

# CREDIT RISK FUNDAMENTALS

The concepts and techniques for  
managing risk and reward

Introductions and welcome 09:00-09:30

## Day one: Using scores – the principles of measuring risk vs reward

1. How do Banks make money? Influencing the bottom line 09:30-11:15

- Basics of lending
- Components of profit
- Role of Credit Risk
- Exercises: measuring profitability

2. Credit Risk toolkit: scoring and the organisation 11:15-12:30

- What is 'creditworthiness'?
- Why use scoring?
- Basic principles of scoring
- Exercises: application scorecard decision points

Breaks at 10:15 and 11:15

## Day two: Using scores – acquisition strategies

3. Acquisition strategies: balancing risk vs reward 09:00 -10:45

- Scorecard sign-off
- Setting cut offs
- Terms of business
- Exercises: calculating trade off opportunities

4. Acquisition strategies: scores vs policy 10:45 -12:30

- Policy framework
- Reasons for referrals
- Affordability
- Managing the process
- Exercises: Identifying exclusions and referrals

Breaks at 10:15 and 11:15

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## Day three: Running a scored portfolio – strategic thinking for risk vs reward

5. Refining acquisition strategies 09:00-11:15

- Why track...and what?
- Expectations / assumptions
- Acceptance and override rates
- Population stability
- Performance measures
- Interpretation and response
- Exercises: measuring actual vs expected

6. Account management: how to give money away 11:15-12:30

- Role of limits
- Credit limit strategies
- Experimentation – why and how
- Early measures of success
- Longer term evaluation
- Exercises: developing / analysing a marketing programme

Lunch break

7. Collections: keeping the customer on board 13:30-15:15

- Role of collections
- Segmentation driven activity
- Measuring returns
- Exercises: developing collection plans; collections outcome reporting

8. Portfolio management: keeping all the balls in the air 15:15 -16:30

- Dynamic delinquency matrices
- New account effects
- Portfolio effects
- Exercises: projections of future performance

Breaks at 10:00, 11:15, 12:30, 14:30, 15:45

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## Day four: Delivering on risk vs reward for the business

9. Bad debt: measurement and provision 09:00-10:45

- What is delinquency?
- Provisioning and IFRS9 framework
- Why banks sell debt
- Exercises: arrears counters; provision calculations

10. Basel: Regulatory capital 10:45-12:30

- Why regulate?
- Expected and unexpected losses
- The Basel Framework
- Exercises: analysis of 2008 and COVID-19 crisis; Basel calculations

Breaks at 10:00, 11:15

## Day five: Running a scored portfolio – regulation and best practice

11. Real world: Outcomes and defenses 09:00-10:30

- Does risk matter?
- What is Credit Risk?
- Identifying changes in risk
- Exercises: attitude to risk; agents of change

12. Credit Risk management: Best practice v regulator lens 10:30-12:30

- Keeping control
- Measurement and monitoring
- Business growth: importance of risk
- Exercises: plenary

Breaks at 10:00 and 11:15

**End of seminar**