

We were able to dramatically improve one large U.S. retail bank's ability to identify and prioritize accounts for early intervention

BACKGROUND

- Top 3 U.S. retail bank experienced increasing account delinquencies and credit losses (5% portfolio charge-off rate)
- Early Intervention (EI) process involved ~25 queues, manually reviewed by ~100 FTE
- However, 55% of charged-off accounts were not identified by existing EI strategies
- Manual risk reviews were not prioritized

ACTION

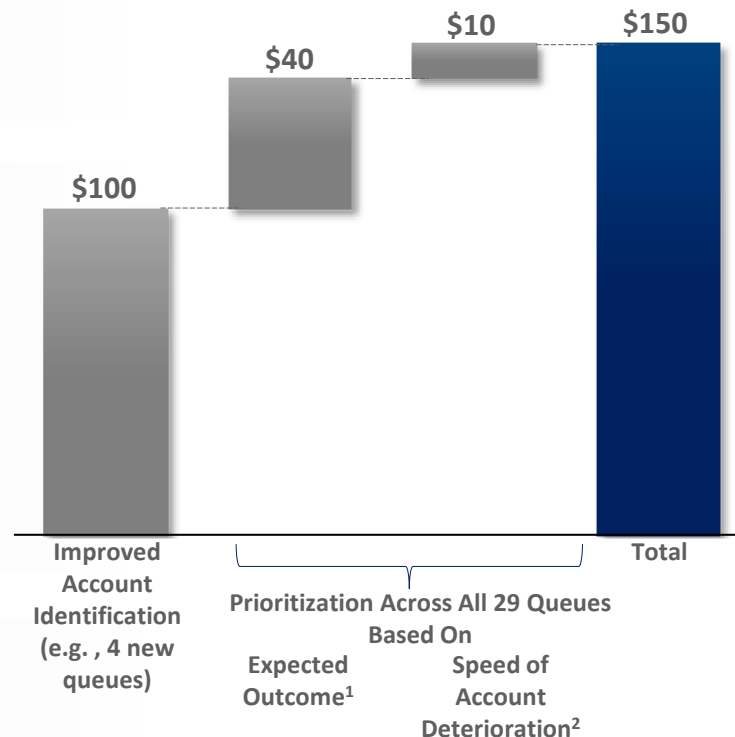
- Profiled and segmented “hidden” charged-off accounts to derive new variables predictive of high-risk behavior
- Defined 4 new queues for EI – average charge-off rate of 11.5%
- Prioritized review efforts based on action rate, expected outcome and speed of account deterioration

IMPACT

- We identified opportunities to reduce net credit losses by ~\$150MM

RESULTS: IMPROVING EARLY INTERVENTION STRATEGIES

Annual Net Credit Loss Reduction \$MM



1. Outcome of manual review measured in terms of Credit Line Decrease action rate and Profitability impact

2. Speed of Account Deterioration measured as Risk x Available Spending Limit x Speed of Balance Build-up