

Banking credit scoring

Shakhov Stanislav

Banking credit scoring

It is proposed to improve the existing banking scoring systems by changing the approach to calculating the risk for the client.

Goal

To improve the current risk calculation process, which takes into account only the probability of the customer's default during the specified period.

Alternative

Modelling the customer's credit behavior throughout the entire term and, based on this, predict the risk.

Chose reasoning

- 1) the new solution implies forecasting some events that may occur: the probability of a customer's default and recover, the share of depreciation of his loan,
- 2) the risk forecast will take into account a larger number of input parameters.

Banking credit scoring

The dependence of margin on overdue debt and duration

- 1) Margin - the share of the bank's income from the loan amount
- 2) Debt - normalized overdue loan amount
- 3) Duration - The normalized cumulative amount of a healthy customer balance by year

