Mastering SME Banking Business & SME Product Development
Two Day Work Shop

COURSE OUTLINE

1. Welcome and Introduction
   • Programme overview
   • Delegates’ expectations

2. Session 1: Strategies in corporate banking
   • How to build a strong and focused SME banking business
   • Assessing the competitive landscape in developed and emerging markets
   • Different strategies in corporate banking
     a. Workshop: Products and services required by customers
        o Corporate banking
        o SME banking
        o Retail banking
        o The profitability of different banking products
        o The key success factors in:
           ▪ Corporate banking
           ▪ SME banking
           ▪ Retail banking
     b. Workshop: The customers’ view of banks: How to position your bank in the eyes of your corporate clients.

3. Session 2: The importance of the planning process for SME banking
   • Mission and vision statements
   • Setting SMART objectives for
      o The SME banking portfolio
      o A region or branch
      o SME- account officers
   • Defining financial and performance goals
      o Profit goals
      o Market goals
      o Product goals
      o Cost targets
      o Portfolio targets
   • The execution of the planning process
   • Review of performance goals
a. **Workshop: Setting individual goals for a SME division, a branch or account officers responsible for SME banking.**

4. **Session 3: Identifying and approaching attractive SME customers**
   - How to screen the relevant market by
     - Sectors
     - Regions
     - Products and services
   - Customer and supply chains
     - Identifying attractive customers
     - Assessing their existing and future potential
     - Matching demand and the banks product and service capabilities
   - Successful client segmentation on the level of
     - The bank
     - A branch
     - Individual customer relationship managers

5. **Session 4: Designing a modern branch network**
   - Designing the national branch network
   - Delivering through different sales channels
     - Branch network
     - Direct sales
     - Internet banking
     - Other sales channels
   - The pricing policy in the different sales channels
   - The importance of the different customer segments
   - The role and responsibility of the regional and branch manager
   a. **Workshop: Towards an effective sales management: Understanding the product offering and the pricing policy in the different sales channels.**

6. **Session 5: Best practice in customer relationship management**
   - Identifying and approaching attractive SME clients
   - Matching the customer’s needs and the banks capabilities
   - Defining the client’s needs and preparing the call
   - The right segmentation of the different customers
   - Allocation of time by the RM
   - How to improve the profitability of a SME portfolio
   - Improving cross selling
   - Dealing with loss leaders
   - How to sell non-financial products
   a. **Case study: Delegates will analyse the performance of a medium sized corporate client, assess its requirements and develop a marketing strategy.**
7. Session 1: Preparing and executing the customer call
   • Understanding the client’s financial needs
     Preparing the call
     o Analysing the financial statement
   • Asking operational and financial questions
     o Understanding the competitive environment
     Making proactive product proposals
     o Services and lending
     o Transactional products
     o Risk protection products
   • Developing a client strategy
   • Offering different financial solutions
   • Learning from past successes and failures
   a. Workshop: Developing a questionnaire for the preparation of the call.
   b. Case study: Delegates will analyse the performance of a medium sized corporate client, assess its requirements, and develop a marketing strategy.

8. Session 2: Product bundling and the sale of non-financials’ products
   • Introduction to product bundling
   • How to identify the needs of different customer groups
   • Designing the right package
     o What products and services to include
     o Optional offerings
     o What products and services to avoid
     o The selling of non-financial products
       ▪ Insurances
       ▪ Knowledge based products and services
       ▪ Sector specific solutions
       ▪ Finding the right value adding partners
       ▪ Searching for alternative sales channels
   • Best practice in bank assurance
     o What did work?
     o Why did so many ventures failed?

9. Session 3: Introducing alternative product offerings and financing the supply chain
   • Defining core corporate products and services
     o Lending based products
     o Transaction based products and services
     o Fee based products and services
   • The different features of a loan product
   • Introducing alternative lending products
     o Receivables and order financing
10. Session 4: Measuring product and client profitability in SME banking
   • Different concepts of measuring profitability in SME banking
     o Revenues/volume/risk-weighted assets
     o Regulatory capital
     o RAROC and RORAC
     o EVA
   • Applying risk adjusted pricing in SME banking
     o Standard risk cost and expected loss expectation
     o Unexpected losses
     o Economic capital versus regulatory capital
   • Establishing the minimum price for banking products
   • Factors influencing the price of banking products
   • Understanding the pricing practice in SME banking
   a. Workshop: How to price a product in a competitive banking environment?

11. Session 5: Mastering credit risk in SME banking
   • Introduction to risk in corporate banking
     o Developed markets
     o Emerging markets
   • How Basel II has changed the perception of risk
     Defining ratings for corporations
     o Qualitative assessment
     o Quantitative ratios
   • Defining an efficient scoring system for SME customers
     o Quantitative factors
     o Qualitative factors
     o The weighting of the factors
• What are the differences to a consumer lending scoring model? Defining ratios for structured lending products
  
a. **Workshop: Analysing the different rating models for corporate lenders and SME clients.**
  
b. **Case study: The effectiveness of financial ratios and qualitative factors in rating and scoring systems. How to apply them to the SME sector.**

12. **Session 1: Monitoring and managing problem loan**
   • Identifying key risk factors for loans
   • Understanding early warning signals
   • How to escalate problem loans
   • The role and responsibility of the sales department and the credit department
   • How to handle the customer relationship?
  
  a. **Case study: Understanding key risk factors and early warning signals in the SME sector.**

13. **Session 2: Managing defaulted loans**
   • The role and responsibility of the work out department
   • Assessing the viability of the enterprise
   • Refinancing under the going concern assumption
     o Assessing the viability of the enterprise and the loan **exposure**
     o The different techniques of refinance
       ▪ Prolongation
       ▪ Change of terms and conditions
       ▪ Covenants
     o The products used
       ▪ Debt- equity swaps
       ▪ Mezzanine loans
       ▪ Subordinated debt and its treatment
   • Contributions from owners, suppliers, other sources
   • Assessing the banks relative position in the bankruptcy case
   • Changing management and ownership structures
   • Determining the breakup value
   • Calculating the write-off amount
  
  a. **Case study: Understanding the value of loans under different stress scenarios.**

14. **Session 3: A streamlined credit decision process for SME customers**
   • Segregation of duties in the loan underwriting process
   • Defining the appropriate approval level for loans
   • Manual interference in the scoring process
   • The governance of credit committees/ decisions
• Alternative route: credit decision by an expert system
• Joint portfolio responsibility
  a. Case study: Improving the cooperation between the sales organisation and the credit department.

15. Session 4: Understanding operational risk in SME banking
• Level of operational risk
• Risk indicators
• Assessing operational risk
• How to avoid operational risk
  a. Workshop: Calculating the potential losses from operational risk.

16. Session 5: Introduction to portfolio management
• Role and responsibility of the risk management department Establishing risk- limit systems
  o For portfolios
  o Regions and branches
  o Clients
• Introducing a loan transfer system
• Applying risk mitigating factors to a SME portfolio Establishing a value creating Management Information System
  a. Round table: Discussion about risk limits and performance parameters for SME banking.