



Credit Risk Management for Banks: Credit Assessment, Rating Models and Problem Loans



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Introduction:

Credit risk management in banks and finance companies breaks down when loans are approved on thin analysis, rated inconsistently and left unmonitored until arrears appear. This Core Concept course follows the lending lifecycle from origination to recovery: assessing corporate and retail borrowers, assigning obligor grades with PD, LGD and EAD parameters, structuring collateral and covenants, setting concentration limits, and acting on early-warning signals before a loan becomes non-performing. Working on corporate, SME and consumer credit files, participants produce a Credit Approval Memorandum and a Loan Book Early-Warning Report.

Course Objectives:

- Assess corporate, SME and retail borrowers against a structured underwriting framework covering repayment capacity, character, capital, collateral and conditions
- Assign obligor and facility grades using scorecards and internal rating scales, and interpret PD, LGD and EAD estimates for pricing and approval decisions
- Structure security packages, guarantees and financial covenants that protect recovery value and trigger early lender action
- Set and monitor credit concentration limits by obligor, connected group, sector and product across a loan book
- Detect early-warning signals, grade watch-list accounts and select restructuring, workout or recovery strategies for problem loans
- Prepare credit committee papers and loan book reports covering rating migration, staging and impairment drivers as described by IFRS 9

Target Audience:

- Managers who underwrite and recommend corporate, SME or retail lending proposals
 - Managers who approve credit applications or sit on credit committees
 - Managers responsible for internal rating, scoring and credit risk parameter use in lending
 - Managers who monitor loan books, concentration limits and watch lists
 - Managers responsible for remedial management, restructuring and recovery of impaired loans
 - Managers who prepare credit risk reports for senior management and boards
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Course Outline:

Day 1: Credit Risk Lifecycle and Lending Risk Appetite

- Lending Lifecycle Map: Origination, Approval, Disbursement, Monitoring and Recovery
- Credit Policy Manual and Delegated Lending Authority Matrix
- Obligor, Facility and Portfolio Levels of Credit Risk
- Credit Risk Appetite Statement for Lending Portfolios
- Loan Book Current-State Diagnostic Template

Day 2: Credit Scoring, Internal Ratings and Risk Parameters

- Application and Behavioural Scorecards for Retail Lending
- Corporate Obligor Rating Scale and Rating Override Rules
- Probability of Default Calibration to Rating Grades
- Loss Given Default Drivers: Seniority, Security and Recovery Costs
- Exposure at Default for Revolving and Undrawn Facilities

Day 3: Borrower Assessment, Security and Covenant Structuring

- Five Cs of Credit Underwriting Checklist for Corporate and SME Borrowers
- Debt Service Coverage and Cash Flow Repayment Capacity Test
- Retail Affordability Assessment and Debt Burden Ratio
- Collateral Valuation, Haircuts and Guarantee Enforceability Review
- Financial and Information Covenant Design with Breach Triggers

Day 4: Concentration Limits, Early Warning and Problem Loans

- Single-Obligor, Connected-Group and Sector Concentration Limit Setting
- Early-Warning Indicator Set and Watch-List Grading Criteria
- IFRS 9 Stage 1, 2 and 3 Allocation and Significant Increase in Credit Risk
- Loan Restructuring Options: Rescheduling, Refinancing and Covenant Waivers
- Workout Strategy and Recovery Plan for Non-Performing Loans

Day 5: Case Work: Credit Approval Memorandum and Early-Warning Report

- Corporate Term Loan Case File: Rating and Structuring Exercise
 - Consumer and SME Portfolio Case File: Arrears and Rating Migration Analysis
 - Credit Approval Memorandum Drafting with Risk Mitigants and Conditions
 - Loan Book Early-Warning Report with Concentration and Staging Dashboard
 - Credit Committee Presentation and Peer Challenge
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Skills You Will Gain:

- Borrower Credit Underwriting
- Obligor Risk Grading
- Risk Parameter Interpretation
- Security and Covenant Structuring
- Concentration Limit Management
- Watch-List Management
- Problem Loan Workout
- Credit Committee Reporting

Why Attend This Course:

- Leave with a Credit Approval Memorandum and Loan Book Early-Warning Report built on realistic corporate, SME and consumer case files
- Defend lending recommendations to a credit committee with consistent grades, clear mitigants and quantified loss drivers
- Spot deteriorating borrowers months earlier and move them to remedial action while recovery options remain open
- Compare underwriting and recovery practice with lenders from commercial banks, finance companies and development lenders

Conclusion:

Credit losses are shaped at every stage of a loan, from the first underwriting judgement to the final recovery decision. Across five days, participants move from the lending lifecycle and risk appetite, through scoring, ratings and PD, LGD and EAD parameters, to borrower assessment, security and covenants, and then to concentration limits, early-warning signals, staging and problem-loan workout. The final day applies these methods to corporate and retail case files, producing a Credit Approval Memorandum and Loan Book Early-Warning Report ready for use in each participant's own credit function.
