

FICO: experience in cooperation with credit histories bureaus

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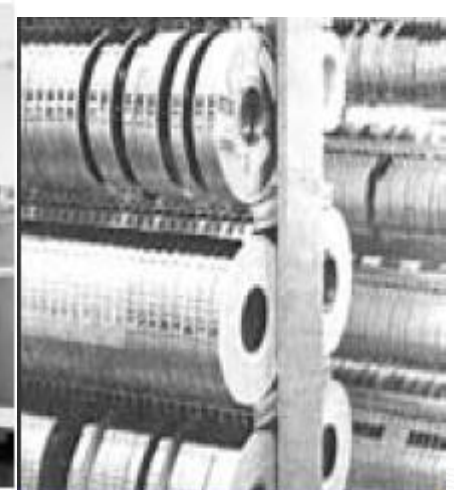
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1956 – 2013

FICO™



Worldwide clients

FICO™



Clients in Russia and CIS

FICO™



FICO Snapshot



Profile	Invented predictive analytics concept and scores in 1956 NYSE: FICO Revenues: \$605 million (fiscal 2010)
Products and Services	Scores and related analytic models Analytic applications for risk management, fraud, marketing Tools for decision management Consultancy for all credit lifecycle and business
Clients and Markets	5,000+ direct and 70,000 indirect clients in 80 countries Industry focus: Banking, insurance, retail, health care
Revenues	NYSE: FICO Revenues: \$650 million
Offices	2,200 employees Regional Hubs: San Rafael (CA), New York, London, Moscow, Birmingham (UK), Munich, Madrid, Sao Paulo, Bangalore, Beijing, Singapore

Market share



65% credit cards transactions worldwide served by FICO



65% credit cards protected by FICO



75% SME credits in US



All 10 largest mobile operators in US



9 of 10 Fortune 500 list companies

10 largest banks in the world



9 of 10 largest banks in UK



97 of 100 largest banks in US



50 largest credit cards issuers



22 of 25 largest SME lenders



80% health insurance companies



8 of 10 landline operators in US

FICO® Score - №1 in the world

- Over 100 bln. scores sold
- Over 10 bln. scores sold last year
- Over 70,000 business users worldwide
- B2C MyFICO project
- Partnering with leading bureaus

FICO Products and services



Credit conveyer

	Marketing	Origination	Customer Management	Collections	Fraud prevention
Applications	FICO® Precision Marketing Manager FICO® Retail Action Manager	FICO® Origination Manager	FICO® TRIAD® Customer Manager	FICO® Debt Manager™ FICO™ Recovery Management System™	FICO™ Falcon® Fraud Manager FICO™ Insurance Fraud Manager

Decision management

Scores	B2B: FICO® Score • FICO® Credit Capacity Index™ FICO® Insurance Risk Scores B2C: myFICO®
Tools	Business rules: FICO™ Blaze Advisor® Analytics: FICO™ Model Builder Optimization: FICO™ Xpress Optimization Suite • FICO™ Decision Optimizer
Services	Analytics Knowledge transfer Strategy development an optimization

More profitable solutions through credit lifecycle



Lifecycle	Objective	Typical result
Marketing	Make proposals to right clients at right time	30% profit growth per client
Originations	More clients without risk growth	15% growth of number of clients keeping same risk level
Customer management	Minimize late payments and maximize profit per customer	25% decline in past due 35% profit growth per client
Collections	Collect more with less resources	30% growth of operations driven by the same employee number
Fraud prevention	Prevent fraud without hurting the client	50% decline in losses keeping the same service level

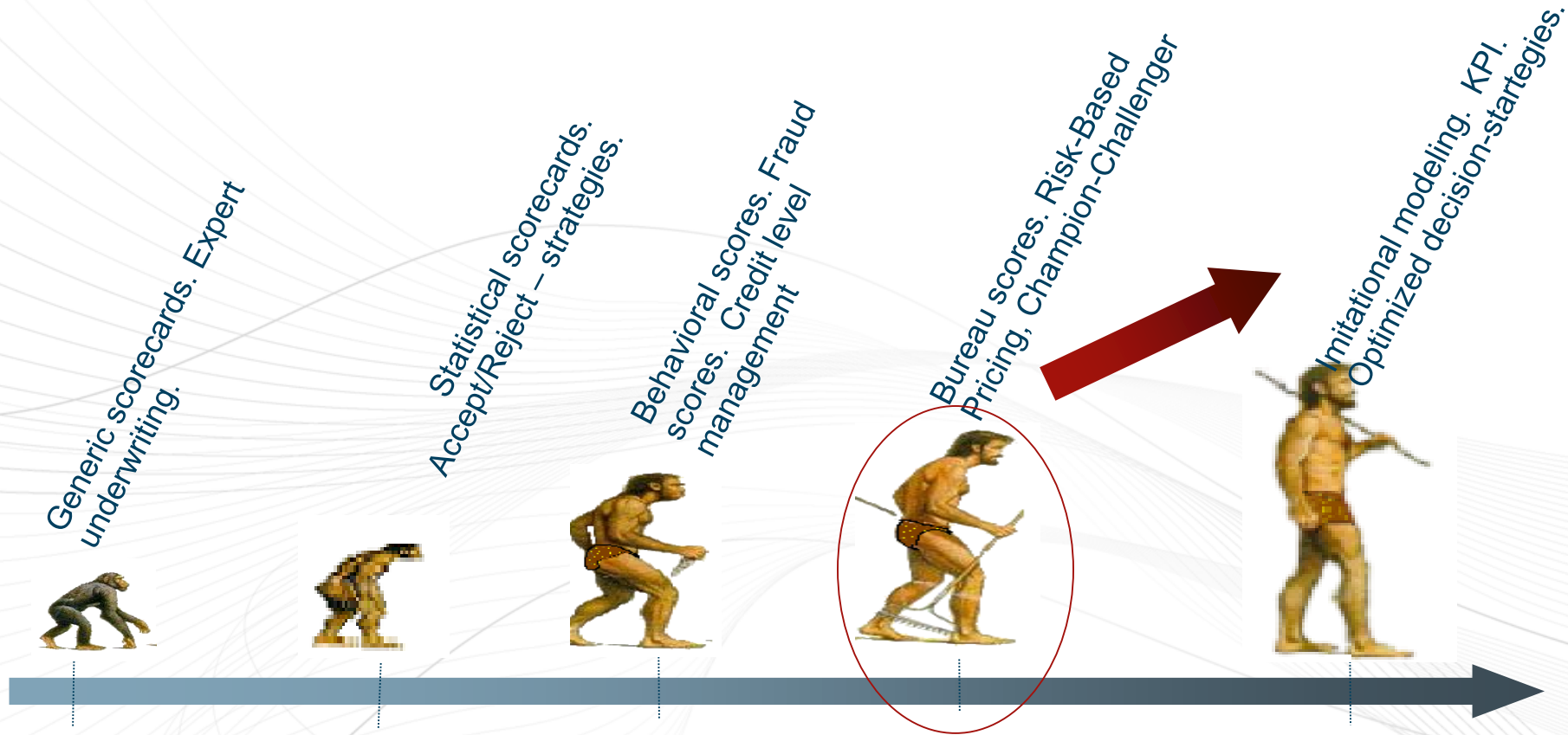
- » Historic 'Black-box' approach
 - » Banks and regulators like transparency (compliance)
 - » Score developers in banks like to know how FICO builds
- » Control
 - » Internal scores are 100% own
 - » Internal teams can refresh and update scores frequently
- » Implementation
 - » Using 'baked-in' Bureau Scores means external scores can perform sub-optimally inside custom models
 - » Workaround using matrix approach
 - » Matrix approach can be tricky when more than 3D
 - » Limited validation
- » Performance
 - » Internal scores sometimes can show lift over generic bureau scores
- » External developers can be slower to respond

Advantages of External Scores



- » No development cost, small implementation cost
- » Fully documented and compliant with regulations
- » Stable and highly predictive over time
- » Full validation of multiple populations
- » Works well where lenders are not in a market today
 - » Build own on own population but what about new?
 - » Over-fitted scores are less stable over time
 - » Developed on full bureau data so can work well at extremes
- » Gini and K.S. May sometimes look lower than an internal score but does the score create value?
- » There are other scores available built on the standard risk scores
- » Not affected by personnel churn/changes
- » Core business for FICO and NBKI – best practice

Development of the predictive analytics and decision management



THANK YOU!

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