
Credit Risk Management Course: Scorecards, Collateral, Covenants and Stress Testing

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Amsterdam





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Programme Summary

Credit risk management is the subject of this one-week advanced training course for credit risk officers, bank risk managers and heads of corporate lending, ending in a credit risk review pack for one portfolio. Lenders carry exposures that change with borrower strength, security values and the economic cycle. The programme moves from risk identification to scorecards, loss measurement, collateral and covenant design, and stress testing, using cases from bank loan books and corporate trade credit. Mars Training Centre UK delivers this programme on credit risk management to mixed-organisation cohorts.

The Business Case

Credit losses are the largest threat to most lending balance sheets, and they are rarely sudden: warning signs sit in ratings, covenant breaches and concentrations for months before default is declared. A shared method lets senior staff set limits, price risk and provide for losses from the same evidence, so that committees, finance teams and auditors read exposures in the same way.

- Loss Provisions: Become more stable as ratings, loss estimates and staging follow one documented method.
- Portfolio Concentration: Falls as limits and stress results guide new lending.
- Recovery Outcomes: Improve as collateral and covenants are designed before an exposure weakens.

Principles and Evidence Base

- IFRS 9 expected credit loss model: Defines impairment on a forward-looking basis, and is applied in Sessions 3 and 5.
- Basel Committee credit risk framework: Sets out standardised and internal ratings-based approaches to measuring credit risk, and is applied in Sessions 2, 3 and 4.
- ISO 31000 risk management process: Structures identification, analysis, evaluation and treatment, and is applied in Sessions 1 and 5.

Intended Participants

- Credit risk officers who rate borrowers and recommend limits.
- Bank risk managers who monitor portfolio quality and report to committees.
- Heads of corporate lending who structure facilities, security and covenants.
- Finance leaders who estimate provisions and explain credit losses.
- Credit managers in trading and industrial groups who extend large customer credit lines.

Typical settings include commercial banks, development finance institutions, trade finance desks and large industrial groups.



Learning Outcomes

1. Participants will be able to diagnose the sources of credit risk in a lending or customer credit portfolio.
2. Participants will be able to evaluate a scorecard and a rating scale for discrimination and stability.
3. Participants will be able to estimate expected credit loss from probability of default, loss given default and exposure at default.
4. Participants will be able to construct a collateral and covenant package that fits a borrower's risk.
5. Participants will be able to prioritise early warning signals and recommend remedial action on weakening exposures.
6. Participants will be able to justify a credit risk review pack, including stress results, for one portfolio.

Programme Structure

Day 1: Credit Risk Management Frameworks and Exposure Identification

Where does credit risk arise, and how is it recorded?

- ISO 31000 Process Applied to Lending
- Exposure Inventory by Borrower and Product
- Credit Risk Appetite Statement
- Basel Committee Approach Map
- Concentration Heat Map

Day 2: Scorecards and Rating Scales

How reliably do the ratings separate good borrowers from weak ones?

- Scorecard Variable Review
- Rating Scale Calibration
- Discrimination and Stability Tests
- Override and Exception Log
- Rating Migration Matrix

Day 3: Expected Credit Loss Measurement

How large is the loss the portfolio is expected to bear?

- Probability of Default Estimation
- Loss Given Default Estimation
- Exposure at Default Profile
- IFRS 9 Staging Criteria
- Provision Bridge Analysis



Day 4: Collateral, Covenants and Early Warning

How is exposure reduced, monitored and acted on before default?

- Collateral Valuation and Haircut Table
- Covenant Package Design
- Early Warning Indicator Dashboard
- Watchlist and Escalation Protocol
- Restructuring Option Review

Day 5: Credit Risk Review Pack for One Portfolio

Do the earlier records form one pack that a credit committee can use?

- Applying the Session 1 Concentration Heat Map
- Testing the Session 2 Rating Scale
- Reviewing the Session 3 Provision Bridge
- Checking the Session 4 Covenant Package
- Completing the Credit Risk Review Pack

Methodology

The programme uses case analysis built on a shared lending portfolio with borrower financials, ratings and collateral files. Participants rate sample borrowers, estimate loss for a segment, stress the results and then apply the same steps to a portfolio from their own organisation.

- Suggested activity: Testing whether a scorecard ranks past defaulters below performing borrowers.
- Suggested activity: Redesigning a covenant package for a borrower with deteriorating cash flow.
- Suggested activity: Stress testing a portfolio under an assumed fall in collateral values.

Capstone Output

Each participant completes a credit risk review pack for one portfolio. It holds an exposure and concentration map, a rating scale assessment, an expected credit loss estimate, a collateral and covenant review and a stress test summary. The pack is used at work to brief a credit committee, set limits and explain provisions.

Frequently Asked Questions

Is advanced credit risk management training suitable for staff who do not build models?

Yes. Credit risk management is taught through cases and worked templates. It assumes experience of lending, credit analysis or risk reporting, but not statistical programming.



Which frameworks does credit risk management training rest on?

Credit risk management training rests on the IFRS 9 expected credit loss model, the Basel Committee credit risk framework and the ISO 31000 risk management process.

How is the review pack from credit risk management training used at work?

You use the credit risk review pack to brief a credit committee, set or revise limits, explain provisions to finance and audit, and agree actions on weakening exposures.

How does credit risk management differ from enterprise risk management training?

Credit risk management focuses on borrower ratings, loss measurement, collateral and covenants in lending portfolios, while enterprise risk management training covers all risk types across an organisation.