

**Credit Risk**

**A practitioner's point of view**

Vienna, 02. February 2001

**IBM Unternehmensberatung GmbH**

Mitglied der IBM Consulting Group  
Mitglied im Bundesverband Deutscher Unternehmensberater BDU e.V.

*Dr. Rainer Fuhrmann (Practice Leader Trading & Risk)*

## ***Agenda***

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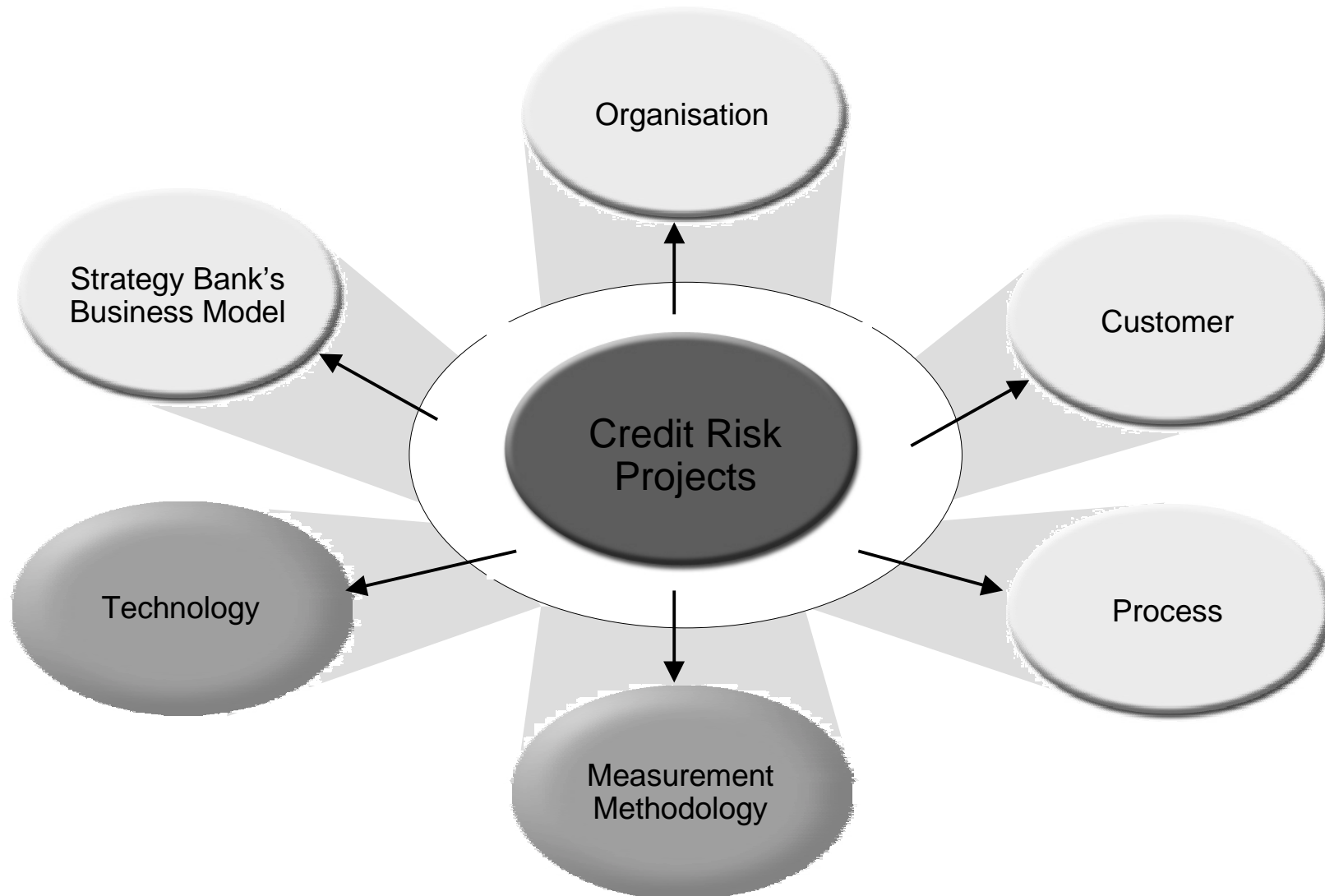
- 1** Impact and types of Credit Risk Projects
- 2** Impact examples
- 3** Critical Success Factors

1

## Impact and types of Credit Risk Projects

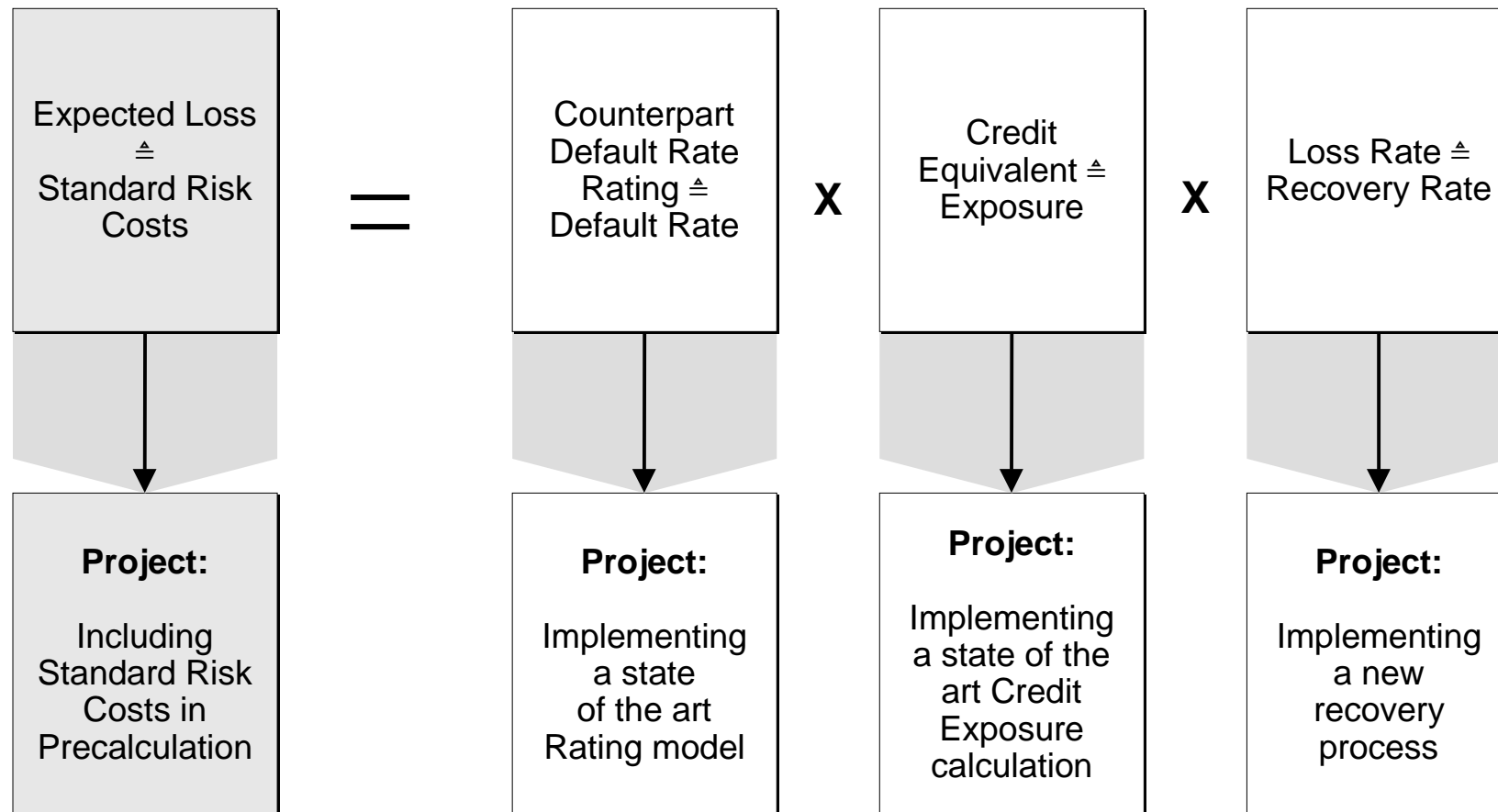
***Successful implementation of credit risk projects has wide ranging impacts on the bank.***

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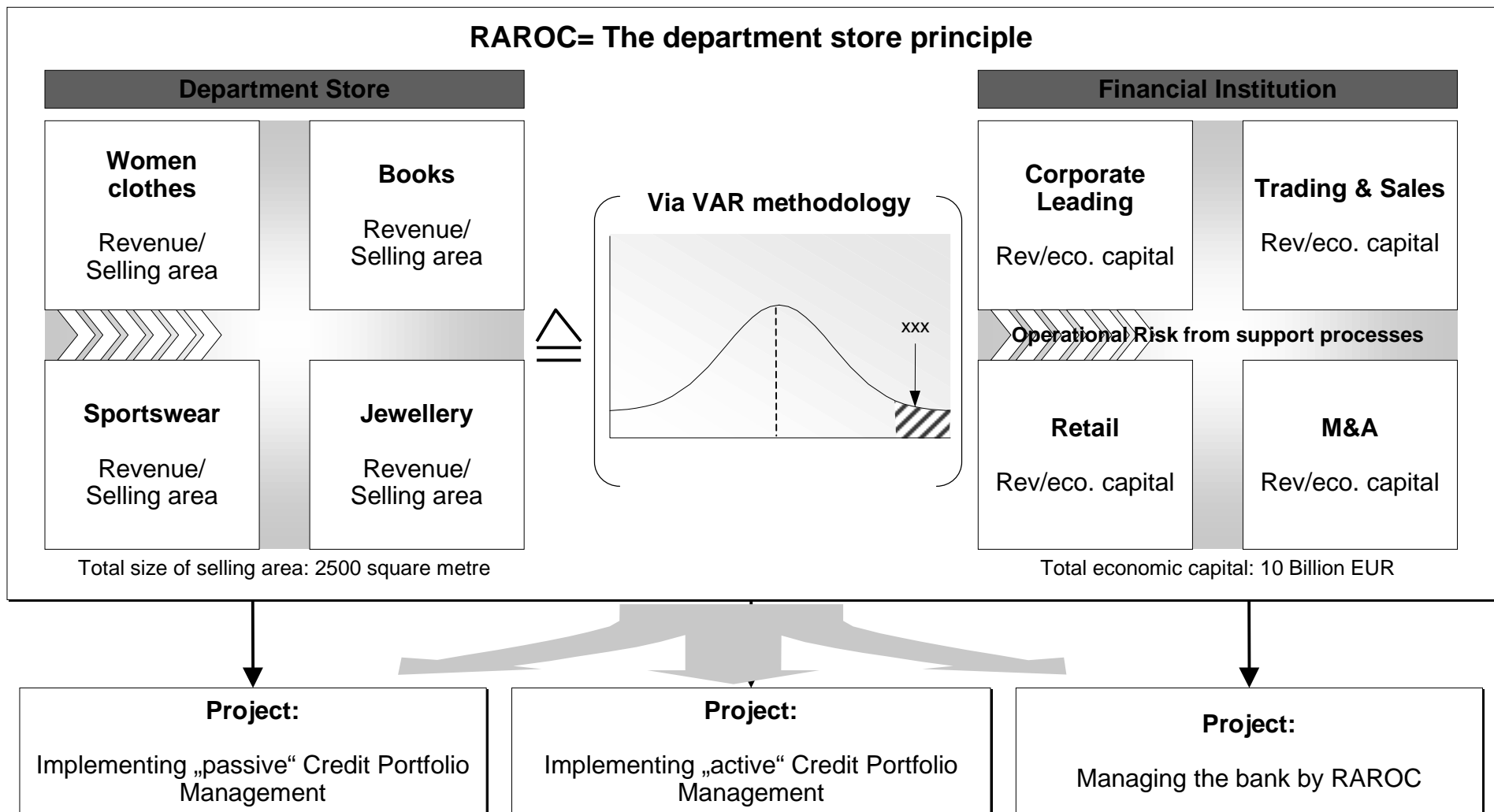


***The following categories of Credit Risk Projects can be derived from the Expected Loss formula.***

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***The following categories of Credit Risk Projects can be derived from Unexpected Loss.***



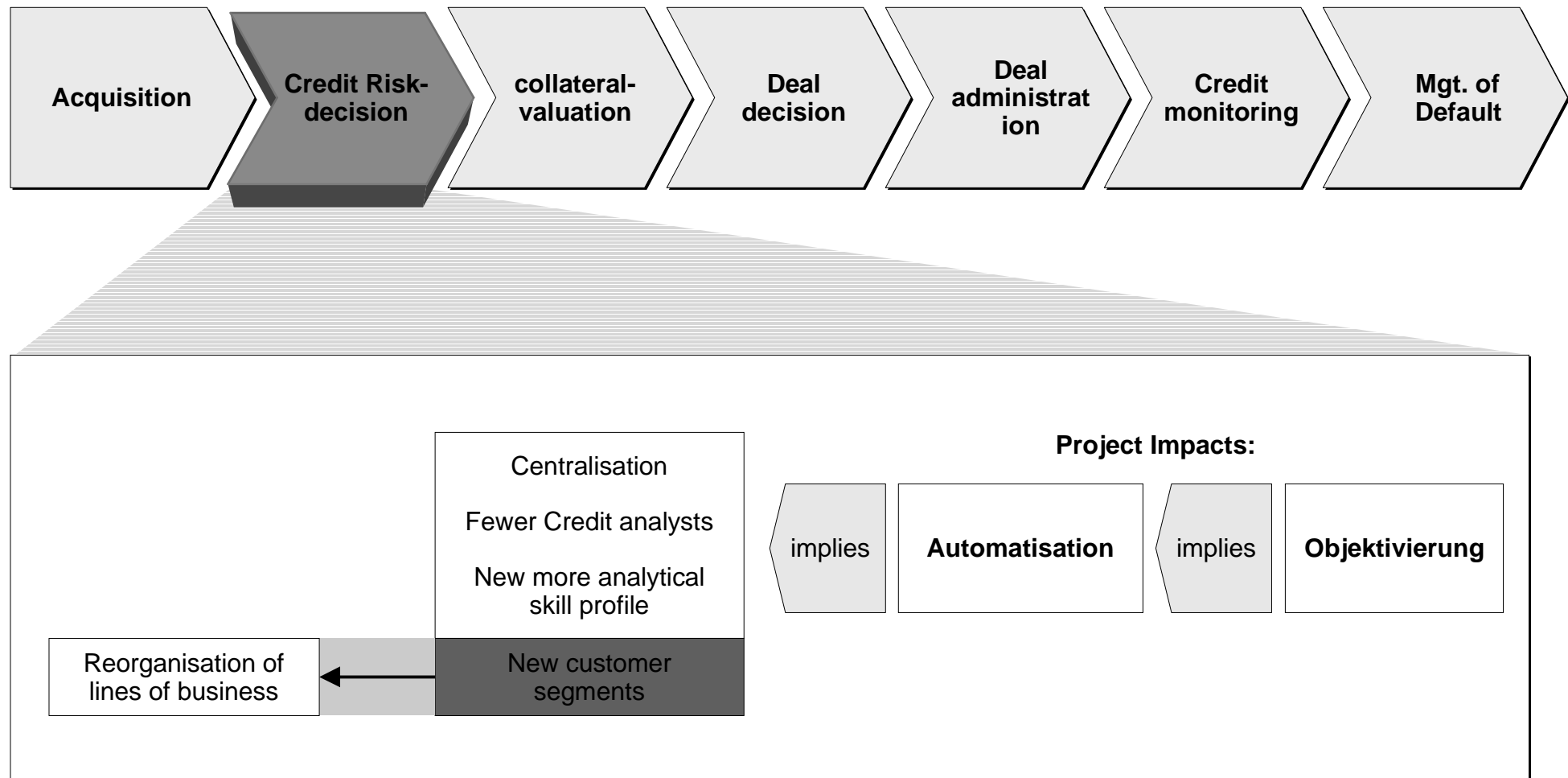
## 2

## Impact Examples

- 2.1 Rating
- 2.2 Exposure
- 2.3 Recovery Rate
- 2.4 Credit Portfolio Management

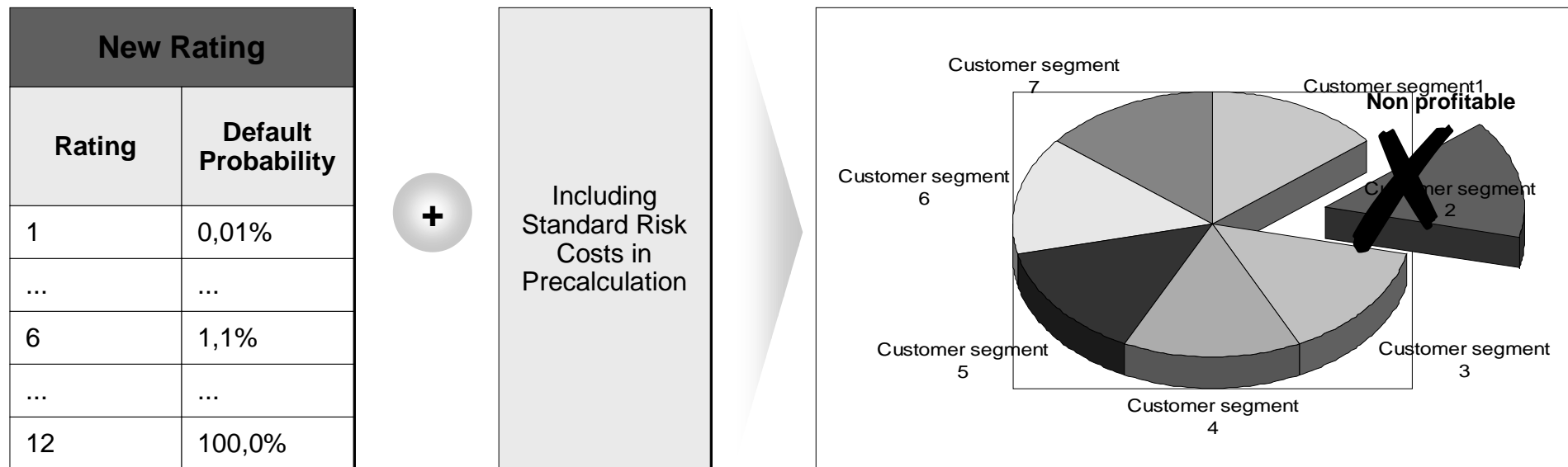
***Impact Example: Rating project may have major impacts on organisation and processes.***

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***Impact Example: Rating project may have major impacts on organisation and customers.***



Business with particular customer segments will be stopped.

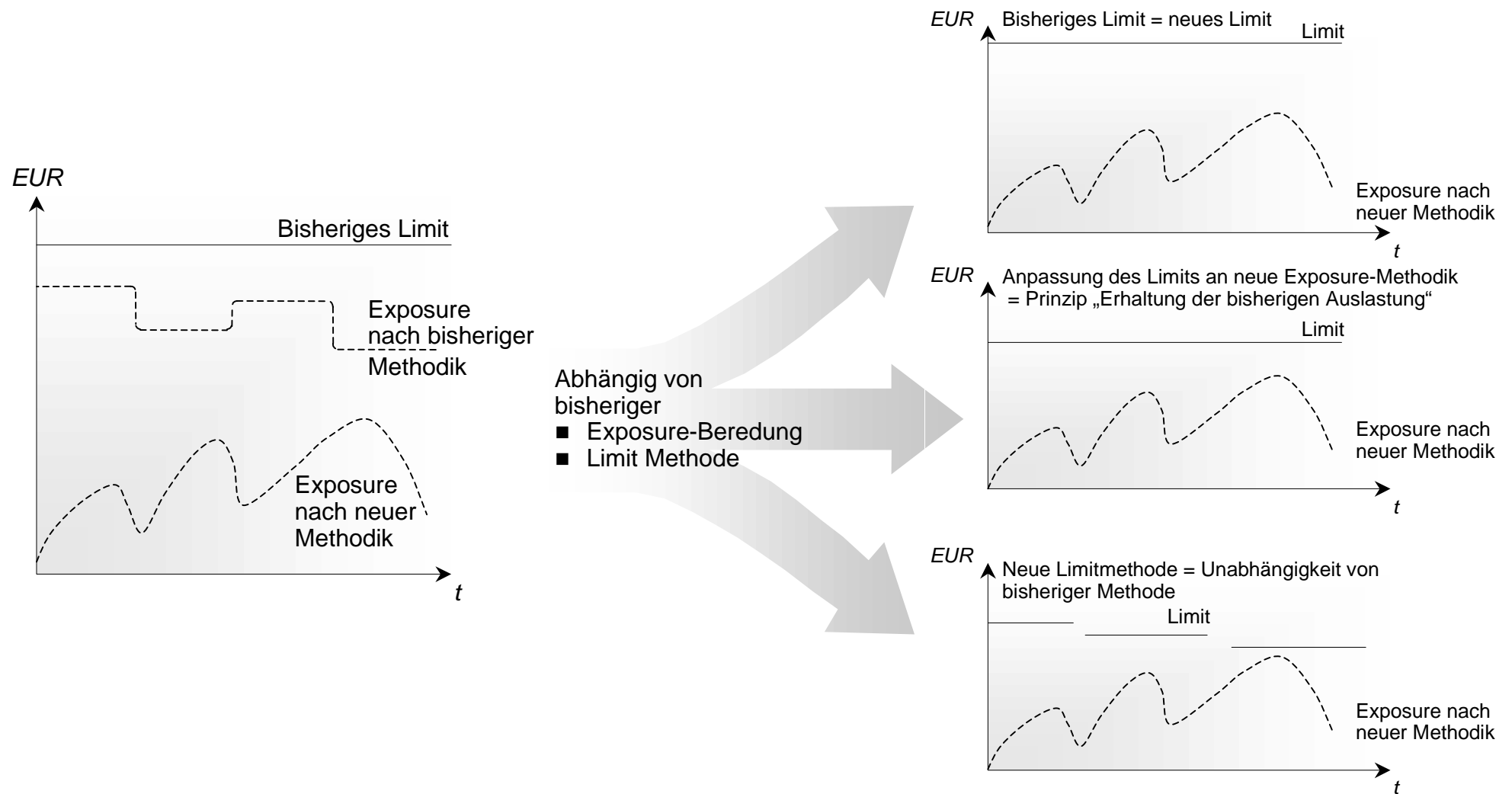
**Sales staff redundancies**

## 2

## Impact Examples

- 2.1 Rating
- 2.2 Exposure
- 2.3 Recovery Rate
- 2.4 Credit Portfolio Management

**Changing credit exposure calculation methods have impacts on the limit attributed to the customer. So it will affect the business with the customer.**



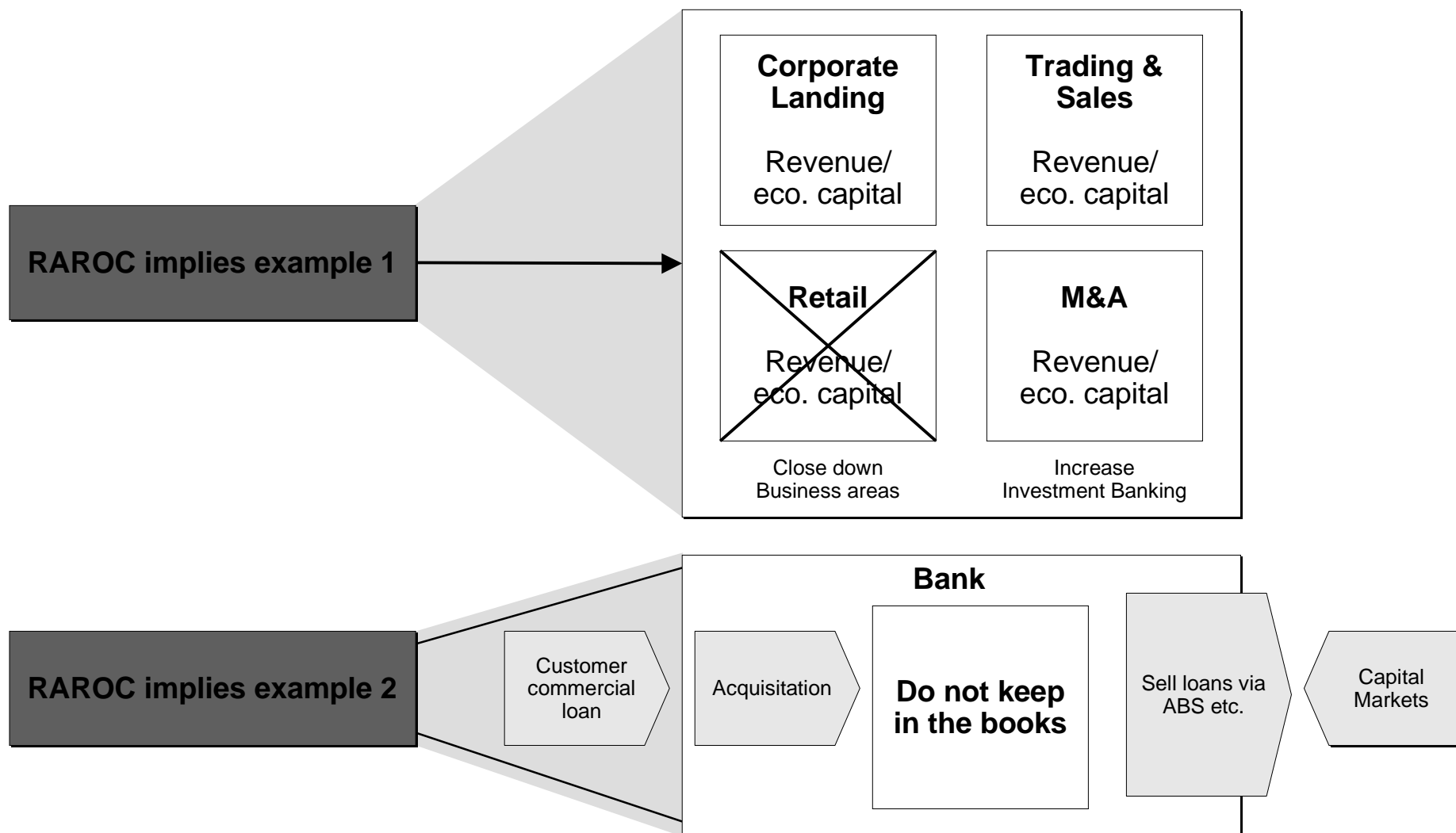
## 2

## Impact Examples

- 2.1** Rating
- 2.2** Exposure
- 2.3** Recovery Rate
- 2.4** Credit Portfolio Management

***Impact Example: Credit portfolio management projects may have major impacts on business strategy.***

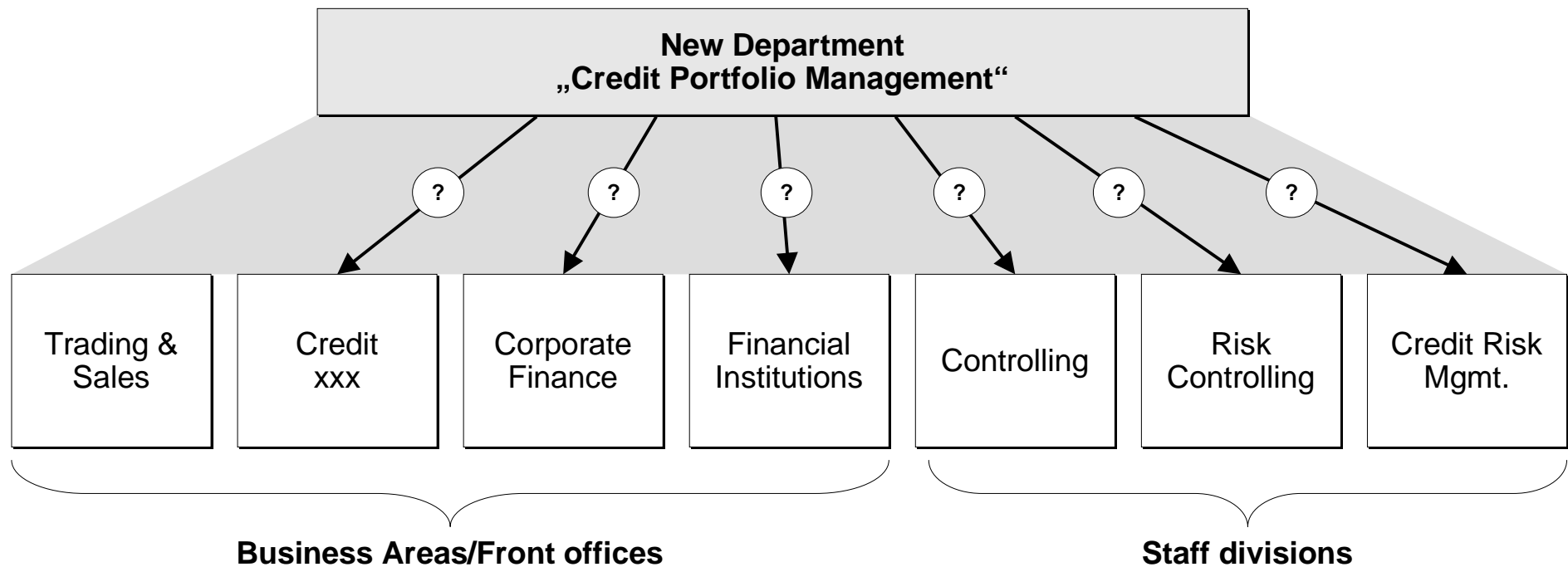
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***Impact Example: Credit portfolio management projects may have major impacts on organisation.***

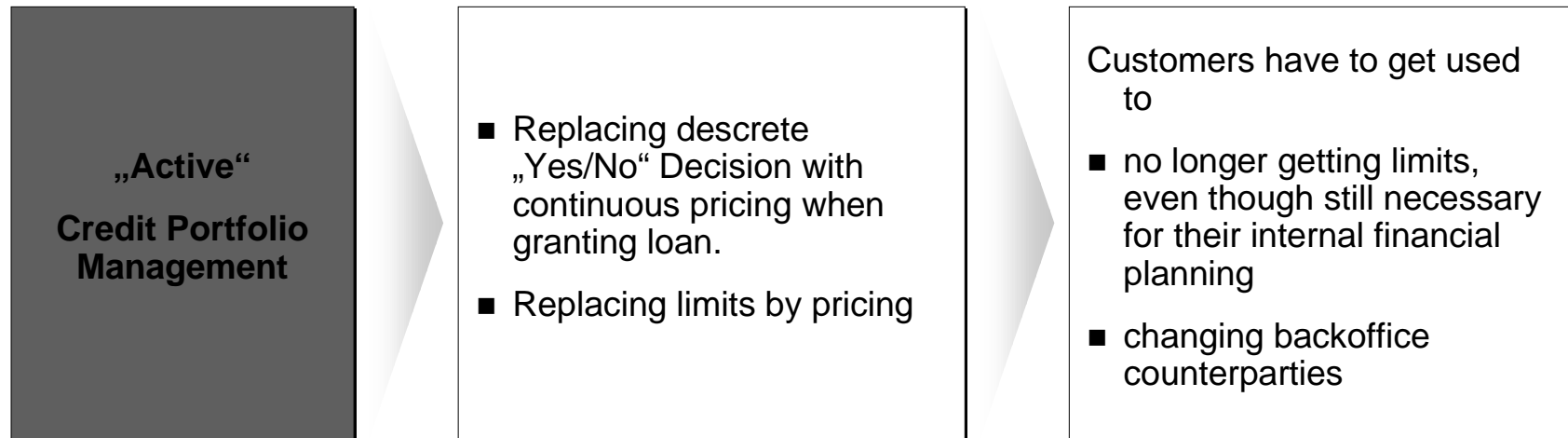
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Where to put the new department?



***Impact Example: Credit portfolio management projects may have major impacts on customer relationships.***

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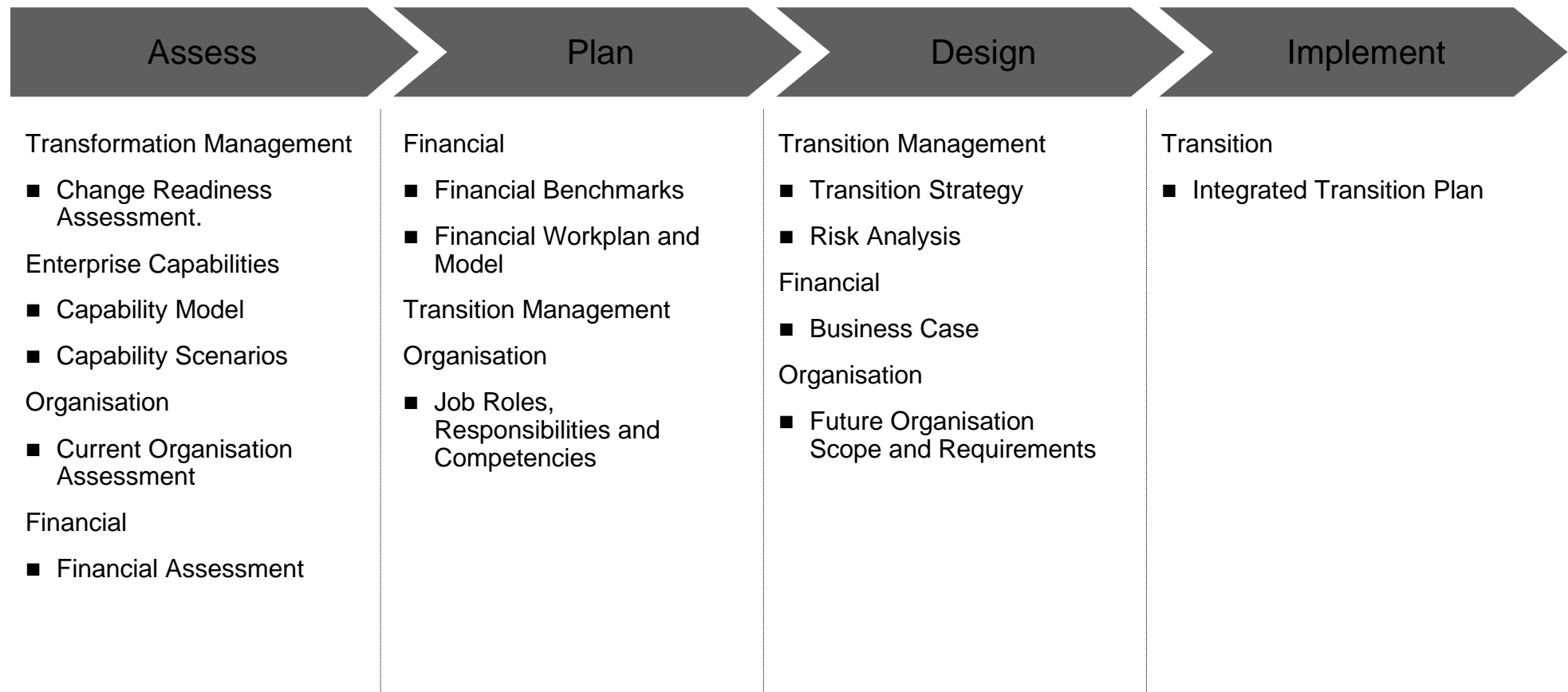
**3**

## Critical Success Factors



***At the end of the day, successful change of the credit risk measurement methods means business transformation. Therefore a business transformation approach must be adopted.***

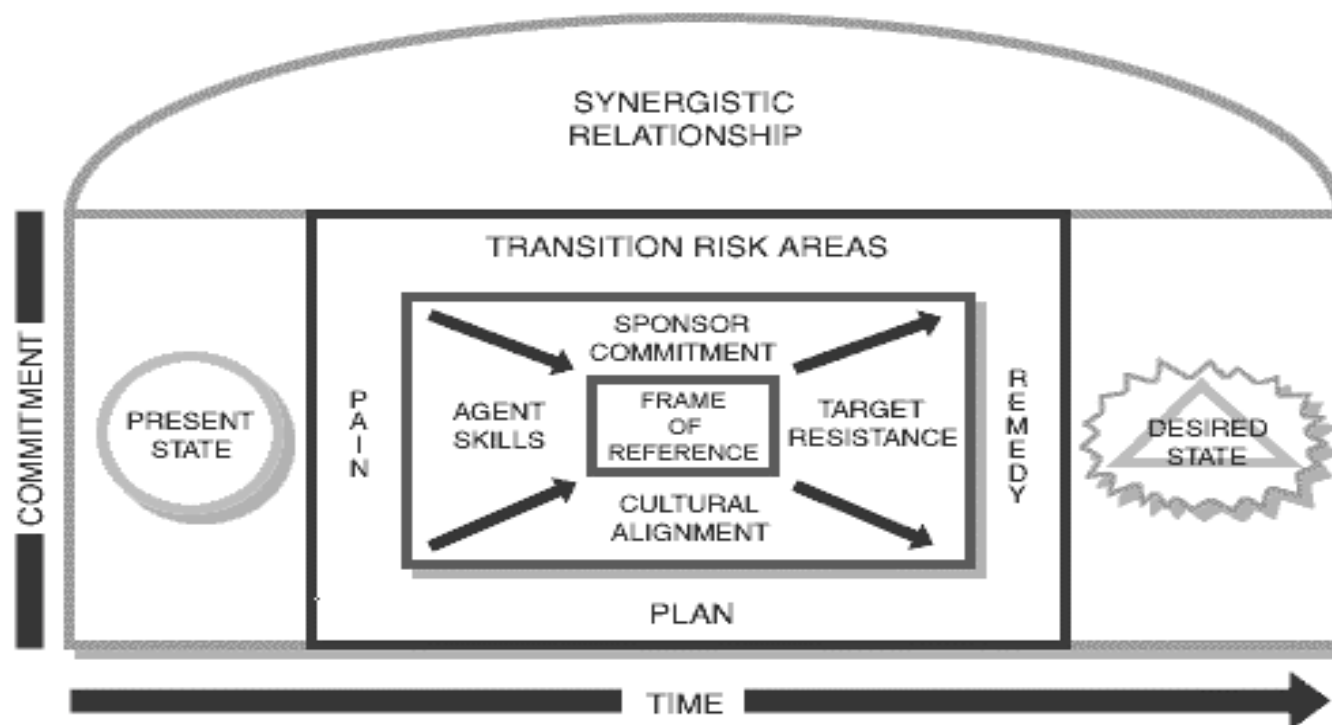
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***The Transition Management Framework positions the bank for successful change by addressing variables such as: commitment, time, and relationships.***

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One major reason that projects fail is that the executive team often does not understand or agree upon their roles and responsibilities in leading change.



***Credit risk projects will fail, if the business transformation scope is underestimated.***

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**The following are eight critical success factors for the transition management strategy**

