

# Credit Risk Modelling and Portfolio Management

## Measuring and Managing Credit Risks under the Regulatory Framework

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Professor Hellmich is an distinguished expert in the field of credit risk modelling and portfolio optimization and author of several articles that were published in specialist journals like the „Journal of Quantative Finance“.

### Key Topics of the Seminar

- Measuring and Managing Credit Risk Measures
- Dealing with Components for the Capital Requirement Calculation: Probability of Default (PD), Loss Given Default (LGD), etc.
- Drafting Rating Models for Your Institution
- Developing a Capital and Portfolio Strategy Framework
- Implementation and Evaluation of Stress Tests

### Seminarleader



**Prof. Dr. Martin Hellmich**

Frankfurt School of Finance  
and Management

## DESCRIPTION OF THE SEMINAR

This seminar gives you a good overview and detailed information about how to measure and manage credit risks according to the regulatory framework. After discussing the components for the Capital Requirements Calculation, we draft segment-specific rating models and identify typical warning signals. Other key topics of this seminar are the interplay with other risk measures such as market risks, the development of a capital and a portfolio strategy framework as well as the implementation and evaluation of stress tests.

So that your institute benefits best, this seminar can be tailored according to the particular challenges your facing.

## AGENDA (2 DAYS)

### Introduction to Credit Risk Measurement

- Credit Risk Measurement in the context of Risk Management
- Issuer Risk, Counterparty Risk

### Measuring and Managing Credit Risk Measures

- Expected Loss
- Unexpected Loss

### Dealing with Components for the Capital Requirement Calculation

- Probability of Default (PD)
- Loss Given Default (LGD),
- Exposure at Default (EaD)
- Asset/Default Correlation (R)

### Drafting Rating Models for Your Institution

In this part of the seminar we discuss the relevant factors and procedure in creating segment-specific rating models. To illustrate the procedure we draft one or more rating models.

- Evaluation of decisive factors like counterparties, business types, and data availability
- Suggestions for case studies:
  - Bank Rating Model
  - SME Rating Model
  - LGD Framework for Sovereign Exposures
- Identification of typical warning signals
- Evolution of forward-looking credit risk measurement

## WHO SHOULD ATTEND

This seminar is designed for professionals of the banking sector working in the following fields of expertise:

- Credit Risk and Portfolio Management
- Risk Controlling
- Regulatory

## SEMINARLEADER



**Prof. Dr. Martin Hellmich** is Professor for Risk Management and Regulation at Frankfurt School of Finance & Management and Managing Director of SCDM GmbH. Previously he worked for investment banks and other financial institutions as Head of Fixed Income and Head of Portfolio Management. Furthermore he is an academic consultant of the European Central Bank

and advises banks, insurance companies and pension funds with regard to strategic asset allocation, asset liability management and solvability. Today his specific focus is on business models of banks in the new regulatory framework and the identification of key competitive factors for financial institutions making a business setup sustainable in an environment driven by consolidation and shrinking risk taking capacities.

### Risk Parameters and Interplay with Other Risk Measures

- Risk parameters in the credit process
- Specific examples of Market Risks linked to Credit Risks (Potential Future Exposure)
- Dealing with Counterparty Risk in the Trading Book

### Capital and Portfolio Management

- Creating a capital framework
- Linking Portfolio-, Capital- and Risk Management
- Establishing a portfolio strategy framework
- Key components for pricing loans like margin and spread
- Economic capital measurement and capital management
- Credit risk strategy and credit risk appetite

### Implementing and Evaluating Stress Tests

- Purpose and definition of stress tests
- Business and regulatory perspectives
- Scenarios of various types, objectives, scope and origin
- "Classical" events used for stress testing
- Different levels of complexity for stress testing
- Steps in the development and implementation of macroeconomic scenarios
- Translating stress scenarios into risk drivers
- Case Study: Methodological stress test framework for a bank

## LANGUAGE AND SEMINAR MATERIAL

Prof. Hellmich holds the seminar either in German or in English. All participants get a handout, that they can refer to during and after the seminar. All seminar material (slides and handout) is in English.