CFA Institute

BANKING INDUSTRY



LOCAL ECONOMY

The business of banks have a strong correlation with the local economy

OPPORTUNITIES

What are they? How do they generate income for the bank?

Types of Income:







Fees based income



Trading income



Recurring vs. non-recurring



Return on equity and tangible equity



Return on assets

Identify any other structural influences and broader long-term trends



Market penetration of banking services



Threat of technology-led disruption

BANKING INDUSTRY

A step-by-step guide to analyzing the banking industry

What risks are there? How do they affect performance and how are they being managed?



Exposure to cyclical / risky industries



Capital adequacy, liquidity, leverage



Credit, market and operational risk



Revenue distribution (among geographies and business units)



Loan portfolio distribution (among the various brick and mortar industries)

REE OF CONCENTRATION

How is the bank's business distributed?



Extent of off-balance sheet liabilities. estimated materialization



Asset quality: classification norms. nonperforming loan (NPLs), provisioning



Size of risk weighted assets



Value at risk





Aspects Unique to the Banking Industry:

sensitivity to macro-economic

businesses is critical

Requires a ncreasing overa complexity

Key Risks:

- Asset quality deterioration, geopolitical disruptions
 - Strong regulatory punitive action for errant behaviour





