



Data Analytics

Mitch Prevett

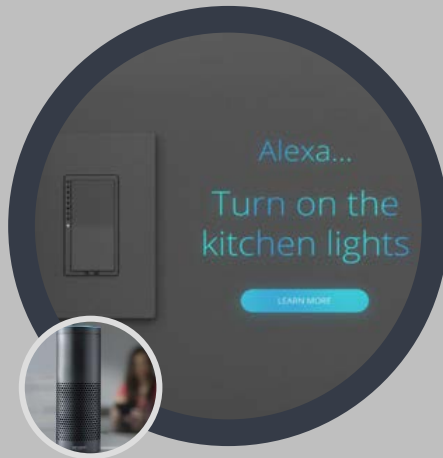
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This presentation has been prepared for the 2016 Financial Services Forum.

The Institute Council wishes it to be understood that opinions put forward herein are not necessarily those of the Institute and the Council is not responsible for those opinions.



Keep an eye on amazon.com



Amazon Echo



Amazon Dash



Ford, Amazon working
to connect cars
to smart homes





Future analytics in retail



Beacon
technology and
Omni channel



Machine Learning
with Product Images



Gait recognition



Forecasting example

Traditionally season or weather would be seen as best predictor of cold and flu tablet demand



Model 2 uses cross product factors to identify a longer cold and flu season

	Ranking	Reason
MULTI SYMPTOM	955	Medi
SORE THROAT	954	Medi
STOCKS	953	Hot food
CAN SOUP OVER 500G	952	Saup
DICED	951	Beef farsoup
DECO N GESTANTS	950	Medi

Model 1 does not have cross product factors and uses a historical cold and flu pattern



Data Analytics Working Group – What is the Institute up to?

DAWG Goals



Vision:

For actuaries
and data
analytics



Education:

Identify and fill
educational
gaps in data
analytics



Membership Engagement:

Establish a
community of
data analytics
actuaries



Employer Engagement:

Promote
actuaries in
data analytics
to employers



DAWG activities

- CPD framework
- Data analytics conferences
- MOOC's study groups
- Kaggle competition
- LinkedIn group and articles
- Employer research
- Data analytics microsite



Marketplace lending: Australian opportunity

Financial Services Forum

17 May 2016

Consumer lending is broken (but you already know that)



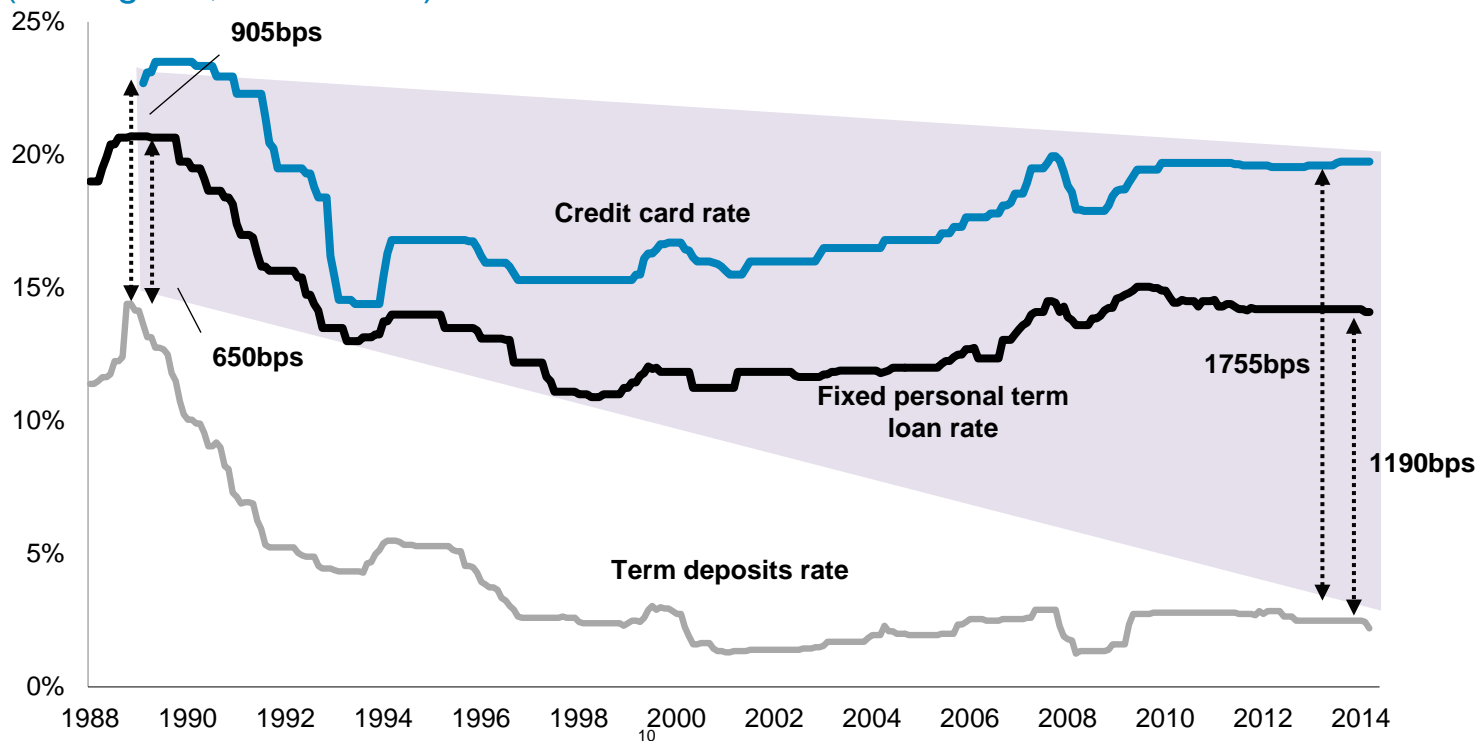
Limited choice: One size fits all approach to pricing and no price discovery

Personal loan comparisons on Mozo				Rates updated daily		
All	Secured	Unsecured	Major banks	Debt consolidation	Peer to peer lending	Refinance
PROMOTED		Westpac Personal Loan (Fixed, Unsecured) <ul style="list-style-type: none"> ✓ Borrow from \$4K to \$50K ✓ Conditional approval in minutes when you apply online ✓ Choose to repay over 1 to 7 years 	interest rate from 12.99%	comparison rate from* 14.01% based on \$30,000 over 5 years	Go to site More info +	
PROMOTED		NAB Personal Loan (Variable, Unsecured) <ul style="list-style-type: none"> ✓ Borrow from \$5,000 - \$55,000 ✓ No fees for extra or early repayments ✓ Loan terms from 1 to 7 years 	interest rate from 13.69%	comparison rate from* 14.56% based on \$30,000 over 5 years	Go to site More info +	
PROMOTED		St.George Get Set Loan (Variable, Unsecured) <ul style="list-style-type: none"> ✓ Access to your funds whenever you need ✓ Only pay interest on your outstanding balance ✓ 24 hour access to funds via Internet Banking or Phone Banking 	interest rate from 13.75%	comparison rate from* n/a	Go to site More info +	
PROMOTED		ANZ Unsecured Personal Loan (Fixed) <ul style="list-style-type: none"> ✓ Loan terms from 1 to 7 years ✓ Make extra repayments ✓ Borrow up to \$75,000 	interest rate from 13.95%	comparison rate from* 14.81% based on \$30,000 over 5 years	Go to site More info +	



Fat margins: Consumer finance interest rate spread has almost doubled over the past 25 years

Australian fixed personal term loan and credit card rate vs. term deposits rate (average %; 1990-2015)



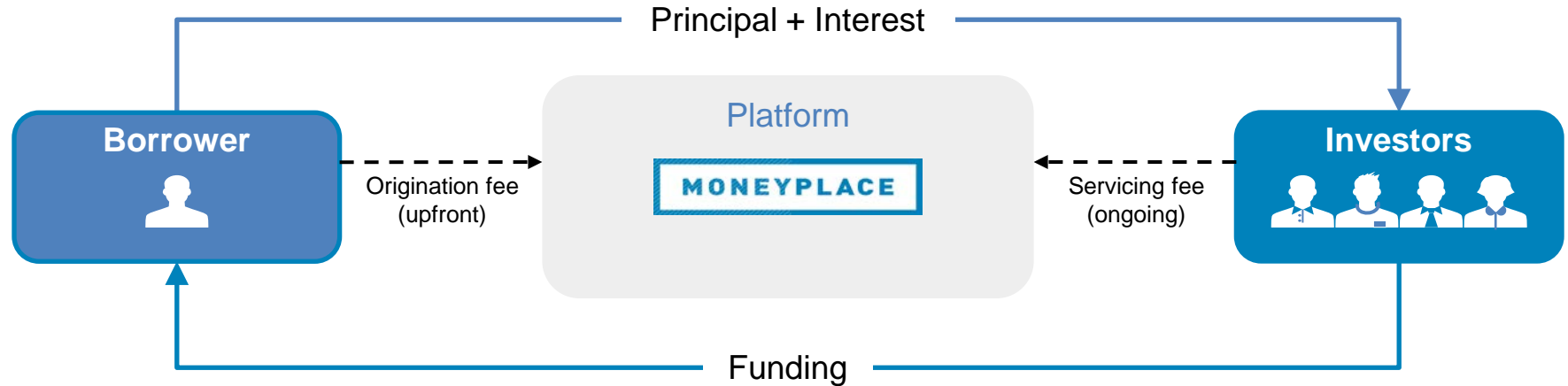
Large profit pools: Unsecured lending over-contributes to bank profits

Unsecured lending contribution to bank loans, profit and risk-adjusted profit (%)



MoneyPlace exists to make borrowing and investing easier

MoneyPlace enables investors to lend money to borrowers without a banking intermediary



•Borrower proposition:

“Easier access to credit at rates lower than your bank”

•Platform proposition:

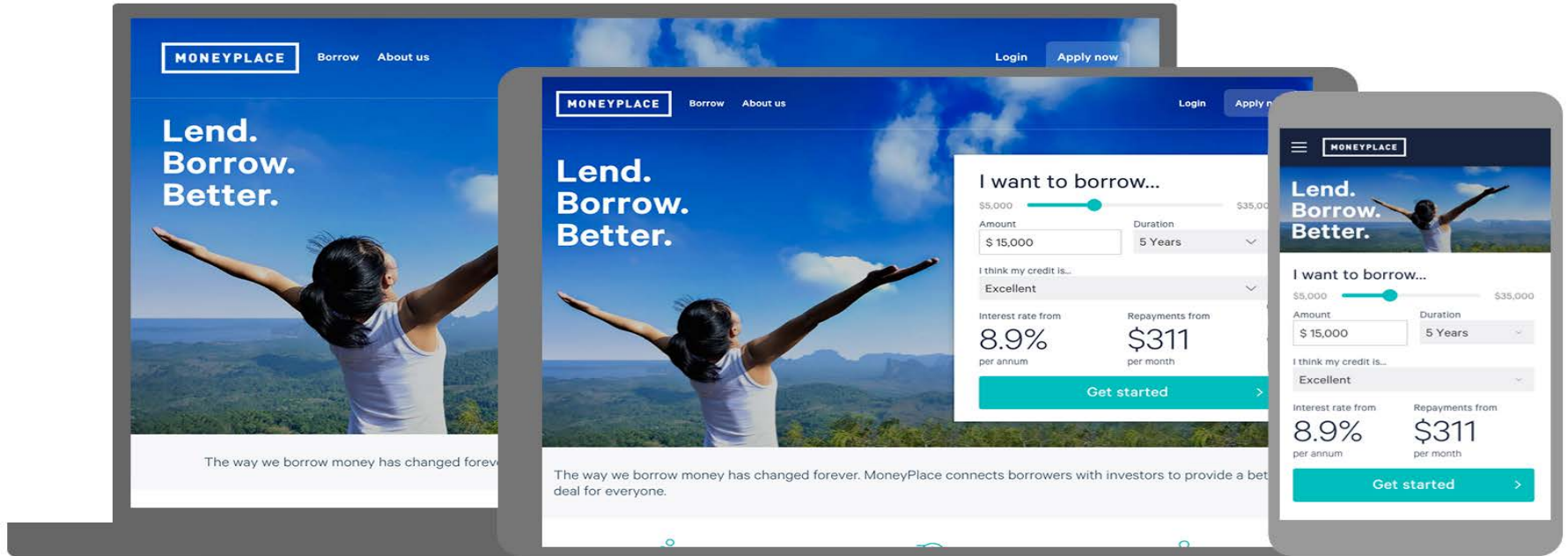
“Market maker – fee for service model with no direct credit risk; sharing cost savings with borrowers and investors”

•Investor proposition:

“Achieve higher fixed income returns from previously unavailable asset classes”



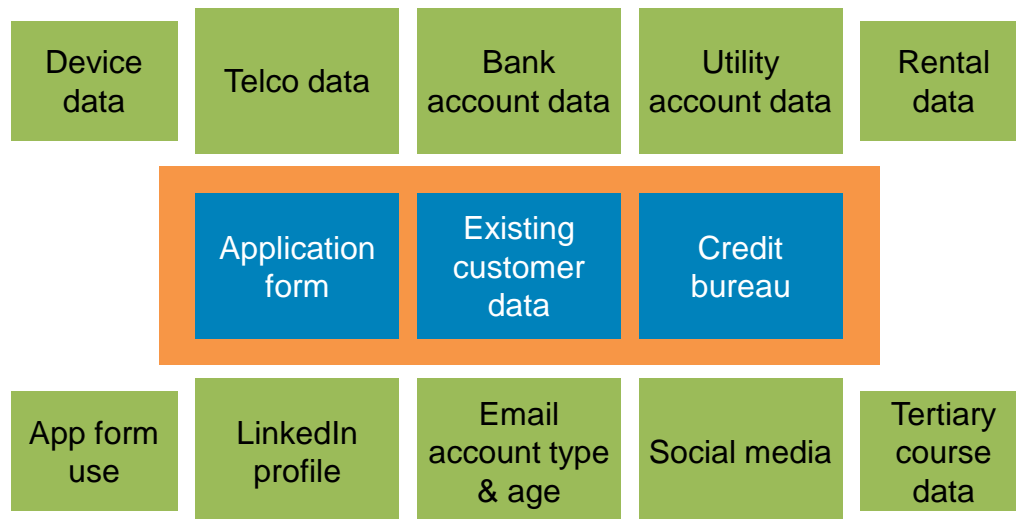
A better user experience, available across multiple devices





Access to new data sources enables risk based pricing – meaning fairer, better loan rates for borrowers

Borrower innovation: Alternative data sources can provide a rich profile of a customer and help truly understand the actual level of risk



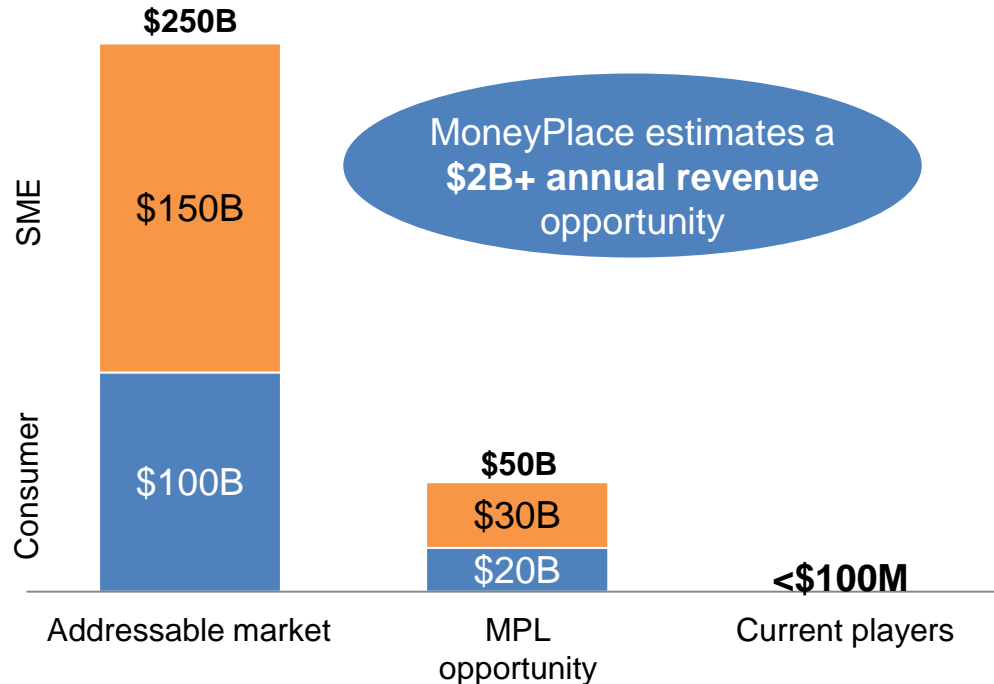
■ Traditional data sources

■ MoneyPlace data sources



Australian marketplace lending opportunity is large, with only a few incumbent players and significant room for growth

Australian marketplace lending market size (\$)



Morgan Stanley estimates that by 2020, marketplace lending will have a **\$10 billion share of the consumer lending market** in Australia

Questions?

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