

CREDIT RATING AGENCY CRIF PRESENTS INNOVATIVE RISK MANAGEMENT PROJECT



• **CLIENT:** BMW Bank GMBH, Italian branch

NEEDS: to refine provisioning calculation methodologies for dealers; to use probability of default data that are more in line with the risk of Italian auto dealers; and to compare internal ratings with a solid and independent external assessment carried out by a specialist partner.

SOLUTION: rating scale and benchmarking for the BMW auto dealer portfolio.

RESULTS: knowledge sharing and progressive development of the knowledge of predictive models.

BMW Bank GMBH, part of the industrial group BMW, is present in Italy under a number of different brands and with a variety of services including MINI Financial Services, Alphera Financial Services (financial services for automobiles of other makes), Alphabet Italia (long-term rental company) and Insurance services.

The project

The innovative risk management project developed with CRIF was set up to provide the best possible management of the wholesale sector, which for BMW comprises around 200 affiliated companies including car dealers, motorcycle dealers and authorised repairers.

CRIF started off by calculating the default rates (by applying an agreed default definition, in line with that of the German parent company) on a sub-set of companies considered representative of the BMW dealer portfolio.

"The main difficulty was to integrate the CRIF rating scales with that of BMW, but even more complex was the identification of the reference portfolio. Working together with CRIF analysts and consultants, we identified which portion of the market best represents the BMW portfolio. This then led to the identification of a 'repackaged segment' of 2,500 companies that we have been able to use as a benchmark for our market," explained Alessandro Brogginì, BMW Bank GMBH Credit Manager.

The comparison was carried out using different analytical dimensions and it was very important to consider the geographical dimension: the BMW reference market in Italy is primarily concentrated in the center and north, whereas other brands have a more widespread market throughout the country.

The benefits

According to Alessandro Brogginì, "The benefits we are seeing and that we have predicted thanks to our collaboration with CRIF are considerable. In the first place, there is the notable added value of the CRIF consultancy team, felt from the very first meetings and the possibility of sharing and bringing together our experience from completely different areas (knowledge sharing) - the experience of a captive lender such as BMW, and of CRIF, a leader in the finance market providing information, consultancy and rating services."



SIMONE CAPECCHI,
Finance Director, CRIF

"As well as the accuracy and robustness of the information used in the analysis, we also appreciated the high level of data quality, a reflection of CRIF's specialist skills in the area of business assessment, demonstrating a collaborative and proactive approach in identifying the best definitions to adopt. This benchmarking and revision of our PD models will last 3/4/5 years; the project should be thought of as an activity to be implemented and improved day by day, and to do this we are going to be carrying out fine tuning of the sectors. The more we are able to have an ongoing approach, the more we will be able to get results on a provisioning level. I would like to sum up the essence of the CRIF-BMW project in one phrase: "German reliability with an Italian heart, turning the headlights onto companies."

COMPARISON OF KEY ANALYTICAL MEASUREMENTS Microsegments and turnover

	MARKET			
	Turnover			
	Cars	Motorbikes	Workshops	Total
Up to 1 mio	63%	80%	87%	71%
1-5 mio	19%	18%	9%	16%
5-20 mio	15%	2%	4%	11%
Over 20 mio	2%	0%	0%	2%
Total	100%	100%	100%	100%

	BMW			
	Turnover			
	Cars	Motorbikes	Workshops	Total
Up to 1 mio	0%	2%	20%	6%
1-5 mio	1%	66%	46%	30%
5-20 mio	26%	22%	11%	21%
Over 20 mio	72%	2%	4%	35%
nd	1%	8%	20%	8%
Total	100%	100%	100%	100%

Source: CRIF data / www.crif.com - info: marketing@crif.com