



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

- Corporate banking
- SME banking
- Retail banking
- The profitability of different banking products
- 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
 - The SME banking portfolio
 - A region or branch
 - SME- account officers
- Defining financial and performance goals
 - Profit goals
 - Market goals
 - Product goals
 - Cost targets
 - Portfolio targets
- The execution of the planning process
- Review of performance goals



REGISTRATION

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- 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
 - Analysing the financial statement
- Asking operational and financial questions
 - Understanding the competitive environment Making proactive product proposals
 - Services and lending
 - Transactional products
 - 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
 - What products and services to include
 - Optional offerings
 - What products and services to avoid
 - The selling of non- financial products
 - Insurances
 - Knowledge based products and services o Sector specific solutions
 - Finding the right value adding partners o Searching for alternative sales channels
- Best practice in bank assurance
 - What did work?
 - Why did so many ventures failed?

9. Session 3: Introducing alternative product offerings and financing the supply chain

- Defining core corporate products and services
 - Lending based products
 - Transaction based products and services
 - Fee based products and services
- The different features of a loan product
- Introducing alternative lending products
 - Receivables and order financing



- Leasing
- Factoring/ bill discounting
- Inventory based lending
- The concept of supply chain financing
 - The companies involved
 - How to build supply chain financing
 - Products and services involved
 - The chances and risk aspects
 - Why is customer financing different?
- a. **Workshop: Delegates will 'standardise' different product offerings and apply them to the SME market.**
- b. **Case study: Understanding the chances and requirements of a modern supply chain arrangement.**

10. Session 4: Measuring product and client profitability in SME banking

- Different concepts of measuring profitability in SME banking
 - Revenues/volume/risk-weighted assets
 - Regulatory capital
 - RAROC and RORAC
 - EVA
- Applying risk adjusted pricing in SME banking
 - Standard risk cost and expected loss expectation
 - Unexpected losses
 - 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
 - Developed markets
 - Emerging markets
- How Basel II has changed the perception of risk Defining ratings for corporations
 - Qualitative assessment
 - Quantitative ratios
- Defining an efficient scoring system for SME customers
 - Quantitative factors
 - Qualitative factors
 - 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
 - Assessing the viability of the enterprise and the loan **exposure**
 - The different techniques of refinance
 - Prolongation
 - Change of terms and conditions
 - Covenants
 - 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



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- 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
 - For portfolios
 - Regions and branches
 - 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.**

