SME Legal Entities Automation Project

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Short Review of SMEs in Turkey

Description

Ratio of SMEs in total enterprises in Turkey

%99

	# of Employee	Annual Turnover & Balance Sheet (Mio EUR)
Medium	50 - 249	3.6 - 18.3
Small	10 - 49	0.4 - 3.6
Micro	1 - 9	≤0.4

Our Scope

Credit Utilization

Share of SME's credit in total utilization in 2018*

52% Commercial Enterprises
26% SME
22% Retail

3 mio SME Credit Customers
30.000 EUR Avg. Ticket Size
113 Billion EUR Utilization

Distribution of SME Credit
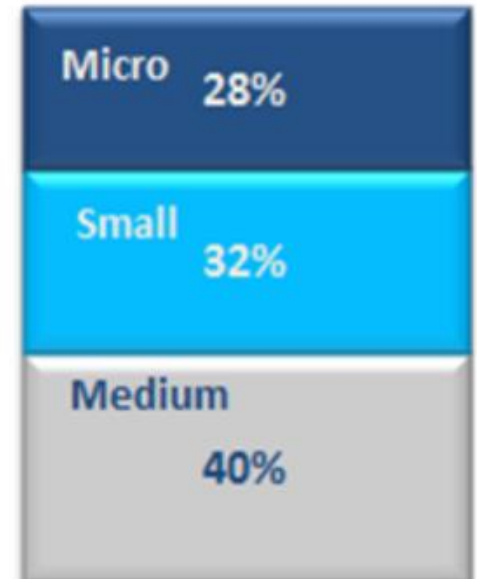
Micro 28%
Small 32%
Medium 40%

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Garanti BBVA & Digital Banking

TOTAL ASSETS BREAKDOWN

- South America 8%
- Rest of Eurasia 3%
- **Turkey 9%**
- USA 13%
- Mexico 15%
- Spain 52%

GROSS INCOME BREAKDOWN

- South America 16%
- Rest of Eurasia 2%
- **Turkey 14%**
- USA 13%
- Mexico 32%
- Spain 23%

DIGITAL CUSTOMER PENETRATION

Garanti BBVA 56% → 73%
Group 48% → 57%

Jun.18 — Dec.19

DIGITAL SALES

Garanti BBVA 61% → 66%
Group 36% → 45%
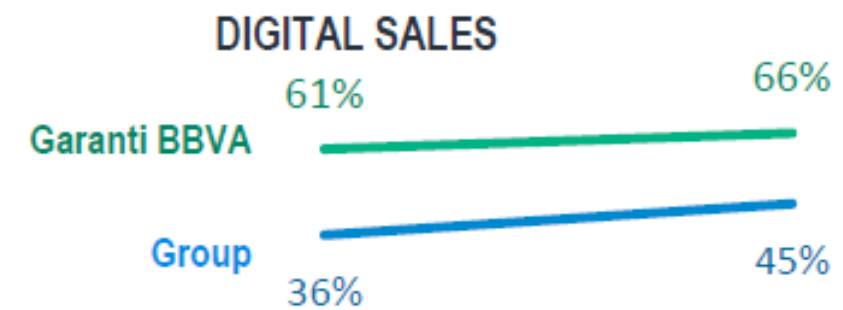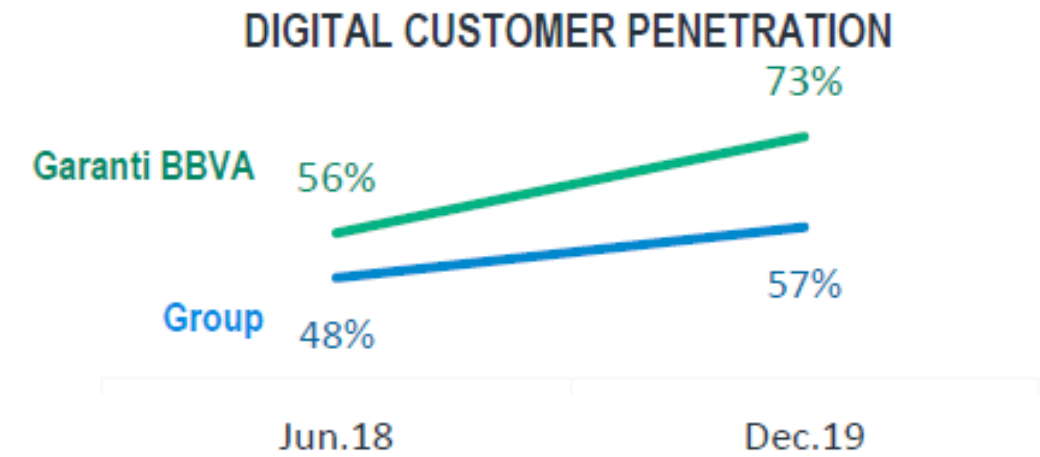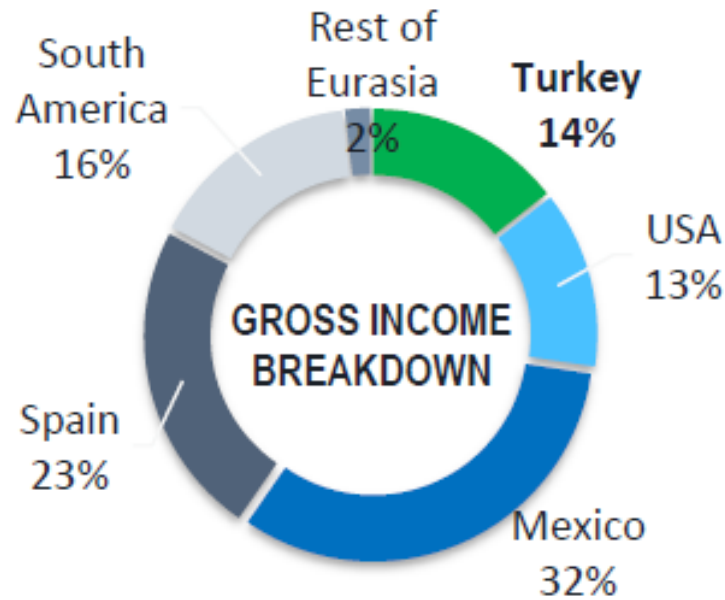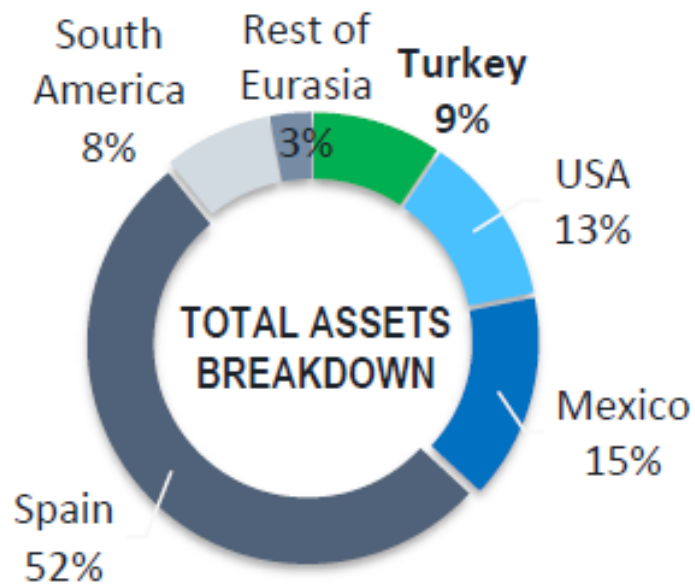
72.4 bn $ Total Asset

17.8 mn Customers

8.4 mn Digital Customers

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Reasons for an Automated Decisioning System

- ➢ **Increased Credit Demands**

- ➢ **Limited Manual Underwriting Capacity**

- ➢ **Homogeneous Customer Behaviour**

- ➢ **Need of Effective NPL Management**

- ➢ **Need of CycleTime Reduction**

2 **mio SME customers**
1 **mio SME credit customers**
- ▪ %90 soletraders
- ▪ %10 legal entities

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Need for Automated Decisioning System

New

3.000 # **input data**

Legal Entity

Soletrader

Process in 1 min.

Since 2011

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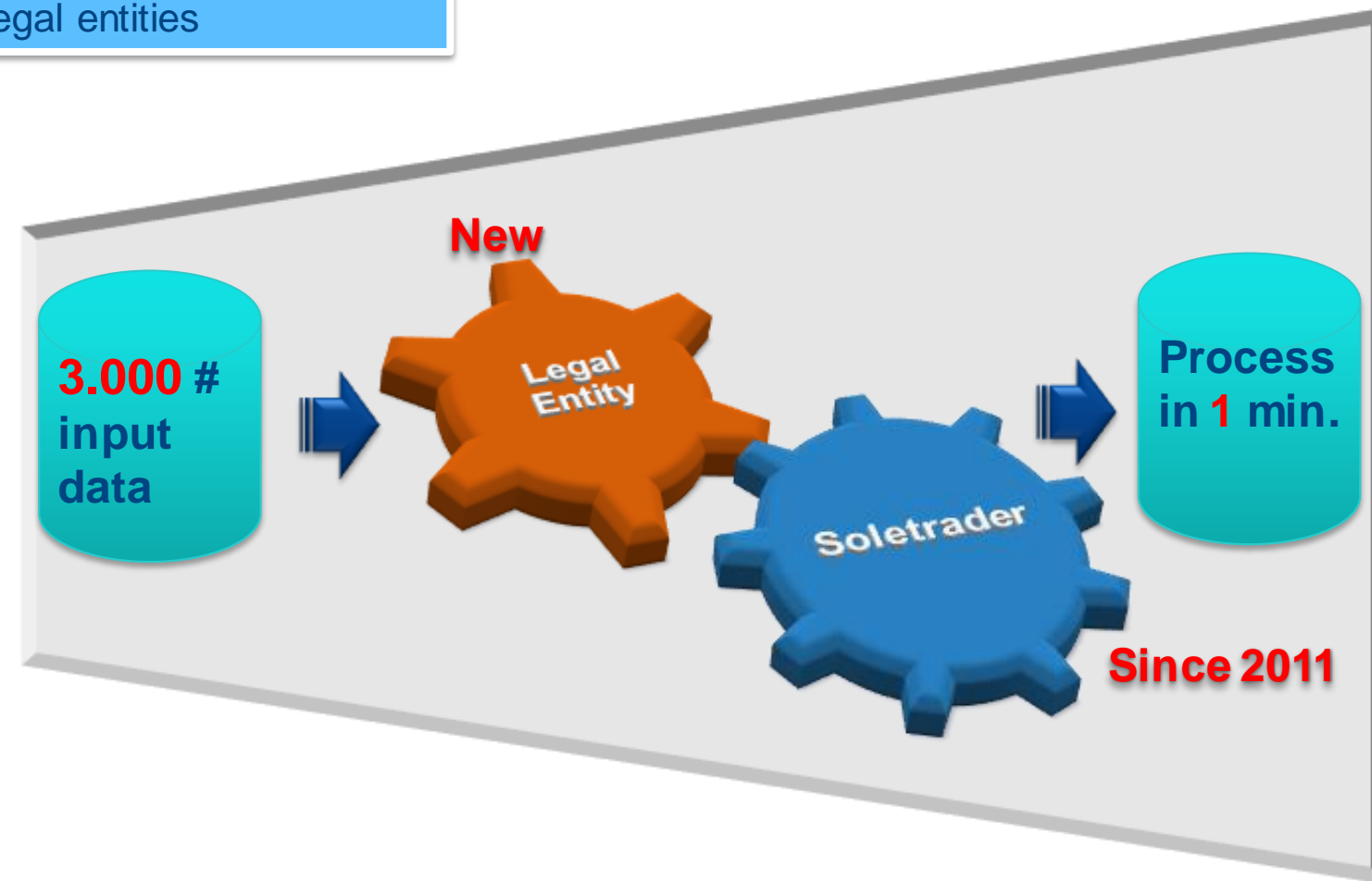
Project Scope

Manual Bad Records Control	Manual Collateral Management	Manual Credit File Management	Manual Credit Evaluation

Automated Bad Records Control for the Risk Group	Automated Collateral Management	Automated Credit File Management	Automated Credit Evaluation

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Project Steps

First Step: Centralization & Standardization of Process

**24 Credit Regions**

Head Office
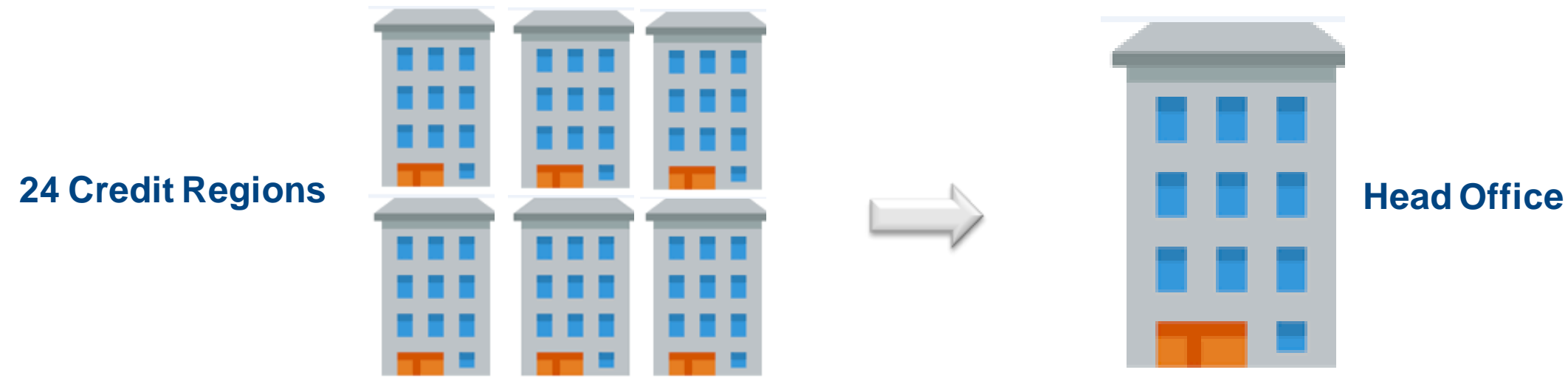
Advantages

- ✓ **Automated reject rules: %25 Reject Automation**

- ✓ **Pre elimination with automated reject rules before manual evaluation → aprx. 100 policy rules**

- ✓ **Similar credit decisions for similar customers**

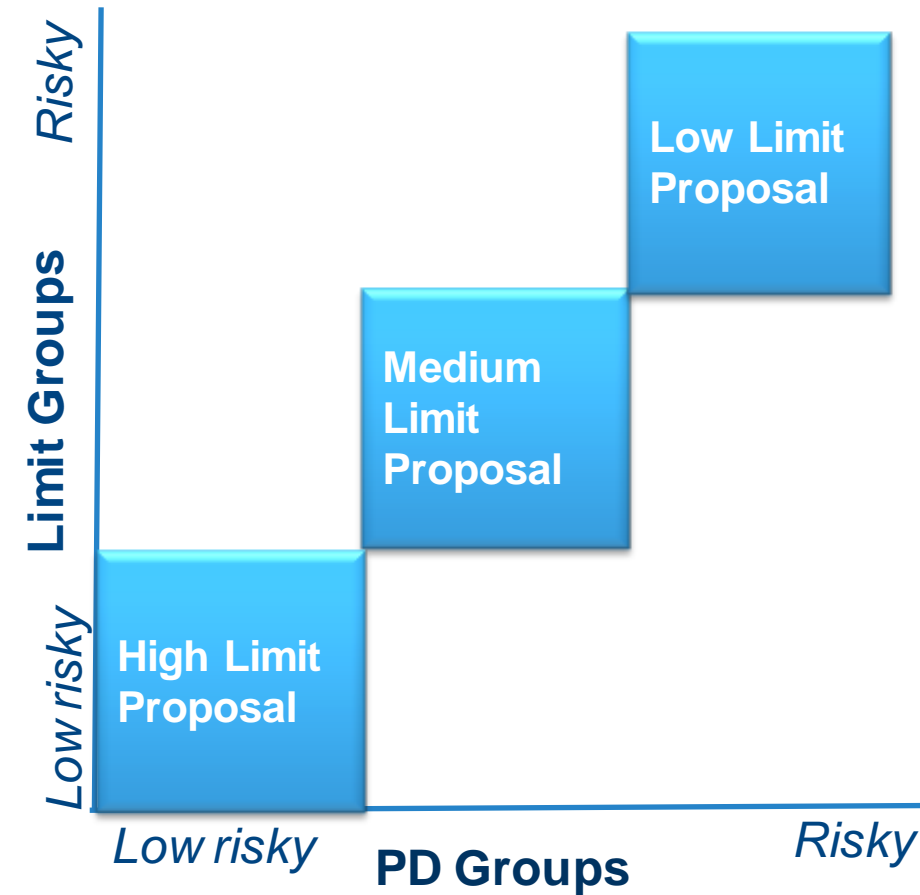- ✓ **More dynamic maintenance of policy rules with central manual team feedbacks**

Project Steps

Second Step: Score & Limit Models Integration

Score Model
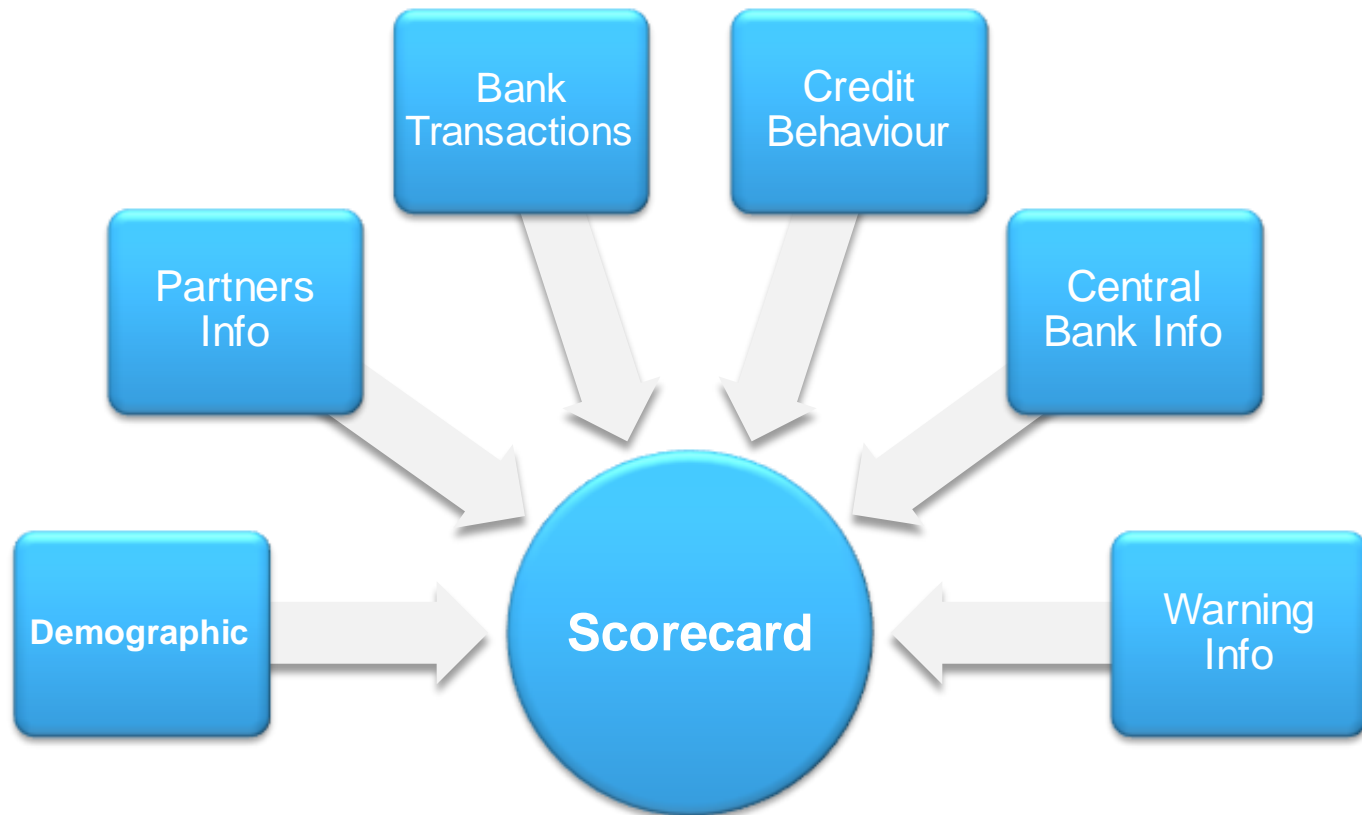
Limit Model

- ✓ Customer based models, can be used for all credit products
- ✓ Flexible design with modular structure
- ✓ Good differentiation power: Gini of the splits are between %78-%70
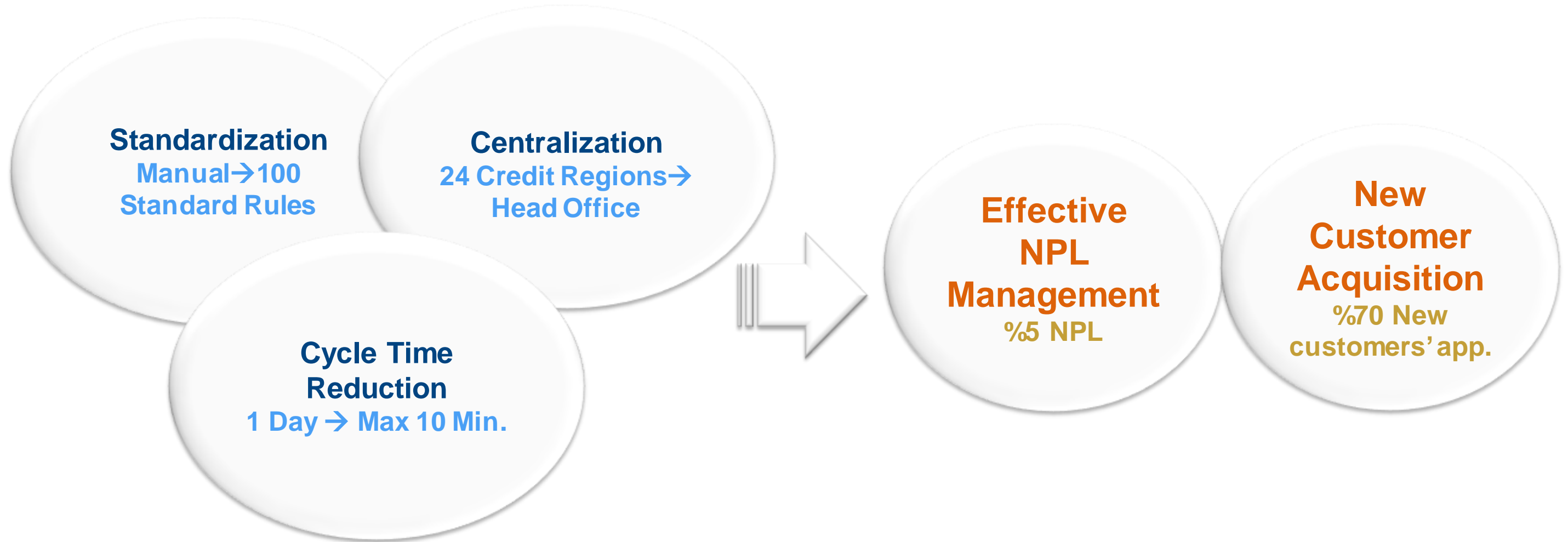
- ✓ Model has two dimensions(Limit Groups & PD* Groups)
- ✓ Existing limit in banking system information is the main variable of the model.
- ✓ Calculated limit can be used as customer limit.

*Probability of Default

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Project Wins

Standardization
Manual→100 Standard Rules

Centralization
24 Credit Regions→ Head Office

Cycle Time Reduction
1 Day → Max 10 Min.

Effective NPL Management
%5 NPL

New Customer Acquisition
%70 New customers' app.

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Our Strategic Vision

Increase in portfolio quality and profitability

Robust Risk Management

Developing Machine Learning Model

Full Paperless Process

Advanced Data Intelligence

Proactive limit management for customers

Adaptive Models

Gathering financial statements from centralized sources

Getting applications from digital channels

Bank transactions' data

Additional external data sources

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Thank You

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