

ANALYTICAL MODELING SERVICES



KEY FEATURES

CREDIT RISK MODELING

- Credit Decisioning
- Account Management
- Portfolio Management
- Collections
- Recovery

MARKET CAMPAIGN ANALYTICS

- Customer Profiling
- Customer Segmentation
- Response Analysis
- Cross Sell, Up Sell
- Attrition Analysis
- Customer Lifetime Value Analysis

Oracle Financial Services Consulting initiates a typical modeling assignment by defining the business problem and then provide an appropriate analytical solution based on the rich experience of its consultants. Our modeling offering is intended to assist financial institutions in their Credit Risk Analytics initiative with the understanding of their analytical needs ranging from internal risk decision making to external regulatory compliance. This increases the profitability of their business lending by reducing the time spent on credit decisions, collections and workout and supports their credit risk quantification efforts for estimation of PD, LGD and EAD for Basel-II IRB compliance. Oracle Financial Services Consulting also assists financial institutions in gaining customer insights for planning market campaigns that increases customer satisfaction and enhances the return on investment.

Improve decision-making

Modeling is an essential part of risk analytics which plays a key role in the entire credit life cycle and helps answer key questions facing risk and portfolio managers related to delinquency rates, recovery rates, loss rates, reserving strategy, capital allocation. It enables rigorous analysis of historical data on account behavior and portfolio trends and helps unravel patterns that can be used to effectively supplement business experience and remove “guesswork” out of decision making. Although traditionally risk analytics has played a role in credit decisioning through the use of credit scoring techniques, it is also an important decision making aid in areas such as Account Management, Portfolio Management, Collections and Recovery.

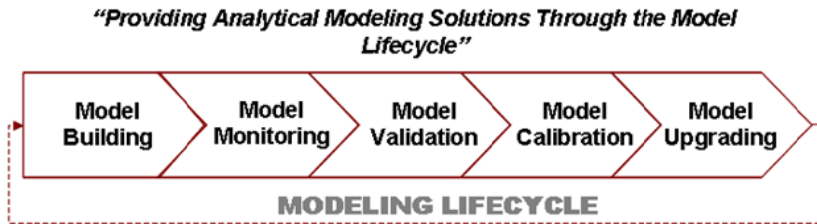
Our Risk Modeling offering is tailor-made to cover the range of analytical needs and preparedness levels including:

- Rating/Scoring Model Development and Validation Services for corporate, banks, specialized asset classes, retail and sme asset classes using basel II compliant methodology for easy credit decisioning
- BASEL II IRB Parameter Estimation towards estimation of PD, LGD, EAD and M for better account management and IRB Compliance
- Portfolio Loss Forecasting Analytics towards developing Loss Forecasting models using Scoring, Roll Rate Analysis, Multidirectional Flow Modeling and Vintage Analysis for better portfolio management
- Collections Analytics towards focused collections efforts through Receivable Segmentation Analysis and Collections Channel Analytics
- Recovery Analytics as an aid to loan pricing through Recovery Rate Scoring Models and pricing distressed debt using Distressed Debt Recovery Rate Analysis

The process of Model Building is not a “one-time” activity. Every model that is built is limited by the assumptions on the underlying population and the quality and availability of data for modeling. Therefore, unless a model is constantly monitored

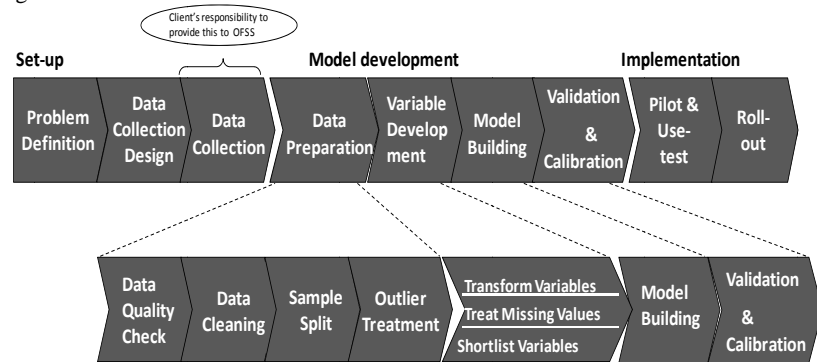
and maintained and upgraded, its discriminatory power and calibration accuracy would suffer over a period of time. In such a scenario banks would have to spend significant time, effort and costs in re-building the models. In addition it would also increase the risk of erroneous decisions being taken based on models that are not robust. This is referred to as “Model Risk” and is one of the biggest risks facing the banking industry today.

Oracle Financial Services Consulting’s offering is targeted at allying with banks through the “Modeling Lifecycle” comprising Model Building, Model Maintenance and Monitoring, Model Validation, Model Up-gradation and Model Re-Calibration.



Based on the experience gained by executing a wide range of assignments with leading banks, across the globe, we have developed analytical methodologies and tools to assist banks in their day-to-day risk management processes and Basel II compliance initiatives.

The Oracle Financial Services Consulting modeling approach is summarized in this figure:



Increase customer profitability

In order to fine tune campaigns and gauge the response to a new product or an offer, customer insight is a valuable aid. Oracle Financial Services Consulting assists financial institutions increase profitability of existing customers and bring new ones onboard through the Market Campaign Analytics offering.

Oracle Financial Services Consulting’s unique approach towards Market Campaign Planning covers:

- **Customer Profiling:** primed towards profiling customers based on demographics and profit that are key inputs for further analysis
- **Customer Segmentation:** designed to segment customers with respect to profitability index or transaction behavior
- **Response Analysis:** helps predict the probability of response for an offer /product/service by analyzing historical response data of existing customers
- **Cross Sell :** to predict probability of a customer buying a different product or service from the same company

KEY BENEFITS

KEY BENEFITS:

- Potential to increase shareholder returns through reduction in regulatory capital
- Better credit risk evaluation capacities for new credits
- Early detection of deteriorating credits
- Smart pricing of risky credits, through a Risk Adjusted Pricing mechanism
- Better Portfolio Selection and Management System, based on Risk Quantification
- Clear communication of risk appetite to top management
- Capability to manage risk appetite through setting and monitoring risk limits
- Opportunity to measure risk consistently across products and business units
- Improve Customer Relationship
- Retain profitable customers; increase profitability per customer
- Increase Return on Investment
- Make unprofitable customers more profitable
- Attract new customers
- Gain an enhanced framework for developing new businesses

- **Up Sell:** predict the probability of an existing customer buying a higher product or service from the same company by analyzing customer information such as wallet share or/and wallet size
- **Attrition Analysis:** covers Churn Analysis, Customer Retention Analysis and loyalty Analysis
- **Customer Lifetime value Analysis:** Helps derive the overall profitability of a customer for a predetermined length of time and discounted to today's dollars

Oracle Financial Services Consulting's proven approach helps financial institutions gain an in-depth understanding of the needs and preferences of each customer to make targeted offers that have a high probability of acceptance. This helps in increasing the overall profitability of a individual customer and enhance margins in the long run.

Contact Us

For more information about Oracle Financial Services Consulting's Analytical Modeling Services, please visit www.oracle.com/financialservices or email us on financialservices_ww@oracle.com

RELATED PRODUCTS AND SERVICES

The following offerings are also available from Oracle Financial Services Consulting:

- Data Gap Analysis
- Functional Gap analysis

RELATED PRODUCTS:

- Oracle Reveleus
- Oracle Crystal Ball
- Oracle Hyperion



Copyright © 2009, Oracle and/or its affiliates. All rights reserved.

This document is provided for information purposes only and the contents hereof are subject to change without notice. This document is not warranted to be error-free, nor subject to any other warranties or conditions, whether expressed orally or implied in law, including implied warranties and conditions of merchantability or fitness for a particular purpose. We specifically disclaim any liability with respect to this document and no contractual obligations are formed either directly or indirectly by this document. This document may not be reproduced or transmitted in any form or by any means, electronic or mechanical, for any purpose, without our prior written permission.

Oracle is a registered trademark of Oracle Corporation and/or its affiliates. Other names may be trademarks of their respective owners. 0409