|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Risk** | **Credit Risk in Banking context** |  | | | | | |
|  | | | | | | | |
| **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 lenders  Asset values drop of houses  Collapse 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** | | | | | | | |