



SME FINANCE
FORUM



Webinar - Loan Management, Provisioning & Stress Testing

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International

LOAN MANAGEMENT, PROVISIONING & STRESS TESTING

DEVELOPMENTS AND SOLUTIONS

7 February 2018



IFC

**International
Finance Corporation**

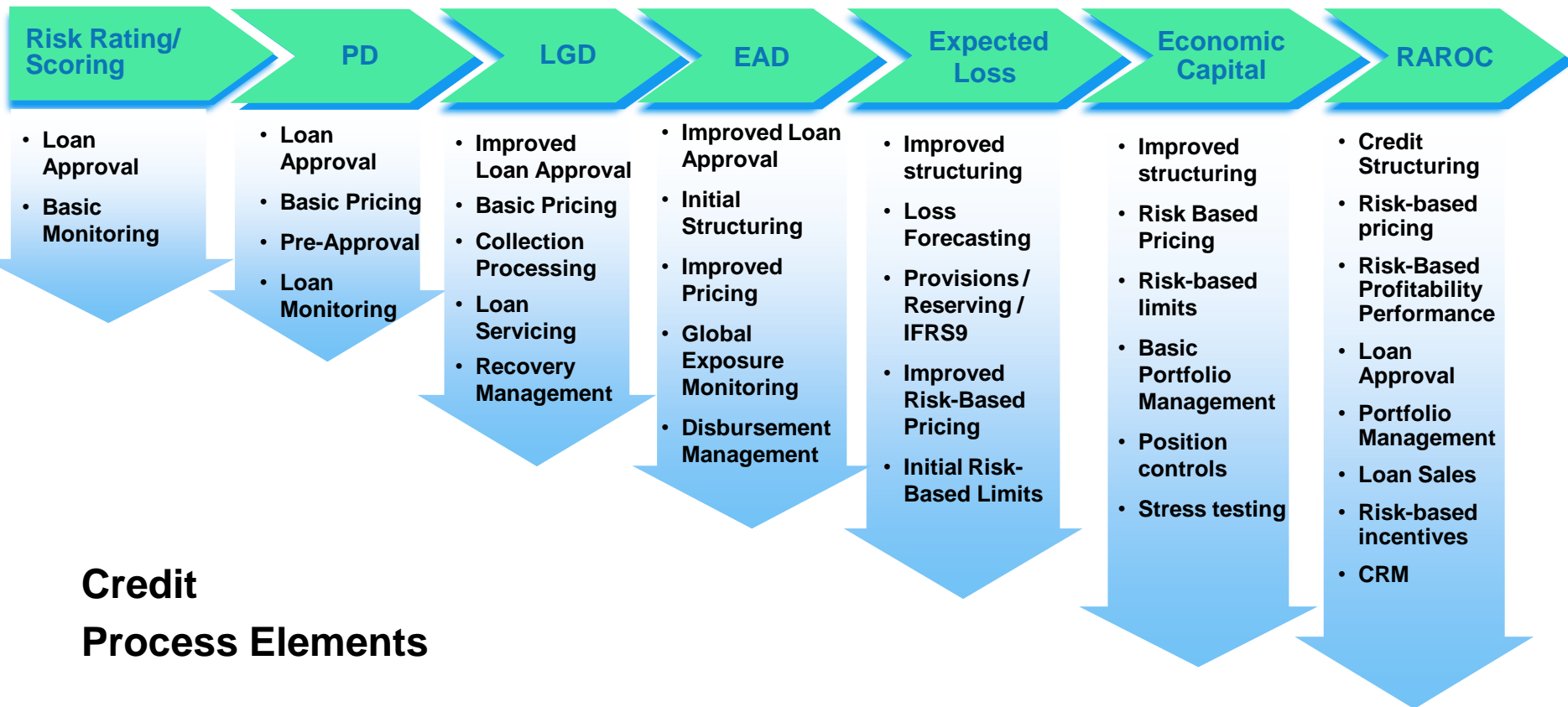
WORLD BANK GROUP

Creating value with improved credit risk systems

- Competitive pressures, regulations, accounting and customer expectations driving institutions upgrade lending and risk processes and systems
- Integrated solutions for full credit process key to establishing a robust platform to:
 - Prospect and service clients
 - Improve risk decisions – selection, pricing, loss estimation
 - Reduce operational costs and risks
 - Provide early warnings and remediate problems earlier
 - Deliver effective portfolio analysis, stress testing
- Supports growth of profitable business, responsiveness to customers and managing portfolio quality

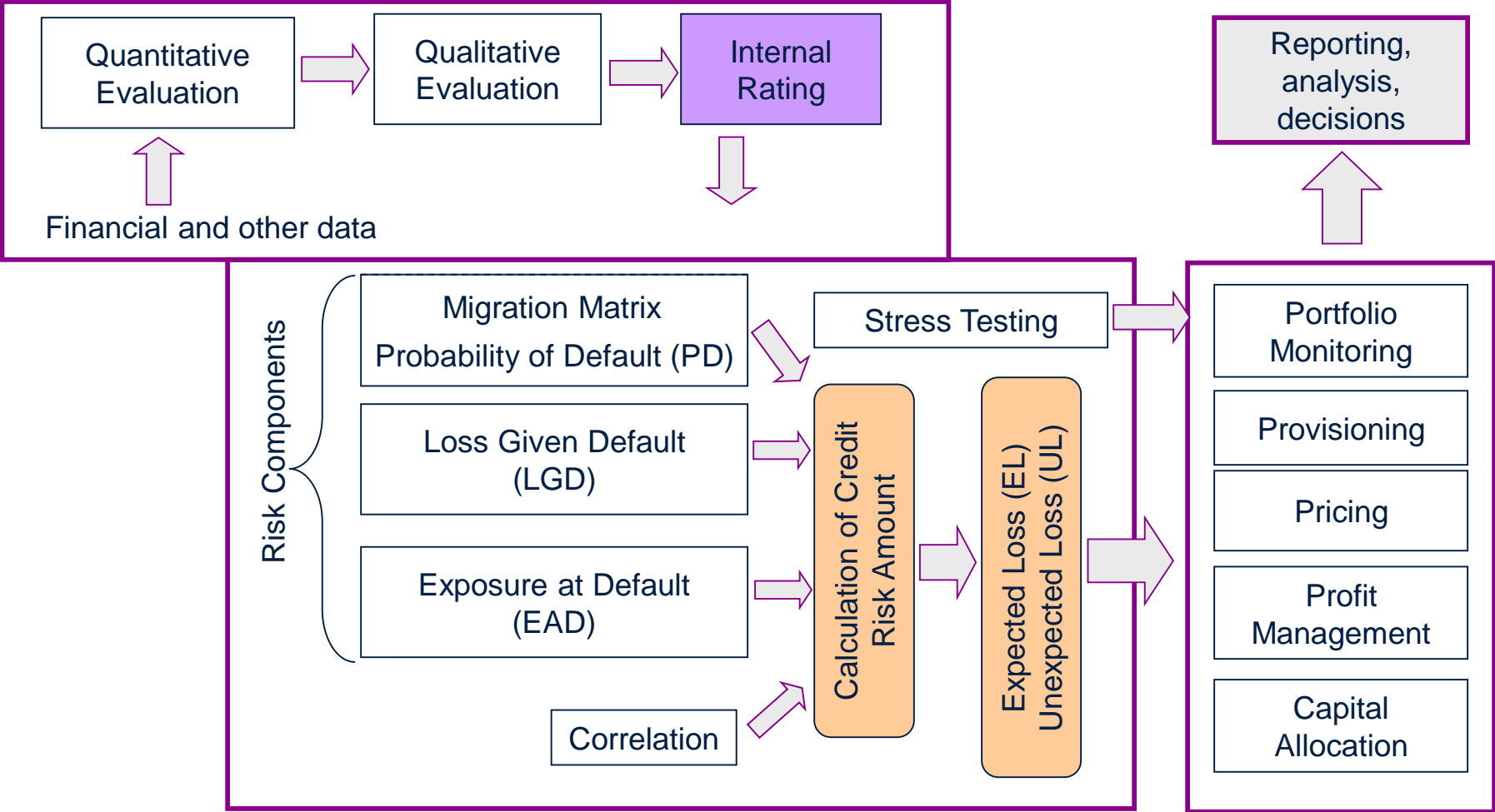
Risk methodologies provide the analytical support to credit process decisions, portfolio management and MIS

Credit Risk Best Practices Frontier



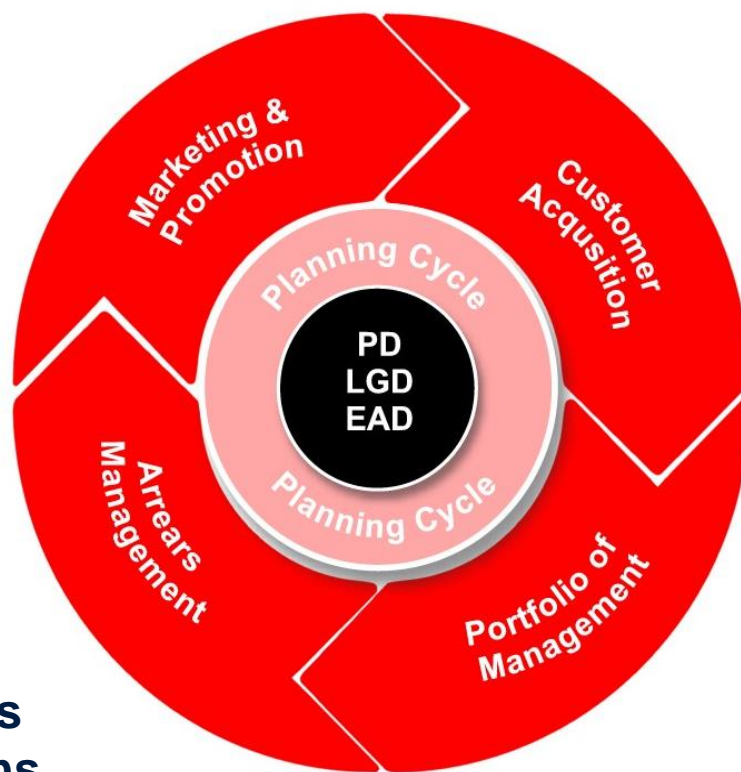
Credit information flow and tools

Internal Rating System



Use of components across the credit cycle

- Pricing models
- Prospect selection
- Product features



- Scorecards & credit approval
- Profit models & cut-off strategy
- Security / legal

- Provision models
- Default definitions
- Collateral
- Collections

- Behavioural scoring
- Exposure management
- MIS
- Provisions and capital
- Portfolio strategy and optimisation

Key considerations to enhance probability of success

- Map and integrate of the full credit process.
- Linkages beyond credit - finance, business, risk
- Buy-in and coordination of all stakeholders
- New data – beyond historical financials, creative solutions
- Integrated data platform and robust analytical models – transparency and validation
- Data protection / privacy, system security, internal controls, operational risk management
- Customer impact and business change management
- Effective decision making and oversight to rapidly respond to everchanging business environment.



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