



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
- **Módulo/Materia:** Corporate Finance and Risk Management
- **ECTS:** 9
- **Year and semester:** First and second semester.
- **Character:** Mandatory
- **Professors:**
 - Maria Inmaculada Gomez Fernandez (Banco de España)
 - Miguel Fernández Longoira (Citi).
 - Rocio Falcones (Alvarez and Marsal).
 - Antonio Garre Martínez (SRB)
 - Julián García de Pablo (Grupo Santander).
 - Angel Reglero (BBVA)
 - Alberto Coll Caballe (Redkite)
 - Raúl Rosales (Orchard Global Asset Management LLP).
 - Victor Claudio (Deloitte).
 - Miguel Angel Iglesias (Independent board member and consultant)
 - José Antonio Sánchez Luna (Deloitte).
 - Gilbert Mateu (BBVA).
 - Esther Galiana (BBVA).
 - Fernando Vallcanera Icardo.
 - Guillermo Tournabén
 - Daniel Fernandez
 - Arcadio Albert Martí
 - Luís Terrés
- **Coordinator:** Juan Carlos Estepa
- **Language:** English
- **Aula:** Room 5
- **Schedule:** Check the weekly agenda

LEARNING OUTCOMES (Competencies)

Competencias Básicas (Basic Competencies)

GS2 - Understanding the relevance of risk management in a financial business.

GS3 Drawing conclusions and forming a judgement based on reports, research and opinions formulated by other authors about financial intermediation.

GS4 - Contrast your own opinion with that of others and think critically about other people's opinions in financial matters.

BS6 - Having a sufficient understanding to produce and apply original ideas, often in a research setting.

BS7 - Students can apply the knowledge gained and their problem-solving abilities in new or fairly unknown environments within broader (or multidisciplinary) contexts related to their area of study.

BS9 - Students can communicate their conclusions and the knowledge and rationale ultimately supporting them before specialized and non-specialized audiences clearly and unequivocally.



Competencias Específicas (Specific Competencies)

SS5 - Assess and quantify market risk, credit risk and liquidity risk in financial institutions.

SS12 - Understand the main methods used to prepare an economic-financial valuation of companies, particularly in complex corporate deals (mergers, acquisitions, etc.)

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

- 1. Lectures: 137.5 hours

Theoretical and practical classes in themes indicated in the syllabus with the help of the blackboard, power point presentations and videos.

- 2. One-to-one tutorials: 10 hours

Each student may have personal interviews with the professors to help him/her with personal study and learning.

- 3. Practical assignment: 20 hours

The students will undertake some projects during the course.



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4.Exams: 3 hours

The students will have a final exam at the end of the module.

5.Personal work: 58

Students must understand themes covered early in the course to be able to comprehend information presented later in the course, and will have to be able to integrate material learnt throughout the course. Therefore, it is important that they do not fall behind and try to set aside regular times outside of class to work on the course material on a daily basis.

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:



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- 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

EXTRAORDINARY ASSESSMENT

- Exam with a score from 0 to 10

OFFICE HOURS

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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.](#)