Assessing Bank Credit Risk and Financial Profiles

Credit & Finance

8482

Blended (In-Class /Virtual)

36 hours

Course Description

This course provides a comprehensive understanding of how macroeconomic factors and financial indicators impact banks' performance and risk profiles. Through a structured approach, learners will analyze the operating environment, assess financial statements, and evaluate key risk factors influencing banking operations. Using real-world case studies and practical assignments, participants will develop skills in financial performance analysis and credit risk assessment. By the end of the course, learners will be equipped to critically assess banks' financial health, profitability, and rating frameworks, enabling them to make informed strategic decisions.

Target Audience:

Financial institution and correspondent banking managers with a minimum of three to seven years of experience in credit assessment and credit risk management.

Course objective

- Identify the macroeconomic environment, including sovereign ratings, international policies.
- Explain a bank's financial health by interpreting financial statements, assessing risk profiles, and analyzing.
- Clarify bank rating methodologies, including viability ratings, peer analysis, and regulatory frameworks

Course Outline:

Module 1: Macro-Economic Overview:

Chapter 1: Banks' Operating Environment:

- Sovereign rating.
- Factors impacting banks' operating environment.
- International foreign policy and its impact on the domestic operating environment.

Chapter 2: Macro-economic stability and IMF recommendations

- Level of GDP and credit growth.
- Foreign currency FC reserves and banks' net foreign assets/liabilities.
- Spot rate vs NDF and equilibrium rate.
- Policy rates and real yields.
- Regulatory framework and recent developments impacting the banking sector.

Module 2: Banks' Financial Profiles and Indicators:

Chapter 1: An Overview of a bank's financial statements/spreads

- Balance-sheet.
- Income statement.
- Equity Statement.
- Practical Case Study: Understanding a Bank's Financial Statements.

Chapter 2: Risk Profile

- Underwriting standards and risk controls.
- Loan classification policies.
- Concentration risks by single obligor and by sector.
- Market risk – Net FC opened positions and interest rate risks.
- Level of credit growth.

Chapter 3: Asset Quality

- Impaired loans ratio and impaired loans origination.
- Percentage of Stage 2 and Stage 3 loans (as per IFRS 9).
- Collateral and reserve coverage.
- Cost of Risk.
- Non-loan exposures analysis (e.g. investment securities and interbank placements).
- Practical Case Study: Analyzing a Bank's Asset Quality.

Chapter 4: Earnings and Profitability

- Earnings stability and revenue diversification.
- Net Interest Margins.
- Cost-to-income ratio.
- Operating return on average assets.
- Return on equity.
- Practical Case Study: Analyzing a Bank's Earnings and Profitability.

Chapter 5: Capitalization and Leverage

- Risk-weighted density and leverage ratios.
- Basel III capital ratios.
- Internal capital generation and dividends distributions.
- Capital loss absorption capacity.
- Practical Case Study: Analyzing a Bank's Capitalization and Leverage.

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Chapter 6: Funding and Liquidity

- Basel III liquidity ratios.
- Liquidity coverage.
- Foreign currency liquidity.
- Funding structure.
- Deposit concertation and stability.
- Practical Case Study: Analyzing a Bank's Funding and Liquidity.

Assignment:

Following the above sections, participants will complete a case study where they will analyze the financial performance of two non-Egyptian banks in different jurisdictions. The assignment will assess their ability to compare strengths and weaknesses in the context of specific operating and economic environments.

Chapter 7: Discussing the Assignment

- Review and compare different outcomes and analysis approaches.
- Group discussion and feedback.

Module 3: Banks' Rating Framework – How do we derive the long-term issuer rating?

Chapter 1: How do we derive the long-term issuer rating?

- Viability ratings.
- Peer analysis.
- Government support rating (ability and propensity to support).
- Institutional support rating (ability and propensity to support).
- Country Ceiling caps.

Assessment Strategy:

Participants will be evaluated based on:

- 40% Participation.
- 60% Assignments.
- 60% Cutoff score

Program Language:

English.

Prerequisites:

Intermediate level of English.

Instructor's Biography:

Ms. Zeinab Abdalla

Ms. Zeinab graduated from the American University in Cairo in 2009, double majoring in Economics and Business Administration (Finance). She also carries an MSc in Quantitative Finance from Cass Business School.

Ms. Zeinab completed Citibank's Credit Risk course in London as well as the Fitch Credit Academy certification.

Ms. Zeinab started her career at The Commercial International Bank (CIB) Corporate Banking Department then she moved to Citibank, Egypt where she spent three years as a Corporate Credit Risk analyst.

Ms. Zeinab later joined Fitch Ratings Dubai office, where she spent eight years. Her last position was as a Director at the Financial Institutions team where she was heading a portfolio of banks' credit ratings in Egypt, Qatar, Jordan, and Iraq. She moved back to Egypt in June 2022, when she joined The Sovereign Fund of Egypt as a Strategy Manager.' She currently works as Chief Strategy Officer and Head of Project Financing at Engazaat - a renewable energy company.