Credit and Risk Analysis

Why Credit Risk Analysis?

Credit risk analysis is crucial for corporations because it enables them to assess and manage the risk of financial loss due to a borrower's failure to meet contractual obligations. Effective credit risk analysis helps corporations in making informed lending decisions, thereby minimizing potential losses and maintaining financial stability. It ensures that the company can evaluate the creditworthiness of potential clients and partners, establish appropriate credit limits, and develop strategies to mitigate risks. Furthermore, understanding credit risk allows corporations to comply with regulatory requirements and align their risk management practices with industry standards, ultimately contributing to sustainable growth and resilience in a competitive market.

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Who should attend?

- Credit Risk Analysts
- Financial Analysts
- Risk Managers
- Credit Officers
- Corporate Treasurers
- Bankers and Lending Officers
- Regulatory Compliance Officers
- Financial Controllers
- CFOs and Finance Directors

Methodology

- Hands on Activities
- Group Discussions
- Sharing Insights
- Videos, business case stories
- Real World Application

Learning Outcomes

1. **Understanding Credit Risk:**
   - Explain the fundamental concepts of credit risk and its importance in financial institutions.
   - Identify different types of credit risk (e.g., default risk, concentration risk, country risk).
2. **Risk Assessment Techniques:**
   - Analyze financial statements to assess the creditworthiness of borrowers.
   - Apply qualitative and quantitative methods to evaluate credit risk.
3. Credit Risk Models:
   - Understand and use common credit risk models (e.g., Altman Z-Score, CreditMetrics, KMV).
   - Interpret the outputs of credit risk models to make informed lending decisions.
4. **Risk Mitigation Strategies:**
   - Develop strategies to mitigate credit risk, including the use of collateral, guarantees, and credit derivatives.
   - Evaluate the effectiveness of different risk mitigation techniques.
5. **Regulatory Framework:**
   - Understand the regulatory requirements related to credit risk (e.g., Basel III, IFRS 9).
   - Explain how regulatory frameworks impact credit risk management practices.
6. **Credit Risk Management Process:**
   - Design and implement a comprehensive credit risk management process.
   - Monitor and review credit risk on an ongoing basis to ensure compliance and adjust strategies as needed.
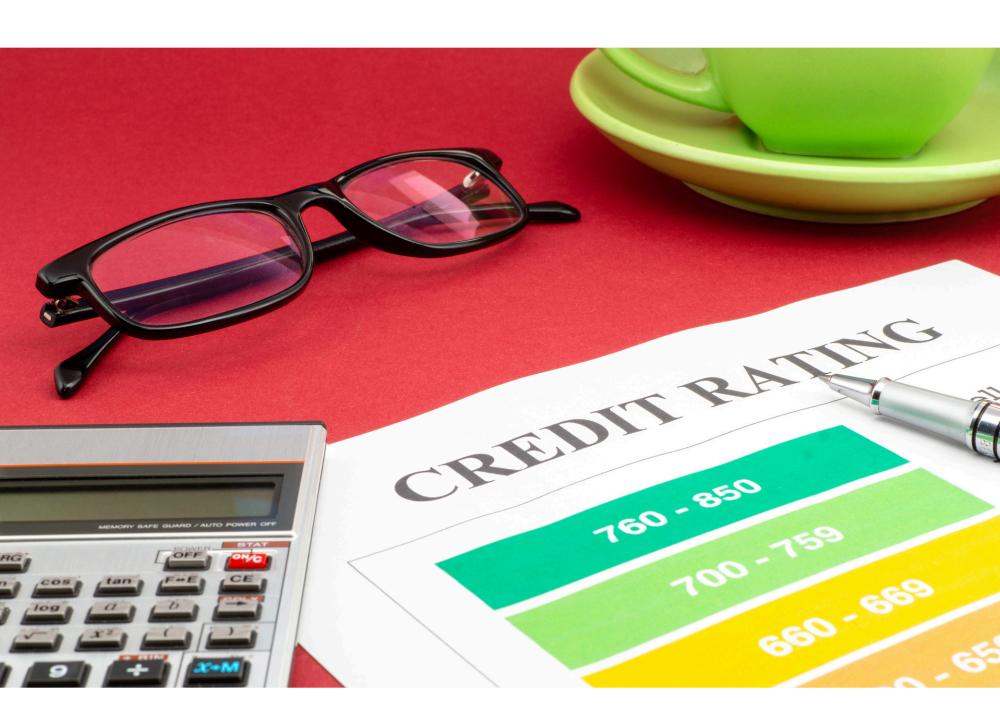7. **Case Studies and Practical Applications:**
   - Apply credit risk analysis techniques to real-world case studies.
   - Use credit risk analysis software/tools to perform credit assessments.
8. **Communication and Reporting:**
   - Develop skills to effectively communicate credit risk findings and recommendations to stakeholders.
   - Prepare comprehensive credit risk reports for internal and external use.

Workshop Modules

Module 1: Introduction to Credit Risk

- Definition and importance of credit risk
- Types of credit risk (default risk, concentration risk, etc.)
- Role of credit risk in financial stability

Module 2: Financial Statement Analysis

- Key financial ratios and indicators
- Interpreting balance sheets, income statements, and cash flo statements
- Assessing borrower creditworthiness

Module 3: Qualitative and Quantitative Assessment Techniques

- Qualitative factors (management quality, industry position
- Quantitative models (regression analysis, probability of default)

Module 4: Credit Risk Models

- Overview of popular credit risk models(Altman Z-Score,CreditMetrics, KMV)
- Model inputs and outputs
- Strengths and limitations of each model

Module 5: Regulatory Frameworks

- Key regulatory requirements (Basel III, IFRS 9)
- Impact of regulations on credit risk management
- Compliance strategies and best practices

Module 6: Credit Risk Mitigation Strategies

- Collateral management
- Use of guarantees and credit derivatives
- Diversification and portfolio management

Module 7: Credit Risk Management Process

- Designing a credit risk management framework
- Ongoing monitoring and review processes
- Strengths and limitations of each model

Module 8: Case Studies and Practical Applications

- Application of credit risk analysis techniques to real-world cases
- Use of credit risk analysis software/tools

Module 9: Communication and Reporting

- Effective communication of credit risk findings
- Structuring comprehensive credit risk reports
- Stakeholder presentation techniques