

BANKING - PRACTICE

24-hour course

Tom DECHAENE

Tom Dechaene is Director of the National Bank of Belgium, responsible for banking supervision. He is also a member of the European Central Bank Supervisory Board, supervising the 120 or so most significant banks in the Eurozone. He held previously positions in corporate finance at BBL (now ING) and in M&A and Equity Capital Markets at Morgan Grenfell in London (now part of Deutsche Bank). He was also the CFO at a US software company in the early 2000s. Following the banking crisis, he became in 2010 a non-executive member of the Board of Directors and the Audit and Risk Committee of KBC Group, prior to becoming Director at the NBB in 2014.

Course Outline

This course consists of an in-depth analysis of business models and key financial parameters of banks.

The aim of the course is to teach participants, to use a simplified financial spreadsheet model of a bank to recognise different banking business models and, based on 20 key financial metrics, to judge the strengths and weaknesses of a bank. This enables participants to learn in practice how to fine-tune the business model of a bank whilst staying within quantitative regulatory boundaries.

Participants will work both individually and in a group and will receive background via two preparatory sessions and one final session where each group presents, and is challenged on, its analysis and findings.

During the first two sessions, a general template of a financial spreadsheet model of a generic bank is discussed line by line, covering balance sheet, hedging, off balance sheet, loan and deposit pricing, P&L, provisioning, liquidity ratios, interest rate risk, and a number of financial metrics. A number of different banking business models are also reviewed. The generic spreadsheet template is provided minus the formulas.

Following the second session, each participant will complete the missing formulas in the spreadsheet and submit his/her template. Upon submission, each group receives input data for its respective bank and enters these data into the generic template. The results are shared with other groups, so that each group can benchmark its bank with other groups' banks.

Groups will be divided into (i) a bank management team (CEO, CFO and CRO), (ii) an analyst team which analyses other banks, helps its management in benchmarking its bank and evaluate it with a Price/Book Value, and (iii) shareholders who will question other banks' management.

At the plenary session, which will take place in the auditorium of the National Bank of Belgium, each group's management team will present its bank to the whole class as if the latter were the shareholders. Shareholders of other groups will be able to question the management and analysts of each group will revalue the Price/Book Value of the bank after the management presentation.

The course assumes basic knowledge of banking products, yield curves, discounted cash flows, duration, and the like, which will have been learned in earlier courses. The spreadsheet formulas are relatively basic and do not require advanced modelling skills.