

# Credit Scorecards, Rating Models, and Early Warning Systems

## ASPECT ADVISORY ACADEMY TECHNICAL SEMINAR



### OVERVIEW:

Internal rating- and early warning models increase the efficiency of the internal risk management by reducing the required amount of capital and increasing the forward-looking character of the risk environment. This seminar gets participants acquainted with the most important terms, concepts and considerations to implement score cards, PD-, LGD-, and early warning models.

### AGENDA OUTLINE:

#### Day 1:

Day 1: Definitions and Scorecards

Day 2: PD-, LGD- and Early warning models

### WHO SHOULD ATTEND:

We believe that this seminar is most useful for participants from:

- Loan officers/Sales
- Risk management
- Regulators
- Risk controlling
- Internal audit
- Audit firms

### SEMINAR FORMAT:

- This seminar will be conducted in English
- This session will be conducted via Microsoft Teams. On completion of your registration you will receive a link to the meeting

### COURSE MATERIAL:

- Sessions are recorded and could be obtained on request at the end of the seminar
- Trainers presentation slide decks could be obtained on request at the end of the seminar
- Certificates will be awarded at the completion of the seminar

### CERTIFICATE:

- Certificates will be emailed to the participants on completion of the seminar

*Have a question? Send us a mail to:  
[aaa.aspectadvisory.eu](mailto:aaa.aspectadvisory.eu)*

## DAY 1

### Day 1 : Definitions and Scorecards

#### 1. Definitions and regulatory requirements

- 1.1 Important terms for credit risk and rating models
- 1.2 Minimum requirements for Pillar 2 – credit assessments
- 1.3 Minimum requirements for internal rating models for regulatory reporting purposes

09:00

- 1.4 Revision of the standardized approach for credit risk
- 1.5 Likely modelling restrictions to increase comparability across banks

10:30

#### 2. Internal risk rating process

- 2.1 Use of credit risk scores, PDs, LGDs
- 2.2 Interaction of lending and risk management process

### Morning coffee break

#### 3. External ratings

- 3.1 Banks' internal use of external ratings
- 3.2 Market overview
- 3.3 External rating process
- 3.4 Criteria of credit rating agencies

10:45

12:15

## DAY 1

Lunch Break

13:30

### 4. Internal rating models I

- 4.1 Design of a rating model
- 4.2 Long-list of potential rating factors

15:00

- 4.3 Data collection
- 4.4 Univariate analyses

Afternoon Coffee Break

15:15

### 5. Internal rating models II

- 5.1 Model choices and Multivariate Analyses
  - Discrimination analysis
  - Logistic regressions
  - Classification and Regression trees

17:00

- 5.2 Examples of implemented scorecards

Close of Day 1 Sessions

## DAY 2

Day 2 : PD-, LGD- and Early warning models

### 6. Estimation of loss parameters

09:00

- 6.1 PD – models
  - Regulatory requirements
  - Default rates
  - Statistical modelling

10:30

- 6.2 LGD – models
  - Loss components to be taken into account
  - Regulatory requirements
  - (Non-)Cyclicality of LGDs

Morning coffee break

### 7. Validation of rating models I

10:45

- 7.1 Regulatory requirements for model validation
- 7.2 Example of a validation report
- 7.3 Qualitative validation

12:15

- Design
- Data quality
- Internal use

## DAY 2

Lunch Break

13:30

### 8. Validation of rating models II

8.1 Quantitative validation

- Discriminatory power
- Calibration
- Stability

15:00

Afternoon Coffee Break

15:15

### 9. Early warning models

9.1 Why some scoring models might produce outdated scores

9.2 Components of an early warning model

9.3 Early warning dashboard

9.4 Ensuring the actionability of the warning system

17:00

Close of Day 2 Sessions