

MOODY'S ANALYTICS | Risk and Banking Exit

Menu Balance Sheet

### Balance Sheet and Risks

**Balance Sheet and Risk**

Banks' financial statements pose analytical problems that are different from those in financial statements of other types of companies. Banks take on two types of risks as they manage the money that flows through their books as financial intermediaries:

- 1. Interest rate risk**  
The spread between interest rate paid on deposits from customers and interest rate received on loans to borrowers
- 2. Credit risk**  
The probability that a borrower will default on meeting its obligations to the bank.

**Credit and Interest Rate Risk**

Profitability and Credit Risk provides insights to mitigate risks and different types of exposures on a bank's books in terms of capital, risk, and expected loss. This 8-10 hour eLearning course is on the learning path for the Certificate in Commercial Credit.

**You learn how to:**

- » Gain insights into banking regulations, their treatment of different types of risk, and methods of calculating the riskiness of an asset.
- » Improve loan quality by aligning your institution's risk appetite and its overall strategy.
- » Develop skills to maximize profitability by pricing loans more precisely without taking undue risks.
- » Identify how credit risk relates to individual loans and its potential impact upon portfolios of loans.

- » Apply the concepts in your day-to-day credit decisions, improving decision quality, consistency, and transparency.

**MOODY'S ANALYTICS | Credit Portfolio Management** Exit

**Menu** Bank Risk Profile

### Portfolio Credit Risk Mitigation

**Interest Rates**

The objective of CPM is to improve the risk-return profile of a credit portfolio. This objective consists of three parts:

- Part I: Reducing Credit Concentration Risk
- Part II: Reducing Credit Risk
- Part III: Optimising the Risk-Return Ratio

Various factors might concentrate the bank's credit portfolio in specific industries, business sectors or individual companies. Factors might include a bank's marketing policy, geographical presence, business base or lending policies.

The experience gained through several economic collapses has shown that credit concentration can have an adverse effect on banks in times of stress. Many banks must reduce concentration risk, and CPM is a potentially effective way of doing so.

**Did You Know?**

Economic capital and value-at-risk (VaR) measures are credit-equivalent measures that allow a bank to translate risk ratings, product factors and collateral types into a single measure.

This allows for comparisons across exposure types, regions and business lines. Economic capital is the amount of fully diversified risk capital that a firm will need to cover the risks runs as a going concern. These typically include credit risk, market risk, operational risk and legal risk.

Moody's Analytics learning solutions help transform work performance, providing you with the skills and tools to apply complex concepts and make sound credit decisions.

**MOODY'S ANALYTICS | Credit Risk and Regulation** Exit

**Menu** Basel Regulation

### Components of Basel I, II and III

**Basel I: Tier 1 and 2 Capitals**

Basel I established that the primary focus of the BCBS is to provide effective supervision of international banking operations through effective co-ordination of the focus of national regulators.

Under Basel I, capital was defined for the first time in two tiers for supervisory purposes.

- » Tier 1 capital is a bank's pure capital, which regulators take as a prime measure of its financial strength.
- » Tier 2 capital is a bank's supplementary capital.

Tier 2 is considered the less reliable of the two categories of capital in the context of measuring a bank's capital adequacy.

Profitability and Credit Risk delivers insights into banking regulations and their implications for financial institutions.

## With Moody's Analytics eLearning:

- » You gain in-depth understanding of credit theory and sector-specific factors from our relevant and current banking course.
- » You concentrate your studies on the areas where you have knowledge gaps, through our pre-course diagnostics.
- » You optimize your learning time through our engaging, industry-leading online programs with interactive, multi-media lessons and quizzes.
- » You complete the curriculum through an end-of-course, online exam to test mastery of the concepts taught.
- » Program sponsors can monitor participation, assess performance, and access critical detail to support measuring ROI.

## Who is taking this course?

- » Commercial and corporate lenders
- » Commercial and corporate relationship managers
- » Commercial and corporate loan analysts
- » Commercial and corporate loan underwriters
- » Certificate in Commercial Credit candidates

Profitability and Credit Risk is on the learning pathway for the Certificate in Commercial Credit.

Understanding your institution's tolerance for risk and making sound credit decisions is an essential skill for successful commercial and corporate lending professionals. This course will broaden your perspective of the different types of exposures on a bank's books in terms of capital, risk, and expected loss. Advance your career by improving your expertise and day-to-day decision quality.

## Profitability and Credit Risk

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### Pre-course Diagnostics

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#### Risk & Banking

Role of the Bank

Risk at the Bank

Balance Sheet

#### Credit Risk & Regulation

Basel Regulation

Credit Risk Measurement

Credit Risk Management

#### Credit Portfolio Management

Bank Risk Profile

Economic Profitability

#### Final Assessment

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This course can be completed in 8 to 10 hours.



## LEARN MORE

Learn more about Moody's Analytics industry-leading learning solutions. Contact us at [elearning@moodys.com](mailto:elearning@moodys.com) or visit us at [www.moodysanalytics.com/learning](http://www.moodysanalytics.com/learning).

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## CONTACT DETAILS

Visit us at [moodysanalytics.com](http://moodysanalytics.com) or contact us at a location below.

### AMERICAS

+1.212.553.1653  
[clientservices@moodys.com](mailto:clientservices@moodys.com)

### EMEA

+44.20.7772.5454  
[clientservices.emea@moodys.com](mailto:clientservices.emea@moodys.com)

### ASIA (EXCLUDING JAPAN)

+852.3551.3077  
[clientservices.asia@moodys.com](mailto:clientservices.asia@moodys.com)

### JAPAN

+81.3.5408.4100  
[clientservices.japan@moodys.com](mailto:clientservices.japan@moodys.com)