

Tips	Area	Key questions
Focus on capital	Profit drivers Return on capital	What are the key profit drivers? Is the profit adequate for the capital tied up? If not, is the long term potential sufficient to justify short term return on capital? For each product does the amount of capital allocated reflect volatility of this business area?
Get the best models	Scorecards Basel models Forecasting tools	Can I trust that our scorecards accurately estimate risk? Are the scorecards / rating models fit for purpose? Are the models robust or susceptible to change? How would they fare in a downturn? How can I be sure the modellers understand the business?
Challenge assumptions	Credit decision making Role of Credit	For every key policy decision, can I be sure underlying assumptions have been spelt out and other areas of the business have had an opportunity to challenge these assumptions. Do assumptions reflect economic outlook? What internal product / policy changes are planned? Are we maximising our investment in scores? Is wider policy adding value? Is Credit taking an independent view? Are the Credit, Product and Operations budgets compatible / consistent?
Focus on the margin	Profitability	I am achieving the optimal trade-off between risk and reward in every credit area – origination, pay/no pay, collections? Am I achieving breakeven at the margin? Would I know if this is happening? Do I know what breakeven means?
Design for accountability	Management information Setting targets / expectations Measuring actual vs expected results	What results am I expecting for each initiative? Do I have appropriate review points? Are the numbers I am getting really reflecting what I need to know e.g. likely losses / profit / departure from forecast? Are early warning indicators in place and are they effective?

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Quantify your risk appetite	Dashboard metrics and triggers	<p>Can I articulate risk appetite?</p> <p>How do I implement my risk appetite?</p> <p>How do I know if my risk appetite is being breached?</p> <p>Are mechanisms in place to maintain risk appetite?</p>
Understand vulnerability	<p>Provision adequacy</p> <p>Capital adequacy</p> <p>Funding</p> <p>Competition</p> <p>Regulation</p>	<p>What are our top 10 risks?</p> <p>Are my provisions adequate?</p> <p>If 'all hell breaks loose' will the bank survive?</p> <p>Are sources of funding secure?</p> <p>What changes are taking place which have significance for our lending portfolios?</p> <p>Where are the growth opportunities?</p> <p>What threats are posed by the competition?</p>
Worry about execution	Operations	<p>Are policy initiatives acted on?</p> <p>Is the quality of execution reliable?</p> <p>How can I tell whether we are getting better/worse relative to competition?</p> <p>Do I need to be concerned about deviations from credit policy?</p>
Systematise innovation	Management and systems that facilitate responsiveness	<p>How responsive is the organisation really?</p> <p>How long does it take to get change implemented?</p> <p>Do system constraints stop us innovating?</p> <p>Where are the barriers to innovation?</p>
Get the right person	<p>Human resources</p> <p>Organisation</p>	<p>Is there someone who can articulate at senior level and understand the detail of what is going on?</p> <p>Who will tell me the bad news?</p> <p>Can I trust their judgment – will they 'cry wolf'?</p> <p>Who will make sure we're not 'missing the boat'?</p>