Finance Industry Interviews
Summary Report

Comprehensive Credit Reporting:

Industry Perspectives and Readiness

Ready or not, CCR is becoming a reality

> ***"We intend to start with the four major banks... Other credit providers will likely follow suit quickly to improve their competitive position in the market"***
> – Treasurer Scott Morrison

The Productivity Commission Inquiry into Data Availability and Use report was released on 8 May 2017. The report recommends that the government mandate Comprehensive Credit Reporting.

In October 2017 National Australia Bank announced plans to contribute data in public mode by February 2018, following the many smaller organisations already contributing publicly.

Under the Federal Government's initial plan, the big four banks would be required to contribute their CCR data on 50% of their accounts by July 1 2018, and the balance within the following 12 months.

On 2 November 2017, Treasurer Scott Morrison announced the government will introduce mandatory CCR from 1 July 2018.

We interviewed 94 organisations between July and December 2017, including members of the big four, International Banks, Regional Banks, Auto Finance, Mutuals and Non-Bank Finance.

In doing this, our aim was to shed light on industry perspectives and readiness as the Australian Finance industry transitions to CCR.

This is what we found.

CCR benefits
are broader than just
responsible lending

Large players are well
placed to get early
mover advantage

Ironically, the organisations
that can benefit most are
not yet ready

The majority of
organisations want
data structures
to be harmonised

What are we waiting for?

What is the CCR Mandate? When will it rollout? What form will it take? Our survey captured the current holistic outlook of what the Australian Banking and Finance Industry is expecting, and when.

The financial services industry is slowly on its way to knowing all there is to know about the CCR mandate. 33% of the organisations interviewed demonstrated a solid sense of readiness in the knowledge they had about CCR prior to the interview, and 44% knew the basics, but not the whole picture.

People are currently split on what and when the mandate will be:

52%

believe the mandate will require mandatory supply only

48%

believe that in addition to mandatory supply, there will also be mandatory consumption

64%

believe if the mandate comes, it will commence in late 2018

36%

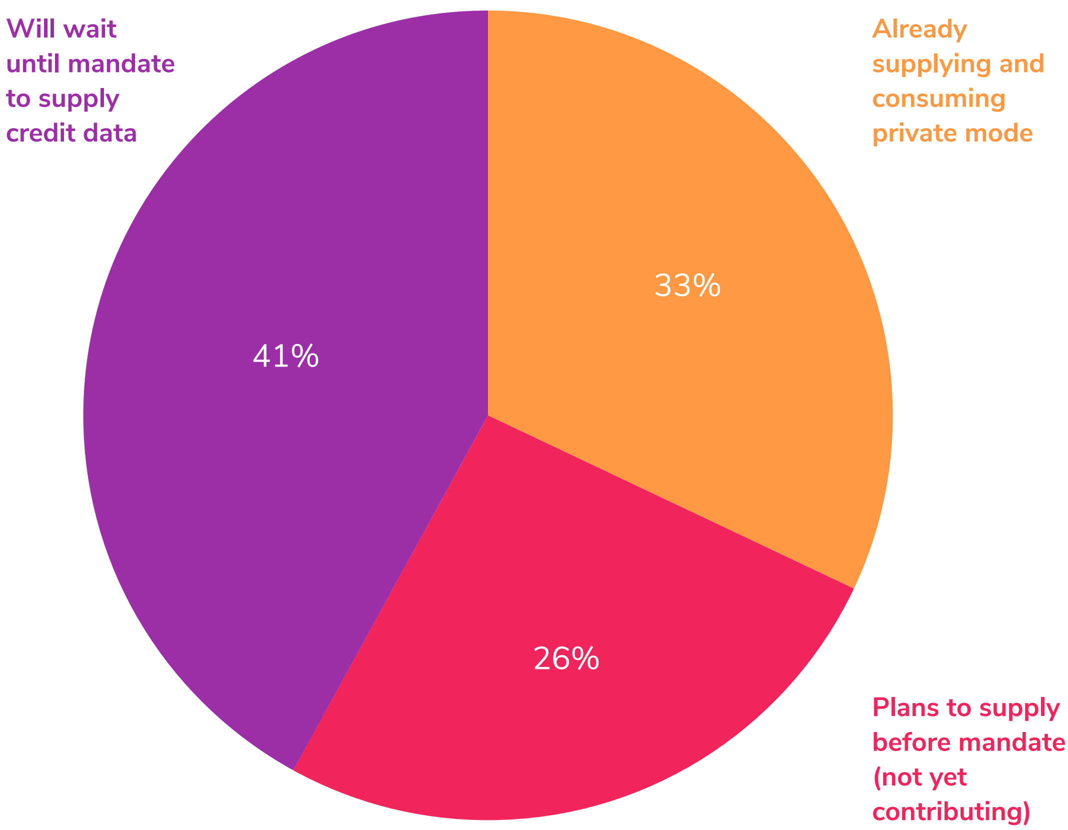
are expecting the rollout in early 2019 or later

Majority plan to contribute only when mandated

Although all finance segments interviewed were able to list benefits of the inevitable CCR mandate, our survey revealed a surprising lack of eagerness to supply and consume comprehensive credit data.

Almost half of the respondents to the survey indicated they would not provide comprehensive credit data until mandated.

CCR Plans: When will you supply and consume?



Data Quality and Readiness

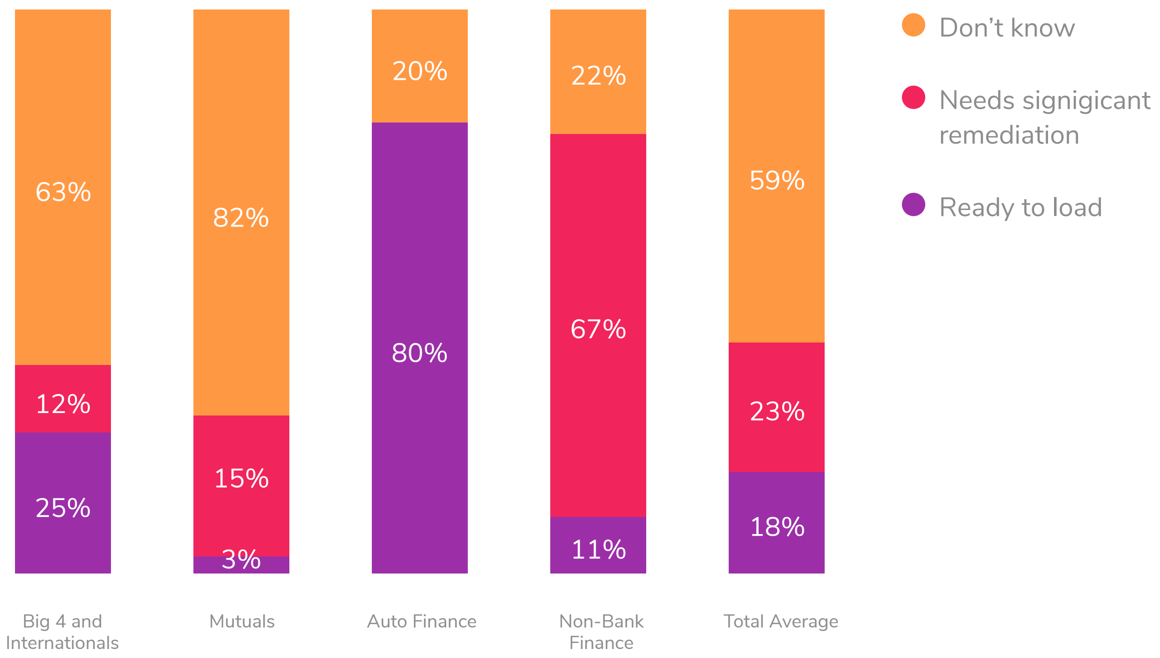
Less than 20% of the organisations interviewed have already loaded data or claim it is ready to load.

Top of the class: The Auto Finance segment results were a pleasant surprise. 80% of those interviewed stated they are either already loading data, or have data that is clean enough to load into a bureau.

Falling behind: At the other end of the scale are Mutuals, with only 3% of those interviewed believing their data is ready.

Underlying uncertainty: 59% of all organisations interviewed are not sure of their data quality and its readiness for loading.

Data Quality & Readiness – Is your data ready to load?



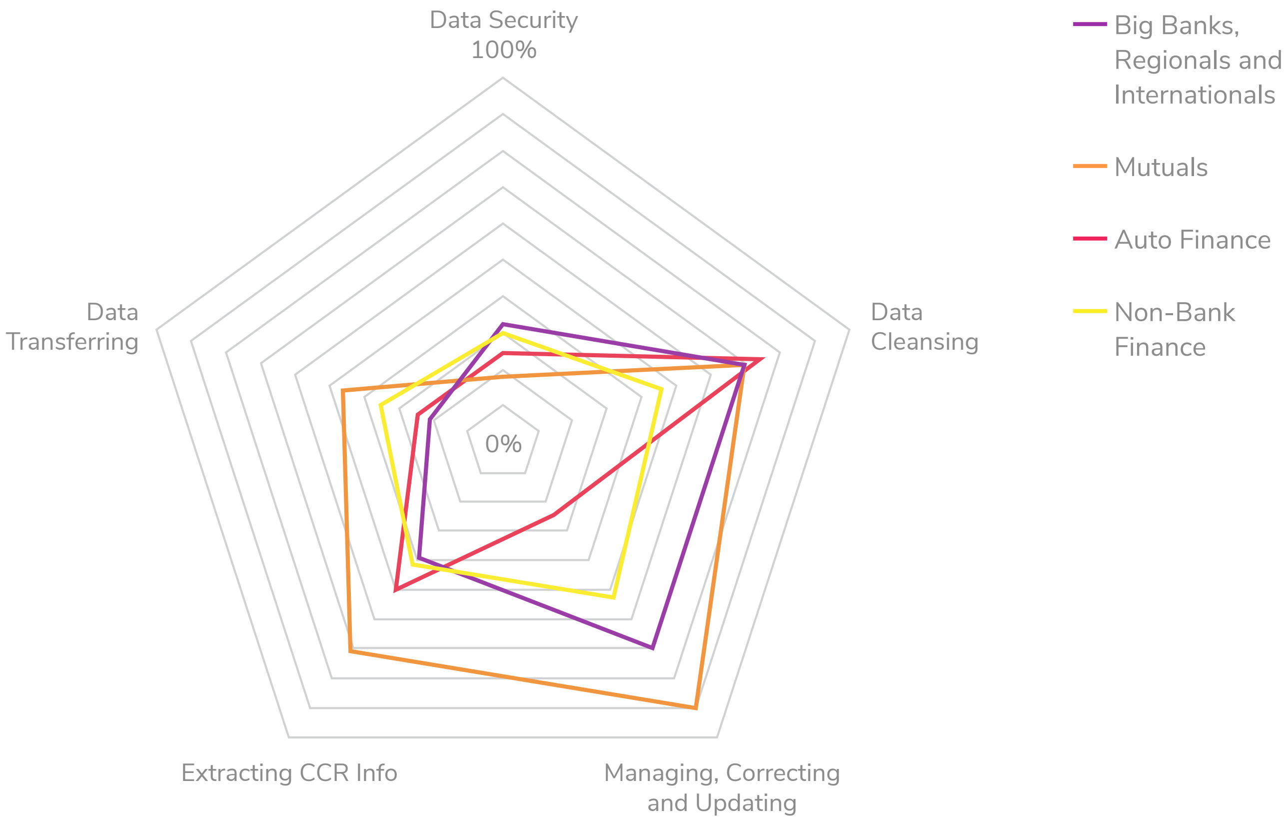
Challenges expected when loading data

Managing, correcting and updating data is consistently seen as the biggest expected challenge across all segments. This is especially true for the Mutual banking sector.

Data transfers and security are seen as minor challenges across all segments. big four, Regional and International Banks see data cleansing as the only major challenge when loading CCR data.

Extracting CCR data is not seen as a challenge for smaller organisations, but it is seen as a considerable challenge for medium sized players. Mutuals Banks are expecting more challenges overall than other segments interviewed.

Expected Challenges on the CCR Front – Sector Overviews



On your mark. Get set. Go!

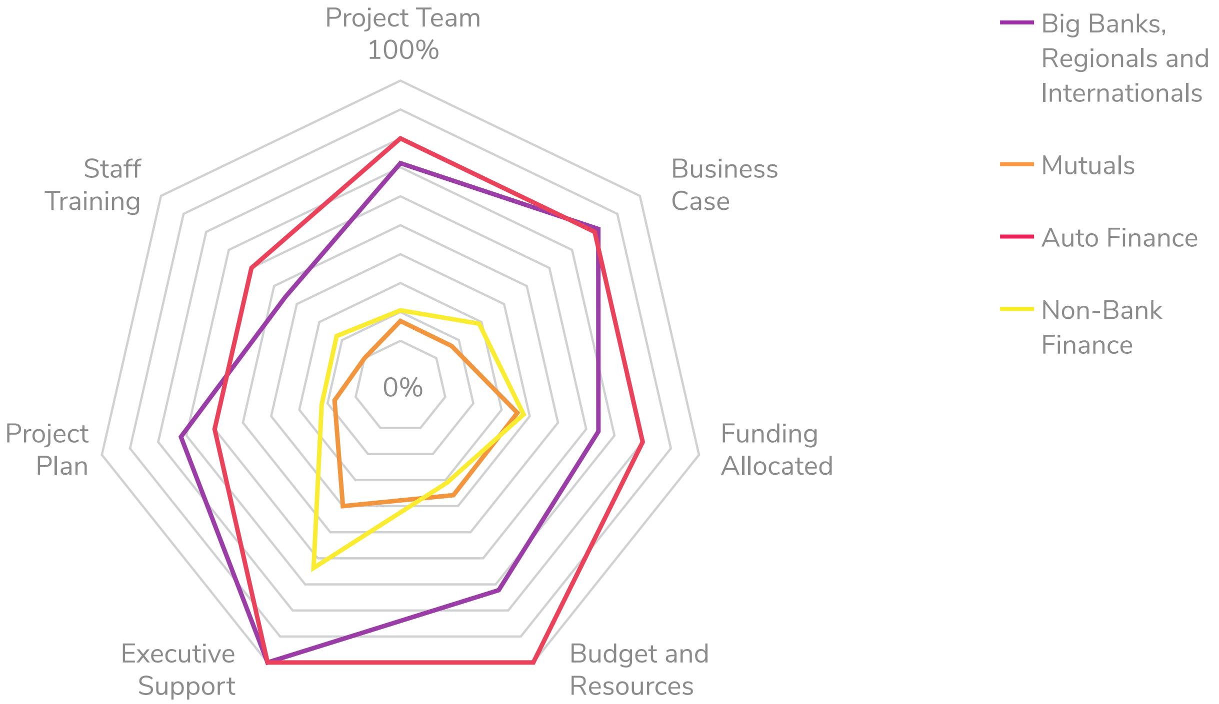
While almost half of the organisations interviewed indicated they would wait for the mandate to be issued before contributing, a number of them are taking steps to get ready.

Auto Finance is making all the necessary moves to take advantage of opportunities opening up, with the big four, Regional and Internationals sector following closely behind in readiness.

The majority of Non-Bank Finance and Mutuals are falling behind in almost every area when compared to other sectors. There are exceptions, however, with some players well ahead of the market.

Customer and staff training programs are a weak point across all sectors, while there is an abundance of executive support in place for the majority of organisations.

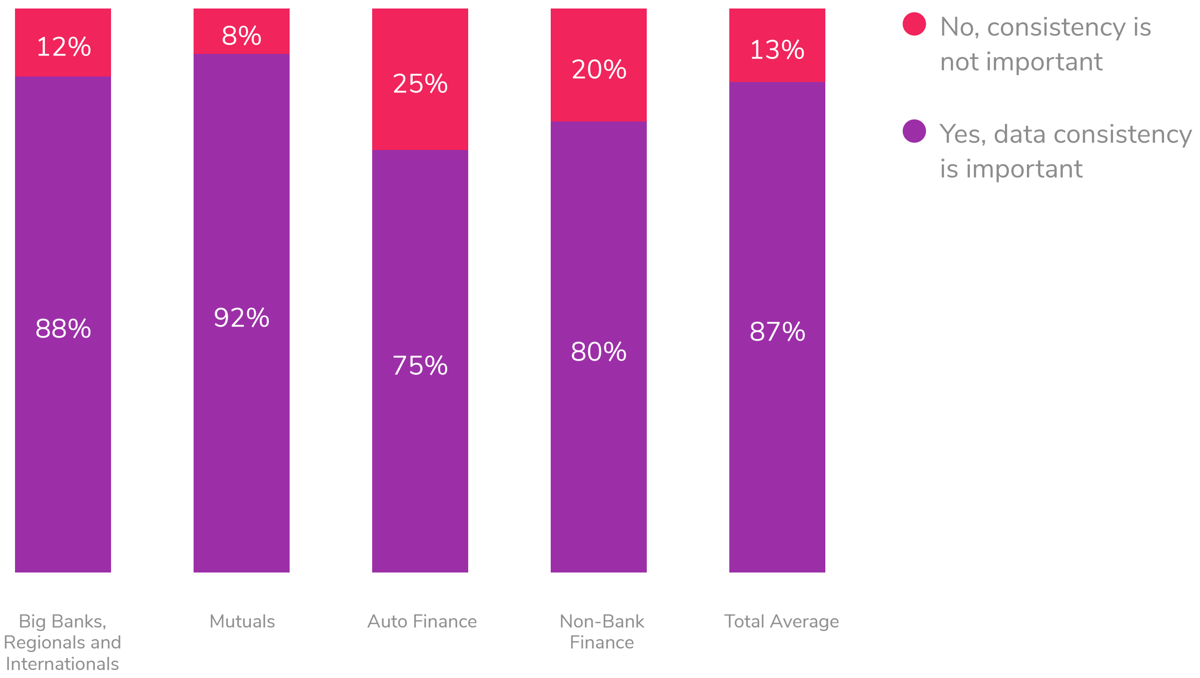
Expected Challenges on the CCR Front – Sector Overviews



There is an underlying desire for further data harmonisation

The overwhelming majority of respondents indicated a desire for further industry coordination and would like to see Credit Bureau data structures harmonised to help with the consumption. They saw this as an important prelude for effective Multi Bureau strategies.

Data Harmonisation – is consistency between bureaus important to you?



CCR benefits are much broader than just responsible lending

Although CCR is becoming mandated, this hasn't stopped the industry from finding advantages ahead of the mandate. 90% of companies interviewed acknowledged one or more of the potential benefits CCR will bring to the Banking and Finance sector.

The biggest priorities identified by the industry while taking CCR into consideration were as follows:

1. Being a Competitive Threat (17%)
2. Growth (15%)
3. Digitisation and Automation (12%)
4. Responsible Lending
5. Customer Engagement
6. Employer/Employee Focus

When asked about their plans moving forward with CCR, the following objectives were identified:

1. Streamlining Processes (34%)
2. Desicioning Quality Improvement (19%)
3. Increase in Sales (19%)
4. Price to Risk Modelling
5. Collections Improvement
6. Emphasis on Customer Benefits

Benefits identified by the Industry

- Improved efficiency once CCR matures
- Risk based pricing
- Lower collections costs
- Increasing approval rates
- Reduce losses (Lower delinquency)
- Write loans previously passed up
- Better customer management
- Use CCR to identify problems at application
- Efficiency – better process to make decisions
- Stepping stone to auto-decisioning
- Speed and quality of decision
- Less friction in collections
- Structure better loans to meet customer needs
- Streamlining the automated process
- On board cost reduction

Latest developments

- The government will introduce mandatory CCR from 1 July 2018, as announced by Treasurer Scott Morrison on 2 November 2017.
- The mandate will initially cover the big four banks, allowing time for smaller providers to develop and implement CCR systems.
- The big four banks will be required to have 50 per cent of their CCR data ready for reporting by 1 July 2018, increasing to 100 per cent a year later.
- On 16 February 2018, NAB was the first of the big four banks to successfully roll out CCR.
- Government is looking to the financial services industry to lead the development of data sharing frameworks.
- Discussions are ongoing to expand the credit reporting regime to include the utilities and telecommunications sectors.

Our methodology

We interviewed 94 organisations between July and December 2017. Our objective was to gain insights rather than statistically representative data, and in doing so, further equip the industry with increased information.

Have a question? Contact us today.

marketing@illion.com.au

Bringing data and analytics to life

Dun & Bradstreet has changed. We are now illion. Data & analytics are at the heart of what we seek to provide our customers, so we've chosen a name that represents this expanding world of algorithms and data.

We create unique business models that support our customers' decision making processes when acquiring, on-boarding and managing their receivables.

Our vision	We use data and analytics to solve problems for our customers.
Our data	It is unique, extensive and expanding.
Our people	We bring our data to life through scorecards, machine learning, augmented intelligence, insights and algorithms.
Our tech	We take security of data seriously. The security of the data we hold is critical in the new age in which we exist.
Our security	Technology is integral to everything we do. Our software powers the decisions of some of the largest companies in our region.

Why are we rebranding?

We see this as a fantastic opportunity to develop a strong brand that is centered around our vision of becoming a great data and analytics company that helps to solve problems for our customers.

What does this mean for you?

Our rebranding process will take place over the next nine months. Our aim is to make this transition as smooth as possible. Our Receivables Management business will continue to operate under the Dun & Bradstreet brand for the mid-term, however we'll be rebranding this part of our business over time. There will be no changes to our service offering; this is simply a brand change.

Have a question?

For any queries or further information please contact your illion group representative.