

COMPREHENSIVE CREDIT RISK MODELLING

[With special focus on TRIM, IFRS 9 and Basel IV]

COURSE OVERVIEW

Credit risk modeling techniques have advanced over the last decade considering regulatory change - new and fundamental changes have been agreed recently. IFRS 9 went live in 2018, and new Basel III amendments ("Basel IV") as well as the Europe-wide Targeted Review of Internal Models (TRIM) are putting additional pressure on banks to reassess their credit risk management and modelling set-up. In this context, existing modelling frameworks need to be reviewed and streamlined to achieve various objectives. This comprehensive and practical training will give participants a broad overview of various credit risk modelling techniques and applications, while going into details regarding IFRS 9, TRIM and Basel III/IV, providing extensive examples and case studies.

COURSE OBJECTIVES

At End of Course & Closure of this intensive course, participants will be equipped with ready-to-use frameworks for application in various areas of credit risk modelling.

- Appreciate the overall context of credit risk modelling in an effective risk management set-up.
- Understand specific challenges faced regarding IFRS 9 expected credit loss modelling.
- Targeted Review of Internal Models (TRIM) and recently agreed Basel IV requirements and appreciate different solutions for compliance.
- Comprehend how to develop solid credit risk models as well as adjust and leverage existing models for various applications.

WHO SHOULD ATTEND?

Solid credit risk management and modelling continues to be the backbone for long-term success in banking as well as other industry sectors. Respectively, this course is well suited for professionals working in one of the following or related areas, in order to be prepared to keep up with the challenges around the corner:

- Credit Risk Modelling
- Accounting/Finance
- Model Development and Validation
- Quantitative Analysis
- Enterprise-Wide Risk Management
- Risk / Finance IT Delivery

Key Benefits Include

- Pre-course questionnaire to establish your individual and business concerns.
- Practical case studies and extensive modelling spreadsheets allow delegates to put theory into practice.
- Receive an electronic copy of the trainer's presentation prior to the course.
- Receive electronic copies of all modelling and simulation spreadsheets.

COURSE CONTENTS

SESSION I – CREDIT RISK MODELLING PRIMER

Key Credit Risk Concepts and Terminology

- Expected and unexpected credit loss
- Provisioning and capital requirements
- Regulatory vs economic capital
- Credit risk parameters – PD, LGD, EAD
- Credit rating/scoring
- Credit risk stress testing
- Risk-based pricing

Practical examples and group discussion

Case Study: Risk-based pricing based on IRB and other risk parameters.

Industry Standard Credit Risk Models Overview

- Statistical models
 - Regression, MDA, Neural Networks

- FinTech trends – machine learning application and use of alternative data sources
- Causal models
 - Option pricing and simulation models
- Heuristic models
- Real-world examples and case studies

Practical examples and group discussion

Case Studies: Logistic Regression and Merton Model

Credit Risk Parameter Estimation

- Industry best practice techniques for:
 - Probability of Default (PD) estimation
 - Loss Given Default (LGD) estimation.
 - Exposure at Default (EAD) estimation
 - Wholesale and retail specifics

- Real-world examples and case studies

Practical examples and group discussions

Case Study: Calculation of realised LGD

Credit Risk Model Development, Validation and ECB TRIM

- Data set
- Developing the scoring function

- Model calibration
- Transition matrices
- Qualitative and quantitative validation
- Europe-wide Targeted Review of IRB Models (TRIM)

Practical examples and group discussions

Case Study: Assessing discriminatory power via ROC.

Case Study: Model validation in course of ECB's TRIM

SESSION II - IFRS 9 AND REGULATORY DEEP DIVES

IFRS 9 Overview and Expected Credit Loss Estimation

- The 3 model stages and stage assessment
- IFRS 9 requirements for ECL modelling
- ECL Estimation deconstructed.
 - Macroeconomic Scenario Model
 - Economic Linkage Model
 - Credit Loss Estimation Model
- Life-time expected loss and 12M-expected loss modelling.
- Point-in-time (PIT) and through-the-cycle (TTC) credit risk parameter estimation

Practical examples and group discussions

CASE STUDY: End-to-End IFRS 9 ECL Estimation and Simulation

Impact of IFRS 9 on Credit Risk RWA and Regulatory Capital

- Basel Standard vs Foundation IRB vs Advanced IRB approach
- Accounting (IFRS) vs Regulatory (Basel) modelling requirements
- Adapting regulatory credit risk parameters for IFRS 9
- IFRS 9 impacts on Regulatory capital (Pillar I)

- IFRS 9 interaction with Basel Pillar II (ICAAP and Economic Capital)

Practical examples and group discussions

CASE STUDY: IFRS 9 Effects on Regulatory Capital

Internal and regulatory credit stress testing

- General stress testing process
- Top-down vs bottom-up credit stress tests
- Testing fundamental credit drivers
- Stress scenario generation
- Analysis of stress results
- Regulatory stress testing programs

Practical examples and group discussions

Basel IV revisions with focus on the credit risk space

- Recent and expected revisions.
 - Capital Floors
 - Standardized Approach for Credit Risk
 - IRB Approach for Credit Risk
 - Basel IV revisions in other risk categories (market, operational, etc)
 - Practical examples
- What's next? The risk & regulatory roller coaster

Practical examples and group discussions

End of Course & Closure & Closure

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
5 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.			