

TEACHING GUIDE

COURSE DESCRIPTION

Course Information	
Full name	Financial Institutions Management
Code	0000012226
Degree	Master in Finance
Taught in	Advantere School of Management
Level	Postgraduate Official Master's Degree
Term	Third Quarter
Credits	3,0 ECTS
Type	Elective
Person in charge	Dr. María Luisa Mazo
Office hours	Continuous availability via email
Professor Information	
Professor	
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SPECIFIC COURSE INFORMATION

Course contextualization

Contribution to the professional profile of the degree

The financial crisis that emerged in 2007 has drastically altered global financial institutions and continues to create problems despite the regulatory reforms that have been implemented. The growth of the banking industry has been erratic since then and not without its complications, usually associated with poor risk management. This course is structured to help students master the principles of managing different types of financial institutions as well as to identify and propose solutions to the most pressing current and future problems of the industry: risk management, regulation, technological disruption, profitability and competition..

The course is divided into three blocks. The first block explains the role and functioning of banking institutions, as well as the different business areas and organizational structure that make up a banking institution. This first block will also explain the capital requirements and structure of a banking institution, as well as risk management and how the banking industry is incorporating technology in its different verticals in order to improve profitability and reduce costs.

The second part of the course provides a basic understanding of the objectives and operations of an insurance company today. Since the purpose of insurance companies is to provide economic protection against insurable risks for a determined period of time, the course begins with the concepts of insurable risk and risk exposure, and then moves on to understand the insurance market and the final purpose of a company. During the course, we will study the types of insurance business from life and pension to property insurance, the structure of an insurance company, its governance and business plan. Also, the insurance market and the different products that an insurance company can offer, including pure protection products, savings with and without profit sharing and non-life products. The income statement and the financial model for product valuation. Finally, the central aspects that make up the management of an insurance company, the Economic Capital, asset-liability management and reinsurance, will be studied.

The third block will focus on the discussion, analysis and valuation of a banking institution based on the review of the financial statements (ratios, interest rates, economic growth and banking products) of that banking institution. Subsequently, valuations will be developed through different discounted cash flow models to finally value the institution based on different multipliers.

Objectives

1. Understand the role of financial intermediaries in the economy and how this role has changed since the financial crisis, and in particular understand the sources of a bank's risks (interest rate risk, market risk, credit risk, liquidity risk, etc.) and how financial institutions manage them and structure their capital.
2. Understand how a bank or insurance company is organized, governed and structured and what type of products they offer to retail and wholesale customers.
3. Delve into the analysis of bank financial statements and how these statements are used by managers and analysts in determining the performance of a financial institution in order to value a financial institution from the use of fundamental analysis.
4. Understand the importance of the regulatory environment and how it has evolved.

THEMES AND CONTENT

Contents-Themes
MODULE 1: Management of Banking Institutions
Topic 1: Governance of a banking entity
1.1 General Shareholders' Meeting 1.2 Board of Directors 1.3 Management Committee
Topic 2: Management of a banking institution
2.1 Capital Management 2.2 Liquidity Management 2.3 Credit Risk Analysis
Topic 3: Organization and Structure of a Banking Institution
3.1 Commercial Banking 3.2 Corporate Banking 3.3 Private Banking 3.4 Investment Banking 3.5 Support Areas
Topic 4: Products offered by a banking institution
4.1 Accounts and deposits 4.2 Mortgages 4.3 Loans and credits 4.4 Means of Payment 4.5 Off-balance sheet products
MODULE 2: Management of Insurance Companies
Topic 5: Principles of Insurance
5.1 Principles and exposure to insurable risk 5.2 Life and Health Insurance 5.3 Property and Casualty (P&C) Insurance 5.4 Pension Plan
Topic 6: Insurance Entities
6.1 Structure and Governance 6.2 Product Offering and Distribution 6.3 Business Plan 6.4 Shareholders' Equity, Value in Force, Valuation
Topic 7: Insurance Products
7.1 Life: Risk Insurance, Annual Renewable 7.2 Life: Savings Products, Profit Sharing 7.3 Wealth: Property & Casualty 7.4 Model of a Life Insurance product.9752009
Topic 8: Management of an Insurance Company
8.1 Economic Capital: Solvency II 8.2 Asset Management 8.3 Liability Management 8.4 Reinsurance
MODULE 3: Valuation of Banking Institutions
Topic 9: Financial Statements of Banks
9.1 Bank ratios: profitability, asset quality and solvency 9.2 Main exogenous variables: Interest rates and economic growth 9.3 Impact of the main banking products
Topic 10: Flow Discounting Methods
10.1 The cost of capital of financial institutions 10.2 The discounted cash flow method for the shareholder 10.3 The discounted cash flow method for the shareholder 10.4 The excess returns method
Topic 11: Relative Valuation
11.1 Comparable multipliers 11.2 Multipliers derived from fundamentals

Competences – Objectives

General Competences

CG.1 Project-based learning: Ability to develop and execute in the different phases collective financial projects based on real situations, proposing real solutions and making efficient all interactions with the team, clients and any other participants.

RA1: Ability to engage in the development of experimental collective projects based on the real world, managing and aligning the client's needs with the available resources, optimally distributing the work, communicating and projecting its different phases, proposing real solutions and making efficient all interactions with the team, clients and other stakeholders.

CG.3 Teamwork: Apply techniques and methodologies that promote teamwork and mutual collaboration in talent management projects to be carried out with companies and organizations.

RA1: Be committed and cooperate in the roles defined for the achievement of goals related to tasks, activities, projects, etc. related to defined and assigned tasks, activities, projects and responsibilities.

Specific Competences

CE 08: Know in depth the functioning and management systems of credit institutions within the current financial paradigm, as well as other alternative sources of financing, the different bank and non-bank credit products and solutions offered by the financial markets to different financing projects.

RA1: Understand and know how to negotiate and manage with a bank the credit and liquidity needs of a business project, understanding the keys of the bank's internal mechanisms -treasury, risk and commercial management- to be successful in the credit application.

RA3: Know and differentiate between wholesale and retail products, as well as those focused on private banking and investment banking.

CEOPT 1: Know the model and operation of the digital banking business and the contributions of new technologies associated with this model, as well as the advantages and disadvantages compared to the traditional model.

RA01: Know how to recognize and manage the main parameters, ratios and elements that determine the management of financial institutions, as well as the competitive and economic environment in which they operate

RA02: Know how to apply the concepts and processes of blockchain and digital banking to improve the management and efficiency of financial institutions.

RA03: Know and know how to apply the new trends and paradigms that directly and indirectly impact the banking sector and Fintechs.

EVALUATION AND GRADING CRITERIA

Graded Activities	Evaluation Criteria	% of Total Grade
<p>Assessment of individual or group work carried out by students, some of them presented in class</p>	<ul style="list-style-type: none"> • Work adequacy to the objectives set • On-time delivery • Goal adequacy and focus • Results achieved • Compliance with deadlines • The participation of ALL members of each team in the presentations and elaborations is required 	<p>50</p>
<p>Performance of oral and written examinations, public defenses and multiple-choice tests, concept tests and resolution of practical cases as exams</p>	<ul style="list-style-type: none"> • Throughout the program, exams or written tests will be given to test the solidity of the concepts acquired. • In order to pass the course, the final exams and tests of each section of the course must be passed. If there are several exams in the same section or block of a course, the weighted average of them must be higher than 5.0 as a necessary condition to pass the course. 	<p>30</p>
<p>Participation and utilization of the classes</p>	<ul style="list-style-type: none"> • When we talk about participation, it is clear that both the positive and negative ones are counted and that the quality of participation is as important as the quantity. The students' participation in class, the quality and timeliness of their interventions, the quality in the preparation and presentation of their work, predisposition and commitment, initiative, attendance. 	<p>20</p>

SUMMARY OF STUDENT WORK HOURS

PRESENTIAL HOURS					
Professor Exposition	Student exhibition. Debates and group dynamics	Exercises and problem solving. Elaboration of applied work	Analysis and documentation	Tutorial sessions	Development of real projects for organizations
5	9	12.5	0	2	1.5
NON-PRESENTIAL HOURS					
Professor Exposition	Student exhibition. Debates and group dynamics	Exercises and problem solving. Elaboration of applied work	Analysis and documentation	Tutorial sessions	Development of real projects for organizations
0	0	37.5	19	2	1.5
ECTS CREDITS: 3.0 (90.00 hours)					

Grades

The evaluation criteria of the course are governed by the following regulations:

1. All students must comply with 100% attendance on the days set for this course. Any absence must be justified.
2. The final grade corresponds to the sum of the graded activities, evaluation criteria and % of total grade described in the Evaluation and Grading Criteria section.
3. Individual and group work must be delivered on time and in the manner planned by the course professor.
4. A final mark below 5 implies the completion of an extraordinary test. The final grade in this exam may not be higher than the median of those passed at the time of set exams.

The Evaluation Criteria to enroll for a second year:

The student enrolled in the course for the second year must comply with the individual and group tasks set by the course professor. The same evaluation criteria described in the Evaluation and Grading Criteria section will be maintained.

For those circumstances not foreseen in this Teaching Guide, the Advantere School of Management Regulations and the Comillas General Regulations will apply.

Health alert criteria:

Students must be permanently identified, in class with an identification sign and remotely with their full name. Students should not change the spaces they occupy in the classroom, until a professor or the program management indicates they can do so.

Failure to comply with any of the health recommendations during class sessions may result in failure of the course

BIBLIOGRAPHIES AND RESOURCES

Basic Bibliographies
Text Books
Frederic S. Mishkin, The Economics of Money, Banking and Financial Markets, 8 th edition, 2011, Addison Wesley. Peter Rose and Sylvia Hudgins, Bank Management and Financial Services, McGraw- Hill, ninth edition Sorkin, Andrew Ross, To Big To Fail: Inside Story of How Wall Street and Washington Fought to Save the Financial System-and Themselves, Penguin Books
Other readings
They will be provided during the course based on financial news and articles.
Web pages
Additional Bibliographies
Articles
Chapters of books

