DATA SCIENCE AND MACHINE LEARNING IN CREDIT RISK MANAGEMENT
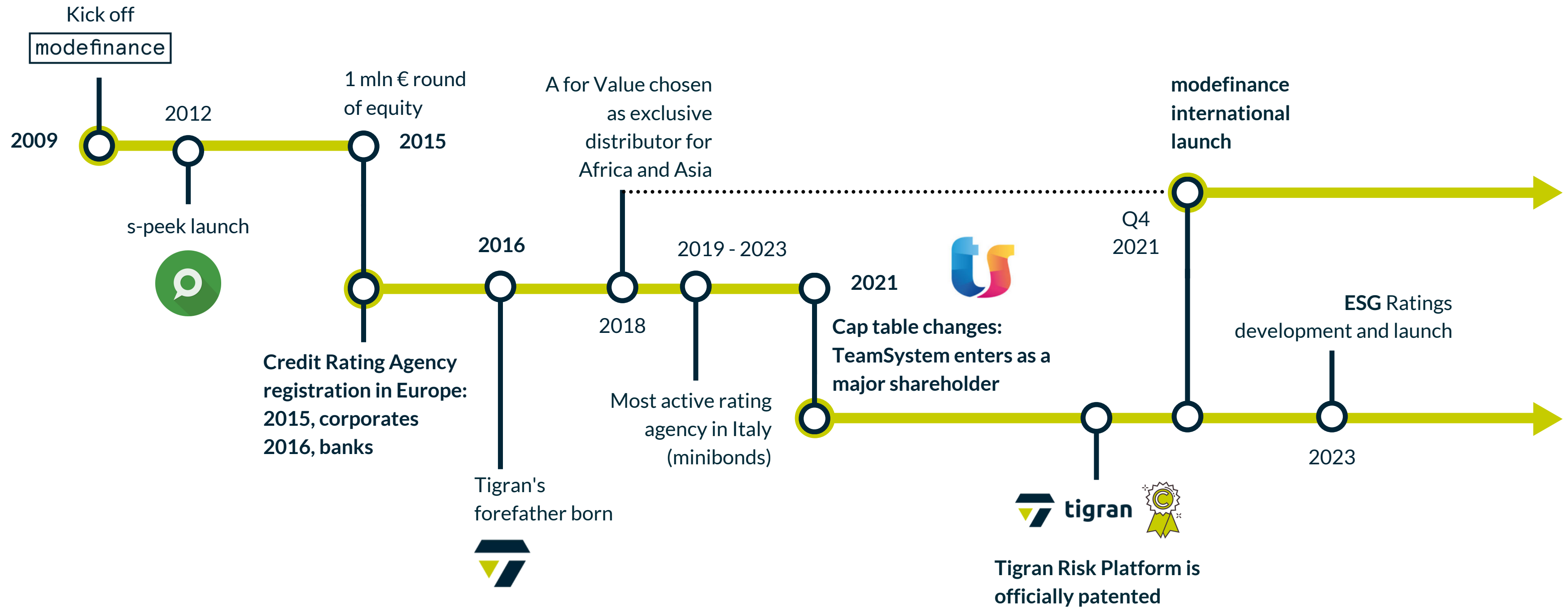
by the first Fintech Rating Agency in Europe

modefinance

a TeamSystem company

CNBC
WORLD'S TOP
FINTECH
COMPANIES 2023
Digital Business Solutions

In cooperation with
statista

ESGFINTECH
100

roadmap

Kick off
modefinance

2009

2012

s-peek launch

1 mln € round
of equity
2015

2016

Credit Rating Agency
registration in Europe:
2015, corporates
2016, banks

Tigran's
forefather born

A for Value chosen
as exclusive
distributor for
Africa and Asia

2018

2019 - 2023

Most active rating
agency in Italy
(minibonds)

2021

Cap table changes:
TeamSystem enters as a
major shareholder

tigran

Tigran Risk Platform is
officially patented

**modefinance
international
launch**

Q4
2021

2023

ESG Ratings
development and launch

credit risk management today: the data gap

SO MANY DATA, SO LITTLE VALUE

- outdated information with no consistent update
- inactivity and *status quo* attitude
- very low predictive value
- unable to leverage newsflows and nowcasting

ANALOG OPERATIONS IN A DIGITAL WORLD

- complex manual, paper-based procedures
- miscommunication
- NPLs increase

UNABLE TO COMPETE ON A GLOBAL, LONG-TERM MARKET

- time-consuming loan request processing
- poor customer experience
- lack of custom and flexible solutions

"How to organize a more coherent risk assessment process?"

"Where does the value come from?"

"How to automate and digitalize current operations?"

"Saving time and resources means focusing on single problematic events?"

"ARE WE ABLE TO BE MORE COMPETITIVE?"

market trend: the data science perspective

NOW-CASTING
- new data & new regulatory environment (PSD2) will open the way to "real-time" risk-assessment.

DATA AUTOMATION
- data preparation and data analysis automation are improving current operations and reducing costs

DATA VALUE CAPTURE
- data science tools favor a higher value capture thanks to data management standardization

UNSTRUCTURED DATA INTEGRATION
- data from unstructured sources are increasingly managed via big data & analytics solutions

INCREASED RISK COVERAGE
- new data/big data offer the opportunity to risk-assess a larger number of companies
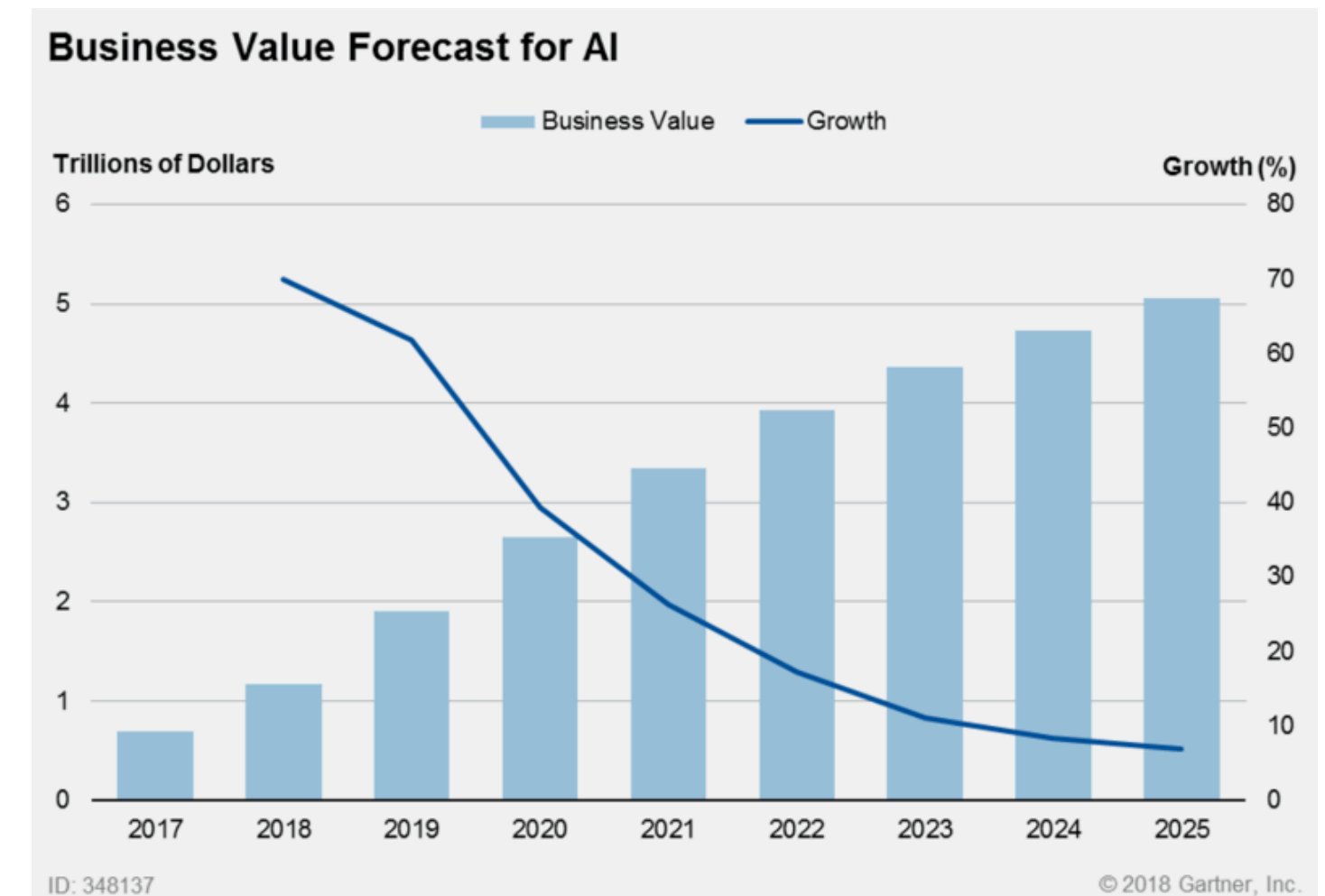
market opportunity

modefinance market: a unique opportunity to serve different revenue pools
(rating, Credit Risk Management services and data science) ...

MARKET DIMENSION 2021 in b $
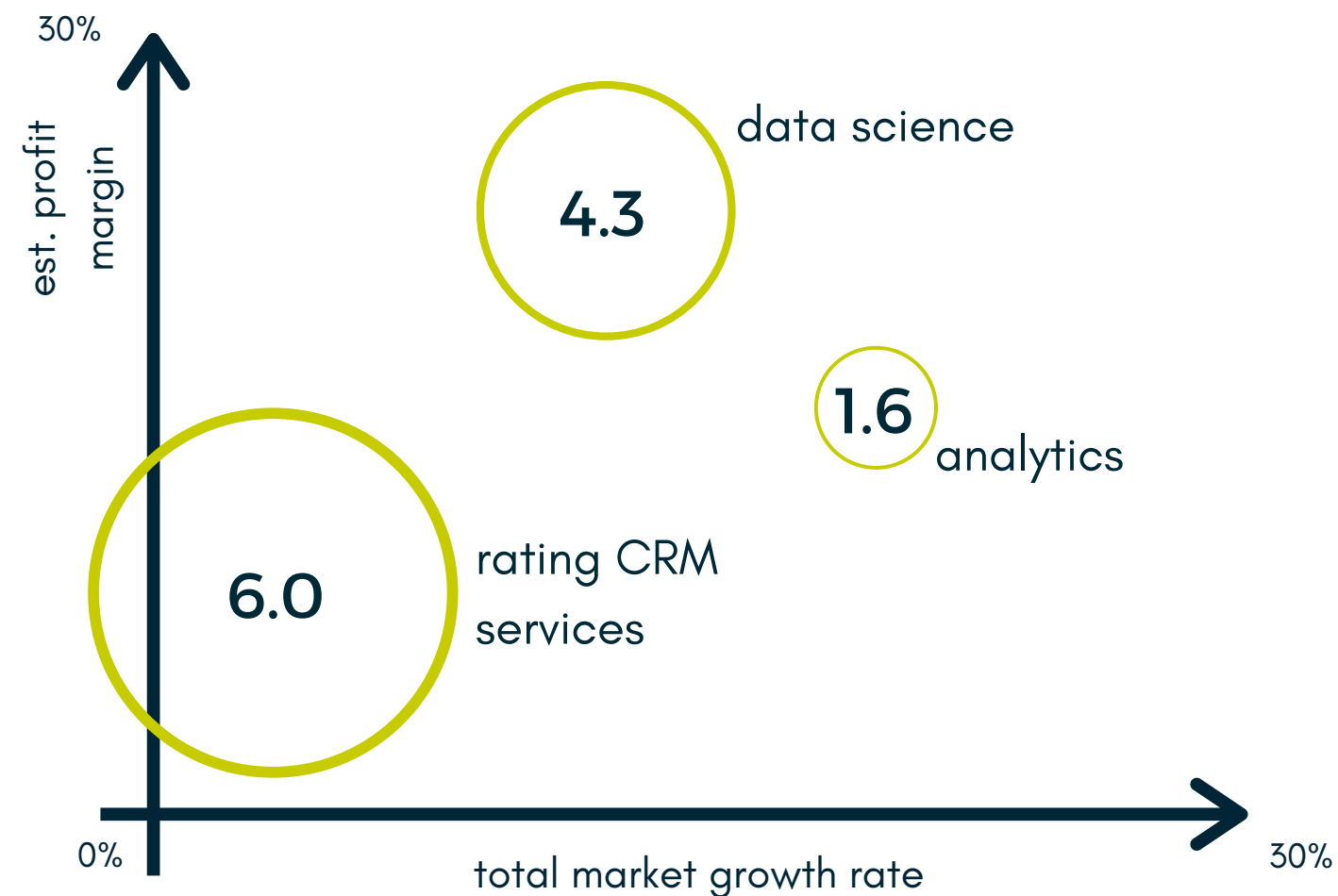
....growing unmet demand for customized solutions
to manage increasing credit risk challenges...

THE AI ACCELERATOR

....with further potential coming from
AI applications...

different markets, different solutions

Banks & financial institutions
Investment funds & capital markets
Large corporates

tigran

- global approach
- AI platform, flexible and customizable
- automate and digitalize processes
- Ratings and financial forecast
- PD, CL, debt capacity, VaR, LGD

Financial institutions
Large corporates
## SMEs

ESG

ESG Rating & assessments

- long-term sustainability and future social and environmental impacts
- a proprietary system of integrated ESG assessments, based on the latest AI technologies
- standardized ESG data sources

SMEs
Professionals

S-PEEK

- all EU companies
- mobile app
- freemium access to public data
- Score, CL and financial information
- sector analysis and 12m monitoring

Banking & financial institutions
Corporates (IPO / Bonds)
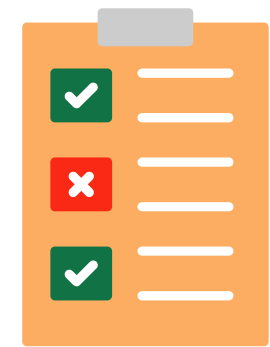
## certified public Credit Rating

- accurate and nowcasting data
- quantitative and qualitative analysis
- official Rating, certified

modefinance technology core

modefinance has developed a set of **proprietary** big data methodologies and machine learning algorithms:

MORE evaluates any company and financial institution in the world, without geographic, sector or country limits. It permits the user to access real-time data, extract more value and automatize their current internal analyses.

- applicable to >300m corporates and 60k banks worldwide
- reviewed and tested real-time
- capable of quantitative/qualitative data integration
- transparent, no black-box approach, full visibility on explanatory factors

country info

private info

sector & market info

modefinance MORE

qualitative info

financial info

other info
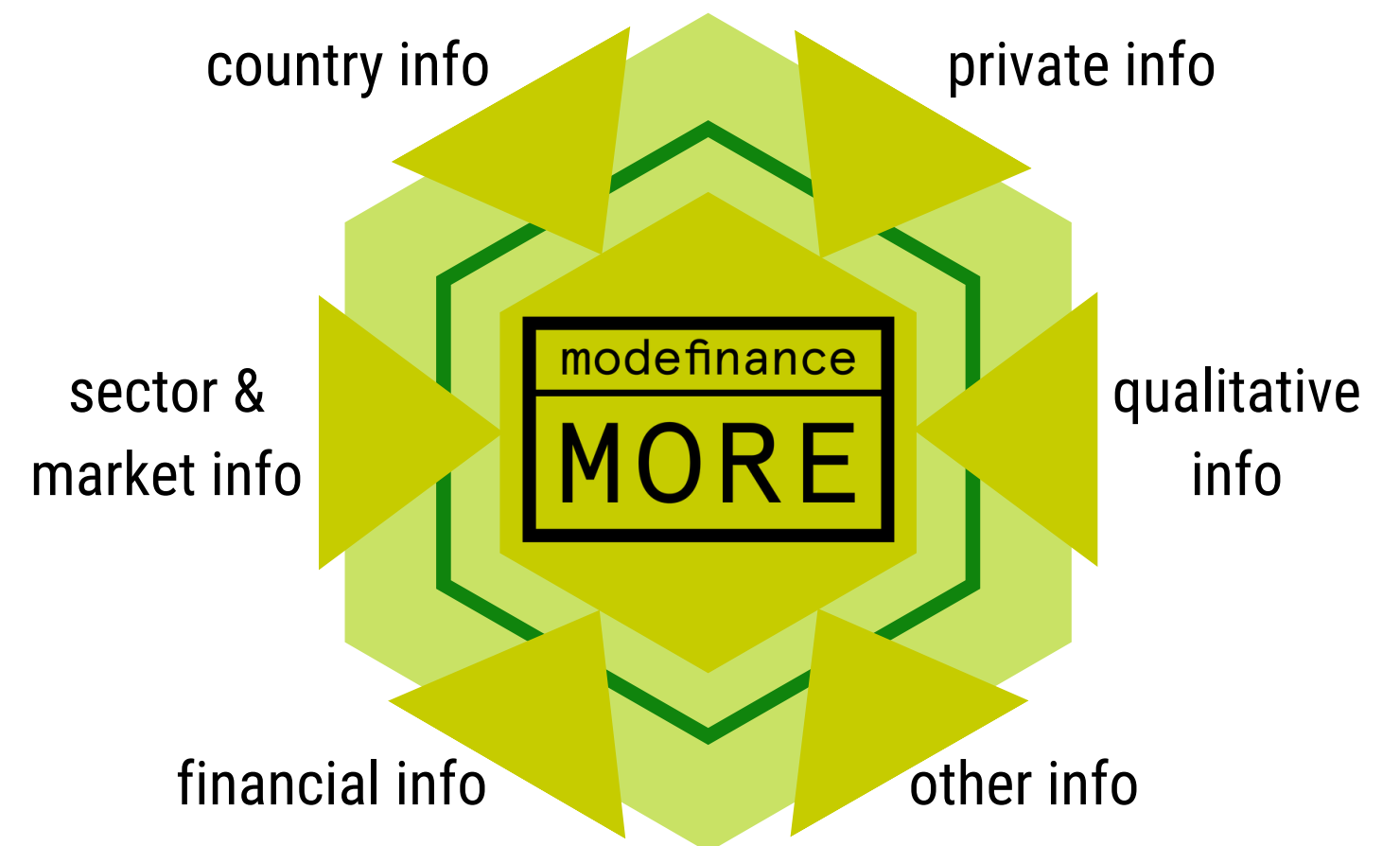
tigran

tigran is a **patented software**, the first RaaS platform, **Rating as a Service**, a powerful and reliable AI risk platform whose goal is to secure exposure from counterparty risk, automating internal procedures.

Key benefits:

- Workflow automation and simplification
- Decision making process' time and costs reduction
- Tailored custom models
- Full cycle management: from pre-feasibility to approval

tigran key competitive advantages

MULTI-SECTOR APPROACH

- a credit rating and risk management model for both corporates and financial institutions

CUSTOMIZED DATA INTEGRATION

- rating and analytics on the entire portfolio with customized qualitative analysis when needed

CLOUD-BASED MODULAR TOOLS

- easy onboarding
- adaptive and customizable tools rooted on core fundamental analysis

NOWCASTING DATA APPROACH

- real-time access to data, to detect trends, value & assets
- significant reduction of companies' analysis process

IMPROVED RISK MANAGEMENT

- internal risk management policies and procedures adaptability

tigran case studies

Client	Generali Investments	Samsung	CheBanca!	Turk Eximbank	DuPont	Metsa
Type	Financial institution	Large corporate	Bank	Financial institution	Large corporate	Large corporate
Country	ITA	KOR/MA	ITA	TUR	USA	SWE
Application	Portfolio risk profile assessment on both public and private companies	Wholesalers and retailers credit score monitoring Custom PD	Clients' risk assessment	Worldwide Rating and Credit Limit assessment for exports	Worldwide clients' risk assessment	Worldwide clients' risk assessment
Problems solved	Risk assessment standardization Rating on a global scale, automated	Internal data customization Costs reduction	Custom risk assessment Policies & procedures simplification	Risk assessment standardization Internal data value	Global risk assessment Data integration Standard CRM rules	Risk assessment standardization Global reach

s-peek app
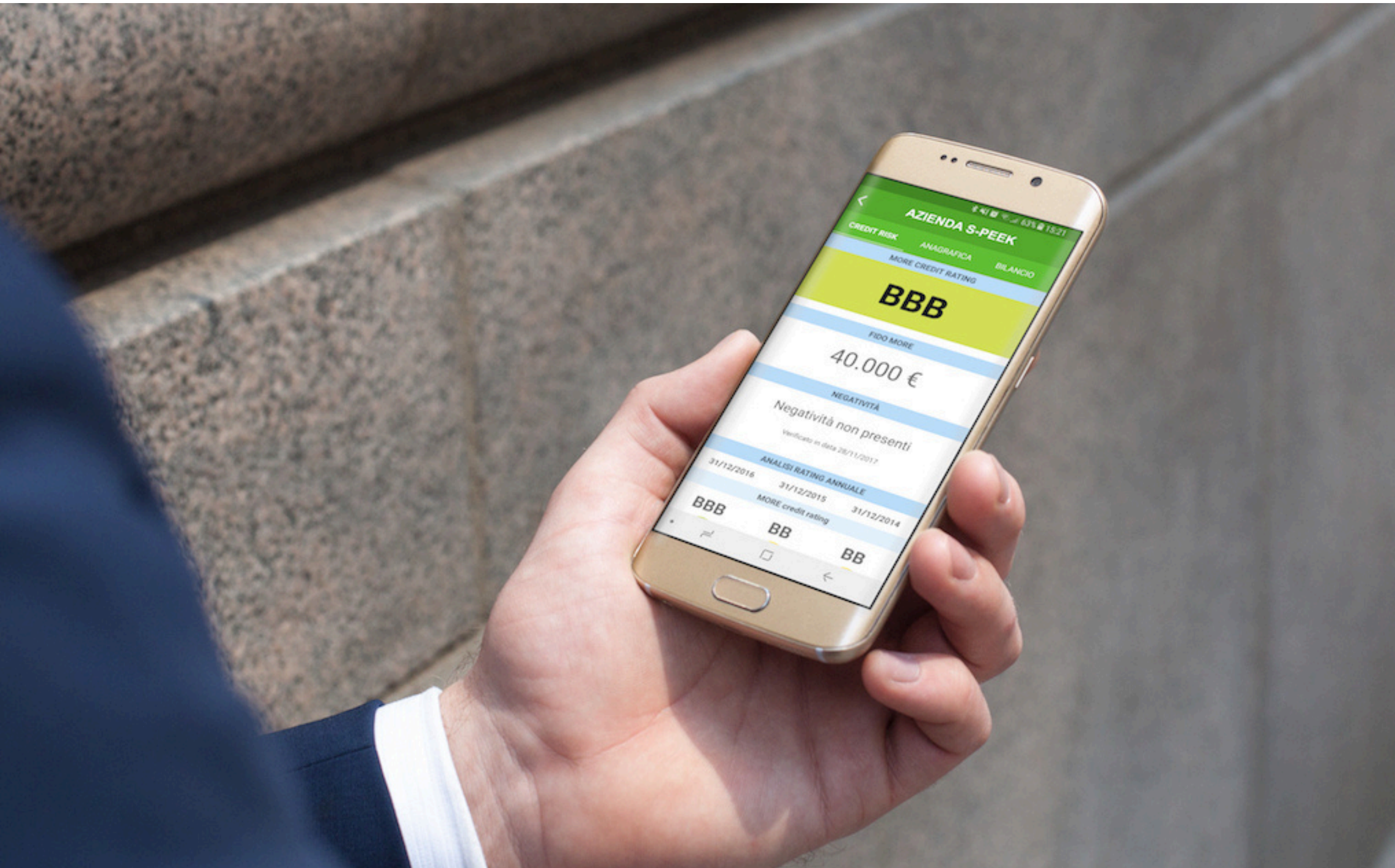
s-peek is a web and mobile application, that allows users to access Credit Scoring, Credit Limit and financial data of **more than 25million companies**, all around Europe

Key benefits:

- Free to download and use
- Easy to use and understand information
- Public and verified data sources
- Mobile and interactive solution, always accessible in a few clicks
- Collaborative platform for teams

s-peek key competitive advantages

🔒 ROUGH ACCESS TO INFORMATION

- an easy access to more than 25million European companies, app-based, reliable and verified public information

💲 EXPENSIVE SOLUTIONS

- free to download, free to register: easy entry-point to rating and financial info, with a freemium approach

🧍 THIRD-ENTITIES' EVALUATIONS

- auto-evaluation as an instrument to help SMEs to understand rating, bankability and how to better access credit

📢 LACK OF COMMUNICATION, LONG EMAIL-BASED PROCEDURES

- faster communication inside teams, where all the users are able to access information and exchange data, for a reliable financial decisions' process
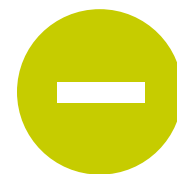
⊖ HIGH AND COMPLEX DSO

- know to work better: improve SMEs' working capital management
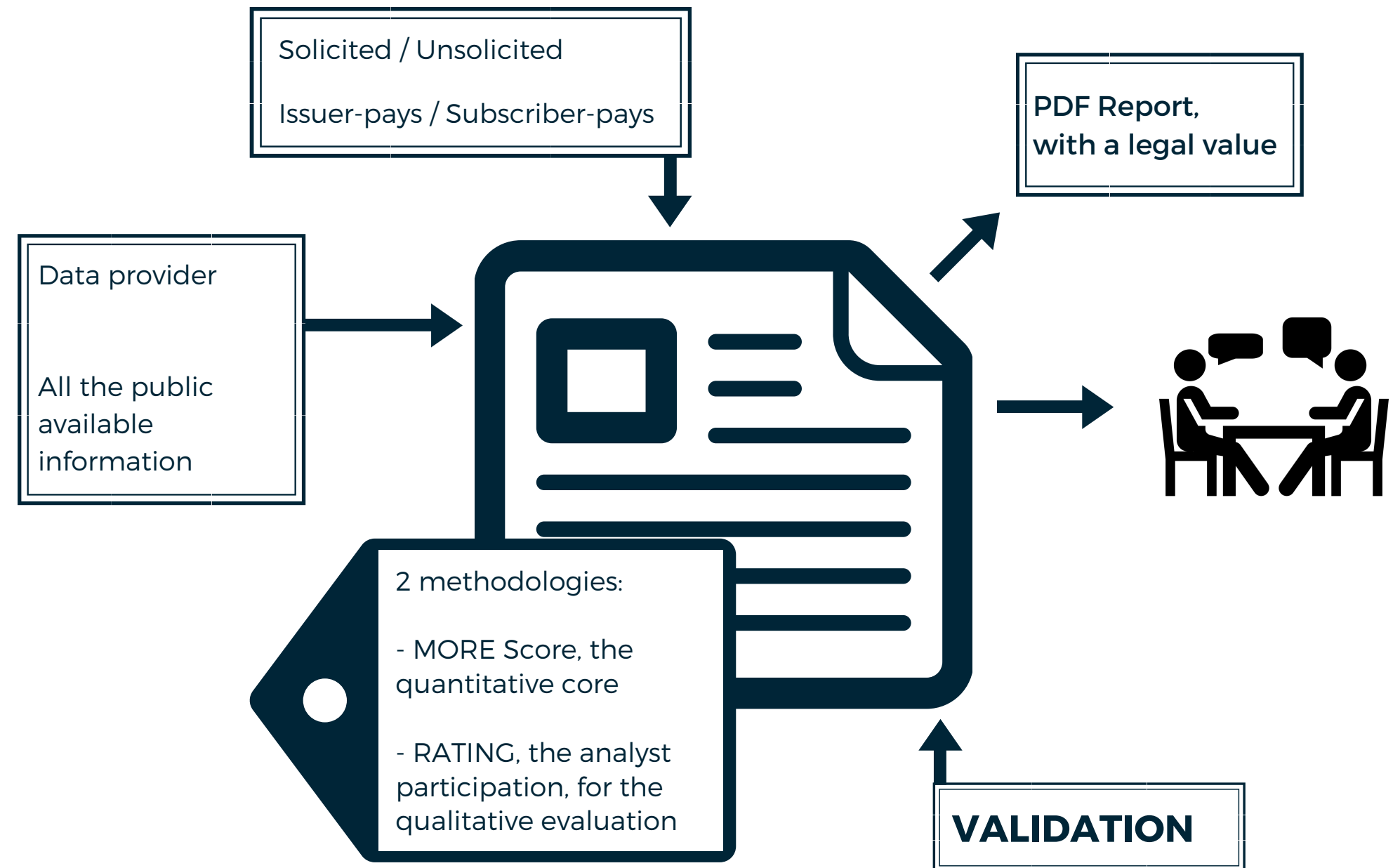
EU Fintech credit rating agency
CRA & ECAI

esma European Securities and Markets Authority

Date: 10 July 2015
ESMA/2015/1127

PUBLIC STATEMENT

ESMA registers modeFinance as credit rating agency

The European Securities and Markets Authority (ESMA) has formally approved the registration of modeFinance S.r.l., based in Trieste, Italy, as a credit rating agency (CRA) under Article 16 of the CRA Regulation. The registration takes effect from 10 July 2015.

modeFinance's registration as a CRA means that its credit ratings can be used for regulatory purposes within the European Union.

Solicited / Unsolicited

Issuer-pays / Subscriber-pays

PDF Report, with a legal value

Data provider

All the public available information

2 methodologies:

- MORE Score, the quantitative core

- RATING, the analyst participation, for the qualitative evaluation

VALIDATION

Public Rating

an official validation for the corporates' and banks' evaluation, with legal value

NO LIMITS
- MORE permits to evaluate any corporate and bank in the world, without any geographical, sector or dimension limit

TIME-SAVE
- a fast and time-saving approach permits our analysts to be always on time with a reliable and certified Rating
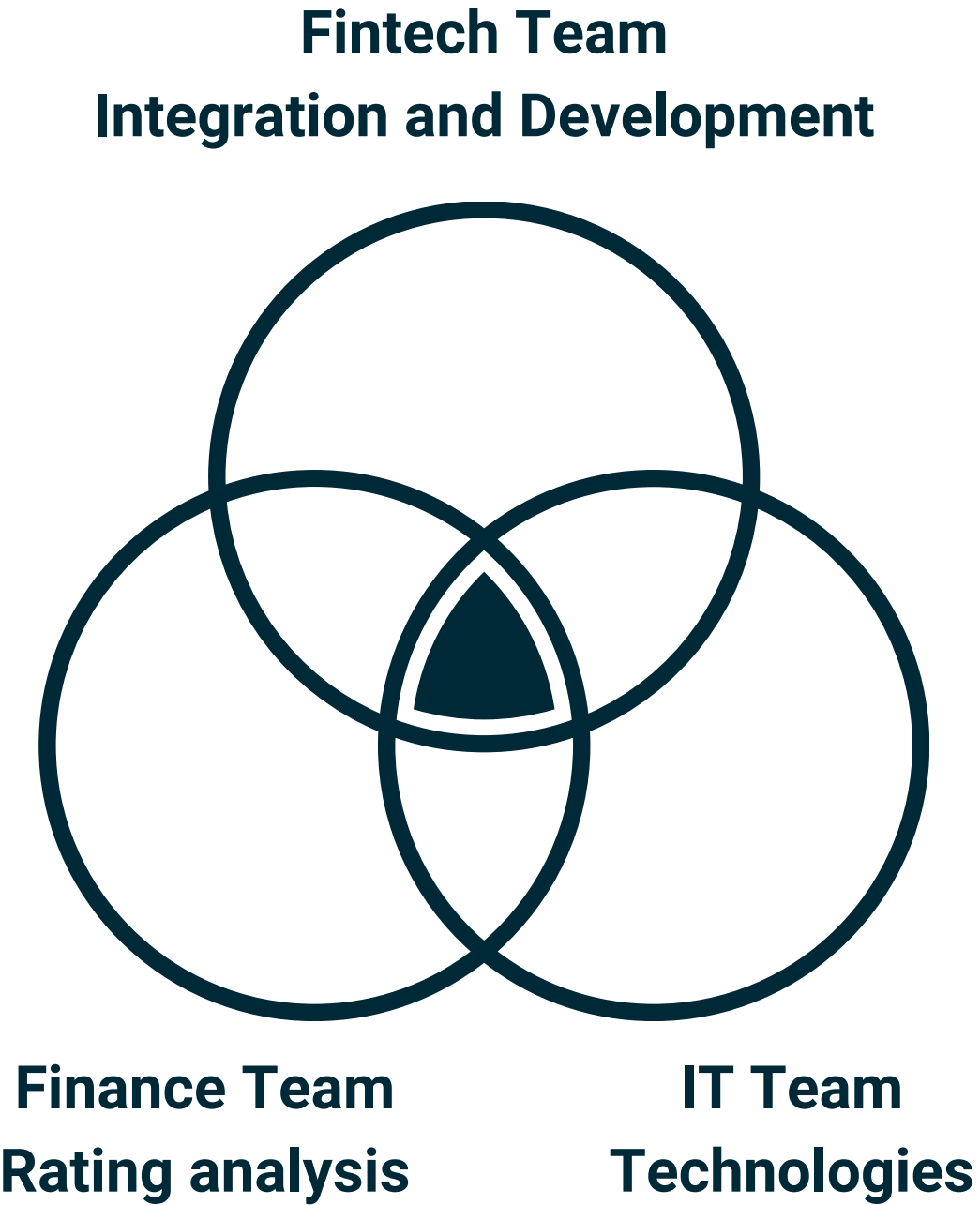
INDEPENDENCE
- we provide all the documented and certified acts of independency, for the most trustworthy and open relationship with the final user

TRANSPARENCY
- we act under the "democratization of Rating" vision

modefinance approach

**Fintech Team
Integration and Development**

**Finance Team
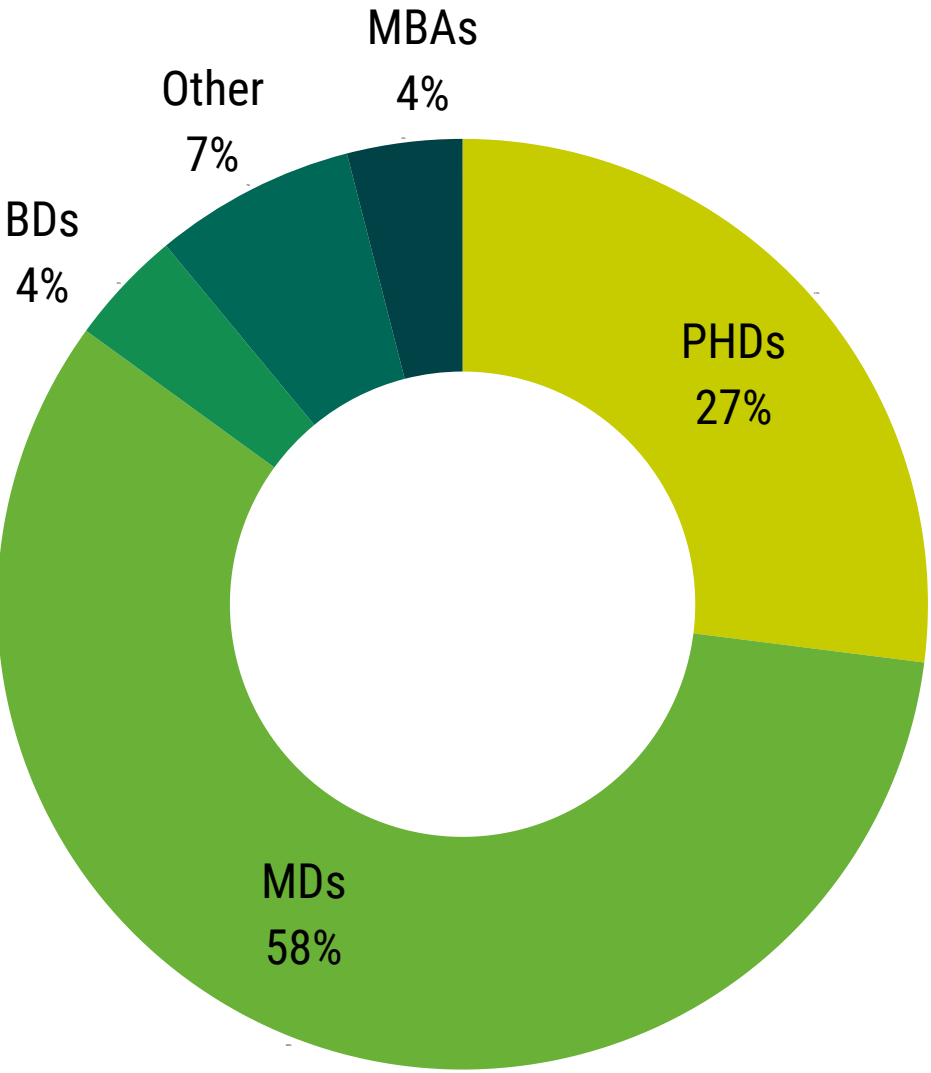Rating analysis**

**IT Team
Technologies**

lean approach with strong integration among IT, Fintech and Finance

inter-disciplinary competences and resources development

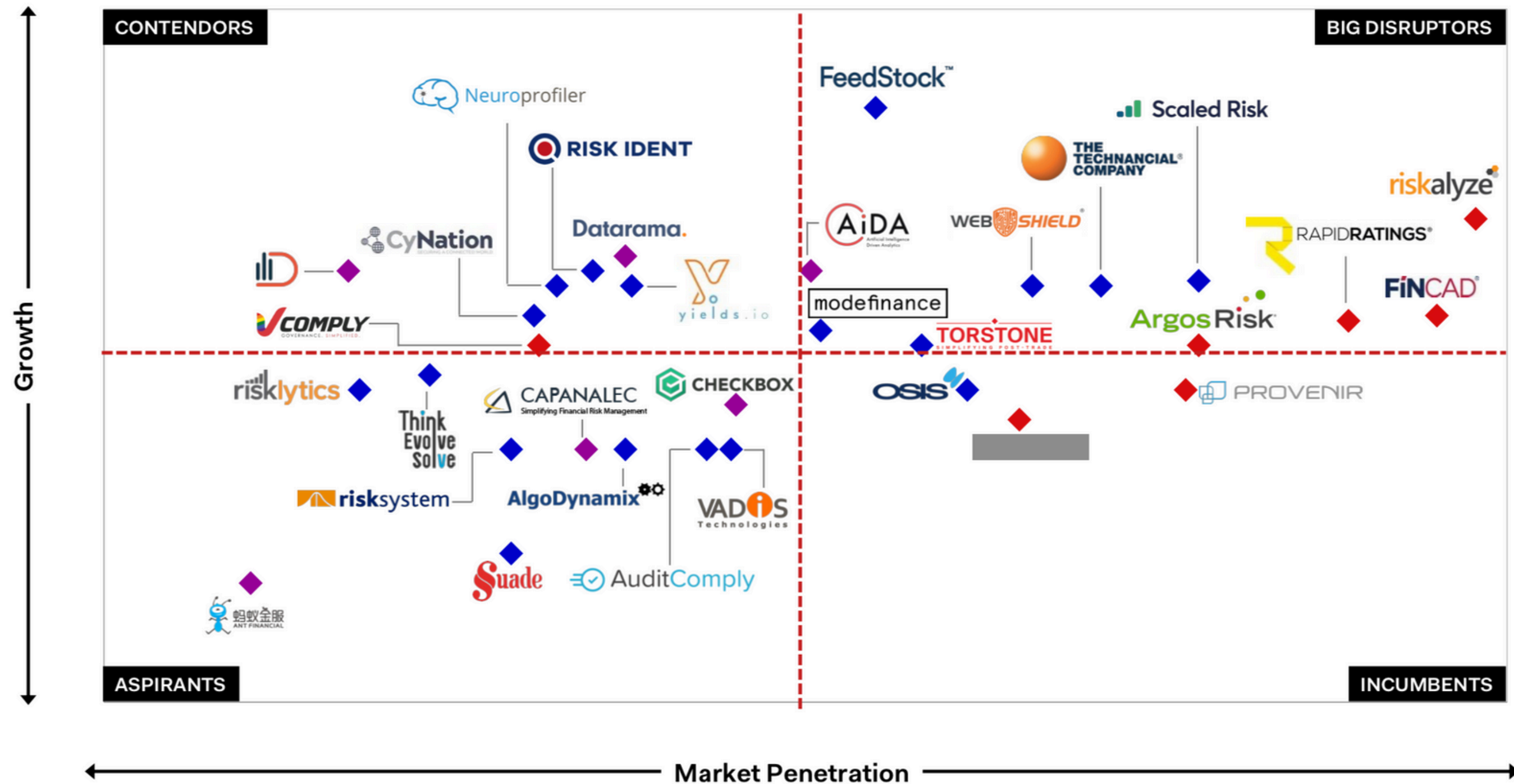real-time information sharing and update to best serve the clients

Employees expertize:

MBAs
4%

Other
7%

BDs
4%

PHDs
27%

MDs
58%

a Risk Management disruptor

◆ AMERICAS   ◆ APAC   ◆ EMEA

CONTENDORS

BIG DISRUPTORS

FeedStock™

Scaled Risk

Neuroprofiler

RISK IDENT

THE TECHNANCIAL COMPANY

riskalyze

CyNation

Datarama.

AiDA
Artificial Intelligence Driven Analytics

WEB SHIELD®

RAPIDRATINGS®

yields.io

modefinance

FiNCAD®

COMPLY
GOVERNANCE, SIMPLIFIED.

ArgosRisk®

TORSTONE
SIMPLIFYING POST-TRADE

risklytics

CAPANALEC
Simplifying Financial Risk Management

CHECKBOX

OSIS

PROVENIR

Think Evolve Solve

risksystem

AlgoDynamix

VADIS
Technologies

Suade

AuditComply

蚂蚁金服
ANT FINANCIAL

ASPIRANTS

INCUMBENTS

Growth (vertical axis)

Market Penetration (horizontal axis)

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modefinance 2023 All information shall be treated as strictly confidential.

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