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| --- | --- | --- |
| **Risk**  | **Credit Risk in Banking context** |  |
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| **Risk Owner**  | NAB Risk Management Team |
| **Risk Status**  | Ongoing Risk - constantly changing in the market place |
| **Control Effectiveness**  | Reservations - Residual risk remains such as interest rates (no control of these) |
|  **Before and after treatment** | **Consequence** **(Before)** | **Likelihood****(Before)**  | **Consequence**  **(After)** | **Likelihood****(After)** |  |
| **Controlled**  | Catastrophic  | High  | Medium | Unlikely |  |
| **Cause:****Cheap credit before 2008****No controls on lending****Currency fluctuations causing higher risks****Culture of organization leads to traders taking high risks** **Consequence:**Credit crunch in 2008 (GFC)Risky loans to poor status lendersAsset values drop of housesCollapse of housing market  |
| **Risk Treatment/ Controls/ Improvement Strategies:**1. **Financial reserves improve risk management**
2. **Better credit assessment on lending**
3. **Hedging against other currencies**
4. **Better Corporate Governance- lobby Govt. to bring in stricter guidelines**
5. **Monitoring and setting limits for trader transactions**
6. **Use of software systems to improve transparency**
7. **Share or insure risks to prevent risk or delegate risks**
8. **Having a level of authority / delegation for transaction**
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