



الشركة المصرية للإستعلام الائتماني ش.م.م.
THE EGYPTIAN CREDIT BUREAU S.A.E

The Egyptian Credit Bureau

I-Score

We Deliver Trust

I-Score – Experience &

Impact of establishing a private credit bureau

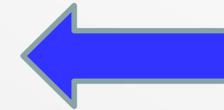
MAR,2011

Mohamed Refaat El-Houshi, MBA
Managing Director

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Credit Registries: Public or Private?



I-Score establishment Steps & Progress



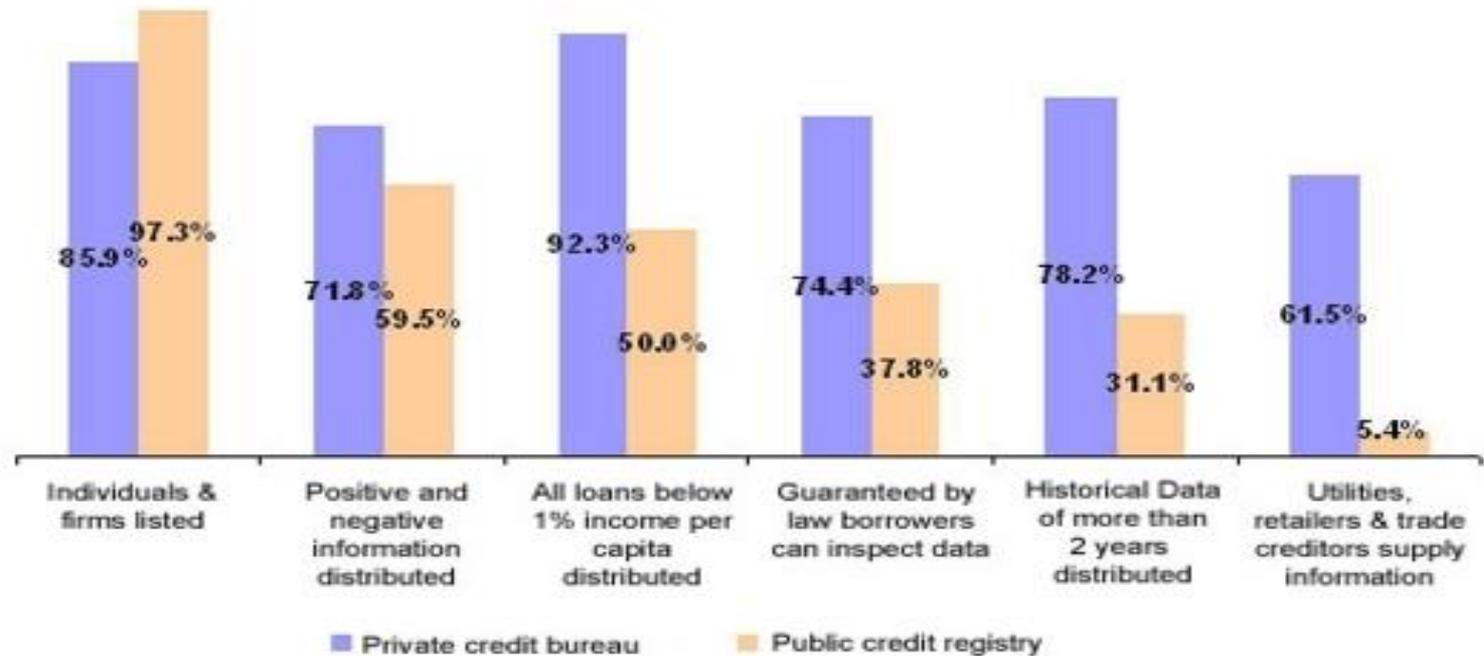
I-Score Impact



I-Score Services currently offered and planned

Credit Registries: Public or Private?

PRIVATE BUREAUS DISTRIBUTE BROADER CREDIT INFORMATION

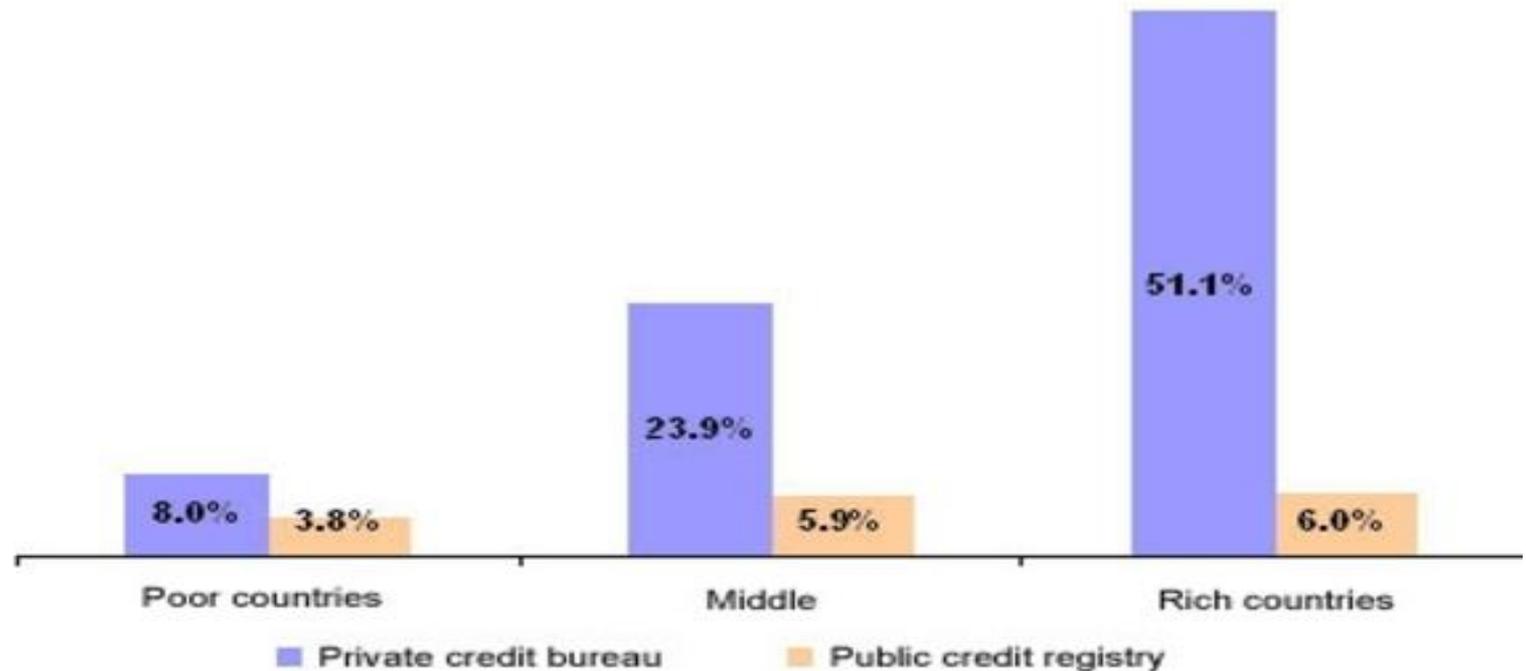


Public credit registries are located in general within the Central Bank and are mostly focused on bank supervision and the control of systemic risks in the financial system

Source: Doing Business database. Sample: 178 economies

Credit Registries: Public or Private? (cont..)

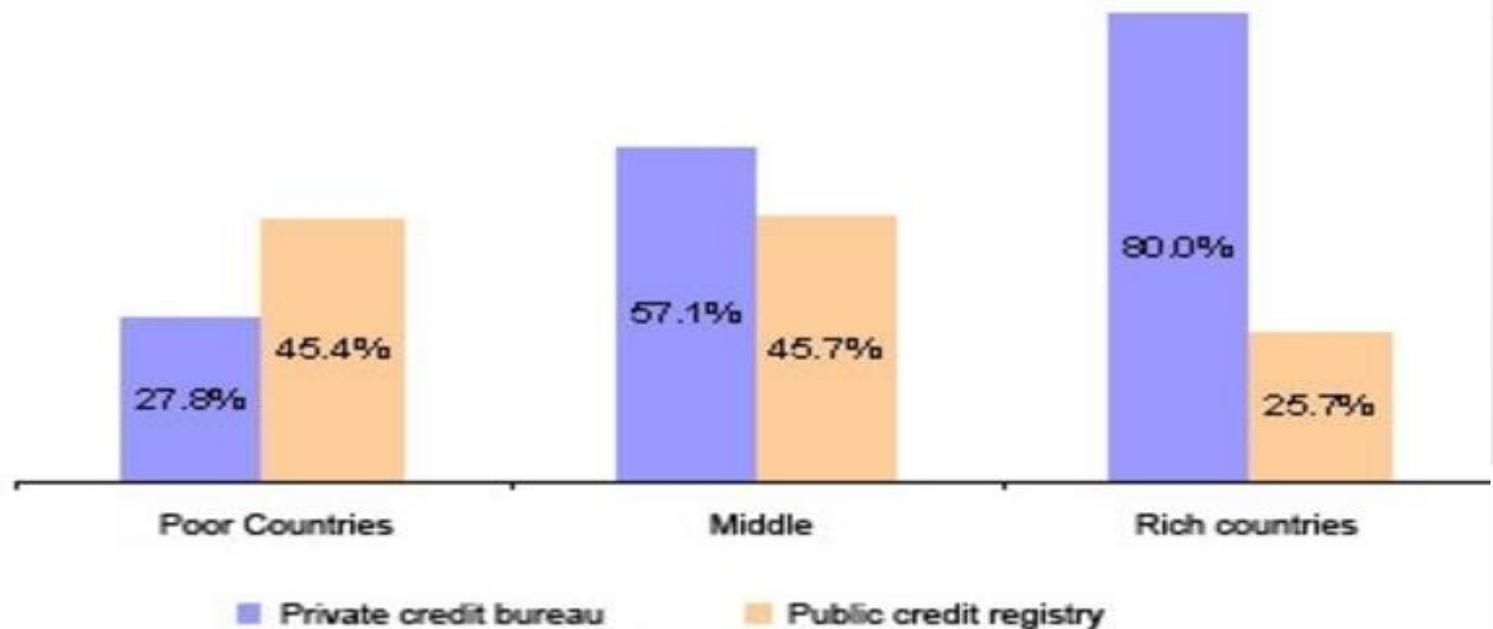
COVERAGE (NUMBER OF FIRMS AND INDIVIDUALS LISTED IN THE REGISTRY AS A % OF THE ADULT POPULATION)



Source: Doing Business database

Credit Registries: Public or Private? (cont..)

PRESENCE OF CREDIT REGISTRIES (% OF COUNTRIES)



Source: Doing Business database

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Credit Registries: Public or Private?



I-Score establishment Steps & Progress



I-Score Impact



I-Score Services currently offered and planned

I-Score establishment Steps & Progress

- Introduction to I-Score
- Before the establishment of I-Score
- Initiative to create a Credit Bureau
- Stakeholders view / position
- How to ensure Stakeholders buy in
- Rules & Regulations development
- How to select technology and knowhow partner
- Data Challenges
- Challenges for I-Score in its noble mission
- Conclusion

Introduction to I-Score

August 2005

The Central Bank of Egypt gave its approval for establishing Egypt's first Credit Bureau.
The Egyptian Credit Bureau "I-Score".

January 2008

The Central Bank of Egypt awarded the Egyptian Credit Bureau I-Score with the Operational License

Founders & shareholders

25 banks in addition to the Social Fund for Development

Board of Directors

Consists of 11 members, 8 representatives of their respective banks and 3 for their Personal Expertise.

Project & Technology Consultant

In Sept 2006, I-Score and Dun & Bradstreet International (D&B) signed a contract appointing D&B as Project and Technology Consultants to provide I-Score with the technology and know-how of Credit Bureau Application.

Target market

1. Banking Sector
2. Non Banking Sector
3. Suppliers of Goods and Services

Protection of privacy

According to the rules and regulations of CBE, individuals' and SMEs' information will be dealt with confidentially & will be released to users to whom they applied for credit

I-Score and Forms of a Credit Bureau

World Class Bureau

Full Bureau

Basic
Bureau

-Negative info

-Negative info
-Positive info

- Negative info
- Positive info
- Public domain data
- Risk management
- Fraud prevention
- Consulting services

Banks and Non-Banks Credit Bureau

Consumer and Commercial Credit Bureau

I-Score as a World-Class Credit Bureau will deal with:

– Customers

- Consumer segment (Individuals with no limits)
- SME segment (Business/ Company borrowers with up to 1 Million LE)

– Information

- Positive Data
 - Negative Data
 - Legal Suits Filed
 - **Bankruptcy**
 - and Protestors (Soon)
-
- Recently, including **SME Data in the Credit Bureaus** has assumed significance given the strong contribution of small businesses towards the economy, especially in EGYPT.

I-Score Fundamental Operating Principles

Reciprocity

Provide data = Access to data

Neutrality

Equal Treatment; Facts only

Efficient Dispute Handling

Right to review information

Security Standards

Secured Environment and
Authorized Usage

Before the establishment of I-Score

- CBE Credit Registry with reporting limit of = >30K LE.
- Shows end of month position on aggregate level only and classified by collateral type (Limits / Exposure).
- Separate list for delinquent consumers/SME's .
- Show legal suits.
- Consumer/SME's population is 800K – 900K.
- Only Banks / Mortgage finance / Leasing Finance Co's.

Initiative to create a Credit Bureau

- CBE operated verses Private sector??
- Reporting Limits??
- CBE as a Regulator and service provider??
- Banks split in 2 groups to create 2 Bureaus.
- Meetings in the Federation of Egyptian Banks to discuss way fwd.

WAY Forward was not clear and not promising.

Initiative to create a Credit Bureau (cont.)

- CBE Governor in the driver seat:
 - Private Credit Bureau for Positive / negative info.
 - Start with only one for Consumers/SME's.
 - CBE to maintain the Credit Registry for supervisory requirements.
 - CBE to provide the private Credit Bureau with the credit registry history Data Base to speed up the launch. (Full support for the initiative).

**WAY Forward is clear / supported by CBE
and promising for Stakeholders.**

Stakeholders view / position:

- Full support from the financial community.
(Banks / Mortgage Finance / Leasing Finance).
- Telco's welcomed the initiative.
- Microfinancedevelop their own Bureau.
(Availability of AID fund).
- Suppliers of Goods and Serviceswait and see.
- Not heavily publicized. (Keep your head down).
- Concerns raised regarding the dual Language Handling.
(Normalized Issue).

Full speed ahead

How to ensure Stakeholders buy in:

- All Banks were invited to participate in the capital.
(Equal shares allocation is targeted).
- CBE full support.
- The initiative to led by a group of reputable bankers.
- Best practices to be applied through partnering with an internationally recognized Technology and Knowhow provider.
- Strong Consumer rights included in the Rules & Regulations.
(Consent for NBFI's / Self Enquiry / Dispute).
- Strong / experienced Management Team.
- The Bureau is for all:
Banking Sector / Mortgage Fin. / Leasing Fin.
Telco's / Micro finance
Suppliers of Goods and Services

How to ensure Stakeholders buy in: (cont.)

- Positive impact on the country rating.
- Direct positive impact on the NPL's.
- Ensure quality deliverables through an experienced honest broker (IFC).
- The organization will be built with the objective to develop local competency to run the business.
(Expertise building rather than outsource).

Rules & Regulations development:

- Development tactics:
 - Local legal consultants
 - USAID legal advisory services
 - Learn from other countries experience
- Rules and regulation coverage:
 - Rules organizing the operation of the Credit Bureau
 - Rules organizing the relation between the Credit Bureau and Parties:
 - Bureau and data/information providers
 - Bureau and members
 - Bureau and consumers / SME's
 - Bureau and other Bureaus
 - Rules organizing the Company's operation
 - Operating and Processing Data Rules
 - Rules Organizing Data Exchange Between the CBE and Banks / Mortgage Finance / Leasing Finance and Bureau.
 - CBE Supervisory System
 - Requirements and Procedure to license a Credit Bureau.

NB: Dispute resolution needs a Circuit Breaker.

How to select technology and knowhow partner:

Carefully as shall be married for long time

- Get the honest broker / advisor (IFC)
 - Legal Frame work review.
 - Market readiness study.
 - Develop RFP.
 - Evaluate vendor responses / short list.
 - Arrange for site visits
 - Ensure claims as to capabilities are accurate.
 - Can we work with the provider as a partner and not as a S.W. provider???
 - Knowledge transfer??
- Constraints:
 - CBE/Stakeholders pressure to get the decision made too quickly
 - Pressure to limit the number of potential bidders
 - Pressure to direct the selection decision

How to select technology and knowhow partner: (cont.)

Carefully as shall be married for long time

- Final selection:
 - Process was drawn out
 - So much debate and soul searching
 - Final selection was made with unanimous agreement
- Important considerations:
 - Business / operation Knowhow is more important than the system software.
 - Price / Cost (One time charge / Click Royalty) is also important. (You get what you pay for).

Data Challenges

The sky shall be the limit

- Single ID availability:
 - National ID (NID) / CBE Credit Registry (CCR) number allocated by CBE
 - System / Procedure development
 - NID Authority coordination
 - Members participation and data updates
 - Cycles and cycles of the above
- Data quality:
 - Names in both languages??
 - Unavailability of some important data elements
 - Members different level of automation
- CBE History Data:
 - Data quality
 - Fragment files
 - Cycles of trials to ensure completion
 - CBE Management support is crucial.

When resolved, you are not through yet

Data Challenges (cont.)

- Data gathering at member level:
 - Vendor tools (Support is important)
 - Member development (Some stable / some are not)
- Matching in production system:
 - Wrong ID's provided
 - Different Names / Gender / DOB.
- Conclusion related to Data Challenges:
 - Need for Technical Partner to do the following:
 - Identify problems
 - Propose solutions
 - Deliver appropriate outcome in timely fashion

Continuous Data Cleansing process

Challenges for I-Score in its noble mission:

- It aims to fuel economic growth through responsible credit upsurge.
- It aims to be respected & valued at the cost of popularity.
- It will be an evolving entity at all times by responding to market needs. at no time complete or perfect.
- We started with current, moved towards perfection – by proactively encouraging, persuading, educating the lending community to meet market challenges/customer needs. It will always respect and leverage on the lending community's experience & wisdom.
- It stands above vested interest, narrow commercial outlook and profit as any cost mentality.
- It acts as the medicine man – give pain only to cure.
- It needs the support of the financial community at all times.

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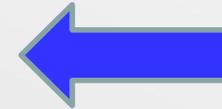
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I-Score Impact



I-Score Services currently offered and planned

Impact of I-Score

- ✓ Contribution to increased awareness among lenders on data quality in acquisition and management.
- ✓ Catalyst for active credit growth with prudence and confidence by providing a unified and robust borrower database across the lending community.

Getting Credit IFC - Doing Business Report

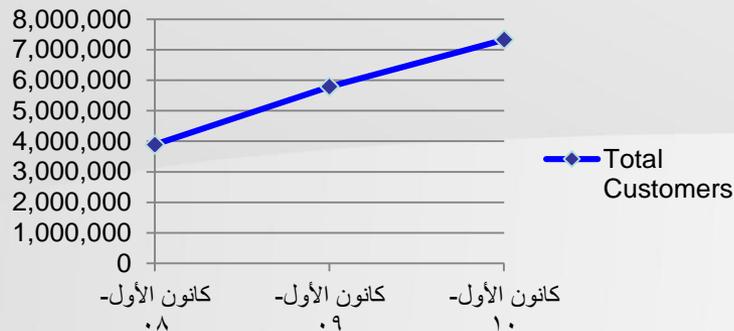
Indicator / year	2007	2008	2009	2010	2011
Credit Information Index Points (0-6)*	2	4	5	6	6
Getting Credit Rank**	156	102	84	71	72

Source: Doing Business Reports – years 2007 thru 2011

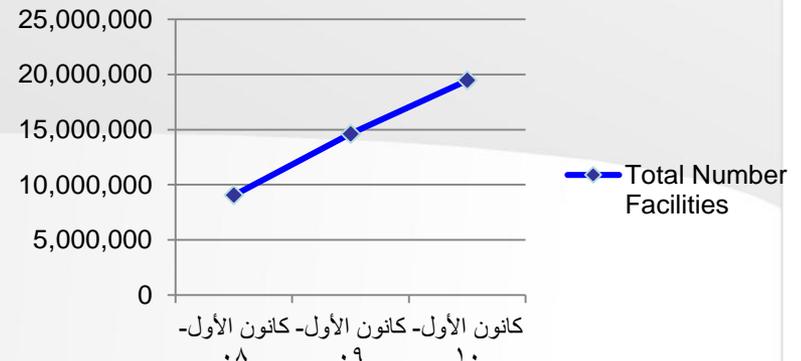
I-Score Data Repository Over All Contents (As of Jan 2011)

	DEC. 2008	DEC.2009	Dec 2010
Consumers	3,853,643	5,735,771	7,254,378
SME's	40,678	57,294	78,583
Total Customers	3,894,321	5,793,065	7,332,961
Total Number Facilities	9,057,858	14,613,524	19,467,473

**Total Customers increase
More than 100%**



**Total Number Facilities
More than 100%**

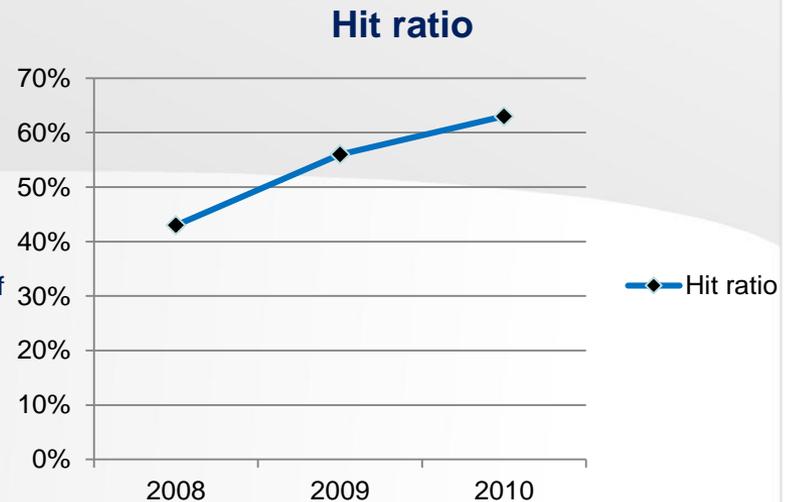
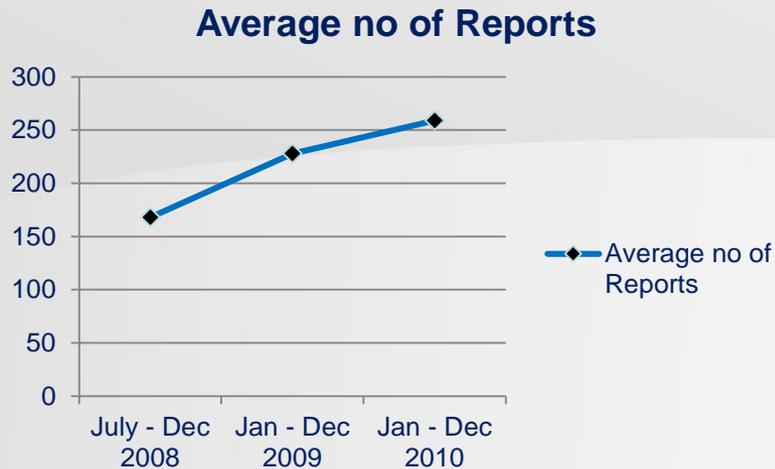


Total Data Coverage ratio 92.7% (Commercial Banks)

I-Score No Of Reports

Period	Months	Total Number of Reports '000	Average Monthly '000
July - Dec 2008	6	1,009	168
Jan - Dec 2009	12	2,735	228
Jan - Dec 2010	12	3,104	259

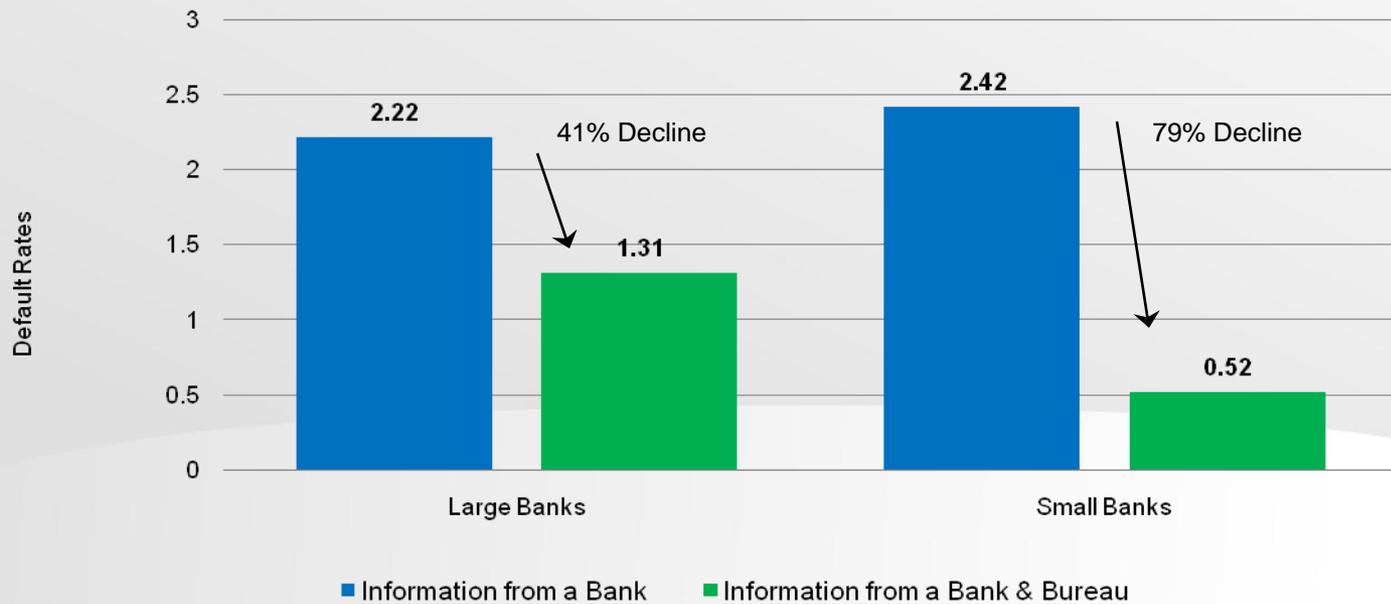
Year	2008	2009	2010
Hit Ratio	42%	56 %	63 %



Source : I-Score database – Jan 2011

Int'l Experience

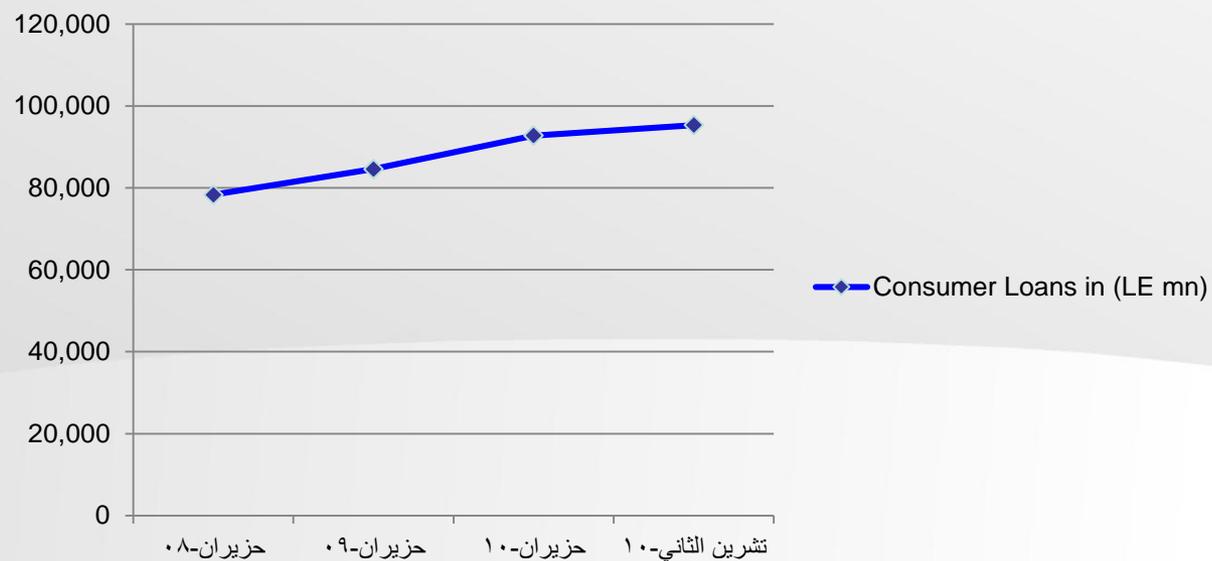
Effect on Default Rates of Increasing Number of Information Sources



Growth in Consumers Loans

	Jun-08	Jun-09	Jun-10	Nov -10
Consumer Loans in (LE mn)	78,332	84,588	92,792	95,324

Consumer Loans in (LE mn)



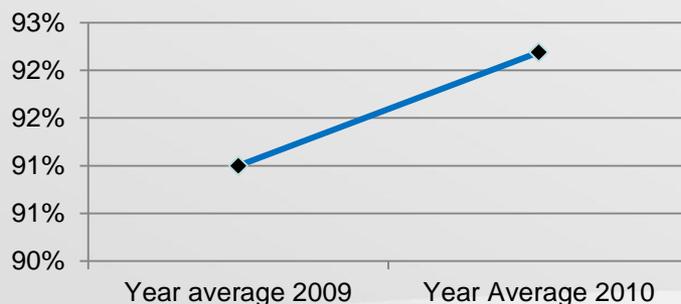
Improve Asset Classification %

ASSET CLASSIFICATION ACCOUNTS %	Year Average – 2009	Year Average – 2010
A) PERFORMING	91.0	92.19
B) SUB_STANDARD (30-90 DPD)	3.6	2.74
C) DOUBTFUL (90+ DPD)	1.2	0.9
D) BAD **	4.2	4.17

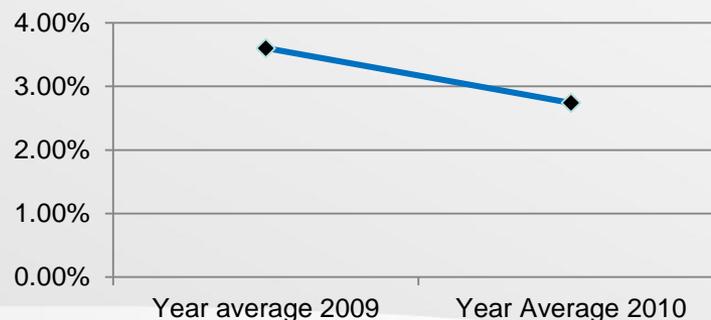
Improved % 2009 vs. 2010
1.3 %
-23.9%
-25.0%
-0.7%

** Bad represent 150+ DPD (Days Past Due) for loans and 180+ for Cards.

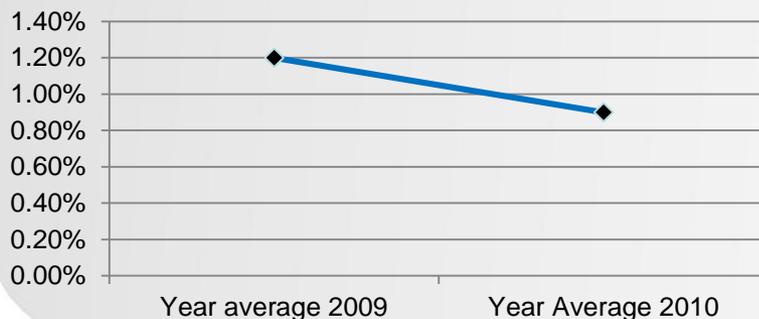
A) Performing



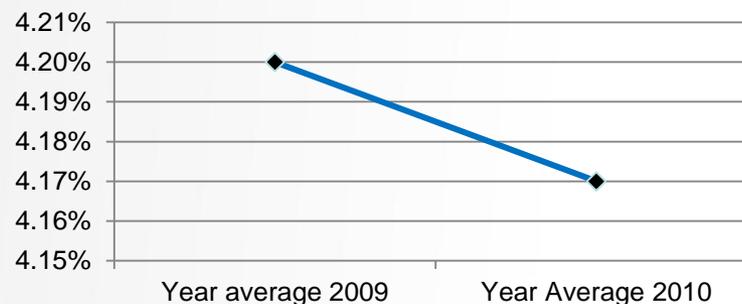
B) Substandard (30-90 dpd)



C) Doubtful (90+days)



D) Bad **



Lower Loans Provisions / Loans %

	Mar-09	Mar-10	June -10	Nov-10
Loans Provisions / Loans	15.3 %	15 %	13.9 %	14.1%



Source : CBE Statistical Report– Jan 2011

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I-Score Services

	Positive Information	Negative Information	Legal Suits	Bankruptcy / Protestor	Credit Scoring	Portfolio Account Monitoring	Fraud detection
Egypt I-Score							

	Collections	Appl. Processing	SME's Rating	Collateral Registry			
Egypt I-Score							



Production

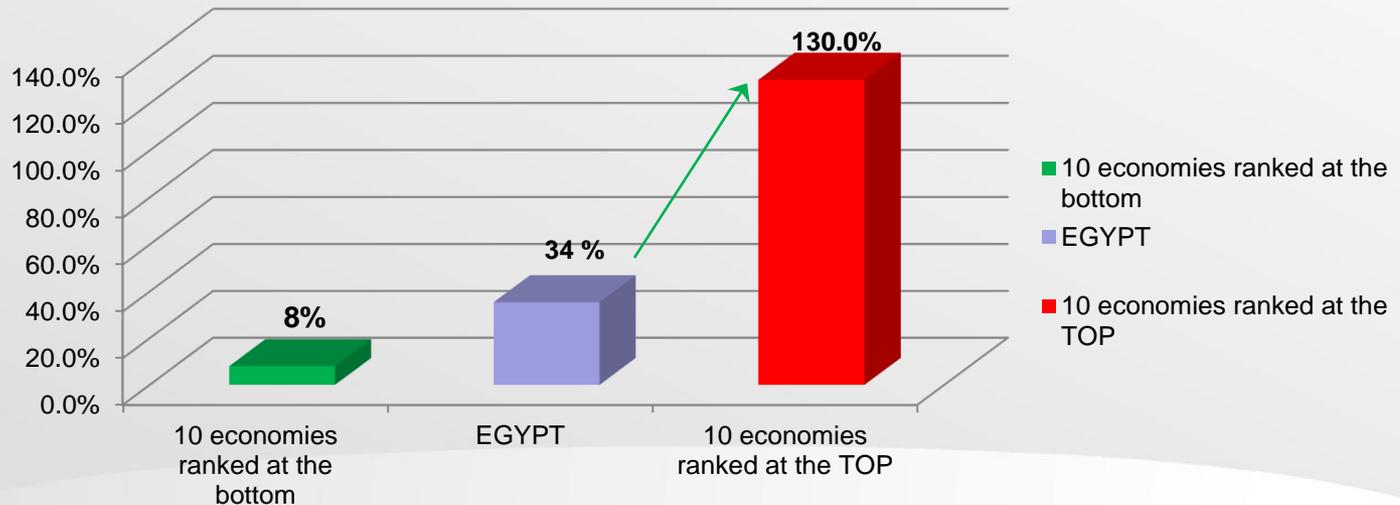


PLANNED

Potential Growth for Credit to the Private Sector

	Credit to Private Sector averages to GDP	Source
10 Economies ranked at the bottom	8%	**
EGYPT	34%	*
10 Economies ranked at the TOP	130%	**

Credit to Private Sector averages to GDP



“Credit to private sector averages **8% of GDP** in the 10 economies ranked at the **bottom** on how well credit registries and collateral laws facilitate credit markets. In the top 10 economies it exceeds **130% of GDP**”

*Source : Global MENA Economic Report – Jan 2010 (preliminary)

** (Source Doing Business Report 2008 page 29) & CBE

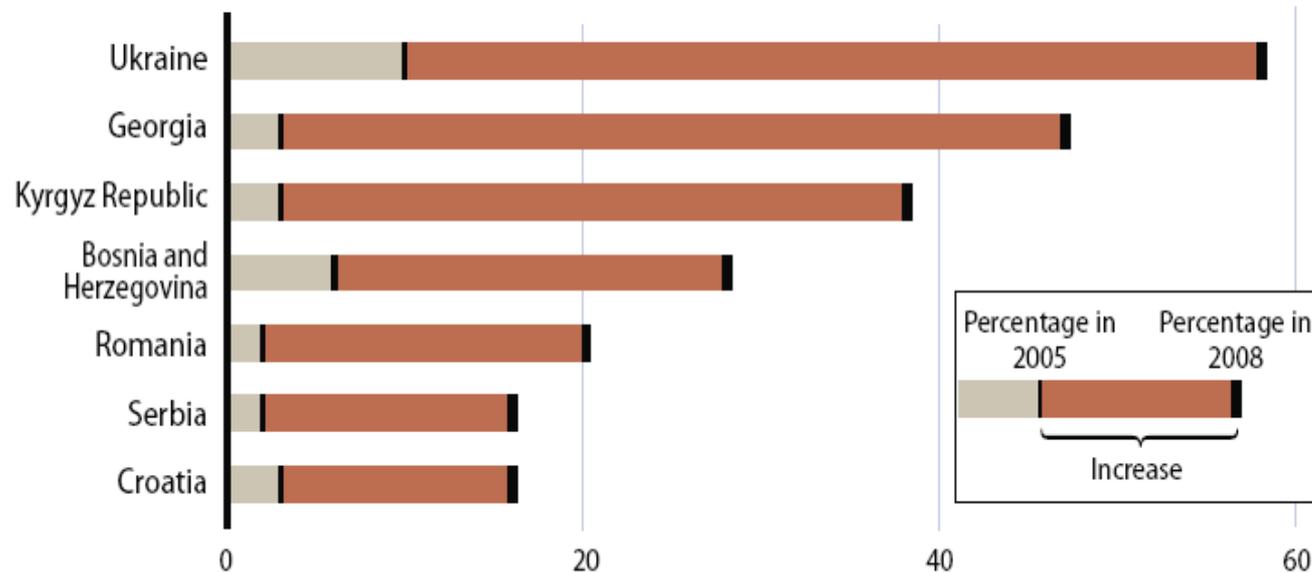
**** High Potential for Growth ****

Use of Movable Collateral as means for Access to Credit Worldwide

FIGURE 6.5

More borrowers are using movable collateral

Share of companies using machinery and equipment as collateral (%)



Source: World Bank Enterprise Surveys (2005, 2008).

Source : Doing Business Report 2010

Conclusion

- ✓ After some time (1 or 2 years) of live operation we should be in a position to look back and say

“What was that fuss all about”



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For more information call 16262
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SCORE
HIGH

The Egyptian Credit Bureau "i-Score" s.a.e.
A Credit Bureau is an organization that gathers and tracks Credit History and Payment Habits of Individuals and Small and Medium Enterprises (loans - credit cards - mortgage finance - consumer goods). This information is compiled in one document "Credit Report" which is used by Credit Grantors to establish the Credit Worthiness of each borrower and maintain acceptable levels of credit risk.

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