



APEC Credit Reporting Systems

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- The use of consolidated debt and additional information, allows increased access to credit to people and enterprises also can help improve credit risk.
- In Chile, the public credit reporting systems identify only borrowers with negative information i.e delinquent payment, defaults, etc. of banks and other financial institutions.
- Banks have also access to positive as well as negative information from all the banks provided by the banking regulator.
- Through this information we know that 49% of adult population in Chile keep bank credit while the other 51% don't have debt within the banking system, either because they don't have access or don't want to have it.

How we address in BancoEstado the challenge of giving access to credit to 51% of people and SMEs that do not have credit offers and no credit history?

BancoEstado, the only public bank in Chile, plays a primary role in financial inclusion for individuals.

Chilean population over-15y	14.5 million people	
BancoEstado	13.5 million clients	93%
Cuenta RUT (deposit debit /account)	11.2 million clients	77%
Mortgage loans	500,000 clients	45% of mortgage market (clients)
Consumer loans	1.2 million clients	9% of market share (assets)

CuentaRUT, similar to a basic transactional account, is being used as a tool to promote financial inclusion, often serving as an easy gateway to other financial services.



Our two main products, CuentaRUT and Saving Accounts, have allowed us to obtain positive, non-traditional information from our customers.

The transactional information obtained from the credit and debit movements made from/to an CuentaRUT has allowed us to study the transactions over time, thereby determining a relationship between these values and the subsequent payment behavior of our customers.

In order to offer credits, BancoEstado has implemented **advanced scoring models** using **positive information and non-traditional variables** of our customers.

These advanced models are being use for the customers risk assessment and has had positive impacts in our portfolio.

Results: new offers, more clients with access to credit and lower default rate

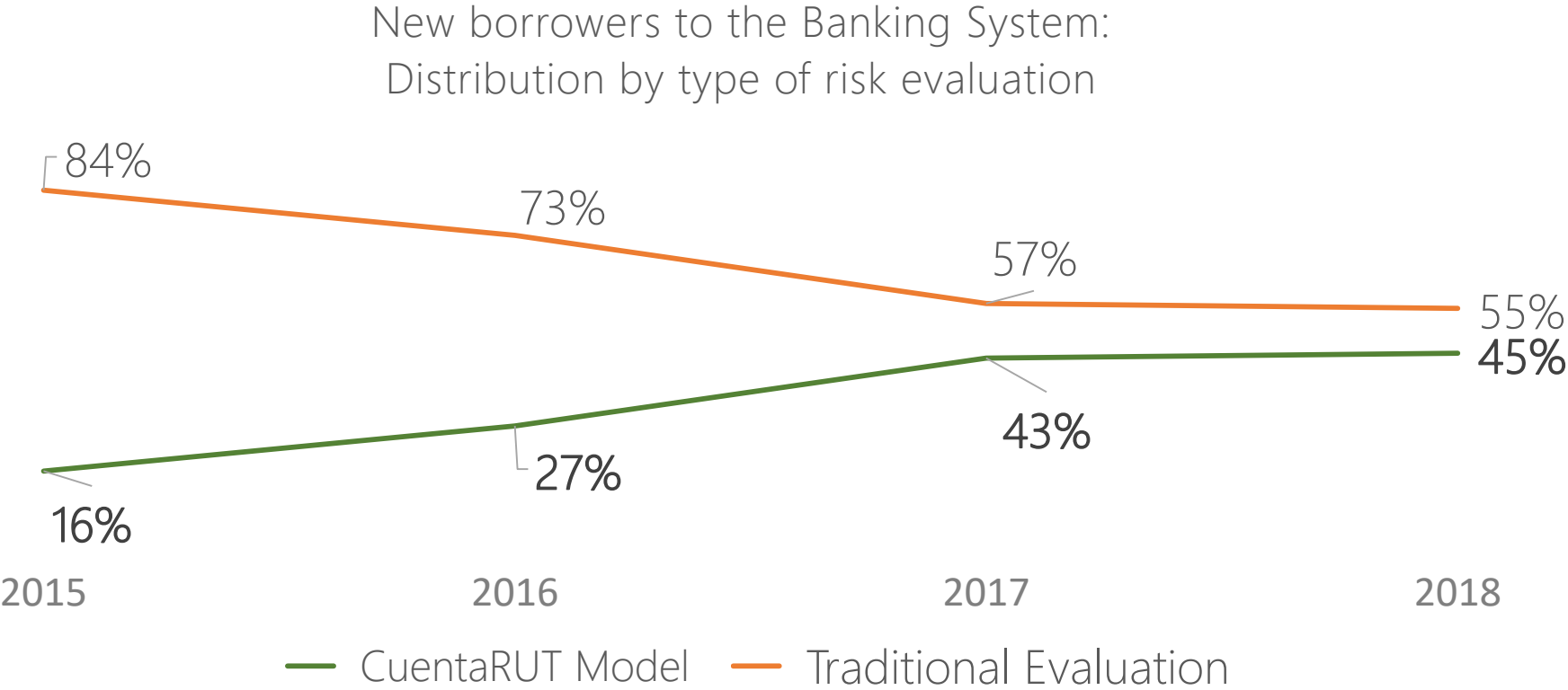
NEW OFFERS

- 1.9 million in credit cards and 565 thousand in microcredit.
- 210 thousand to potential new customers

IMPACT ON INDIVIDUALS AND MICROBUSINESS

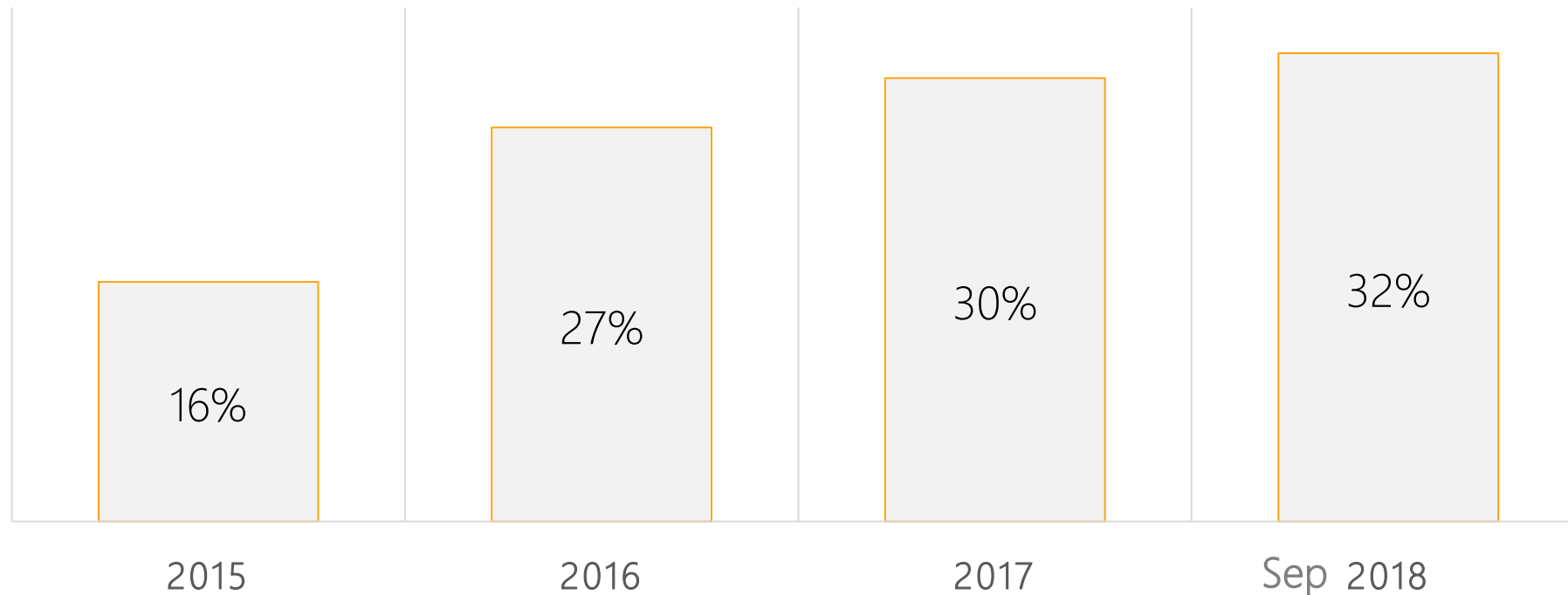
- **Individuals:** 227,000 new Credit Card holders and 10,000 clients with Microcredit.
- **Microbusiness:** 7,700 new borrowers to the Banking System through campaigns in 2018
- Increase our credit offers by 40% to customers without a credit history, granting access to 167,000 additional people.
- 12% drop in the average default rate

Risk assessment with non-traditional information has become a relevant tool in providing access to credit, both for individuals as well as for SMEs.



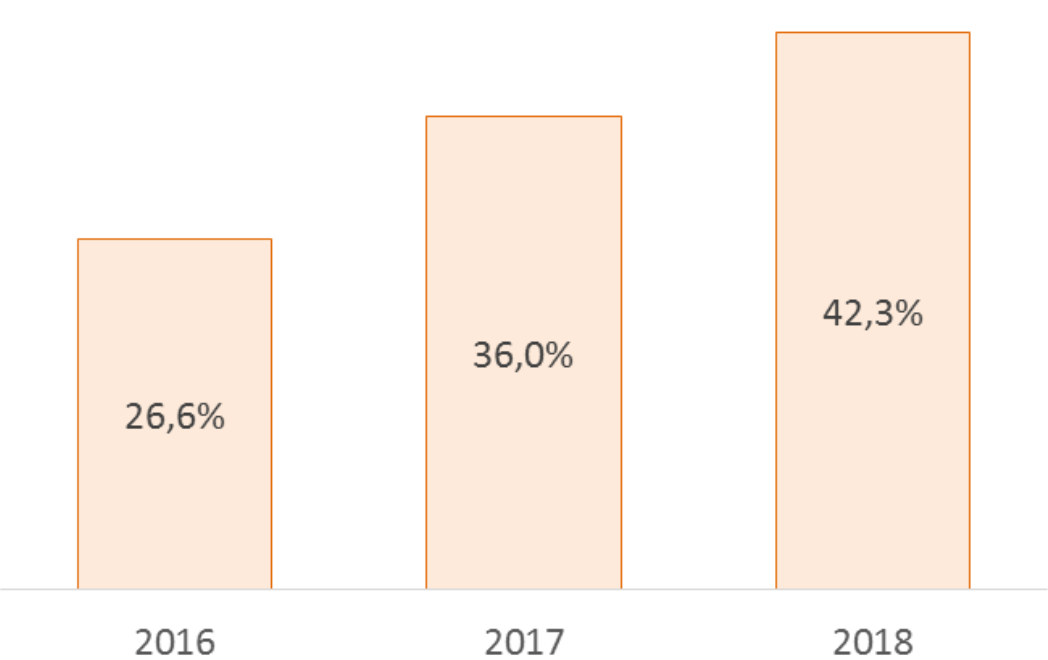
More than 30% of the borrowers that are new to the financial system over the last 3 years have been through BancoEstado thanks to the use of positive information and advanced scoring models

Evolution of BancoEstado share of the people who are new to the banking system.

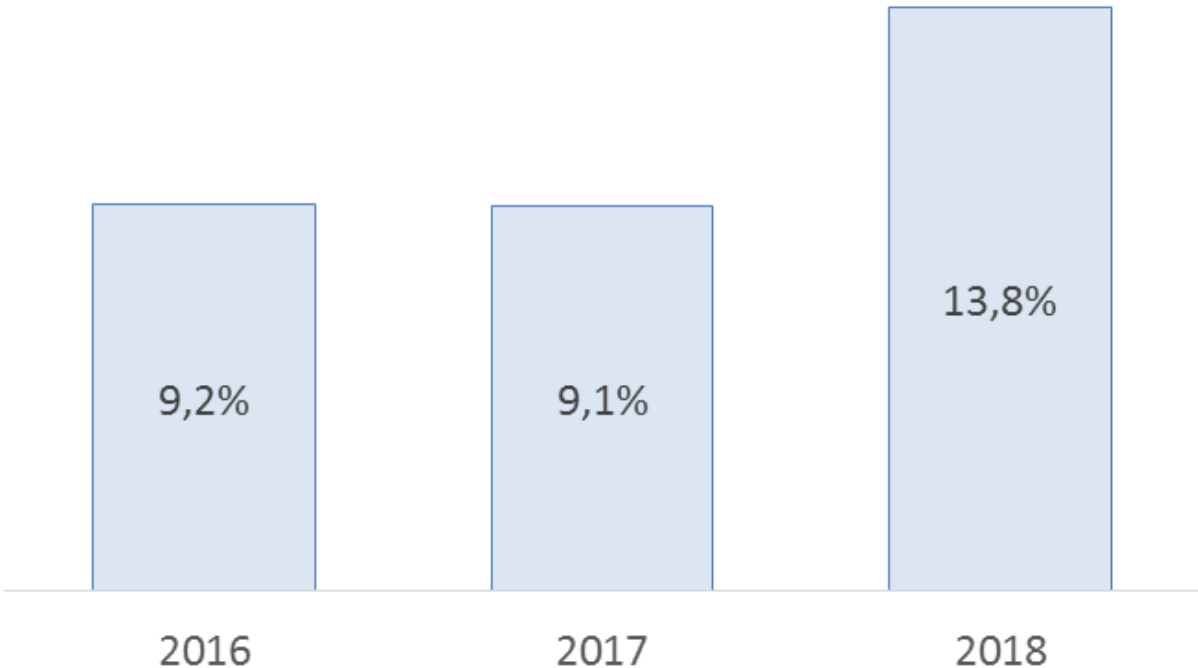


Greater access to credit in the microbusiness segment by complementing traditional scoring models with positive/transactional information.

% of sales through prequalified offers



% of new borrowers to the Banking System



The use of non-traditional information has impact on financial inclusion, facilitates the access to credit by contributing to the construction of a credit record for individuals and MSMEs

Main Challenges

- Consolidation of the information of banks and non bank institutions in order to promote responsible indebtedness.
 - International evidence shows that by having consolidated information, the risk to the financial industry is lower, there is more access to credit, and the default rate of the borrowers is lower.
 - There are also benefits for the supervision and regulation of the financial system.
 - In the case of BancoEstado, the use of additional customer information has allowed access to credit, and has done so at a better risk performance.
- It is necessary to incorporate consumer data protection and ensure the confidentiality of information, especially with new technological advances.



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