

CreditLab® Basel: Product Overview

Why BankersLab®?

- Innovator in the development of advanced calculation-based and simulation training for banking associates.
- Offers a suite of products across banking functions and staff levels
- Respected executive team, each with over 20 years financial services and functional expertise
- Leverages proven techniques on how to train executives for the greatest retention and usage of learning

CreditLab® Basel Edition Overview

CreditLab® Basel Edition is a simulation-based training course designed to facilitate a mastery level understanding of retail credit risk management concepts. CreditLab Basel is developed with flexibility to adapt to your bank's needs and objectives.

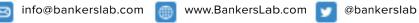
Covering both secured and unsecured retail products, CreditLab® Basel enables participants to explore portfolio trade-offs of profitability, risk adjusted return on capital, capital efficiency and other risk appetite metrics.

The multi-day training course is run in a classroom setting and transforms the learner into a player. In order to win the simulation game, players must operate the most profitable bank, subject to risk appetite hurdles. Each team has to demonstrate expertise in portfolio profitability, capital and liquidity management.

Target Audience:

Retail Lending Credit Heads and Managers, Retail Lending Portfolio Heads and Managers, MIS Heads, Capital and Balance Sheet managers, Portfolio Strategy Managers, Retail Risk Modeling Heads, Finance managers and operations managers.

As a prerequisite, participants should be familiar with retail portfolio management, underwriting, collections, and portfolio financials. Class size should range between 15-25 participants.







Day One	Day Two	Day Three
Round Table Discussion:	Simulation Game:	Internal Control and
Current challenges and	Collections Management	Governance
opportunities		
Quiz Game Show	Risk Appetite: Best	Activity: Risk Adjusted
	Practices	Performance Case Study
Activity: Regulatory Capital	Activity: Risk Appetite Role	Activity: How to work with
& Economic Capital	Play	Regulators
Introduction to Simulation	Roundtable: Capital	Basel III Impacts on Retail
	Management Strategy	Lending
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Simulation Game:	Simulation Game: Pricing	Roundtable: What does the
Underwriting		Future Hold?
		Simulation Game:
		Downturn

Simulation Game Structure

- During each module, the team will go through a two-year process of managing a portfolio. Players have three trials to practice managing their portfolio, prior to the final run.
- Each trial run provides the opportunity for players to hone their skills at balancing their competing objectives
- The winning team will have the highest Net Income, subject to Risk Appetite Metric Hurdles on completion of the Final Round.







Course Module Learning Objectives

Pre-Course	Constituents of (regulatory) capital	
Reading	The measurement methodologies	
	Fundamental Basel II definitions	
	o External rating	
	o Internal rating	
	o Definition of default	
	o Exposure at default	
	o Probability of default	
	o Loss given default	
	o Expected and unexpected loss	
	Difference between IRB and Standardized	
	Overview of IRB model	
	The rating process for retail	
	Capital adequacy	
	o Standardized approach	
	o IRB Approach	
	o Recognition of collateral	
	 Qualitative and quantitative criteria 	
	Current press articles	
	Links to outside resources for further reading	
Roundtable	Lessons from the past	
Discussion:	o Why was the recent crisis systemic?	
Current	o What were the consequences?	
Challenges	What are the 'best in class' practices now?	
and	Future impacts	
Opportunities	o Business models and process, corporate organizations and	
	governance	
	o Asset liability strategies	
	o Risk appetite and policies	







Activity:	In an exercise, practice calculating Standardized Capital for Mortgage.
Regulatory	Then, the scenario changes, with an impact to asset prices, then default
Capital &	rates, and participants recalculate capital.
Economic	Discuss how changes in customer behavior and the economy flow
Capital	through to the capital calculation and presents how this calculation
	would change for an IRB portfolio and provides discussion questions.
	Compare Regulatory to Economic capital for a few different retail
	lending portfolios. Name the potential drivers behind the differences in
	the two capital numbers.
	Explain what options you have in managing the portfolio to reduce
	capital.
Risk Appetite	Requirements for Risk Appetite within ICAAP
Best Practices	What are best practices for setting hurdle rates and tolerance levels for
	Risk Appetite?
	What is the difference between Risk Appetite and Risk Aversion?
	How do you implement risk tolerance, risk targets, and risk limits?
Activity: Risk	In this scenario, we need to increase overall revenue to ensure we
Appetite Role	cover our fixed costs. However, a larger portfolio may reduce our
Play	overall return on capital. How can we strike the right balance?
	You'll be assigned a functional role (product management, risk
	management, etc.) to represent in the role play.
	Present your case to your colleagues with your proposed strategy for
	this scenario.
Roundtable:	How much capital does a company have?
Capital	How much capital should a company have?
Management	How much capital does the company need to maintain its rating?
	How do shareholders (markets) value the capital?
	How does management value the economic risk?
Internal	What is internal control?
Control and	Key Risks of Outsourcing
governance	The types of control breakdowns typically seen in problem bank cases
Activity: Risk	What indicators should be used?
Adjusted	Defining and operationalizing high level KPIs
Performance	What challenges do we face in terms of data, accuracy and
Case Study	management of the metrics?







Activity: How	Difference between home and host regulators
to Work with	Which measures the regulators wish to see, why and what are the
Regulators	differences between them
Role Play	Key points in the ICAAP discussion
	Examples of successful discussion and unsuccessful discussions with
	regulators
Basel III	International minimum standards for liquidity Basel III
Impacts on	Impacts on recent changes on Retail Lending
Retail Lending	
Roundtable:	What changes may lie ahead in your market?
What does	What can you better prepare for those changes?
the Future	
Hold	

Simulation Game Learning Objectives

Underwriting	 Determine the mix of your four portfolios through your marketing budget. Underwriting. Our underwriting decision is a combination of our use of credit policy, credit scores, underwriting standards, verification standards, etc. Try different strategies in order to create the best portfolio mix that returns profitability and capital efficiency.
Collections Management	 Underwriting: We must integrate new information about market maturity such as the bureau score maturing. Use both an application score and bureau score together, which will be a more powerful discriminator for building the best portfolio. Exposure: Part of our underwriting decision is exposure. Larger exposure leads to higher interest revenue but may result in high losses and low capital efficiency. Strike the right balance leading to profitable and capital efficient portfolios. Collections strategies. Soft collections may result in increased delinquency, but too strong collections may be costly and ineffective. Strike the right balance.
Pricing	 Pricing. High pricing may cause attrition but has bigger margins. Low pricing may retain customers but will result in thin margins. Pricing should also be able to cover your expected losses. Players must observe this tradeoff in the results and strike the right balance. In this module, a competitor starts a price war and you need to react. Collections strategies. Soft collections may result in increased delinquency, but too strong collections may be costly and ineffective.







	Strike the right balance.
Downturn	Impact of macro-economy on portfolio performance. Players need to observe the impact of a downturn on expected loss and portfolio profitability behavior, and adjust their strategy accordingly.



