

Online Training

Development of a Credit Scoring Model

COURSE DESCRIPTION

The course aims to provide participants with clear understating of the methodology and mathematical concept behind the development and validation of statistical credit scoring model.

COURSE CONTENT

I. Scoring & Rating models

Preview of the scoring method: objectives, data requirements and limitations. Distinguish scoring versus rating, statistical versus expert scoring, application versus behavioural scores and credit bureau scoring.

II. Statistical Credit Scoring

Data Requirements for Statistical Scoring

Typical inputs into scoring models. Planning the client data landscape. Setting the observation period and defining default.

Data Selection and Preparation

Data quality controls. Treatment of missing values and outliers. Codification of categorical variables. Discretization of continuous variables.

Scoring Model Calculation and Interpretation

Introduction to discriminant analysis and logistic regression. Reading the model outputs and analysing the predictive power of the model. Back testing the model on a reserved sample.

III. The calculation and validation steps of the scoring model

Step 1: Create training and validation sample

Step 2: Univariate analysis and transformations

Step 3: Multivariate combination of characteristics to a score

Step 4: Mapping of the score into default probability and pricing

Step 5: Validation of credit scoring model:

- a. Validation of process
- b. Qualitative model assessment
- c. Quantitative back-testing
- d. Regular monitoring

IV. Practical Case Study

METHODOLOGY

The training will be a combination of trainee-centric teaching and active (participatory) learning where risk management under Basel Committee on Banking Supervision and its implications are taught using actual case-studies and exercises.

DELIVERY PLATFORM:

Online via Zoom

DATE AND TIME

19th January 2021, 9-11am (Central African Time)

TARGET GROUP

- Junior, mid-level and senior employees working in Risk, Credit and Strategic management departments.

PREREQUISITE

- Participants should have intermediate financial knowledge and basic risk management knowledge.
- Participants are encouraged to bring their laptops (with excel software installed)
- Participants are encouraged to download the Excel plug-in **XLSTAT** before the training. A free trial version can be downloaded from this link: <https://www.xlstat.com/en/>