



PRESENTATION

Subject's description: The objective of the first part of the course is to study the major decision-making areas of managerial finance and some selected topics in financial theory of special relevance in the Banking sector. These include company valuation, mergers and acquisitions, corporate reorganizations, pricing of selected financial instruments, syndicated loans, etc.

- **Titulación:** MBRF
- **Subject:** Corporate Finance and Risk Management
- **ECTS:** 9
- **Year and smester:** First and second
- **Caracter:** Mandatory
- **Professors:**
- **First semester: Professors of Corporate Finance:**
- Raúl Rosales (Orchard Global Asset Management LLP).
- Miguel Fernández Longoira (Grupo Santander).
- Esther Galiana (BBVA).
- Rocio Falcones (Alvarez and Marsal).
- Gilbert Mateu (BBVA).
- Sergio Mayordomo (Banco de España).
- Julián García de Pablo (Grupo Santander).
- Fernando Vallcanera Icardo.
- Inmaculada Gómez (Banco de España).
- Miguel Angel Iglesias (Independent board member and consultant)
- Victor Claudio (Deloitte).
- Carlos Dasi (Deloitte).
- José Antonio Sánchez Luna (Deloitte).
- **Language:** English
- **Aula:** Room 5
- **Schedule:** Check the weekly agenda

COMPETENCES

Cross-disciplinary skills

- The capacity to analyse and synthesise problems approached in the banking business.
- Discriminating and contrasting one's opinions with those of one's colleagues and giving a critical assessment of the opinions of others.
- Initiation in advanced basic research techniques and oral and written expression.
- Drawing up and formulating conclusions and personal opinions from reports, studies, and opinions already expressed by other authors.

Specific skills

- Being familiar with the main concepts and techniques of Statistics, Finance, and Accounting which will be required to develop the necessary skills.



- Being familiar with searching for specialised material (reports, articles, data) concerning the various aspects of the banking business in a library, on the Internet, in newspaper libraries, on accessible databases, etc.
- Studying the management of credit exposure in depth using different assessment and quantification models.
- Being capable of using the necessary tools to assess and quantify the market risk, credit risk, and liquidity risk of banks.
- Knowing how to use the necessary tools for analysing the banking business from various perspectives: both financial and the financial, accounting, regulatory, and ethical environment.

PROGRAM

1. Introduction to long term decisions:

- 1.1. Capital Budgeting
- 1.2. Capital Structure
- 1.3 Project Finance
- 1.4. Securitization
- 1.5 Subprime crisis

2. Short-term decisions: Working capital management

3. Overview of the Finance function within a financial institution

3.1. The Finance function within a financial institution

- The role of the CFO
- Main areas of Finance
- Organizational chart of a bank's finance area

3.2. Financial statements and key performance indicators

- Financial Statements. Management vs. regulatory views
- Key performance indicators: activity metrics, profitability metrics, risk metrics and strategic KPI's

3.3. Capital planning process and profitability

3.4. Liquidity management

- The importance of liquidity management
- Liquidity metrics

3.5. Business case

4. Global Financial Risk

4.1. Business structure of a Commercial Bank. Banking Book, Trading Book and ALCO Portfolio; Static Financial Analysis

4.2. Short, Medium and Long Term Financial Planning



- 4.3. Definition and Identification of Risks
- 4.4. Valuation Models
- 4.5. Solvency restrictions (I)
- 4.6. Solvency restrictions (II)
- 4.7. Liquidity restrictions
- 4.8. Limit Framework: Capital and Liquidity Adequacy
- 4.9. Risk/ Return binomial
- 5. Overview of Capital Markets**

Part II: Risk Management

- 1. Credit Risk Management**
- 2. Credit Risk. Analysis and Monitoring**
- 3. Operational Risk**
- 4. The Rating Agencies' view**
- 5. Credit Risk Modelling using SAS**
- 6. Credit Risk Projections under IFRS 9 using SAS**
- 7. EBA-ECB Stress Test 2018 using SAS**
- 8. Interest Rate Risk in the Banking Book**
- 9. Digital Transformation and Risk Management**
- 10. Liquidity Risk**
- 11. Global Risk Management**
 - 11.1. Regulatory Capital (CRD IV).
 - 11.2. Credit Risk and Expected Losses.
 - 11.3. Methodology for the Supervisory Review & Evaluation Process (SREP).
 - 11.4. Risk Assessment System (RAS).
 - 11.5. Automatic Rating (Benchmark).
- 12. Enterprise Risk Management**
- 13. Credit Derivatives and their Regulatory Framework**

EDUCATIONAL ACTIVITIES

- Posted on the restricted area for students



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ASSESSMENT

ORDINARY ASSESSMENT

Students are required to attend 80% of classes. Failing to do so without justified reason will imply the suspension from the program.

Each part (Corporate and Risk) is worth 50% of the final grade.

For each part, the weighting of the different activities is:

1. Final Exam (60% of final grade). (For the exam, multiple choice part is worth 70%, and case-study part is worth 30%).
2. Class participation & class projects (40% of final grade).

The final exam of Corporate will take place in January and that of Risk will take place in May.

Important Notice: to pass the subject students need to pass each of the two parts. That means that the average of the exam and projects should be higher than 5 out of 10.

To compute these averages students must take both exams.

In case this condition is not met, students will take an exam of the two parts in June. This exam will be worth 100% of their final grade.

HONESTY IS THE BEST POLICY

(Ethics Committee Provisions Against Plagiarism and Copying)

We value honesty. Without it, there can be no trust or any meaningful social relations. Therefore, the School expects honesty and fairness from all of its members: professors, non-academic staff, and students.

Dishonest behaviors will be sanctioned in accordance with the [University Norms on Student Academic Discipline of August 2015](#), and include lying, cheating in exams, and plagiarism in written work. We take such violations seriously. Depending on their gravity, these offences will be dealt with by the Professor in charge of the subject, by the Dean of Students, and in very severe cases, by the Vice President for Student Affairs.

Sanctions include:

- formal warnings
- prohibition from entering University premises for a given period
- loss of admission rights to exams
- loss of scholarships
- a failing grade for the piece of work or the whole course



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EXTRAORDINARY ASSESSMENT

- Exam with a score from 0 to 10

OFFICE HOURS

Contact by email:

Raúl Rosales: raulrosalesaraque@gmail.com

Miguel Fernández Longoria: miguelflongoria@hotmail.com

Esther Galiana: esther.galiana@bbva.com

Rocío Falcones: rfalcones@alvarezandmarsal.com

Gilbert Mateu: gilbert.mateu@bbva.com

Sergio Mayordomo: sergimayorgo@gmail.com

Julián García: julian.garcia@moodys.com

Fernando Vallcanera: fvallcanera@gmail.com

Inmaculada Gómez: inmagf1968@gmail.com

Miguel Ángel Iglesias: ma.iglesias.hernandez@gmail.com

Víctor Claudio: vclaudioosuna@deloitte.es

Carlos Dasi: cdasi@deloitte.es

BIBLIOGRAPHY AND RESOURCES

- Philippe Jorion. Financial Risk Manager. Handbook. Wiley Finance. [Find it in the Library.](#)
- Philippe Jorion. Value at Risk. McGrawhill. [Find it in the Library.](#)
- Juan Ignacio Peña. La gestión de riesgos financieros de mercado y crédito. Prentice Hall. [Find it in the Library.](#)
- Risk Management and Financial Institutions (2nd Edition) by John Hull. [Find it in the Library.](#)
- Corporate Finance: A Practical Approach (Cfa Institute Investment) by Michelle R. Clayman CFA, Martin S. Fridson CFA and George H. Troughton CFA. [Find it in the Library.](#)