

Data Analytics Project on Bank Marketing Data Set

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Introduction

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Motivation

A retail bank has a customer call centre as one of its units, through which the bank communicates with potential new clients and offers term deposits. Term deposits are defined as a fixed-term investment that includes the deposit of money into an account at a financial institution.

Such an instrument would generate revenue for the bank, hence the bank records the outcomes of these phone calls along side other data related to the person being called, the economic indicators and certain parameters of the previous contact with the given person. The motivation behind the project is clear, by analysing previous phone calls the bank would like to improve its telemarketing results in two dimensions:

1. The efficiency dimension, or in other words how to reduce the number of phone calls the bank is performing and therefore reduce the costs associated with telemarketing;
2. The effectiveness dimension, or in other words how to potentially improve the result and get more clients or at least the same number to deposit their money with our bank.

We also need to understand the economic and historic context behind the data set. In 2008, the world was plunged in the deepest economic recession since the 1930s. After the bankruptcy of The Lehman Brothers, the financial market was shaken to its core and governments as central banks started unprecedented levels of quantitative easing to save jobs and revitalize the economy. As can be seen on the chart below this caused a huge spike in the famous TED spread, one of the leading indicators for credit risk, since it represents the difference between a riskless investment (T-Bill) and the risk banks transfer when loaning to each other. The wider the spread, the more default risk is priced into the borrowing market. It is trivial to conclude that such an increase in risk will have a major impact not only on the telemarketing campaign but also the representability and timelessness of the data gathered through it.

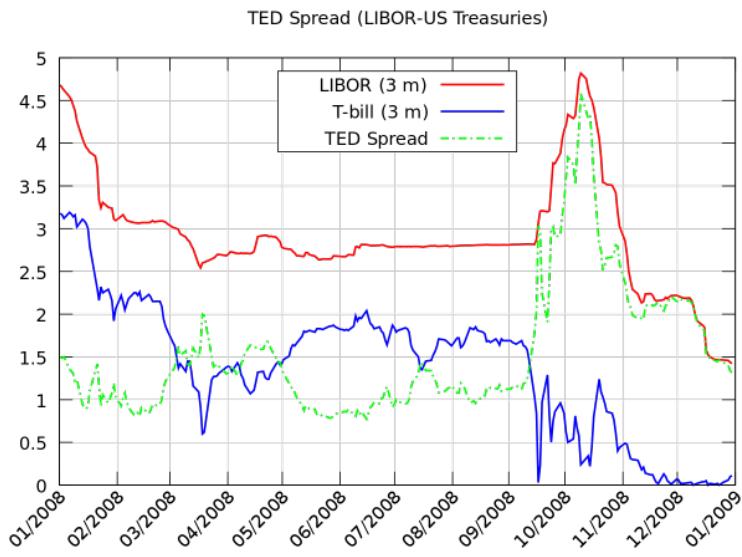
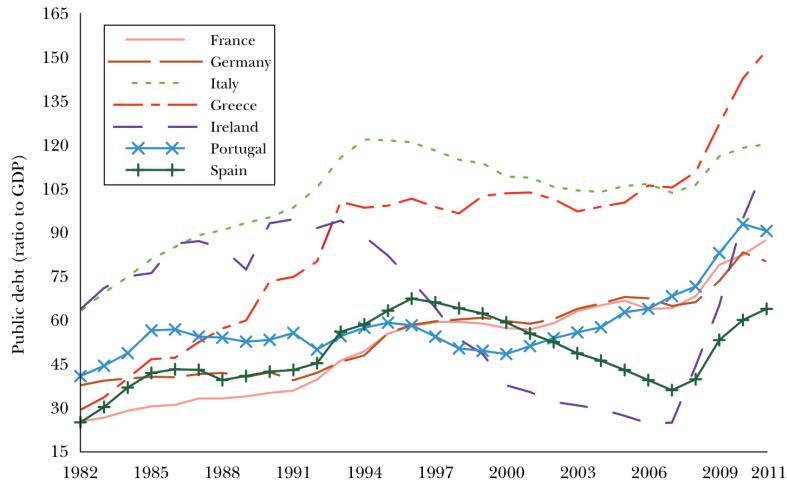


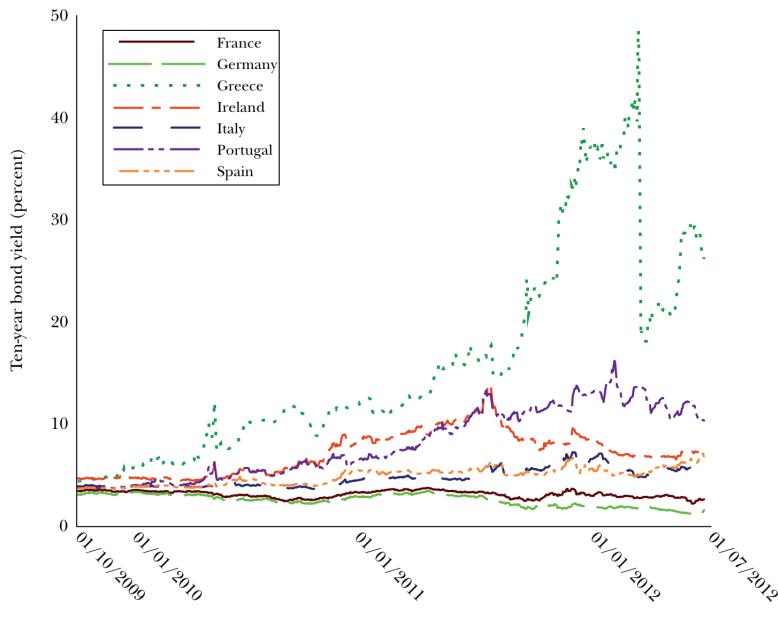
Figure 1: TED spread, 2008-2009

Given that the data set is based on a Portuguese bank, it is also worth mentioning that Portugal and other European countries were facing a fiscal debt crisis. Lane (2012) discussed this issue and showed that Portugal started increasing its debt level after the 2008 financial crisis and had to increase its bond yield in 2010, which implied that its government was facing high debt default risk, as shown by figures 2 and 3.



Source: Data from IMF Public Debt Database.

Figure 2: The evolution of public debt, 1982–2011



Source: Author's calculations based on data from Datastream.

Figure 3: Yields on 10-year sovereign bonds, 2009–2012

Can we develop a data-driven approach to help the bank increase its success rate of telemarketing while incorporating the economic context? Several other questions can be raised at this point:

1. How did the economic crisis affect consumer behaviour and how did it manifest itself in the data?
2. How does one's education, marital status, job, etc. affect their economic choices?
3. Do people prefer being called on the mobile phone or landline?
4. Does a predictive model exist that can predict a telemarketing outcome using client and economic data?

Data Set Description

The bank marketing data set was collected by Moro, Cortez, and Rita (2014) and ordered by date ranging from May 2008 to November 2010. The data was ordered by date even though its year has to be inferred manually. The 20 input features were categorized and described as follows:

A. Bank client data:

age: age
job: type of job
marital: marital status
education: education level
default: has credit in default?
housing: has housing loan?
loan: has personal loan?

B. Related with the last contact of the current campaign:

contact: contact communication type
month: last contact month of year

`day_of_week`: last contact day of the week

`duration`: last contact duration, in seconds

C. Other attributes:

`campaign`: number of contacts performed during this campaign and for this client

`pdays`: number of days that passed by after the client was last contacted from a previous campaign

`previous`: number of contacts performed before this campaign and for this client

`poutcome`: outcome of the previous marketing campaign

D. Social and economic context attributes:

`emp.var.rate`: employment variation rate, quarterly indicator

`cons.price.idx`: consumer price index, monthly indicator

`cons.conf.idx`: consumer confidence index, monthly indicator

`euribor3m`: euribor 3 month rate, daily indicator

`nr.employed`: number of employees, quarterly indicator

Output variable:

`y`: has the client subscribed a term deposit?

It is important to note that `duration` attribute highly affects the output target. Yet, the duration is not known before a call is performed. Also, after the end of the call `y` is known. Thus, this input should only be included for benchmark purposes and should be discarded.

Exploratory Data Analysis

FAN JIA

Exploratory Data Analysis is a process of exploring the data set with no assumptions or hypotheses made, using non-graphical and graphical, univariate and multivariate methods. The objective is to gain intuitive insights, discover distribution characteristics and find out missing values in the data set.

Target Variable

The first thing we investigate is the target variable y , which is a binary variable measuring the campaign outcome, representing whether a client has subscribed to a long-term deposit or not during our campaign.

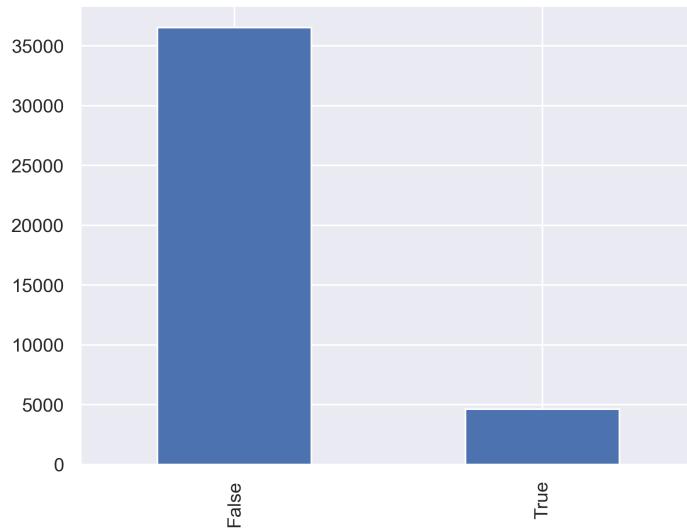


Figure 4: Distribution of camaingn outcome

There are more than 40,000 observations in our data set, and only 11.3% of them have positive outcomes, which means that we have a significantly unbalanced data set. Since our data was collected during the 2008 financial crisis, we pay particular attention to this time factor and visualize the positive Y values across that specific time frame.

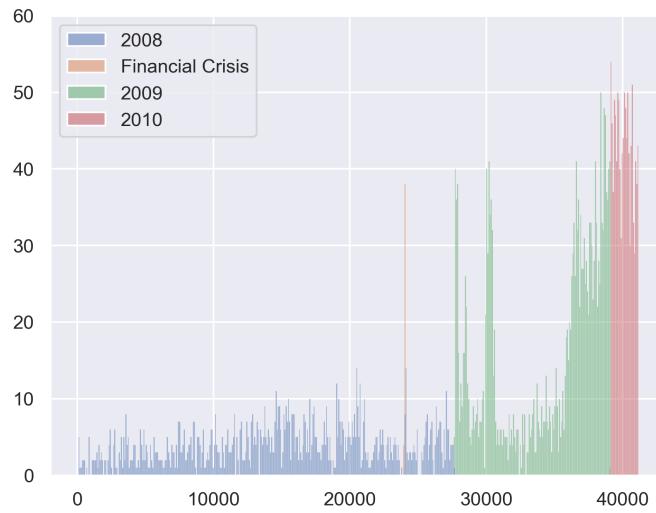


Figure 5: Uneven distribution of positive outcome during the financial crisis

In the graph above, the thin orange line indicates the outbreak of the financial crisis. We can see a massive surge in positive campaign outcomes afterwards, meaning people were actively taking advantage of certain economic factors, such as lower interest rates. We can also see a steady growth of the positive outcome rate since July 2009 from the graph below.

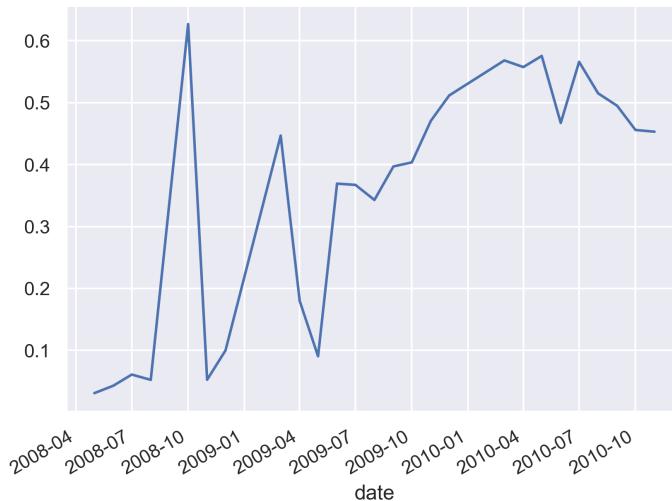


Figure 6: Positive outcome rates by month

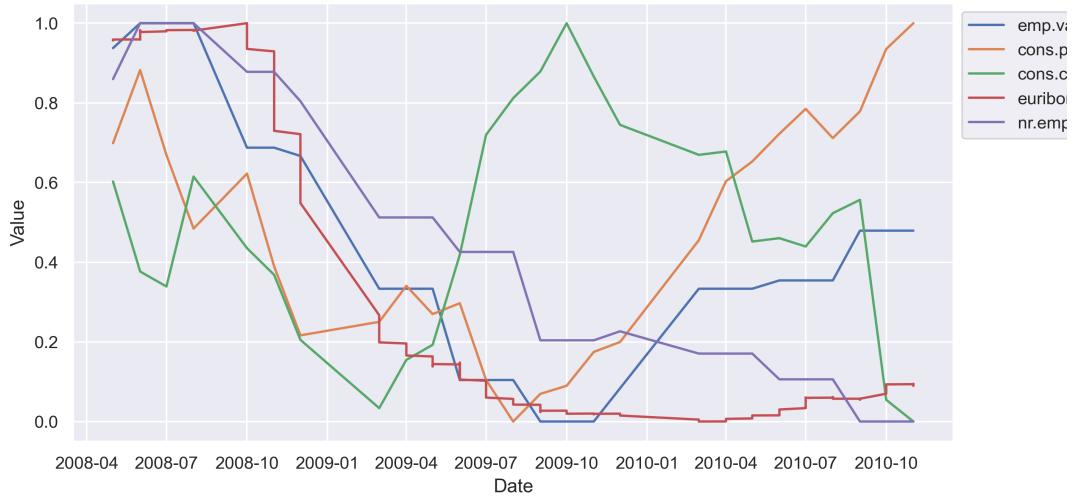


Figure 7: Five economic indicators

Highly relevant to the crisis are the five economic indicators in our data set, displayed as above, which show significant predicting power in almost all of our models. In 2008, all of them went down first, but the consumer confidence index (green line) was the leading recovery factor, followed by the consumer price index (orange line). The recovery of the positive outcome rate of our campaign started at the same time. Furthermore, the drop of interest rates captured by the Euribor 3-month rate (red line) significantly correlated with the campaign success.

Missing Values

We use the `info()` function to get an overview of our data and find out many missing values, especially for features like `pdays` and `poutcome`, in which 90% of the rows have missing values, as shown in the bar chart below. These missing values require a lot of special attention during the feature engineering process.

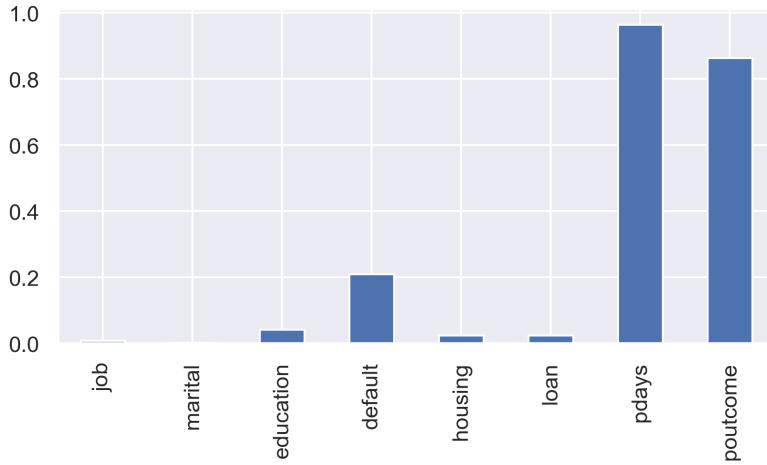


Figure 8: Percentage of missing values

Feature Explorations

age

For client profile features, first, we plot the distribution of age relative to Y, as shown below. 30-50-year-old people are the majority in our data set. People in their 30s and people older than 60 are more likely to give positive responses to the deposit. There are not many outrageous outliers, therefore we keep all data for age.

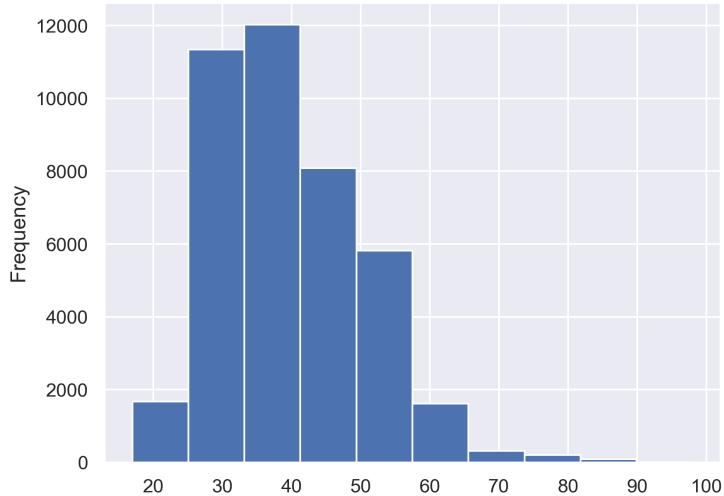


Figure 9: Age distribution histogram

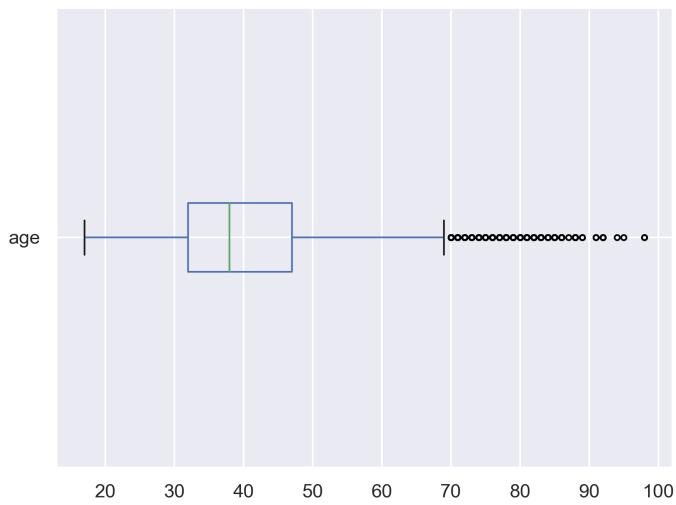


Figure 10: Age distribution box-plot

job

This next graph shows the outcome percentage in each job group, with the orange color denoting positive outcomes. On the right is the instance count distribution of each group. There is a large percentage of technicians, blue-collar workers and admins. However, it is students and retired people that are most likely to say “yes” to the long-term deposit.

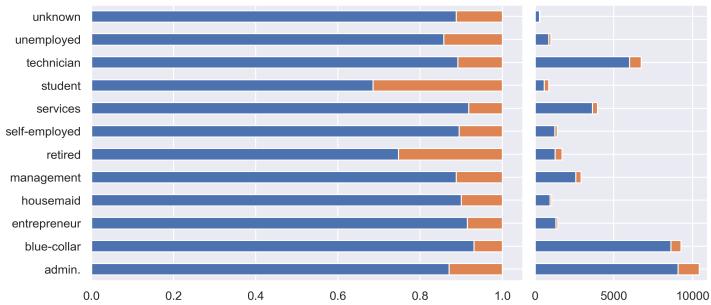


Figure 11: Outcome percentage and distribution by **job**

education

In terms of education, although most people in our data set have above-high-school education, the groups that are most likely to respond positively are the least and the most educated.

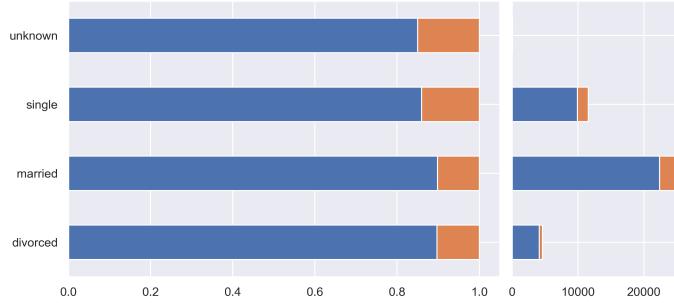


Figure 12: Outcome percentage and distribution by **education**

default

default is a peculiar feature that captures whether people previously had defaulted on credit, and it is a highly sensitive piece of information. As presented in the figure below, the majority of clients declare no default record, however, 8600 instances are “unknown.” Given the private nature of this feature, we believe there are hidden stories open for interpretations behind the “unknown” values and they might influence people’s financial decisions. Therefore, we decide to treat the unknown values as an individual category and let it speak for itself.

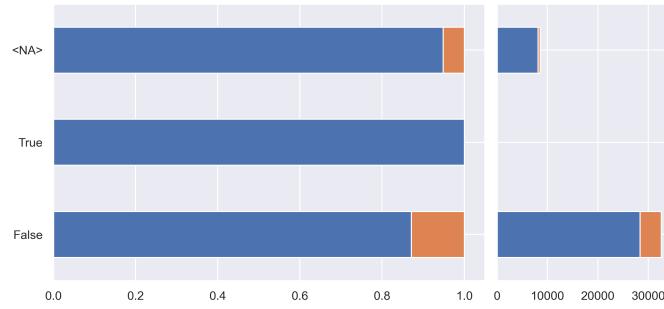


Figure 13: Outcome percentage and distribution by `default`

contact

For features capturing characteristics of current campaign, contact is an essential binary feature that represents the tool used to contact clients. And we see a robust positive outcome rate for cellular usage.

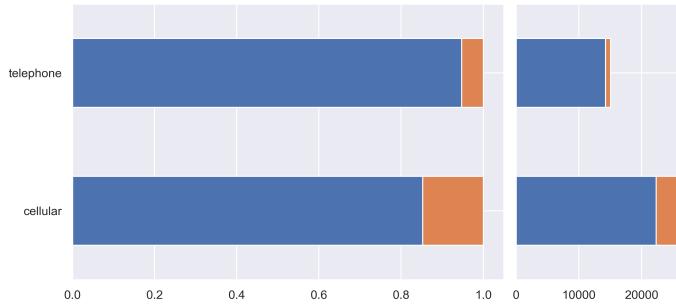


Figure 14: Outcome percentage and distribution by `contact`

month

With regard to the months in which the last contact was made, the distribution concentrates in summer, however, these months have the lowest positive outcome rates. In months with fewer contacts, there seem to be higher success rates of securing a long-term deposit with the clients.

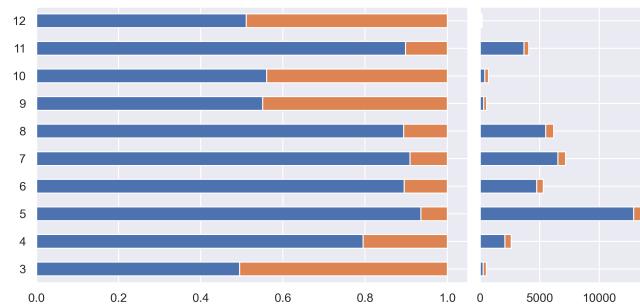


Figure 15: Outcome percentage and distribution by month

pdays

Next is the most challenging feature, `pdays`, which represents the number of days passed since the last contact with a client. It has almost 40,000 missing values. As demonstrated in the graph below, the “NA” category on the top dominates the entire distribution. Simultaneously, the other 1500 rows that do have values seem to show positive relationships with the outcome. We spent a significant amount of time and effort to deal with this feature, and this process will be discussed in the feature engineering section.

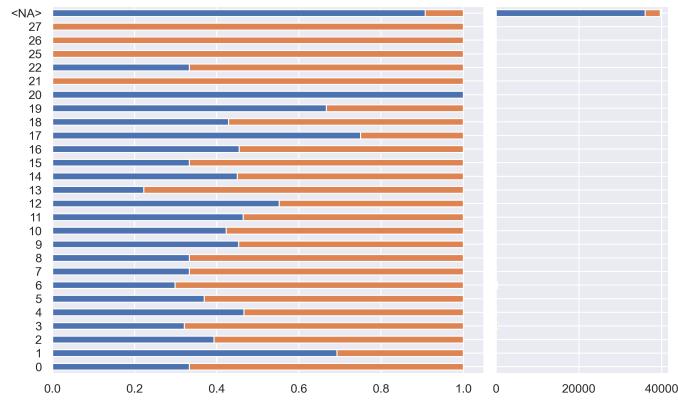


Figure 16: Outcome percentage and distribution by `pdays`

previous

The previous feature is also very challenging, which measures the number of contacts performed to a client before this campaign. It has 36,000 missing values, and for those observations with actual values, their relationships with the outcome are seemingly positive.

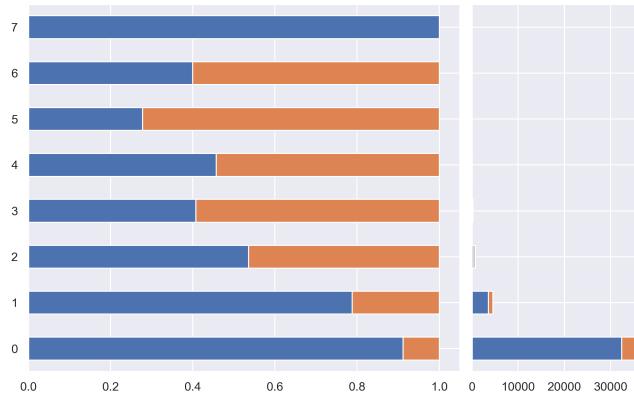


Figure 17: Outcome percentage and distribution by `previous`

poutcome

This is the feature that reports the outcomes of the previous campaign. Over 35,000 observations have missing values, as presented below. However, when combining this featuring with `pdays` and `previous`, there seem to be some contradictions.

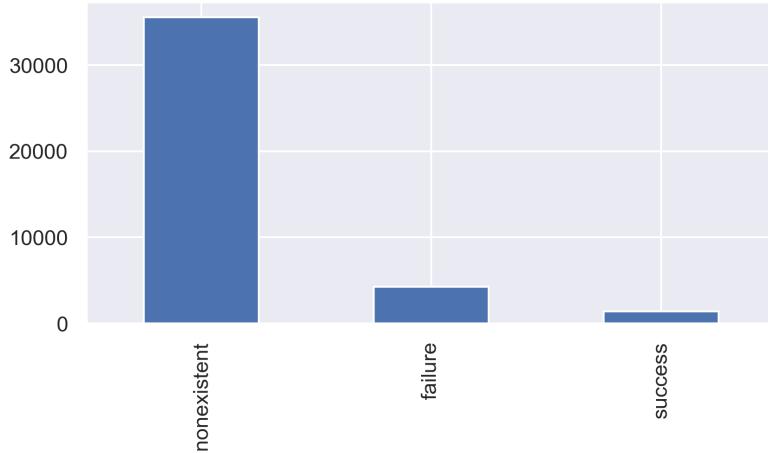


Figure 18: `poutcome` distribution

Missing values in `pdays` mean that the clients were not previously contacted and therefore should not have values in `poutcome`. But `poutcome` has fewer missing values than `pdays` does, as seen in the second graph below. We print out the 4110 rows where clients have not been contacted but have `poutcome` values and see how many times they have been contacted before. The results suggest that maybe these clients have been actually contacted, but it was more than 30 days ago, thus the contact date was not recorded.

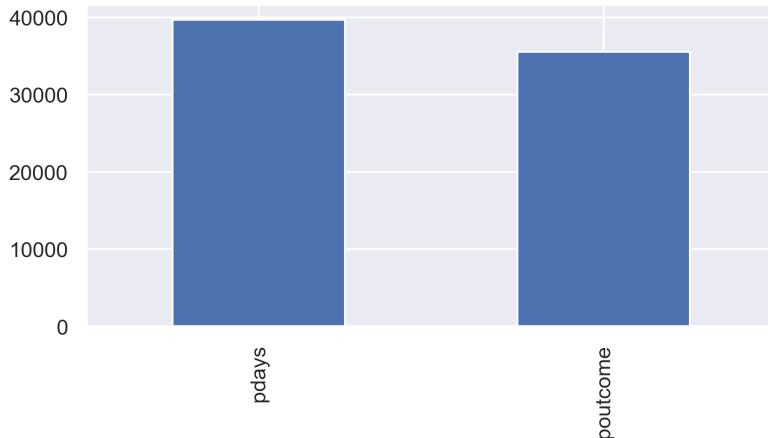


Figure 19: `pdays` and `poutcome`

Multivariate Explorations

Client Data

Furthermore, we explore some multivariate distributions of the positive outcome. First, we found both married and divorced retired people respond positively to our campaign, and single and divorced students are even more enthusiastic. It is also quite interesting that students, retired and illiterate people are more likely to say “yes” to our long-term deposit. Additionally, divorced illiterate people respond to our campaign extremely well.



Figure 20: Positive outcome percentage by `job` and `marital`

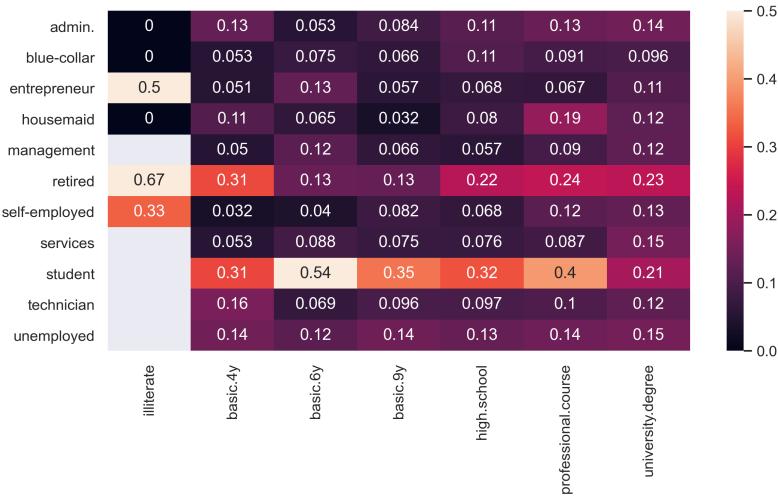


Figure 21: Positive outcome percentage by `job` and `education`

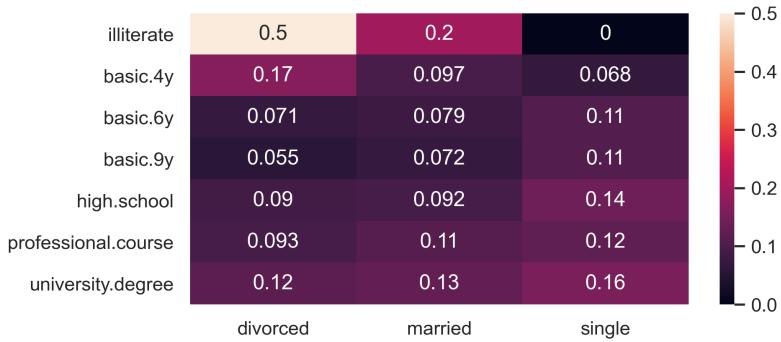


Figure 22: Positive outcome percentage by `education` and `marital`

Key Numerical Features

We also made a scatterplot across important quantitative features with the outcome variable denoted by two colors.

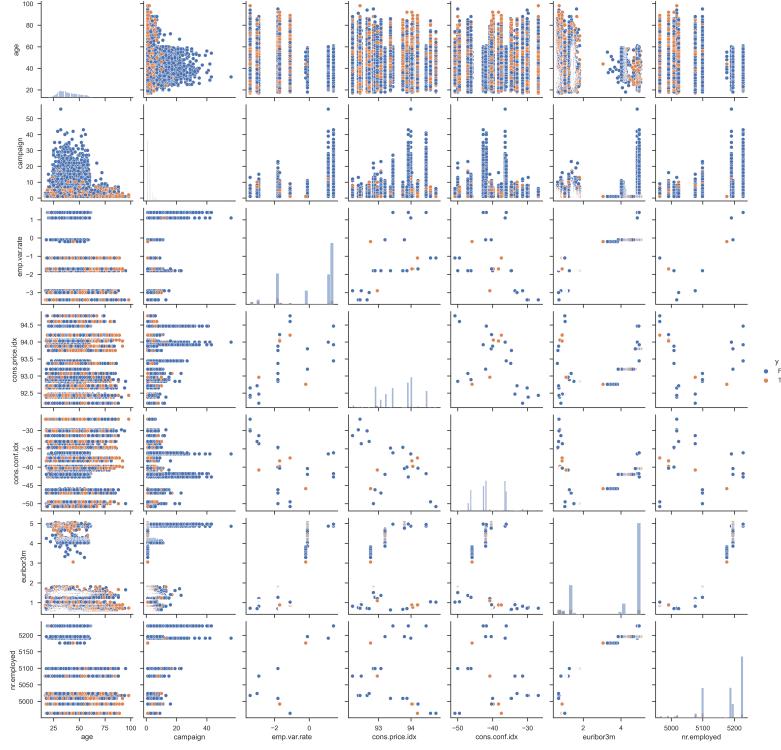


Figure 23: Scatterplots of key numerical features

Correlation Heatmap

With correlation heatmap, we get a better look at the correlations among features. Four out of five economic indicators have strong correlations with each other. We were worried about collinearity and tried many ways to deal with these features, such as deletion or transformation, but all efforts led to relatively poor model results. Then we realized that they are probably very important features in our data set, so we kept them for the moment. In addition, some features show great correlations with the outcome, such as `previous` and `poutcome`. We tried to use PCA on the entire data set to avoid collinearity, but again, all efforts led to poor model results. Therefore, we decided to keep all features and make changes if needed for specific models.

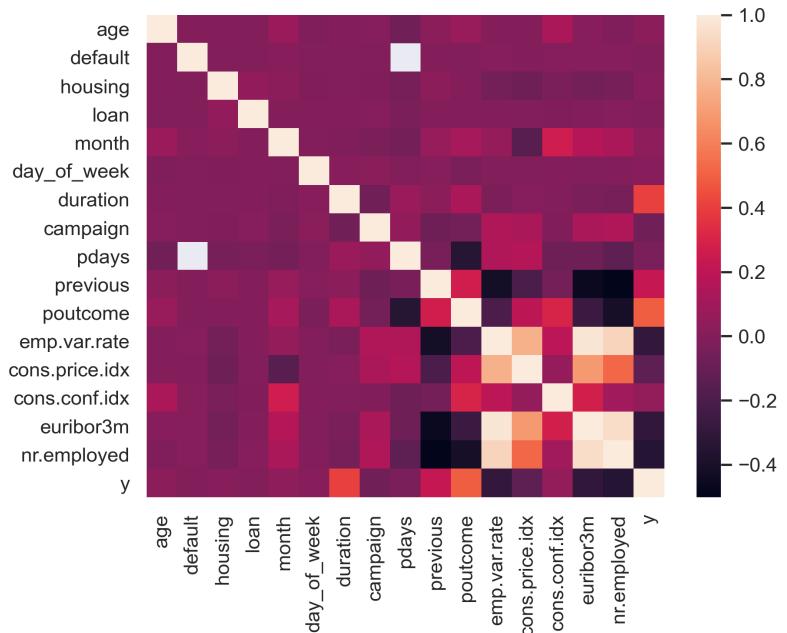


Figure 24: Correlation heatmap

Data Preparation and Pipelines

JIAWEI LI

After inspecting and exploring the data set, this chapter focuses on data preparation and pipelines which build the foundation for the following chapters. Data preparation or data transformation is a process that transforms the data into proper types, shapes and sets. For example, categorical data are usually stored as strings in the original data set and can not be fitted in `scikit-learn` models. To solve this issue, We need to utilise `pandas` or `scikit-learn` to transform such data into integers. It should be noted that simply transforming data in a `jupyter` notebook is not a best practice because such code is not reusable and readable. In our analytical practice, we wrap the data preparation procedures into documented and modular `python` functions and `scikit-learn` pipelines. Such practice ensures that all collaborators can build and evaluate models from the same ground. The high-level overview of the data preparation and pipeline is shown in the flow chart. The code implementation will be provided in the appendix section.

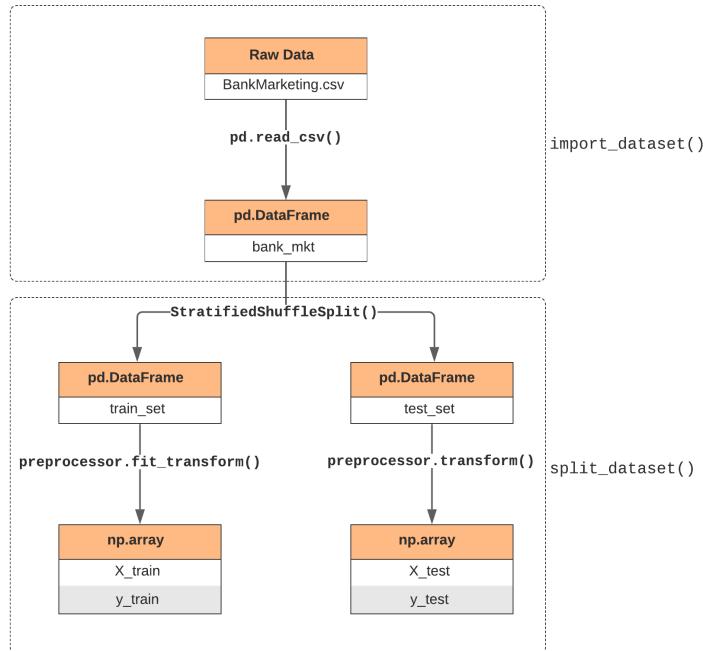


Figure 25: Data life cycle

Import Data

First, the `BankMarketing.csv` file is imported using `read_csv()` from `pandas` and duplicated rows, missing values, categorical and boolean data are properly processed. The import process is abstracted into the function `import_data_set()`. A sample code is shown below:

```
import pandas as pd

# Import data from csv file
bank_mkt = pd.read_csv(
    "../data/BankMarketing.csv",
    na_values=["unknown", "nonexistent"],
    true_values=["yes", "success"],
    false_values=["no", "failure"],
)
# Treat pdays = 999 as missing values
bank_mkt["pdays"] = bank_mkt["pdays"].replace(999, pd.NA)
# Drop 12 duplicated rows
bank_mkt = bank_mkt.drop_duplicates().reset_index(drop=True)
# Convert types
bank_mkt = bank_mkt.astype(
    dtype={
        "job": "category",
        "marital": "category",
        "education": "category",
        "y": "boolean",
    }
)
```

Partition Data

After importing the data, we need to split the data set into the train set and test set. `scikit-learn` models will then be trained and tuned on the train set. We only use the test set for final validation purposes. However, simply sampling the data set may lead to unrepresentative partition given that our data set is imbalanced and clients have different features. To solve this problem, `scikit-learn` provides a useful function `StratifiedShuffleSplit()` to select representative data into the test set and train set, which is shown below as a sample code:

```
from sklearn.model_selection import StratifiedShuffleSplit

train_test_split = StratifiedShuffleSplit(n_splits=1, test_size=0.2)
for train_index, test_index in train_test_split.split(
    bank_mkt.drop("y", axis=1), bank_mkt["y"]
):
    train_set = bank_mkt.iloc[train_index]
    test_set = bank_mkt.iloc[test_index]

X_train = train_set.drop(["duration", "y"], axis=1)
y_train = train_set["y"].astype("int").to_numpy()
X_test = test_set.drop(["duration", "y"], axis=1)
y_test = test_set["y"].astype("int").to_numpy()
```

Build Custom Preprocess Pipeline

After data partition, the train set and test set should be preprocessed into suitable data type and shape for machine learning models. The train set and test set should also be preprocessed separately to avoid leaking test sample information into the train set. If we scale data using both

the train set and test set, the scaling will ultimately be impacted by some test samples, which is not desired. To avoid the leakage, `scikit-learn` provides pipeline functionality that allows different treatments on train set and test set using `fit_transform()` and `transform()` as demonstrated in the code below:

```
# preprocessor is a custom pipeline for preprocessing data
X_train = preprocessor.fit_transform(X_train, y_train)
X_test = preprocessor.transform(X_test)
```

Note that `preprocessor` is a custom preprocessing pipeline that we wrote for this specific project and can be named differently. The simplest preprocessor is a function that does some transformations in `pandas` as the following code:

```
from sklearn.preprocessing import FunctionTransformer
```

```
def encode_fn(X):
    """Encode categorical and boolean features into numeric values."""
    X = X.copy()
    X = X.apply(lambda x: x.cat.codes
                if pd.api.types.is_categorical_dtype(x)
                else (x.astype("Int64") if pd.api.types.is_bool_dtype(x) else x))
    X = X.astype("float")
    return X

encode_preprocessor = FunctionTransformer(encode_fn)
X_train = encode_preprocessor.fit_transform(X_train, y_train)
X_test = encode_preprocessor.transform(X_test)
```

Preprocessing pipeline can be extended according to our needs. For example, we might need one-hot to encode categorical features and standardize numerical features after transforming categorical and boolean features into numeric values.

```
from sklearn.preprocessing import StandardScaler
from sklearn.preprocessing import OneHotEncoder
from sklearn.compose import ColumnTransformer
from sklearn.pipeline import make_pipeline
cat_features = ["job",
                 "marital",
                 "education",
                 "default",
                 "housing",
                 "loan",
                 "poutcome"]
num_features = ["age",
                 "campaign",
                 "pdays",
                 "previous",
                 "emp.var.rate",
                 "cons.price.idx",
                 "cons.conf.idx",
                 "euribor3m",
                 "nr.employed"]

hot_scaler = ColumnTransformer([
    ("one_hot_encoder", OneHotEncoder(drop="first"), cat_features),
    ("scaler", StandardScaler(), num_features)
], remainder="passthrough")
```

```
hot_preprocessor = make_pipeline(FunctionTransformer(encode_fn), hot_scaler)
X_train = hot_preprocessor.fit_transform(X_train, y_train)
X_test = hot_preprocessor.transform(X_test)
```

Data Pipelines in Practice

In our project, the data partition and preprocessing is combined by the function `split_data set()` which accepts `preprocessor` as a parameter. Its functionality is further extended by the benchmarking function `benchmark()` which accepts `data`, `preprocessor`, `clf` as parameters and output model performance on train, validation and test set. With these functions, an ideal workflow will be:

1. Import data using `import_data set();`
2. Build a preprocessing pipeline `preprocessor`;
3. Build an estimator `clf`;
4. Tune the estimator by optimising model's performance on the train and validation set using `benchmark(data, preprocessor, clf)` or `scikit-learn`'s grid search functions;
5. Output the model's final performance on the test set using `benchmark(data, preprocessor, clf)`.

Such a workflow will be extensively reflected in the following chapters.

Feature Engineering

JIAWEI LI

Feature Engineering is a practice of using domain knowledge to incorporate more features and improve machine learning models. Given that the data set has relatively few features and rows, dimensionality reduction will not be applied. We instead focus on improving feature quality and generating new features, such as incorporating dates. As a result, our feature engineering approach includes missing value imputation, feature generation, feature transformations and adjusting sample weights.

Incorporate Dates

The most important feature in the data set is the date of telemarketing which gives us the economic context. However, the data set only includes `month` and `day_of_week` while `year` is missing. With the help of the data set description, we find that the data set is ordered by date and the telemarketing was conducted from May 2008 to November 2010. Even without this description, we can still reverse engineer the year information using the economic index, such as `CPI`. By manually inspecting `month`, we can infer each row's `year`.

```
bank_mkt = import_data set("../data/BankMarketing.csv")
bank_mkt.loc[bank_mkt.index < 27682, "year"] = 2008
bank_mkt.loc[(27682 <= bank_mkt.index) & (bank_mkt.index < 39118), "year"] = 2009
bank_mkt.loc[39118 <= bank_mkt.index, "year"] = 2010
bank_mkt["year"] = bank_mkt["year"].astype("int")
```

With `year` and `month`, we can approximate each marketing call's date as the start of the month.

```
bank_mkt["date"] = pd.to_datetime(bank_mkt[["month", "year"]].assign(day=1))
```

Simply feeding `date` into the models neither incorporates much information nor improve the model performance. Setting focal points instead is a much better way to treat date information. As discussed in chapter 2, there is a surge in success rate after the financial crisis. Therefore, we use the date when Lehman Brothers filed bankruptcy as the focal point and create a new feature `days` which is the days before or after Lehman Brothers bankruptcy.

```
bank_mkt["lehman"] = pd.to_datetime("2008-09-15")
bank_mkt["days"] = bank_mkt["date"] - bank_mkt["lehman"]
bank_mkt["days"] = bank_mkt["days"].dt.days
```

Impute Missing Values

There are several strategies to handle missing values. The simplest way is to impute missing value as a different category, such as `-1`, depends on the context. For categorical data, `-1` is used. For `pdays`, both `999` and `-999` are used. Clients who have been contacted but do not have `pdays` record should be encoded as `999`, while clients who have not been contacted should be encoded as `-999`.

```

# Clients who have been contacted but do not have pdays record should be encoded as 999
bank_mkt.loc[bank_mkt["pdays"].isna() & bank_mkt["poutcome"].notna(), "pdays"] = 999
# Clients who have not been contacted should be encoded as -999
bank_mkt["pdays"] = bank_mkt["pdays"].fillna(-999)
# Fill other missing values as -1
bank_mkt = bank_mkt.fillna(-1)

```

It is also possible to impute missing values as the most frequent value using `SimpleImputer`.

```

from sklearn.impute import SimpleImputer

freq_features = ["job", "marital", "education", "default", "housing", "loan"]

freq_imputer = ColumnTransformer([
    ("freq_imputer", SimpleImputer(missing_values=-1, strategy="most_frequent"),
     freq_features)
], remainder="passthrough")

freq_encoder = make_pipeline(cat_encoder, freq_imputer)
X_train = freq_encoder.fit_transform(X_train, y_train)
X_test = freq_encoder.transform(X_test), axis=1

```

Another imputation method worth mentioning is iterative imputation which attempts to estimate missing values. However, this approach may bring overfitting to the models.

```

from sklearn.experimental import enable_iterative_imputer
from sklearn.impute import IterativeImputer

ite_features = ["age",
                "job",
                "marital",
                "education",
                "default",
                "housing",
                "loan",
                "contact",
                "campaign",
                "month",
                "day_of_week",
                "pdays",
                "previous"]

ite_imputer = ColumnTransformer([
    ("ite_imputer",
     make_pipeline(
         IterativeImputer(max_iter=100,
                           missing_values=-1,
                           initial_strategy="most_frequent",
                           random_state=42),
         FunctionTransformer(np.round)
     ),
     ite_features),
], remainder="passthrough")

ite_encoder = make_pipeline(cat_encoder, ite_imputer)
X_train = ite_encoder.fit_transform(X_train, y_train)
X_test = ite_encoder.transform(X_test), axis=1

```

Drop Demographic Features

To our surprise, the biggest improvement is achieved by dropping demographic features. Several reasons contribute to this result. First, the financial crisis and the debt crisis in Portugal may have lowered people's expectation of their future income and altered their investment choice. Thus, people reacted differently to the term deposit after the crisis and demographic data does not matter anymore. Second, we do not have enough data in 2009 and 2010 to learn this abnormal shift of attitude and therefore demographic data becomes noise.

```
drop_features = ["age",
                 "job",
                 "marital",
                 "education",
                 "housing",
                 "loan",
                 "default",
                 "duration",
                 "y"]
bank_mkt = bank_mkt.drop(drop_features, axis=1)
```

Feature Engineering in Practice

During our project, we implement different feature engineering strategies inside a function `dt-transform()`. Each strategy can be called by passing its corresponding parameters and put into a preprocessing pipeline as demonstrated in the following code.

```
drop_features = ["age",
                 "job",
                 "marital",
                 "education",
                 "housing",
                 "loan",
                 "default",
                 "duration",
                 "y"]
drop_prep = FunctionTransformer(dftransform,
                                kw_args={"drop": drop_features})
```

Following this method, we build classifiers using different feature engineering strategies and compare them with their baseline performance. We then select the best feature engineering strategies and tune the hyperparameters for each classifier. However, it should be noted that feature engineering strategies can also be regarded as hyperparameters for the model. It is also possible to use the grid search to find the best feature engineering strategies and hyperparameters.

Performance Evaluation

JIAWEI LI

As discussed in chapter 3, we split data into different sets and tune hyperparameters by comparing model performance on these sets. How do we define the performance of machine learning models? A plain and simple approach is using accuracy scores:

$$\text{Accuracy} = \frac{\text{Number of Correct Predictions}}{\text{Number of Total Predictions}}$$

However, the accuracy score may be too simplistic. First, it does not reflect the unbalanced outcome of our data set. If the model predicts every outcome as negative while the majority of the outcomes is negative, the model can still achieve a very high accuracy score. Second, the accuracy score does not distinct false positive and false negative errors which may cost the business differently. In the bank marketing context, missing a potential customer (false negative) costs more than phoning an uninterested buyer (false positive). These problems can be solved by using a Confusion Matrix and utilising more metrics for model evaluation.

Confusion Matrix

The Confusion Matrix is a contingency table that outputs the counts of the true positive (TP), true negative (TN), false positive (FP), and false negative (FN) predictions. We can use an analogy of fishing to gain more intuitions: The sea consists of fish and rubbish. A fisherman throws the net into the sea and hopes to capture as many fish and as little rubbish as possible. After the fisherman retrieves the net, the fish in the net (the wanted capture) is a true positive outcome, the rubbish in the net (the unwanted capture) is a false positive outcome, the fish in the sea (the wanted leftover) is a false negative outcome, and the rubbish in the sea (the unwanted leftover) is the true negative outcome.

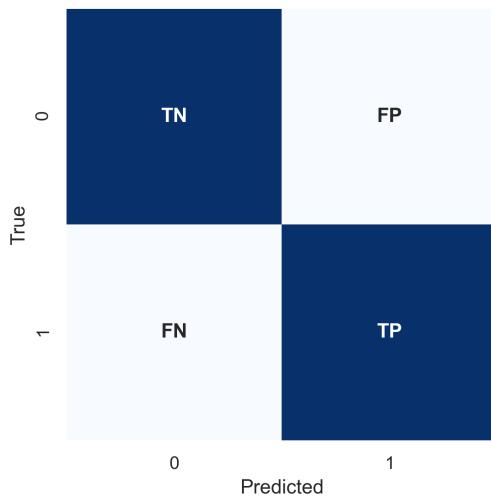


Figure 26: Confusion Matrix

The Confusion Matrix can be computed by calling `confusion_matrix` in `scikit-learn` as follows:

```
from sklearn.model_selection import cross_val_predict
from sklearn.neighbors import KNeighborsClassifier
from sklearn.metrics import confusion_matrix

bank_mkt = import_data set("../data/BankMarketing.csv")
preprocessor = FunctionTransformer(dftransform)
X_train, y_train, *other_sets = split_data set(bank_mkt, preprocessor)
clf = KNeighborsClassifier(n_neighbors=10)
y_pred = cross_val_predict(clf, X_train, y_train, cv=5, n_jobs=-1)
conf_mat = confusion_matrix(y_train, y_pred)
f, ax = plt.subplots()
conf_ax = sns.heatmap(
    conf_mat, ax=ax, annot=True, fmt="", cmap=plt.cm.Blues, cbar=False
)
conf_ax.set_xlabel("Predicted")
conf_ax.set_ylabel("True")
```

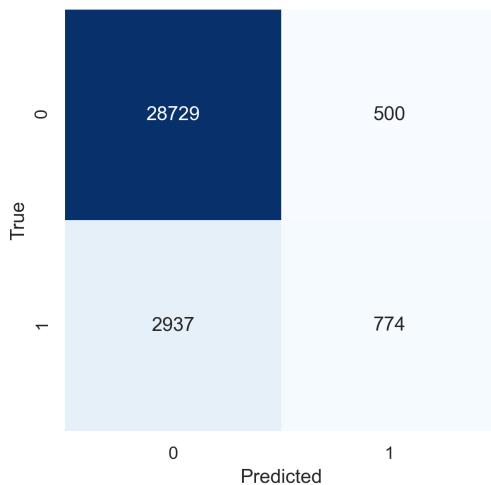


Figure 27: Confusion Matrix of a KNN classifier

Metrics From Confusion Matrix

From the Confusion Matrix, we can derive some key performance metrics such as precision and recall. Accuracy, for example, can be written as follows:

$$ACC = \frac{TP + TN}{TP + FP + TN + FN}$$

Precision (PRE) measures the accuracy of the predicted positive outcomes. As in the fisherman analogy, precision is the fish in the net divided by the total number of objects (fish and rubbish) in the net.

$$PRE = \frac{TP}{TP + FP}$$

Recall (REC) measures the accuracy of the positive samples, also known as sensitivity or the true positive rate (TPR). Using the fishing analogy, recall is the fish in the net divided by the fish population in total.

$$REC = TPR = \frac{TP}{P} = \frac{TP}{TP + FN}$$

Precision and recall are usually trade-offs. A fisherman can narrow his net to capture more fish and therefore increase recall. However, it comes at the cost of capturing more rubbish at the same time and decrease precision. To balance these two metrics, the harmonic mean of precision and recall (F1) is used.

$$F_1 = 2 \cdot \frac{PRE \times REC}{PRE + REC}$$

The trade-off logic also applies to the true negative rate (TNR) and the true positive rate (TPR). The true negative rate measures the accuracy of the negative samples and the true positive rate measures the accuracy of the positive samples. The false positive rate is simply one minus the true positive rate.

$$\begin{aligned} FPR &= \frac{FP}{N} = \frac{FP}{FP + TN} \\ TNR &= \frac{TN}{N} = \frac{TN}{TN + FP} = 1 - FPR \\ TPR &= \frac{TP}{P} = \frac{TP}{TP + FN} \end{aligned}$$

Balanced accuracy (bACC) is the average of true positive rate and true negative rate.

$$bACC = \frac{TPR + TNR}{2}$$

A performance metrics table of classifiers on bank marketing data set is shown below.

Table 1: Performance metrics of various classifiers

	Constant Prediction	Random Prediction	K-Nearest Neighbors	Linear SVM	Decision Tree	Logistic Regression
FPR	1	0.498	0.0171	0.005	0.143	0.258
TNR	0	0.501	0.982	0.994	0.856	0.741

	Constant Prediction	Random Prediction	K-Nearest Neighbors	Linear SVM	Decision Tree	Logistic Regression
TPR	1	0.495	0.208	0.038	0.613	0.698
bACC	0.5	0.498	0.595	0.516	0.735	0.719
REC	1	0.495	0.208	0.038	0.613	0.698
PRE	0.112	0.111	0.607	0.47	0.352	0.255
F1	0.202	0.182	0.310	0.070	0.447	0.373

Metrics From Decision Function

As hinted in the precision-recall trade-off, fisherman can narrow or loss his net. Bank may be happy to capture more potential customers by phoning more clients. A classifier can also adjust its threshold and therefore achieves different precision and recall results. For example, a logistic regression classifier uses the following decision function to distinct the label 0 and 1. When the result of the decision function is 0, the probability for each label is 0.5. It should be noted that not all classifiers have decision functions, predicted probabilities should be used in these cases.

$$\text{Decision Function} = b_0 + b_1x_1 + \dots + b_kx_k$$

The following code plots the logistic regression's precision and recall against the threshold.

```
from sklearn.linear_model import LogisticRegression
from sklearn.metrics import precision_recall_curve

bank_mkt = import_data set("../data/BankMarketing.csv")
preprocessor = FunctionTransformer(dftransform)
X_train, y_train, *other_sets = split_data set(bank_mkt, preprocessor)
clf = LogisticRegression(class_weight="balanced")
y_score = cross_val_predict(clf, X_train, y_train, cv=5, method="decision_function")
f, ax = plt.subplots()
precisions, recalls, thresholds = precision_recall_curve(y_train, y_score)
pre_rec_df = pd.DataFrame(
    {"Precision": precisions[:-1], "Recall": recalls[:-1]}, index=thresholds
)
pre_rec_ax = pre_rec_df.plot.line(ax=ax, ylim=(-0.05, 1.05))
threshold = 0
pre_rec_ax.plot((threshold, threshold), (-2, 2), linestyle="--", linewidth=1)
```

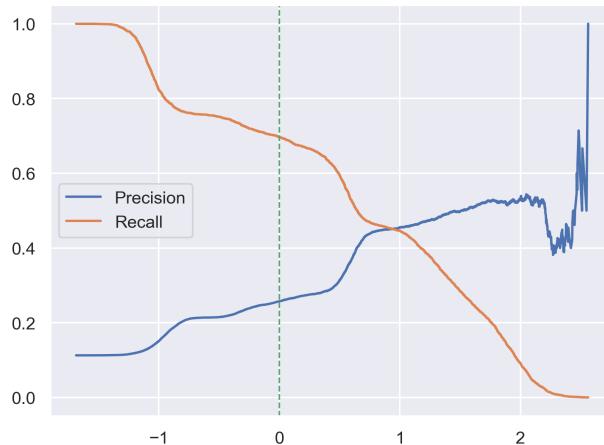


Figure 28: Precision-recall curve against the threshold

We can also plot precision and recall against each other as shown in the following graph. For a marketing campaign, the bank wants to capture as many potential clients as possible given certain budget constraints. Therefore the precision-recall curve should be pushed as far as possible. However, such a mechanism is not reflected by the metrics derived from Confusion Matrix and F1 can be biased towards models with equal precision and recall.

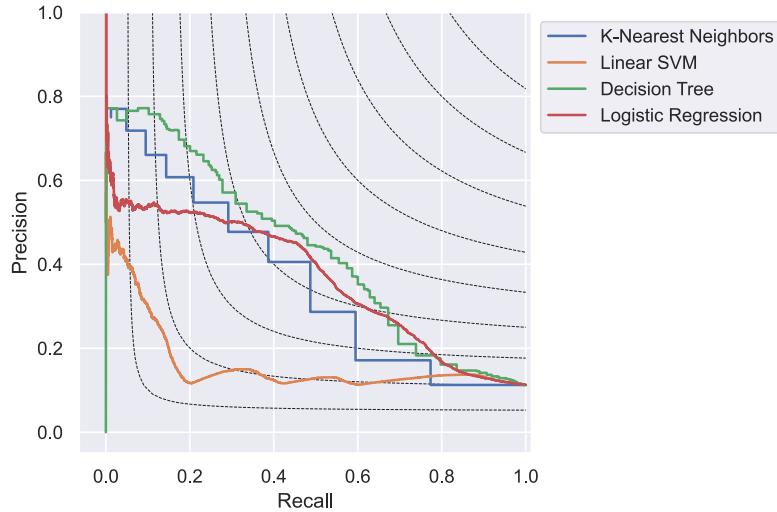


Figure 29: Precision-recall curve with F1 contour

To solve this problem, we introduce receiver operating characteristic (ROC) and average precision (AP) as alternative metrics that incorporate model thresholds. Average precision (AP) summarises the area under the precision-recall curve as the weighted mean of precisions achieved at each threshold, with the increase in recall from the previous threshold used as the weight.

$$AP = \sum_n (REC_n - REC_{n-1}) PRE_n$$

A receiver operating characteristic (ROC) adopts the same logic by plotting TPR against FPR at various threshold settings and calculating the area under the curve, plotted as follows.

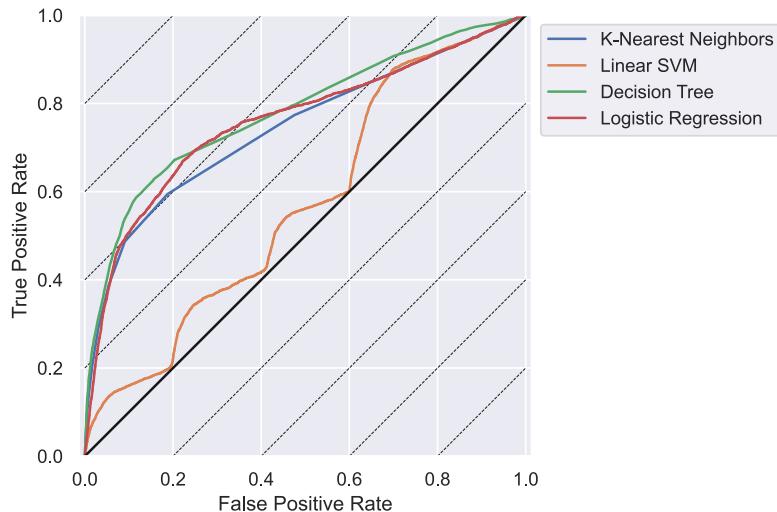


Figure 30: ROC curve with bACC contour

Performance Evaluation in Practice

In practice, we utilise Confusion Matrix and multiple metrics to evaluate and optimise our models. When dealing with imbalanced data set and metrics show conflicting results, AP is preferred for two reasons(Saito and Rehmsmeier 2015). First, AP has a range between the minority class percentage and 1. It gives a more straightforward picture of prediction improvements on an imbalanced data set. Second, AP puts more weight on positive outcomes. In our case, losing a potential subscriber costs the bank more than phoning an uninterested buyer. AP matches this reality more when we evaluate model performance.

Logistic Regression

FAN JIA

Logistic Regression is commonly used to estimate the probability of an instance belonging to a particular class. If the probability is greater than 50%, the model will classify the instance to that class, otherwise, it will not. Therefore, Logistic Regression is a binary classifier that can be applied to our data set. Underlying the model is the logistic sigmoid function as shown below. This classifier can potentially perform very well on linearly separable classes.

$$l(x) = \frac{1}{1 + e^{-\theta_0 + \theta_1 x_1 + \theta_2 x_2 + \theta_3 x_3 + \dots + \theta_n x_n}}$$

Initialization

First, we preprocess the data with one-hot encoding and standardization. Then the Logistic Regression need two important parameters:

1. `class_weight = "balanced"`, which is necessary to handle our imbalanced data set;
2. The maximum number of iterations taken for the solvers to converge.

```
cat_features = ["job",
                 "marital",
                 "education",
                 "default",
                 "housing",
                 "loan",
                 "poutcome"]

num_features = ["age",
                 "campaign",
                 "pdays",
                 "previous",
                 "emp.var.rate",
                 "cons.price.idx",
                 "cons.conf.idx",
                 "euribor3m",
                 "nr.employed"]

hot_scaler = ColumnTransformer([
    ("one_hot_encoder", OneHotEncoder(drop="first"), cat_features),
    ("scaler", StandardScaler(), num_features)
], remainder="passthrough")

hot_transformer = make_pipeline(FunctionTransformer(dftransform), hot_scaler)
```

```

X_train, y_train, X_test, y_test, *other_sets = split_dataset(bank_mkt, hot_transformer)

lrmodel = LogisticRegression(class_weight='balanced', max_iter=10000)

```

Grid Search

Next, we use grid search to find the optimal parameters for the model. For the first grid search, we pick two parameters: the penalty L2 and its inverse parameter C. The L1, L2 regularization parameters are used to avoid overfitting of data due to either collinearity or high-dimensionality. They both shrink the estimates of the regression coefficients towards zero. When two predictors are highly correlated, L1 will pick one of the two predictors, and in contrast, L2 will keep both of them and jointly shrink the coefficients together a little bit. Parameter C is the inverse of the regularization strength, with smaller values leading to stronger regularization.

```

# Try the 1st grid search param_grid combination:
lrmodel = LogisticRegression(class_weight='balanced', max_iter=10000)

# grid search
param_grid = {'penalty': ['l2'],
              'C':[0.001,.009,0.01,0.05,0.09,5,10,25,50,100]}
GS_lrmodel_1 = GridSearchCV(lrmodel, param_grid, scoring='average_precision', n_jobs=-1)
GS_lrmodel_1.fit(X_train, y_train)
lrmodel_gs1 = lrmodel.set_params(**GS_lrmodel_1.best_params_)

# Use calibrated model on train set
lrmodel_gs1.fit(X_train, y_train)
y_train_pred = lrmodel_gs1.predict(X_train)
y_train_score = lrmodel_gs1.decision_function(X_train)
cmtr_gs1 = confusion_matrix(y_train, y_train_pred)
acctr_gs1 = accuracy_score(y_train, y_train_pred)
aps_train_gs1 = average_precision_score(y_train, y_train_score)

# Test the model
lrmodel_gs1.fit(X_test, y_test)
y_test_pred = lrmodel_gs1.predict(X_test)
y_test_score = lrmodel_gs1.decision_function(X_test)
cmte_gs1 = confusion_matrix(y_test, y_test_pred)
accte_gs1 = accuracy_score(y_test, y_test_pred)
aps_test_gs1 = average_precision_score(y_test, y_test_score)
print('Confusion Matrix:\n',cmtr_gs1,' \nAccuracy Score:\n',acctr_gs1, '\nAPS:\n',aps_train_gs1)
print('Confusion Matrix:\n',cmte_gs1,' \nAccuracy Score:\n',accte_gs1, '\nAPS:\n',aps_test_gs1)
print('best parameters:',GS_lrmodel_1.best_params_)

```

The results show a slight improvement compared to the initial model, with a 0.7869 accuracy score, a 0.4418 average precision score and an ROC value of 0.783 for the test set. Additionally, this grid search finds `{'C': 10, 'penalty': 'l2'}` as the best parameter combination. The confusion matrices and performance measures are presented below.

Table 2: Performance metrics of Logistic Regression with L2 regularization

	Train	Validate	Test
TNR	0.800539	0.808758	0.803229
TPR	0.663523	0.669811	0.658405
bACC	0.732031	0.739285	0.730817
ROC	0.785491	0.786075	0.782550

	Train	Validate	Test
REC	0.663523	0.669811	0.658405
PRE	0.296955	0.307740	0.298194
AP	0.434798	0.459581	0.441740

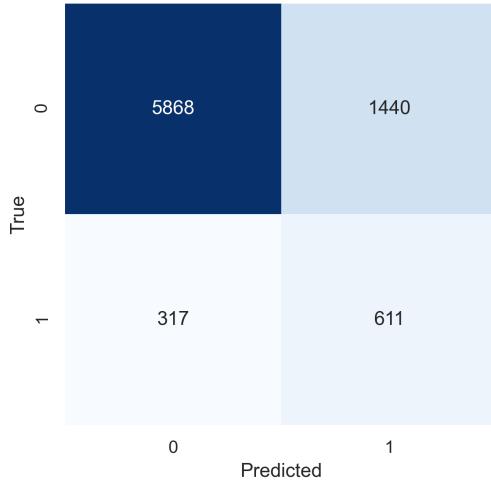


Figure 31: Confusion Matrix of Logistic Regression with L2 regularization

For the second grid search, we used the L1 penalty and Elasticnet penalty, which combines L1 and L2 penalties and will give a result in between. We also used the solver “saga,” which supports the non-smooth penalty L1 and is often used to handle the potential multinomial loss in the regression.

```
# Try the 2nd grid search param_grid combination
lrmodel_gs = LogisticRegression(class_weight='balanced',max_iter=10000)

# grid search
param_grid = {"C": [0.001, .009, 0.01, 0.05, 0.09, 5, 10, 25, 50, 100],
              "penalty": ["l1", "elasticnet"],
              "solver": ["saga"]}
GS_lrmodel_2 = GridSearchCV(lrmodel_gs, param_grid, scoring='average_precision', n_jobs=-1)
GS_lrmodel_2.fit(X_train, y_train)
lrmodel_gs2 = lrmodel_gs.set_params(**GS_lrmodel_2.best_params_)

# Use calibrated model on train set
lrmodel_gs2.fit(X_train, y_train)
y_train_pred = lrmodel_gs2.predict(X_train)
y_train_score = lrmodel_gs1.decision_function(X_train)
cmtr_gs2 = confusion_matrix(y_train, y_train_pred)
acctr_gs2 = accuracy_score(y_train, y_train_pred)
aps_train_gs2 = average_precision_score(y_train, y_train_pred)

# Test the model
lrmodel_gs2.fit(X_test, y_test)
y_test_pred = lrmodel_gs2.predict(X_test)
y_test_score = lrmodel_gs1.decision_function(X_test)
cmte_gs2 = confusion_matrix(y_test, y_test_pred)
accte_gs2 = accuracy_score(y_test, y_test_pred)
aps_test_gs2 = average_precision_score(y_test, y_test_score)
```

```

print('Confusion Matrix:\n',cmtr_gs2, '\nAccuracy Score:\n',acctr_gs1, '\nAPS:\n',aps_train_gs1)
print('Confusion Matrix:\n',cmte_gs2, '\nAccuracy Score:\n',accte_gs2, '\nAPS:\n',aps_test_gs2)
print('best parameters:',GS_lrmodel_2.best_params_)

```

The results from the second grid search are almost identical to that of the first grid search. However, in the second case, `{'C': 0.05, 'penalty': 'l1', 'solver': 'saga'}` has been identified as the best parameter combination.

Table 3: Performance metrics of Logistic Regression with L1 regularization

	Train	Validate	Test
TNR	0.793568	0.789942	0.798166
TPR	0.674301	0.648248	0.660560
bACC	0.733935	0.719095	0.729363
ROC	0.788165	0.770922	0.782781
REC	0.674301	0.648248	0.660560
PRE	0.293162	0.281451	0.293582
AP	0.447296	0.416163	0.441021

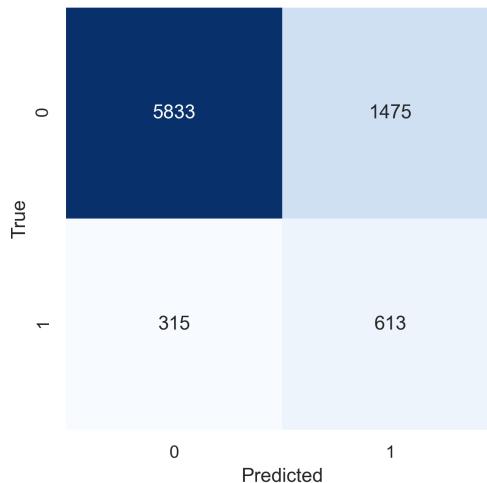


Figure 32: Confusion Matrix of Logistic Regression with L1 regularization

Statistical Result

Finally, we used the `sm.Logit(y, X)` and `summary()` functions to summarise the performance of the Logistic Regression using raw data. Some features showed very promising predictive power, such as the economic indicators, marital and education.

```

freq_features = ["job", "marital", "education", "default", "housing", "loan"]
freq_imputer = ColumnTransformer([
    ("freq_imputer", SimpleImputer(missing_values=-1, strategy="most_frequent"), freq_features),
    remainder="passthrough")
# Select "job", "marital", "education"
cat_features = [0,1,2]
# Select "age", "campaign", "pdays", "previous", "emp.var.rate",
# "cons.price.idx", "cons.conf.idx", "euribor3m", "nr.employed"
num_features = [5,10,11,12,14,15,16,17,18]
hot_scaler = ColumnTransformer([

```

```

("one_hot_encoder", OneHotEncoder(drop="first"), cat_features),
("scaler", StandardScaler(), num_features)
], remainder="passthrough")
freq_transformer = make_pipeline(FunctionTransformer(
    dftransform, kw_args={"drop": ["duration", "y"]}), freq_imputer, hot_scaler)
X = freq_transformer.fit_transform(bank_mkt)
X = np.array(X, dtype=float)
y = bank_mkt["y"].astype("int").to_numpy()
logit_model = sm.Logit(y, X)
result = logit_model.fit(maxiter=1000)

```

Table 4: Statistical result of Logistic Regression

	coef	std err	z	P> z	[0.025	0.975]
x1	-0.2317	0.066	-3.507	0	-0.361	-0.102
x2	-0.1243	0.106	-1.173	0.241	-0.332	0.083
x3	-0.0808	0.126	-0.639	0.523	-0.328	0.167
x4	-0.0922	0.074	-1.243	0.214	-0.238	0.053
x5	0.3351	0.092	3.631	0	0.154	0.516
x6	-0.077	0.1	-0.766	0.443	-0.274	0.12
x7	-0.1837	0.073	-2.501	0.012	-0.328	-0.04
x8	0.2809	0.096	2.928	0.003	0.093	0.469
x9	-0.0133	0.061	-0.219	0.827	-0.133	0.106
x10	-0.0062	0.11	-0.057	0.955	-0.221	0.209
x11	0.0278	0.059	0.471	0.638	-0.088	0.144
x12	0.1051	0.067	1.567	0.117	-0.026	0.237
x13	-1.0673	0.167	-6.401	0	-1.394	-0.74
x14	-0.9793	0.172	-5.708	0	-1.316	-0.643
x15	-1.091	0.158	-6.895	0	-1.401	-0.781
x16	-1.0184	0.15	-6.8	0	-1.312	-0.725
x17	-0.9735	0.158	-6.151	0	-1.284	-0.663
x18	-0.8945	0.148	-6.03	0	-1.185	-0.604
x19	-0.0124	0.018	-0.703	0.482	-0.047	0.022
x20	-0.1209	0.026	-4.706	0	-0.171	-0.071
x21	-0.4997	0.026	-19.23	0	-0.551	-0.449
x22	-0.0074	0.025	-0.298	0.766	-0.056	0.042
x23	-1.3035	0.099	-13.154	0	-1.498	-1.109
x24	0.6383	0.057	11.289	0	0.527	0.749
x25	0.1881	0.026	7.319	0	0.138	0.238
x26	0.4878	0.163	2.992	0.003	0.168	0.807
x27	-0.2901	0.109	-2.652	0.008	-0.505	-0.076
x28	-18.7032	30600	-0.001	1	-60100	60000
x29	-0.0287	0.035	-0.811	0.417	-0.098	0.041
x30	0.0009	0.002	0.459	0.646	-0.003	0.005
x31	-1.018	0.06	-16.887	0	-1.136	-0.9
x32	-0.053	0.011	-4.63	0	-0.075	-0.031
x33	0.0432	0.012	3.507	0	0.019	0.067
x34	1.0794	0.055	19.771	0	0.972	1.186

Support Vector Machine

QIQI ZHOU

The purpose of the Support Vector Machine is to find a hyperplane that distinctly classifies the data points in an N-dimensional space. The hyperplane is the decision boundary that classifies the data points and support vectors are the data points that are closer to the hyperplane which influences the position and orientation of the hyperplane.

The worth of the classifier is how well it classifies the unseen data points and therefore our objective is to find a plane with the maximum margin i.e the distance of an observation from the hyperplane. The margin brings in extra confidence that the further data points will be classified correctly.

Hyperparameters

Maximum Margin

The understanding of SVM is derived from the loss function of Logistic Regression with l2 regularization:

$$J(\theta) = \frac{1}{m} \sum_{i=1}^m [y^i(-\log(\hat{p}^i)) + (1 - y^i)(-\log(1 - \hat{p}^i))] + \frac{\lambda}{2m} \sum_{j=1}^n \theta_j^2$$

where

$$\hat{p}^i = \sigma(\theta^T \cdot x^i) = 1/(1 + e^{-\theta^T \cdot x^i})$$

In the realm of loss function of Logistic Regression, the individual loss contribution to the overall function is $-\log(\hat{p}^i)$ if $y^i = 1$ and $-\log(1 - \hat{p}^i)$ if $y^i = 0$.

By replacing the individual loss contribution to $\max(0, 1 - \theta^T \cdot x^i)$ and $\max(0, 1 + \theta^T \cdot x^i)$ for $y^i = 1$ and $y^i = 0$ respectively, SVM penalizes the margin violation more than logistic regression by requiring a prediction bigger than 1 for $y = 1$ and a prediction smaller than -1 if $y = 0$.

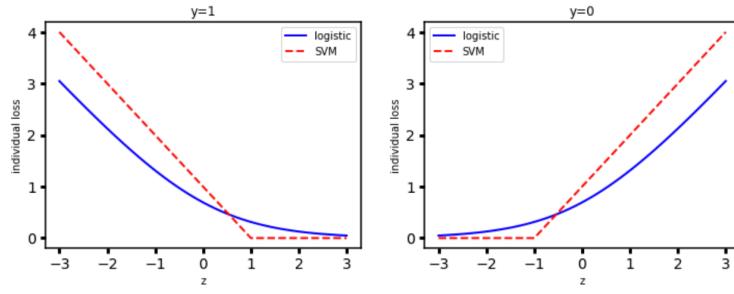


Figure 33: Comparison of Logistic Regression and SVM.

Regularizaiton

The regularization term plays the role of widening the distance between the two margins and tells SVM how much we want to avoid the wrong misclassification. A hyperplane with maximal margin might be extremely sensitive to a change in the data points and may lead to overfitting problems.

To achieve the balance of greater robustness and better classification of the model, we may consider it worthwhile to misclassify a few training data points to do a better job in separating the future data points.

Hyperparameter C in SVM allows us to dictate the tradeoff between having a wide margin and correctly classifying the training data points. In other words, a large value for C will shrink the margin distance of hyperplane while a small value for C will aim for a larger-margin separator even if it misclassifies some data points.

Gamma

Gamma controls how far the influence of a single observation on the decision boundary. The high Gamma indicates only the points closer to the plausible hyperplane are considered and vice versa.

Kernel

For linearly separable and almost linearly separable data, SVM works well. For data that is not linearly separable, we can project the data to a space where it is linearly separable. What Kernel Trick does it utilizes the existing features and applies some transformations to create new features and calculates the nonlinear decision boundary in higher dimension by using these features.

Grid Search for Linear SVM

```
linear_svm = LinearSVC(dual=False, class_weight="balanced", random_state=42)

param_distributions = {"loss": ["squared_hinge", "hinge"],
                      "C": loguniform(1e0, 1e3)}

random_search = RandomizedSearchCV(linear_svm,
                                    param_distributions,
                                    scoring="average_precision",
                                    cv=5,
                                    n_jobs=-1,
                                    n_iter=100)

grid_fit = random_search.fit(X_train, y_train)
grid_results = random_search.cv_results_
```

```

grid_best_params = random_search.best_params_
grid_best_score = random_search.best_score_

print(f"best parameters: {grid_best_params}, mean test score: {grid_best_score}")

param_grid = [{"C": [5, 2, 1]}]
grid_search = GridSearchCV(linear_svm,
                           param_grid,
                           scoring="average_precision",
                           return_train_score=True,
                           cv=5,
                           n_jobs=-1)

grid_fit = grid_search.fit(X_train, y_train)
grid_results = grid_search.cv_results_
grid_best_params = grid_search.best_params_
grid_best_score = grid_search.best_score_

print(f"best parameters: {grid_best_params}, mean test score: {grid_best_score}")

linear_svm = LinearSVC(loss="squared_hinge",
                        C=1,
                        dual=False,
                        class_weight="balanced",
                        random_state=42)

```

Table 5: Performance metrics of Linear SVM

	Train	Validate	Test
TNR	0.795108	0.791310	0.795703
TPR	0.664534	0.691375	0.659483
bACC	0.729821	0.741342	0.727593
ROC	0.785562	0.786010	0.781580
REC	0.664534	0.691375	0.659483
PRE	0.291691	0.296018	0.290736
AP	0.435728	0.432823	0.437258

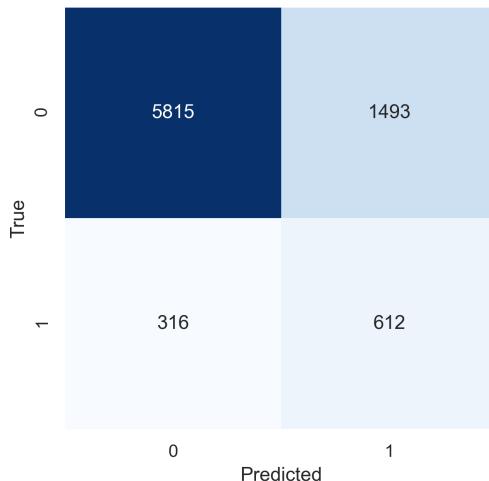


Figure 34: Confusion Matrix of Linear SVM

Grid Search for Non-Linear SVM

We use the pipeline to ensure that in the cross validation set, the kernel function is only applied to training fold which is exactly the same fold used for fitting the model. We also do a comparison between SGDClassifier and Linear SVC and the latter one gave us slightly better AP.

```

rbf_sgd_clf = Pipeline([
    ("rbf", RBFSampler(random_state=42)),
    ("svm", SGDClassifier(class_weight="balanced"))
])

param_distributions = {
    "rbf_gamma": loguniform(1e-6, 1e-3),
    "svm_alpha": loguniform(1e-10, 1e-6)}

random_search = RandomizedSearchCV(rbf_sgd_clf,
                                    param_distributions,
                                    scoring="average_precision",
                                    cv=5,
                                    n_jobs=-1,
                                    n_iter=10)

grid_fit = random_search.fit(X_train, y_train)
grid_results = random_search.cv_results_
grid_best_params = random_search.best_params_
grid_best_score = random_search.best_score_

print("best parameters: {} , mean test score: {}".format(grid_best_params, grid_best_score))

param_grid = {
    "rbf_gamma": [0.0008, 0.0001, 0.001],
    "svm_alpha": [1e-7, 1e-6, 1e-5]}

grid_search = GridSearchCV(rbf_sgd_clf,
                           param_grid,
                           scoring="average_precision",
                           cv=5,
                           n_jobs=-1)

grid_fit = grid_search.fit(X_train, y_train)
grid_results = grid_search.cv_results_
grid_best_params = grid_search.best_params_
grid_best_score = grid_search.best_score_

print("best parameters: {} , mean test score: {}".format(grid_best_params, grid_best_score))

rbf_sgd_tuned = rbf_sgd_clf.set_params(rbf_gamma=0.0009, svm_alpha=1e-6)
benchmark(bank_mkt, hot_transformer, rbf_sgd_tuned)

```

Table 6: Performance metrics of SVM using `SGDClassifier`

	Train	Validate	Test
TNR	0.792798	0.797639	0.644499
TPR	0.678680	0.681941	0.752155
bACC	0.735739	0.739790	0.698327
ROC	0.791381	0.789337	0.786777

	Train	Validate	Test
REC	0.678680	0.681941	0.752155
PRE	0.293732	0.299586	0.211772
AP	0.436139	0.444426	0.437136

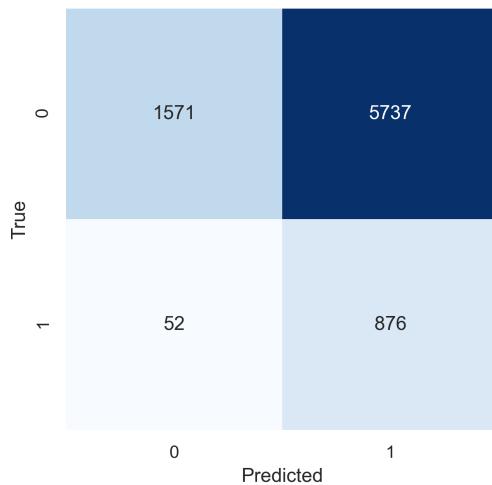


Figure 35: Confusion Matrix of SVM using `SGDClassifier`

```

rbf_clf = Pipeline([
    ("rbf", RBFSampler(random_state=42)),
    ("svm", LinearSVC(loss="squared_hinge", dual=False, class_weight="balanced", max_iter=1000))
])

param_distributions = {
    "rbf_gamma": loguniform(1e-6, 1e-3),
    "svm_C": loguniform(1e-1, 1e1)}

random_search = RandomizedSearchCV(rbf_clf,
                                    param_distributions,
                                    scoring="average_precision",
                                    cv=5,
                                    n_jobs=-1,
                                    n_iter=10)

grid_fit = random_search.fit(X_train, y_train)
grid_results = random_search.cv_results_
grid_best_params = random_search.best_params_
grid_best_score = random_search.best_score_

print(f"best parameters: {grid_best_params}, mean test score: {grid_best_score}")

param_grid = {
    "rbf_gamma": [0.0001, 0.001, 0.01],
    "svm_C": [1, 10, 20]}

grid_search = GridSearchCV(rbf_clf,
                           param_grid,
                           scoring="average_precision",
                           
```

```

        cv=5,
        n_jobs=-1)

grid_fit = grid_search.fit(X_train, y_train)
grid_results = grid_search.cv_results_
grid_best_params = grid_search.best_params_
grid_best_score = grid_search.best_score_

print(f"best parameters: {grid_best_params}, mean test score: {grid_best_score}")
rbf_tuned = rbf_clf.set_params(rbf__gamma=0.0009, svm__C=1)

```

Table 7: Performance metrics of SVM using `LinearSVC`

	Train	Validate	Test
TNR	0.788906	0.787889	0.794745
TPR	0.677669	0.676550	0.668103
bACC	0.733288	0.732220	0.731424
ROC	0.787619	0.782527	0.784626
REC	0.677669	0.676550	0.688103
PRE	0.289580	0.288175	0.292453
AP	0.437404	0.453640	0.440392

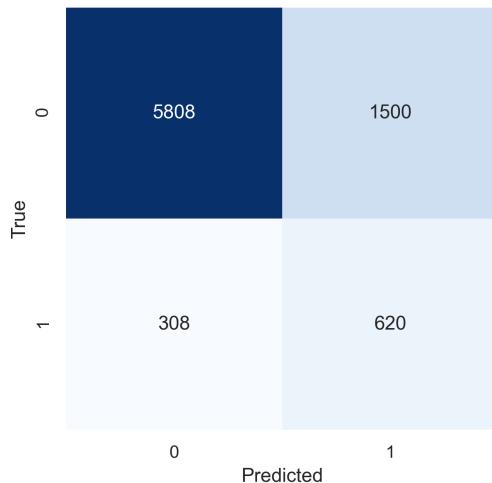


Figure 36: Confusion Matrix of SVM using `LinearSVC`

Neural Network

QIQI ZHOU

Neural Network is a “brain structure” with the following components:

1. an input layer;
2. an arbitrary amount of hidden layers;
3. an output layer;
4. a set of weights and biases between each layer;
5. an activation function for each hidden layer.

Training the neural network model is to find the right values for the weights and biases and it involves multiple iterations of exposing the training dataset to the network. Each iteration of the training process consists of Forward Propagation and Backpropagation. The Forward Propagation is a process where the input data is fed in the forward direction. Each hidden layer accepts the input data and processes it as per the activation function and passes the results to the successive layer. The Backpropagation is to fine tune the weights of a neural net based on error rate obtained in the previous iteration. Error is calculated between the expected outputs and the outputs forward propagated from the network. These errors are then propagated backwards from the output layer to the hidden layer, finding contributions to the errors and updating the weights.

Hyperparameters

Learning rate

Learning rate controls how much we are adjusting the weights of our network with respect to the loss gradient.

A small learning rate will only make a slight change to the weights each update and therefore requires more training epochs and travels along the downward slope slowly, whereas a large learning rate leads to rapid changes to the weight. However, a too large learning rate may cause the model to converge too quickly to a local minimum or overshoot the optimal solution.

Hidden layer sizes

This hyperparameter defines how many hidden layers and how many neurons on each layer we want to have when we are building the architecture of the neural network.

We want to keep the neural network architecture as simple as possible so that it can be trained fast and well generalized and meanwhile, we also need it to classify the input data well, which may require a relatively complex architecture.

L2 Regularization

The regularization term will drive down the weights of the matrix and decorrelate the neural network, which in turn decreases the effects of the activation function and prevent overfitting by

fitting a less complex model to the data.

Activation Function

Activation functions are mathematical equations attached to each neuron in the network and they determine the output of the learning model, the accuracy and the computational efficiency of training the model.

With the use of Non-linear activation function, we can create a complex mapping between the network's inputs and outputs which are essential for learning and modelling complex data.

Grid Search

```
mlp=MLPClassifier(random_state=42,max_iter=1000)

param_grid ={
    'solver':['lbfgs', 'sgd', 'adam'],
    'learning_rate':["constant","invscaling","adaptive"],
    'hidden_layer_sizes':[(100),(200),(20,5),(10,5),(100,50,25,)],
    'alpha':[0.0,0.001,0.01],
    'activation' :["logistic","relu","tanh"] }

grid_search = GridSearchCV(estimator=mlp,
                           param_grid=param_grid,
                           scoring = "average_precision",
                           return_train_score=True,
                           cv = 5,
                           n_jobs=-1)
grid_fit = grid_search.fit(X_train, y_train)
grid_results = grid_search.cv_results_
grid_best_params = grid_search.best_params_
grid_best_score = grid_search.best_score_

mlp_trained=MLPClassifier(solver ="lbfgs",
                          random_state=42,
                          max_iter=1000,
                          activation = 'relu',
                          alpha = 0.01,
                          hidden_layer_sizes = (100,),
                          learning_rate = 'constant')

nn_best = benchmark(bank_mkt, hot_transformer, mlp_trained)
```

Table 8: Performance metrics of Neural Network

	Train	Validate	Test
TNR	0.984219	0.959117	0.969896
TPR	0.470192	0.295148	0.310145
bACC	0.727206	0.627133	0.640120
ROC	0.900857	0.730865	0.746097
REC	0.470192	0.295148	0.310345
PRE	0.790935	0.478166	0.566929
AP	0.688217	0.354089	0.396211

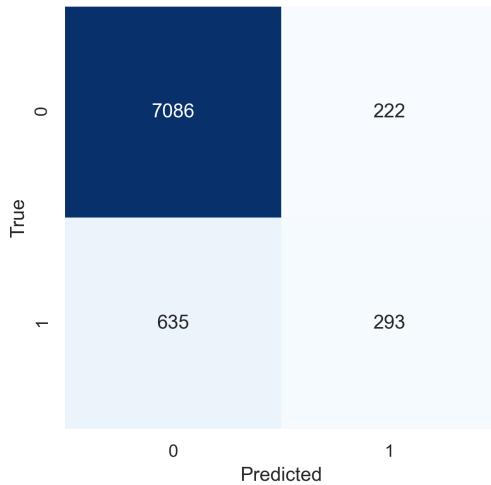


Figure 37: Confusion Matrix of Neural Network

Reflections

In machine learning, data can be roughly divided into four categories: Image, Sequence, Graph and Tabular data. The first three types of data have obvious patterns, such as the spatial locality of images and graphs, the contextual relationship and timing dependence of sequences, and so on. However, in tabular data, each feature represents an attribute, such as gender, price, etc. There is generally no obvious and common pattern between features.

Neural networks are more suitable for the first three types of data, that is, data with obvious patterns. Because we can design the corresponding network structure according to the data pattern, so as to select features more efficiently. For example, the CNN (Convolutional Neural Network) is designed for images, and the RNN (Recurrent Neural Network) is designed for sequence data.

For tabular data where there is no obvious pattern, an inefficient fully connected network may not work as well as the more traditional machine learning models such as Gradient Boosting Tree.

In the case of tabular data, feature engineering might be more important because it integrates the prior knowledge into the data and makes the model understand the data better.

Decision Tree and Its Ensembles

STRAHINJA TRENKIC

Decison Tree

A decision tree is a flowchart-like structure in which each internal node represents a “test” on an attribute (e.g. whether a coin flip comes up heads or tails), each branch represents the outcome of the test, and each leaf node represents a class label (decision taken after computing all attributes). The paths from root to leaf represent classification rules.

In Machine Learning this type of structure can be used to advise in classification and regression problems. Since our project’s topic was a classification problem in its nature, we will focus on the decision Tree as a classifier in the remainder of the text.

Here is an outline of hyperparameters most commonly tuned for performance:

- **max_depth:** The maximum depth of the tree. If None, then nodes are expanded until all leaves are pure or until all leaves contain less than min_samples_split samples.
- **min_samples_split:** The minimum number of samples required to split an internal node.
- **criterion:** The function to measure the quality of a split. Supported criteria are “gini” for the Gini impurity and “entropy” for the information gain. Note: this parameter is tree-specific.
- **min_samples_leaf:** The minimum number of samples required to be at a leaf node.
- **class_weight:** Weights associated with classes. If not given, all classes are supposed to have weight one.
- **random_state:** Controls both the randomness of the bootstrapping of the samples used when building trees and the sampling of the features to consider when looking for the best split at each node.

It is important to note that Decision Trees can be combined to form Forests and can be used as primitive estimators in AdaBoost. This makes them redundant in terms of accuracy to these more advanced models that use trees as a base. It is still however necessary to understand the individual tree estimator in order to understand how these more advance structures work. The tree is also cheaper in terms of computing requirements and can be used as an initial estimator or for feature importance analysis.

To keep the scope of this paper reasonable, we will focus on elaborating on these more advanced models (Forest and AdaBoost) while keeping in mind that in their very foundation there is a tree, silently doing it’s job.

Random Forest

The Random Forest represents a collection of decision trees. This is a way of averaging multiple deep decision trees, trained on different parts of the same training set, with the goal of reducing the variance. This comes at the expense of a small increase in the bias and some loss of interpretability, but generally greatly boosts the performance in the final model.

In order to prepare the data for the Forest we first run it through our standard transformer, explained in the pipeline section of this text.

```
tree_transformer = FunctionTransformer(dftransform)
X_train, y_train, X_test, y_test, *other_sets = split_dataset(bank_mkt, tree_transformer)
```

We then proceed onto hyperparameter tuning. Hyperparameter tuning of the random forest is basically hyperparameter tuning of the individual tree with one prominent differences. Namely:

- **n_estimators:** which basically represents the number of trees in the forest.

In the case of our project:

```
RF = RandomForestClassifier(random_state=42,
                           class_weight="balanced",
                           criterion ="gini",
                           max_features="auto",
                           min_samples_split= 2)

param_grid = {
    'max_depth':[6,8,10],
    'n_estimators':[1000,1500,1750,2000]
}
CV_RFmodel = GridSearchCV(estimator=RF,
                           param_grid=param_grid,
                           scoring="average_precision",
                           n_jobs=-1,
                           cv=2)
CV_RFmodel.fit(X_train,y_train)
grid_results = CV_RFmodel.cv_results_
grid_best_params = CV_RFmodel.best_params_
grid_best_score = CV_RFmodel.best_score_
grid_best_estimator = CV_RFmodel.best_estimator_
print(f"best mean test score: {grid_best_score}, for {grid_best_estimator}")
```

It is worth noting that we also tried combinations of other hyperparameters, but for easier readability of the text decided to go here with the two hyperparameters that provide with highest model oscillations. The hyperparameters that were selected for the RandomForestClassifier in the definition of variable RF are the ones that showed in previous tunings to provide constant, superior results. The outputs given were

```
best mean test score: 0.454011896674566,
for RandomForestClassifier(class_weight='balanced',
                           max_depth=6, n_estimators= 1750,random_state=42)

RF_validation = RandomForestClassifier(random_state=42,
                                       class_weight="balanced",
                                       max_depth=6,
                                       n_estimators=1750,
                                       max_leaf_nodes=1000)
benchmark(bank_mkt, tree_transformer, RF_validation)
```

Table 9: Performance metrics of Random Forest

	Train	Validate	Test
TNR	0.866655	0.864865	0.870963
TPR	0.627821	0.629380	0.618534
bACC	0.747238	0.747122	0.744749
ROC	0.813153	0.801666	0.801848

	Train	Validate	Test
REC	0.627821	0.629380	0.618534
PRE	0.374147	0.371519	0.378378
AP	0.503536	0.449784	0.474725

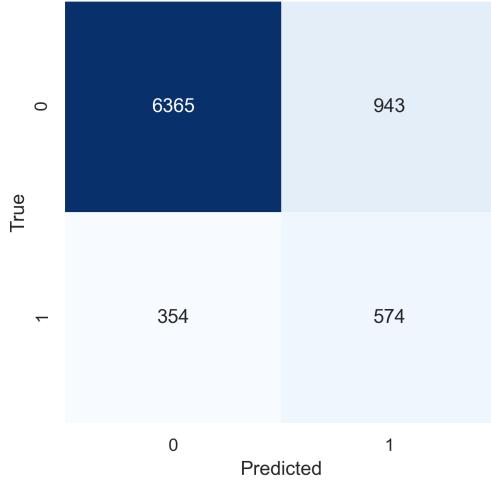


Figure 38: Confusion Matrix of Random Forest

As can be seen from the table, `RandomForestClassifier` gives strong values in AUC ROC and proves in our dataset to be one of the best performing models.

One interesting use of the `RandomForestClassifier` is that it also returns feature importance metrics for individual features within the dataset. This can be a very useful method of the class since it allows a positive feedback loop between feature engineering, model testing and then returning to feature engineering for additional optimisations and manipulations on the most useful features. On the other hand, features that show no importance in the classification can be dropped or merged. This can be plotted to give an informative picture about how features rank by importance:

```
columns = bank_mkt.drop(["duration", "y"], axis=1).columns.tolist()
rnd_clf = RandomForestClassifier(n_estimators=1750, max_depth=6, n_jobs=-1, random_state=42)
rnd_clf.fit(X_train, y_train)
for name, importance in zip(columns, rnd_clf.feature_importances_):
    print(name, "=", importance)
importances = rnd_clf.feature_importances_
indices = np.argsort(importances)
plt.barh(range(len(indices)), importances[indices], color='b', align='center')
plt.yticks(range(len(indices)), [columns[i] for i in indices])
plt.size=(15,10)
plt.show()
```

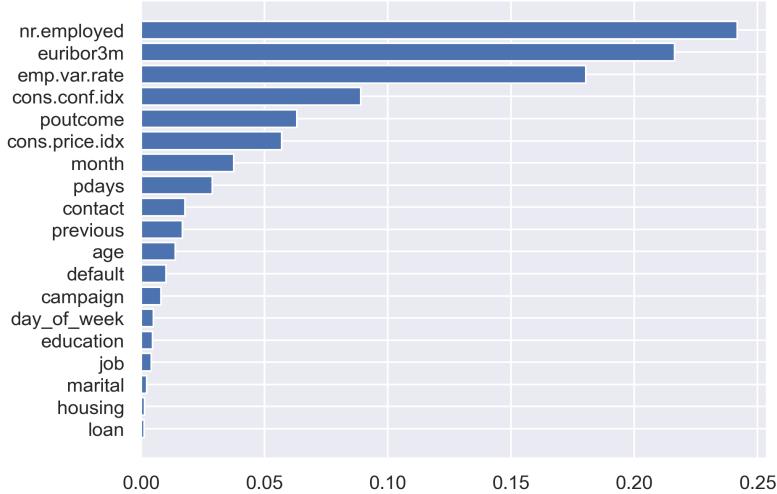


Figure 39: Feature importance of Random Forest

All in all the Random Forest lived up to its expectation. By adding just a small amount of bias it greatly improves the performance of Decision Trees. They are very robust and require little to none work in terms of encoding and feature manipulation.

AdaBoost

An AdaBoost classifier is a meta-estimator that begins by fitting a classifier on the original dataset and then fits additional copies of the classifier on the same dataset but where the weights of incorrectly classified instances are adjusted such that subsequent classifiers focus more on difficult cases.

The AdaBoost uses simple, primitive individual classifiers but in comparison with the Random Forest it gives them different, ever changing weights to their final decision. The individual primitive estimator is one of the hyperparameters

- **base_estimator:** The base estimator from which the boosted ensemble is built. Support for sample weighting is required, as well as proper `classes_` and `n_classes_` attributes. If `None`, then the base estimator is `DecisionTreeClassifier(max_depth=1)`.

The process of tuning this parameter can at starts feel counterintuitive. Why wouldn't a tree of `max_depth=2` return better overall results than this stump with only depth level of one. In this question lies the beauty and genius of this model. Because many individually primitive estimators with weighted, individually adjusted decisions will overall provide with a more effective and efficient model.

The other important hyperparameters to tune in the AdaBoost Classifier are

- **learning_rate:** Learning rate shrinks the contribution of each classifier by `learning_rate`. There is a trade-off between `learning_rate` and `n_estimators`.
- **n_estimators:** The maximum number of estimators at which boosting is terminated. In case of perfect fit, the learning procedure is stopped early.

```
AB = AdaBoostClassifier(n_estimators=100, random_state=42, learning_rate=1.0)
param_grid = {
    'learning_rate':[0.8],
    'n_estimators':[800],
    'base_estimator':[DecisionTreeClassifier(max_depth=1),
                      DecisionTreeClassifier(max_depth=4)]}
```

```

}
CV_RFmodel = GridSearchCV(estimator=AB,
                           param_grid=param_grid,
                           scoring="average_precision",
                           n_jobs=-1,
                           cv=5)
CV_RFmodel.fit(X_train,y_train)
grid_results = CV_RFmodel.cv_results_
grid_best_params = CV_RFmodel.best_params_
grid_best_score = CV_RFmodel.best_score_
grid_best_estimator = CV_RFmodel.best_estimator_
print(f"best mean test score: {grid_best_score}, for {grid_best_estimator}")

```

Which gave us the optimal model set up:

```

best mean test score: 0.448988423603947,
for AdaBoostClassifier(base_estimator=DecisionTreeClassifier(max_depth=1),
learning_rate=0.8, n_estimators=800, random_state=42)

```

We proceeded to find the full performance matrix:

```

AB_validation = AdaBoostClassifier(n_estimators=800,
                                   learning_rate=0.8,random_state=42,
                                   base_estimator = DecisionTreeClassifier(max_depth=2,min_samples_split=2))

benchmark(bank_mkt, tree_transformer, AB_validation)

```

Table 10: Performance metrics of AdaBoost

	Train	Validate	Test
TNR	0.985982	0.972650	0.979312
TPR	0.393488	0.262162	0.272630
bACC	0.689715	0.617406	0.625971
ROC	0.878366	0.743267	0.757640
REC	0.393448	0.262162	0.272630
PRE	0.780308	0.58023	0.628933
F1	0.523125	0.354662	0.380386
AP	0.632423	0.374018	0.423666

In a similar fashion we derive the feature importance as well:

```

for name, importance in zip(columns, AB_validation.feature_importances_):
    print(name, "=", importance)
importances = AB_validation.feature_importances_
indices = np.argsort(importances)
plt.barh(range(len(indices)), importances[indices])
plt.yticks(range(len(indices)), [columns[i] for i in indices])
plt.show()

```

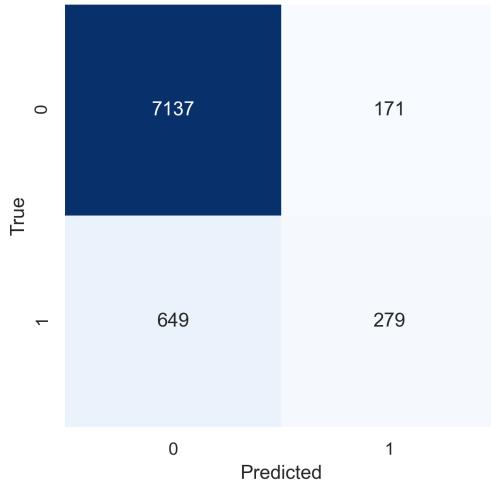


Figure 40: Confusion Matrix of AdaBoost

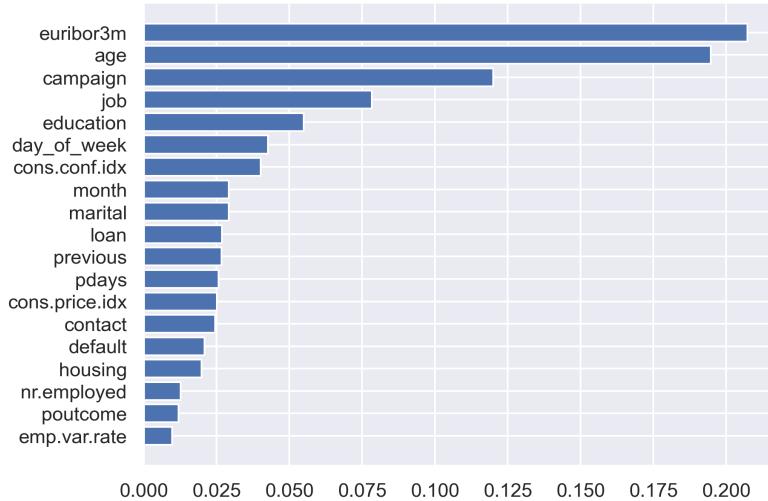


Figure 41: Feature importance of AdaBoost

As we can see the AdaBoost gave strong results in the area underneath the ROC curve but was still behind the Random Forest for our dataset. The main advantages of Random forests over AdaBoost are that it is less affected by noise and it generalizes better in reducing variance because the generalization error reaches a limit with an increasing number of trees being grown according to the Central Limit Theorem.

Feature importance for both AdaBoost and the Random Forest was strikingly similar. In the paper Random Forests, Breiman (2001) states the following conjecture: “AdaBoost is a Random Forest.” This is an interesting claim, yet to be proven or disproven but AdaBoost with the base estimator of a tree stump can in certain datasets behave very much like a Random Forest of sorts. Proven or disproven it just confirms once more what we discussed in class, that Machine Learning is a trial and error process and data speaks its own language. There are no universal truths and ad-hoc solutions in this exciting field.

XGBoost

Gradient Boosting is another boosting algorithm. Similar to AdaBoost, Gradient Boosting sequentially add predictors to an ensemble and corrects its predecessor. However, instead of tuning the weights at each iteration, Gradient Boosting fits the residual errors made by the predecessor. Even though Gradient Boosting is part of the `scikit-learn` collections, better performance can be achieved by using other libraries, such as `XGBoost`.

In our practice, even though `XGBoost` provides dozens of hyperparameters, just by tuning `max_depth` manually and dropping demographic features gives us satisfactory results. The feature importance plot shows that economic indicators and previous campaign outcome are the key predictors.

```
drop_features = ["age",
                  "job",
                  "marital",
                  "education",
                  "housing",
                  "loan",
                  "default"]

drop_prep = FunctionTransformer(dftransform,
                                kw_args={"drop": drop_features,
                                          "to_float":True})

xgb_clf = XGBClassifier(max_depth=3, scale_pos_weight=8)
benchmark(bank_mkt, drop_prep, xgb_clf)
```

Table 11: Performance metrics of XGBoost

	Train	Validate	Test
TNR	0.849335	0.845535	0.856596
TPR	0.666218	0.659030	0.644397
bACC	0.757776	0.752283	0.750496
ROC	0.826341	0.807138	0.812991
REC	0.666218	0.659030	0.644397
PRE	0.359571	0.351293	0.363305
AP	0.518830	0.479562	0.483435

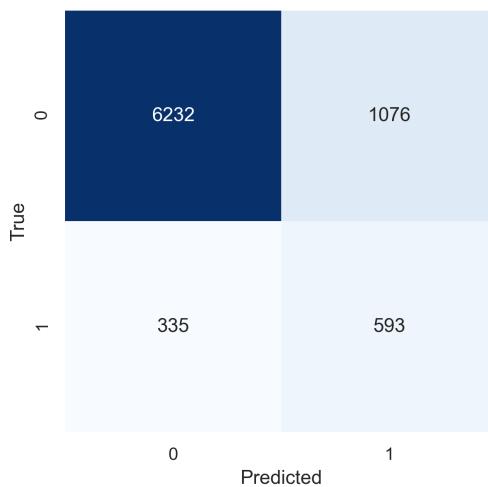


Figure 42: Confusion Matrix of XGBoost

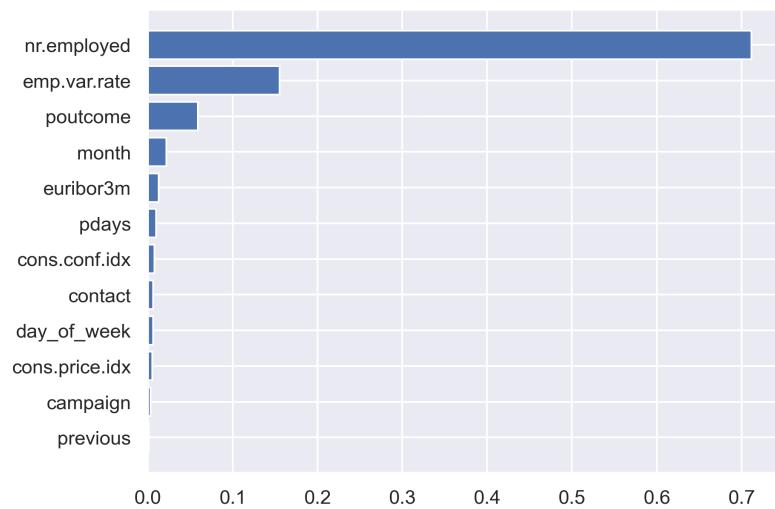


Figure 43: Feature importance of XGBoost

Conclusion

JIAWEI LI

In conclusion, this project has used `python` and its rich ecosystems to explore the bank marketing dataset, build data pipelines and utilise machine learning classification models including Logistic Regression, Support Vector Machine, Neural Network, Decision Trees and Ensemble Learning. We have also discussed performance evaluation and concluded that Average Precision and ROC AUC are the preferred metrics due to their flexibility on the models' thresholds and interpretability for imbalanced datasets.

Our exploratory and modelling process shows that it is possible to build a predictive model for improving bank telemarketing results. Using `XGBoost` without client demographic feature achieves the best performance at 0.813 ROC AUC and 0.483 Average Precision on the test set.

There are several reasons why our model can not further improve. The first reason is that the Financial crisis in 2008 and Portugal's debt crisis in 2010 may alter people's deposit choices. There is a clear pattern that in 2009 and 2010 clients are much more likely to subscribe the term deposit (5% positive in 2008, 25% positive in 2009, 50% positive in 2010) which may imply that people are changing their investment preferences or the marketing staff have improved their sale skills. The second reason is the lack of data. Data from 2009 and 2010 only contributes to 25% of the whole dataset but has the majority of positive outcomes. By collecting data each year and expand the range of years, the model could achieve better results.

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Appendix 1: import_dataset()

```
def import_dataset(filename):
    """
    Import the dataset from the path.

    Parameters
    -----
    filename : str
        filename with path

    Returns
    -----
    data : DataFrame

    Examples
    -----
    bank_mkt = import_dataset("../data/BankMarketing.csv")
    """
    bank_mkt = pd.read_csv(filename,
                          na_values=["unknown", "nonexistent"],
                          true_values=["yes", "success"],
                          false_values=["no", "failure"])
    # Treat pdays = 999 as missing values
    bank_mkt["pdays"] = bank_mkt["pdays"].replace(999, pd.NA)
    # `month` will be encoded to the corresponding number, e.g. "mar" → 3
    month_map = {"mar": 3,
                  "apr": 4,
                  "may": 5,
                  "jun": 6,
                  "jul": 7,
                  "aug": 8,
                  "sep": 9,
                  "oct": 10,
                  "nov": 11,
                  "dec": 12}
    bank_mkt["month"] = bank_mkt["month"].replace(month_map)
    # `day_of_week` will be encoded to the corresponding number, e.g. "wed" → 3
    dow_map = {"mon": 1,
               "tue": 2,
               "wed": 3,
               "thu": 4,
               "fri": 5}
    bank_mkt["day_of_week"] = bank_mkt["day_of_week"].replace(dow_map)
    # Convert types, "Int64" is nullable integer data type in pandas
    bank_mkt = bank_mkt.astype(dtype={"age": "Int64",
```

```

    "job": "category",
    "marital": "category",
    "education": "category",
    "default": "boolean",
    "housing": "boolean",
    "loan": "boolean",
    "contact": "category",
    "month": "Int64",
    "day_of_week": "Int64",
    "duration": "Int64",
    "campaign": "Int64",
    "pdays": "Int64",
    "previous": "Int64",
    "poutcome": "boolean",
    "y": "boolean"})}

# Drop 12 duplicated rows
bank_mkt = bank_mkt.drop_duplicates().reset_index(drop=True)

# reorder ordinal categorical data
bank_mkt["education"] = bank_mkt["education"].cat.reorder_categories(
    ["illiterate", "basic.4y", "basic.6y", "basic.9y", "high.school",
     "professional.course", "university.degree"], ordered=True)

return bank_mkt

```

Appendix 2: split_dataset()

```
def split_dataset(data, preprocessor=None, random_state=62):
    """
    Split dataset into train, test and validation sets using preprocessor.
    Because the random state of validation set is not specified,
    the validation set will be different each time when the function is called.

    Parameters
    -----
        data : DataFrame
        preprocessor : Pipeline
        random_state : int

    Returns
    -----
        datasets : tuple

    Examples
    -----
        from sklearn.preprocessing import OrdinalEncoder
        data = import_dataset("../data/BankMarketing.csv").interpolate(
            method="pad").loc[:, ["job", "education", "y"]]
        # To unpack train and test sets.
        X_train, y_train, X_test, y_test, *other_sets = split_dataset(data, OrdinalEncoder())
        # To unpack test and validation set
        *other_sets, X_test, y_test, X_ttrain, y_ttrain, X_validate, y_validate = split_dataset(data, OrdinalEncoder())
        # To unpack only train set.
        X_train, y_train, *other_sets = split_dataset(data, OneHotEncoder())
    """
    train_test_split = StratifiedShuffleSplit(
        n_splits=1, test_size=0.2, random_state=random_state)
    for train_index, test_index in train_test_split.split(data.drop("y", axis=1), data["y"]):
        train_set = data.iloc[train_index]
        test_set = data.iloc[test_index]

        X_train = train_set.drop(["duration", "y"], axis=1)
        y_train = train_set["y"].astype("int").to_numpy()
        X_test = test_set.drop(["duration", "y"], axis=1)
        y_test = test_set["y"].astype("int").to_numpy()

        train_validate_split = StratifiedShuffleSplit(n_splits=1, test_size=0.2)
        for ttrain_index, validate_index in train_validate_split.split(X_train, y_train):
            ttrain_set = train_set.iloc[ttrain_index]
```

```
validate_set = train_set.iloc[validate_index]

X_ttrain = ttrain_set.drop(["duration", "y"], axis=1)
y_ttrain = ttrain_set["y"].astype("int").to_numpy()
X_validate = validate_set.drop(["duration", "y"], axis=1)
y_validate = validate_set["y"].astype("int").to_numpy()

if preprocessor != None:
    X_train = preprocessor.fit_transform(X_train, y_train)
    X_test = preprocessor.transform(X_test)
    X_ttrain = preprocessor.fit_transform(X_ttrain, y_ttrain)
    X_validate = preprocessor.transform(X_validate)

return (X_train, y_train, X_test, y_test,
        X_ttrain, y_ttrain, X_validate, y_validate)
```

Appendix 3: benchmark()

```
def benchmark(data, preprocessor=None, clf=None):
    """
    Benchmark preprocessor and clf's performance on train, validation and test sets.
    All the data transformation should be handled by preprocessor and estimation should be handled by clf.

    Parameters
    -----
    data : DataFrame
        Pipeline, default = None
    clf : estimator, default = None
        estimator, default = None

    """
    (
        X_train,
        y_train,
        X_test,
        y_test,
        X_ttrain,
        y_ttrain,
        X_validate,
        y_validate,
    ) = split_dataset(data, preprocessor)
    X_sets = [X_ttrain, X_validate, X_test]
    y_sets = [y_ttrain, y_validate, y_test]

    metric_names = ["TNR", "TPR", "bACC", "ROC", "REC", "PRE", "AP"]
    set_names = ["Train", "Validate", "Test"]
    metric_df = pd.DataFrame(index=metric_names, columns=set_names)

    try:
        clf.fit(X_ttrain, y_ttrain, eval_set=(X_validate, y_validate), verbose=False)
    except (ValueError, TypeError, KeyError):
        clf.fit(X_ttrain, y_ttrain)

    for name, X, y in zip(set_names, X_sets, y_sets):
        # Re-fit model on train set before test set evaluation except CatBoost
        if name == "Test" and not isinstance(clf, CatBoostClassifier):
            clf.fit(X_train, y_train)
        y_pred = clf.predict(X)

        try:
            y_score = clf.decision_function(X)
```

```
except AttributeError:
    y_score = clf.predict_proba(X)[:, 1]

metrics = [
    recall_score(y, y_pred, pos_label=0),
    recall_score(y, y_pred),
    balanced_accuracy_score(y, y_pred),
    roc_auc_score(y, y_score),
    recall_score(y, y_pred),
    precision_score(y, y_pred),
    average_precision_score(y, y_score),
]
metric_df[name] = metrics

return metric_df
```

Appendix 4: dftransform()

```
def dftransform(X,
               drop=None,
               cut=None,
               gen=None,
               cyclic=None,
               target=None,
               fillna=True,
               to_float=False):
    """
    Encode, transform, and generate categorical data in the dataframe.

    Parameters
    -----
    X : DataFrame

    drop : list, default = None

    gen : list, default = None

    cut : list, default = None

    external : list, default = None

    cyclic : list, default = None

    fillna : boolean, default = True

    to_float : boolean, default = False

    Returns
    -----
    X : DataFrame

    Examples
    -----
    bank_mkt = import_dataset("../data/BankMarketing.csv")
    X = dftransform(bank_mkt)
    """
    X = X.copy()

    if gen != None:
        if "year" in gen or "days" in gen:
            X.loc[X.index < 27682, "year"] = 2008
            X.loc[(27682 ≤ X.index) & (X.index < 39118), "year"] = 2009
```

```

X.loc[39118 <= X.index, "year"] = 2010
X["year"] = X["year"].astype("int")
if "days" in gen:
    X["date"] = pd.to_datetime(X[["month", "year"]].assign(day=1))
    X["lehman"] = pd.to_datetime("2008-09-15")
    X["days"] = X["date"] - X["lehman"]
    X["days"] = X["days"].dt.days
    X = X.drop(["lehman", "year", "date"], axis=1)
if "has_previous" in gen:
    X["has_previous"] = X["previous"] > 0
if "has_default" in gen:
    X["has_default"] = X["default"].notna()
if "has_marital" in gen:
    X["has_marital"] = X["marital"].notna()

if cut != None:
    if "pdays" in cut:
        # Cut pdays into categories
        X["pdays"] = pd.cut(X["pdays"],
                             [0, 3, 5, 10, 15, 30, 1000],
                             labels=[3, 5, 10, 15, 30, 1000],
                             include_lowest=True).astype("Int64")

if cyclic != None:
    if "month" in cyclic:
        X['month_sin'] = np.sin(2 * np.pi * X["month"]/12)
        X['month_cos'] = np.cos(2 * np.pi * X["month"]/12)
        X = X.drop("month", axis=1)
    if "day_of_week" in cyclic:
        X['day_sin'] = np.sin(2 * np.pi * X["day_of_week"]/5)
        X['day_cos'] = np.cos(2 * np.pi * X["day_of_week"]/5)
        X = X.drop("day_of_week", axis=1)

# Transform target encoded feature as str
if target != None:
    X[target] = X[target].astype("str")

# Other categorical features will be coded as its order in pandas categorical index
X = X.apply(lambda x: x.cat.codes if pd.api.types.is_categorical_dtype(
    x) else (x.astype("Int64") if pd.api.types.is_bool_dtype(x) else x))

if fillna:
    # Clients who have been contacted but do not have pdays record should be encoded as 999
    # Clients who have not been contacted should be encoded as -999
    X.loc[X["pdays"].isna() & X["poutcome"].notna(), "pdays"] = 999
    X["pdays"] = X["pdays"].fillna(-999)
    # Fill other missing values as -1
    X = X.fillna(-1)
else:
    X = X.astype("float")

if drop != None:
    # Drop features
    X = X.drop(drop, axis=1)

if to_float:

```

```
X = X.astype("float")  
return X
```