

FUNDAMENTALS OF BANK FINANCIAL STATEMENT ANALYSIS

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Language

Italian

Content

The course is intended to give students the skills necessary to understand, analyze and interpret a bank financial statement, and to utilize accounting and other data from financial statement information to analyze risk, evaluate capital adequacy and calculate the main bank performance and evaluation measures. The course will explore several of the most critical elements linked to accounting systems through a comparison of different accounting standards, in particular IAS/IFRS vs. US GAAP.

Texts of reference

M.RUTIGLIANO (a cura di), "L'Analisi del Bilancio delle Banche", Egea, Milano, 2012. [Cap. 2, 4, 5, 6, 7, 8]; and/or M. RUTIGLIANO (a cura di), "Il Bilancio della Banca e degli Altri Intermediari Finanziari", Egea, Milano, 2016. [Cap. 1, 3, 4, 5, 7, 8, 12, 13]. Further materials necessary for exam preparation will be communicated by the instructor at the start of the course.

Objectives

- To acquire specialized knowledge necessary for the interpretation and analysis of bank financial statements.
- To understand bank risks in financial information.
- To analyze bank financial statements through the data provider Bloomberg.
- To evaluate bank performance correctly and from a prospective point of view.
- To gain a prospective, integrated view of bank risks.

Prerequisites

Good understanding of basic bank operations and regulation. Knowledge of financial mathematics and fundamentals of finance theory.

Teaching method

Lectures.

Other information

Attendance at lectures is strongly advised.

Evaluation

Written and oral final examination. Same examination for attending and non-attending students.

Full Course Program

Typical evaluation and reporting bank financial statement profiles

- Valuation for financial reporting: fair value option and fair value policy (mark to market, mark to model)
- Valuation of credits, stocks and derivatives
- Derecognition of financial assets and liabilities
- Deferred Tax, goodwill and impairment test
- Off-balance sheet components in bank financial statements
- Equity book value vs. regulated capital
- Information linked to Pillars 2 and 3
- Federal Reserve – Reporting Form FR Y-9

Profitability, risk and value in bank analysis

- Capital ratios and leverage
- Profitability and financial performance
- Cash flow analysis
- Risk appetite & capital planning
- Profitability threshold, risk threshold and conditions of capital adequacy
- Bank valuation
- Bank stress-testing
- Minimum Requirement on Eligible Liabilities (MREL)