

MONECO FINANCIAL TRAINING

INTERNATIONAL BANK RATINGS THE RATING AGENCIES' METHODOLOGIES

November 26 – 27, 2018

Lecturer: Ron Slomovits

Registration Deadline: November 12, 2018



Upcoming Seminar

INTERNATIONAL BANK RATINGS – THE RATING AGENCIES' METHODOLOGIES

DATES: November 26 – 27, 2018 • PRICE: € 1,400 • LOCATION: Prague, NH Hotel Prague

Training objectives:

- Analyse bank credit risk in today's capital markets
- Interpret macroeconomic data which impact bank credit ratings
- Identify other quantitative data which rating agencies use for assessing credit risk
- Integrate qualitative risk factors into the risk assessment
- Measure the likely impact of sovereign credit ratings on the evaluation of banking system support
- Appreciate the different ways of how the rating agencies assess credit risk
- State how investors can predict improvements and deterioration in bank credit quality

Overview:

The seminar enables the participants to deepen their expertise about bank credit risk and thoroughly apply the rating agencies' methodologies and modus operandi.

The two-day seminar discusses a broad variety of rating agencies' criteria for global banks. Through detailed case studies the participants analyse how the rating agencies apply their own criteria, and which questions remain unanswered in public rating reports. The seminar covers S&P, Fitch and Moody's methodologies in order to identify general trends on specific entities' rating factors and qualitative adjustments. Further participants will comprehend to read between the lines in rating reports and be able to form their own opinions about credit risk on specific financial institutions of their interest.

Starting position:

International rating agencies assess a bank's creditworthiness according to their own methodologies and criteria. Consequently, even taking into account the same set of hard fact data, rating outcomes may vary significantly from one rating agency to another. The large number of rating factors, and the complex inter-relationships between various entities' ratings and their different sectors, make it very difficult to track rating decisions and almost impossible to predict them.

Implementation:

The two-day seminar deals with the individual rating factors and thus the basic bank rating criteria on one hand, on the other hand practical examples in the form of detailed case studies for rated banks will lead participants to in-depth knowledge of the rating agencies' world of credit risk. In addition the seminar discusses a selection of current ratings, in order to compare them qualitatively and quantitatively. Furthermore, the seminar covers current events and will evaluate how they might impact on specific banks' credit risk.

Added value:

The aim of the seminar is giving participants a thorough analytical perception of international bank rating criteria and discussing how they interrelate with ratings of other entities (e.g. central government and local authorities). The detailed work on the case studies allows participants to break down far-reaching events in the banking sector to a single credit rating and use the knowledge for each individual own purpose. By guiding the participants through the various bank rating methodologies, the seminar explains how rating agencies work in detail and how they derive their rating decisions. This facilitates the participants to anticipate rating changes and initiate appropriate measures on a timely basis.

MONDAY, NOVEMBER 26

9⁰⁰-9¹⁵

Welcome and Introduction

9¹⁵-9⁴⁵

A global overview about current ratings and their relevant peer groups, as well as international rating agency criteria for various sectors.

9⁴⁵-12¹⁵

Session 1

Standard & Poor's bank rating criteria:

- Banking Industry Country Risk Assessment:
 - Economic risk
 - Regulatory mechanisms
- Bank specific analysis:
 - Business position (bank strategy, concentration, etc.)
 - Capital and earnings (quality of capital, etc.)
 - Risk position (growth and changes, complexity, etc.)
 - Funding & liquidity position
- Standard & Poor's approach through adjusted key ratios and evaluation of individual rating factors

After completing session 1, participants will be able to analyse a bank's economic risk and relate it to the country's regulatory mechanisms. This is important in order to appraise the environment in which some banks operate.

Participants will further experiment with bank intrinsic creditworthiness, taking into account the business positioning and capital requirements, including the impact on bank credit ratings.

After completing the session participants will further be able to explain the effect of an improving or deteriorating risk position and relate it to a bank's funding & liquidity position.

The participant will deep dive into Standard

& Poor's approach of assessing credit risk, which very much focuses on the agency's own calculation of key ratios.

12¹⁵-13¹⁵

Lunch

13¹⁵-13⁴⁵

Session 2

Other relevant methodologies

- S&P External support mechanisms:
 - Government support
 - Group support
 - ALAC (additional loss absorbing capacity)

After completing session 2, participants will develop a broader point of view about the different global support mechanisms and analyse which mechanism is to be utilized in distinctive ownership structures.

13⁴⁵-14⁰⁰

Recap of Standard & Poor's bank rating criteria:

14⁰⁰-16⁰⁰

Special

Case Study session: Standard & Poor's

- Analyse S&P rating reports, prepared as case studies
 - Read the reports and mark the most important rating factors.
 - Conceive additional information, which is not rating relevant.
 - Find out which rating factors are not described in the report at all, and what the reason could be.
 - Comprehend the rating reports between the lines, i.e. to discover not obvious information.
 - Detailed analysis of rating factors that could go up or down in the next 12–24 months.

– Find rating agencies' mistakes and ambiguities in the reports.

After completing the S&P case study session, participants will be able to retrieve the information in the latest rating reports and examine how S&P assesses credit risk. The participants will discover which information the rating agency shares and which information potentially remains encrypted, including categorizing the relevant rating factors and qualitative adjustments. This will lead participants to form their own opinions about credit risk on selected financial institutions.

The participants will further examine how S&P uses public data and adjusts key ratios according to its own methodology.

16⁰⁰-16³⁰

Teaser for Moody's bank rating methodology

TUESDAY, NOVEMBER 27

9⁰⁰-9¹⁵

Recap

9¹⁵-11¹⁵

Session 3

Moody's bank rating criteria:

- Baseline Credit Assessment
 - Macro Profile (country risk, industry structure, etc.)
 - Financial Profile (asset risk, funding structure, etc.)
 - Qualitative adjustments (diversification, complexity, etc.)
- Support & Structural analysis:
 - Affiliate support
 - Government support
- Moody's and its emphasis on regulatory ratios

After completing session 3, participants will be able to compare Moody’s bank rating methodology with other international criteria, discovering the agency’s approach of assessing macro risk, while relating it to a bank’s intrinsic financial profile. Participants will identify situations where Moody’s applies qualitative adjustments and analyse which effect they have on the final rating.

Moody’s global bank rating methodology as well takes into account various support mechanisms, and participants will classify the similarities and differences to other rating agencies’ criteria.

11¹⁵-12¹⁵

Special

Case Study session: Moody’s

- Analyse Moody’s rating reports, prepared as case studies
 - Read the reports and mark the most important rating factors.
 - Conceive additional information, which is not rating relevant.
 - Find out which rating factors are not described in the report at all, and what the reason could be.
 - Comprehend the rating reports between the lines, i.e. to discover not obvious information.

- Detailed analysis of rating factors that could go up or down in the next 12-24 months.
- Find rating agencies’ mistakes and ambiguities in the reports.

After completing the Moody’s case study session, participants will be able to retrieve the information in the latest rating reports and examine how Moody’s assesses credit risk. The participants will discover which information the rating agency shares and which information potentially remains encrypted, including categorizing the relevant rating factors and qualitative adjustments. This will lead participants to form their own opinions about credit risk on selected financial institutions and compare the Moody’s approach of using public financial data to other rating agencies’ approaches.

12¹⁵-13¹⁵

Lunch

13¹⁵-13³⁰

Recap of Moody’s bank rating criteria:

13³⁰-15³⁰

Session 4

Fitch bank rating criteria:

- Viability Rating
 - Operating environment (sovereign, economy, etc.)
 - Company profile (business model, etc.)
 - Management and strategy (corporate governance, etc.)

- Risk appetite (underwriting standards, risk controls, etc.)
- Financial profile (asset quality, capitalization, etc.)
- Support rating:
 - Sovereign support
 - Institutional support
- Emphasis on Fitch significantly reduced use of quantitative measures, and importance for descriptive evaluation

After completing session 4, participants will be able to differentiate Fitch’s approach of credit risk analysis from other global players’ approaches. Participants will be able to analyse bank credit risk in the light of Fitch criteria and categorize the most important rating factors, in order to form their own opinions about a specific financial institution.

Fitch’s significantly reduces the use of quantitative measures, rather the rating agency uses the approach of describing evaluation. Discovering this approach of rating criteria will open up the participants’ minds about how many possibilities there are in fact for assessing banks’ credit risk and how many factors are being taken into account.

15³⁰-16³⁰

Recap for bank rating methodologies for S&P, Moody’s and Fitch

Lecturer:

Ron Slomovits

Mag. Ron Slomovits has established Rating Advisory after twelve years of professional experience in the financial and consulting industry. He supports capital markets participants on credit rating related matters, specialising on regional government ratings, as well as bank ratings. The company offers a broad variety of products, that all have one thing in common: to deepen market participants’ knowledge in credit ratings, which finally puts them in the driver’s seat when it comes down to assessing creditworthiness of international entities.

The basis for that knowledge, Mr. Slomovits gained at the international rating agency Standard & Poor’s, at the department for Sovereigns/International Public Finance. He covered ratings on states and municipalities as well as government-related entities in Austria and Germany, and worked closely with the Financial Institutions team on bank ratings.

In this role he lead annual personal meetings with high-placed government officials in order to analyse creditworthiness of states and municipalities. Mr. Slomovits was also engaged in various sovereign and bank ratings in order to assess and quantify the interrelationship between the entities.

Prior to joining Standard and Poor’s Mr. Slomovits worked as a credit analyst with an Austrian bank, where he gained many years of professional experience in the field of European banking analysis/stress testing and prepared investment decisions by analysing financial robustness of 57 worldwide major banks.

Mag. Slomovits holds a Master’s Degree from Vienna University of Economics and Business.

Knowledge Leads the Way...

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Terms and Conditions of the MONECO Financial Training

MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

REGISTRATION FORM

**Registration Deadline:
November 12, 2018**

• International Bank Ratings – The Rating Agencies' Methodologies

November 26 – 27, 2018

€ 1,400

COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.: VAT Identification No.:

PARTICIPANTS

1. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

2. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

3. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

Date: Signature: