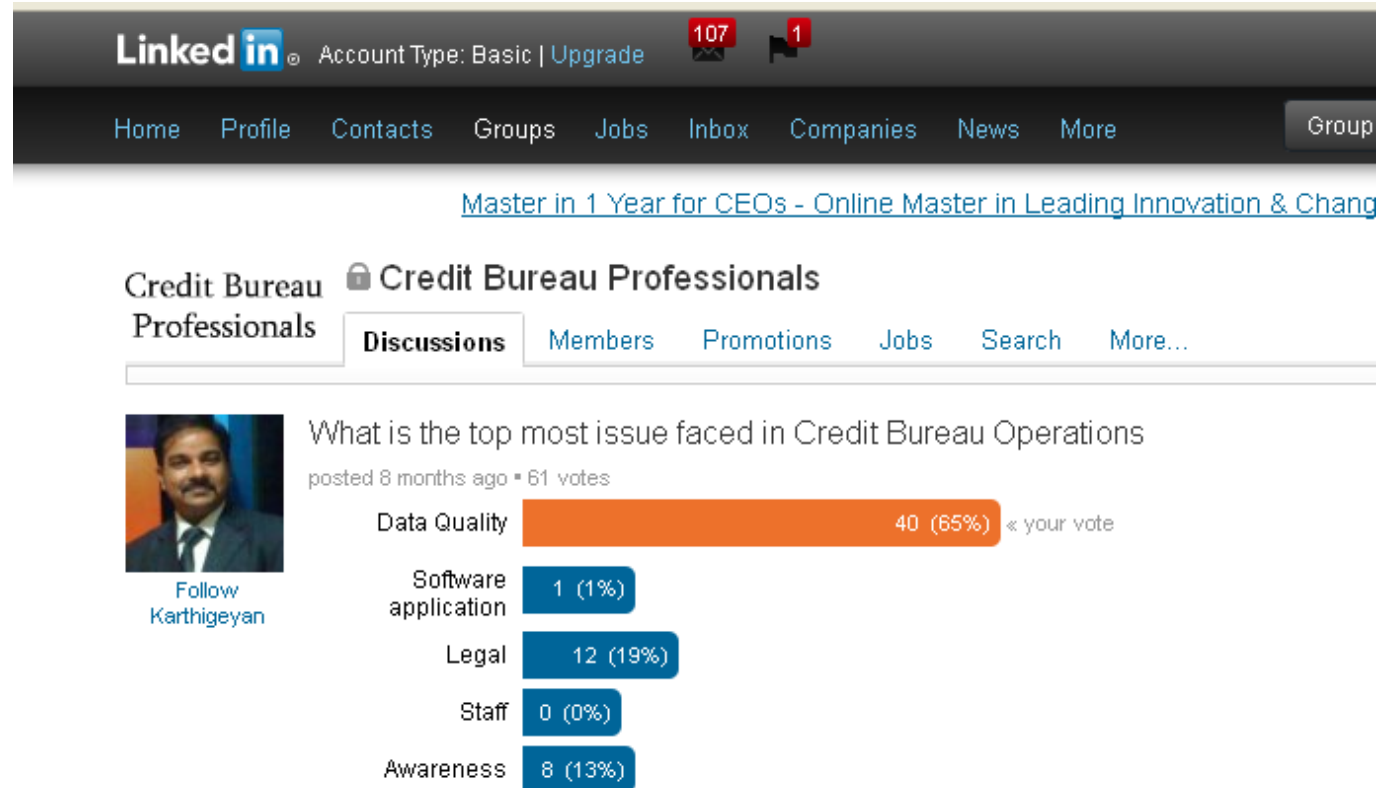


Data Quality – the Universal Issue

65% of Credit Bureau Professionals see Data Quality as the Top Issue

“Over the years data quality has improved with new Federal Laws and the major US credit bureaus are doing a better job reviewing the quality of data, but..... I still see a lot of junk data being reporting from all industries.”

Source: US Industry Expert ,
Linkedin



Recent Data Review in Credit Bureau

Q47_ScoringFullIndividualReport.pdf - Adobe Reader

Loan type	Credit card		Penalty sum	0.0000 GEL		
			Penalty paid	0.0000 GEL		
Dates						
Start date	5/27/2011		Expected end	12/31/2025		
Date of last update	9/3/2012					
Contract details						
Total amount of credit	500.0000 GEL		Periodicity of payments	Monthly Instalments - 30 days		
Standard instalment amount	0.0000 GEL		Method of payment	Current Account		
Overdue Amount after maturity day	0.0000 GEL		Type of repayment	Credit Card with regular Payment Instalments		
Number of usages	0		Outstanding Amount before maturity day	439.3600 GEL		
Historical calendar						
Month/Year	4/2012	5/2012	6/2012	7/2012	8/2012	9/2012

Total amount of credit	500.00	500.00	500.00	500.00	500.00	500.00
Number of card usages	0	0	0	0	0	0
Overdue amount	0.00	0.00	0.00	0.00	0.00	0.00
Outstanding amount	403.43	404.81	0.72	268.18	437.89	439.36
Month/Year	10/2011	11/2011	12/2011	1/2012	2/2012	3/2012
Total amount of credit	-	500.00	500.00	500.00	500.00	500.00
Number of card usages	-	0	0	0	0	0
Overdue amount	-	0.00	0.00	0.00	0.00	0.00
Outstanding amount	-	459.70	0.00	497.52	419.07	337.53
Month/Year	4/2011	5/2011	6/2011	7/2011	8/2011	9/2011
Total amount of credit	-	500.00	-	-	-	-
Number of card usages	-	0	-	-	-	-
Overdue amount	-	0.00	-	-	-	-
Outstanding amount	-	0.00	-	-	-	-
Month/Year	10/2010	11/2010	12/2010	1/2011	2/2011	3/2011
Total amount of credit	-	-	-	-	-	-
Number of card usages	-	-	-	-	-	-

- Q47 (Missing snapshot during the credit life cycle)

There is a missing snapshot (month) between contract Start Date and last Report Date

There were many errors identified and needed to be corrected

3 Million enquires per month and search for every new loan

Data Quality

**Use the Data you have
today and make better
decisions**



**Improve the Data
you should have**



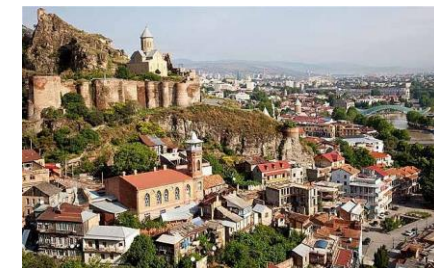
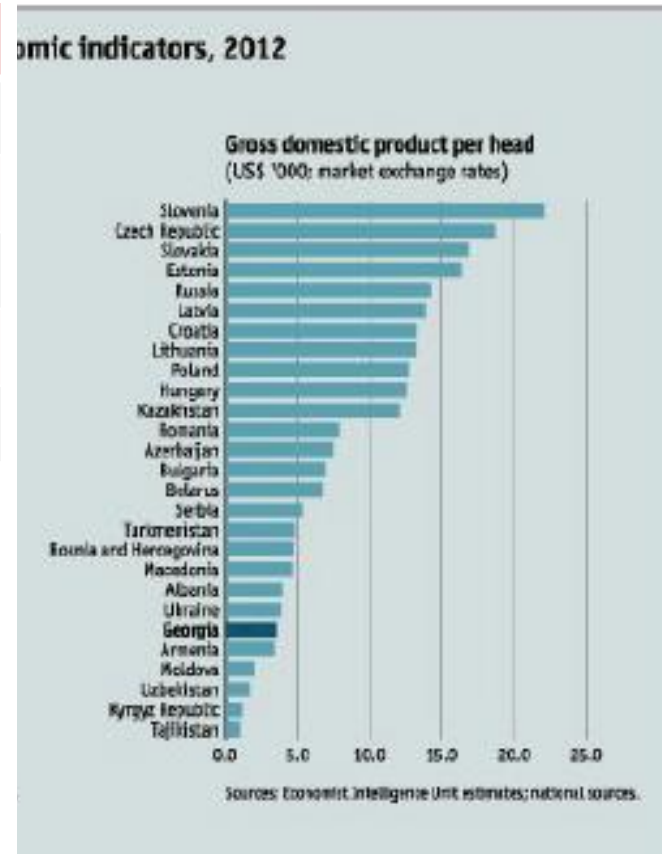
Case Study: Country of Georgia

Population (2012 est.): 4,570,934 (growth rate: -3.11%);

Capital & Largest City: Tbilisi - 1,115,000

GDP per capita	
2009	\$2,455
2010	\$2,623
2011	\$3,231
2012	\$3,520
2013	\$4,120 (as at Sept 2013)

Total Assets of Banking Sector	
2011	\$ 7.59 billion
2012	• \$ 8.66 billion
2013	• \$ 9.98 billion



Georgia Credit Bureau Environment

Credit Bureau

Creditinfo Georgia set up in 2005 with only negative data.

It is the only active credit bureau in Georgia.

Positive Data since 2007

Creditinfo Georgia has the following stakeholders:

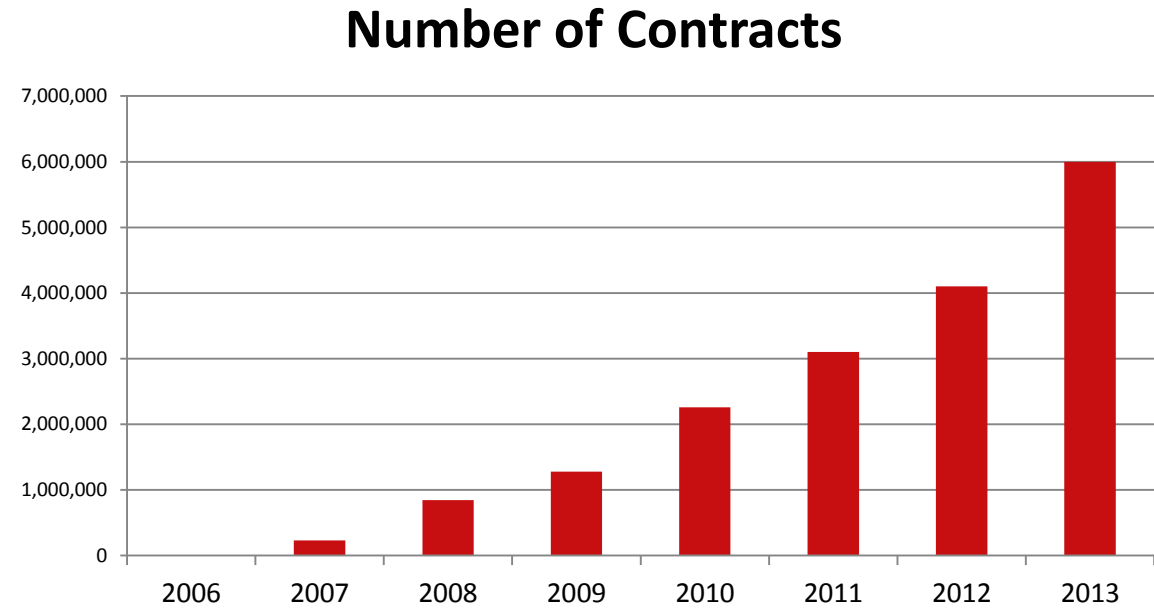
- Creditinfo International GmbH
- TBC Bank
- Bank of Georgia
- Procredit Bank
- Bank Republic – Societe Generale Group
- NCIB



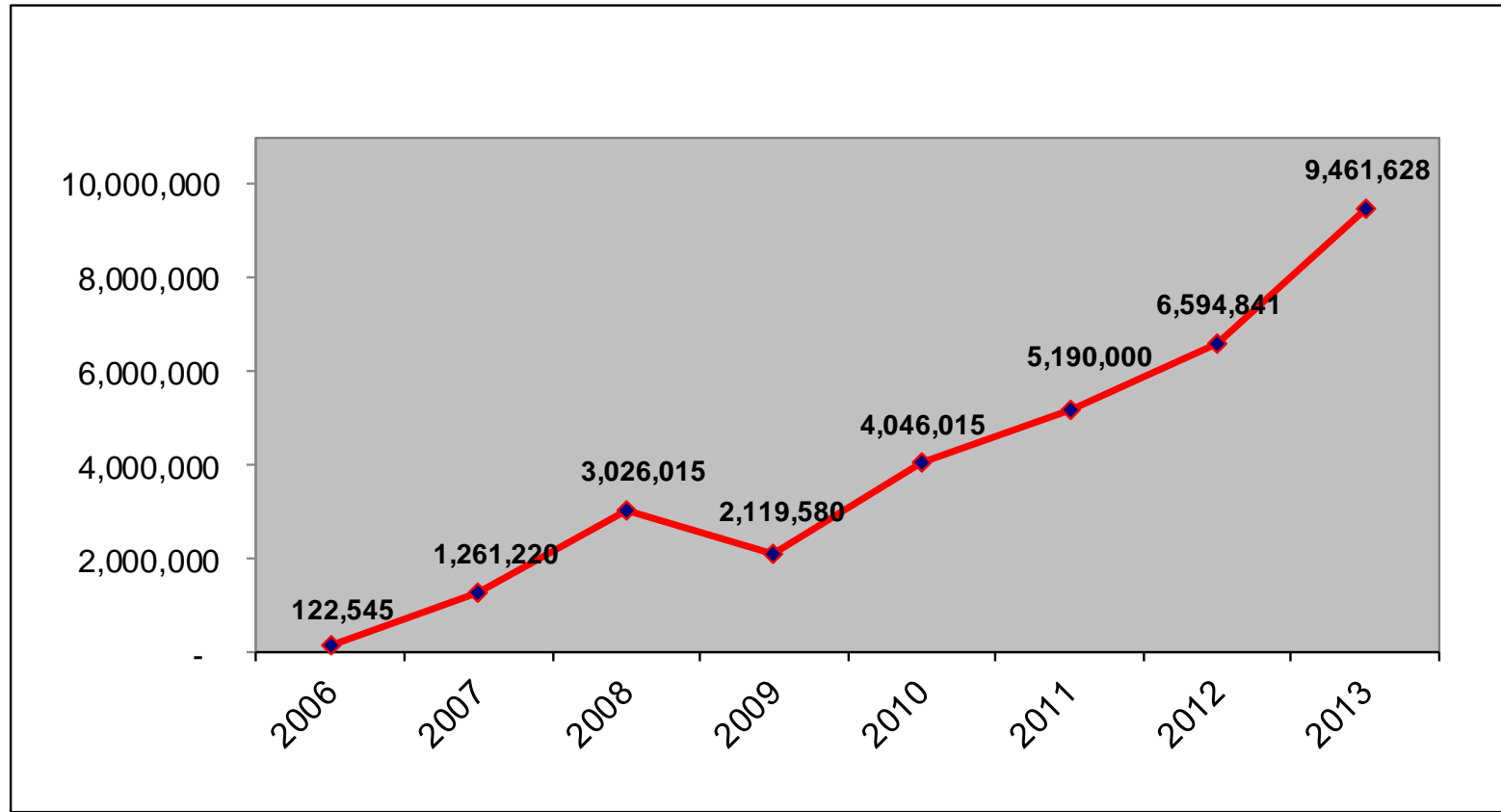
Creditinfo Georgia – Customers and Contracts

**Constant increase in the number of contracts,
particularly since adding positive records since 2007**

Year	No. of Contracts
2006	9,000
2007	232,000
2008	848,000
2009	1,278,182
2010	2,258,793
2011	3,100,000
2012	4,100,000
2013	6,000,000



Number of inquiries to the database 2006 -2013



**Growth continues,
62% this month
on the same last year!**

**January last year –
453,000
January this year -
735,000**

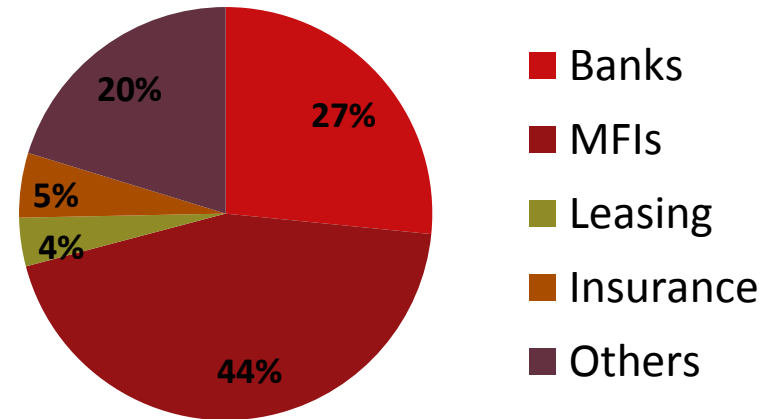
Creditinfo Georgia – Customers and Contracts

Over recent years, we have seen growth in all main sectors,
especially MFIs (non bank financial lenders)
where growth has more than doubled.

No. of Type of Clients

	2011	2012	2013
Banks	15	18	21
MFIs	16	21	35
Leasing	2	3	3
Insurance	2	2	4
Telco	0	1	2
Other	25	20	14

% split of types of customers
2013



Georgia – Banking Winners and Others

Growth in the sector has been enormous.

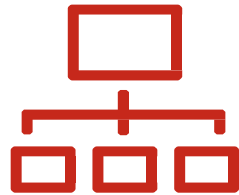
Growth has not been even amongst the Banks.

Loan Portfolio Growth	2005 v 2002	2008 v 2005	2012 v 2005
Banking Sector - Total Loans	2.8	3.5	5.0
Banking Sector - Loans to Individuals	2.1	5.3	7.5
Bank Of Georgia - Total Loans	3.1	6.3	10.0
Bank of Georgia – Total Loans	2.8	9.0	11.0
Bank of Georgia – Consumer Loans to Individuals	4.3	16.3	20.0



Question: what can you deduce from the last two lines?

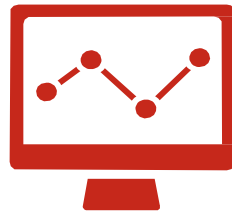
Summary – Change will happen when a credit bureau is introduced



Product Range



Volumes of Loans



Pricing



Competition /
New Entrants

Will your bank be a winner?

Webinar

