|  | Actual No CO | Actual CO |
| --- | --- | --- |
| Predicted No CO | 85 (221) | 4 (11) |
| Predicted CO | 5 (14) | 6 (5) |
|  | Start-up, expand, capture market share of NTC customer: Prioritize Precision -> increase prob threshold | Big corp, we have enough market share, our credit line is high, so if someone charges-off, then we lose a lot. So we have to priority Recall here -> decrease prob threshold |

**True Positives (TP)** = 6 → correctly identified charge-offs

**False Negatives (FN)** = 4 → charge-offs you missed

**False Positives (FP)** = 5 → falsely labeled good customers as bad

**True Negatives (TN)** = 85 → correctly identified good customers

Accuracy: Overall Correct Prediction : (6+85)/100 = 91% 221+5 / 251

Recall: Of all actual charge-offs, how many did we catch: 6 / (6+4) = 60% ( 5/(5+11)

Precision = of predicted charge-offs, how many were right: 6 / (6+5) = 55% (5/5+14)

F1-score: 2\*(Precision\*Recall) / (Precision+Recall) = 2 \* (0.6\*0.55) / (0.6+0.55)= 57%

Model based all feature attributes

A: 60% that will charge-off

B: 35% that will charge-off

C: 45% that will charge-off

D: 49% that will charge-off

Default 50%: Flag A as Predicted CO

30%: Flag A,B,C,D as Predicted CO:

Model based all feature attributes : for every application that has PD higher than 50% then assigned them as predicted CO

A: 1

B: 0

C: 0

D: 0

Model based all feature attributes : for every application that has PD higher than 30% then assigned them as predicted CO

A: 1

B: 1

C: 1

D: 1