



المركز العالمي للتدريب والتطوير  
International Centre For Training & Development



# BANK VALUATION: A Valuation Course for Banking Experts



INTERNATIONAL ACCREDITATION ORGANIZATION



UNIVERSITY OF ROCKHAMPTON  
MAKING THE DIFFERENCE



## Course Introduction:

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Bank Valuation is an intensive, in-depth program that uses lectures, case studies and hands-on modeling to teach the intricacies of valuing depository institutions. The overall goal training is to give participants a structured approach to the valuation of a bank.

## Course Objectives:

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- Understand the principles of value creation in wholesale-retail banking and asset management
- Use different valuation methods to value a financial institution
- Compare enterprise valuation with equity valuation
- Differentiate between quantitative and qualitative factors affecting the value of banks
- Apply correctly valuations derived from the stock market, IPOs and M& A transaction
- Identify and value synergies in acquisitions
- Conduct successfully a due diligence process
- Understand why some bank acquisitions succeed and so many fail

## Who Should Attend?

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- Executives and general managers
- Investment and corporate bankers
- Experts in investment banking and corporate finance
- Analysts in banks, investment funds or private equity houses
- Managers in M&A departments
- Experts responsible for corporate strategy and planning
- Banking and strategy consultants
- Human resources and training

## Course Outline:

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### **Understanding the bank's strategic position**

- Welcome and introduction
- Program overview
- Delegates' expectations

### **Understanding bank strategies**

- The Banking industry after the financial crisis
- An updated outlook of the world economy

- Recent developments in mature and emerging markets
- Assessing the strategic position of a financial institution
- Understanding the value drivers in
  - Corporate banking
  - Retail banking
  - Investment Banking

Exercise

### **Analyzing the financial statement of banks**

- Definitions
- Analyzing the asset side under IFRS and US- GAAP
  - Treatment of securities
  - Mapping provisions and loan losses
  - Calculating fair value
- Analyzing the liability side under IFRS and US- GAAP
  - Fair value of long- term liabilities
  - Analyzing shareholder's equity
  - Regulatory equity
  - BIS- ratios
  - Treatment of goodwill
  - Treatment of excess capital and equity shortfalls
- Derivatives accounting
- Analyzing the income statement
  - The spread model
  - Gap analysis
  - Assessing key expense items

Exercise

### **The value of banks**

#### **Equity cash flow valuation**

- Difference between equity and enterprise valuation
- Introduction to the DCF methodology
- Understanding the equity cash flow methodology
  - The direct method
  - The indirect method
- Calculating equity cash flow
- Understanding the key value drivers
- Decomposition of ROE

## Case study

- Introduction to the Capital Asset Pricing Model (CAPM)
- Calculating the cost of equity
- Determining the market risk premium
- Understanding beta ( $\beta$ )
- The cost of equity of private banks

## Exercise

### **Introduction to the dividend discount model**

- Advantages of the dividend discount model
- The Gordon Growth Model
- Understanding financial ratios
  - P/E, P/B, ROE and COE
  - Importance of a bank's gearing
  - The sustainable growth factor
- Identifying over- and under valuations of traded banking stocks

## Case study

### **Valuing banks from the outside**

- Valuation by multiples
  - Understanding best practice
  - P/ E
  - P/ B
  - Applying stock market multiples correctly
- Using performance ratios to estimate the value of banks

## Exercise

### **The acquisition of a financial institution**

- Charting the bank market
- Identifying attractive markets
- Understanding market premiums
- Defining market entry strategies
- Forms of acquisitions and payment
- Organic growth vs acquisitions

### **Understanding synergies**

- Understanding success factors in mergers& acquisitions

- Avoiding the most common mistakes
- Identifying synergies
  - Cost synergies
  - Revenue synergies
  - New growth opportunities
- Valuing synergies in domestic and international acquisitions
- Getting synergies after the merger
  - The domestic branch network
  - The international branch network
  - Overlapping activities
  - Calculating restructuring charges
  - IT implementation
  - Economies of scale and scope
- Other synergies
- Time table for implementation
  - Personal decision
  - Business decision
  - Divestitures
  - Investments
- First results
- Why do some acquisition work and so many fail?

Case study

### **Executing an IPO mandate**

### **Executing an acquisition**

- Paying a premium
- Realizing synergies
- Forms of acquisition and different kinds of remuneration
- Paying in stocks

Case study

### ***Post merger integration***

- Mission and vision
- Rationale for the combined entity
- The fast integration
- The soft integration approach

Exercise

## ***Valuing banks for an IPO***

- Understanding recent trends in equity markets
- The market for bank IPOs
- Rationale for an IPO
- The "beauty contest": form and contents
- Different forms of underwriting
- IPO valuation techniques
- How to choose the peer group
- How to select valuation multiples
- Estimating earnings growth
- The pricing of IPO's in a book-building process
- Post IPO performance

Exercise

## **Course Certificate:**

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**International Center for Training & Development (ICTD)** will award an internationally recognized certificate(s) for each delegate on completion of training.

## **Course Methodology:**

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**A variety of methodologies will be used during the course that includes:**

- (30%) Based on Case Studies
- (30%) Techniques
- (30%) Role Play
- (10%) Concepts
- Pre-test and Post-test
- Variety of Learning Methods
- Lectures
- Case Studies and Self Questionnaires
- Group Work
- Discussion
- Presentation

## Course Fees:

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**To be advised as per the course location.** This rate includes participant's manual, and-Outs, buffet lunch, coffee/tea on arrival, morning & afternoon of each day.

## Course Timings:

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### Daily Course Timings:

08:00 - 08:20	Morning Coffee / Tea
08:20 - 10:00	First Session
10:00 - 10:20	Coffee / Tea / Snacks
10:20 - 12:20	Second Session
12:20 - 13:30	Lunch Break & Prayer Break
13:30 - 15:00	Last Session

