

A comprehensive and practical 2-day workshop covering the key aspects of assessing the credit risk of banks, corporates and small and medium enterprises in the Caribbean.

ANALYSING BANKS, CORPORATES AND SMEs

About the course

This practical **Analysing Banks, Corporates and SMEs Workshop** is being offered with the basic objective of imparting to participants the skills, approaches and techniques used in the credit risk identification and analysis of banks, corporate entities, and small and medium manufacturing/service/retail/distribution-type companies. The programme will have a judicious mix of the conceptual frameworks and methodologies utilised in assigning a credit rating to these entities, as well as practical case studies to solidify the concepts learnt. The training will also include extensive interactive discussions with the facilitators, who are highly experienced in the credit risk assessment of banks, corporates and SMEs across various industries / sectors in the Caribbean.

About CariCRIS

CariCRIS is the Caribbean's first regional credit rating agency. It is a unique market-driven initiative aimed at fostering and supporting the development of regional debt markets in the Caribbean. CariCRIS' mission is to contribute to the development of a vibrant, integrated Caribbean capital market by setting the highest standards of credible independent analysis and opinion to enable informed financial decisions. CariCRIS' technical consultant, CRISIL Limited, is the world's fourth largest rating agency and an associate company of Standard & Poor's (S&P). CariCRIS has pioneered the use of SME Ratings in the Caribbean and the rating is successfully being used by SMEs now to raise new funding, to renew credit lines, to access suppliers' credit, and to effect business improvements. SME Ratings are also being used by bankers as an independent credit report on the SME, which helps to quicken the loan approval process because of the comprehensiveness of the analysis and data provided on the SME.

Who Should Attend?

The course should be of particular interest to:

- Credit analysts, loan and relationship managers from commercial banks, credit unions and other lending institutions
- Fixed income analysts with brokerages & investment banks
- Dealers / Investment managers from banks, insurance companies and other financial institutions
- Mutual Fund & Pension Fund analysts/ Asset managers
- Corporate treasury managers
- Risk analysts in banks, credit unions and other financial institutions
- Banking and financial sector regulators
- Micro, small and medium enterprise business owners
- Accountants and finance managers serving SMEs
- Board, Supervisory and Credit Committee members of credit unions

Profile of the facilitators

The facilitators for this training programme will comprise of Senior Rating Executives from CariCRIS. The facilitators have extensive experience in varied fields of credit risk analysis, financial analysis and economics, executed several banking, corporate and SME credit rating assignments across various industries and have conducted several training sessions for credit officers and middle and senior management staff in commercial banks, insurance companies and credit unions.

Course Coverage

Over seven (7) sessions, the training programme will cover the following:

SESSION 1

- **Fundamentals of credit ratings**
 - Understanding the foundations of the global credit rating systems
 - Interpretation of rating symbols used by global rating agencies
 - Understanding 'Rating Outlooks' and 'Rating Watch'
 - Understanding national and regional scale ratings
 - Key differences with global scale ratings
 - Treatment of currency and sovereign risks
 - Long term and short-term ratings
 - Linkages between long term and short-term ratings
 - Additional parameters used for short term ratings
 - Default and transition statistics
 - Computational issues
 - Interpretation and uses of default and transition rates
 - Understanding limitations of historical default statistics

SESSION 2

- **Credit Risk Analysis of Banks**

Framework and methodology for the evaluation of credit risk for banks as per the CRAMEL framework, including:

- Business risk analysis
- Capital adequacy
 - Regulatory stipulations, tier I and tier II break-up
- Resources
 - Resource mix
 - Retail deposits
 - Cost of borrowing

- Asset Quality
 - Gross and net NPA
 - Provision cover and overall cover
 - Understanding the concept of weak assets
- Management
 - Growth philosophies, risk management
- Earnings
 - Earnings quality, quantum and sources of fee income
- Liquidity and Asset/Liability Management (ALM) risk

SESSION 3

Case Study – Assigning a credit rating to a regional bank

- Application of the knowledge gained in Session 2 to carry out the actual rating of a bank operating in the Caribbean
- Practical, hands-on training based on analysis and presentation by participant groups and faculty review
- Rating to be assigned on all key parameters on rating scale used by CariCRIS.

SESSION 4

- Framework and methodology for the evaluation of credit risk for companies in the manufacturing/service/retail/distribution sectors including
 - Business Risk
 - Components of business risk, industry analysis framework
 - Financial Risk
 - Meaning of financial risk, understanding the key metrics used to analyse financial risk
 - Approach to forecasting future performance
 - Understanding accounting quality, key issues to lookout for
 - Adjusting ratios for off balance sheet liabilities
 - Management Risk
 - Risk assessment framework for management
 - Parameters for evaluating three key components - Competence, integrity and risk appetite
 - Project Risk
 - Understanding key components of project risk
 - Relative size, complexity, track record
 - Technology risk
 - Funding risk

SESSION 5

Case Study of an actual Caribbean manufacturing/service/distribution company

- Practical, hands-on training based on formation of groups amongst participants
- Credit risk analysis and credit rating to be assigned on all key parameters covered in Sessions 1 & 4

SESSION 6

- Framework and Methodology for evaluating the credit risk of SMEs, including
 - Assessing the industry risk of a SME
 - Business risk assessment
 - Management risk assessment
 - Environmental and social risk assessment
 - Exploring SME Ratings as a credit risk tool and how can it help businesses and lending institutions to grow

SESSION 7

- Case Study
 - Practical case study analysing and assigning a rating to a SME
 - Discussion of rating assigned amongst participants and course facilitators