

## Fundamentals of Bank Risk Analysis



DURATION

2 Days



DELIVERY CHANNEL

Virtual  
Instructor-Led

OR

In-Person  
Classroom



PROGRAM LEVEL

Fundamental &  
Intermediate

PREREQUISITES

N/A

ADVANCE PREPARATION

Assigned reading

CPE CREDITS

16

### Overview

Fundamentals of Bank Risk Analysis is a two-day, facilitated course that introduces participants to the process of evaluating the credit risk presented by banks.

It begins by exploring the various business models that banks employ and the different risks associated with them. It then examines the unique regulatory environment in which financial institutions operate, including the capital adequacy requirements they must meet.

Participants next learn how banks account for loans and calculate expected credit losses. From there, they delve into multiple areas of quantitative and qualitative risk assessment, and learn how Moody's Investors Service uses available data to develop its Baseline Credit Assessment, which takes into account a bank's financial profile, operating environment and other qualitative factors. The course concludes with an examination of loss given failure on a bank's capital structure and rating.

Case studies and practice exercises are woven throughout the course, giving participants an opportunity to practice skills and receive feedback in real time.

### Learning Objectives

By the end of this course, you will be able to:

- Identify bank business models and their associated risks.
- Describe the regulatory framework and its implications.
- Explain the accounting treatment of financial assets under IFRS 9.
- Judge asset quality based on information contained in the financial statements.
- Assess a bank's capital position, profitability and liquidity and identify risks.
- Make qualitative judgements about a bank's strategy, governance and management.
- Understand the threat of operational risks to banks.
- Assess potential loss borne by creditors at different levels in the capital structure upon failure.

### Who Should Attend?

- Investment and commercial bankers
- Credit and equity analysts
- Regulators and central bankers
- Fixed income professionals
- Bond researchers (buy and sell sides)
- Corporate treasurers
- Correspondent banking officers
- Relationship managers involved in exposures to, or investments in, banks

### Virtual Delivery

You are able to access virtual courses from any location. Some courses, however, include content specific to the host region. For example, a course hosted in New York City may reference U.S. GAAP, while a course hosted in London may reference IFRS. Please contact us at [learningsolutions@moodys.com](mailto:learningsolutions@moodys.com) for region-related content queries.

# Course Outline

MODULE	TOPICS
<b>1 Bank Business Models and Risks</b>	1 Bank business models
	2 Identifying the risks in bank business models
	3 Exercise: Mapping of risk to a bank's business model
<b>2 Financial Institution Regulatory Environment</b>	4 International versus local frameworks
	5 Capital from an accounting perspective
	6 Capital from a loss-absorbing perspective <ul style="list-style-type: none"><li>• Risk weighted assets as a measure of risk</li><li>• Capital adequacy</li><li>• Leverage</li><li>• Liquidity metrics</li></ul>
	7 Case study: Required capital versus available capital
	8 Understanding loan accounting in IFRS 9 <ul style="list-style-type: none"><li>• Expected credit losses</li><li>• How credit quality changes impact the financial statement</li></ul>
<b>3 Loan Accounting, Asset Quality and Risks</b>	9 Asset quality metrics <ul style="list-style-type: none"><li>• Non-performing loan ratio</li><li>• Non-credit risks that impact the income statement</li><li>• How Moody's Investors Service assesses asset quality</li></ul>
	10 Case study: Assessing asset quality
	11 Capital tiers: CET1, AT1 and T2
<b>4 Risk Mitigants: Capital and Profitability</b>	12 Capital metrics <ul style="list-style-type: none"><li>• CET1 ratio</li><li>• Total capital ratio</li><li>• How Moody's Investors Service assesses capital</li></ul>
	13 Capital from a loss-absorbing perspective <ul style="list-style-type: none"><li>• Sources of earnings</li><li>• Stability of earnings</li><li>• Profitability metrics</li><li>• How Moody's Investors Service assesses profitability</li></ul>
	14 Case study: Assessing capital and profitability

MODULE		TOPICS
5	<b>Liquidity Analysis</b>	15 Liquidity risk as a consequence of balance sheet mismatch
		16 Volatile liabilities and liability runoff
		17 Managing liquidity risk using liquid assets
		18 Metrics of liquidity risk <ul style="list-style-type: none"> <li>• Liquidity coverage ratio</li> <li>• How Moody's Investors Service assesses liquidity</li> </ul>
		19 Case study: Identifying volatile liabilities
6	<b>Governance, Management and Strategy</b>	20 Identifying and assessing strategy and strategic objectives
		21 How strategy defines risk profiles and risk appetites
		22 Indicators of governance failures
7	<b>Baseline Credit Assessment</b>	23 How Moody's Investors Service incorporates quantitative and qualitative analyses to create a Baseline Credit Assessment
8	<b>Analysis of Operational Risk Impacts</b>	24 Operational risk environment
		25 Cyber risk
		26 Example: Compliance breach
		27 Reputational consequences
		28 Legal risk associated with litigation uncertainties and regulatory fines
9	<b>Impact of Loss Given Failure on the Capital Structure and Rating</b>	29 Default or failure?
		30 Point of non-viability in an operational resolution regime
		31 Loss rates and balance sheet structure in failure
		32 Cascading losses through the capital structure and associated losses at different levels
		33 Notching from the Baseline Credit Assessment to create ratings

## 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. Students should check for up-to-date information directly from the NASBA website: [www.nasbaregistry.org](http://www.nasbaregistry.org).

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### FEES AND CANCELLATIONS

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## Contact Us

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