The Banking System

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CONTENTS

1 INTRODUCTION:

This article is an overview of the seven-step documentation process on the banking system, credit risk life cycle, and data analytics. It provides a comprehensive guide on the various aspects of the banking system, the credit risk life cycle, and how to analyze and report the data. The article is designed to provide the reader with a complete understanding of the retail banking data journey and retail banking data analysis and reporting.

Step 1: Banking System and Credit Risk Life Cycle

This step deals with the basic understanding of the banking system and credit risk life cycle. The banking system is the backbone of any economy, and it plays a critical role in managing the money supply, credit creation, and other financial services. The credit risk life cycle is the process of assessing, managing, and monitoring credit risk from origination to termination. This step will provide an understanding of the banking system and the credit risk life cycle and how they are interrelated.

Step 2: Banking Data Analytic Systems and Applications

This step focuses on the banking data analytic systems and applications that are used to manage and analyze the credit risk life cycle data. Banking data analytics systems provide a powerful tool to understand the credit risk life cycle and help to make informed decisions. This step will provide an understanding of the various banking data analytic systems and applications available and how they are used to manage the credit risk life cycle data.

Step 3: A Journey through Risk Life Cycle Data

This step provides a comprehensive guide to the journey through the risk life cycle data. The risk life cycle data is the data that is collected and analyzed throughout the credit risk life cycle. This step will provide an understanding of the data collection process and how it is used to manage the credit risk life cycle.

Step 4: Business Logic Discussion

This step is all about the business logic that is followed in the credit risk life cycle. Business logic refers to the rules and processes that are followed in making decisions and managing the credit risk life cycle. This step will provide an understanding of the business logic followed in the credit risk life cycle and how it helps to make informed decisions.

Step 5: Retail Banking Data Analytics MCQs

This step focuses on the retail banking data analytics Multiple Choice Questions (MCQs). The retail banking data analytics MCQs are designed to test the reader's understanding of the concepts discussed in the previous steps. This step will provide an opportunity for the reader to test their understanding of the retail banking data analytics concepts.

Step 6: Retail Banking Data Journey

This step provides a comprehensive guide to the retail banking data journey. The retail banking data journey is the process of collecting, analyzing, and reporting retail banking data. This step will provide an understanding of the retail banking data journey and how it is used to make informed decisions.

Step 7: Retail Banking Data Analysis and Report

This step is all about retail banking data analysis and reporting. Retail banking data analysis and reporting are critical to the success of the retail banking business. This step will provide an understanding of the retail banking data analysis and reporting process and how it helps to make informed decisions.

Conclusion:

In conclusion, this article provides a comprehensive guide to the seven-step documentation process on the banking system, credit risk life cycle, and data analytics. The article provides an understanding of the various aspects of the banking system, credit risk life cycle, and retail banking data analytics. The article is designed to provide the reader with a complete understanding of the retail banking data journey and retail banking data analysis and reporting.

2 BANKING: AN OVERVIEW

Banking is a crucial aspect of the financial sector that plays a vital role in managing and safeguarding people's money, credit, and other financial transactions. Banks provide a range of services to help individuals and businesses manage their finances and grow their wealth.

In addition to providing safe and secure deposit accounts, such as savings accounts, certificates of deposit, and checking accounts, banks also use these deposits to make loans, including home mortgages, business loans, and car loans. This not only helps individuals and businesses acquire assets, but also supports the growth of the economy.

Banks are also known for providing wealth management services to help individuals grow their investments and secure their financial future. They offer currency exchange services, allowing individuals to easily exchange their currency when traveling abroad. Banks also provide safe deposit boxes, where individuals can store their valuable assets securely.

Moreover, banks play a critical role in the payment system by enabling customers to make electronic transactions, such as transferring money between accounts, paying bills, and making purchases. In addition, banks also provide debit and credit cards, enabling customers to make payments easily and securely.

In conclusion, banks are a vital part of the financial sector, offering a wide range of services and products to help individuals and businesses manage their finances and grow their wealth. With their commitment to safety and security, banks continue to play a crucial role in the lives of people and the growth of the economy.

3 TYPES OF BANKING:

There are several types of banks including Retail Banks, Commercial Banks, Corporate Banks, and Investment Banks. Each type of bank offers different services to different customers.

- **Retail Banking:** Retail banking provides financial services to individual consumers, such as checking and savings accounts, mortgages, and personal loans. Retail banking helps individuals manage their money and provides a safe place to store their extra cash.
- **Commercial Banking:** Commercial banking provides financial services to businesses, such as business loans, lines of credit, and business checking and savings accounts. Commercial banks help businesses grow and contribute to the growth of the economy.
- **Corporate Banking:** Corporate banking provides banking services to large corporations and institutions, such as underwriting and issuing securities, providing financial advice, and providing loans. Corporate banking plays a crucial role in helping businesses grow and hire people.
- **Investment Banking**: Investment banking provides financial services that help businesses and governments raise money by issuing and selling securities. Investment banks also provide advice on mergers and acquisitions and help companies with the sale of their shares to the public. Investment banking is an essential aspect of the financial industry and is handled by major players such as JP Morgan, Morgan Stanley, Wells Fargo, Bank of America, and Goldman Sachs.

In addition to these services, banks may also provide other financial services such as wealth management, currency exchange, and safe deposit boxes. The banking industry plays a crucial role in managing the money and financial transactions of individuals, businesses, and governments.

3.1 RETAIL BANKING AND ITS PRODUCTS

Retail Banking, also known as RBWM (Retail Banking and Wealth Management), is a crucial aspect of the banking industry. It caters to the banking needs of individuals and families. In this section, we'll take a closer look at the various retail banking products available.

- **Checking and Savings Accounts**: These are the basic banking products that allow individuals to deposit money and make transactions. Checking accounts are used for day-to-day transactions, while savings accounts offer a safe place to store money for future use.

- **Certificate of Deposits (CDs):** CDs are a type of savings account that pays a fixed interest rate for a fixed period of time. They offer a higher interest rate than a regular savings account and can be a good option for those looking to save for the long term.
- **Wealth Management:** Wealth management is a financial service that helps individuals manage their wealth. This includes investment advice, retirement planning, estate planning, tax planning, and risk management.
- **Insurance**: Retail banks also offer a variety of insurance products, including life insurance, health insurance, and home insurance. These products provide financial protection and peace of mind to individuals and families.
- **Stock Brokerage**: Retail banks also offer stock brokerage services, allowing individuals to invest in the stock market. They provide investment advice, access to trading platforms, and other related services.
- **Private Banking**: Private banking is a specialized form of banking that provides high-net-worth individuals with a range of financial services. This includes investment advice, tax planning, wealth management, and more.
- **Foreign Exchange**: Retail banks also offer foreign exchange services, allowing individuals to exchange one currency for another. This is especially useful for those who travel frequently or are working abroad.
- **Loans**: Retail banks offer a variety of loan products, including personal loans, home loans, and car loans. These loans can help individuals fulfill their financial needs and goals.

In conclusion, retail banking offers a wide range of products and services to individuals and families. From basic banking products to wealth management and insurance, retail banks cater to the diverse needs of their customers.

3.2 LOANS

When it comes to loans, there are two main categories: Secured Loans and Unsecured Loans. Let's delve deeper into each type:

SECURED LOANS

A secured loan is a loan that is backed by a collateral, such as a property, a vehicle, or other assets. Some examples of secured loans are Home Loans, Mortgage Loans, and Car Loans. These types of loans require a borrower to put up a collateral in exchange for a loan.

UNSECURED LOANS

On the other hand, an unsecured loan is not backed by any collateral. This type of loan is usually given based on the borrower's creditworthiness and income. Some examples of unsecured loans are Personal Loans, Credit Cards, and Overdrafts. In the US, Overdraft is referred to as a Line of Credit.

When choosing a loan, it is important to consider the type of loan and its respective requirements. Whether it's a secured or unsecured loan, it is crucial to have a clear understanding of the loan terms and conditions before making a decision.

4 HOW DO BANKS GET REVENUE?

Banks generate revenue through various channels, but the main source of income for banks is the difference between the interest they pay to depositors and the interest they charge on loans. Banks typically offer lower interest rates on savings and deposit accounts, while charging higher interest rates on loans. The difference between these two rates is the profit margin for the bank, after subtracting operating expenses.

In addition to the interest rate margin, banks also earn revenue from various services such as wire transfers, foreign exchange, wealth management, and insurance products. Banks also generate income through fees such as account maintenance fees, overdraft fees, and late payment fees.

Another source of revenue for banks is the investment of depositor's money in financial markets. Banks use depositor's funds to invest in bonds, stocks, and other securities, generating additional income through capital gains and interest.

Banks earn revenue through a combination of interest rate margins, fees, and investment activities. By understanding the different sources of revenue, customers can make informed decisions about their banking relationships and better understand how banks generate profit.

5 LOAN PORTFOLIOS IN BANKING

A loan product is commonly known as a loan portfolio, which can be divided into two types: secured and unsecured.

Secured Loans: These loans require a security, such as a mortgage on a house or property, a gold loan, etc. The interest rate for secured loans can vary depending on the type of loan and the financial institution, but the following are general interest rates for secured loans:

Home Loan / Mortgage: 6.5-8.5%

Auto Loan / Car Loan: 8.2-10%

Home Equity Line of Credit (HELOC): 10-13%

Unsecured Loans: These loans do not require any security against the loan. The interest rates for unsecured loans can also vary, but the following are the general interest rates for unsecurd loans:

Personal Loan: 11-14%

Instalment Loan: 13-19%

Credit Cards: 43%

Overdraft: 15-19%

EMI Cards: 13-19%

It is important to note that these interest rates are only approximate and can change based on the financial institution, credit score, and other factors. Before applying for a loan, it is important to research and compare interest rates from multiple institutions to find the best option for your needs.

5.1 Loan Exposure and the Largest US Banks

$ LOAN BY CATEGORY IN (Bn $)	WELLS FARGO	BANK OF AMERICA	JP MORGAN CHASE	CITI GROUP	U.S.BANK CORP	TOTAL
COMMERCIAL LOANS	352	421	293	293	99	1458
RESIDENTIAL MORTGAGES	323	262	281	107	77	1050
CREDIT CARD LOANS	36	94	145	156	22	453
COMMERCIAL REAL ESTATE LOAN	151	59	115	53	41	419
CONSUMER LOANS	89	95	92	59	41	376
TOTAL LOAN OUTSTANDINGS	951	931	926	668	280	3756

% LOAN BY CATEGORY IN (Bn $)	WELLS FARGO	BANK OF AMERICA	JP MORGAN CHASE	CITI GROUP	U.S.BANK CORP	TOTAL
COMMERCIAL LOANS	37%	45%	32%	44%	35%	39%
RESIDENTIAL MORTGAGES	34%	28%	30%	16%	28%	28%
CREDIT CARD LOANS	4%	10%	16%	23%	8%	12%
COMMERCIAL REAL ESTATE LOAN	16%	6%	12%	8%	15%	11%
CONSUMER LOANS	9%	10%	10%	9%	15%	10%
TOTAL LOAN OUTSTANDINGS	100%	100%	100%	100%	100%	100%

The loan exposure of US banks is an important aspect of the banking sector, as it determines the financial stability of the bank. As shown in the table above, five of the largest US banks, Wells Fargo, Bank of America, JP Morgan Chase, Citi Group, and U.S. Bancorp, have reported loan outstandings of $3756 billion.

Wells Fargo reported the highest percentage of commercial loans at 37%, followed by Bank of America at 45%. JP Morgan Chase and Citi Group reported 32% and 44% of their loan portfolio as commercial loans, respectively. Meanwhile, U.S. Bancorp reported 35% of its loan portfolio as commercial loans.

In terms of residential mortgages, Wells Fargo and Bank of America reported 34% and 28% of their loan portfolio, respectively. JP Morgan Chase reported 30% of its loan portfolio as residential mortgages. Citi Group reported 16% of its loan portfolio as residential mortgages, while U.S. Bancorp reported 28%.

Credit card loans make up a smaller portion of the loan portfolio for these five banks, with Bank of America reporting the highest percentage of credit card loans at 10%. JP Morgan Chase and Citi Group reported 16% and 23% of their loan portfolio as credit card loans, respectively. Wells Fargo and U.S. Bancorp reported 4% and 8% of their loan portfolio as credit card loans.

Commercial real estate loans make up 11% of the total loan portfolio of the five largest US banks. Wells Fargo and JP Morgan Chase reported 16% and 12% of their loan portfolio as commercial real estate loans, respectively. Bank of America, Citi Group, and U.S. Bancorp reported 6%, 8%, and 15% of their loan portfolio as commercial real estate loans.

Consumer loans make up 10% of the total loan portfolio of the five largest US banks. Wells Fargo and Bank of America reported 9% and 10% of their loan portfolio as consumer loans, respectively. JP Morgan Chase and Citi Group reported 10% of their loan portfolio as consumer loans. U.S. Bancorp reported 15% of its loan portfolio as consumer loans.

In conclusion, the loan exposure of the largest US banks reveals the distribution of different types of loans in their portfolio. Understanding this information helps to evaluate the financial stability and lending practices of the banks.

5.2 Loan Portfolio Level Revenue Vs Cost

HOME LOAN/ MORTGAGE	**REVENUE**	**COST**
	INTEREST	INFRA COST
	ANNUAL FEE	ADVERTISEMENT COST
	LATE PAYMENT FEE	AGENCY COST
	BALANCE TRANSFER	BAD DEBT
	FORECLOSURE CHARGES	
PERSONAL LOAN	**REVENUE**	**COST**
	INTEREST	INFRA COST
	ANNUAL FEE	ADVERTISEMENT COST
	LATE PAYMENT FEE	AGENCY COST
	BALANCE TRANSFER	BAD DEBT
	FORECLOSURE CHARGES	
CREDIT CARD	**REVENUE**	**COST**
	INTEREST	INFRA COST
	ANNUAL FEE	ADVERTISEMENT COST
	LATE PAYMENT FEE	AGENCY COST
	BALANCE TRANSFER	BAD DEBT

		INTER CHANGE FEE	CASHBACK DISCOUNT
		CONSUMER USAGE DATA SELLING	PARTNERSHIP COST

The table above shows the loan portfolio level revenue and cost for three different loan products: home loan/mortgage, personal loan, and credit card.

For home loans, the primary source of revenue is interest, followed by annual fees and late payment fees. The cost incurred includes infrastructure costs, advertisement costs, agency costs, bad debt, and employee costs.

For personal loans, the revenue sources are similar to home loans, with interest being the primary source, followed by annual fees and late payment fees. The costs incurred are also similar to home loans, with infrastructure costs, advertisement costs, agency costs, bad debt, and employee costs being the major cost drivers.

For credit cards, the revenue is generated from interest, annual fees, late payment fees, balance transfer fees, and interchange fees. The cost drivers for credit cards are infrastructure costs, advertisement costs, agency costs, bad debt, cashback discounts, partnership costs, money transfer costs, and employee costs.

It's crucial to note that while the revenue drivers for each loan product may differ, it's essential to keep the cost drivers in mind when calculating the overall profitability of a loan portfolio. A proper balance between revenue and cost is essential for a sustainable and profitable loan portfolio.

6 CREDIT RISK

Credit risk is a critical aspect in the banking and financial industry and it refers to the possibility of a financial loss resulting from a borrower's inability to repay a loan or meet the obligations agreed upon in a contract. This can lead to a situation where the lender may not receive the owed principal or interest, resulting in cash flow disruptions and increased costs for collections.

The impact of credit risk on a financial institution is substantial. Poor credit risk management can lead to several negative outcomes, including reduced profitability of the bank, a decline in the quality of assets, and an increase in loan losses and non-performing assets. This can further result in financial distress and potentially harm the bank's reputation, reduce its lending capacity, and impact its profitability.

In addition to these impacts, interruption of cash flows due to credit risk can have a domino effect on a financial institution. The reputation of the bank may get damaged, causing a decline in the number of investors. This, in turn, can lead to an increase in non-performing assets, further hurting the bank's financial health.

It is essential for financial institutions to have proper credit risk management processes in place to mitigate the impact of credit risk. This involves regularly monitoring loan portfolios, conducting credit assessments, and implementing risk mitigation strategies. Effective credit risk management can help protect the financial health of the bank and ensure long-term stability and profitability.

7 Retail Banking and Data Science Collaboration:

Retail banks and data science teams work hand in hand to make informed decisions and improve the overall performance of the bank. The data science team consists of various specialized departments, each playing a critical role in the success of the bank. These departments include:

- Marketing Analytics
- Credit Risk Analytics
- Operational Analytics
- Finance Analytics
- IT (Data and Information)

Each department is responsible for a specific area of focus, for example, the marketing analytics team focuses on market analysis, the credit risk analytics team focuses on credit risk analysis, and so on. By working together, these teams can provide the bank with a comprehensive view of all areas of operation, allowing the bank to make informed and strategic decisions.

Moreover, with the help of the IT team, the bank can collect, process and analyze large amounts of data to make data-driven decisions. This helps the bank in reducing risks, improving customer satisfaction, and increasing its overall efficiency.

The collaboration between the retail bank and the data science team is vital for the bank's success and growth. By leveraging the expertise of each team, the bank can effectively manage risks, improve its operations, and ultimately, drive growth and profitability.

7.1 Marketing Analytics Team: Driving Customer Acquisition and Retention

The Marketing Analytics team plays a crucial role in the success of a retail bank. With their expertise in market analysis, customer engagement, and revenue enhancement, they drive customer acquisition and retention by developing and executing effective marketing strategies.

Acquiring customers: The team develops a marketing strategy to acquire customers based on market competition, ensuring that the bank stays ahead of its competitors.

Retaining customers: The team also focuses on retaining good customers and building longer relationships. For example, by offering customised financial solutions, such as a reduced credit limit or an overdraft facility, the bank can help a customer manage their debt effectively and maintain a positive relationship.

Cross-selling and up-selling: The team develops a customer engagement strategy that leverages cross-sell and up-sell analysis to increase customer engagement and drive revenue.

Revenue enhancement: By developing strategies for revenue enhancement at each portfolio level, the team helps the bank increase its overall revenue.

Marketing Analytics team plays a crucial role in a retail bank's success. Through their expertise in market analysis, customer engagement, and revenue enhancement, they drive customer acquisition and retention, helping the bank stay ahead of the competition and maintain long-term relationships with its customers.

7.2 THE CREDIT RISK ANALYTICS TEAM

The Credit Risk Analytics Team plays a crucial role in the retail banking sector by ensuring the stability and security of the bank's financial position. The team performs various functions to mitigate the risk associated with loan approvals and to avoid non-performing loans.

Account Origination: At the time of loan approval, the Credit Risk Analytics Team analyzes the risk associated with each customer based on various factors such as education level, job type, source of income, and credit history. This helps the bank to determine the creditworthiness of the applicant and make an informed decision on loan approval.

Account Performance: The team continuously monitors the performance of approved loans and identifies any potential risk factors that may be associated with the customer. This includes analyzing various data points such as payment history, credit utilization, and account balance.

Non-performing loans: The Credit Risk Analytics Team also identifies the risk of non-performing loans and assets, and makes provisions for future losses. This helps the bank to stay ahead of any potential financial losses and maintain a stable financial position.

Collection: The team also identifies risk during the collection process and works to avoid customers moving towards charge-off. They develop and implement effective collection strategies to minimize the risk of default and maximize the recovery of outstanding loan amounts.

Overall, the Credit Risk Analytics Team plays a vital role in ensuring the stability and security of the retail bank's financial position by continuously analyzing and mitigating risk associated with loan approvals, account performance, and collections. They use advanced data analytics techniques and tools to make informed decisions and maintain a sound financial position.

8 DIVERSIFYING THE RISK DURING ACCOUNT ORIGINATION

Existing Loan applicants 50000	Premier >= 1000000	10000
	Advanced >=500000	20000
	Retail <=500000	20000
New to bank Loan applicants 50000	Premier	10000

	Advanced	20000
	Retail	20000
	Score >600	
Advanced	Score>800	
	Score>700	
	Score >600	
Retail	Score>800	
	Score>700	
	Score >600	
New to Bank Loan applicants		
Premier	Score>800	
	Score>700	
	Score >600	
Advanced	Score>800	
	Score>700	
	Score >600	
Retail	Score>800	
	Score>700	
	Score >600	

The bank has 100000 customers, out of which 50000 are existing customers and 50000 are new to bank customers. Based on the loan amount requested, the existing customers are divided into three categories: Premier (requested loan >= 1000000), Advanced (requested loan >= 500000), and Retail (requested loan <= 500000). Similarly, new to bank customers are also divided into three categories: Premier, Advanced, and Retail, based on their credit scores (Score >800, Score >700, Score >600).

It is important for the bank to diversify the risk during account origination by not approving loans for all the customers who are eligible. Instead, the loans should be distributed among different categories of customers based on the loan amount requested. In the example, 20% of the Premier customers who requested 10,00,000 are approved, 30% of the Advanced customers who requested 5,00,000 are approved, and 50% of the Retail customers who requested <500000 are approved. This way, the bank balances between volume-based lending (50% of the Retail customers) and value-based lending (20% of the Premier customers) while also reducing the risk of delinquent or default.

To further minimize the risk, the bank should also identify the non-performing accounts for future provisioning. During collection, the bank should keep an eye on the customers who may move towards charge-off. In case of a charge-off, the customer is handed over to the recovery team, and once the recovery is done, the customer is handed over to the debt management team.

In conclusion, identifying the risk during account origination and diversifying the risk are crucial steps in managing credit risk in the banking system. The bank should always strive to balance between volume-based and value-based lending while also keeping an eye on non-performing accounts and monitoring customers during the collection process.

9 OPERATIONAL ANALYTICS TEAM ACTIVITIES

The Operational Analytics team is responsible for ensuring the smooth functioning of various operational aspects of the bank. They play a crucial role in ensuring that the bank is functioning efficiently and effectively.

Branch Operations - The Operational Analytics team is responsible for overseeing the operations of all the branches of the bank. They ensure that the branches are functioning as per the standard procedures and that the customers are receiving the best services possible. They also identify any operational challenges faced by the branches and take necessary steps to resolve them.

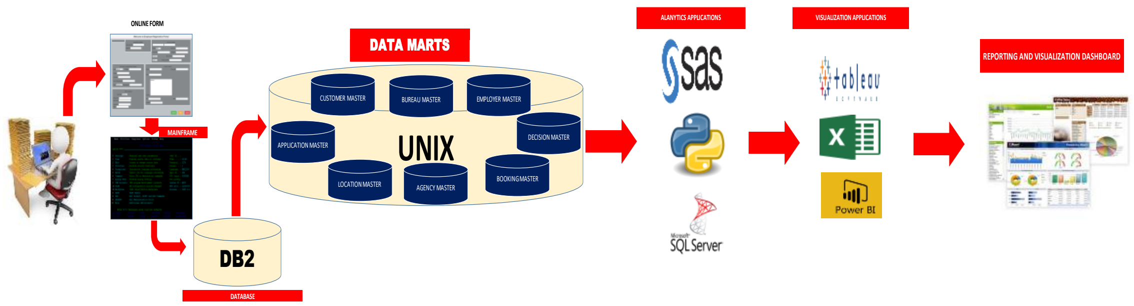
IT Operations Risk - The team also keeps a close eye on the IT operations of the bank and identifies any potential risks that may impact the bank's operations. They work with the IT team to implement necessary measures to mitigate these risks.

Internal Team Operations - The team also oversees the operations of the internal teams within the bank. They ensure that the teams are functioning as per the standard procedures and that there are no operational challenges faced by the teams.

Banking Audits - The Operational Analytics team also plays a crucial role in conducting bank audits. They carry out a comprehensive review of the bank's operations and identify any areas that need improvement. Based on their findings, they provide recommendations to the bank management to enhance the overall functioning of the bank.

The Operational Analytics team plays a vital role in ensuring the smooth functioning of the bank by overseeing various operational aspects such as branch operations, IT operations risk, internal team operations and conducting banking audits.

10 DATA ANALYTICS DATA ARCHITECTURE



Data Analytics is a crucial component in the banking sector, as it helps to analyze and interpret large amounts of data to make informed decisions. In this process, data is collected, stored, processed and analyzed to provide useful insights. The data architecture of data analytics involves several stages that help to streamline the flow of data and ensure that it is stored and processed efficiently.

The first stage in the data architecture process is data entry, where personnel enter information into the system and accumulate data. This data is then stored at the back end using databases such as DB2, SQL, Oracle, etc.

Once the data is stored, it is sent to the data mart. The data mart is the central repository of data, where it is processed and analyzed to provide useful insights. The data mart is connected through programming languages such as SAS, Python, SQL, and R, which help to extract data for visualisation.

The final stage in the data architecture process is the creation of reports and visualisations. The data that is extracted from the data mart is used to create reports and visualisations that help the business to make informed decisions. These reports provide a comprehensive view of the data, and help to identify trends, patterns, and anomalies in the data.

The data architecture in data analytics plays a crucial role in streamlining the flow of data, and helps to ensure that the data is stored and processed efficiently. This in turn provides valuable insights to the business, and helps to make informed decisions.

11 CONSUMER CREDIT RISK LIFE CYCLE

DURING ACCOUNT OROGINATION				
YEARMO	201701	201701	201701	201701
PORTFOLIO	MORTGAGE	PERSONAL LOAN	CREDIT CARD	LINE OF CREDIT
APPLICATION RECEIVED	10000	20000	50000	15000
REQUESTED AMOUNT	$53,84,19,30,000	$2,68,78,80,000	$20,89,08,50,000	$4,62,54,15,000
APPROVED APPLICATIONS	9300	15000	35000	12000
APPROVED AMOUNT	$36,61,25,12,400	$1,82,77,58,400	$18,38,39,48,000	$3,37,65,52,950
BOOKED APPLICATIONS	9000	12000	30000	10000
BOOKED AMOUNT	$30,75,45,10,416	$1,49,87,61,888	$12,68,49,24,120	$2,73,50,07,890
CANCELLED APPLICATIONS	230	2080	4200	2550
CANCELLED AMOUNT	$4,84,83,58,113	$40,43,00,158	$2,29,76,59,246	$52,93,13,991
DECLINED APPLICATIONS	770	5920	15800	2450
DECLINED AMOUNT	$18,23,90,61,471	$78,48,17,954	$5,90,82,66,634	$1,36,10,93,120

The consumer credit risk life cycle is a comprehensive evaluation process that tracks the entire loan process from start to finish. This includes the various stages of the loan, including account origination, performance, collection, and recovery. To ensure that the credit risk is managed effectively, various reports are created to analyze and monitor the loan process.

The account origination report is a crucial document that provides insight into the number of loan applicants, requested loan amount, approved loan amount, booked loan amount, and the number of cancelled or declined loan applications. This report is essential in tracking the success of the loan process and helps in identifying areas of improvement.

The account performance report focuses on the status of active accounts, delinquent accounts, good loan per account, and bad loan per account. The delinquent rate is calculated as the number of delinquent accounts divided by the total number of accounts, while the non-delinquent rate is calculated as the number of non-delinquent accounts divided by the total number of accounts. A delinquent rate of 11% and a non-delinquent rate of 89% indicates that 11% of the accounts are delinquent and 89% are non-delinquent.

To calculate the good loan per account, the non-delinquent balance is divided by the number of non-delinquent accounts, while to calculate the bad loan per account, the delinquent balance is divided by the number of delinquent accounts. The delinquent balance is considered bad for business, as it represents 18% of the total balance, while the non-delinquent balance is 82% of the total balance, indicating a low collection rate.

The balance control ratio is calculated by dividing the good loan per account by the bad loan per account. This ratio provides an overview of the overall credit risk and helps in making informed decisions regarding lending practices.

The consumer credit risk life cycle is an integral part of the loan process that helps to monitor and evaluate credit risk effectively. By tracking and analyzing the different stages of the loan, lenders can make informed decisions to minimize the risk of loan defaults and improve the overall success of their lending practices.

12 BALANCE CONTROL RATIO:

The Balance Control Ratio (BCR) is a crucial metric used in the banking industry to evaluate the bank's ability to manage its loan portfolio effectively and maintain a healthy balance between loan and deposit growth. This ratio is calculated by dividing the total loans given by the bank by the total deposits received. A high BCR indicates that the bank is lending out more money than it is receiving in deposits, which could be a warning sign of financial risk.

It is imperative for banks to maintain a balance between loans and deposits to ensure stability and growth in their business. The BCR helps banks to track their loan portfolio and monitor any changes in their loan and deposit ratios. The delinquent accounts are divided into different categories based on the number of days they are overdue, and the percentage of delinquent balance in each category is calculated.

The performance report provides an overview of the number of accounts in each category and the percentage of accounts that have been cured, improved, or rolled over to the next category. During the collection process, the accounts are analyzed to determine how many are cured, improved, or rolled over. The accounts that are charged-off are given to the Internal Recovery Agent (IRA) for recovery. The IRA team is responsible for recovering a balance of 5.52 crore, with the primary reason for recovery being 7 crore.

BCR is a critical component in the banking industry, and it is essential for banks to keep track of their loan portfolio and maintain a healthy balance between loans and deposits to ensure financial stability and growth in their business.

13 REPORTS

Account Performance

The account performance report focuses on active and delinquent accounts, as well as the good loan per account and the bad loan per account. The report shows the number of active accounts, the number of delinquent accounts, and the percentage of delinquent accounts in the overall portfolio. Additionally, it calculates the good loan per account by dividing the non-delinquent balance by the number of non-delinquent accounts, and the bad loan per account by dividing the delinquent balance by the number of delinquent accounts. The report also provides an overview of the loan portfolio, with information on loan types, loan amounts, interest rates, and payment terms. This report is used to assess the credit quality of the loan portfolio and monitor the loan performance of the bank.

Collection

The collection report provides an overview of the collection process, including the number of accounts that are in the process of being collected, the number of accounts that have been cured, improved, or rolled over, and the number of accounts that have been charged off. The report also shows the delinquent balance, the collection balance, and the net balance. This report is used to monitor the collection performance of the bank, including the effectiveness of collection efforts and the progress of the collections process.

Recovery

The recovery report provides an overview of the Internal Recovery Agent (IRA) and their recovery efforts, including the balance recovered and the primary reason for recovery. The report also shows the number of accounts that have been charged off, the amount of the charge-off, and the recovery rate. This report is used to monitor the performance of the IRA and to assess the effectiveness of the recovery process. The report is also used to make decisions about which accounts should be assigned to the IRA and to evaluate the success of the recovery efforts.

13.1 ACCOUNT ORIGINATION REPORT

This report provides an overview of loan application status, including the number of applicants, requested amount, approved amount, booked amount, and declined/cancelled applications. It also shows the approval rate, booked rate, and cancellation rate based on both the amount and number of applicants.

The main Key Performance Indicators (KPIs) in the Account Origination Report are as follows:

- Number of Applicants: This KPI shows the total number of individuals or businesses that have applied for a loan.
- Requested Amount: This data variable displays the total amount of money requested by all the applicants.
- Approved Amount: This data variable displays the total amount of money approved by the bank after reviewing the loan applications.

- Booked Amount: This data variable displays the total amount of money booked or credited to the borrowers' accounts after the loan has been approved
- Cancelled/Declined Applications: This KPI displays the total number of loan applications that have been cancelled or declined by the bank.
- Approval Rate: This KPI shows the percentage of approved loan applications based on the number of applicants.
- Booked Rate: This KPI shows the percentage of booked loan applications based on the number of applicants.
- Cancellation Rate: This KPI shows the percentage of cancelled or declined loan applications based on the number of applicants.

The Account Origination Report is used to provide a comprehensive overview of the status of loan applications received by the bank, particularly in terms of the secured and unsecured loan products and their respective rates of approval, booking, and decline.

13.2 Account Performance Report

This report focuses on the status of active accounts, delinquent accounts, and their respective loan performance. The report shows the good loan per account and bad loan per account based on the non-delinquent balance divided by non-delinquent number of accounts, and the delinquent balance divided by delinquent number of accounts. The report also includes the delinquent rate, non-delinquent rate, and the balance control ratio.

- Active accounts:This metric measures the number of open and active accounts within a specified period. It gives insight into the number of customers actively using credit and engaging with the lending institution.
- Delinquent accounts:This metric tracks the number of accounts that are past due on their payments and have failed to make a payment within a specified time frame.
- Good loan per account:This metric measures the average loan balance per account that is current on payments and not in default. This helps to evaluate the creditworthiness of customers and the overall health of the loan portfolio.
- Bad loan per account:This metric measures the average loan balance per account that is past due on payments or in default. This helps to identify problem loans and assess the risk associated with the portfolio.
- Delinquent rate:This metric measures the percentage of accounts that are delinquent (past due on payments) compared to the total number of accounts. This helps to assess the overall credit risk of the portfolio.
- Non-delinquent rate:This metric measures the percentage of accounts that are current on payments and not in default compared to the total number of accounts.
- Delinquent account balance:This metric measures the total outstanding balance on delinquent accounts. It helps to identify the total exposure to risk from delinquent loans.
- Total balance:This metric measures the total outstanding balance on all accounts (both delinquent and non-delinquent).
- Good loan per account calculation:This calculation is the total amount of good loans (current and not in default) divided by the number of accounts.
- Bad loan per account calculation:This calculation is the total amount of bad loans (delinquent or in default) divided by the number of accounts.

13.3 Collection Report

This report shows the status of the collection process and accounts that have been analyzed to determine the cure, improvement, or rollover rate. The report also shows the charge-off accounts that have been given to the Internal Recovery Agent (IRA) for recovery.

- Delinquency rate: This shows the percentage of loans that are past due or delinquent in paying back. It gives an idea of how many loans are at risk of becoming bad debts.
- Delinquent balance: This shows the total amount of money owed by delinquent borrowers. It is important to track this number as it can indicate potential financial loss for the bank.
- Good loan per account: This is calculated by dividing the non-delinquent balance by the number of non-delinquent accounts. This gives a measure of the average loan balance per non-delinquent account.
- Bad loan per account: This is calculated by dividing the delinquent balance by the number of delinquent accounts. This gives a measure of the average loan balance per delinquent account.
- Cure rate: This shows the percentage of delinquent accounts that have become current or paid back in full. This is an important KPI as it indicates how successful the bank's collection efforts are.
- Improved rate: This shows the percentage of delinquent accounts that have improved but are still not fully paid back.
- Rollover rate: This shows the percentage of delinquent accounts that have rolled over to the next bucket or stage in the collection process.
- Charge-off rate: This shows the percentage of delinquent accounts that have been charged off or deemed uncollectible by the bank.
- Recovery rate: This shows the percentage of delinquent balance that has been recovered by the Internal Recovery Agent (IRA).

These KPIs and data variables are analyzed to give a comprehensive view of the bank's loan portfolio and the success of their collection efforts.

13.4 Recovery Report

This report provides information on the recovery efforts of the IRA team, including the balance recovered and the primary reason for recovery.

- Total recovered balance:This metric measures the total amount of money that has been recovered through the efforts of the IRA (Insolvency Resolution and Advisory) team. It provides insight into the effectiveness of recovery efforts and the overall financial impact of these efforts on the bank.
- Primary reason for recovery:This metric identifies the main reason why recovery was necessary. This can include reasons such as loan default, bankruptcy, or the sale of assets. Knowing the primary reason for recovery helps the IRA team understand the root cause of the default and make informed decisions for future lending practices.
- Recovery rate: This metric measures the percentage of the total amount owed that has been recovered by the IRA team. It provides a useful measure of the overall effectiveness of recovery efforts.
- Average time to recover: This metric measures the average amount of time it takes for the IRA team to recover a delinquent account. This information can help to identify areas for improvement in the recovery process.

- Number of accounts recovered: This metric measures the number of accounts that have been recovered by the IRA team. It provides a useful measure of the volume of recovery efforts.
- Recovered balance by product type: This metric provides a breakdown of the recovered balance by product type (e.g. personal loans, mortgages, etc.). This information can help the IRA team understand which products are most vulnerable to default and prioritize recovery efforts accordingly.
- Write-off rate: This metric measures the percentage of accounts that have been written off as uncollectable and are no longer being pursued for recovery.
- Cost of recovery: This metric measures the total cost incurred by the IRA team in the process of recovering delinquent accounts. This information can help to assess the efficiency of recovery efforts and the impact on the bank's bottom line.

These KPIs and variables can provide valuable insight into the performance and effectiveness of the IRA team's recovery efforts. By tracking and analyzing these metrics, banks can identify areas for improvement and make data-driven decisions to optimize their recovery process.

13.5 Risk Management Report

This report provides an overview of the bank's risk management strategy, including credit risk assessment, credit policy, and loan portfolio management. The report also includes the delinquency rate, non-delinquency rate, and balance control ratio.

13.6 Financial Performance Report

This report provides an overview of the bank's financial performance, including revenue, expenses, net income, and balance sheet analysis. The report also includes key performance indicators (KPIs) such as return on assets (ROA), return on equity (ROE), and net interest margin (NIM).