

## Unlocking the Potential: A Data-Driven Journey Through Our Bank's Loan Portfolio

At ABC bank, we believe that every number tells a story, and every story holds the potential for transformation. Recently, I undertook a comprehensive analysis of the loan portfolio, covering 38,576 loan applicants, \$435 million in disbursed loans, and \$473 million in loan payments received. The insights we've gained are not just numbers—they're the foundation of our strategy to better serve our customers and strengthen our financial health.

### The Landscape of ABC Bank Loan Portfolio

#### Overall Metrics:

- Total Loan Applicants: 38,576
- Total Disbursed Loans: \$435 million
- Total Loan Payments Received: \$473 million
- Average Interest Rate: 12.05%
- Debt-to-Income Ratio: 13.33%
- Default Rate: 13.82%

**Good vs. Bad Loans:** Good loans are loans fully paid or currently paid, while bad loans are charged off.

- Good Loans (86.17%): 33,243 applicants, \$370.3 million disbursed, \$435.8 million received.
- Bad Loans (13.83%): 5,333 applicants, \$65.5 million disbursed, \$37.2 million received.

#### Unveiling Key Customer Segments

- Medium Income & Low Loan Segment: This segment is notable for its volume of applicants at 11,191
- High Income & Medium Loan Segment: This segment sees the least number of applicants, indicating potentially higher barriers to entry or fewer needs for medium-sized loans among high-income individuals.
- Medium Income & Medium Loan Segment: This segment likely represents a balanced risk and return profile, making it a substantial contributor to the bank's loan portfolio and demonstrates high repayment reliability. Applicants 9,128; highest Disbursed Amount valued at \$138.6 million, and highest Loan Payment Received at \$152.2 million

- High Income & Medium Loan Segment: This segment has the lowest applicants, but with potential for targeted growth strategies.

### **Regional Insights: A Tale of Two Extremes**

- California: As the largest market with 6,894 applicants; Disbursed Loans: \$78.4 million, Payments Received: \$83.9 million. California shows strong loan performance and repayment rates
- Maine: With 3 applicants, Disbursed Loans: \$9,200 and Payments Received: \$10,808. While small, Maine presents an opportunity for growth with targeted local strategies.

### **Loan Purposes: Meeting Customer Needs**

- Debt Consolidation: Debt consolidation is the primary reason for loan applications, with 18,214 applicants Disbursed Loan Amount: \$232.4 million, Payment Received: \$253.8 million indicating high consumer demand for managing existing debts.

### **House Ownership Analysis:**

- Renters vs. Mortgage Holders: Renters have the highest number of applicants of 18,439, followed by mortgage holders at 17,198. Renters form a significant part of the applicant base, suggesting they may have higher immediate financial needs compared to homeowners. While Mortgage holders receive and repay larger loan amounts, likely due to higher financial stability and asset ownership, presenting an opportunity for cross-selling and up-selling additional financial products.

### **Summary**

The data indicates that the bank's loan portfolio is performing well, with a high percentage of good loans (86.17%) and a substantial number of payments received (\$473 million). The default rate is relatively controlled at 13.82%. The medium income & medium loan segment stands out for its high disbursed loan amounts and payments received, making it a key demographic. Regionally, California is the most significant market, while debt consolidation is the primary loan purpose. Renters constitute a large portion of applicants, but mortgage holders receive larger loans and make more significant repayments. These insights can help the bank strategize for targeted marketing, risk management, and portfolio optimization.

## **Strategic Recommendations: Turning Insights into Action**

1. Enhance Focus on High-Performing Segments: Increase marketing efforts and tailor financial products to attract more applicants in this segment, as it shows the highest loan disbursement and repayment rates.

Action: Develop customized loan products for medium-income individuals seeking medium-sized loans, supported by targeted marketing campaigns.

2. Strengthen Presence in Key Regions: Invest in strengthening marketing and branch presence in California while conducting market research in underperforming regions like Maine.

Action: Deploy localized marketing efforts and explore partnerships with local businesses to enhance visibility and credibility in Maine.

3. Expand Debt Consolidation Loans: Design new debt consolidation loan packages with competitive interest rates and flexible repayment terms to attract more customers.

4. Address High Default Rate (Risk Management): Implement stricter credit assessment and monitoring mechanisms to reduce the default rate, especially for new applicants.

Action: Use advanced analytics to identify high-risk applicants and create a more robust credit scoring model. Offer financial education programs to help borrowers manage their finances better.

5. Optimize Products for Renters and Mortgage Holders: Offer tailored loan products with flexible terms for renters and provide refinancing options and bundled products for mortgage holders.

7. Customer Retention Strategies: Implement loyalty programs offering rewards and incentives for customers with good repayment records to encourage repeat business.

## **Conclusion: A Future Built on Data-Driven Decisions**

This analysis has provided a roadmap to optimize loan portfolio, reduce default rates, and enhance customer satisfaction. By focusing on high-performing segments, strengthening our presence in key regions, expanding popular loan products, and leveraging technology, we can unlock new opportunities for growth and better serve our customers. This data-driven approach ensures that we not only meet the needs of today but also anticipate and adapt to the demands of tomorrow. Together, we can build a more prosperous future for our customers and our bank.

