



Credit Risk Management

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1

What is Credit Risk Management?

Credit risk refers to the risk that a borrower will default on any type of debt by failing to make required payments.

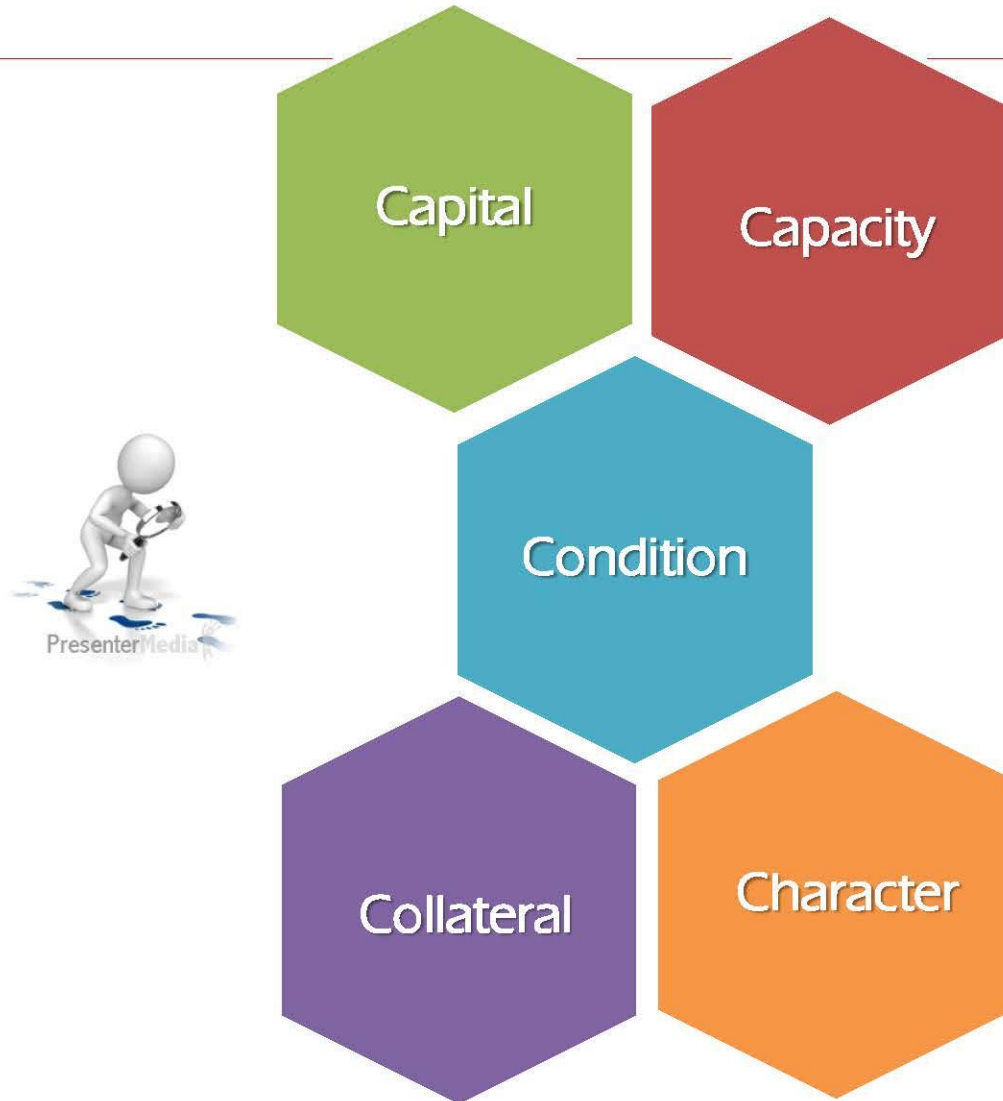
Two type of risk

Lost of Principal

Lost of Interest



Five C Model by Peavler (2013)



Five C Model by Peavler (2013)

Investment Money



Capacity



Ability to meet Loan
Repayment
Interest & Principal



Condition



Economic Condition
Political Condition

Form of Security /
Insurance

Collateral



Character

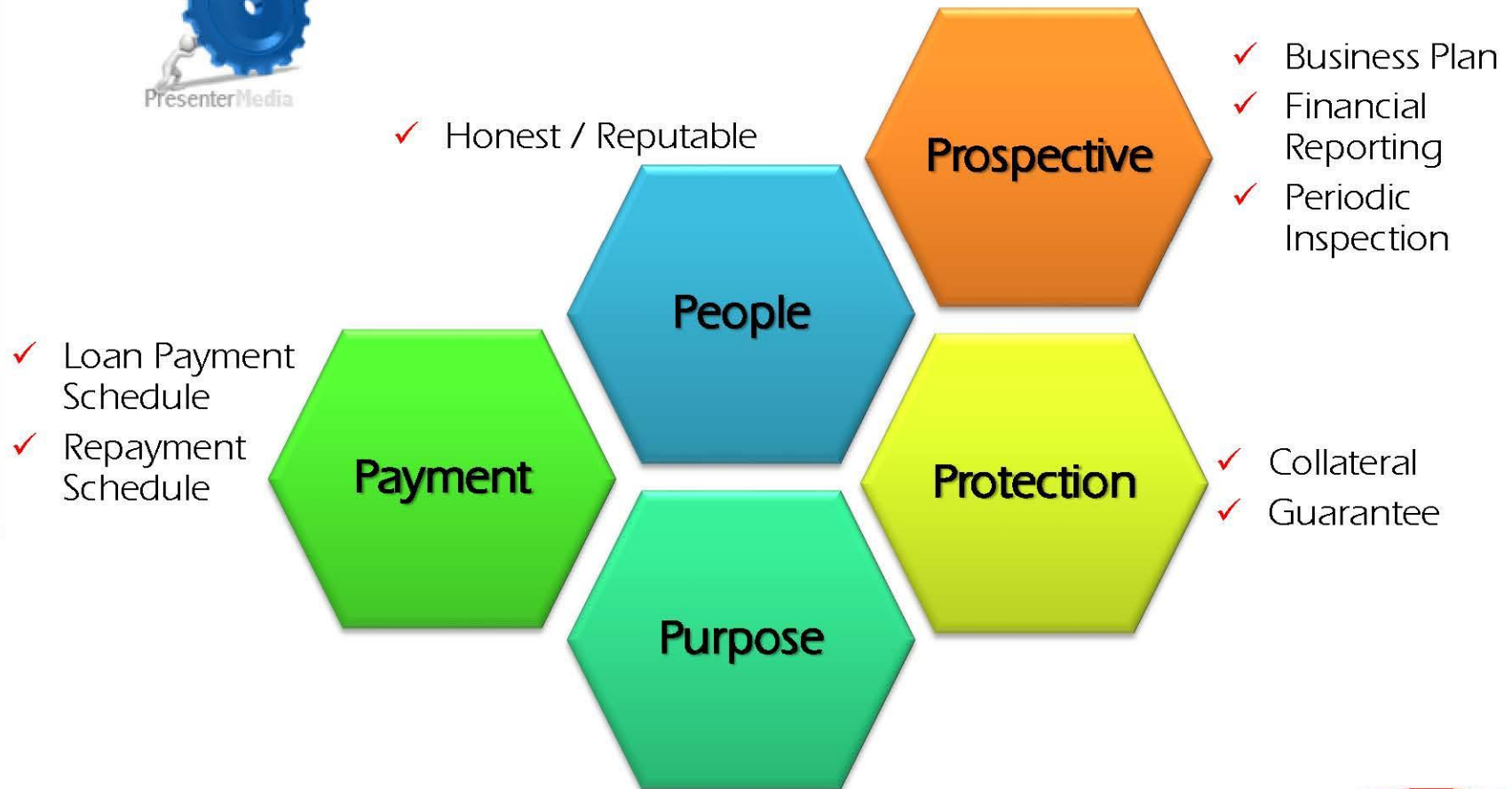


Feel to Repay the Loan
Judge the Character

Five P Model by Fed (2004)



Five P Model by Fed (2004)



- ✓ Specific explanation how to use.
- ✓ Don't settle for simple description "working capital"

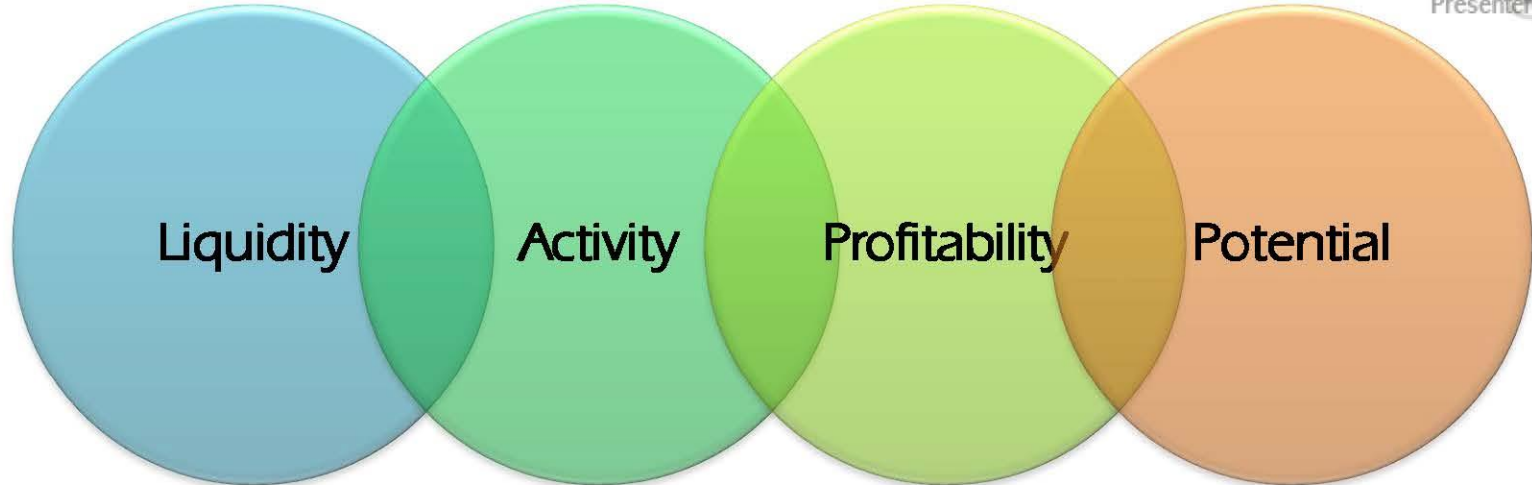
LAPP Method by Benz (1979)



LAPP Method by Benz (1979)

- ✓ Ability of the firm to repay its short term obligations.

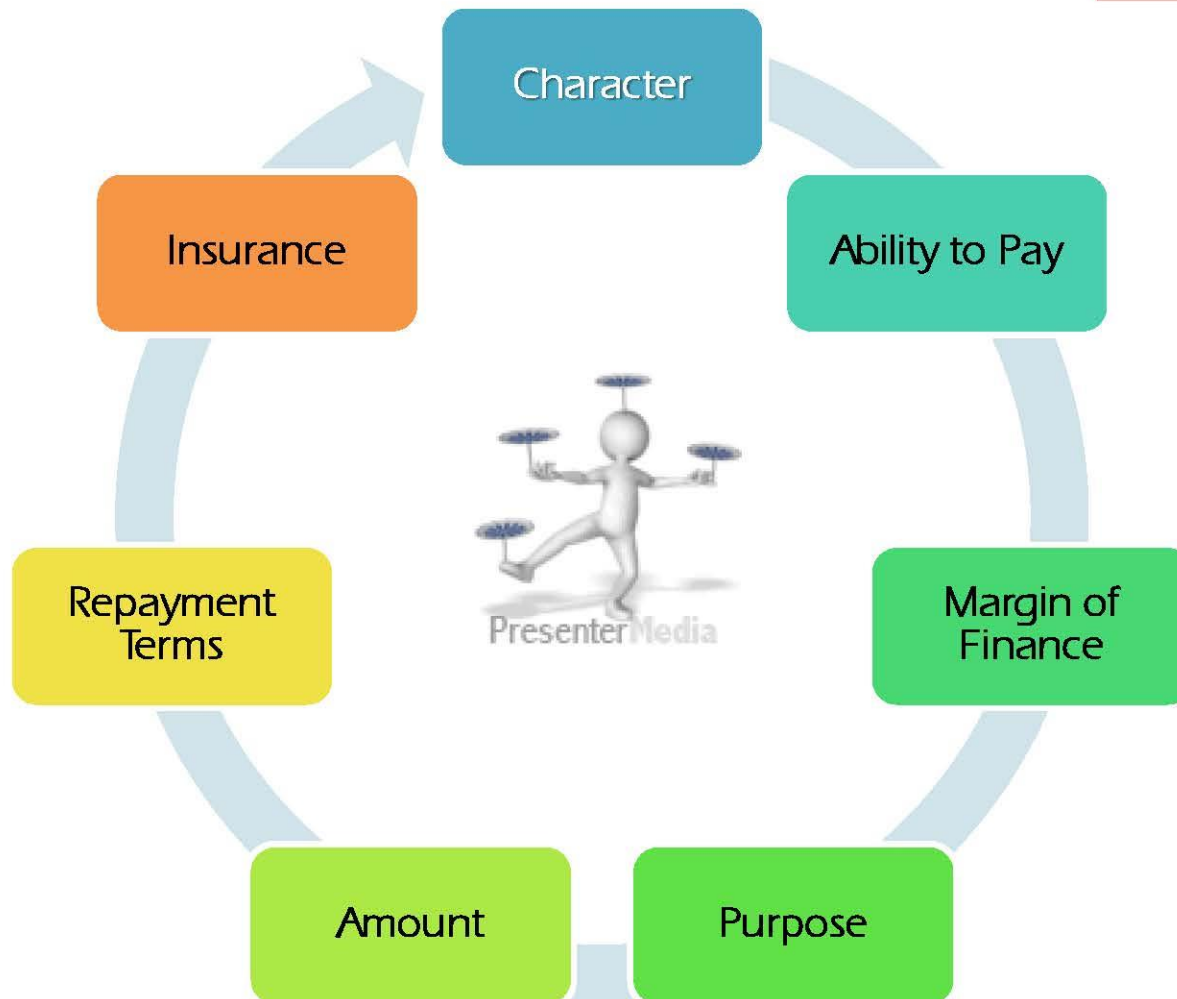
- ✓ ROI, ROE, ROA
- ✓ GP Margin, NP Margin



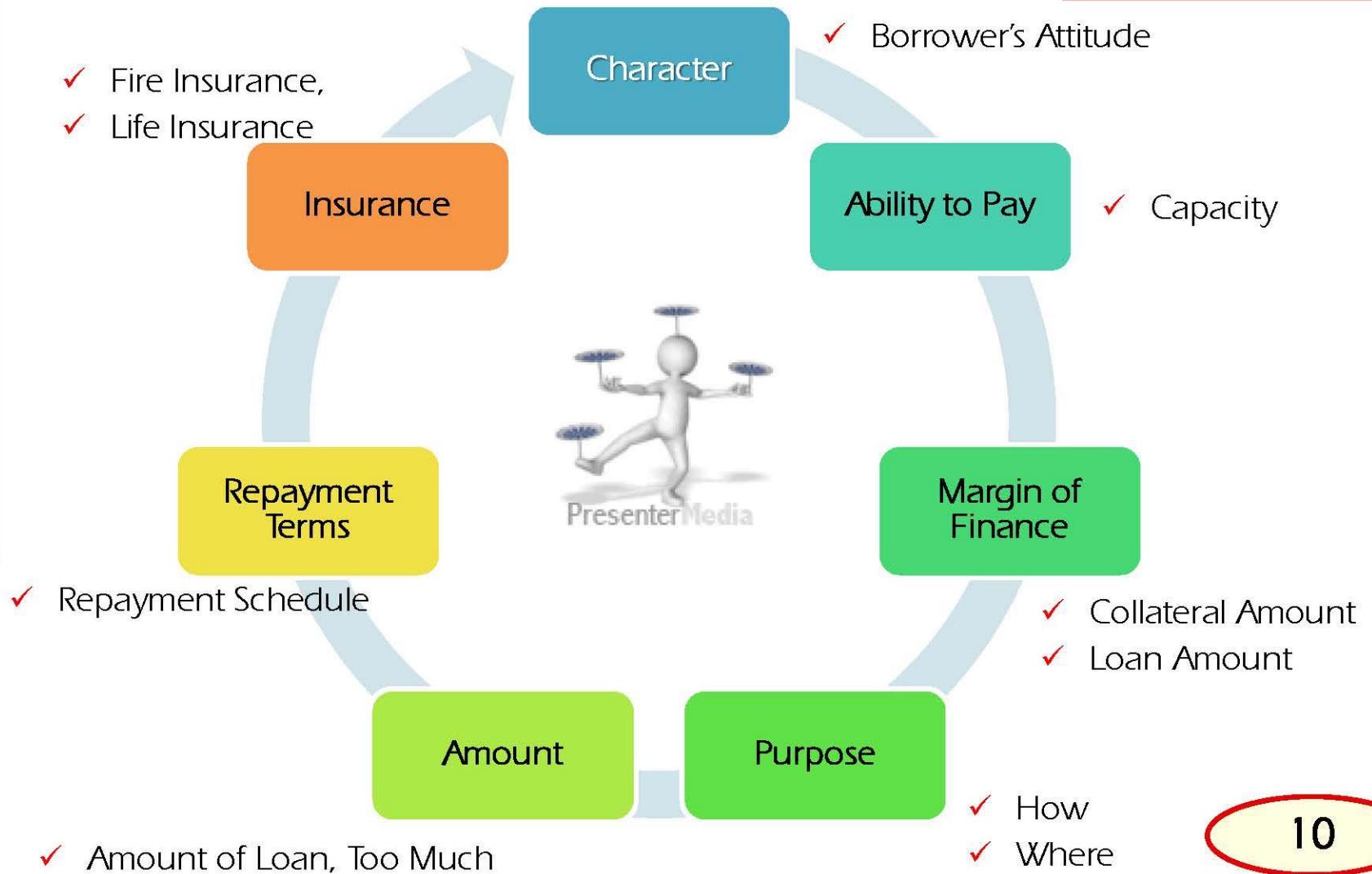
- ✓ Size of the Firm & its operations

- ✓ Resources —
- ✓ Financial Resource,
- ✓ Human Resources
- ✓ Strength —
- ✓ Management Level

CAMPARI Method



CAMPARI Method



FAPE Method



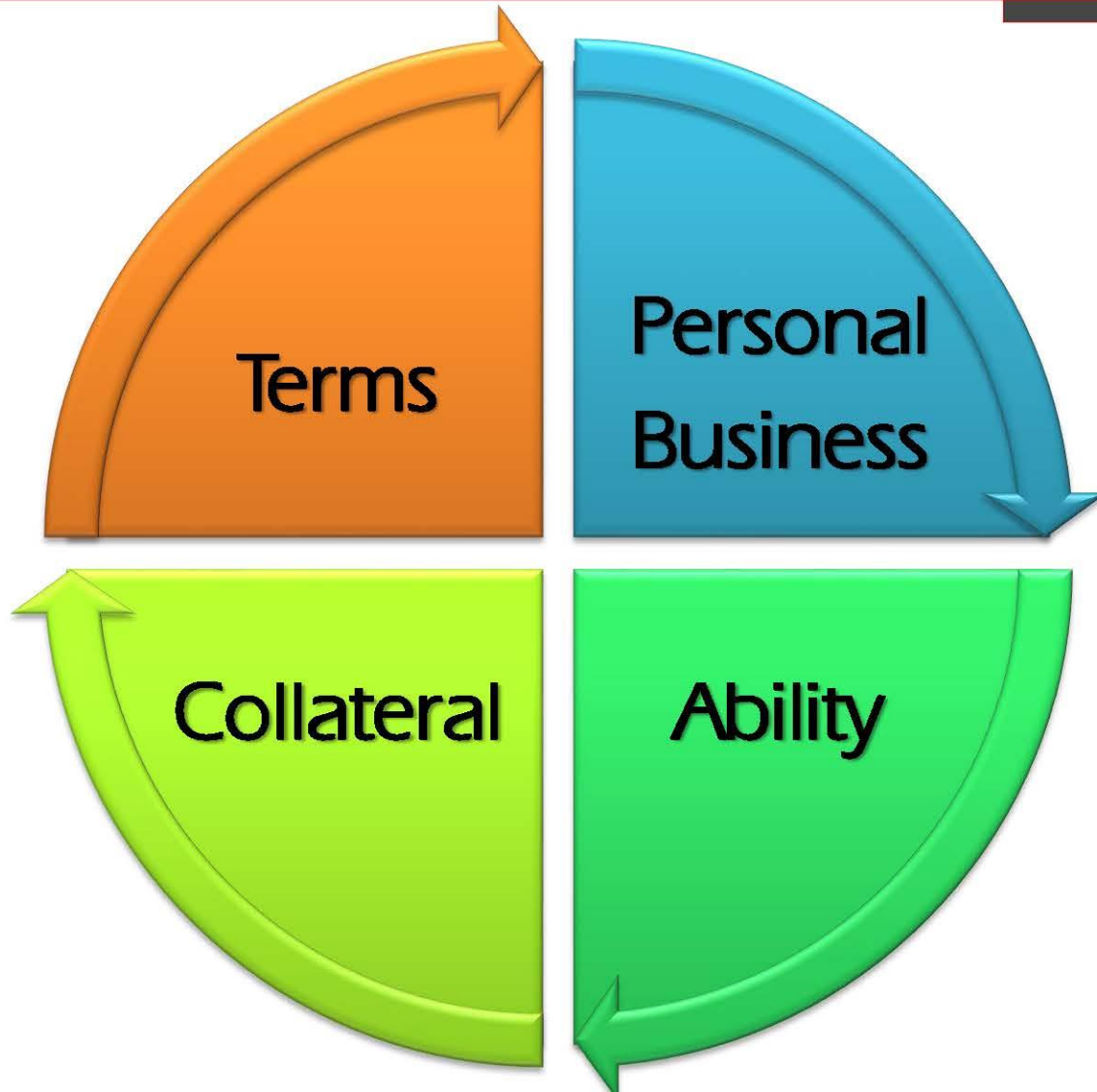
Financial Analysis & Previous Experience Method (FAPE)

FAPE Method



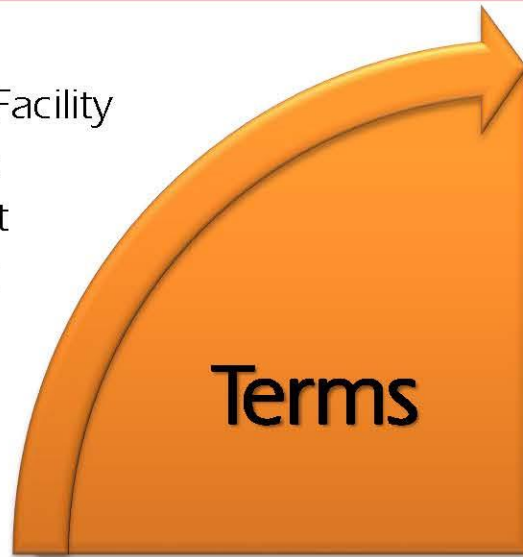
Financial Analysis & Previous Experience Method (FAPE)

PACT Model (New Model)



PACT Model (New Model)

- ✓ Kind of Facility
- ✓ Purpose
- ✓ Payment
- ✓ Amount



- ✓ Management
- ✓ Credit Record
- ✓ Sector/ Risk



- ✓ Fiscal Assets
- ✓ Fixed Assets
- ✓ Personal Guarantee



- ✓ Capacity
- ✓ Cash Flow
- ✓ Liquidity Vs. Profitability



Conclusion



“*Life* is all about taking risks
to get what you want”
—ADAM LAMBERT

Any Question?



Calculated
Risk

Do not Under Estimate Risk

RISK





Further Study



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