



Course enquiries contact:  
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Presented in association with the Australasian Mutuals Institute

## CREDIT RISK MANAGEMENT FOR MUTUAL ADIs

### Asset Management to maximise return to risk

**1 Day Course: Friday 7 May 2010: Sydney**

*“In the purest sense, risk management is about both risk and reward, not simply the elimination or minimization of risk. Risk management is the discipline of avoiding uncompensated risk — achieving a realistic balance between the risk taken and the return offered”.*

**Vicki Martell: Omega Performance: 2009**

This course challenges your current business model and provides you with the knowledge and tools to understand and assess the real credit risk in your balance sheet and the related returns to enable you to define your business model going forward in a manner that will optimize your balance sheet and ensure business sustainability.

#### **You will get out of this course an understanding of:**

- The current state of the lending markets and the impact of the recent upheavals
- The implications of historically low interest rate levels
- The nature of credit risk on your balance sheet
- The credit risk on each lending product and with each customer
- The link between risk and return and the ability to measure this
- How to price products for credit risk
- The relative profitability of each lending product
- The regulatory focus and requirements including credit risk measurement
- Best practice credit risk management and reporting
- What changes to your business model are required to be sustainable in the new environment



Presented by **DAVID TATTAM, Protecht Advisory Pty Ltd.** David is a director and the principal trainer with Protecht Advisory and presents a range of risk management and treasury courses, many in conjunction with AMInstitute. Protecht provides a range of risk management services to Mutual ADIs. Protecht has developed its own Interest rate and operational risk management software tailored to Mutual ADIs. David is an expert in all facets of risk management and has worked with many ADIs to develop their risk management thinking and capabilities.

**Course Location:** The Course will be held in Sydney CBD, near Town Hall train station

**Course Times:** Registration: 8.30 am—9.00 am, Course: 9.00 am—5.00 pm

**Terms and Conditions:** Protecht and AMInstitute reserve the right to cancel or postpone this course due to circumstances outside of their control. Where this occurs a full refund will be given. For participant cancellations, a \$150 administration fee will be deducted from the refund for any cancellation received no later than 2 weeks prior to course commencement. For cancellations received after this time, no refund will be given. A replacement delegate is acceptable, however please notify us of the change as soon as possible.

**AMInstitute CPD accreditation: 6 hours**



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**Course Profile**

**1. Where are we now?**

- The credit crisis
- Analysis of a mutual ADIs traditional markets
- The impact of Basel II
- What are competitors doing?
- Implications of historically low interest rates
- Impact of future rising rates, a return to fixed rate lending?
- Overseas experiences
- Looking ahead

**2. Implications for Mutual ADIs going forward**

- Is the current business model sustainable?
- Over reliance on traditional mortgage lending

**3. Analysis of our Net Interest Margin**

- Components of the net interest margin
  - Funding margin
  - Credit margin
  - Interest rate re-pricing mismatch margin
- Pricing decisions

**4. Credit Risk**

- What is it?
- Analysing and dissecting likelihood and consequence
  - The probability of default
  - The consequence of default

**5. Performance measures of the balance sheet**

- Return to Risk
- Isolating return to credit risk
- Assessing return to risk by: Transaction, Transaction Type, Customer, Portfolio

**6. Carrying out a credit risk assessment**

- Assessing likelihood and consequence by:
  - Residential mortgages—owner / occupier, investments
  - Personal Loans—secured / unsecured
  - Credit Cards
  - Commercial Lending
- The 5 “C’s” of credit risk assessment

**7. Measuring Credit Risk**

- Capital Adequacy requirement under Pillar I and Pillar II
- Measuring expected and unexpected loss

**8. Pricing for Credit Risk**

- The approaches to pricing
- Building up a cost plus price
- Concept of transfer pricing
- Assessing the relative return on each transaction type
- Relative pricing
- Is the spread for credit risk appropriate?

**9. Regulatory Considerations**

- Capital requirements and APS 112
- Credit quality and APS 220
- Large exposures and APS 221

**10. Managing Credit Risk**

- The credit management process
- Ongoing monitoring
- Arrears management
- Managing broker originated loans
- Key controls over the credit process
- Segregation of duties

**11. Credit and Asset Performance Reporting**

- What information should be reported
- Example reports
- Reporting to Management, Credit Committee and the Board

**12. Case Studies**

- Risks covered under Pillar 1 and how they are quantified in the PCR
- APRA’s setting of your Mutual’s PCR

**13. The Way Forward**

- A new business model
- What is required

**Enrolment**

**How to Register:** Either visit [www.protecht.com.au](http://www.protecht.com.au) to register on-line or complete the details below and fax to (02) 9283 0430. You will be sent an email confirmation and mailed a tax invoice. If you do not receive the email within 5 days please contact us.

**Cost (including GST):** The cost of the program is \$880 (AMInstitute members), \$968 (non AMInstitute members). This fee includes all materials, lunch, morning and afternoon refreshments but excludes your travel, accommodation, breakfast and evening meals. Where two or more delegates attend from the same organisation, a 5% discount will be given.

First Name	Mr/Mrs/Ms	Last Name	
Email Address			
Telephone		Facsimile	
Mutual Name	Address		
Position	City / State / Postcode		
Special dietary requirements		AMInstitute Member	Yes <input type="checkbox"/> No <input type="checkbox"/>
Signature		Date	