Case Study: AAA Bank's Transformation with CreditBPO's AI-Driven Solutions

Introduction

AAA Bank, one of the larger banks in the Philippines, was facing significant challenges in its credit risk evaluation processes, particularly for SME (Small and Medium Enterprises) loans. The bank processed thousands of loan applications per month, but the reliance on manual interviews and validation of financial statements from loan applicants without an AI-driven screening tool created bottlenecks and delayed lending decisions. To address these challenges, AAA turned to CreditBPO's AI-powered financial condition rating and benchmarking solutions.

Challenges

1. ***Time-Consuming Manual Validation of Financial Statements:*** *Since AAA did not solely rely on company-provided audited financial statements as an accurate source, the bank needed to conduct interviews with clients to validate submitted financials. This process was both time-intensive and subject to inconsistency, with the quality of analysis varying based on the expertise of account officers.*

2. ***Inconsistent Financial Data and Analysis:*** *Financial statements submitted by Commercial accounts and SMEs often lacked accuracy, leading to a tedious process of cross-referencing and reconstructing financials to gauge creditworthiness. The subjective nature of these interviews introduced further variability into the decision-making process.*

3. ***Need for Faster Credit Origination:*** *With the increasing volume of loan applications, AAA Bank required a solution to speed up the pre-screening process and provide account officers with a reliable starting point to identify potentially creditworthy businesses early in the process, only starting actual time-intensive prospect interaction on pre-screened business loan applications.*

The Solution: CreditBPO's AI-Driven Rating and Benchmarking

AAA Bank adopted CreditBPO's Credit Rating Report to streamline its Commercial and SME credit assessment. Unlike traditional financial analysis tools, CreditBPO's AI solution was designed with the assumption that submitted financial statements may be inaccurate or incomplete, aligning with AAA's experience in dealing with SME applicants.

Key features of the solution included:

- ***AI-Driven Financial Condition Rating:*** *CreditBPO's algorithm processed financial statements under the assumption that the data could be manipulated. By analyzing discrepancies and identifying potential earnings manipulation, CreditBPO provided account officers with conversation starters to further validate the applicant's financial standing during interviews.*

- **Efficient Pre-Screening Tool:** The CreditBPO report served as an initial filter to quickly assess a business's preliminary creditworthiness. This allowed account officers to focus on higher-potential applicants and reduced the time spent on manual validation processes.

- **Conversation Starters for Account Officers:** The insights provided by the CreditBPO report helped AAA's account officers engage in more meaningful and targeted discussions with clients, speeding up the credit origination process by pinpointing key financial areas for validation.

Implementation Process

Following a successful demonstration, AAA and CreditBPO collaborated on the deployment of the solution across the bank's consumer and corporate banking departments. Key steps included:

- **Tailoring the Algorithm to AAA's Needs:** CreditBPO fine-tuned its algorithm to align with AAA's process of validating financials through interviews. The AI identified potential areas of concern, such as earnings manipulation or discrepancies in financial metrics, providing account officers with a structured way to approach client interviews.

- **Identifying an Acceptable Rating Range:** AAA Bank established a clear risk acceptance criterion using CreditBPO's letter-rating system. The bank defined the ratings in CreditBPO Reports that were their acceptable range for businesses to be prioritized for credit processing.

Loan applicants falling within this rating range were automatically queued to the account officers' leads-to-process bucket. Businesses with ratings below that range were tagged as second priority or declined based on the bank's risk appetite. This step allowed AAA Bank to efficiently filter out lower-priority applicants and focus on businesses that aligned with its credit risk tolerance.

- **Pilot Phase and Full Implementation:** Initially rolled out in the SME segment, the solution underwent a pilot phase that focused on loan applicants who had been previously rated using the bank's internal rating system. After the pilot demonstrated alignment with the bank's internal ratings, faster credit processing times and improved pre-screening, AAA expanded the use of the CreditBPO platform bank-wide.

Results Achieved

1. **Faster Credit Origination:** By providing account officers with preliminary insights before interviews, CreditBPO's solution helped reduce the time taken to assess creditworthiness. The AI's ability to highlight key financial risks allowed officers to conduct more efficient client interviews, leading to quicker lending decisions.

2. **Improved Pre-Screening of Loan Applicants:** CreditBPO's algorithm flagged potential risks early in the process, giving AAA's account officers an objective starting point for discussions. This streamlined the

pre-screening process, allowing officers to focus on high-potential applicants while mitigating the risks associated with unreliable financial statements.

3. ***Consistency Across Evaluations:*** *By providing standardized insights into the financial health of applicants, CreditBPO ensured that AAA's credit evaluations were more consistent. The AI-generated reports removed subjectivity from the initial assessment phase, giving officers a clear basis to validate financial data during interviews.*

Next Steps

With the successful deployment of CreditBPO's solution, AAA is now exploring additional use cases in commercial and corporate lending and aims to further integrate the platform with its internal systems. The next phase includes deeper collaboration with AAA's corporate banking team and exploring real-time data integrations to enhance the accuracy of the financial insights provided.

Conclusion

AAA Bank's adoption of CreditBPO's AI-driven financial rating reports has transformed its SME credit origination process. By addressing the challenges of unreliable financial data and labor-intensive client interviews, CreditBPO has enabled AAA to pre-screen applicants more effectively, reduce decision-making time thereby cutting cost, and improve the consistency of its credit evaluations. This case demonstrates the value of AI-powered tools in optimizing credit risk management

and enhancing the speed of loan origination for financial institutions.