

B A C E E

BANKING ASSOCIATION FOR CENTRAL AND EASTERN EUROPE



BACEE'S INTENSIVE TRAINING COURSE ON BANK ANALYSIS

28-29 January 2019, Budapest

Programme

DAY 1

8:30 REGISTRATION

9:00 WELCOME BY BACEE, INTRODUCTION OF THE TRAINER

9:05 INTRODUCTION OF THE PARTICIPANTS, OBJECTIVES OF THE TRAINING COURSE

9:15 Session 1 – Trainer: Mr. István Lengyel, BACEE

9:15 THE PLACE OF BANK ANALYSIS IN THE BANKS' RISK MANAGEMENT SYSTEMS

- *Basel III on banks' credit risk*
- *Other requirements under CRD IV*
- *Place of bank analysis in the banks' risk management structure*
- *Own assessment vs. external ratings*

9:50 ASSESSMENT OF THE EFFECT OF BASEL III REQUIREMENTS ON BANKS AND OTHER REGULATORY ISSUES

- *Basel III overview*
- *The Basel committee on the fulfilment of Basel III requirements – situation of implementation, expected costs*
- *Bank recovery and resolution – the new global approach*
- *Other current regulatory issues*

11:00 COFFEE BREAK

11:30 EMERGING MARKET BANKS – SPECIAL FOCUS ON EASTERN EUROPE

- *Specific features of Emerging Market and CESEE/CIS banks from the analyst's perspective*
- *Post-crisis economic development in CESEE and CIS*
- *Weaknesses and strengths of CESEE and CIS banking today*
- *Perspectives of banking sector development in the region*

12:00 Session 2 – Trainer: Mr. István Lengyel, BACEE

12:00 THEORY AND PRACTICE OF BANK ANALYSIS – INTRODUCTION

- *Goals and limitations*
- *Methodological issues*
 - *Dynamic and structural analysis*
 - *Do we need a scoring system?*
 - *Peer group analysis, benchmarks*
 - *Depth vs. speed of the analysis*
 - *Use of Key Risk Indicators*
- *Overview of basic analytical approaches: rating agencies, Lafferty 500 and others*

12:20 UNDERSTANDING THE MAIN DATA SOURCES, THEIR POTENTIAL STRENGTHS AND WEAKNESSES

- *What to do if we do not have enough information?*
- *Banks' Annual Reports / presentations*
- *Rating Agencies*
- *Financial databases*
- *Directories*
- *Independent research - BACEE*
- *Own due diligence*
- *Press*
- *Internet*
- *The global integrated reporting initiative*

13:00 LUNCHEON

14:00 IFRS - THE INTERNATIONAL LANGUAGE OF ANALYSTS

- *IFRS - main principles applicable for banks*
- *Proposed changes – IFRS 9 replacing IAS 39 from 2018*
- *How to read banks' IFRS Financial Statements*

14:20 Session 3 – Trainer: Mr. István Lengyel, BACEE

14:20 QUALITATIVE METHODS OF BANK RISK ANALYSIS/1

OPERATIONAL ENVIRONMENT

- *Macroeconomic overview, country risk*
- *Assessment of the supervisor*
- *Market dynamics*
- *Industry structure*

<i>Example: Russia, the Kazakh banking system</i>

QUALITATIVE METHODS OF BANK RISK ANALYSIS/2

POLITICAL SUPPORT, OWNERSHIP AND CONTROL

- *State intervention – pros and cons*
- *Bank recovery and resolution in EU in theory and practice*
- *Nationalisation and other forms of state assistance in CEESE and in developed countries*
- *Ownership types – strengths and weaknesses*
- *Who is in ultimate control of the bank?*
- *Understanding related party lending*

15:30 COFFEE BREAK

16:00 QUALITATIVE METHODS OF BANK RISK ANALYSIS/3

HISTORY, CORPORATE GOVERNANCE AND MANAGEMENT

- *A bank's history – what does it tell to the analysts?*
- *Corporate governance in the banking industry – special features*
- *Disclosure of corporate governance issues*
- *Information on the management and the bank's staff*
- *The one-man risk (example: Lehman Brothers)*

16:30 MANAGEMENT STRATEGY AND BUSINESS MODEL

- *Assessing management's strategic goals and management culture*
- *Strategy vs. reality*
- *Reassessment of strategy in a stressed situation*

Case study: A Russian top-20 bank

17:00 END OF DAY 1



DAY 2

8:30 REGISTRATION

9:00 Session 4 – Trainer: Mr. István Lengyel, BACEE

IFRS-BASED QUANTITATIVE METHODS OF BANK RISK ANALYSIS/1

ASSETS

- *Analysis of the Balance Sheet*
- *Detailed analysis of Assets – structure, dynamics, identification of risks related to different assets categories*
- *Asset quality.*
- *The loan portfolio: definition of NPL and loan impairment under IFRS. Action plan to tackle NPLs in EU*
- *Assessment of the bank's lending profile*

Teamwork: Analysis of an Emerging Market bank

10:30 COFFEE BREAK

11:00 Session 5 – Trainer: Mr. István Lengyel, BACEE

IFRS-BASED QUANTITATIVE METHODS OF BANK RISK ANALYSIS/2

LIABILITIES, FUNDING AND LIQUIDITY

- *Difference between funding and liquidity*
- *How sustainable is a bank's funding, including analysis of refinancing risk*
- *Use of securitization as a funding tool*
- *Client deposits*
- *Interbank deposits, wholesale funding*
- *CB funds*

- *Basel III liquidity requirements*

12:00 Session 6 – Trainer: Mr. István Lengyel, BACEE

EQUITY – STRUCTURE, DYNAMICS

- *Importance of capital for bank credit risk*
- *Relative merits of Tier 1 and Tier 2*
- *Influence of CAR on business decisions*
- *Economic vs. regulatory capital*
- *Who will support the bank in a crisis?*
- *Dividend policies*
- *Off-balance sheet items*
- *IFRS on equity and off-balance sheet items*

Teamwork: Analysis of a CEE/CIS bank

13:00 LUNCHEON

14:00 Session 7 – Trainer: Mr. István Lengyel, BACEE

QUANTITATIVE METHODS OF BANK RISK ANALYSIS/4 ANALYSIS OF THE INCOME STATEMENT

- *Main sources of income – interest income vs. fees/trading income*
- *Lessons from the crisis*
- *Sustainability of income*
- *Structure of expenses*
- *Provisioning*
- *IFRS on the Income Statement*
- *Impact of the crisis on banks' profitability in different countries*

15:30 COFFEE BREAK

15:45 Session 8 – Trainer: Mr. István Lengyel, BACEE

MAIN RATIOS USED IN BANK ANALYSIS

16:15 Session 9 – Trainer: Mr. István Lengyel, BACEE

FINANCIAL RISK ANALYSIS

Types of financial risks in a bank's IFRS FS

- *Liquidity risk*
- *FX risk*
- *Geographical risk*
- *Market risk*
- *Interest rate risk*
- *Rating risk*
- *Concentration risk*
- *Strategy risk*

Teamwork: Analysis of a Russian bank

16:45 Session 10 – Trainer: Mr. István Lengyel, BACEE

CREATING A BANK'S RISK PROFILE – CREDIT COMMITTEE MEETING

Teamwork: Analysis of a CEE/CIS bank

17:00 CONCLUDING REMARKS, Q&A SESSION

DISTRIBUTION OF TRAINING CERTIFICATES

END OF DAY 2



Dear Participants,

Each training session consists of three parts:

- **introductory presentations by the trainers**
- **case studies with teamwork**
- **control tasks for the group**

Participants will be divided into groups of 4-5, which will carry out teamwork and control tasks. Furthermore, they will be evaluated by the trainers and receive prizes according to their achievements.

BACEE's Event Staff

