

Advanced Risk Management, s.r.o., a consulting company from the Czech Republic, specialized in financial risk management, invites you to the seminar:

MANAGING CREDIT RISK

Who should attend: risk managers responsible for credit risk, experts responsible for credit risk within Basel II framework, compliance officers and internal auditors.

PROGRAM OF SEMINAR:

CREDIT RISK – INTRODUCTION

- Definition of credit risk
- Objective of credit risk management
- Process of credit risk management
- Basic terminology and its importance
- Examples of failures in credit risk management
- Structure of credit risk
- Classification of financial risks
- Connections between credit risk and other financial risks
- Strategic competitive advantage resulting from a sound system of credit risk measurement and management

IDENTIFICATION OF CREDIT RISK

- Most frequent forms of credit risk
- Credit risk classification by type of debtor
- Credit risk classification by transaction type

CREDIT RISK MEASUREMENT – BASICS OF SOUND MANAGEMENT

- Client segmentation methods according to their creditworthiness
 - Scoring methods
 - Rating and influence of expert appraisal
- Key characteristics of credit risk
 - Probability of default (PD)
 - Loss given by default (LGD)
 - Exposure at default (EAD)
- Relationship among PD, LGD and credit premium
- Methods of measuring credit risk
 - Expected loss (EL)
 - Unexpected loss (UL)
 - Value at Risk (VaR)
- Impact of correlation on the size of credit risk
- Suitability of individual measurements from the point of view of measuring a single counterparty risk or portfolio risk
- Stress testing
 - Methods of stress testing
 - Factors with impact on the size of credit risk
 - Impact of increasing PD and LGD on expected and unexpected loss
- Past due receivables and their development

CREDIT RISK MANAGEMENT

- Organization
- Procedural requirements
- Approval process
 - Know your customer
 - Form of the process
- Powers
- Technical support
- Blacklists and client information registers
- Importance of customer and counterparty segmentation
- System of credit limits
 - Method of credit limit determination
 - Connection between the size of risk and margins
- Commercial terms and their impact on the size of risk
 - Impact on the size of exposure
 - Importance of the terms set up
 - Motivation scheme for traders
- "Struggle" between the trading department and risk management department

How to mitigate credit risk or transfer it to a third party?

- Guarantee
- Insurance
- Collateral
- Factoring and forfaiting
- Credit derivatives
- Asset securitization

Provisions and reserves – relationship to expected loss and accounting impacts (IFRS × Basel II)

Psychological aspects of credit risks

- Various risks connected with different sales channels
- Various risks connected with different financial products
- Moral hazard

COLLECTION PROCESS

- Form of process
- Early collection
- Late collection
- Collection methods...text messages, letters, personal contact, collection agencies, sale of receivables
- Efficiency of different collection methods
- Insolvency law

REPORTING

Draft of reporting format – key questions:

- For whom is it prepared?
- How much time does the manager have for reading the report in question?
- How to emphasize key information?

Components of reports and how they should be compiled

- Charts
- Spreadsheets
- Comments

Frequency of reporting
What to do if you want a manager to decide incorrectly?

CRISIS AND LESSON LEARNT FROM IT

Reasons of the origin of the crisis

- Bad greedy bankers?
- Failure of regulation?
- Modern tools of credit risk management and their failure?

Reinventing the wheel – or most important conclusions:

- Do not lend to anybody and under any circumstances
- Statistics are a good servant but bad master – common sense is a must also in the era of advanced statistical models
- Rely on own judgment and not only on rating agencies

RECAPITULATION OF THE SEMINAR AND CONCLUSION

Lecturer: Mgr. Ing. Václav Novotný, Advanced Risk Management, s.r.o.

Business Park Košíře, Jinonická 80, Prague 5, Czech Republic

April 12–13, 2011

SELECTED REFERENCES - SEMINARS:

AB UKIO BANKAS Abanka Vipa d.d. Agropol Trading, s.r.o. ATLANTIK finanční trhy, a.s. CENTRAL EUROPEAN ADVISORY GROUP Citibank, a.s. Čepro, a.s. ČEPS, a.s. Česká exportní banka, a.s. Česká národní banka (Czech National Bank) Česká pojišťovna a.s. Česká spořitelna, a.s. (Erste Bank Group) Českomoravská stavební spořitelna, a.s. Českomoravská záruční a rozvojová banka, a.s. Československá obchodní banka, a.s. (KBC Group) ČEZ, a.s. Dexia banka Slovensko a.s. E.ON Česká Republika, s.r.o. Erste Group Bank AG	Erste & Steiermärkische Bank d.d. GE Money Bank, a.s. Generali Pojišťovna a.s. HVB Bank Czech Republic a.s. HVB bank Slovakia, a.s. Hypoteční banka, a.s. Investiční kapitálová společnost KB, a.s. Intesa Sanpaolo Bank J&T Banka, a.s. Komerční banka, a.s. (Société Générale Group) Kooperaiva pojišťovna, a.s. KPMG Česká republika, s.r.o. Ministry of Finance of the Czech Republic Národní banka Slovenska (National Bank of Slovakia) NESS Czech s.r.o. Nova KBM d.d. OTP Banka Slovensko a.s. Penzijní fond České pojišťovny, a.s. Pražská energetika, a.s.	Privredna banka Zagreb d.d. PSJ holding, a.s. RWE Transgas, a.s. S MORAVA Leasing, a.s. Scania Finance Czech Republic, spol. s r.o. SKB, d.d. Slovenská sporiteľňa, a.s. (Erste Bank Group) Slovenská záručná a rozvojová banka a.s. Slovenský plynárenský priemysel, a.s. Slovnaft, a.s. (MOL Group) ŠkoFIN, s.r.o. Telefónica O2 Czech Republic, a.s. UniCredit Bank Czech Republic, a.s. UniCredit Bank Slovakia a.s. UniCredit Banka Slovenija d.d. Unipetrol, a.s. Všeobecná úverová banka, a.s. Zagrebačka banka, d.d. Železničná spoločnosť, a.s.
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TERMS AND CONDITIONS:

If you wish to attend the seminar please fill in the application form below and send it back by fax to the number +420 257 290 473 or via e-mail to arm@arm.cz. After the receipt of the application form we will confirm your participation and issue a pro-forma invoice. The advance payment is the 100 % of the fee. An invoice will be issued after receipt of the payment.

The fee is 990 EUR + VAT. Two or more attendants from the same institution will be charged 890 EUR + VAT each. The fee involves handout materials and refreshment during the seminar.

The seminar will be held on April 12–13, 2011 at Business Park Košíře, Jinonická 80, Prague 5, Czech Republic. The schedule is as follows: on the first day the seminar starts by the registration at 8:30 a.m. On the following days it starts at 9 a.m. The seminar lasts all two days until 5 p.m. with a break at 10:30 a.m. and 3:15 p.m. and a lunch break at 12:30 p.m. At the end of the first day of the seminar there will be a cocktail giving you the opportunity for informal discussion.

Cancellation must be sent in writing. Cancellations three weeks before the seminar are subject to a 10% cancellation fee. For cancellations delivered less than three weeks before the first day of the seminar the cancellation fee is 100%. Any attendant can be substituted by another employee (colleague) from the same institution.

Advanced Risk Management, s.r.o. reserves the right to cancel the seminar and refund the fee. The institution is aware that by signing this application form it fully accepts the above-mentioned conditions. The applicant confirms that the participation of its employee is binding.

APPLICATION FORM TO THE SEMINAR MANAGING CREDIT RISK:

Name:

Position:

Company: ID:

Address: VAT No:

Phone: Fax: e-mail:

Signature and stamp



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