

# BANK ANALYSIS

## Course description

The course provides a structured approach to the analysis of banks, focusing on the identification of risks and the understanding of risk management best practices. Particular attention is paid to the regulatory framework and the process followed by rating agencies to assign credit ratings to banks. The concepts are applied to practical case studies involving both local and foreign banks where delegates are required to act as bank reviewers or rating agencies.



**Duration: 3 days**

## Objectives:

The objective of the course is to equip participants with the skills necessary to:

- Understand the risks faced by banks,
- Understand risk management best practices and their rationale,
- Assess a bank's credit quality in a consistent and methodical manner,
- Assign internal and external ratings to banks,
- Recognise early warning signals of credit deterioration.

### Jean-Charles Pirlet



Jean-Charles spent seven years in the Credit, Corporate and Investment Banking divisions of Citibank, including three years in the World Corporation Group in London as Vice-President managing a portfolio of UK multinationals on a worldwide basis.

He subsequently worked as Director of Project Finance and Acquisition Financing for Security Pacific in Frankfurt before returning to South Africa in 1993 as Head of Corporate Banking (Senior Vice-President) for the local operation of ABN-Amro.

Jean-Charles has broad credit experience gained over 20 years as credit analyst, credit officer and credit committee member at Citibank and ABN-Amro,

covering Corporate and Investment Banking, including, inter alia, Syndications, Project Finance, Leveraged transactions and Asset securitisation.

He provides in house training to international financial institutions such as Citibank, Deutsche Bank, ING, Nordea, CIBC, Royal Bank of Scotland or West LB and runs public courses in the UK, Honk Kong, South Africa, Singapore and the Middle East.

He also assists banks with the implementation of the Basel II Accord in a consulting capacity and is Basel II Programme Director for Bank T and D Consulting Ltd, a London based consulting firm.

He holds an LLB and an LLM in Tax Law from the University of Liège in Belgium.

## Day One

### Economic fundamentals of banking

- Definition and role of banks
- Dynamics and Risk profile of different business lines- Retail, Corporate, Investment Banking, Asset Management etc.
- A growth industry? Differentiation, Competition and Profitability issues.
- Global trends: Before and after the credit crisis.

### Financial fundamentals of banking

- Balancing inherent contradictions: Risks, leverage, liquidity, capital and returns
- Taking Risks: Credit, Market, Operational, Liquidity Risks. And others.
- Banking Book vs. Trading Book
- The regulatory answers: Basel II and III- First overview.
- How transactions are priced and ROE calculated (Rorac/ Raroc)-Why it matters.
- The main sources of bank losses: Credit losses
- The main causes of Credit Losses: Concentrations, Inadequate Pricing, New products etc.
- Lending best practices

### The industry's Critical Success Factors-Discussion

- Government support and supervision.
- Size?
- Business lines: Retail banking franchise vs. Corporate or Investment banking.
- Geographical and business diversification vs. concentrations.
- Credit culture and track record
- Risk adjusted pricing.
- IT capability to support operations and management etc.

### Risk Management best practice -The Regulatory Frameworks

#### Background to the Basel Accords - The Basics

- Definition of Capital, Risk Weights and Credit Conversion Factors-Basel I
- Market Risk- The 1996 Amendment.
- Internal Credit Ratings
- Economic capital
- Expected and Unexpected losses
- PD, LGD and EAD.
- The Risk Weight Function
- Rorac /Raroc - Pricing as a credit issue
- Credit portfolio management.
- ICAAP

## Day Two

### The Basel II Accord

- The 3 Pillars system
- The Standardised Approach
- The IRB Approaches
- Operational Risk

### The Basel III Accord

- Capital: New Definitions and Amounts of Capital
- Liquidity: The new liquidity Standards
- Basel 2.5 : Market Risk amendments

### Bank analysis

- What to look for: a Reviewer's Guide.
- Key ratios
- Warning signals
- Agency ratings-Methodologies ( Moody's, Standard and Poors)
- Special issues: Cross border risk – subsidiaries vs. Branches of foreign banks.

### Case studies

- All the above concepts are dealt with in case studies prepared in group and discussed in class.
- The case studies show how industry knowledge and a methodical approach help identify problems at an early stage.
- All case studies are based on actual banks, both local and international.

## Day Three

### Bank Analysis - Case studies continued.



## Who we are

Analytiques C & F Ltd is incorporated in England and based in London. It specialises in all the aspects of Credit Risk including Financial and Credit Analysis, Capital requirements, the Basel II Accord, portfolio management and legal documentation.

It is a provider of both consulting and training services in these fields.

## Where we work

Analytiques was set up to address the needs of the African market, in line with the long association of its directors and staff with the continent. Although this remains the company's main focus, the directors of Analytiques are routinely involved in training or consulting assignments in other parts of the world, mainly in Europe and the Middle East, thus keeping abreast with the latest developments in finance.

## Our clients

Our clientele consists of banks or other financial institutions, either directly through bilateral contracts or through major international training firms to which we subcontract. The latter include 7City and Crown Agents in the UK and Ethan Hathaway in Hong Kong.

## Our approach

All our trainers or consultants have strong academic qualifications, conduct their own research and produce their own study material. But because it is practical guidance and concrete solutions that our clients expect, years of hands-on senior management experience gained with leading international banks and in major financial centres are a mandatory requirement for our staff and what best describes our business franchise.

## Analytiques

### Our Competitive edge

Contrary to most training firms, the owners and directors of Analytiques are *also* the key subject matter experts.

We eliminate expensive intermediaries and pass on the benefit to our clients.

Also, you discuss your training requirements with experienced finance specialists, not sales people.

## In-House Training

Although we do organise public courses at regular intervals most of our courses are delivered in-house, a cost effective solution that enables us to adapt the course contents to the precise requirements of our clients.

Some credit programmes for example have been run for more than 15 times for the same bank in the past 5 years.

In Africa, in-house courses have been provided to a large number of banks or corporates including, inter alia, Barclays (Kenya, Tanzania and Uganda), Nedbank, ABSA, Standard Bank, Rand Merchant Bank, Trust Bank (Ghana), National Bank of Malawi or Shell Africa.

See our website for a non-exhaustive list of in-house clients in other countries.