Emil Kærgaard

Product Manager, Experian Nordics

Henrik Guldberg

Commercial Strategy Director, Experian Nordics

Open Banking for Better Decisioning – from Data to Actionable Insights

∿ Neonomics   ⣿ experian™

Open Banking increases the accuracy of the decisioning

Enhance your decisioning while improving the customer interaction and drive growth

Better serve **customers**

- Improve customer experience
- Deliver personalised solutions

Increased Profit

Through better customer insight and better segmentation

Enhance **decision making**

- More insight on marginal customers
- Increase automation
- Enrich customer segmentation
- Improved risk scores
- Improved accuracy in income estimation

+10-20%

Higher predictivity than the existing scorecards

Reduce **costs**

- Reduce / remove manual interventions
- Address unprofitable account behaviours
- Increase self service

Reduced Risk

Improved risk control for the non-delinquent customers

Open Banking – creating value for you and your customers

Consumer benefits

Efficient onboarding
Less manual work for the consumer and quick answer

Digital experience
A professional setup that delivers a digital and safe experience

Personal experience
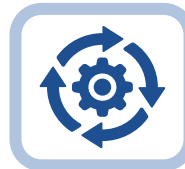Increased insights enable personalized feedback

Open Banking benefits

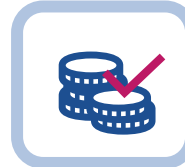Automated credit decisioning

Enhanced models and scorecards

Reduced operational costs

Faster customer onboarding

Income verification

Increased customer insights

Compliant affordability assessments

Combine data sources in decisioning

Business benefits

Increased Profit
Through higher acceptance rates

Reduced Risk
Improved risk control for new and existing customers

Reduced Cost
Through lower operational costs and less defaults

Open Banking with a Nordic perspective

API Coverage: 95-98%

Categorization live

API Coverage: 95-98%

Categorization POC

API Coverage: 95-98%

Categorization POC

API Coverage: 95%

Categorization POC

Future-proof technology and domain knowledge

The partnership between Experian and Neonomics enables a uniform Open Banking experience across the Nordic markets while accommodating client and/or market specific requirements. Some of what we deliver is

- Single state-of-the art machine learning model for the categorization of transaction data
- Our AIS services are purely based on PSD2 API integration to the Nordic financial institutions.
- Strong domain knowledge within the AIS space and the credit space
- International scale and experience with Open Banking

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Open Banking is part of the future credit landscape

Open Banking is becoming an increasingly important part of credit decisioning in UK – and the consumers are invested

Open Banking is growing rapidly in the UK with EMEA gathering pace

x3

The number of people choosing to share their data through open banking has tripled since the start of the Covid-19 pandemic

2021

2020

188m

47m

Experian's Open Data Platform saw more than 188 million data sharing requests (up from 47 million in February 2020)

57%

57% of lenders have adopted open banking technology in the last 12 months
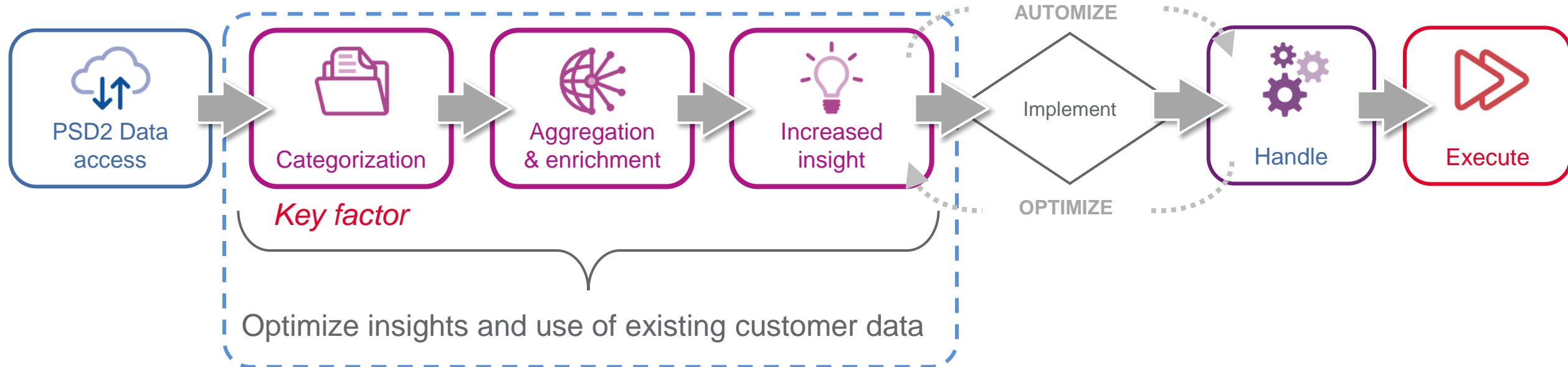
Open Banking – from data to actionable insights

DATA – ENRICHMENT - INSIGHT

ADVANCED ANALYTICS

DECISIONS

PSD2 Data access

Categorization

Aggregation & enrichment

Increased insight

AUTOMIZE

Implement

OPTIMIZE

Handle

Execute

Key factor

Optimize insights and use of existing customer data

Categorization and affordability calculations

Transaction data → **Categorized data** →

Affordability

| Eligible Income | Committed Expenditure | Basic Quality of Life | → Disposable Income |
| Ineligible Income | Essential Expenditure | Other Expenses | Net Remnant |

Income

| Main income | Bank transfer receipt | Expense-related receipt |
| Cash deposit | Rewards | Gambling |

18 categories

Expenses

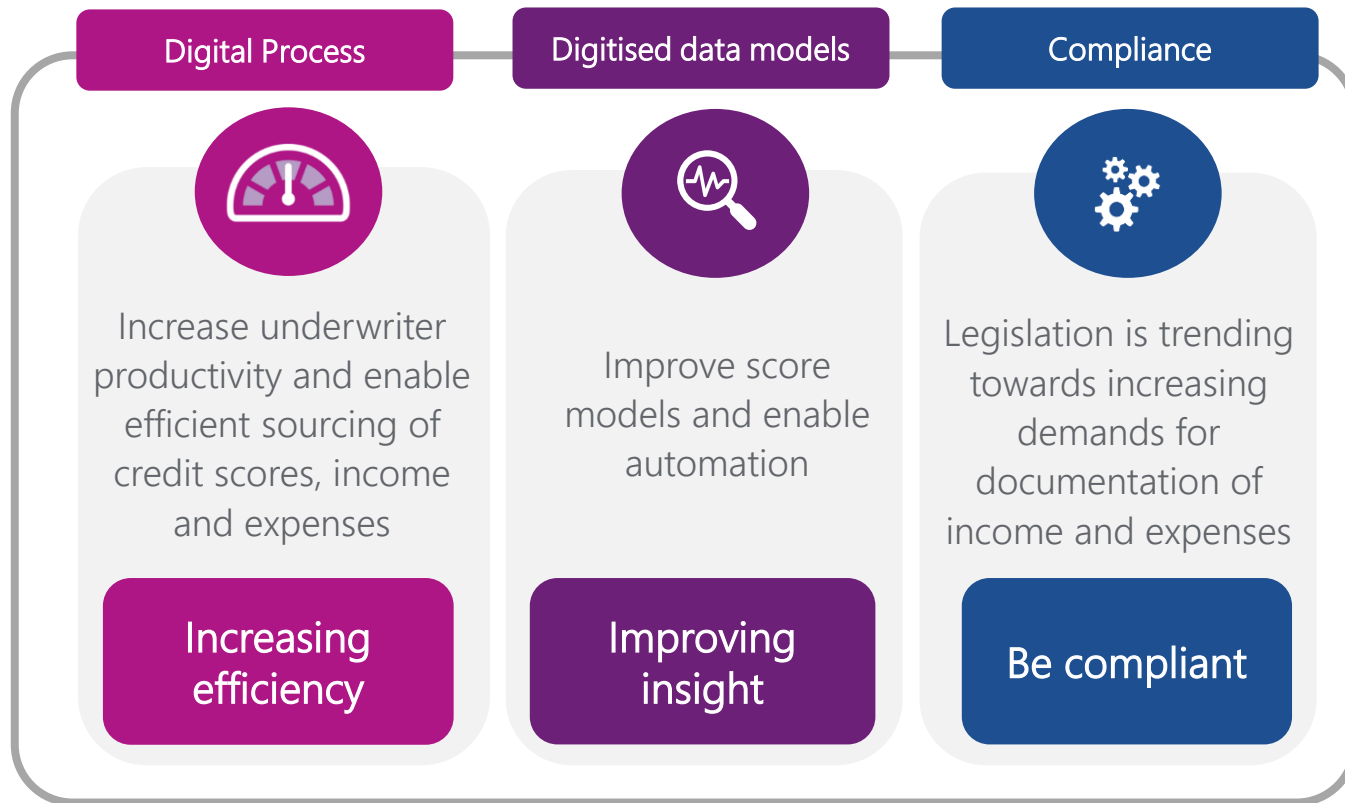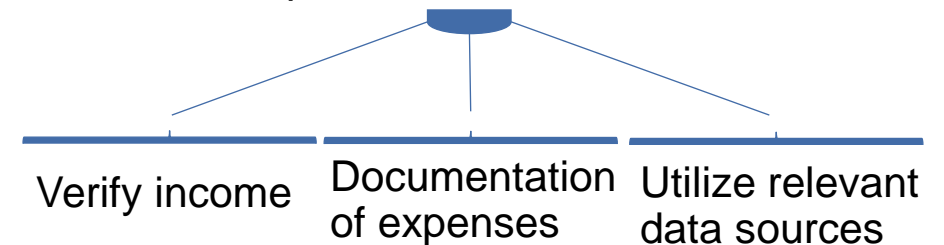| Family expenses | Finance & Banking related expenses | Financial & Legal service expenses | Insurance expenses | Healthcare/Personal care expense | Communication expenses |
| Lifestyle expenses | Subscription expenses | Retail expenses | Transport/Travel expenses | Home expenses | Uncategorized expenses |

76 categories

Open Banking – creating value for you and your customers

Better customer experience, increased efficiency and higher approvals rates

Digital Process

Increase underwriter productivity and enable efficient sourcing of credit scores, income and expenses

Increasing efficiency

Digitised data models

Improve score models and enable automation

Improving insight

Compliance

Legislation is trending towards increasing demands for documentation of income and expenses

Be compliant

Compliant affordablity calculations

Affordability information should be based on actual income and expenses of the consumer

Verify income

Documentation of expenses

Utilize relevant data sources

Experian Categorization Dashboards Power BI

Emil Kærgaard

Product Manager, Experian Nordics

∿ Neonomics　experian.

Integrate transaction data into decisioning

Assess your customers by using individual KPI's and improve models and customer interaction
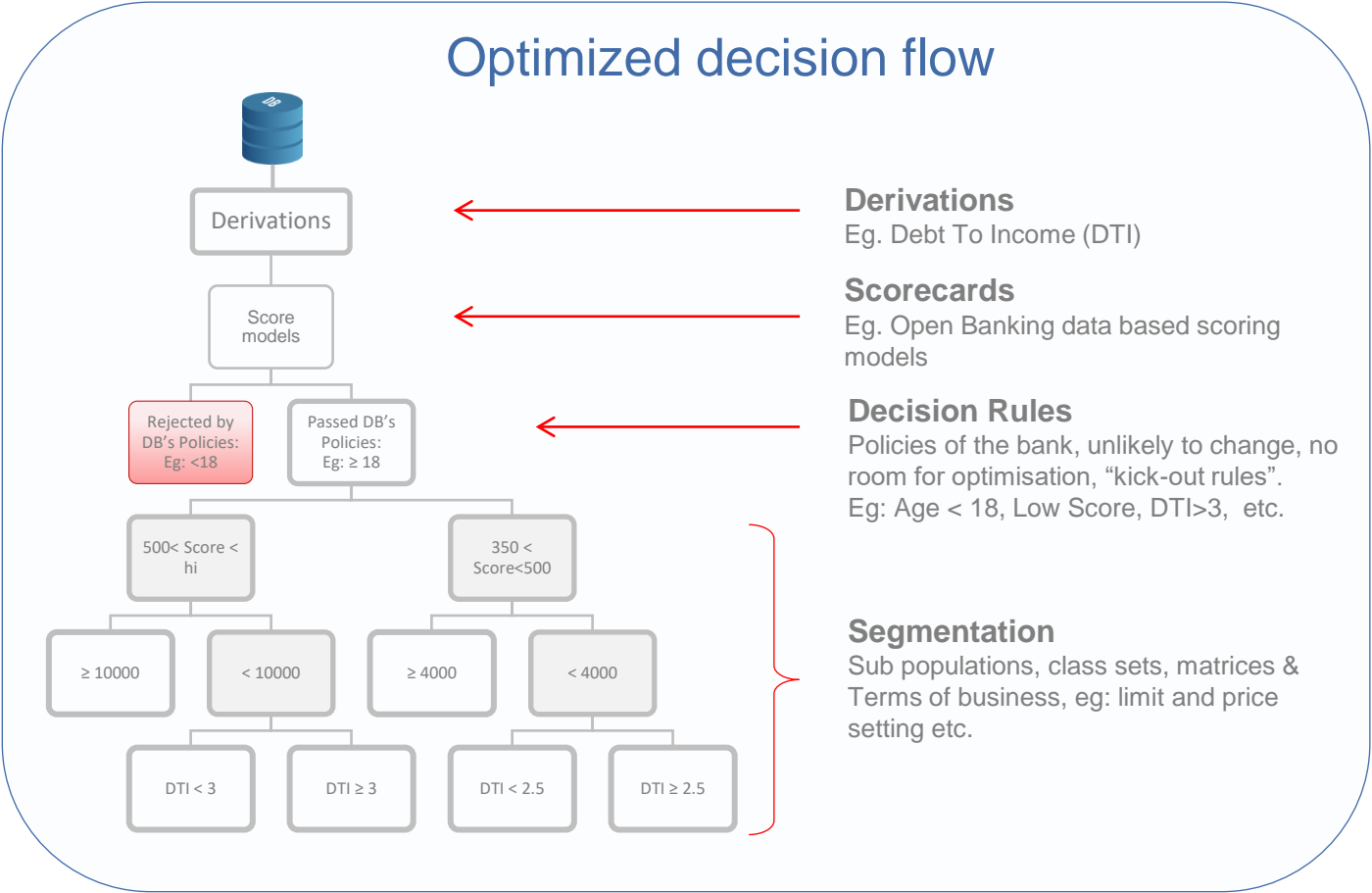
Individual KPI's

Meaningfulness

- N of months with movements
- N of months with expenses for utilities
- N month with salaries
- N of Internal Transfers
- N of incoming transfers
- N of outgoing transfers
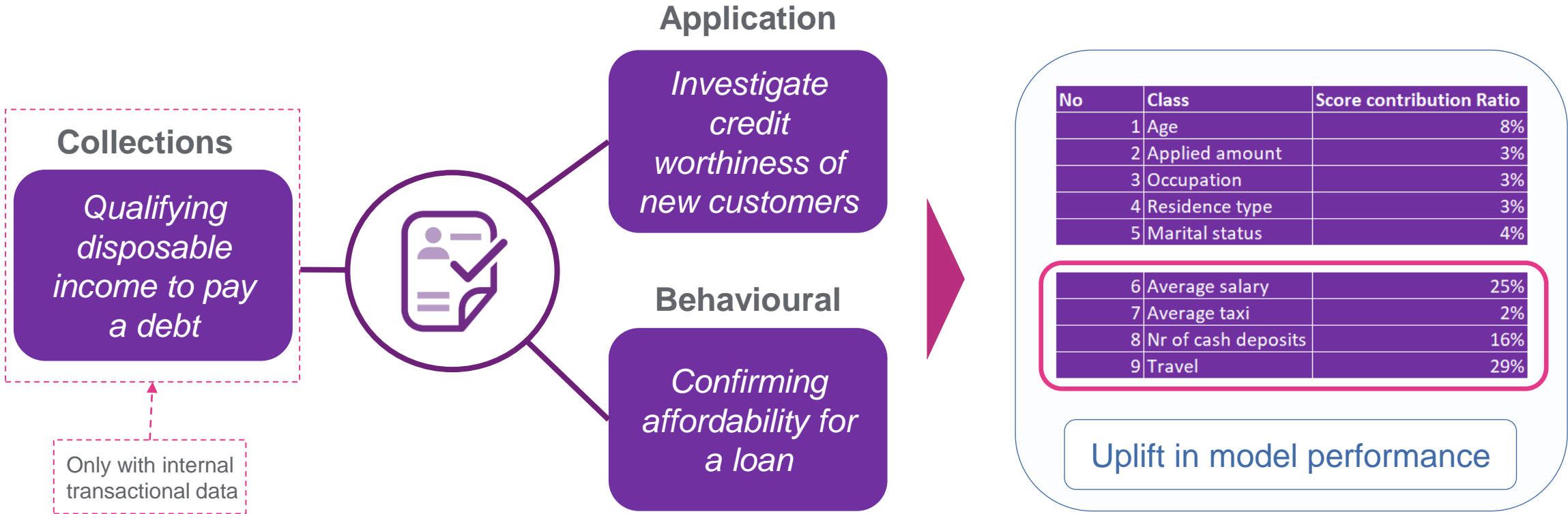- etc

Account Level

Affordability

- Average monthly income
- Average disposable income
- Monthly commitments
- Basic expenses
- etc

Client Level

Optimized decision flow

Derivations

Score models

| Rejected by DB's Policies: Eg: <18 | Passed DB's Policies: Eg: ≥ 18 |

| 500< Score < hi | 350 < Score<500 |

| ≥ 10000 | < 10000 | ≥ 4000 | < 4000 |

| DTI < 3 | DTI ≥ 3 | DTI < 2.5 | DTI ≥ 2.5 |

Derivations
Eg. Debt To Income (DTI)

Scorecards
Eg. Open Banking data based scoring models

Decision Rules
Policies of the bank, unlikely to change, no room for optimisation, "kick-out rules".
Eg: Age < 18, Low Score, DTI>3, etc.

Segmentation
Sub populations, class sets, matrices & Terms of business, eg: limit and price setting etc.

Improve models and decisioning through Open Banking

Scorecards enriched with transactional data discriminates better and yields more accurate decisioning
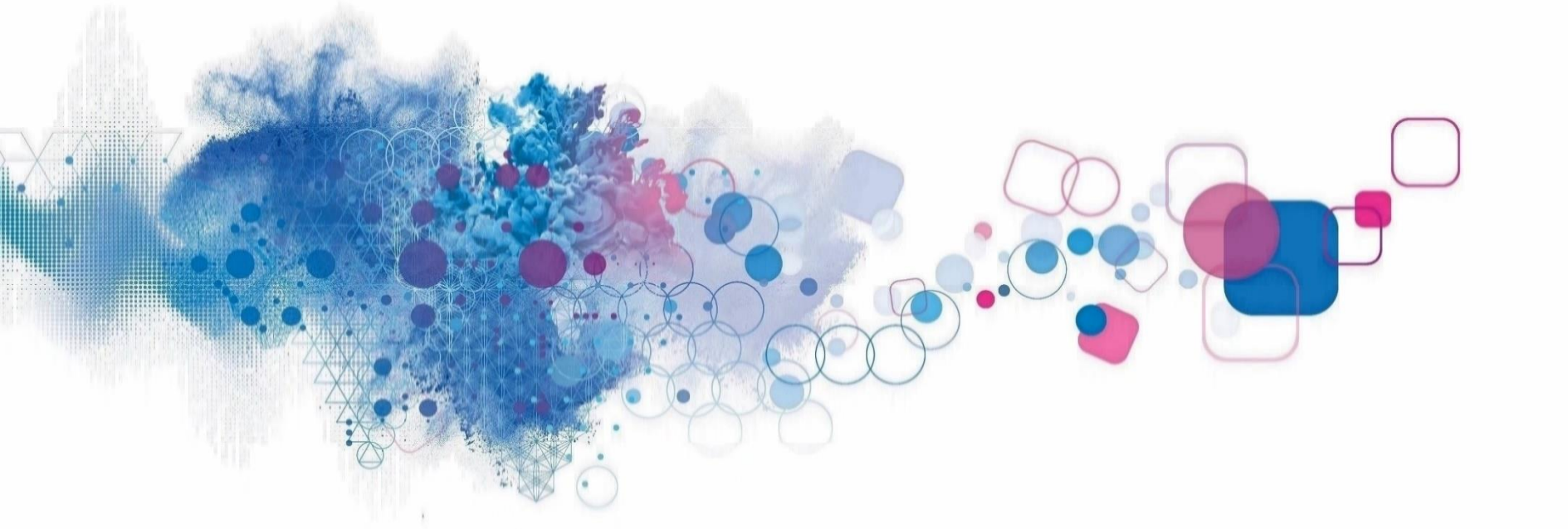
Application

Investigate credit worthiness of new customers

Collections

Qualifying disposable income to pay a debt

Only with internal transactional data

Behavioural

Confirming affordability for a loan

No	Class	Score contribution Ratio
1	Age	8%
2	Applied amount	3%
3	Occupation	3%
4	Residence type	3%
5	Marital status	4%
6	Average salary	25%
7	Average taxi	2%
8	Nr of cash deposits	16%
9	Travel	29%

Uplift in model performance

Sum up – next steps

- Use of transactional data as an additional data set is maturing.

- Go beyond – leverage data to drive actionable insights supporting credit decisioning.

- Integrate data and insights into your decisioning flow.

- Move from manuel effort to automation and digitalization.

- Enhance the consumer experience and drive a frictionless onboarding process.

Engage with Experian and Neonomics to obtain further information on how you can leverage our services and expertise going forward either through a Proof of Concept or live solution.

Q&A

Thank you for joining!

Please give us your feedback in the polls section.
If you have any follow-up questions do not hesitate to get in touch:
Charlotte.Hoydal@experian.com

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