

## Financial Institutions and Sovereign Credit Masterclass

### Overview

This course will cover the framework and tools necessary to analyze the credit risk of sovereigns and different types of financial institutions' credit risk, including banks, insurers—both life and non-life—, and non-bank financial Institutions, including finance firms, leasing companies, funds, and asset managers. This interactive course will offer a combination of short presentations, discussions, exercises, and case studies.

### Learning Objectives

Upon completion of this course, attendees will be better able to:

- » apply a structured framework to analyze different types of financial institutions
- » analyze key qualitative risk factors
- » identify, calculate and interpret key ratios
- » differentiate between different types of financial institutions
- » evaluate a financial institution's credit strength based on its published financial information
- » determine the overall credit quality of a financial institution in mature and developing markets

### Who Should Attend

This course is designed for investment and commercial bankers, credit risk analysts, regulators, central bankers, fixed income professionals, bond researchers (both buy and sell sides), corporate treasurers, correspondent banking officers, and relationship managers involved in exposures to, or investments in, non-bank financial institutions.

### Program Level

**Program Level:** Introductory to Advanced

**Prerequisites:** No prior analytical experience is necessary, but familiarity with the activities of non-bank financial institutions, their business lines, and organization is desirable.

**Advanced Preparation:** None

**Delivery Method:** Group-Live

### Accreditation

Moody's Analytics is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: [www.nasbaregistry.org](http://www.nasbaregistry.org).

Moody's Analytics is accredited with the CFA Institute and the UK Solicitors Regulation Authority.

### WHY MOODY'S ANALYTICS?

#### Current and Consultative

Our courses are created and updated utilizing the extensive experience, skills and research of Moody's Analytics. For in-house training, we work with you to understand the distinct needs of your organization and design, implement, and track the performance of your learning programs from end-to-end, including skills assessment, program design, implementation, evaluation, and enhancement.

#### Comprehensive Coverage

We offer a broad set of technical and soft skills programs that can be combined and adapted to the needs of your staff. Our areas of expertise include banking, finance, sales negotiation and leadership development:

#### Unparalleled Expertise

Our training solutions leverage over a century of experience in risk assessment and the comprehensive tools, data, and analysis of Moody's Analytics to deliver timely, in-depth, and comprehensive knowledge. In delivery, our people make the difference – they combine deep experiences as financial practitioners, intellectual passion for the content, and superior academic credentials with a commitment to delivering outstanding quality.

# Financial Institutions and Sovereign Credit Master Class – Agenda

## DAY ONE: INTRODUCTION AND SOVEREIGNS

### Session 1: Introduction and Overview of Financial Institutions and Sovereign Credit

- » Universe of financial institutions: sovereigns, banks, insurance, and non-banks
- » Banks versus non-banks: differences and similarities
- » Key Dynamics: Stability of funding, asset quality, and support
- » Risks dependent on business models, which vary broadly
- » *Exercise: Risks arising from different lines of businesses*

### Session 2: Moody's Ratings Approach and Process

- » What are Moody's ratings—and what are they not?
- » Moody's ratings framework and approach
- » Credit analysis approaches: Fundamental analysis versus market implied ratings
- » *Exercise: Ratings for financial institutions*

### Session 3: Accounting

- » Basic accounting for financial institutions
- » Financial statements: Balance sheet, income statement, cash flow statement
- » Notes to the accounts and off-balance sheet items
- » Derivatives
- » Financial assets: IFRS 9 versus IAS 39
- » Fair value hierarchy
- » *Exercise: Financial asset accounting and disclosure*

### Session 4: Sovereign and Country Risk Analysis

- » The role of sovereign ratings in financial institutions analysis
- » Sovereign ratings overview:
  - Local currency versus foreign currency ratings
  - Country versus sovereign risk
  - Sovereign ceilings
- » Sovereign ratings methodology: weightings, metrics, and matrices
  - Economic strength
  - Institutional strength
  - Fiscal strength
  - Susceptibility to event risk
- » Sovereign crises, causes, and defaults
- » *Exercise: Contextual analysis of selected sovereigns*

## DAY TWO: BANKS

### Session 5: Banks: Business Models, Operating Environment, and Overview

- » Business Models: Retail, commercial, wholesale, universal banks
- » Distinguishing characteristics of banks versus non-banks
- » Macroeconomic influence on banks
- » *Exercise: Bank challenges and risks*

### Session 6: Accounting, its Impact, Adjustments, and Products

- » Impact of IFRS 9
- » Hedge accounting
- » Secured borrowing: Repo and securities lending
- » Key ratios
- » *Exercise: Calculation and interpretation of key quantitative ratios*

### Session 7: Bank Regulations

- » Regulations: Levels, themes, and details
  - More and better capital
  - Liquidity ratios
  - Leverage ratio
- » Do they address too big to fail issues?
- » Impact of Basel III regulations on banks
- » *Exercise: Basel III quiz*

### Session 8: Bank Analytical Frameworks

- » CAMELS
  - Capital
  - Asset Quality
  - Management
  - Earnings
  - Liquidity
  - Sensitivity to Market Risk
- » Moody's Bank Rating Methodology
  - Baseline credit assessment
  - Country macro profile
  - Financial Profile
    - Solvency risk metrics
    - Liquidity metrics
  - Support dynamics
  - Scorecard: Incorporating analytical judgments
- » *Example: Moody's Credit Opinion of a major bank*

# Financial Institutions and Sovereign Credit Masterclass – Agenda (Cont...)

## DAY THREE: BANKS AND INSURANCE

### Session 9: Banks--Quantitative Analysis

- » Solvency risk
  - Asset Quality
  - Capital
  - Profitability
- » Liquidity Risk
  - Liquidity
  - Funding
- » *Exercise: Assess the financial profile of a major bank*

### Session 10: Banks--Qualitative Analysis

- » Support dynamics
  - Joint default analysis
  - Operational resolution regimes
- » Notching and capital issues
  - Basel III compliant subordinated debt
  - Structural risk
- » *Exercise: Bank default recovery exercise*

### Session 11: Banks--Comprehensive Exercise

- » Summary
- » *Exercise: Assess the credit worthiness of a major bank using analytical aspects covered in the course*

### Session 12: Insurance—Introduction and Overview

- » Types of Insurance: Life, non-life, and reinsurance
- » Business models and attendant risks
- » Market dynamics
- » The role of ownership
- » Insurance products
- » *Exercise: Reinsurance risk mechanics; business line dynamics*

### Session 13: Insurance Accounting

- » Major components of the balance sheet and income statement
- » Translating insurance jargon
- » Illustrating the impact of the business model on the financial statements
- » *Exercise: Intuiting common size balance sheets*

### Session 14: Insurance—Operating Environment and Regulations

- » Penetration rates and catastrophe dynamics and statistics
- » Changing insurance regulations: Global, regional, national
- » Effect of regulations
- » Markets and risks
- » *Exercise: Key risks and concerns*

## DAY FOUR: INSURANCE

### Session 15: Analytical Frameworks

- » Key risks and ways to assess them
- » Non-life: Focus on underwriting risk
- » Life: Focus on assets and capital
- » Rating methodologies: Life and non-life
- » *Exercise: Reinsurance risk mechanics*

### Session 16: Underwriting Risk

- » Underwriting metrics
- » Combined ratio drivers:
  - Catastrophes, litigation risk, and reserve development
- » Interpreting loss triangles
- » Long tail versus short tail risk
- » *Exercise: Assess the credit risk of a non-life insurance company, emphasizing its underwriting performance and risk*

### Session 17: Financial Risk

- » Asset quality
- » Product risk—guarantee levels
- » Capital: Quality, levels, regulatory requirements
- » *Exercise: Assessing a life insurance company, emphasizing asset risk and capital*

### Session 18: Early Warning Signals

- » Types of insurance: Life, non-life, and reinsurance
- » *Exercise: Reinsurance risk mechanics*

# Financial Institutions and Sovereign Credit Masterclass – Agenda (Cont...)

## DAY FIVE: NON-BANKS

### Session 19: Non-bank Financial Institution Universe

- » Finance firms, securities firms, funds and asset managers
- » Common features and differences
- » Asset quality and funding relationship
- » Shadow banking in the markets
- » Market measures indicators
- » *Exercise: Market information interpretations*

### Session 20: Finance Firms and Leasing Companies

- » Target markets, business models, residual risk
- » Finance Firms Rating Methodology
- » *Example: Moody's Credit Opinion of a major finance firm*

### Session 21: Securities Firms

- » Changing market dynamics
- » Funding dictates liquid asset composition
- » Market maker versus servicer
- » Securities Firms Rating Methodology
- » Focus on business model, not only ratios
- » *Exercise: Assessing management and corporate governance*

### Session 22: Funds and Asset Managers

- » Types of funds: Regulatory and legal differences
- » Fund risk dictated by investment strategy
- » Changing dynamic between traditional and alternative strategies
- » New listing regulations
- » Asset managers key indicators and metrics
- » Asset Manager Rating Methodology
- » Documentation for credit risk management
- » *Example: Moody's Credit Opinion of a major asset manager*
  
- » *Exercise: A comprehensive analysis of a major non-bank financial institution*

## RELATED COURSES

- » Fundamentals of Bank Credit Risk Analysis
- » Advanced Bank Risk Analysis
- » Insurance Credit Analysis
- » Bank Regulation: Impact and Implications of Evolving Regimes
- » Non-bank Financial Institution Credit Risk Analysis

### Tailor Any Course for Your Organization

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