

## Bank & Financial Institution Modeling: Course Outline

**Description:** The Bank & Financial Institution Modeling course teaches students all about commercial banks, including accounting, regulatory capital, valuation, merger models, and buyout models. It then delves into more complex case studies based on these topics and explains how to use bank modeling in real life via investment banking pitch books, private equity/hedge fund investment recommendations, and more. Bonus lessons at the end of the course also introduce students to insurance companies.

**Objectives:** By the end of the course, students will be able to build a 3-statement model and valuation for a commercial bank and understand how to build bank merger and buyout models starting from templates. They'll also feel comfortable with simplified insurance models and valuations.

**Target Audience:** Bankers and corporate finance professionals who know "standard" financial modeling and want to specialize in financial institutions (the course assumes intermediate Excel and modeling skills).

**Duration:** 20 – 30 hours (various study plans are available).

### Outline:

- **Module 1: Bank Overview (9.0 Hours)** – This introductory module provides students with simple examples of bank financial statements, regulatory capital mechanics, and overviews of regulations such as Dodd-Frank in the U.S. and CRD IV in Europe. Students will learn how to build a simplified 3-statement model for a bank, including items such as the provision for credit losses, and how to value a bank with comparable companies and a dividend discount model.
- **Module 2: Bank Operating Model (Shawbrook) (7.0 Hours)** – This detailed case study, based on Shawbrook in the U.K., teaches students how to use industry research to build a segment-by-segment operating model for a bank, including support for the key regulatory capital ratios (CET 1, Tier 1 Capital, etc.), and the liquidity coverage ratio and net stable funding ratio.
- **Module 3: Bank Valuation (Shawbrook) (9.0 Hours)** – This module expands on the Shawbrook operating model to build a valuation based on a multi-stage dividend discount model, a regression analysis, a residual income model, and detailed data gathering for the public comps; the final lessons provide a sample hedge fund stock pitch, equity research report, and investment banking pitch book based on the company.
- **Module 4: Bank Merger Model (KeyCorp / First Niagara) (7.0 Hours)** – These lessons teach a simplified bank merger model so that students learn the fundamentals first; after that, the module teaches a real-life merger model for KeyCorp's acquisition of First Niagara, including features such as deposit divestitures, core deposit intangibles, mark-to-market loan portfolio adjustments, and regulatory capital changes.

- **Module 5: Bank Growth Equity Deals (ANZ) (3.0 Hours)** – This module teaches students to build a half-year financing model for ANZ (based in Australia) and use it to make a recommendation on a minority-stake investment in the company.
- **Module 6: Bank Buyout Deals (Philippine Bank of Communications) (2.5 Hours)** – These lessons teach a buyout model based on PBC, including the divestiture of non-performing loans, financial projections based on efficiency improvements, and a short investment recommendation for the deal.
- **BONUS Module 7: Insurance Overview (6.0 Hours)** – This module provides a short introduction to insurance accounting, 3-statement models, and valuation, including concepts such as loss triangles, loss reserves, deferred acquisition costs, and statutory capital. The valuation lessons cover the dividend discount model, P / E and P / BV multiples, and embedded value for life insurance.

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