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COURSE BROCHURE

# Advanced Credit Portfolio Concentration and Default Loss Training Course

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Manama

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# Advanced Credit Portfolio Concentration and Default Loss Training Course

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Credit Portfolio Concentration and Default Loss is a 2-week advanced training course for credit risk managers, lending heads and portfolio analysts who build a Lending Book Risk Appetite and Concentration Limit Pack. Lending books now shift faster as sectors reprice and borrowers refinance, so default loss and clustered exposures must be measured before they surface in provisions. Jupiter Prime Training delivers Credit Portfolio Concentration and Default Loss for senior lending teams.

## Why Credit Portfolio Concentration and Default Loss Matters Now

Three forces shape credit portfolio decisions today: tighter capital and provisioning expectations from supervisors, faster sector cycles in real estate, trade and energy, and boards that ask for loss estimates they can challenge. A lender that measures default probability, recovery and correlated exposure well can price risk, set single-name and sector limits early and protect capital. A lender that measures them badly finds hidden clusters only after several borrowers fail together. The course rests on widely used credit measurement practice: rating scales, expected and unexpected loss, stress scenarios and limit hierarchies tied to a stated risk appetite.

## Who Gains Most from Credit Portfolio Concentration and Default Loss

- Portfolio risk leads responsible for loss estimates, limit setting and board risk reports
- Lending heads accountable for sector strategy, deal approval and pricing discipline
- Credit analysts who rate borrowers and recommend facility structures
- Model owners who calibrate default and recovery estimates
- Workout and recovery leads who negotiate restructures and collateral sales

A credit committee secretariat with its portfolio analysts gains most when several members attend together and agree one limit language.

## Credit Portfolio Concentration and Default Loss Capabilities

Participants move from single-borrower judgement to portfolio arithmetic, linking each rating and limit to a loss figure that a committee can test.

- Calculate expected loss from default probability, loss given default and exposure — credit committee approvals
- Build a rating scale mapped to default rates — pricing and approval authority
- Design collateral haircuts and covenant triggers — facility structuring decisions
- Specify single-name, sector and collateral concentration limits — the board risk committee
- Test the lending book under correlated downturn scenarios — capital and provisioning plans
- Communicate a risk appetite with early-warning thresholds — lending heads and relationship teams

## Key Credit Portfolio Concentration and Default Loss Terms

- Probability of Default — the likelihood that a borrower fails to meet its obligations within a stated horizon, usually one year.
- Loss Given Default — the share of an exposure that is not recovered after default, net of collateral and recovery costs.
- Exposure at Default — the amount owed when a borrower defaults, including expected drawings on undrawn commitments.
- Expected Loss — the average loss a lender anticipates, calculated as default probability times loss given default times exposure.
- Concentration Risk — the danger that losses cluster because exposures share one borrower group, sector, region or collateral type.
- Default Correlation — the tendency of borrowers to default together because they face the same economic drivers.

## Credit Portfolio Concentration and Default Loss Day by Day

### Day 1: The Lending Book as a Portfolio

- Portfolio Segmentation Map — Where Losses Are Likely To Cluster
- Exposure Data Inventory — Gaps Blocking Reliable Loss Figures
- Sector Cycle Review — Which Industries Need Tighter Appetite
- Loss History Analysis — Baseline For Future Default Estimates
- Stakeholder Map For Credit Decisions — Who Owns Each Limit

### Day 2: Borrower Assessment in Depth

- Cash Flow Debt Service Analysis — Repayment Capacity Under Pressure
- Business And Industry Risk Scoring — Qualitative Rating Overrides
- Group Structure And Connected Parties — Single-Name Exposure Totals
- Financial Statement Red Flags — Escalation Before Approval
- Management Quality Assessment — Weight In The Final Grade

### Day 3: Rating Scales and Default Probability

- Master Rating Scale Design — Consistent Grades Across Segments
- Scorecard Calibration To Default Rates — Pricing Accuracy
- Rating Migration Matrices — Downgrade Pressure On The Book
- Through-The-Cycle Versus Point-In-Time Estimates — Provisioning Volatility
- Back-Testing Rating Outcomes — When To Recalibrate Grades

### Day 4: Exposure and Recovery Estimation

- Credit Conversion Factors — Undrawn Commitment Drawdown Assumptions
- Recovery Rate Studies — Realistic Loss Given Default Inputs
- Workout Cost Accounting — Net Recovery After Legal Effort
- Downturn Recovery Adjustment — Loss Severity In Weak Markets
- Expected Loss Calculation Sheet — Facility-Level Loss Comparison

## Day 5: Collateral and Covenant Design

- Collateral Valuation And Haircuts — Lendable Value Of Security
- Third-Party Support And Credit Insurance — Real Risk Transfer
- Financial Covenant Packages — Trigger Levels Before Distress
- Security Perfection Checklist — Enforceability When Recovery Starts
- Covenant Breach Response Ladder — Waive, Reprice Or Restructure

## Day 6: Measuring Concentration

- Herfindahl Concentration Index — Sector And Name Clustering Signal
- Top Twenty Exposure Report — Single-Name Dependency For Directors
- Collateral Type Concentration — Shared Value Shocks In Security
- Default Correlation Assumptions — Joint Failure Of Related Borrowers
- Unexpected Loss And Economic Capital — Capital Held Against Clusters

## Day 7: Stress Testing the Lending Book

- Downturn Scenario Design — Plausible Severe Sector Shocks
- Rating Migration Under Stress — Projected Provisions And Capital
- Reverse Stress Test — Conditions That Break The Appetite
- Sensitivity Of Loss To Recovery Assumptions — Model Uncertainty
- Stress Results Narrative — Management Actions Agreed In Advance

## Day 8: Limits and Risk Appetite

- Risk Appetite Statement For Credit — Board Tolerance In Loss Terms
- Limit Hierarchy Design — Name, Sector, Product And Tenor Caps
- Risk-Adjusted Pricing Model — Return Hurdles By Rating Grade
- Limit Breach Escalation Protocol — Who Approves Excesses
- Delegated Lending Authority Matrix — Approval Levels By Loss Size

## Day 9: Early Warning and Portfolio Reporting

- Early-Warning Indicator Set — Watchlist Entry Before Arrears
- Watchlist Governance Routine — Exit, Restructure Or Recovery Paths
- Portfolio Dashboard Design — Board Risk Committee Decisions
- Provision Coverage Analysis — Adequacy Of Loss Buffers
- Credit Risk Commentary Drafting — Clear Messages For Directors

## Day 10: Practising the Lending Book Risk Appetite Pack

- Applying Rating And Recovery Estimates — Loss Profile Of A Sample Book
- Applying Concentration Metrics — Breaches In The Sample Portfolio
- Applying Stress Scenarios — Capital Impact Of A Sector Shock
- Committee Simulation On Limit Excesses — Defensible Approval Choices
- Lending Book Risk Appetite And Concentration Limit Pack — Final Draft

## Applying Credit Portfolio Concentration and Default Loss After the Course

- Run a top twenty exposure and sector concentration report on the current lending book and table limit proposals at the next credit committee.
- Recalculate expected loss for the ten largest facilities using refreshed recovery and drawdown assumptions, and flag pricing gaps to lending heads.

## Credit Portfolio Concentration and Default Loss Questions FAQ

### What is credit portfolio concentration and default loss, and why does it matter now?

It is the measurement of how much a lending book could lose from defaults and how those losses cluster. Faster sector cycles and closer board scrutiny mean lenders need loss estimates and limits they can defend before stress appears.

### Which roles gain most from credit portfolio concentration and default loss skills?

Portfolio risk leads, lending heads, credit analysts and rating model owners gain most. You will use the methods when setting limits, approving deals, calibrating grades or reporting book quality to directors.

### How does credit portfolio concentration and default loss differ from a credit analysis course?

It works at book level rather than deal level. A credit analysis course rates single borrowers; this one turns ratings, recoveries and correlations into portfolio loss, stress results and concentration limits for senior decision makers.

### What do you bring back from credit portfolio concentration and default loss training?

You bring back a draft risk appetite and limit structure for your own lending book. It links rating grades, loss estimates, stress results and early-warning indicators so committees can act on concentrations before defaults cluster.

## Credit Portfolio Concentration and Default Loss: The Way Forward

The Lending Book Risk Appetite and Concentration Limit Pack first informs where sector and single-name caps should sit for the coming lending cycle. Credit committees, lending heads and portfolio analysts use it to approve deals and challenge excesses. After its first use, revisit the default correlation and recovery assumptions, since these shape concentration limits more than any single borrower grade.