

Financial and Valuation Modeling for Financial Institutions

PREREQUISITES

Financial Accounting

Core Excel

Financial Statement Modeling*

DCF Modeling*

* Recommended, not required

DURATION

20-30 hours



- This intensive module is designed to equip financial services professionals with the practical financial skill set they need on the job.
- The unique regulatory framework and business model of banks pose particular challenges in the areas of forecasting and valuation. In this module, participants focus exclusively on financials; build a complete banking model, as well as a DCF and comparables valuation.
- This self study program takes approximately 20-30 hours to complete.

Agenda

I. Commercial banks and the regulatory framework

Trainees will be introduced to the broad regulatory themes and challenges facing the financial services industry.

- Overview & paradigms of the banking system & regulation
- Understanding the role of credit rating agencies
- Basel II compliance and its effect on bank regulation
 - a) Pillar 1: Minimum Capital Requirements
 - b) Pillar 2: Supervisory Review Process
 - c) Pillar 3: Market Discipline
- Bank's Internal rating systems
- Calculating risk-weighted assets
- Calculating tier one and tier two capital
- Double leverage as a workaround
 - a) Mechanics and substantive impact

II. Building a financial institution forecast model

Participants build an integrated financial statement forecast model, projecting asset and liability balances, interest rates and spreads for key assets and liabilities, using industry best practices.

Real case studies – Real-world case studies and financial filings will be used to extract key information.

Industry-specific drivers projected and analyzed - Participants will learn industry-specific forecast methodologies, with a particular focus on the following segments:

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- Retail banking
- Consumer lending and credit cards
- Commercial banking
- Investment banking
- Asset / wealth management

Model cleanup

- Balancing the model and checking for accuracy
- Error-proofing techniques & sensitivity analysis
- Ratio analysis

III. Challenges in bank valuation

- Debt service and income as operating or financing expense
- Regulatory constraints on reinvestment and implications on growth
- Challenges to the traditional firm valuation approach, and the calculation of levered vs. unlevered free cash flows
- Alternative approaches to valuation:
 - a) Dividend discount models (DDM)
 - b) Excess return valuation
 - c) Comparables and appropriateness of price / book (PB) ratios

IV. Building a bank valuation model

Learn how to build a DCF based on the projection derived in the balance sheet and income statement projection model.

- Projecting cash flows
- Calculating the cost of equity
- Other issues in valuation:
 - Incorporating regulatory constraints on the DCF valuation
 - Regulatory capital ratio
 - Calculating minimum capital adequacy

RECOMMENDED FOLLOW-ON PROGRAMS

[Using Macros in Financial Modeling](#)

OTHER MODULES

[Basic Financial Accounting](#)

[Basic Excel](#)

[Navigating Financial Reports](#)

[Financial Statement Modeling](#)

[DCF and Valuation Modeling](#)

[Comparables Modeling](#)

[M&A Modeling](#)

[LBO Modeling](#)

[Advanced LBO Modeling](#)

[Oil & Gas Modeling](#)

[Financial Institutions Modeling](#)