



OUR JOURNEY TOWARDS AN EMBEDDED CUSTOMER LEVEL SCORE

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1. What does Customer Scoring mean for LBG and what are we trying to achieve?
2. How are we approaching this?
3. What are the challenges?
4. Where to next?

1. What does Customer Scoring mean for LBG and what are we trying to achieve?



WHAT DO WE MEAN BY 'CUSTOMER LEVEL'?

The complete view of a customer



Brands



Accounts



Current Account



Current Account



Mortgage

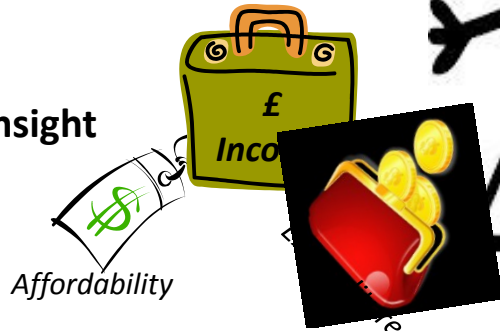


Current Account



Credit Card

Insight



Affordability



Expenditure



Expenditure

Relationship

Sole accounts

Joint Accounts

Sole accounts

Financially Linked

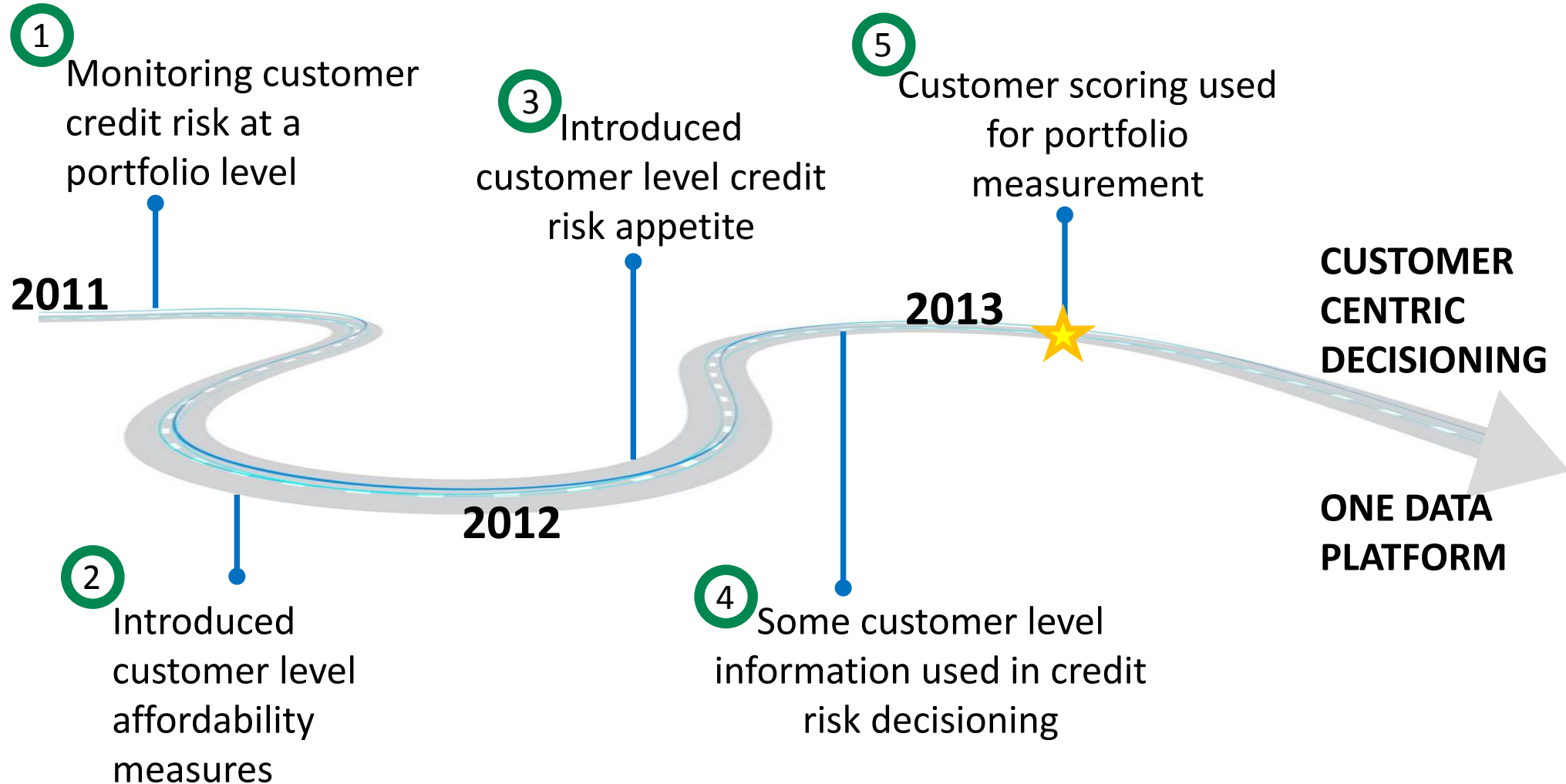
WHY CUSTOMER SCORING?



- Comparable metric
- One measure of risk for each customer
- All encompassing
- Risk ranks our whole customer base
- Simplifies our model landscape

LBG JOURNEY/VISION

Our route towards true customer level credit risk management



WHY NOT JUST USE EXTERNAL DATA?



- Opportunity to leverage the wealth of LBG data
- Internal score is more reactive
- Specific to our bank and our customers
- Transparent
- In our control



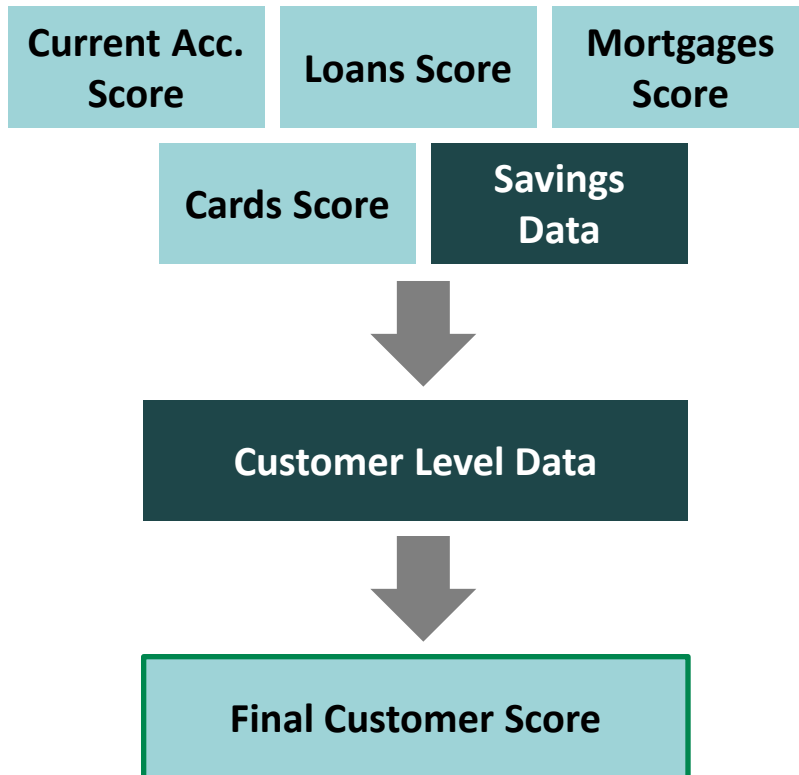
2. How are we approaching this?



WHAT IS THE BEST METHOD FOR DEVELOPING A CUSTOMER SCORE?



Using our current models



Starting from scratch

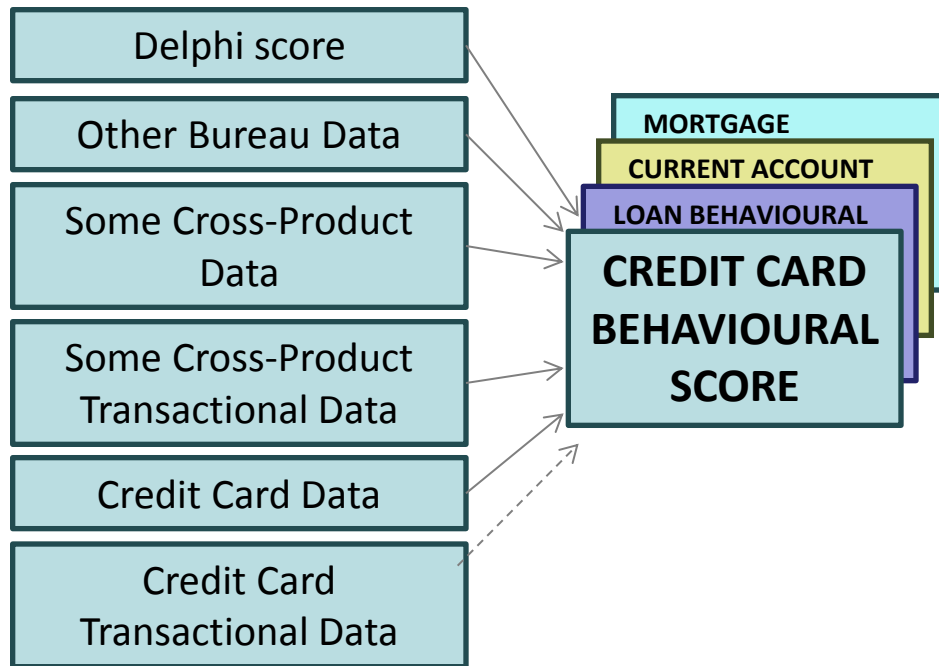


Aim: To identify the most appropriate way to combine all product information into a single customer score.

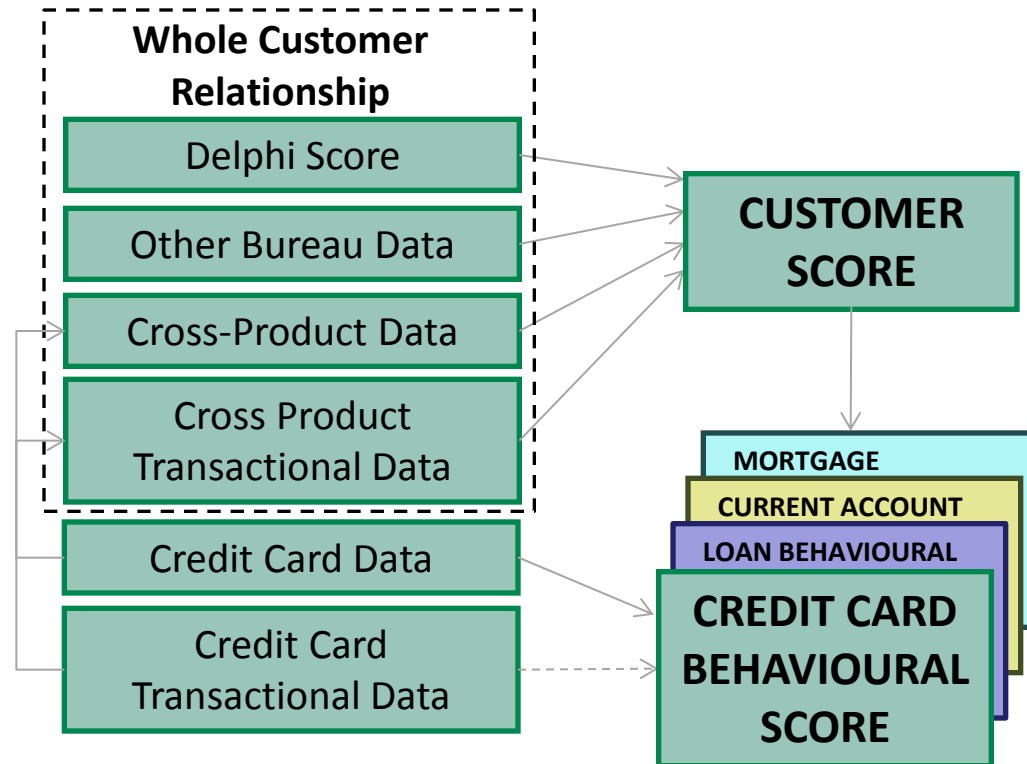
OUR ENVISAGED APPROACH



CURRENT APPROACH



ENVISAGED APPROACH



Aim: The Customer Score would be an input to product specific models.

3. What are the challenges?



WHAT ARE THE DATA AND SAMPLING CHALLENGES?



Data

- Creating a single view of a customer
- Capability for processing 'big' data
e.g. Transactional data
- Complexity associated with working across many product and brand focussed platforms
- Rationalising available data into a manageable number of candidate modelling variables

Sampling

- A representative sample of 30m customers is required
- Opposing, competing priorities for sampling methods:
 - *Performance based segmentation*
 - *Simplified model landscape*
 - *Operational segmentation*

DEVELOPING AN APPROPRIATE BAD DEFINITION



Considerations

- Do we consider a customer in arrears or in financial difficulty to be bad?
- The balance between high volumes of bad customers (revolving products) vs. high balances of bad products (secured products)
- Having more products often makes a customer appear more likely to go bad

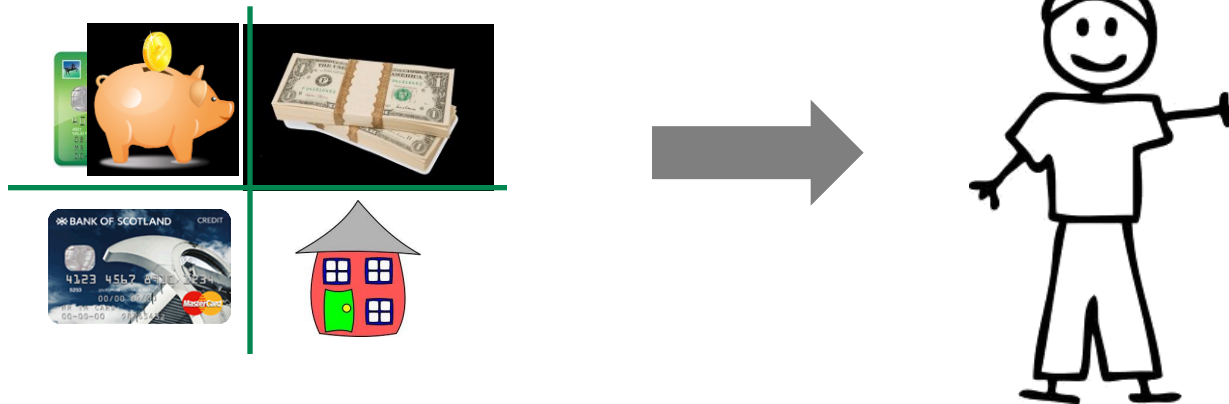
Potential Approaches

- Align with Basel bad definitions
- Align with external bureau scores bad definitions
- Identify delinquency levels across products that correspond to similar roll/cure rates
- Identify delinquency levels across products that represent similar severities of risk

GETTING STAKEHOLDER BUY IN



- Moving from product focused to customer focused: Big cultural shift



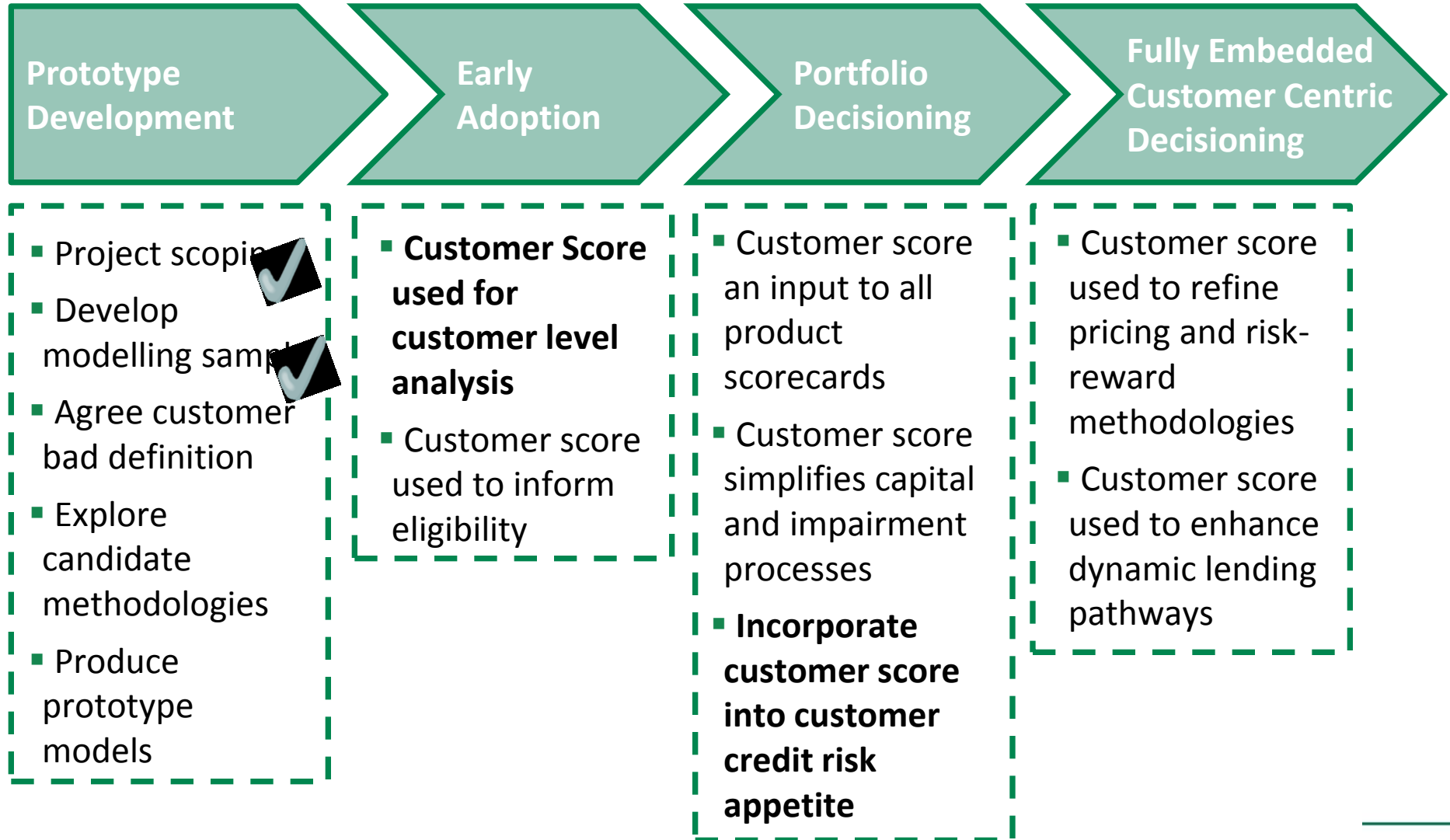
- We manage the business based on product P&L



4. Where to next?



WHERE TO NEXT?





Any Questions?

For any further questions please get in contact via email.

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