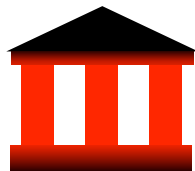

“WORLD-CLASS” CREDIT RISK MANAGEMENT

*An Intensive 3, 4 or 5-Day Seminar About
Leading Banks' Approaches to Credit Risk Management*

**THE 3rd SEMINAR FROM THE SERIES
“Increasing Bank Profitability at Acceptable Risk”**



Batt-Consulting

MANAGEMENT CONSULTANTS & TOP TEAM TRAINERS
FOR THE LEADERS OF BANKS

United Kingdom

Czech Republic

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OBJECTIVES OF THE SEMINAR

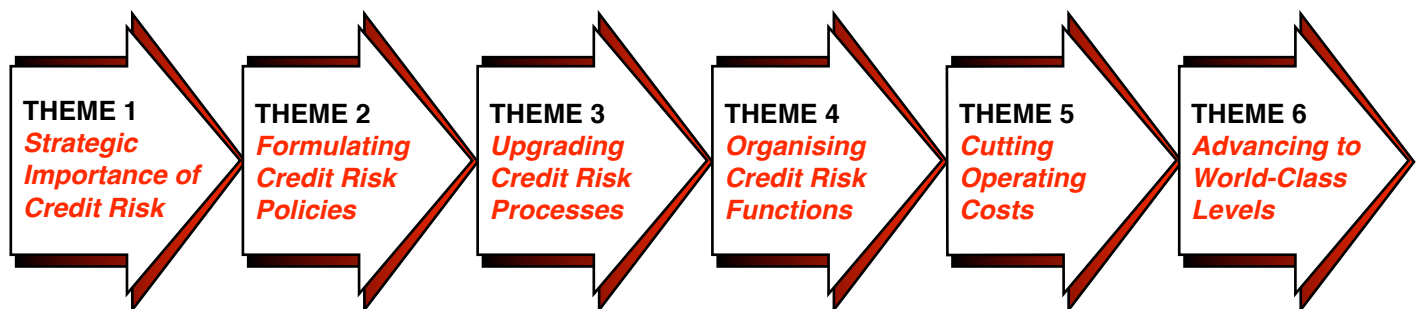
The objective of this seminar is to explore the “world-class” approaches to credit risk management of leading banks and how participants' banks could use them to improve lending profitability, before and after bad debts:

- *To provide a comprehensive review of the “world-class” credit policies and processes of leading banks around the world*
- *To explore modern trends in the organisation of credit management and the ways leading banks reengineer credit processes to increase their cost-effectiveness*
- *To practise the use of analytical methodologies which are key to modern credit management*
- *To assess ways that participants' banks could make their own credit policies, processes and organisation structures “world-class” so as to improve profitability, before and after bad debts*

The seminar is the 3rd in the series of 8 seminars designed to cover all important elements of bank strategy.

SEMINAR THEMES AND SUBJECTS

This seminar is about all aspects of best practice credit risk management in banking. It is designed to help banks reach “world-class” levels of credit management and performance. It covers the following themes and subjects:



THEME 1: The Strategic Importance of Credit Risk

Credit performance profoundly affects a bank's overall profit performance. Some banks have excellent credit policies that are linked to overall strategy. Credit processes are efficient. Loan portfolios are highly profitable. They can expand safely, even into new markets. By contrast, other banks are weak and unable to escape from high non-performing loans and write-offs. With loan margins in decline, Basel II demanding higher standards and the sub-prime mortgage crisis threatening, wise banks make sure their credit management is “world-class”.

- *The best banks are strong in all areas of credit risk management. They know that “a chain is as strong as its weakest link” and they do not tolerate weak links*
- *Banks that suffer from credit problems may be strong in most respects but flawed in just one area. These banks must know where the weakness is and fix it*

THEME 2: Formulating Segmented Credit Risk Policies

Credit policy is the foundation for excellent credit performance. In the best banks, credit policy is based on deep analysis, segmented, consistent with marketing strategy, documented and explained clearly, and up-to-date. In banks at an earlier stage of development, credit policy is often too judgmental. There are no separate policies for different market segments even though there are big differences in segment risks. Policy documentation is incomplete and often out-of-date and confusing. These banks are much more likely to have problems.

- *Leading banks have distinct policies for each segment. They are fact-based, specific and comprehensive. In the best banks they are available on-line*
- *By contrast, credit policy in some banks is very general and expressed in miscellaneous circulars or just a few pages of imprecise analysis and thinking*

THEME 3: Upgrading Credit Risk Management Processes

Major improvements have been made to credit management processes over recent years. These relate to loan selling, credit appraisal, risk adjusted pricing, on-line loan applications processing, early warning systems, credit audit, remedial management, recoveries, portfolio monitoring and portfolio management (including securitisation, loan trading and provisioning). In the best banks, these processes are now better organised, more analytical, more automated, and more cost-effective.

- *Credit management has become “hi-tech”. The power of maths, models and IT systems has been harnessed by leading banks to upgrade credit processes*
 - *These modern tools give multiple advantages. Errors are cut. Credit decisions are better. Customer service is faster. Staff are happier. Cost-effectiveness is higher*
-

THEME 4: Organising Credit Risk Management Functions

“World-class” banks have effective Board risk committees and top level credit policy committees that set policy but do not decide about individual loans. Credit committees are segmented with voting arrangements that balance the influence of business developers and credit officers. Responsibilities for selling loans and deciding about them are separated. Delegated authorities are clear and compliance is good. Credit officers exist in the right numbers, are well trained and accredited. Key support functions all exist and are centralised.

- *People who sell loans in modern banks are different to those who decide about credit. This separation gives better credit decisions and more intensive selling*
- *Old-fashioned banks do not separate sales and credit. They are usually over-bureaucratic and give little time to selling. Credit performance is often worse*

THEME 5: Cutting the Operating Cost of Credit Management

Credit management is usually the most expensive management process in a bank. When all the time involved is measured and costed, credit management accounts for around 10% of an average bank's operating costs. In some banks, this figure can reach 40% or more. Such banks usually have no idea of the costs they are incurring but they certainly have a major disadvantage vis-à-vis more efficient competitors. Given the money involved, it is no surprise that leading banks make great efforts to reengineer their credit processes.

- *Time spent on credit risk management is time not spent selling and servicing customers. The balance between selling and credit needs to be well managed and right*
- *The profitability of some banks can be increased more by reducing the operating costs of credit management than by cutting non-performing loans and write-offs*

THEME 6: Advancing to “World-Class” Levels in Practice

Credit risk management has many main elements that embrace credit policy, loan origination (sales, appraisal and pricing), processing, organisation structure, IT systems, credit skills and the cost of credit management. These elements cover 250 more detailed sub-elements. To be “world-class”, a bank must be superior in all areas. Ambitious banks usually reach this level by making determined efforts over 12 to 18 months. The progress of banks that have succeeded in these efforts is reviewed at the seminar.

- *Wise banks benchmark their credit policies and credit processes against those found in leading banks. They know where and how they need to improve*
- *Well-proven methodologies are available to help banks compare themselves to “world-class” standards. They are objective, quick and inexpensive to apply*

TARGET PARTICIPANTS

This seminar is for the top business development and credit executives of banks, senior managers who are expected to reach this level soon, and those who support directly the top management teams of their banks:

- Chairmen, chief executives and members of boards and top executive committees
- General managers, executive vice presidents, executive directors responsible for "profit centre" divisions and subsidiary companies involved in lending:
 - Personal (“retail” or “consumer”), premium and private banking
 - SME, commercial and corporate banking
- Senior executives responsible for support divisions, including those involved in:
 - Credit and other types of risk management
 - Relationship management, marketing, sales support, strategy, planning and financial control
 - Human resources and information technology management
 - Credit audit, internal audit and compliance

The programme is particularly relevant to banks that need to upgrade credit risk management and those which wish to check themselves against “world-class” standards to ensure that their progress is in the right direction.

SEMINAR STYLE

The seminar is intensive and participative. Various methods are used:

- Formal presentations, including many real case histories, with discussions
- Case studies and “question and answer” plenary discussion sessions
- Syndicate discussion group sessions followed by presentations developed by participants

Presentations are delivered in English with simultaneous translation, if required.

SEMINAR TIMETABLE

The seminar is normally 3 to 5 days long. It can be extended or shortened. Timetables for the 5 and 3-day versions are shown below. Subjects given less time in the 3-day version are marked with stars **:

DAY	SESSION	SUBJECT
1	am	1 Presentation Theme 1: The Strategic Importance of Credit Risk
		2 Presentation Credit Policy: A Key Part of Overall Bank Strategy
		3 Presentation "World-Class" Standards of Credit Risk Management & Basel II
		4 Group Work Progress Towards Basel II at Participants' Banks
	pm	5 Presentation Theme 2: Formulating Segmented Credit Policies
	6 Group Work Subjects Covered by "World-Class" Credit Policies Strengthening Credit Policy in Participants' Banks	
2	am	7 Group Work Theme 3: Upgrading Credit Processes
	pm	8 Presentation Credit Scoring: Characteristics for Assessing Personal Borrowers Development, Implementation and Use of Credit Scoring
		9 Presentation Expert Systems for Appraising SME and Corporate Loans
		10 Presentation The Theory & Practice of Target Risk-Adjusted Loan Pricing **
	11 Case Study Calculating Target Risk-Adjusted Loan Prices in Practice	
3	am	12 Presentation Online Credit Applications Processing **
	pm	13 Presentation Modern Early Warning and Gating Systems
		14 Presentation Best Practice Remedial Management & Recoveries
		15 Case Study Managing the Risk / Reward Profile of Credit Portfolios
	16 Presentation Advanced Credit-Related IT Systems **	
4	am	17 Presentation Theme 4: Organising Banks for "World-Class" Credit Management
	pm	18 Presentation Reorganising Banks for Effective Credit Management
		19 Presentation Establishing "World-Class" Credit Committees
		20 Group Work The Job of the Chief Credit Officer in Leading Banks **
		21 Presentation Setting Authorities for Credit Risk Management **
	22 Presentation Best Practice Training & Accreditation of Credit Officers **	
		23 Group Work Theme 5: Cutting the Operating Cost of Credit Management
5	am	24 Presentation Theme 6: Advancing to "World-Class" Levels in Practice
	pm	25 Presentation Methodology for Assessing a Bank's Credit Management
		26 Presentation Case History: Advancing Credit Management Across a Large International Bank
		27 Group Work Case Histories: Upgrading Credit Management in Domestic Banks
		28 Plenary session Setting Development Priorities in Participants' Banks
		Seminar Summary: "World-Class" Credit Risk Management

DAY	SESSION	SUBJECT
1	am	1 Presentation Seminar Introduction: "World-Class" Credit Risk Management
		2 Presentation Theme 1: The Strategic Importance of Credit Risk
		3 Presentation Credit Policy: A Key Part of Overall Bank Strategy
		4 Presentation "World-Class" Standards of Credit Risk Management & Basel II
	pm	5 Presentation Theme 2: Formulating Segmented Credit Policies
	6 Group Work Subjects Covered by "World-Class" Credit Policies	
	7 Presentation Progress Towards Basel II at Participants' Banks	
2	am	8 Case Study Theme 3: Upgrading Credit Processes
	pm	9 Presentation Credit Scoring: Characteristics for Assessing Personal Borrowers
		10 Presentation Development, Implementation and Use of Credit Scoring & Expert Systems
		11 Case Study Calculating Target Risk-Adjusted Loan Prices in Practice
	12 Presentation Modern Early Warning and Gating Systems	
13 Presentation Best Practice Remedial Management & Recoveries		
3	am	14 Presentation Theme 4: Organising Banks for "World-Class" Credit Management
	pm	15 Group Work Reorganising Banks for Effective Credit Management
		16 Presentation Establishing "World-Class" Credit Committees
	17 Presentation Theme 5: Cutting the Operating Cost of Credit Management	
		18 Group Work Measuring the Operating Cost of Credit Management
		19 Plenary session Reengineering Credit Management to Increase Cost-Effectiveness
Seminar Summary: "World-Class" Credit Risk Management		

SEMINAR LEADERS

All of the seminars from Batt-Consulting are designed and led by one or more of the firm's senior consultants. These professionals have:

- Held top positions in 15 banks based in Europe, the USA, Latin America, the Middle East and Asia Pacific
- Worked for other leading management consulting firms
- Led hundreds of workshops & seminars for individual banks

They have also spoken regularly for banking institutes, central banks, universities and other providers of bank training.

SOME OF OUR INTERNATIONAL SEMINAR LEADERS AND SENIOR BANK CONSULTANTS

Christopher Batt

Profile: Acknowledged top adviser to the owners, leaders and senior managers of banks about strategy, reorganisation and best practices. An experienced banker, strategist and credit card expert. Consulting to over 140 banks in more than 50 countries. Designer and leader of workshops and seminars for the boards and top executive teams of banks around the world.



Top Banking Positions:

- Jordan Ahli Bank in Jordan - Chief Operating Officer = CEO, reporting to the Chairman of the Board
- Visa International in the USA - Member of Visa's top Executive Committee, Head of Global Strategy
- Grindlays Bank in the UK - GM of Specialised Finance
- NatWest Bank in the UK - Group Planning Manager

Consulting Experience: McKinsey & Company, Booz Allen & Hamilton, A.T. Kearney and Spicers Consultants.

Specialisations: Strategy formulation, strategy implementation, reorganisation, marketing, selling, credit management and ALM.

Qualifications: University of Cambridge, University of London, Fellow of the UK's Chartered Institute of Bankers in recognition of status in UK banking and training services to senior bankers.

Paul McInerney

Profile: Extensive executive-level consulting and training for banks in Europe and Middle East. Focus on personal, premium, private & SME banking & management of modern branch networks. An experienced banker and authority on innovation management in banking.



Top Banking Positions:

- Lloyds Bank
- TSB Bank
- Bradford & Bingley

Consulting Experience:

- Henley-Incubator at the Henley Management College
- NML Consulting

Specialisations: Strategy, marketing and organisation for retail, premium & SME banks; management of branches, sales & credit.

Qualifications: Henley Management College, Cranfield Business School, Associate of the UK's Chartered Institute of Bankers.

Michael Green

Profile: A top international banker. An internationally-renowned leader in enterprise risk management in banking. Accomplished expert in the design and implementation of fundamental strategic change and in corporate governance and risk management by the main boards and top executive teams of banks. Extensive experience across Asia-Pacific, Europe and the Americas.



Top Banking Positions:

- Barclays Bank - Chief Operating Officer, Group Risk (worldwide role)
- Standard Chartered Bank - Main Board Director, Risk, Operations & Technology (worldwide roles)
- National Australia Bank Europe, covering Clydesdale Bank and Yorkshire Bank - Head of Risk
- ANZ Banking Group in Australia - GM of Retail Risk
- Lloyds Bank: UK Chief Lending Officer, Brazil, Japan, Singapore, Spain

Specialisations: Strategy formulation, strategy implementation, corporate governance, risk management and reorganisation.

Qualifications: Oxford University, INSEAD. Diploma in Company Direction (governance) from the UK's Institute of Directors.

Chris Churchill-Coleman

Profile: Leading adviser about IT to the leaders of banks across the UK, USA, Europe, Middle East and Africa. Expert at internet & mobile banking. Wide experience of major IT systems changes, including core IT systems replacements. Years of experience as a practical banker.



Top Banking Positions:

- Abbey National Bank
- Cahoot (internet bank)
- Nationwide (mortgage bank)

Consulting Experience:

- Open Text
- The Prism Group

Specialisations: Bank strategy, IT strategy, internet banking, mobile banking, core IT systems replacement.

Qualifications: University of Leicester, Associate of the UK's Chartered Institute of Bankers, a UK Chartered Treasurer.

A SERIES OF 8 LINKED SEMINARS

The seminar described in this brochure is part of a series of 8 linked seminars developed for the top teams of banks around the world.

These progressive banks are keen to understand the type of strategies and best practices followed by “world-class” banks. To assist, our firm has developed the seminar series shown below. The seminars:

- Focus on the issues that banks most frequently ask us to help resolve, both as consultants and seminar leaders
- Are integrated and fit together well

The series covers all key aspects of running banks successfully in competitive markets.

Many banks ask us to lead all 8 seminars over a year or so. Other banks choose a selection of seminars that focus on areas of particular interest:

THE OVERVIEW SEMINAR

**Increasing Bank Profitability
at Acceptable Risk**

FOCUS ON BUSINESS STRATEGIES

**“World-Class”
Marketing & Selling**

**“World-Class”
Credit Risk Management**

**“World-Class”
Asset & Liability Management**

FOCUS ON SUPPORT STRATEGIES

**Reorganising & Reengineering
for Higher Profits**

**Extracting Maximum Value from
Information Technology**

**Managing & Motivating
the Workforce for Excellence**

FOCUS ON STRATEGIC PLANNING & ACTION PLANNING, BUDGETING & FINANCIAL CONTROL

**Best Practice Bank
Planning & Control Systems**

The first seminar is an overview that:

- Examines all elements of bank strategy
- Shows how they can lead to greatly increased bank profitability and acceptable risks, if they are formulated carefully, coordinated tightly and implemented well

This introductory seminar is followed by the others that go into more detail about key business strategies, crucial support strategies and best practice planning & control systems.

Separate brochures describe each seminar. The content of the seminars is adjusted to meet the needs of individual banks. This “tailor-making” of the seminars is handled by discussion before the seminar series begins.

As management consultants, we help banks to resolve their most important strategic issues. As a result, we know which seminar subjects are of greatest interest to top bankers in different types of bank and country. We develop seminars that are relevant, stimulating and fresh.

Because our consultants have held top positions in leading banks around the world, they have the experience necessary to judge which approaches to strategy and management are practical and will be successful. These judgements are built into the seminars offered by our firm.

ABOUT BATT-CONSULTING

Batt-Consulting is a specialised, top level management consulting and training firm that works, world-wide, with banks and other organisations active in the financial world.

The firm is based in the United Kingdom with consultants in the UK and Czech Republic. It was established in 1990 to provide top level consulting and training to banks with an emphasis on profit improvement, business and support strategy, risk management and reorganisation work.

The firm's senior consultants have all held senior positions in banks. The majority have worked for other prominent management consulting companies. Over their careers as both bankers and consultants they have served more than 150 banks in over 50 countries.

Services Provided

The main mission of Batt-Consulting is to help banks increase profitability at acceptable levels of risk. This means resolving complex issues that relate to:

*Overall Bank Strategy
Domestic Strategy
Marketing, Product & Delivery Channels Strategy
Credit Risk Policies & Processes
Organisation Structure Design & Implementation
Management Process Reengineering
Information Technology & Internet Banking
Planning & Control Systems*

*Corporate Governance
International Strategy
Selling Intensity & Methods
Asset & Liability Management
Treasury Strategy & Organisation
Operations Strategy & Reengineering
Human Resources Management
Management Information Systems*

The firm provides three types of service:

*Management Consulting
Best Practice
Education*

*Designing and Leading Strategic Projects
Helping Banks to Reach "World-Class" Standards
Leading Top Management Workshops & Seminars*

Consulting & Best Practice Clients

Our consulting and best practice clients are the owners and leaders of banks and other financial institutions, both small and large. Some are famous internationally. Others are leaders in their own local markets. Most importantly, we serve:

*Retail Banks
Savings and Mortgage Banks
Co-operative Banks
Internet Banks
Private & Premium Banks
Financial Services Groups
Commercial, SME and Corporate Banks*

*Investment Banks
Merchant Banks
Asset Management Firms
Stock Brokers
Central Banks & Regulators
Bancassurance Companies
Insurance Companies*

Education Clients

Batt-Consulting serves four types of education client:

***Individual Banks.** We help banks' top teams keep up-to-date with bank strategies and methods by designing and leading short, intensive, in-house workshops & seminars.*

***Banking Institutes.** For these we design and lead public training meetings for senior bankers.*

***Sponsors of Bank Education,** including banking schools, central banks, bankers' associations and universities.*

***Providers of IT to Banks.** These companies ask us to brief them about banking strategies to help ensure their own services are correctly focused.*

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