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Master Thesis

Improving the management of banking risks

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Contents

Summary

This paper analyzes the present situation and problems of credit risk management in China with the breakthrough point of commercial bank credit risk. This paper introduces two kinds of credit risk management methods used by commercial banks in China, namely, customer credit rating method and loan risk classification method, analyzes its existing problems, and puts forward some suggestions to improve the credit risk management of commercial banks in China.

With the gradual deepening of reform and opening up, state-owned commercial banks are in the leading position in the development of the financial industry of China's modern economy. The risk situation of banks is related to the security and stability of the financial system and even the national economic system. Because of the uncertainty and risk factors of commercial banks in economic activities, the factors affected by various risks increase. In general, bank risk is roughly divided into credit risk, operational risk, market risk and so on, among which: credit risk as the most important risk faced by commercial banks, this time as

the focus of analysis in-depth elaboration.

Under the condition of market economy, every enterprise is faced with risks. As a special enterprise operating monetary credit, commercial banks are essentially institutions operating risks, and the source of their profits is the risk premium to bear risks. With the deepening of economic and financial globalization, various financial innovation products emerge in endlessly, bank business operation is becoming more complicated, and commercial banks face more risks than ever. This paper analyzes the risk of bank management and achieves the purpose of bank supervision through the effective management of bank risk. The rapid development of economy and society makes the bank management work need to face more risk problems. To do a good job in bank risk management is particularly important. This paper analyzes the risk sources of banks, and formulates scientific practical strategies for effective risk management. It is of great practical significance to enhance the core competitiveness of banks, to effectively resolve risks, to deal with difficulties, and to give full play to the efficiency of comprehensive services.

Chapter1.Introduction

1.1 The background and significance of the management of banking risks

Definition of credit risk

Credit risk, that is, the debtor who obtains bank credit support can not or is unwilling to repay the debt on time according to the contract for various reasons, which causes the bank to suffer losses, resulting in overdue, stagnant, bad debts and other loan risks.

At present, the main customers of commercial banks in China, especially some small and medium-sized credit, have a large number of cases of bank debt evasion, which to some extent leads to the general poor quality of commercial banks in China. The ratio of non-performing assets is always at a high level. The emergence and existence of a large number of non-performing assets make the venture capital of commercial banks in China become the biggest financial risk faced by state-owned commercial banks. The existence of a large number of non-performing credit assets of state-owned commercial banks in China has seriously reduced the capital quality of state-owned commercial banks. It has become the biggest obstacle to the reform and development of commercial banks in China.Credit risk can not only refer to the possibility that the other party is losing money because the trading object cannot or refuses to repay the assets according to the agreement, or refers to the possibility that the market value of the debt also changes because the credit degree of the trading partner changes or the change, so that the other party can make a loss.

The determinant of credit risk is the financial and risk status of both parties to the transaction.In a narrow sense, credit risk is credit risk, and the possibility that the counterparties cannot cause the counterparties to perform the agreement as scheduled, so that the other party can suffer losses.In a broad sense, credit risk refers to the possibility that the other party refuses to perform the agreement when the two parties jointly plan and complete the agreement.Therefore, the content of credit risk is not limited to credit risk, but also includes: loans, commitments, securities investment, financial derivatives and other in-balance sheet business and any off-balance sheet business that refuses to perform the agreement or has contact with credit.

Macro factors

At present, from the macroeconomic level of our country, its risk factors are mainly manifested in the following aspects: first, the rapid growth of investment leads to the decline of investment efficiency, which may affect the quality of economic operation. China's economic growth is basically investment-led, that is, mainly by fixed assets investment to stimulate economic development. High investment growth in recent years has led to a gradual increase in the proportion of fixed investment to GDP in that year, which has reached one third of the GDP, while a decline in the final consumption rate may lead to a decline in investment efficiency. This type of economic growth may also be unsustainable. Second, speculative asset price changes lead to bubble burst risk. At present, the real estate development in our country is also in full swing, the bubble phenomenon in the real estate development has appeared, the bubble component in the price of some stocks and bonds is also becoming more and more serious, and the price of precious metals such as gold is rising relatively fast. These asset price changes may pose risks.

Micro-factors

From the bank's own point of view, the rapid expansion of banking business also increases the possibility of risk. The main performance is: first, the rapid growth of bank loans. Affected by the financial crisis, our country implements loose monetary policy and relies on expanding domestic demand to stimulate economic development. Total lending by banks has grown rapidly. If China's economy slows unexpectedly, the rapid increase in new loans could put banks at greater risk of irrecoverable loans in the future. Second, banks are excessively engaged in high-risk business. In addition to normal market demand, the rapid growth of bank loans is in line with the prosperity of the economic environment. These new loans may lead to the risk of new bad debts. From the current situation, the real estate industry overheating has been very obvious, its systemic risk is increasingly exposed. In this case, the investment of loans in the real estate industry caused by the industry structure risk is becoming more and more serious. Third, the level of management. For a long time, commercial bank loan management is a weak link, management is not in place, there are many loopholes, virtually increased loan risk.

The lender is the principal, his so-called commercial bank risk means that in the course of business activities, due to the influence of unpredictable uncertain factors, the actual income and expectation of commercial banks usually do not have information advantage. Due to the existence of information asymmetry and the deviation of income, the possible control of economic loss and extra income is affected by the quality and experience of credit officers. Compared with the general industrial and commercial enterprises, the biggest difference between commercial banks is that their people's screening errors, coupled with China's long period of credit tight high debt management. This also determines that the risk of commercial banks must be different from a set of economic growth model, resulting in stock debt backlog, resulting in the deterioration of bank asset quality.

1.2 Research of banking management problems

There are some risks in the operation stage of bank management and service, some of which are caused by external factors, while others are caused by internal reasons. In the process of operation and management, the external environment is often in the condition of fluctuation and change, and it is easy to increase the operating risk to the bank. Generally speaking, the external environment of business activities includes political environment, economic environment, institutional environment, social culture and resource environment. If the economic and political environment at home and abroad changes suddenly, or if the adjustment of important strategies occurs, which leads to all kinds of disaster problems or sudden risk events, the banking system may end up in trouble because of the contraction of service business, the loss of loans and the bad shrinkage of owning assets. At the internal level, banks often face certain operating risks in the process of loan management, which come from the financing risk of enterprises at the same time. Generally speaking, the financing way of enterprise performance will have obvious influence on the management risk and the investment cost. Although enterprises can form leverage effect through debt management, on the other hand, leverage effect will also play a role in the poor management of enterprises, and then make the overall management environment into a vicious circle. Therefore, when the enterprise can not repay the loan, the bank as the main source of financing will fall into the loan risk. In fact, this kind of risk is closely related to the investment management decision made by the bank. The lack of effective control in the stage of bank lending activities leads to unreasonable loan phenomenon and makes the risk level of bank management rise continuously. Banks will be driven by economic interests, can not form a positive understanding of risk, but blindly expand the scale of white lending. But unscientific lending will never bring good benefits to banks, and will plunge them into a whirlpool of higher management risks.

In addition, the shortcomings of bank management will be difficult to control the operating risk scientifically. It includes the following levels. First of all, bank executives can not fully understand the risks contained in the process of management, and then weaken the effectiveness of management risk supervision and control. Furthermore, the bank can not fully implement the evaluation in formulating the countermeasures of business activities, which leads to the phenomenon of bad operation. The internal management control system of the bank contains obvious deficiencies, which make the communication and communication between the various departments and agencies within the banking system limited, and then it is easier to form unreasonable application funds, non-standard lending, application funds examination and approval management work and so on.

However, in this regard, domestic banks often place more hope on risk approvers for customer risk assessment, and the requirements for account managers mainly focus on their marketing talents and work passion, while the requirements for their risk management awareness, experience and ability are relatively weakened.

The first difficulty lies in the risk identification of new customers. Under the "loan separation" mechanism, Credit approvers often do not have direct contact with customers, without access to real, comprehensive and intuitive customer information, Thus affecting its customer risk judgment. As we all know, C "five principles ", This is an international customer credit assessment method, That is, from the borrower's quality (Character), repayment ability (Capacity), capital (Capital), mortgage (Collateral) and economic environment (Condition) five aspects, To assess its credit risk. Currently, 36

For this problem, I have the following considerations : First, to cultivate a mature, stable, experienced team of account managers, to avoid new employees, only cabinet or account handling experience directly to the account manager position, to be interested in

In order to improve the bank risk source identification and control ability, we should select the personnel who have the experience of risk management, clear and resolve, or take the above job as the necessary exercise link before the account manager takes up the post. Second, for customers who are suspicious in the examination and approval decision, especially those with large credit amount, the credit approvers should contact the enterprise directly, obtain the necessary first-hand information and assist the decision judgment. Third, for the credit business of small and medium-sized enterprises, it should be made into standardized products as far as possible, and then standardize the action of the account manager, unify the standard of examination and approval, and realize the effective control of the risk at the same time. Fourth, because the effectiveness of credit initiation materials on risk disclosure and judgment is greatly affected by the initiating end account manager's own factors (including ability and attitude, etc.), the assessment of account managers should strengthen the weight and requirements of risk control.

The second difficulty lies in the dynamic adjustment of customer credit strategy. The operation of customers is constantly affected by internal and external factors. Banks should observe and analyze their risk changes through post-loan management and dynamically adjust customer credit strategy. At present, the domestic banks generally adopt the annual audit system for the stock credit customers, and judge the risk of the customers through the annual audit, and then decide to adopt the credit strategy of "increasing, holding, reducing and retreating" to the customers. Compared with the first credit decision, the bank has customer debt service and settlement records, plus the information learned in the post-loan management process, it should be said that the understanding of the customer has been further enhanced. The adjustment of credit strategy is based on this.

1.3 Theoretical basis and two methods

The risk of commercial banks must be different from the one-set economic growth model, which leads to the problem of stock debt backlog, which makes the asset quality of banks deteriorate.

The bank's risk can not be reduced to zero unless it ceases to exist between the bank's asset, liability and intermediate operations; Bank risk is highly infectious. When the proportion relationship between the internal structure of each kind of business can not be coordinated, it will lead to operational risk. If a commercial bank is aggressive and overly profitable and external negative effects. When there is a crisis in the bank, people will naturally assume that maximization will ignore security and liquidity, leading to the proportion of bank risk business.

There is also a crisis for other banks, so there will be a run, which will make the banks too high, will also aggravate the operational risks; conversely, if the business ideas of commercial banks.Because the main body of bank management is monetary funds, it will gradually lose its competitive advantage because it is too conservative with the whole, which will eventually lead to business contraction and wind.

Economic and social ties are very close, so any commercial bank once property insurance also intensified. The famous Bahrain Bank and Daiwa Bank affair is inside the bank crisis, will be quickly transmitted to other industries, forming a chain reaction, and then create

The result of a vulnerability in the control system. The economic turmoil of the whole society.

(1) Improving the corporate governance structure of commercial banks

The whole bank management risk control and management, the construction of the risk management committee as the core of the whole bank management risk management system, is conducive to the implementation of orderly and standardized dynamic management of the bank's operating risks, improve the control of the authority, overall operation and information support of the three risk prevention links before, during and after the operation. According to the requirements of modern enterprise system, we should actively promote the transformation or improvement of the stock system of commercial banks in China.

(2) Strengthening the supervision and administration of commercial banks

In order to strengthen the supervision and management of commercial banks and ensure financial security, the legislature and relevant regulatory departments need to work together. In the process of legislation, we should further strengthen planning, systematization, pertinence and maneuverability, and improve the quality of legislation. Bank regulators should require banks to establish effective risk control systems to identify, measure, supervise and control risks in a timely manner. Regulators should conduct regular independent evaluations of risk-related strategies, policies, procedures and practices, directly or indirectly, and monitor whether commercial banks have established a sound risk management organization system, whether the relevant information is disclosed as required, and whether the risk management department has fulfilled the responsibility of risk supervision.

Set up the management range and responsibility authority of credit personnel according to the bank size and asset condition, establish practical, rigorous, efficient and sensitive rules, require the risk system to monitor and evaluate the quality of single loan and bank portfolio; encourage banks to develop and use unique internal risk rating system to manage credit risk; require banks to have certain information systems and analytical techniques to help management measure the credit risk contained in all forms and operations.

Chapter 2 Literature Review

2.1 Literature review at home and abroad

2.1.1Review of foreign literature

Ever since the world's first financial organization named Internet Banking ——— Security First Internet Banking opened its "virtual door, Since then, the number and scope of online banking has mushroomed, And 300 years of traditional financial industry has had an unprecedented impact. There were 103 global websites available for trading at the end of 1997, This includes banks and depository institutions; But by the end of 1998, it had jumped to 1300. According to a survey by American Gartner Group′s Dataquest companies: by the end of 1998, About 7 million households have access to banking and financial services through home computers, About 7% of all American households, At the end of 2001, About 18.3 million families do this, And almost entirely on the Internet, This means that annual growth will reach 41%, Some analysts think growth will double. Meanwhile, Jim Cooperson, president of the American Bankers Association, Transactions through bank branches fell by a third in 1998. The network bank will rely on oneself deposit interest high and real-time, convenient, fast, low cost, the function many 24 from time to time service obtains more and more customers to like, And their numbers will grow rapidly, It's important to be the banking industry, Even the most important part of the time. Looking at the current situation and trend of global network banking, It plays an important role in the future development of network banking in China.

After years of development, network banks in developed countries have generally established a relatively perfect credit information management system, established a huge and sound database, accumulated basic credit data, and implemented timely updates. It is mainly used to perfect and popularize the risk rating system, strengthen the research and monitoring of industry risk, regional risk and major customer risk.

In addition, with the development of information technology and econometrics, advanced risk management technology such as mathematical statistical model is widely used in international advanced banks, which greatly improves the ability and effect of risk management. For example, taking credit risk management as the core, using credit risk rating model to calculate customer default rate and default loss rate to provide reference for credit rating; using decision model, we can calculate the return on capital of credit line through factors such as borrower rating, quota type rating, expected use ratio, capital required by loan repayment category, expected income and so on, which can provide important reference for credit decision. Through the model rating, decision-making, we can effectively avoid the risk of relying too much on subjective experience judgment, or the decision-making results left and right by senior personnel, so that the credit decision is more objective and scientific.

2.1.2Review of domestic literature

Since 2000, although the network banking business has grown rapidly, the analysis and research on the basic principles, organization, management framework, development model and business process of electronic banking, including network banking, are still lagging behind. Up to now, the understanding of network bank is basically regarded as another channel to sell traditional bank products and services, and the marketing mode of traditional banking business is used to develop network bank, which lacks long-term scientific planning and careful design.

In this context, in the organization and management of network banks, only a few banks have set up special management departments (electronic banking department or network banking department). Most domestic banks still divide the management of network banking business into sections: technology is the responsibility of science and technology department, business department is responsible, settlement is the responsibility of accounting department. The so-called flat management, personalized service and so on still stay in the idea. Corresponding to the organizational management model, the business management of network banks is basically the same as the traditional business. This management mode directly leads to the low level of overall management of network banks in China.

2. Property Rights Weakly Threatening Long-term Development of Network Banks

Because the network financial activity is closely related to computer and information network technology, at the same time, the financial transaction volume is large and the potential income of patent right is high, the commercial method patent related to the network financial activity has become the hot spot that some transnational banks and companies compete for. Against this background, some foreign companies and banks (such as IBM companies, Citibank, Mitsui Bank, etc.) have applied for commercial method patents not only in the United States, Europe, Japan and other places, but also in China, and a small number have been authorized.

However, there is no similar application by domestic commercial banks, and no commercial bank has carried out a comprehensive and systematic investigation and research on the intellectual property rights issues involved in network banks. In the long run, once the online banking market matures, commercial method patents will become a powerful means for foreign banks to compete with domestic banks. At that time, domestic commercial banks are either forced to pay high royalties or face huge legal risks.

2.2 Need for improved bank management

2.2.1 Reasons and Need for Improving Bank Risk Management

There are some risks in the operation stage of bank management and service, some of which are caused by external factors, while others are caused by internal reasons. In the process of operation and management, the external environment is often in the condition of fluctuation and change, and it is easy to increase the operating risk to the bank. Generally speaking, the external environment of business activities includes political environment, economic environment, institutional environment, social culture and resource environment. If the economic and political environment at home and abroad changes suddenly, or if the adjustment of important strategies occurs, which leads to all kinds of disaster problems or sudden risk events, the banking system may end up in trouble because of the contraction of service business, the loss of loans and the bad shrinkage of owning assets. At the internal level, banks often face certain operating risks in the process of loan management, which come from the financing risk of enterprises at the same time. Generally speaking, the financing way of enterprise performance will have obvious influence on the management risk and the investment cost. Although enterprises can form leverage effect through debt management, on the other hand, leverage effect will also play a role in the poor management of enterprises, and then make the overall management environment into a vicious circle. Therefore, when the enterprise can not repay the loan, the bank as the main source of financing will fall into the loan risk. In fact, this kind of risk is closely related to the investment management decision made by the bank. The lack of effective control in the stage of bank lending activities leads to unreasonable loan phenomenon and makes the risk level of bank management rise continuously. Banks will be driven by economic interests, can not form a positive understanding of risk, but blindly expand the scale of white lending. But unscientific lending will never bring good benefits to banks, and will plunge them into a whirlpool of higher management risks.

In addition, the shortcomings of bank management will be difficult to control the operating risk scientifically. It includes the following levels. First of all, bank executives can not fully understand the risks contained in the process of management, and then weaken the effectiveness of management risk supervision and control. Furthermore, the bank can not fully implement the evaluation in formulating the countermeasures of business activities, which leads to the phenomenon of bad operation. The internal management and control system of banks contains obvious deficiencies, which make communication and communication between various departments and agencies within the banking system limited, thus making it easier to form unreasonable application funds, irregular lending, application funds approval in market access, and the actual regulatory effect is not satisfactory. In daily supervision, due to the lack of necessary regulations, supervisors lack the necessary training and professional knowledge, inspection work is difficult to implement. In the aspect of risk management, at present, it mainly pays attention to the management of technical risk, security risk, and neglects the monitoring of strategic risk, reputation risk and legal risk in the development of network bank, and the supervision of technical risk and security risk is a mere formality because of the lack of necessary means of risk identification, monitoring, evaluation and disposal.

2.2.2 How to reduce Bank Management Risk

1. emphasizes the characteristic of banking financial services

In view of the advantages of low investment, low maintenance cost, wide radiation range, anytime and anywhere access, strong business kinetic energy, fast information transmission and so on, it provides the possibility for banks to defeat large financial groups. However, because the difference of network banking business is not big, the entry barrier of the industry is very low. In this case, we must emphasize our own service characteristics. Only the characteristic service can win the magic weapon of winning the market and win the favor of the customers. For small banks, market positioning must be clear in order to maintain balance in competition with large banks.

2. a good risk management culture and philosophy

Bank is a high-risk enterprise, which determines that bank risk culture is an important part of bank corporate culture. Generally speaking, banks with high quality assets and low operating risk have a mature and advanced concept of risk management culture, while good bank risk management culture is generally centered on improving asset quality. Bank managers and general employees will have a full understanding of the nature of risk and integrate risk management as a long-term and dynamic process into general business activities.

3. attach importance to the training of network talents

China's banking industry should pay attention to the training of network talents, especially those with network knowledge and financial knowledge. The smooth progress of network banking needs not only complete financial knowledge, but also sufficient network knowledge. In the construction and maintenance of network banking websites, we should have talents with knowledge of computer network hardware, and in the development of new products of network banking web pages and network finance. Must have the computer software development knowledge and the bank business knowledge talented person. Devago in

wales began its preparations two or three years before its own internet bank opened. If our banking industry wants to join this industry in time, it must start to do the reserve work of talents now. For small banks, the cost of individual talent reserves may be high, which can be achieved by
Talent outsourcing or strategic alliance form, access to external software packages to reduce costs.

4. high-quality risk management team

Perfect risk management system and advanced risk management technology need the effective cooperation of professional and high level risk management personnel. International banks have attracted a large number of financial professionals, but also trained a large number of high-quality staff, they are not only familiar with the entire bank risk management structure and technology, but also have keen insight, Be able to identify risks and manage them effectively in a timely manner. Most of the middle and senior managers in the banks have the working background of the major international banks or the experience of different industries such as securities, insurance and investment banks. The credit personnel also have long-term and rich working experience, and the novice and lay personnel are restricted from directly operating the credit business and risk management. Each risk manager, a clear division of labor, their respective duties, and can jointly make the risk monitoring function can be effectively played. It is relying on this high-quality risk management team that the risk management level of major international banks has been improved day by day.

5. complete risk management information system, advanced risk management technology

After years of development, network banks in developed countries have generally established a relatively perfect credit information management system, established a huge and sound database, accumulated basic credit data, and implemented timely updates. It is mainly used to perfect and popularize the risk rating system, strengthen the research and monitoring of industry risk, regional risk and major customer risk.

6. understanding of the external environment, do a good job of comprehensive analysis. In order to effectively deal with the risks of banks and optimize the effect of practical management, banks should first fully and clearly understand their own external environment, and then enhance the flexibility of the external environment in the process of management and management. First of all, the fluctuation of the external

environment needs the bank to carry on the effective capture tracking and the comprehensive analysis, the concrete content should include our country market related policy policy, the science and technology innovation development reality situation, the international economy to produce the influence to oneself, engaged in the management activity need to pay attention to the factor and so on. For the study of external environment, banks should draw up management rules suitable for application in the environment of development and change, and finally provide an effective auxiliary role to deal with the risks of bank management.

In addition, the bank should further improve the management system applied by itself, and then ensure the penetration of flexible concept into the management practice.The construction of the system should consider the education and training of the bank management staff, and then ensure that there are enough talents to support the management and management department

Unified service operation

7. attention to business risks, timely prevention and treatment. The bank should pay attention to the management risk prevention from the ideological level, and then ensure that the management staff and the senior management personnel quickly discover the wind, the hidden danger, and improve and optimize in time. Specifically, based on the existence of wind, risk, should be clear responsibility subject. Usually, this kind of responsibility subject presents multi-level. Senior staff should be the main responsible party to the bank risk management prevention and control of the overall level of grasp. Should actively and effectively use accountants to do a good job of risk supervision and control. Each institution department of the bank should also give full play to the function of the post, start from the link of the management account statement, apply the reasonable way to deal with the management risk, make up the loophole problem.

8. scientific demonstration of bank business activities related decisions, control bad decisions to form risks. Scientific and effective analysis and demonstration should be carried out to prevent and control the management risk caused by bad decision. Generally speaking, banks should first strengthen their own capital control management. Based on the fundamental level of funds can be in line with the demand side of liquidity issues. Therefore, fund management can effectively and quickly

deal with bank management problems and meet the needs of fund users. In addition, from the level of bank lending, the selection of lending projects should be timely and comprehensive evaluation and analysis, combined with the specific opinions of relevant experts, reasonable and scientific understanding of lending projects, and then curb the problem of loan risk. In view of the harmfulness of bank management risk, banks should establish an effective and scientific management early warning system. Then scientifically and effectively predict the risk of management. Can create short-term management early warning work system, so that the operation early warning mechanism to fully consider the normal operation of banks. The application of early warning system in each bank its adaptability will be different. In addition, the index of early warning system should be as systematic and comprehensive as possible, not only should it cover all kinds of management level standards, but also should be included in the requirements of management and management categories such as bank economic development work standards. Of course, with the gradual deepening of the process of information development, the establishment of management risk management early warning work system, should be fully combined with modern information technology means, and then ensure the rapid and timely detection of risks and effectively lifted.

Chapter 3 Problems existing in credit risk management in S Branch

3.1 The correct credit risk management concept is not established

In the process of the management of commercial banks, the concept of credit risk management is indispensable.In all links and fields of banking business, the credit risk management concept plays an important position, and has an important impact on every employee of the bank, and also plays an important guiding role in the credit risk management model of commercial banks.

The lack of credit risk management concept in S Branch is reflected in all aspects, such as backward credit risk management concept, lack of bank staff awareness of risk management, negligence of asset quality and profit level, blind pursuit of immediate interests, and lack of long-term planning for commercial banks.Because s branch overall lacks the credit risk management concept to guide the activities of the bank, the business of S branch is prone to confusion and deviation, and the credit risk management work is difficult to carry out, and it cannot achieve the purpose of preventing credit risks.When lenders offer mortgages, credit cards, or other types of loans, there is a risk that the borrower may not repay the loan. Similarly, if a company offers credit to a customer, there is a risk that the customer may not pay their invoices. Credit risk also describes the risk that a bond issuer may fail to make payment when requested or that an insurance company will be unable to pay a claim Although it's impossible to know exactly who will default on obligations, properly assessing and managing credit risk can lessen the severity of a loss. Interest payments from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk.

A financial crisis is a situation in which the financial system of a country is under stress. The stress may be caused by a number of factors, including a decrease in the value of assets, an increase in the level of debt, or a change in the interest rates. A financial crisis can lead to a decrease in the level of economic activity and an increase in the level of unemployment. A credit risk is a risk that a borrower will not be able to repay a loan. Credit risk is a type of financial risk that can lead to a loss of principal. There are a number of factors that can contribute to credit risk, including the borrower's credit history, the type of loan, and the collateral. A number of methods are available for measuring credit risk. The most common method is the use of credit scores, which are based on the credit history of the borrower. Another method is the use of credit ratings, which are based on the opinion of experts. A strategy that banks use to engage with debtors is to offer them a grace period. During the grace period, the debtor is not required to make any payments. After the grace period, the debtor must begin to make payments.

3.2 Lack of professional credit risk management talents

The first line of defense for China's commercial banks to improve their credit risk management level is the excellent talent base.However, the common problem of Chinese banks is the lack of talent, and the

Agricultural Bank of China s branch is no exception.The overall quality of employees of S Branch is low, the lack of professional bank talents, most bank staff have low awareness of risk prevention, insufficient work experience, lack of financial legal knowledge, and weak sense of work responsibility limit the development of bank credit risk management concept to a large extent.

For businesses, the risk of not managing their credit risks can be disastrous. Missing important milestones and deadlines can have consequences that can be financially crippling. Furthermore, poorly managed credit risks can lead to a loss of market share and customer confidence. Bad debt ratios, bankruptcy, and regulatory penalties are all potential results of businesses not taking proper precautions when it comes to credit risk management.

Many businesses don't have a formalized credit risk management process, instead relying on ad-hoc approaches that may not be as effective. This can lead to gaps in understanding the company's credit worthiness and expose the business to greater risks. Additionally, without a system in place, credit risks may not be tracked properly and may not be properly assessed. This can result in business taking on too much risk or not recognising when it has exceeded the limits of its available capital.

Not having a proper credit risk management plan can be disastrous. Missing important milestones and deadlines can have consequences that can be financially crippling. Furthermore, poorly managed credit risks can lead to a loss of market share and customer confidence. Bad debt ratios, bankruptcy, and regulatory penalties are all potential results of businesses not taking proper precautions when it comes to credit risk management. By implementing a formalized risk management process, businesses can minimize the risks associated with credit risk management and ensure that they are taking the necessary precautions to keep themselves and their customers safe.

A proper credit risk management plan is essential for businesses of all sizes. By implementing a system that tracks and assesses the risks associated with credit, businesses can reduce the likelihood of adverse consequences. Implementing a risk management plan can help businesses to stay afloat in difficult times and avoid costly penalties and loss of market share.

3.3 Credit risk management technology is backward

Credit risk management is different from ordinary risk management. Because of the differences between the two, S Bank should pay more attention to credit risk management, so as to improve the technical methods and means of branch credit risk management, so as to promote the normal development of credit risk management of S Branch.S Branch credit risk management technology lag is mainly manifested in the following aspects.

Banks are facing a crisis of confidence in their credit risk management processes. The global financial crisis has revealed that many banks do not have a clear understanding of the credit risk of their portfolios. While banks strive for an integrated understanding of their exposure to credit risk, they are struggling to develop models that accurately capture the risk of their portfolios. This has led to a situation where banks are relying on credit ratings to make decisions about lending, rather than on their own analysis of the credit risk of their borrowers. This has created a situation where banks are exposed to the risk of default by borrowers who may not be able to repay their loans. In order to address this problem, banks need to develop better models for assessing the credit risk of their borrowers.

3.3.1 Overall credit risk management technology is relatively backward

S Bank did not learn well from the advanced foreign credit risk technology, and its management technology is still very backward, which makes it difficult to promote the credit management work of S Branch.S branch at this stage, credit risk management still adopts backward technology, generally speaking, the existing technologies have a certain effect for ordinary bank risk management, but if it involves national trade financing business, because the particularity of these business will lead to the traditional risk management technology can not well resist credit risk.

When lenders offer mortgages, credit cards, or other types of loans, there is a risk that the borrower may not repay the loan. Similarly, if a company offers credit to a customer, there is a risk that the customer may not pay their invoices. Credit risk also describes the risk that a bond issuer may fail to make payment when requested or that an insurance company will be unable to pay a claim Although it's impossible to know exactly who will default on obligations, properly assessing and managing credit risk can lessen the severity of a loss. Interest payments from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk.

In finance, credit risk is the risk of loss that may occur if a borrower defaults on a loan. Credit risk is a type of financial risk that is often associated with lending money. Lenders use a variety of methods to assess the credit risk of a borrower. The most common method is to use a credit score, which is a numeric representation of a borrower's creditworthiness. Other methods include reviewing a borrower's credit history, employment history, and income. Lenders use credit risk measurement to determine the interest rate that a borrower will pay on a loan. The higher the credit risk of a borrower, the higher the interest rate will be. Credit risk measurement is also used to determine the terms of a loan, such as the length of the loan and the amount of the down payment.

Effective methods for measuring credit risk can reduce potential losses and help banks make better loans. When it comes to measuring credit risk, banks should focus on the five C's: credit history, capacity to repay, capital, associated collateral, and the loan's conditions. In our current market, banks are seeing more and more loan applications come in electronically. In order to deliver fast decisions and service to customers, most banks rely on credit risk software. Credit risk software can be customized to successfully manage risk for your financial institution In simple terms, credit risks are calculated based on a borrower's ability to repay the amount lent to them. Before a bank or an alternative lender issues a consumer loan they will assess the credit risk of the individual on what is more commonly known as the five C's: credit history, capacity to repay, capital, and finally the overall loan's conditions and collateral.

For any lender the importance of credit risk measurement (CRM) is paramount. It is the basis for which a lender can calculate the likelihood of a borrower defaulting on a loan or meet other contractual obligations. More broadly, credit risk management attempts to measure the probability that a lender will not receive the owed principal and accrued interest, which if allowed to happen, will lead to a loss and increase costs for collecting the debt owed.

3.3.2 There is no perfect internal rating mechanism

At present, the credit rating system has been established within ABC S Branch, but there are some problems: first, the credit rating system; second, the deviation between the basic data and the actual conditions leads to the low accuracy of the credit rating system; and the implementation of credit risk assessment.

Country Code	Series Name	Series Code	2019 [YR2019]	2020 [YR2020]	2021 [YR2021]
CHN	Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+)	FX.OWN.TOTL.ZS	..	..	..
CHN	Adequacy of social insurance programs (% of total welfare of beneficiary households)	per_si_allsi.adq_pop_tot	..	..	..
CHN	Adjusted net national income (current US$)	NY.ADJ.NNTY.CD	1.1732E+13	..	..
CHN	Adjusted net national income per capita (annual % growth)	NY.ADJ.NNTY.PC.KD.ZG	3.434453735	..	..
CHN	Adjusted savings: net forest depletion (current US$)	NY.ADJ.DFOR.CD	0	..	..
CHN	Annualized average growth rate in per capita real survey mean consumption or income, bottom 40% of population (%)	SI.SPR.PC40.ZG	7.2	..	..
CHN	Bank capital to assets ratio (%)	FB.BNK.CAPA.ZS	7.571381848	7.54175994	..
CHN	Bank liquid reserves to bank	FD.RES.LIQU.AS.ZS	..	..	..

	assets ratio (%)				
CHN	Bank nonperforming loans to total gross loans (%)	FB.AST.NPER.ZS	1.861754853	1.839619692	..
CHN	Benefit incidence of social insurance programs to poorest quintile (% of total social insurance benefits)	per_si_allsi.ben_q1_tot	..	..	..
CHN	Bound rate, simple mean, manufactured products (%)	TM.TAX.MANF.BR.ZS	9.53	9.53	..
CHN	Broad money (current LCU)	FM.LBL.BMNY.CN	1.95218E+14	2.14766E+14	..
CHN	Broad money (% of GDP)	FM.LBL.BMNY.GD.ZS	197.8865476	211.3870955	..
CHN	Changes in inventories (current US$)	NE.GDI.STKB.CD	61192572738	97351031764	..
CHN	Changes in inventories (current LCU)	NE.GDI.STKB.CN	4.22743E+11	6.718E+11	..

Internal controls are the procedures and policies that a company put in place to ensure the accuracy and completeness of its financial statements. Managerial control is the process by which a company's management team oversees the financial reporting process and ensures that the financial statements are accurate and complete. The Elite Team is a group of managers who are responsible for the financial reporting process and the internal controls of a company. The Elite Team is responsible for the accuracy and completeness of the financial statements of a company. 1) The Panama Canal: a brief history 2) The Panama Canal: how it works 3) The Panama Canal: the future 4) The Panama Canal: what to see and do Introduction: The Panama Canal is a man-made waterway that crosses the Isthmus of Panama. It is considered one of the greatest engineering feats of the 20th century. The canal was built by the United States from 1904 to 1914. It was a joint venture between the United States and Panama.

The canal was officially opened on August 15, 1914. The Panama Canal is 80 kilometers (50 miles) long and 8 meters (28 feet) deep. It consists of three locks: the Gatun locks, the Pedro Miguel locks, and the Miraflores locks. The Panama Canal is used by ships to travel between the Pacific Ocean and the Atlantic Ocean. The canal is an important route for trade and commerce. It is also a popular tourist destination.

Internal controls aim to improve our operating processes, procedures, and management, close the loopholes of processes, and summarize the lessons learned. Internal Controls must make friends with people, employees in particular. If there are any issues, Internal Controls must be able to provide methods for addressing these issues through discussion.
Internal Controls functions like a business department. It looks at how we do business from a different angle in order to identify potential execution errors. Unless there is sufficient evidence to indicate individual wrongdoing, we should just focus on fixing what has gone wrong, not on assigning blame. If processes are well-defined, we won't face too many issues Internal audits evaluate a company's internal controls, including its corporate governance and accounting processes. They ensure compliance with laws and regulations and accurate and timely financial reporting and data collection, as well as helping to maintain operational efficiency by identifying problems and correcting lapses before they are discovered in an external audit. Internal audits play a critical role in a company's operations and corporate governance, now that the Sarbanes-Oxley Act of 2002 has made managers legally responsible for the accuracy of its financial statements.
Managers at all levels are responsible for internal controls. The Managerial Control Elite Team exists to empower managers through a combination of training and practice. With this help, managers should be able to better fulfill their oversight role during process execution.
First, Huawei implements a process ownership system. Overseeing a specific business isn't the responsibility of the Internal Audit Department or the Supervisory Board. Instead, it is the responsibility of the manager of that business. Second, our management needs to be standardized and streamlined in order to increase efficiency Inspection personnel focus on events during processes. They offer important support for business managers to identify and solve problems. We are going to assign the responsibility of the Engineering Inspection Department for building a

COE and the inspection function of the Internal Audit Department to the Transformation Project Management Office. This office will then be responsible for building up inspection capabilities across the company. Other functions of the Engineering Inspection Department will be transferred to the GTS, and an Engineering Inspection Department will be set up under the GTS to carry out inspections during engineering and service delivery. Hui Chun will become the Executive Steering Committee's executive deputy chair to support Guo Ping, chair of the committee.

3.3.3 Credit classification system is a mere formality

At present, the enterprise credit risk classification system has been effectively implemented in Agricultural Bank S Branch, In addition, non-credit assets have been classified into the category of risk classification system.At the same time, more detailed rules and regulations and procedures have been formulated for the four aspects of asset quality statistics, monitoring, assessment and risk evaluation, but there are still "loopholes" people, who "only look at the surface, ignore the essence", and think that as long as the fixed process is completed.In terms of classification methods, There are unrealistic defects in credit risk assessment, The source of this crisis is the lack of a comprehensive analysis and understanding of the comprehensive factors affecting credit risk assessment, Nor was the extent of the influence of the various factors determined, Just simple and rough to all kinds of factors (such as shallow financial situation, period) accumulated; Classification of the operation process, Credit risk classification method is not clear, Too much real credit risks are covered up, The reason is that the Agricultural Bank of China S Branch should not only carry out a comprehensive, accurate and truthful non-static reflection of the five-level classification form, And to stop some real reflection of the bad loan behavior, Such as: the pursuit of performance assessment, to avoid accountability, etc.From this point of view, it is crucial to improve the management level of the credit risk system of ABC S Branch in form.

> 1) Demonstration of classes: A class is a blueprint for an object. It is a template that defines the variables and methods that an object will have. A class is like a cookie cutter. It is used to create objects that have the same shape and size. Objects that are created from the same class are said to be instances of that class. 2) Social networks: a very certain algorithm: Social networks are a very powerful tool.

They can be used to connect people, to share information, and to promote products and services. However, social networks are also a very powerful tool for marketers. Marketers can use social networks to target ads, to collect data, and to influence consumer behavior. 3) The powertype pattern: The powertype pattern is a way of organizing classes into a hierarchy. It is a way of representing the relationship between superclasses and subclasses. The powertype pattern is a way of representing the relationship between classes and subclasses in an object-oriented programming language. 4) Spanish entrepreneurs - The strand of the rumours: Spanish entrepreneurs are a very special breed. They are a group of people who are constantly innovating, who are always looking for new opportunities, and who are always willing to take risks. Spanish entrepreneurs are the driving force behind the Spanish economy. 5) Vídeo: The strand of Literature: In this video, we will explore the strand of literature that is known as the "strand of the rumours." This strand of literature is characterized by its focus on gossip, scandal, and rumour. It is a genre of literature that is often enjoyed by women.

Next, the risk ratio associated with start-up experience is greater than 1 and statistically significant in column 1, indicating that networks established in previous start-ups serve as useful facilitators to external debts. This social capital argument is re-confirmed by the significance of the social network variable in column 1. In general, the empirical findings suggest that social capital is relevant to gaining access to external finance. As such, hypothesis H2a is supported. It is also noteworthy that the effect of start-up experience (31%) is economically larger than the effect of social network participation (0. 3%) Further, in the rare cases where external finance is required, it is expected that informal financing sources are probably to be preferred given that they are associated with lower risk, and are easier to access by minor ethnicities and females in comparison to formal finance. In other words, entrepreneurs with cognitive financial constraints, due to their cognitive biases, have a lower need of formal finance, and given their inferior characteristics, they also have a lower level of capability of obtaining formal finance.

At the foundational level of its hierarchy is an object “class,” which corresponds to the set-theoretic “set. ” Powerclasses are defined (p. 307) in the usual powerset way, and the link to powerset noted: “These classes are a common feature in mathematical set theory, where they are known as powersets and defined as the set of all sub-sets of a set. ” There is no restriction on the level of powerclasses; indeed, there are several examples of higher-order powerclasses. There is no semantic gap between the BORO term powerclass and the set-theoretic term powerset. Similarly, there are many examples illustrating the usefulness of multiple classification. The mapping from the BORO objects to their mathematical equivalent (in below Table 5) is even more straightforward than with ISO 15926 However, this informal approach means that some analysis is required to determine the formal structure. In Martin and Odell (p. 500), there is a small section on powertype, where it is defined as all of the subtypes of the powertyped type, which looks much like the set-theoretic powerset. However, in all subsequent work, a weaker definition is used. In (p. 247 and repeated in , p. 28), powertype is defined as follows: “A power type is an object type whose instances are subtypes of another object type. ” This has marked similarities to the second half of the earlier definition of powerset “All members are subsets of T. ” Taking it at face value, this implies that an Odell-powertype is a powerset-subset.
Within this strand of literature, there are also different views about the relationship between the two sources. One view holds that informal finance is the last resort for those entrepreneurs who are quantity-rationed in the more desirable formal sector. This rationing may arise because formal lenders have limited information and thus rely on collaterals to overcome the moral hazard and adverse selection that are intrinsic in credit transactions. Firms that fail to provide sufficient collaterals are automatically screened out and are forced to find informal lenders, who can substitute their informational advantages of information-intensive screening and monitoring for collaterals (Guirkinger 2008) This study makes contributions to the extant entrepreneurial finance literature in several ways. First, it moves forward from the conventional research question of ‘what is the impact of informal

finance on firm performance?' by proposing another angle of analysis of firm financing and asking 'how do firms that make different financing decisions differ?' While we broadly assume that small firms are forced to use informal loans because these are rationed by formal lenders, we do not have a full picture of the determinants of formal/informal financing decisions. As such, we aim to provide some insight into this issue by proposing a theoretical framework of three levels of determinants: individual, organisational and contextual.

3.3.4 Credit risk monitoring of bank assets is not strong enough

Pre-loan, in-loan and post-loan are the three stages of the credit risk control of the credit assets of S Branch.At the present stage, S branch of the loan, loan and loan investigation mechanism ("three check" mechanism) is very popular, but "flow in its table, difficult quality", can not achieve effective prevention and monitoring, and invalid mortgage and guarantee, part of the loan (medium and long term) data seriously imperfect and some loans overdue and lose litigation rights, etc., lead to more difficult to collect arrears.The fundamental reason for all kinds of problems lies in the S Branch itself: the grass-roots work is not solid, so it is difficult for the Agricultural Bank to implement the collection and preservation of bad funds, so that it cannot put forward effective and exact countermeasures, resulting in credit risks.

Credit risk is the risk of losing money due to a borrower's inability to repay a loan. Credit risk arises when a borrower is unable to make timely payments of interest or principal. There are two types of credit risk: primary and secondary. Primary credit risk is the risk of losing money due to a borrower's inability to repay a loan. Secondary credit risk is the risk of losing money due to the inability of the borrower to repay the loan. Credit risk is typically measured by a credit score, which is a numerical representation of the borrower's creditworthiness. A high credit score indicates a low risk of default, while a low credit score indicates a high risk of default. Credit risk is also measured by a credit rating, which is a letter grade assigned to a borrower by a bond credit-rating agency. A high credit rating indicates a low risk of default, while a low credit rating indicates a high risk of default. The risk of default on a loan is also affected by the type of loan, the terms of the loan, and the economic conditions at the time the loan is made. For example, loans made during an economic downturn are more likely to default than loans made during an economic expansion.

Bond credit-rating agencies, such as Moody's Investors Services and Fitch Ratings, evaluate the credit risks of thousands of corporate bond issuers and municipalities on an ongoing basis. For example, a risk-averse investor may opt to buy an AAA-rated municipal bond. In contrast, a risk-seeking investor may buy a bond with a lower rating in exchange for potentially higher returns.Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations.

Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Excess cash flows may be written to provide additional cover for credit risk. When a lender faces heightened credit risk, it can be mitigated via a higher coupon rate, which provides for greater cash flows When lenders offer mortgages, credit cards, or other types of loans, there is a risk that the borrower may not repay the loan. Similarly, if a company offers credit to a customer, there is a risk that the customer may not pay their invoices.

Credit risk also describes the risk that a bond issuer may fail to make payment when requested or that an insurance company will be unable to pay a claim.Another worrying sign is that the number of euro area non-financial corporate defaults dropped 17% in 2020 compared with 2019. This paradox for a crisis year can be explained primarily by the effects of strong support measures taken by the fiscal and monetary authorities. It can also be indicative of the masking effect I mentioned earlier. During the pandemic, support measures were necessary as well as effective in delivering much needed relief for immediate borrower liquidity issues. But they also have the effect of contributing in the near future to higher indebtedness, and as a result, to potential solvency issues being postponed. As support measures are phased out, there is the potential for increasing non-financial corporate insolvencies coinciding with the timing of support withdrawals, notably in sectors hit hardest by the crisis. The effects of the pandemic will only translate into corporate defaults with some delay once support measures are phased out, so banks need to remain prudent and recognise financial difficulties and indications of unlikeliness-to-pay at an early stage. It is still too soon to release provisioning.

Country Code	Series Name	Series Code	2019 [YR2019]	2020 [YR2020]	2021 [YR2021]
BLR	Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+)	FX.OWN.TOTL.ZS	..	..	..
BLR	Adequacy of social insurance programs (% of total welfare of beneficiary households)	per_si_allsi.adq_pop_tot	64.62128371	..	..
BLR	Adjusted net national income (current US$)	NY.ADJ.NNTY.CD	49763391254	..	..
BLR	Adjusted net national income per capita (annual % growth)	NY.ADJ.NNTY.PC.KD.ZG	3.078674068	..	..
BLR	Adjusted savings: net forest depletion (current US$)	NY.ADJ.DFOR.CD	0	..	..
BLR	Annualized average growth rate in per capita real survey mean consumption or income, bottom 40% of population (%)	SI.SPR.PC40.ZG	1.11	..	..
BLR	Bank capital to assets ratio (%)	FB.BNK.CAPA.ZS	11.546392	11.36815582	12.14013719

BLR	Bank liquid reserves to bank assets ratio (%)	FD.RES.LIQU.AS.ZS	14.71090279	11.00892459	12.60961578
BLR	Bank nonperforming loans to total gross loans (%)	FB.AST.NPER.ZS	4.627878139	4.82924274	5.298769207
BLR	Benefit incidence of social insurance programs to poorest quintile (% of total social insurance benefits)	per_si_allsi.ben_q1_tot	11.22864014	..	..
BLR	Bound rate, simple mean, manufactured products (%)	TM.TAX.MANF.BR.ZS	..	..	..
BLR	Broad money (current LCU)	FM.LBL.BMNY.CN	48509693936	50800658500	..
BLR	Broad money (% of GDP)	FM.LBL.BMNY.GD.ZS	36.00455566	34.5568606	..
BLR	Changes in inventories (current US$)	NE.GDI.STKB.CD	1362558562	895925561.6	..
BLR	Changes in inventories (current LCU)	NE.GDI.STKB.CN	2850200000	2185700000	..

3.4 Credit and credit risk management organization system is imperfect

In the face of the rapid economic and social changes, commercial banks will face a variety of changing business types and economic trends, followed by increasing credit risks. Therefore, each bank has set up a risk management department to help its long-term operation to promote the sustainable development of commercial banks.

As far as the current situation of S Branch, there are still serious problems: credit risk management mechanism cannot meet its own development needs, highlighting in credit risk management. At the same time, the failure of S Branch to establish a relatively independent credit risk management system causes obstacles to the promotion of credit risk management.

At present, horizontal and flattening are the main characteristics of the credit risk management mechanism of ABCS Branch. However, it is this characteristic that hinders the development of S Branch.Therefore, an independent and vertical credit risk management system can be established to solve the problem with targeted, otherwise, once the credit risk problem can not be solved timely and effectively.

Banking crisis refers to a situation where the solvency of a financial institution is at risk. A banking crisis can be caused by a number of factors, including a sudden loss of confidence in the institution, a run on the institution's deposits, or a decline in the value of the institution's assets. A banking crisis can have a significant impact on the economy, causing a loss of jobs and a decrease in economic activity. Loans are a very important part of the banking system. They are a way for banks to extend credit to individuals and businesses. Loans are a form of debt that must be repaid, with interest. The study of risk perceptions is a branch of economics that deals with how people make decisions about risk. Risk perceptions are important because they affect the decisions that people make about investment, insurance, and other financial products. These areas of risk perception are receiving a lot of attention from economists, as they are critical to understanding how the economy works.

Non-performing Loan problems in Bank have a tendency to arise after a huge lending preceding and when the loan are not collected in structured periods that were supposed to collect the loans because of low growth in a weak financial systems. Non-performing Loans hamper new offering, eroding both the productivity and soundness of banks. When high Non-performing Loan levels upset an adequately large number of banks, the financial system discontinues functioning typically, and banks can no longer deliver credit to the economy. A quick recovery can be useful for the financial market which helps from not functioning and it helps the bank from failing among banks. In such situations, Banks usually step in to the crisis response When we see a huge rise in the amount of non-performing loans, we can clearly indicate a sign of financial hassle. Still, we need to observe the condition how the lending is being through. Several banks provide loan to higher-risk divisions than others. As a result, tend to have a higher amount of non-performing loans. These banks want to get extra profit by distributing high-quantity of loan and arraigning higher interest rates from borrowers. A mortgage lender will almost certainly have less non-performing assets than a credit card lender because of the asset that is mortgaged as collateral. Conversely, the credit card lender creates big profit with higher extents on the same assets, even if it ultimately has to write off the non-performing loans.In addition, with the repeated banking crises over the years due to poor CRM by banks and other financial institutions, this area has received a lot of attention from academics and many research papers have been published in this area.

However, the conceptions of risk by these researchers can differ significantly. The bulk of investment-banking oriented body of literature on risk management usually defines risk in an objective way not differentiating according to the needs of different investors or stakeholders. On the other hand, there are researchers who consider it to be ‘relative’ rather than an absolute concept (Balzer 1994). This has caused two main concerns. Firstly, due to such differences, there are inconsistencies in conceptualisations of CRA In CRA, it is not about solving a problem but contemplating whether to take an opportunity for return to realise in the future from investment. These opportunities come with uncertainties and it is impossible for banks to have complete information. Similarly, the full information about the consequences, in this case, borrowers engaging in risky activities cannot be obtained. Herne (2011) finds some evidence showing that individual choices disappear when individuals have an opportunity to learn and correct their choices to be more in line with the standard utility model depending on the situation where decision making takes place, thereby concluding that different institutional structure affect such differing preferences.

Chapter 4 Causes of Credit Risk Management of Agricultural Bank S Branch

4.1 Analysis of the macro factor

Commercial banks are a type of bank. Their main business scope is deposits, savings, loans, and exchange, and they are also financial institutions that can act as credit intermediaries. Generally speaking, commercial banks do not have the power to issue currencies.The main business of traditional commercial banks is engaged in deposits and loans.Nowadays, commercial banks are still not completely separated from the government. The government can use administrative means to have a certain degree of control over the assets of commercial banks.Our state-owned enterprises always is given priority to with the national plan, according to the instructions of the state to run, and commercial Banks under the guidance of the state policy invested, but because state-owned enterprises can not completely avoid losses, so the government use some policies to promote commercial Banks in state-owned enterprises crisis, in a way, commercial bank capital flow due to capital problems is always in the state of very low liquidity.At the same time, commercial banks' loans to state-owned enterprises will also increase some risks of commercial banks to some extent, thus leading to the emergence of credit risks.

The macro environment is the largest and most general environment that affects all businesses and industries. It is made up of the political, economic, social, and technological factors that influence a company's ability to compete in the marketplace. Macro environment analysis is a common application for macro environment analysis. Macro environment analysis is used to assess the political, economic, social, and technological factors that influence a company's ability to compete in the marketplace. The chief economist is the most senior economic analyst in an organization. The chief economist is responsible for the economic analysis of the organization and for providing advice on economic policy. The GDP is the value of all the goods and services produced in a country. The GDP is an important measure of a country's economic activity. The Spanish opposition is the political party that is opposed to the ruling party. The former chief of the Constitution is the head of the Spanish opposition. The former chief of the Constitution is responsible for the political opposition to the ruling party.

The gross domestic product, referred to in short as GDP, is a measure of the total monetary value of goods sold or services enacted within a given quarter or year. GDP is typically measured on a national basis, and gives an insight into the strength of the local economy in terms of the value exchanged. A high GDP represents a strong economy, which is often what business wants to see in the macro environment Gross Domestic Product (GDP) is a measure of a country's output and production of goods and services. The Bureau of Economic Analysis releases a quarterly report on GDP growth that provides a broad overview of the output of goods and services across all sectors. An especially influential aspect of GDP is corporate profits for the economy, which is another measure of an economy's comprehensive productivity.

A firm's macro environment contains elements that can impact the firm but are generally beyond its direct control. These elements are characteristics of the world at large and are factors that all businesses must contend with, regardless of the industry they are in or type of business they are. In the (Figure), the macro environment is indicated in blue. Note that the terms contained in the blue ring are all "big-picture" items that exist independently of business activities. That is not to say that they do not affect firms or that firm activities cannot affect macro environmental elements; both can and do happen, but firms are largely unable to directly change things in the macro environment The macro environment is the broader business environment which affects businesses across industries and geographies. It refers to the national or international business climate as a whole, which is usually dependent on regional economies and societies.

4.2 Analysis of the reasons of commercial banks themselves

At present, due to the influence of traditional business philosophy and way of thinking, Agricultural Bank S Branch still does not pay enough attention to credit risk.Since China's banking industry started late in developed countries, a relatively complete system of commercial bank management has not been formed, especially in credit risk management, which still stays in the primary stage of credit risk management, and the method of credit risk identification and assessment of credit risk is relatively single.The imperfect credit risk organization system, the low overall quality of business operators, and the imperfect internal management system make the bank itself cannot resist credit risks well, resulting in the generation of credit risks and bringing inevitable losses to the bank's assets.

Banks earn money from the interest that they charge on loans. They also earn money from fees and commissions, and from the sale of financial products such as insurance and investment products. Banks use this money to make profits and to pay their shareholders. Developing countries: The bankers' attitude is that of complete indifference. They don't care about the economic development of the country or the welfare of the people. All they are interested in is making money. The growth of debt of non-oil exporting countries has been rapid in recent years. This is because these countries have been borrowing money to finance their development projects. However, this debt has become a burden for these countries, and they are now finding it difficult to repay. Crashing is a new situation where the price of oil falls sharply and the value of the US dollar rises. This has led to a decrease in the demand for oil, and the prices of oil-exporting countries have fallen.

Banks have a special role when adjustment is taking place. While the main task continues to be to channel savings to creditworthy borrowers, the specific purpose of the lending in this case is to tide the borrower over a difficult period while he adjusts to a new situation. The test of creditworthiness in this situation is whether the borrower, in fact, uses the time well to carry out the required adjustment. In the ideal case, lenders can make an invaluable contribution to casing the adjustment process of their clients. The required adjustment can be less abrupt, the growth of world production can be sustained, and the pain in terms of lost output and unemployment can be held to a minimum Another function of the bank is to give loans to others. If the bank does not lend the deposited money to others, how can it pay the interest on the deposits to depositors? Banks give loans to businessmen and firms usually for short periods only. This is so because the bank must keep itself ready to meet the demands of the people who have deposited money for short period only. In advancing loans, the bank has to shoulder a heavy responsibility.

Banks also earn money from interest they earn by lending out money to other clients. The funds they lend comes from customer deposits. However, the interest rate paid by the bank on the money they borrow is less than the rate charged on the money they lend. For instance, a bank may offer savings account customers an annual interest rate of 0. 25%, while charging mortgage clients 4. 75% in interest annually The term commercial bank refers to a financial institution that accepts deposits, offers checking account services, makes various loans, and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses. A commercial bank is where most people do their banking A commercial bank is a kind of financial institution that carries all the operations related to deposit and withdrawal of money for the general public, providing loans for investment, and other such activities. These banks are profit-making institutions and do business only to make a profit.

Sometimes it is suggested that banks are so overextended to developing countries that even a 7 percent annual growth rate in the next few years is excessive and that a more dramatic cutback in international lending is required; but the facts do not support this idea. On June 30, 1982, the last date for which data are available, the nine largest banks in the United States had total foreign currency claims (loans, placements, bankers' acceptances, and other claims) on the non-oil developing countries of about $78 billion2 (Table 3). These nine banks account for almost two thirds of the lending done by all U. S. banks to developing countries, and the concern that U. S. banks are over extended is generally directed at them There is also a prevailing idea that even if U. S. banks are not overconcentrated in lending to the non-oil developing countries as a group, they are too heavily involved in a few of the large developing countries, such as Mexico and Brazil. Five large developing countries, Mexico, Brazil, Argentina, Korea, and the Philippines, account for 50 percent of U. S. bank lending to the non-oil developing countries. Of course, the main reason for this is simply that these countries are much larger than most of the other countries. Brazil, for example, accounts for slightly over 15 percent of the total credit extended by U. S. banks to non-oil developing countries, but it also accounts for almost 15 percent of the GNP of the group. For the nine large U. S.

The discussion of the first of these aspects starts by showing that the rate of growth of long-term external debt of non-oil exporting developing countries grows pari passu with the dollar value of exports of goods and services between 1973 and 1980. Guenther argues that the growth of debt during this period played a very useful role in the world economy since it occurred as a by-product of the recycling of liquid funds accumulated by a few oil-rich countries. However, the rate of growth of exports slowed sharply in 1981–82, and this is the main cause of the external sector problems of non-oil exporting developing countries. Furthermore, interest rates rose substantially in recent years, which complicated the problem further In retrospect, it is my view that while the foreign debt of the developing countries grew too fast from 1973 to 1980, the idea that it was completely out of control or rising out of all proportion to the countries' capacity to service the debt is not borne out by these figures. On the contrary, I will argue that the international capital flows during the 1970s played an indispensable and reasonable role in the health and growth of the world economy in the period. One must remember that a by-product of the 1973 oil price increase was the concentration of a sizable amount of savings in a few oil-rich countries which had quite limited investment opportunities.

4.3 Analysis of the reasons of the loan enterprises themselves

Loan enterprises in order to get loans from the bank, should meet the requirements of the bank, at the same time, the borrower to obtain bank loans, easy to forge financial report data, conceal enterprise production and operation conditions, forged income proof phenomenon, including more phenomenon for financial report data distortion, accounting information disclosure lag, causing commercial Banks loan enterprise financial situation is not timely, not in place, directly cause credit risk, mainly caused by the following reasons.

There are several different methods that can be used to qualify for a loan. The most common method is to use a credit score. A credit score is a number that represents the risk of default on a loan. The higher the credit score, the lower the risk of default. A lower credit score indicates a higher risk of default. The debt-to-income ratio is another method that can be used to qualify for a loan. The debt-to-income ratio is the percentage of your monthly income that goes towards paying your debts. A lower debt-to-income ratio indicates a lower risk of default. Collateral is another method that can be used to qualify for a loan. Collateral is an asset that can be used to secure the loan. The asset can be sold to repay the loan if the borrower defaults.

4.3.1 The overall financial management level of the loan enterprises is not high

With the continuous development of science and technology, We seem to be in the information age, The advantage of the information age is that the operation efficiency of enterprises is extremely efficient, At the same time, many enterprises can seize the opportunities at any time, Develop business, But we should also realize that the advent of the information age is also a huge test, The advent of the information age leads to the more complex financial management, Connecting financial management closer to the business, Financial management is an important step that enterprise loans must be conducted, Not To be ignored, However, the current actual situation in China is that many enterprises generally do not pay much attention to financial management, And there is no internal enterprise to form a systematic management system according to the requirements of financial management, So the information of enterprises will appear backward phenomenon, In turn, in the face of financial risks, Enterprises are not able to make a timely response, This further increases the burden of enterprises, Into the dilemma.At the same time, this is also caused by many enterprises' serious lack of experience in basic data processing.

Shareholders in an unquoted company may sell some of their existing shares to the general public. When this occurs, the company is not raising any new funds, but just providing a wider market for its existing shares (all of which would become marketable), and giving existing shareholders the chance to cash in some or all of their investment in their company i) If a company sells the new shares to existing shareholders in proportion to their existing shareholding in the company, we have a rights issue. In the example above, the 50,000 shares would be issued as a one-in-four rights issue, by offering shareholders one new share for every four shares they currently hold ii) If the number of new shares being issued is small compared to the number of shares already in issue, it might be decided instead to sell them to new shareholders, since ownership of the company would only be minimally affected.

Preference shares have a fixed percentage dividend before any dividend is paid to the ordinary shareholders. As with ordinary shares a preference dividend can only be paid if sufficient distributable profits are available, although with 'cumulative' preference shares the right to an unpaid dividend is carried forward to later years. The arrears of dividend on cumulative preference shares must be paid before any dividend is paid to the ordinary shareholders However, dividend payments on preference shares are not tax deductible in the way that interest payments on debt are. Furthermore, for preference shares to be attractive to investors, the level of payment needs to be higher than for interest on debt to compensate for the additional risks.

The lease has a primary period, which covers all or most of the economic life of the asset. At the end of the lease, the lessor would not be able to lease the asset to someone else, as the asset would be worn out. The lessor must, therefore, ensure that the lease payments during the primary period pay for the full cost of the asset as well as providing the lessor with a suitable return on his investment c) It is usual at the end of the primary lease period to allow the lessee to continue to lease the asset for an indefinite secondary period, in return for a very low nominal rent. Alternatively, the lessee might be allowed to sell the asset on the lessor's behalf (since the lessor is the owner) and to keep most of the sale proceeds, paying only a small percentage (perhaps 10%) to the lessor.

4.3.2 The governance structure of loan enterprises is not standardized enough

As far as the current situation shows, many loan enterprises in China do not have the corresponding requirements of The Times, and slowly change the traditional concept, improve the enterprise governance structure,.Therefore, our country loan enterprises have many problems in management structure, enterprise executives are not attach great importance to accounting information is open and transparent, and even some managers out of their own interests, fake accounting information, this practice will not only damage the actual interests of enterprises, also had a negative impact on commercial Banks, at the same time, also urge commercial Banks to upgrade the credit risk management system.

Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to our estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world. In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs We outline the contribution of small and medium-sized enterprises (SMEs) to Azerbaijan’s economy, their access to finance, and the role of value chains in ensuring financing. SMEs mainly benefit from bank loans, whereas there are some institutional, legislative, cultural and geographic factors limiting their access to finance.For such exposures, national supervisors may allow banks to apply the risk weights applicable for regulatory commercial real estate exposures that are not materially dependent on cash flows generated by the property (ie the treatment set out in CRE20. 85 to CRE20. 86), subject to the following conditions: (i) the losses stemming from commercial real estate lending up to 60% of LTV must not exceed 0. 3% of the outstanding loans in any given year and (ii) overall losses stemming from commercial real estate lending must not exceed 0. 5% of the outstanding loans in any given year It is expected that the material dependence condition, set out in CRE20. 79 above, would predominantly apply to loans to corporates, SMEs or SPVs, but is not restricted to those borrower types.   As an example, a loan may be considered materially dependent if more than 50% of the income from the borrower used in the bank's assessment of its ability to service the loan is from cash flows generated by the residential property.   National supervisors may provide further guidance setting out criteria on how material dependence should be assessed for specific exposure types.

Chapter 5 Optimization Measures for Credit Risk Management of S Branch

5.1 Establish a scientific credit risk management concept

Risk ID: *<sequence number>*	**Classification:** *<risk category, e.g., from SEI taxonomy>*	**Report Date:** *<date this risk report was last updated>*
Description: *<Describe each risk in the form "condition – consequence".>*		
Probability: *<What's the likelihood of this risk becoming a problem?>*	**Impact:** *<What's the damage if the risk does become a problem?>*	**Risk Exposure:** *<Multiply Probability times Loss to estimate the risk exposure.>*
First Indicator: *<Describe the earliest indicator or trigger condition that might indicate that the risk is turning into a problem.>*		
Mitigation Approaches: *<State one or more approaches to control, avoid, minimize, or otherwise mitigate the risk. Mitigation approaches may reduce the probability or the impact.>*		
Date Started: *<State the date the mitigation plan implementation was begun.>*	**Date to Complete:** *<State a date by which the mitigation plan is to be implemented.>*	**Owner:** *<Assign each risk mitigation action to an individual for resolution.>*
Current Status: *<Describe the status and effectiveness of the risk mitigation actions as of the date of this report.>*		
Contingency Plan: *<Describe the actions that will be taken to deal with the situation if this risk factor actually becomes a problem.>*		
Trigger for Contingency Plan: *<State the conditions under which the contingency plan will begin to be implemented.>*		

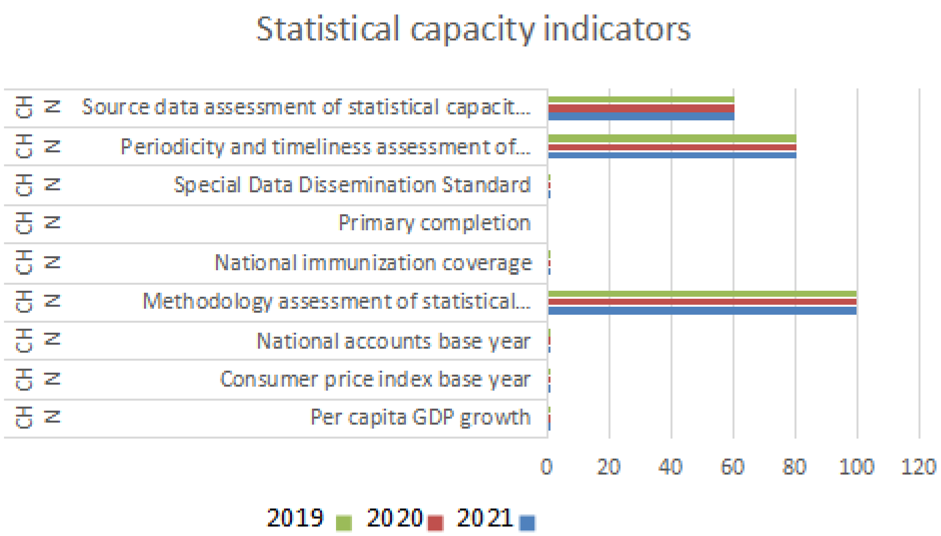
In terms of the comparison of domestic and foreign situations, China's commercial banks are not very perfect in credit risk management, but for Agricultural Bank of China S Bank should adjust and improve the consistency, systematization, comprehensiveness and highly unified decentralization and concentration.

5.1.1 Establish a consistent credit risk management concept

The consistency of the so-called credit risk management lies in that commercial banks must ensure that the control objectives are unified with the business of the bank when carrying out credit risk management.The credit risk management of commercial banks is not only to avoid possible risks in the operation process of banks, but also to give certain guarantee for the development of banks in the future period. This concept is the shortcomings between China's commercial banks and the international market.In China, commercial banks have always isolated credit risk management from banking business development, believing that the two are opposites. If they want to protect the former, they must give up the interests of the latter. Similarly, to ensure the sustainable development of the latter, they must be restricted to a certain extent.But after practice has proved that this way of thinking is obviously not convincing, Chinese business in credit risk management after the purpose of the future development and bank guarantee consistency, according to the modern credit risk management concept can know that the two can complement each other, do not need to completely tear, so, to develop scientific management part, provide some reference for the mutual conversion of the two.Agricultural Bank of China credit risk management should realize this concept of consistency in the process of implementing credit risk management, so as to improve the credit risk management of Agricultural Bank of China S Branch.

Effective methods for measuring credit risk can reduce potential losses and help banks make better loans. When it comes to measuring credit risk, banks should focus on the five C's: credit history, capacity to repay, capital, associated collateral, and the loan's conditions. In our current market, banks are seeing more and more loan applications come in electronically. In order to deliver fast decisions and service to customers, most banks rely on credit risk software. Credit risk software can be customized to successfully manage risk for your financial institution According to The Risk Management Association, the first step to mitigate the probability of default begins with understanding the borrower. A common approach is by evaluating them by the "Five Cs of Credit" to obtain a profile on their financial risks. The five Cs of credit are character, capacity, capital, collateral, and conditions. This assessment runs on the belief that past payment performance (as well as current finances) can be an indicator of a borrower's future actions.

This makes it all the more important to improve credit risk management now, so as to increase earnings from the lending business. On one hand, creditworthiness and risk factors must be determined reliably and priced appropriately – not only in order to demand risk premiums in good time, but conversely to also find opportunities with more favourable conditions that promise competitive advantages. On the other hand, it is important to make the credit decision and the ongoing monitoring of the borrower more efficient, and to minimise the process costs. Last but not least, the question of how quickly credit approval is granted can also determine business success When it comes to ways to manage credit risk, one of the most influential factors is the risk model a lender chooses to use. Credit risk modeling refers to the use of data models to determine the likelihood a borrower will default on a loan and, if they do, what impact a default could have on the lender. Many financial institutions employ risk models to assess the creditworthiness of potential borrowers. The most current models use big data and advanced analytics programs to help banks determine whether or not to approve a loan and what interest rates are appropriate.



5.1.2 Establish a comprehensive credit risk management concept

The so-called comprehensiveness of credit risk management requires commercial banks to apply the credit risk management system to all businesses that may have problems.Generally speaking, commercial Banks and enterprises are different in nature, commercial bank credit risk management is more complex, the scope is larger, so, commercial Banks encounter credit risk opportunities is far greater than enterprises, therefore, commercial Banks must always pay attention to credit risk management has been comprehensive supervision, in addition, commercial bank credit risk system must give priority over all businesses, in addition, to understand whether the credit risk management system has the ability to identify all credit risk, especially for new business supervision ability is very important for commercial banks.The credit risk management system established after the business should not only test the existing business, but also evaluate the possible risks of the future bank development. Building a scientific and reasonable prediction system can better deal with risks and improve the credit risk management ability of Agricultural Bank of China S Branch.

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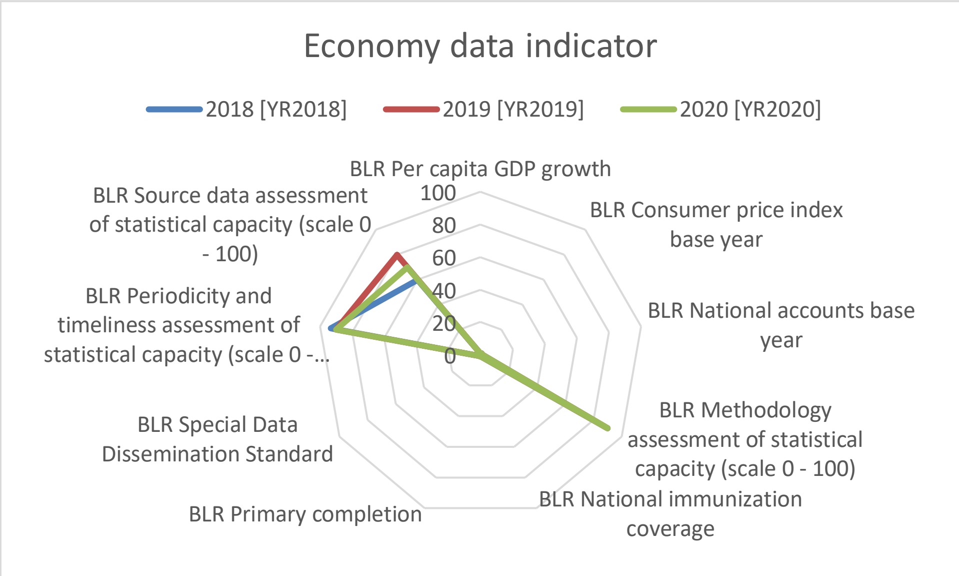

5.2 Improve the human resources system and improve the bank credit risk management

Any work needs the introduction of talent can be more efficient and quality, market environment rapidly, market competition, with the development of The Times, commercial bank work for employees basic quality has stricter standards, the advent of the Internet era is also prompting the bank constantly update the credit evaluation system, therefore, to improve the personal quality, ensure that it can follow the change of The Times common progress, complete their own tasks, constantly promote the bank credit risk management work smoothly.

5.2.1 Improve employee quality and improve employee risk awareness

If the bank wants to effectively avoid risks, it must thoroughly implement the risk awareness from top to bottom, so that the employees can realize that whether the bank encounters risks is closely related to their career. Therefore, the bank should implement the risk management awareness to every employee and every business.All staff is agricultural bank S branch credit risk management directly, what attitude to credit risk management work to a certain extent determines the bank of the work, so, the bank in credit risk management work must cultivate risk awareness, improve the status of credit risk management, specific methods are as follows: a, the bank leadership should play an exemplary role, only leaders will credit risk work in mind, employees will pay attention to credit risk work, in addition, the bank leadership should also be this work as the core content of the whole risk management work to implement.At the same time, the bank staff, further promote staff comprehensive quality, to provide regular training for employees, actively promote positive energy, strengthen the ideological and moral construction, and then improve the level of credit risk prevention, in addition, regular testing, according to the results, make up for the lack of employees, improve the personal ability, ability to pay attention to responsibility consciousness and team consciousness cultivation, only in this way can ensure the staff for the bank credit risk management escort.Performance appraisal system whether applied to the enterprise or bank has its important role, therefore, the bank should be regular performance appraisal, clear reward standard, to effectively implement the credit risk management system employees timely give certain rewards, and cause bank losses to punish, so as to restrain employee behavior, fundamentally improve the risk awareness of employees.

5.2.2 Cultivate credit risk management professionals

Whether the credit risk management system of commercial banks can help banks to detect risks and solve them in time is mainly determined by the management team of banks, The quality of the bank management team is conducive to whether they can detect the bank risks in time, In the case of large commercial banks of the same nature, These large banks have talents and their professional talents, Very high quality, Be able to timely detect bank problems in credit risk, And has a very strong observation force and judgment force, And beyond that, These talents generally have a very rich experience, There are certain ways to manage the risk management and estimation, and the accuracy is very high, besides, The internal departments of commercial banks are relatively independent and mutually restricted, Clear responsibilities, be discriminating in one's rewards and punishments, It is conducive to the development of banks.

Agricultural Bank of China S branch in the staff quality on the extremely obvious shortcomings, therefore, The bank shall take timely and effective measures, Improve the staff quality, For example, recruiting professionals, And to these talents, Ensure that once the problem is immediately solved by the good person, Reduce bank losses in time, besides, You can also explore professional talents abroad, Agricultural Bank S Branch needs talents in this area to engage in credit risk management, at the same time, Communicate with high-quality talents, Training within all employees of the bank, Steady progress to improve the quality of employees, You can also take the way of talent exchange, Select talents with excellent quality in the bank to study in large commercial banks, Keep enriching yourself, Help Agricultural Bank S branch credit risk management rise to a new height.

5.3 Focus on fine technical management to enhance the ability of credit risk management

5.3.1 Improve the bank collection management process

The collection management of commercial banks mainly includes the overdue loan collection. The credit handling personnel of Agricultural Bank of China S Branch are responsible for the overdue loan collection, but the collection intensity is obviously not enough, and the collection effect is not obvious.Agricultural Bank of S Branch should further improve the collection management system, There are mainly the following measures to improve the loan business payment collection process: Agricultural Bank of China S Branch credit business managers according to the list of default customers, If the loan is overdue within 15 days, Increase the telephone collection efforts, Strive to make the defaulting customer return the loan principal and interest as soon as possible in the short term; For loans of about 16-30 days overdue, Send collection letters simultaneously on the basis of telephone collection, The credit handling personnel shall fill in the Loan Collection Letter from door to house according to the list of default borrowers, The loan is guaranteed in the way of guarantee, A collection letter also needs to be sent together to the security party, Send it to the post office after sealing it one by one for confirmation; For loans of about 31-60 days overdue, Take the way of door-to-door collection, If the borrower still sticks to the expectations, Then Agricultural Bank S Branch can deliver the Collection Notice to the hands of the borrower and pending the receipt, For borrowers 61-90 days overdue, The bank shall take legal means to send the lawyer letter, , Ask the borrower to pay off the default principal and interest within a time limit; For those with any time more than 90 days overdue, Enter the judicial proceedings; For overdue loans that cannot be collected, To the non-performing asset management company together with the legal department of the handling bank for recourse, Recthe loan through reorganization, litigation collateral auction and other means, Timely write-off the non-performing loan preparation materials that meet the conditions for verification.

5.3.2 Establish an effective internal credit evaluation system

Through the introduction of advanced management experience of American commercial bank found that it has a perfect internal credit evaluation system, and provide strong technical support, in contrast, ABC S branch in the internal credit evaluation system construction is obviously far from enough, from the following aspects to build a scientific and reasonable internal credit evaluation system.

First, to improve the internal credit database.In the information age, a complete database can provide enough risk information for banks, which helps banks to quickly judge and solve the credit risks.At present, the bank S branch problem is that there is no complete database and some information is difficult to accurately distinguish between true and false, cause many times the bank cannot database data accurate evaluation, it is difficult to understand the real operation of enterprises, therefore, the bank S branch must timely improve the database, build a scientific and reasonable internal credit evaluation system.If ABC S Branch wants to improve the database, it can imitate large foreign commercial banks according to their actual situation. First, banks should collect large amounts of data as an important fulcrum to organize data, accurately distinguish available information and invalid information into customer information, loan information, financial information, credit status; Secondly, timely update customer information, and delete expired information or false information to ensure the authenticity and integrity of information.So, for commercial banks, gather information,

Second, we will promote internal rating construction.Internal rating refers to the credit management activities of a bank using its internal evaluation system to rate credit customers and test bank risk assets.The effective promotion of internal rating construction in foreign countries is relatively objective in the rating results. Although the S Branch of Agricultural Bank of China has also rated customers in the bank, this rating often lacks practical effect, and the process is greater than the actual content.Therefore, can only help the bank to identify customer identity, but did not help the ability to predict credit risk, therefore, agricultural bank S bank should compare the international large commercial bank related system construction bank real credit risk rating system, on the basis of increase some risk parameters, to achieve the purpose of risk quantification, in essence enhance the agricultural bank S branch credit risk management level, enhance the core competitiveness of the bank.

5.4 Establish an independent credit risk management organization system

Whether an industry in the opportunity at the same time there are a lot of risks, enterprises or banks can not avoid this problem, so, if you want to reduce agricultural bank S bank branch risk in the process of operation, so it should be according to the management mode of large international commercial Banks, on the basis of their own actual situation construction has its own characteristics of credit risk management organization system.In addition, because the agricultural bank S branch is not their independent development, but under the ABC bank, therefore, the risk management system can not be limited to their own development, but should start from the head office to build credit risk management organization system, and better deal with ABC S branch credit risk.

5.4.1 Set up the credit risk management organization system of the head office

This paper conducts in-depth investigation and analysis of large international commercial banks, and summarizes several characteristics to provide some reference for Chinese commercial banks. According to the survey and research, although large commercial banks have different styles and have their own distinctive characteristics in credit risk management, in fact, all large international commercial banks have a common feature, which is, the risk management organization system of these large commercial banks is extremely clear and clear, and adopts a top-down arrangement.

1. Board of Directors.The board of directors can only be risk management standards for Banks, and the bank credit risk timely solution, therefore, we can see that the board mainly bear credit risk to make major decisions, in addition, the bank credit risk management system also need to be determined by the board of directors, and make important instructions to the bank credit risk management.

2. The Risk Management Committee.The risk management committee is an important department of the board of directors, mainly including the chief financial officer and the risk managers of each district.A special risk management committee is established under the Board of Directors, mainly composed of the Chief Financial officer, regional risk managers and the Executive President.The responsibility of the risk management committee is to evaluate the overall risk of the bank, control the risk

quota of various departments, and ensure the smooth operation of the bank.

3. Credit risk management functional departments.The functional department of credit risk management is affiliated to the risk management committee and accepts supervision. Its main function is to daily supervise the work of various departments of the bank and examine and approve the means for banks to quantify various credit risks.According to expert research, people who set up specially manage credit risk in various departments are conducive to the reduction of bank credit risk and can reduce the cost by about 10 percentage points.

According to the actual situation of our country and the characteristics of agricultural bank, agricultural bank shall establish a matrix credit risk management organization system, and set up full-time departments to ensure the normal implementation of the work, to put it simply, the risk management committee is a commercial bank credit risk management decision layer, risk management department is the specific execution layer of credit risk management.

The Credit Risk Management Committee is the highest decision-making layer of the credit risk management of the S Branch of the Agricultural Bank of China. Its main responsibility is to make predictions on the credit risk management work of the whole bank and to formulate scientific and reasonable plans according to the actual situation to ensure the smooth operation of the bank.

Main position of credit risk management executive layer of ABC S Branch

5.5 Problems of Credit Risk Management of Commercial Banks

5.5.1 The current consumption concept of the Chinese people is that today's consumption must be based on yesterday's labor.

Even if you spent yesterday's money, you should save it.Diligence is considered a virtue, and debt is shameful.It laugh at "make ends meet".Under the influence of traditional culture, it is difficult for the Chinese people to accept the consumption consciousness of "doing today's business with today's money".Second, the demand for consumer credit is not strong, and consumers' willingness to use credit means that they realize they lack funds.Its strength is influenced by four factors, namely, consumer income expectations, expenditure expectations, financial awareness, financial skills, and consumer credit costs.[12]

Judging from the current situation, none of these factors are satisfactory.Income is far lower than heart expectations and consumption expenditure expectations rise. These two capital asymmetry leads to generally low consumers' financial awareness and ability, and the cost of consumer credit is still high.

5.5.2 As commercial credit providers, the key to the success and smooth development of commercial banks depends on the willingness of commercial banks to provide consumer loans.

Sound risk management system and independent risk management operation are the key to the objective analysis ability.For foreign banks, they have relatively independent risk management systems, mainly from the board of directors, risk management departments to risk managers.This independence is not only reflected in the independence of risk control in the market development and the establishment of an independent credit commissioner.It is also reflected in process control, internal accounting audit, and legal management.For example, there is a visual metaphor for risk control in the British banking system, the "Four-Eye Principles".In other words, at least four eyes should simultaneously monitor the business in real-time.This "four-eye principle" is not simply understanding that the credit business needs "two-person investigation, two-person audit", but has two eyes in the market development system and two eyes in the risk control system.In this way, banks' risk analysis and business judgment can be more comprehensive and accurate.However, in China, the risk management system of some banks is not perfect, and the risk management is also affected by external factors, lacking a certain relative independence.

5.5.3 The restrictive factors in the market and macroeconomic

environment correspond to the current social security management system is not very perfect, which is generally restricting the development of consumer credit market and economic environment.In the case of an imperfect insurance system, Without enough consumer policy support, And the lack of consumer credit, therefore, Consumers should not consume easily, for a long time, Commercial banks attach great importance to qualitative analysis in risk management, For example, from credit risk management to the legitimacy of policy and credit direction, and the security of credit operation, This method of analysis is essential, But foreign risk risks are compared with management methods, The quantitative analysis method of risk management is not perfect, Risk assessment and measurement are also inaccurate, As in credit risk management, financial position, and debt markets, The analysis of the product demand variables of debt companies often has insufficient analysis problems.In the current fierce competition in international banks, the problems of China's banking industry are still very obvious.We should adhere to a stable and sustainable development model, constantly consolidate our competitive advantages, and develop emerging products and businesses, and accelerate the speed of internationalization and comprehensive development.

5.6 Defects in the risk management of commercial banks

5.6.1 Defects in the legal system

The modern enterprise system of Chinese commercial banks has not yet been established, and the management structure of the company is not sound, especially the fundamental problem of the exclusive state-owned commercial banks in China has not yet been solved.The composition and operation of the system lack of independence, high level of risk management, but low efficiency, and slow response to market signals.In the process of implementing its functions, the department is subject to various external restrictions and interference, and the effect of policy decisions is not good. The complexity of state-owned commercial banks passes through the formation of non-performing assets, and the institutional and structural reasons lie behind them.For a long time, the management of state-owned enterprises under the framework of the typical planned economy system has led to the old management system, which has long been unable to adapt to the changes in the current economic development environment.

5.6.2 Risk management system

Establish a long-term risk management mechanism as an important part of the management of the banking industry. However, in fact, our risk management system is far from as perfect as the ideal. There is still slow management, insufficient understanding of policies and systems, which leads to the rigid structure of people and the weak restriction system of regulatory rules and regulations.First, the design of the risk management system is mainly decentralized risk management.Due to the different plans, and the lack of centralized ability to prevent and manage regional risks, the standardized risk management of commercial banks has not yet established a reporting system.Risk control of multinational groups and related customers and the monitoring of industry risk concentration are not enough.Policies for other organizations to revoke the same customer access license conflict with decentralized, integrated operations, and centralized management of information systems.

Second, the policy decision-making mechanism is not perfect.At the beginning of the 201st century, the policy decision-making mechanism of state-owned commercial banks has largely changed from a simple "three-level review" to a "separation of credit approval".There are still many improvements in the decision-making structure of domestic commercial banks, and the credit policy institutions also need to improve the establishment of the bank "trinity" curriculum system and the concentration of policy decision-making.Third, the overall risk management is not enough.Commercial banks mainly take credit risk management, but at present, the risks lack of attention to the legal system, do not know how to nip them in the bud, and blindly avoid risks, but suitable.

5.6.3International advanced banks attach great importance to the principle of consistent risk and income.

Because in any loan business, a zero-risk business does not exist.To create benefits, you must face risks, and benefits, always like the front and cons of a coin, complement each other.Therefore, the degree of understanding of risk largely determines the ability of the risk management department to resist risk.In today's good economic situation in China and even the world, it can be said that anyone who controls the smooth capital flow will bring sustainable returns.However, in the "Understanding of Enterprise Management and Business Development", there are still considerable differences in the problems of risk management and business development.The main reason is that the effective risk management system has not been established, and there are still many weaknesses.In addition, the concept of risk management has not been deeply rooted in the minds of practitioners.In the management of the isolated business development and the relationship between risk control, unilaterally to create immediate interests, while ignoring risks.Or to fear and avoid risk, and timid in the business timid.These are all wrong and even extreme ideas. Looking at things, we should see his two sides and complement each other. Only when the ingredients combine these two sides can we better move forward.

5.7 Improve the environment for developing consumer credit

China's consumption policy has promoted consumption in the past limited economic policy, China has introduced a series of policies and measures, increase the demand of consumers, but limited policy adjustment is still stagnant, hinder the development of consumption and credit factors the national commercial bank law must take policies and measures, create a good environment as soon as possible, on the credit risk distribution, state-owned commercial banks accounted for the majority, eight state-owned commercial banks, industry, agriculture, China, build, lead five Banks in 2015 the total loss of more than 380 billion yuan.With loans exceeding 450 billion yuan, the annual bank report showed that the balance of non-performing bonds has risen, with the total amount of banks of China in state-owned banks reaching 65.448 billion yuan, an increase of 3.974 billion yuan from the year before.CCB's loss-making bond balance was 65.448 billion yuan.The bank reached 74.618 billion yuan, an increase of 3.703 billion yuan over the previous year before, and the balance of ICBC's non-performing claims was 74.995 billion yuan, an increase of 1.3.64 million yuan over the end of the previous year.

Once the annual report of each market bank is released, the formation and distribution of bad bonds are also very similar.In 2012, there were two key words for bank loss-making bonds, namely manufacturing in the Yangtze River Delta. In 2017, state-owned commerce stored 90% of loss-making bonds in Zhejiang, 75% of the income came from Fujian, and 81% of non-performing claims came from wholesale and manufacturing.

5.8The structure of bank assets and liabilities is unreasonable

China's non-interest business is small compared with the largest overseas commercial banks.Although it is a bad asset structure, there are more increases in personal housing savings in debt.Investment banks, financial banks and bond companies tend to make personal deposits, and there are imbalance problems, and the increase of long-term assets and liabilities and the structural imbalance of short-term assets and liabilities increase.

5.8.1 Banks are concerned about the relevant risk management aspects

Banks lack of complete risk assessment system and strict risk information training for employees, for enterprises without effective credit rating evaluation system, risk identification is often qualitative analysis, effective motivation mechanism quality and emotional perception of quantitative evaluation standards and measures in addition, bank credit staff lack sufficient interest, in this respect, many Chinese commercial bank risk management institutions are not clear, usually only responsible for lender credit risk management credit plan.

5.8.2 Reverse selection due to information asymmetry

Due to the information asymmetry, the bank cannot know the customer's credibility rating.So some companies may not be able to pay higher interest rates.Therefore, credit is relatively high for all customers.However, companies with low economic strength, unable to make up for the choice of relatively high interest rates, may increase the corresponding risks and losses.

5.8.3 The external supervision mechanism is imperfect

As the most important regulator of Chinese commercial banks, their regulatory functions still use a lot of room for improvement.The regulatory system still has various defects, the lack of effective innovation mechanisms and attention to financial innovation.It is not enough to make a correct judgment of the credit risk of commercial banks. If there is no effective early warning measures, the central bank's supervision of commercial banks is also very weak, and the effective measures such as fund settlement settlement are not sound.Commercial banks lack external supervision, objective and external constraints, credit risk and insufficient supervision and other places that need to be improved.In the current economic environment, the credit risk of commercial banks as a position to affect economic changes and industrial control policies and risks is considered as expanding investment.During this period, big risks will face greater pressure.In recent years, with the economic ups and downs, the increase of production costs and excess production capacity have also been exposed.In addition, some large customers have increased capital operation, decreased efficiency, internal and external problems also occur, potential business risks and moral risks, for customers, each bad loan record will push the risk to the highest.In the current economic situation, the core businesses to prevent and control risks are under increasing competitive pressure.

Risk Management Budget

<Describe the budget available for managing the project's risks>.

Risk Management Tools

<Describe any tools that will be used to store risk information, evaluate risks, track status of risk items, or generate reports or charts depicting risk management activity and status. If specific questionnaires or databases will be used during risk identification, describe them here. If lessons learned about controlling the risk items will be stored in a database for reference by future projects, describe that database here.>

Schedule for Risk Management Activities

Risk Identification	A risk workshop will be held on approximately <date>.
Risk List	The prioritized risk list will be completed and made available to the project team by approximately <date>.
Risk Management Plan	The risk management plan, with mitigation, avoidance, or prevention strategies for the top ten risk items, will be completed by approximately <date>.
Risk Review	The Risk Management Plan and initial Top Ten Risk List will be reviewed and approved by the Project Manager on approximately <date>.
Risk Tracking	The status of risk management activities and mitigation success will be revisited as part of the gate exit criteria for each life cycle phase. The risk management plan will be updated at that time. <*If the project is tracking cumulative risk exposure, that*

5-1 Flow chart of credit risk management and operation of commercial banks

Commercial banks grant letters of credit according to the authorization, and set up a credit risk management workflow according to the principles of loan separation, first-level review, and clear rights and responsibilities. Credit management and risk management institutions are independent of each other, separate and balance each other.First, the customer offers the loan intention and gives it to the customer manager for reception.Secondly,conduct a comprehensive and systematic investigation of the basic economic situation of customers, and conduct a comprehensive credit risk assessment.In addition, the risk probability and income need to be systematically analyzed, measure the comprehensive risk degree, and finally submit it to the credit committee for review, and the risk management committee will conduct democratic review through collective discussion.After the credit business occurs, the accounting department is responsible for the financial calculation of the loan.If the loan risk occurs, trace the credit business audit according to the cause of the loan risk.

5.9 Improve the personal information collection system

Based on the existing personal credit system, the central bank has established a comprehensive personal credit system, the fastest electronic axis network technology in China cooperates with relevant national departments, and the information exchange between commercial banks and commercial banks has improved the coverage and true reflection of credit card content.We must formulate laws and regulations, access the credit institutions that maintain and operate their own privacy, provide legal protection in the process of establishing a personal credit system, realize the effectiveness of the law, and give priority to formulating the provisions of China's Financial Supervision and Administration Law.Improve and implement this work according to authoritative regulators to quickly disclose information about commercial banks and establish an orderly financial system; Second, establish rules and norms for financial supervision in China; maintain and prevent credit risks and promote credit legislation; and the project is to maintain public credit order with the joint efforts of the whole society.

5.9.1 Vigorously will develop non-urban credit consumption

At the present stage, there are still certain misunderstandings about credit in rural areas. This problem not only promotes the development of commercial banks, but also solves the problem of the consumption level of agricultural and rural residents.Improve the living standard of farmers, narrow the gap between urban and rural areas, expand domestic demand, maintain healthy development, promote the rapid growth of consumer credit business in the vast rural areas, should weaken the access policy, the introduction of rural financial institutions, strengthen the credit cooperation between financial institutions, promote financial product innovation, meet the actual needs of farmers, popularize consumer credit products.Commercial banks must lend moderately, improve work efficiency and interest rates, so that farmers dare to operate.Of course, the establishment of the database can not be completed in a short time, that is, commercial banks should first focus on collecting mass data, draw lessons from the experience of international leading theories, and hope to build a reliable database to enhance the comprehensive ability of commercial banks to manage credit risks.

5.9.2 Establish and improve risk prevention and risk transmission mechanisms

Banks should strengthen the moral education and credit risk management of consumers, responsible for related business staff training time and management before the loan, to perfect loan management responsibility system, establish inspection system, establish credit guarantee system, perfect consumer credit insurance system can combine consumer credit and insurance company, disperse commercial bank credit risk, and conducive to the development of the insurance industry, but our country pay attention to the interests of both sides, does not affect the development.When commercial banks carry out this business, they can be obtained from the following points: first, clearly define the standardization of internal management system and the rights and responsibilities of managers, clearly formulate internal system, effectively prevent risks, implement risk management and control procedures that help establish information system, transform the previous post-operation control into real-time monitoring; second, establish a good bank credit culture, commercial banks cannot ignore risk management through credit culture.Optimize the backward idea of bank internal and policy management and other credit risk management, establish a comprehensive and effective internal control mechanism by improving the system, improve the credit risk management of commercial banks, optimize the height of credit culture construction should be interested in actively promoting the construction of credit culture.

5.9.3 Improve the marketing means of consumer credit business of commercial banks

First of all, commercial banks should pay attention to market segmentation and business strategy objectives, recommend appropriate products, and meet the needs of different consumers with different service strategies. The establishment of a credit system is an important basis for the monitoring and management of credit risks, and also an important guarantee for China's personal credit system and personal bankruptcy system.In actual litigation, the lender or guarantor also has a normal way of life, and without considering the protection of bank legislation on bank bonds, there will be a serious impact on the risk management of commercial banks.

Chapter 6 Conclusion

The current situation of credit management of commercial banks is analyzed systematically and objectively, explaining many contradictions in various aspects.At the same time, outdated and conservative ideas will cause incomplete system, slow communication and other problems can be exempted.This paper studies the internal problems of Chinese commercial banks and puts forward a targeted improvement plan, which is helpful to the credit risk management of Chinese commercial banks.In order to establish a long-term, systematic and comprehensive credit talent training system, we must cultivate a new credit culture, strengthen the risk awareness of the credit loan personnel, strengthen the basic credit management, and improve the risk level evaluation system.First, to formulate credit basic evaluation and evaluation methods.Strengthen post-loan management, strictly control inventory risk control.The second is to classify all the credit customers, strengthen the investigation and monitoring, adjust the risk level in time, and have a clear understanding of the qualification of the credit customers.In order to improve the construction of the internal control system, to avoid operational risks and moral risks.Some financial institutions implement rules and regulations, including superficial, reduced implementation, conflict and selective implementation, which has greatly weakened the binding force of rules and regulations. Some workers do not pay attention to the study of rules and regulations, do not master basic skills, and do not master the prescribed regulations.The implementation is not strict, in the operation of inertia and bad habits, with habitual methods or family experience to replace the rules and regulations, with a strong operation convenience and sense of responsibility, improve the system construction, implement rules and regulations, clear rewards and punishment standards, reward and punishment measures.We will implement the accountability mechanism for joint and several responsible persons.We will strengthen credit risk monitoring and enhance the initiative and authority of supervision.The research of credit risk analysis has gradually shifted from a quantitative analysis to a dynamic measurement analysis with market theory and information and information science as the core.However, these quantitative analyses also have the problem of a comprehensive evaluation of the model parameters.On the other hand, we found that there are some shortcomings and shortcomings in each model, but these models and methods provide convenient services for the slow-developing risk management and credit risk assessment of China's banking industry.In China, the current foreign more advanced and modern models can not be directly promoted and quoted in China, but it provides suggestions and theoretical basis for the credit risk assessment of Chinese commercial banks.

The stable development of the banking industry has played a decisive role in the healthy and sustainable development of the national society and economy. Compared with foreign developed countries, the credit risk management of China's commercial banks has developed relatively late. In the process of development, there are still many prominent problems and great defects.At present, most commercial banks have fully realized the importance of credit risk management, but due to the influence of the imperfect supporting mechanism of the financial market, inadequate technology and other factors, the current credit risk management of commercial banks in China cannot be carried out smoothly according to the expected requirements.

On this basis, the article based on the theory of commercial bank S branch in this work, find out the bank in the credit risk management in the process of various outstanding problems and defects, mainly management concept is not scientific, unreasonable, lack of professionals, low management technology level, organizational system is not perfect, the external environment judgment is not in place.Then for foreign commercial banks in this aspect of the advanced achievements of research and analysis, and according to the actual situation in our country, put forward how to constantly improve the ABC S branch credit risk management improvement opinions and specific measures, mainly from establish and improve the scientific risk management concept, optimize the talent mechanism, implement fine management, improve the management organization system of the four aspects put forward the corresponding improvement methods.

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