

“*If you are in banking and lending, surprise outcomes are likely to be negative for you*”

Nassim Nicholas Taleb

Fundamentals of Bank Analysis

Providing credit and risk professionals with a comprehensive framework to analyse banks, using both qualitative and quantitative factors

OVERVIEW

Bank analysis is generally regarded as being fundamentally different from that of corporate credit, with its distinct ratios and areas of analytic focus. Nevertheless, while banks may vary in terms of size, products, and locations, there is a framework that can be adapted to analyse a bank, irrespective of its business profile.

The purpose of this course is to equip credit analysts, portfolio managers and investment professionals with the tools to analyse banking institutions operating in a variety of markets. The focus is on building the analytical skills of the participants with a practical approach using methodologies, models, tools and templates refined from best practice.

WHO SHOULD ATTEND?

The course has been designed for credit analysts, portfolio managers, regulators, and origination professionals needing a solid foundation in bank analysis. The course would also be beneficial to those in functions including Risk Management, Counterparty Risk Management, Credit Approval, Loan Administration and Loan Review, as well as those serving on Investment Committees.

If you are asking yourself any of the following questions, then the course is definitely for you:

- What are the key ratios used to analyse banks?
- What do abbreviations such as CAMEL, TLAC, Pillar 2 and OREO mean?
- How do bank regulators assess banks?
- How do I understand, map and incorporate key industry and business risk characteristics into my assessment of the banking industry in a given region or country?
- How are qualitative and quantitative factors used in analyzing a bank

sharing knowledge, developing skills

OUTLINE

OBJECTIVES

Participants in the course will come away with:

- Skill and confidence in their ability to analyse a bank
- An understanding of the key qualitative and quantitative factors used in bank analysis
- Awareness of key ratios – both analytical and regulatory – used by bank analysts
- Familiarity with key regulatory initiatives impacting banks globally (Basel III, Bail-In, TLAC, among others)
- Ability to adapt the analytic tools to a range of types of banks

COURSE DELIVERY

- This is a three-day course totaling **21 hours of delivery time**.
- It consists of **eight tutorial modules of approximately 1.5 hours each** (i.e. a total of 12 hours of instruction).
- **A further nine hours of the schedule is dedicated to intensive group work and exercises, underpinned by case studies**, all facilitated by the instructor.
- All hand-outs and instruction will be in English; participants should have a good working knowledge of English.
- The course can be **customized** to the specific needs of the client, to ensure maximum relevance and benefit (for example to focus on savings banks, credit unions, emerging markets banks, microfinance institutions, investment banks etc.)
- Ideally delegates should have at least three years' experience working in a bank either in a general management or leadership role, or employed in a credit or risk management role, or in managing relationships with banks. Basic familiarity with key concepts of credit analysis would be helpful.
- Because the course involves participative group work on case studies, and considerable interactivity during tutorials, the number of participants is limited to **no more than 20**.

TRAINING SURVEY & POST-TRAINING EVALUATION:

To ensure that participants gain maximum benefit from the course, it is our practice to send a detailed questionnaire to all course participants to ensure we fully understand their specific training needs and objectives. The completed questionnaires are analysed by the course instructor who will tailor the course content and style of delivery to the requirements of the participants. Following completion of the course, participants are asked to measure and assess the effectiveness of the training. The results are collated and reviewed, and the analysis shared directly with the relevant client stakeholders.

OUTLINE

MODULE 1: OVERVIEW AND OPERATING ENVIRONMENT

- ⇒ Introduction: Bank Analysis is an Art and a Science
- ⇒ Limitations of ratio analysis
- ⇒ Types of banks and their products; how does this impact the balance sheet and income statement of a bank?
- ⇒ Operating environment
 - Understanding the context in which the bank operates
 - Competitive environment
 - Peer group analysis – who are the peers? Why does this matter?
 - Assessment of regulation and supervision
- ⇒ Emerging trends in bank market
- ⇒ Bank Analysis using “CAMELS” (Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk)

MODULE 2: CAPITAL ADEQUACY

- ⇒ Understanding the importance of capital adequacy
 - ⇒ Different approaches to assessing capital adequacy
 - ⇒ Recognising the key balance sheet and income statement items impacting capital adequacy
 - ⇒ Key ratios used to assess capital adequacy
- Case study: Evaluating the capital adequacy of a bank*

MODULE 3: ASSET QUALITY

- ⇒ Why asset quality matters for a bank
 - ⇒ Understanding the composition of a bank’s assets (loans, securities, trading book)
 - ⇒ Recognising the key balance sheet and income statement items reflecting asset quality
 - ⇒ Key ratios and terminology used to evaluate asset quality
 - ⇒ Off-balance sheet and contingent exposures
 - ⇒ Accounting for loan/impairment losses – the new IFRS 9 (CECL-Expected Credit Losses standard)
- Case study: Evaluating the asset quality of a bank*

MODULE 4: MANAGEMENT QUALITY

- ⇒ Management quality (including Board of Directors and Executive Management) – why it matters
- ⇒ The importance of risk culture and “tone from the top”
- ⇒ Evaluating corporate governance and risk management
- ⇒ Key indicators of risk management and management quality

Case study: The good, the bad and the ugly in bank management

MODULE 5: EARNINGS / PROFITABILITY

- ⇒ Key sources of bank profitability – quality and quantity of earnings
- ⇒ Understanding the key balance sheet and income statement items affecting profitability
- ⇒ Key ratios and terminology used to assess profitability

Case study: Assessing profitability

MODULE 6: LIQUIDITY / FUNDING

- ⇒ Why the composition of a bank’s funding matters
- ⇒ Understanding the key balance sheet and income statement items affecting funding and liquidity
- ⇒ Evaluating a bank’s capital structure (sources, tenor, stability)
- ⇒ Risks in a bank’s funding structure
- ⇒ Key ratios used to evaluate a bank’s liquidity / funding
- ⇒ BIS ratios introduced in Basel III : the LCR and NSFR

Case study: Assessing a bank’s funding and liquidity profile

MODULE 7: MARKET RISK

- ⇒ What is market risk and why does it matter to a bank?
- ⇒ Sources of market risk
- ⇒ Understanding the key balance sheet and income statement items affecting market risk
- ⇒ Accounting of market risk
- ⇒ Measurement of market risk: VaR, “Fair Value”

Case study: Assessing the market risk of a bank

MODULE 8: FINAL CASE STUDY

- ⇒ Participants will prepare and present a final case study using the tools from all the modules

DETAILS

TOOLS, MODELS & TEMPLATES

Courses are supplemented with a range of practical documented methodologies, models, tools, and templates refined from best practice, and tried and tested in a range of leading banks. Participants can take these back to the workplace to adapt and apply, and wherever appropriate, to make a tangible improvement to policy and practice in their own bank.

This course includes:

- ➔ **Financial Statement & Ratio Analysis Work Aide**

TERMS & CONDITIONS

Total fee cost for the on-site delivery at the client's premises of the three-day course as described is US\$ 11,500 (eleven thousand five hundred United States Dollars). This is EXCLUSIVE of:

- Flights (discounted business class);
- Accommodation (min. 4★) for every night required on-site;
- Local travel costs and subsistence; and
- Venue and equipment hire (if required) and materials production.

These additional items will be for the account of the client or, alternatively, we can provide an all-inclusive quote encompassing all expenses if that is more convenient.

GBRW Learning can also host the course at or near our London headquarters for an all-inclusive fee of US\$ 16,700 plus VAT. This includes venue and equipment hire, lunches and refreshments, but does NOT include the travel, accommodation and subsistence expenses of participants.

A 60% deposit is payable one-month prior to the scheduled course date, with the balance payable immediately following completion of the course.

Note: Discounts are available for multiple course bookings of the stand-alone course or other GBRW courses.

For more information or to arrange a booking, please contact Johnny Rizq at:

johnny.rizq@gbrw.com

INSTRUCTOR



Lynn Exton
Instructor
GBRW Learning

Lynn Exton is the Managing Partner of Exton & Partners Risk, Governance and Analytics LLP, a consulting firm providing expertise in needs assessments, risk management, governance and credit analysis for private and public sector entities. She is an experienced trainer in a range of topics in credit analysis including on banks, insurance companies, non-bank financial institutions, corporate credit, sovereign analysis, and fundamentals of accounting. She has a broad and varied career in credit analysis, risk management, credit ratings and economic development in both the US and international markets.

Lynn was previously Opportunity International's Chief Risk Officer (2008 to 2013), where she had oversight of partner MFIs on a global basis. She has also worked for Moody's Investors Service, Merrill Lynch and JP Morgan Chase in the financial institutions area. She has extensive international experience in Africa, the MENA region, Latin America and Southeast Asia.

Lynn is a graduate of Wellesley College (BA), SAIS-Johns Hopkins University (MA) and the Institut d'Etudes Politiques (Science Po). She also completed the Harvard Business School/Accion program in Strategic Leadership for Microfinance. Her professional affiliations include SEEP Network, the RIM (Risk Initiative In Microfinance), and the Center for Financial Inclusion's Working Group on Governance.

ABOUT GBRW LEARNING

GBRW Learning is the training and knowledge-sharing arm of GBRW Limited. Founded in London in 1995 by a group of senior bankers GBRW's mission is to provide first-class consulting and training to banks and bankers in Emerging Markets, to the same standard as would be expected in developed markets. From our London headquarters and subsidiary offices in Washington DC and Singapore we have served clients in more than 50 countries in Europe, the Middle East, Africa, Asia and the Caribbean. Our clients include banks and other financial institutions, governments, and economic development agencies and institutions.

Through our training programmes we share the experience and knowledge of our experts with bankers in Emerging Markets, supported by high quality materials and taking advantage of the latest technologies. Our courses are all highly inter-active, and make use of carefully designed case studies and simulations.

We offer a range of training topics for banks and financial institutions including:

- Strategy & Management – Formulating, Implementing & Monitoring Strategy
- Risk Management – Credit, Market & Operational Risk
- Human Resources Management
- SME Banking – Customer Relationship Management; Credit Risk Management
- Retail Banking – Customer Relationship Management, Distribution Strategy, Product Management, Credit Risk
- Corporate Banking – Customer Relationship Management, Credit Risk Management
- Governance, Regulation & Compliance
- Financial Markets

For more information, visit our website at:

<http://www.gbrw.com/training>

To discuss your specific requirements email us at:

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