Digital Scoring: A case study from A1Ft Mobility Fintech

Analytic score and Open banking Process

PROJECT SCOPE

1. Leverage the power of banking data for credit risk assessment

2. Improve credit risk process with an easy to implement digital score with only 2 API calls

Phase 1

3. Enhance the power of analytics and artificial intelligence in A1FT as credit strategy tool

4. Enhance our internal Datawarehouse with reliable customer data and analytica profile for risk adjusted customer segmentation and product development

Phase 2

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Open Banking Behavioral score

- A quantitative, behavioral credit scoring model processing Real Time bank account information built to capture short- and medium-term creditworthiness of small and medium enterprises (SMEs).

- The development database contains 27.000 company bank accounts mostly (99%) derived from HSBC, Barclays, Santander, RBS, Lloyds, Revolut and Bank of Scotland. 16 Million of transactions were analyzed, normalized and modelled.

Open Banking Behavioral score

- The model analyses transactions and outstanding balances both on assets and liabilities side. The model can be calibrated to market or portfolio specific characteristics.

- The output is a one-year probability of default (PD) reflecting the firm's ability to pay back its obligations. The PD is then mapped to two risk scales: a proprietary one and Moody's Implied Ratings scale which facilitates granular comparison and benchmarking.

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Analytic score and Open banking Process

Digital scoring

Traditional scoring

Open Banking allows access to data normally available only to banks and unlocks the power of behavioural models in liquidity analysis	**VS**	Reliance on **static Financial information** as the main source of data, making it impossible to develop sophisticated risk models form small companies
High accuracy of both components of our scoring solution, which is compounded when integrated together thanks to orthogonal data	**VS**	**Low accuracy** fuelled by the obsolescence of data and methodologies employed
Real time data provides an always updated picture of credit worthiness, allowing for accurate **short-term monitoring**	**VS**	By the nature of data used, traditional scoring models only provide an **outdated valuation**, not suitable for dynamic markets and sectors

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Digital scoring

Traditional scoring

Ability to **plug & play** wherever you want in your decisioning processes	**vs**	Often require specific integration in pre-existing processes, leading to high cost and effort
Geographical scalability, as CRIF is data and solutions provider but also Credit Bureau in most European countries	**vs**	Most other companies only provide coverage for **one market**, making it necessary to employ different scores for different regions
Ability to respond to dynamic market conditions, as evidenced by **quick response** to COVID-19 crisis with a suite of tools for SMEs and lenders	**vs**	Strict structure and **inability to adapt** to changes to the norm

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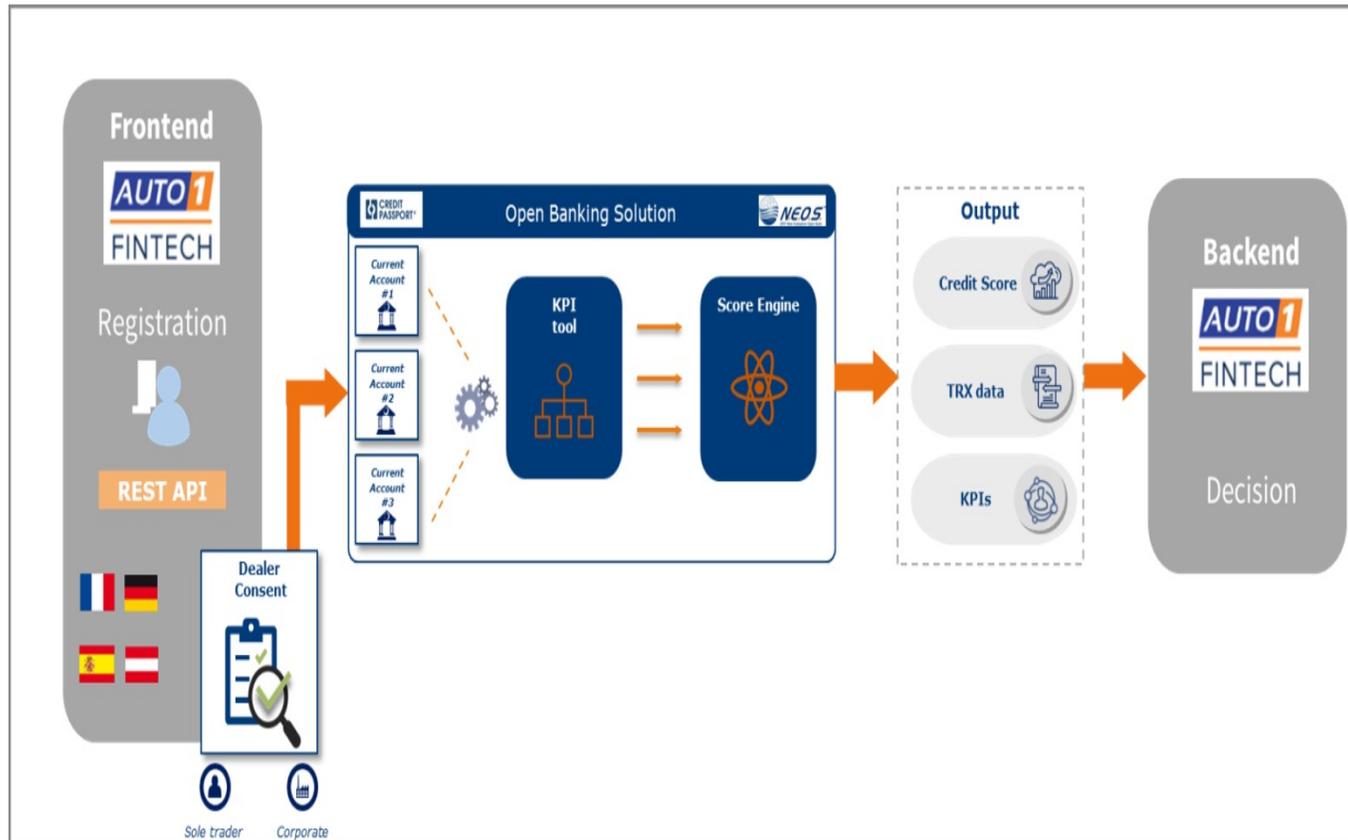
The Open Banking score is our analytical score directly based on the statistical behavior of the customer Bank account. It is a fully digital process with minor impact to the customer and higher accuracy directly integrated via API to our systems .

Discriminating Power

1. **The score based on the Bank account has a very high discriminating power**

2. **The score helps A1FT to catch the recent credit worthiness of the customer without disturbing factors (COVID, old data)**

3. **The probability of default that the model outputs go through a process of calibration in line with best practices.**

High predictivity

Data driven approach

Measurable results

Easy to be integrated in the credit processes
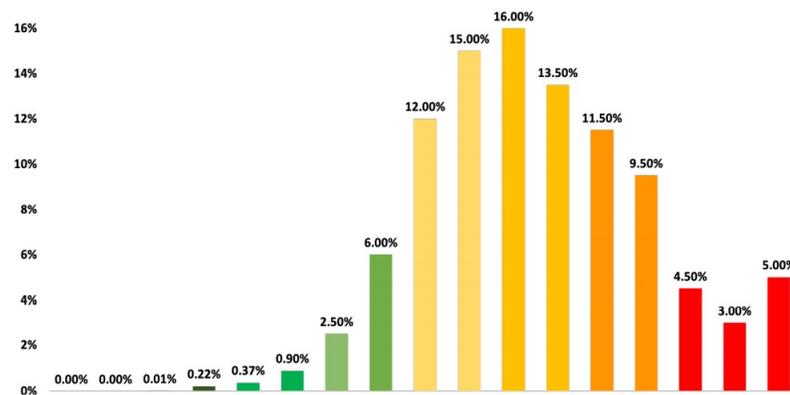
AUC	AR*
0.927	0.853
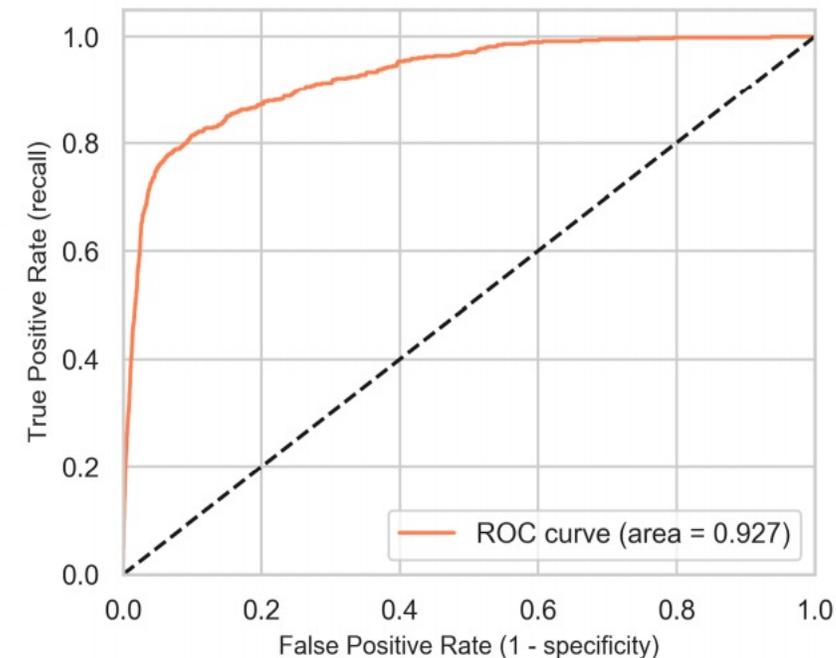
ROC curve (area = 0.927)

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Alternative Lender Final Decision	RealTime Behavioural Model Average PD
Acceptance	2,94%
Refusal	5,58%

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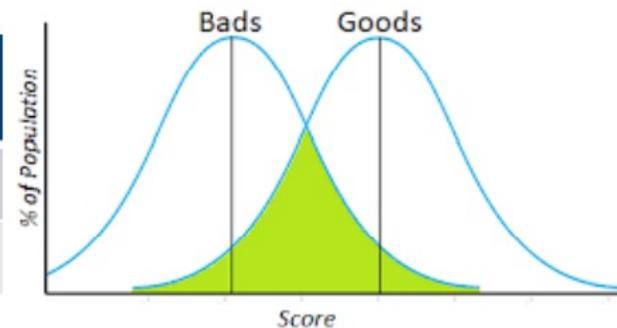
What it means for our Customers

1. A click in the Dealer Portal to authorize us to access the account

Results

1. **Based on the authorization we retrieve a full extract of data as well as tailore to our business KPI´s**

```json
"Auto1 specific KPIs": [
    {
        "score": 381,
        "numberDaysOldestTransaction": 1175,
        "numberDaysNewestTransaction": 1174,
        "numberTransactionsLast90": null,
        "numberProviders": null,
        "numberCurrentAccounts": null,
        "amountDailyBalance": null,
        "amountIncomesForecast": null,
        "amountExpensesForecast": null,
        "amountCashflowForecast": null,
        "ratioInflowOutflowLast90": null
```

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Thank You
Good Bye