

BANKING AND INSURANCE

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Course Outline

This 24-hour course provides Participants with a thorough understanding of the main management issues in banks and insurance companies.

It identifies and analyses the main profitability / risk trade-offs in banks and insurance companies, and articulates the main patterns in terms of performance and risk profile. It provides insights in the asset-liability management of banks and insurance companies.

A lot of attention is devoted to the evolving regulatory and economic environment, especially the Basel 3 framework for banks, the Solvency 2 framework for insurance companies and the environment of persistently low interest rates.

At the end of the course, Participants will be able to:

- identify and analyse the main profitability/risk trade-offs in banking
- identify important trends in European banking and their implications for business models
- articulate and understand strategic issues in banks' asset and liabilities management
- understand the implications of the new regulatory environment in banking (especially Basel 3) and analyse the consequences of the new capital and liquidity rules
- understand and apply state of the art quantitative techniques to tackle the main ALM issues in modern banks
- relate bank-specific findings to the larger body of academic research in the area of financial intermediation and banking

Course structure

- I. Bank performance and accounting based analysis**
 - a. Profit/risk trade-off
 - b. Profitability decomposition
- II. European bank performance: trends and market-based analysis**
 - a. Return on equity versus cost of equity
 - b. Bank risk decomposition
 - c. Cost of funding
- III. Interest rate risk**
 - a. Duration analysis
 - b. Yield curve
- IV. Asset and liabilities management**
 - a. Internal transfer pricing
 - b. Liquidity risks
- V. The Basel regulatory framework**
 - a. Capital adequacy rules
 - b. LCR and NSFR
 - c. Impact analysis of capital and liquidity rules
- VI. Insurance - The fundamentals**
 - a. Types of insurance contracts
 - b. Claims vs premiums
 - c. Key aspects/terms of balance sheet and P/L
- VII. Insurance - Key risks and solvency**
 - a. What are the risks of an insurance company
 - b. From Solvency I to Solvency II