



FINANCIAL MODELING AND ANALYSIS

(for a Bank)

SUMMARY

This multi-day course reviews the unique modeling and valuation requirement of banks.

In the course we review a case study for a bank with a diversified loan portfolio and investment strategy. Other operations such as credit cards will be explored as well as regulatory requirements and their influence on the bank's financial performance. Key accounting and forecasting issues will be covered in order to model and value a bank.

Various intermediate and advanced Excel tools along with helpful keyboard shortcuts will also be covered throughout the course.

Timing: This course requires 1-2 days

Experts in financial modeling
training and consulting

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LEARNING TOPICS:

Key Accounting Concepts

- ✓ Learn to read and analyze a bank's financial reports
- ✓ Review a bank's key financial statements and understand how they relate to each other
- ✓ Participants will create a set of financial statements that incorporate numerous accounting concepts, including:
 - Revenue – net interest income (interest income and expense) and non-interest income
 - Costs – discuss issues related to non-interest expense and provision for credit losses
 - Loans, Securities & Deposits
 - Subordinated Debt & Equity

Review Valuation Concepts

- ✓ Review various valuation methodologies and the rationale for using comparable trading and comparable transaction analyses
- ✓ Review the use of common comparable valuation metrics and discuss why many traditional value metrics are unsuitable when valuing a bank
- ✓ Discuss the concepts of Equity Value, Tangible Book Value and Regulatory Capital

Design and Structure a Bank Model

- ✓ Design and layout the model clearly and logically
- ✓ Model revenue properly by forecasting loan portfolio growth
- ✓ Model Provisions for Credit Losses (PCL) and how it flows through the financial statements
- ✓ Understand the funding model of a bank including deposit modeling and internal funding transfers

Incorporate Capital Structure, Regulatory and Operating Ratios

- ✓ Incorporate Risk Weighted Assets (RWA) calculations along with capital calculations
- ✓ Discuss common regulatory ratios and capital definitions (e.g. Tier 1 Capital, Total Capital Ratio, etc.) and common operating ratios

Bank Valuation

- ✓ Based on the model, build up two common methods for the valuation of a bank:
 - Dividend Discount Model (DDM)
 - Residual Income Model