



Analysis of Financial Institutions

Analyzing a financial institution is very different from analyzing a corporate entity. When a financial institution has liquidity problems, the end can be fast and furious. This two day class will cover the qualitative and quantitative analysis of financial institutions. Exercises and case studies are included.

Targeted Audience

Investment bankers, commercial bankers, analysts and associates, central bankers, credit officers, IT staff.

Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

Advance Preparation

No advance preparation required.

Prerequisites

Major Principles of Accounting

Learning Objectives

Students will be able to:

- . Analyze a bank's balance sheet and income statement
- . Utilize the CAMEL analytical approach
- . Identify warning signs of potential problems
- . Appreciate the key performance indicators for banks
- . Gain insight into how banks manage credit risk and funding
- . Gain insight into off-balance sheet risk for a major financial institution
- . Appreciate the implications of capital adequacy concerns and standards
- . Utilize ratio analysis and assess the relative financial condition of peers

Alumni Comments

"The course covered a lot of currently relevant issues in banking - very topical."

"The instructor was very knowledgeable!"

Level: Intermediate

CPE Credits: 14.0

Instructional Method: Group-Live

Detailed Outline

DAY ONE

Macro Market Overview

- . Demystifying the Banking Industry
- . Trends/Issues in the Banking Industry
- . The Banking Industry Outlook
- . Why do banks and financial institutions fail?
- . A Bank's performance indicators

Deconstructing A Bank's Financial Statements

DAY TWO

Structural Risk and Advanced Risk Management Indices

- . Review of Bank Risk Exposures
- . Key Industry Risk Ratios and Statistics
- . Merger Mania and Strategy
- . Generic Typology of Bank Characteristics

- . CAMEL analytical method
- . Measures of financial condition
- . Income and Expenses Key Categories
- . Understanding a bank's earnings and profitability
- . Comparing key indicators to peers
- . Evaluating core assets and liabilities
- . Understanding the relationship between funding and liquidity

The Nature of Capital

- . What is Capital?
- . What are the hidden costs of Capital?
- . Basel Capital Models
- . Basel definitions of Tier 1 and Total Capital
- . Basel II highlights
- . The adequacy of 'Capital Adequacy'
- . Capital as a performance Indicator
- . Global Reactions to 'Capital Adequacy'
- . Calculating risk based assets
- . The concept of RAROC

Objectives of Financial Institutions Risk Analysis

- . Bank Regulation and Due Diligence
- . Credit Risks
- . Liquidity Risks
- . Interest Rate Risk
- . Financial Leverage

Analyzing Management

- . Management Responsibilities
- . Assessing Management
- . Management Quality and Corporate Governance

Analyzing Earnings and Profitability

- . Factors that influence bank earnings
- . How banks manage earnings
- . Analysis of overall profitability
- . Ratio Analysis and measures of overall profitability and earnings
- . Evaluating Changes in Earnings and Profitability
- . Evaluating Interest Income and Non-Interest Income Components of Revenue

Analyzing Asset Structure

- . Asset Quality and NPLs
- . How the Banking Credit Cycle affects Assets Quality
- . Qualitative Review of Asset Quality
- . Quantitative Review of Asset Quality
- . Key Asset Quality Indicators
- . Asset Quality Checklist
- . Provisioning, Loan Loss Reserves and Loan Classification
- . Liquidity and the Maturity structure of Assets

Analyzing Liabilities

- . Bank Annual Reports and transparency
- . Liability Management
- . Core Deposits
- . Net position in Interbank Market
- . Central Bank Lines
- . Matching or Mismatching to Foreign Exchange

- . Long-Term Debts, terms, subordinated vs. unsubordinated
- . Vulnerability to sudden changes in the market (i.e. regulations, etc.)
- . Why Banks are Highly Leveraged
- . Capital vs. Liquidity: Insolvency Risk vs. Liquidity Risk

Analyzing Equity

- . Objectives of Capital Ratios
- . Importance of Capital Adequacy
- . Assessing Capital Adequacy
- . Implications of Basel

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