

CREDIT RISK MANAGEMENT FRAMEWORK

A Framework for Joining Credit Strategy, Culture and Practice

OVERVIEW

The primary source of revenue for most commercial banks is the extension of credit, an activity that concurrently poses the greatest risk to earnings and capital. When end-to-end credit risk activities are prudently assessed, monitored, and controlled the shareholders and customers benefit. However, flaws in credit risk management strategy and practice are the leading cause of bank failure. For decades, competent credit professionals have concentrated most of their effort on prudently approving loans and carefully monitoring loan performance which relies heavily on trailing indicators of credit quality. More and more banks are finding that lagging indicators do not provide sufficient lead time for corrective action when there is a systemic increase in risk. This course addresses the end-to-end framework of managing credit risk and explores how the risks of individual loans and portfolios are interrelated and covers portfolio management approaches as well as practical loan appraisal. This intensive three-day course provides a comprehensive understanding of the concepts, tools and methodologies used in implementing a comprehensive and cohesive credit risk framework within a bank.

WHO SHOULD ATTEND?

The course has been designed for credit professionals as well as professionals with portfolio management responsibilities. Credit professionals within departments such as Credit Risk Management, Credit Policies and Procedures, Risk Assessment, Credit Approval, Loan Administration/Monitoring, Collections and Workouts, as well as managers within Retail, SME and Corporate Business Units would benefit from this course. **If you are asking yourself any of the following questions, then it is definitely for you:**

- *How can we define and manage the risk profile and credit culture of our institution?*
- *How can we identify emerging risks and what strategies can we adopt in response??*
- *What data and indicators can we use to proactively manage credit risk?*
- *How should we identify, monitor and manage concentration risk?*
- *What approaches can we adopt to improve credit risk assessment and mitigate risk?*
- *How should we identify and manage problem loans?*

COURSE OBJECTIVES

Participants in the course will come away with:

Confidence in their understanding of an end-to-end framework used to manage credit risk within a bank.

- Confidence in their understanding and used of concepts and tools used to identify, measure, monitor and control emerging credit risk.
- An understanding of how customer set, and product and service offerings drive the selection of the operating model, including the credit process.
- Understanding of approaches to manage concentration risk, including hedging and portfolio management.
- Awareness of the purpose and benefits of stress testing and scenario analysis; and
- Familiarity with organizational matters to consider when managing collections and problem loans.

The course includes:

- Sample Credit Risk Appetite Statement
- Credit Risk Early Warning Tool
- Concentration Risk Assessment Tool
- Credit Risk Management Red Flag Checklist
- Credit Risk Management Supervisory Review Template

COURSE CONTENTS

MODULE 1: BASEL ACCORDS, CAPITAL ADEQUACY & CREDIT RISK MANAGEMENT

- The Credit Process
- Risks Associated with Lending
- Historical Overview of Basel Accord
- The Three Pillars of Basel II/III
- Internal Capital Adequacy Assessment Process (ICAAP)

MODULE 2: ALIGNING BUSINESS UNIT PLANNING WITH STRATEGY, MARKET SEGMENTATION & TARGET MARKETING

- The Strategic Planning Process
- Letter of Instruction & Statement of Risk Appetite
- Strategic Segmentation (Institutional Level)
- Cascading of the Institutional Strategy & Key Performance Indicators
- Strategic Segmentation (at the Business Unit Level)

MODULE 3: PLANNING & DEVELOPING THE CREDIT FUNCTION

- Strategic Risk Management within an Institution
- Objectives & Goals of Credit Risk Management
- Loan Portfolio Objectives
- Strategic Planning for the Loan Portfolio
- Quantifying Volume, Level, & Directions of Risk
- Assessing the Credit Risk Function

MODULE 4: MANAGING & CONTROLLING THE CREDIT FUNCTION (POLICIES & PROCEDURES)

- Loan Policy (Purpose and Objective)
- Loan Policy Topics
- Underwriting Documents Standards
- Loan Approval Processes
- Risk Rating Systems
- Exceptions to Policy
- Organizational Considerations relating to Collections.

MODULE 5: PORTFOLIO MANAGEMENT

- Fundamental Portfolio Management Terms & Concepts
- Concentration vs. Diversification Risk
- Concentration Risk & Measuring Correlation
- Stress Testing & Scenario Analysis
- Hedging Tools

MODULE 6: PROBLEM LOAN MANAGEMENT FRAMEWORK & COMMUNICATING WITH EXCO & THE BOARD

- Organizational Considerations relating to Loan Work-out.
- Good Bank vs Bad Bank Structures & Requirements (Case Study)
- Communication with Senior Management & the Board
- Developing Leading Indicators to Monitor Emerging Credit Risk within a Portfolio

The End & Wrap Up

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
3 DAYS	In-Plant	8 (Guaranteed Minimum)	For quote, please click the following link:- http://demvros.com/contact/
Discount is available for class size above the minimum. Please visit www.demvros.com or call 08056154199 or e-mail for further enquiries.			