



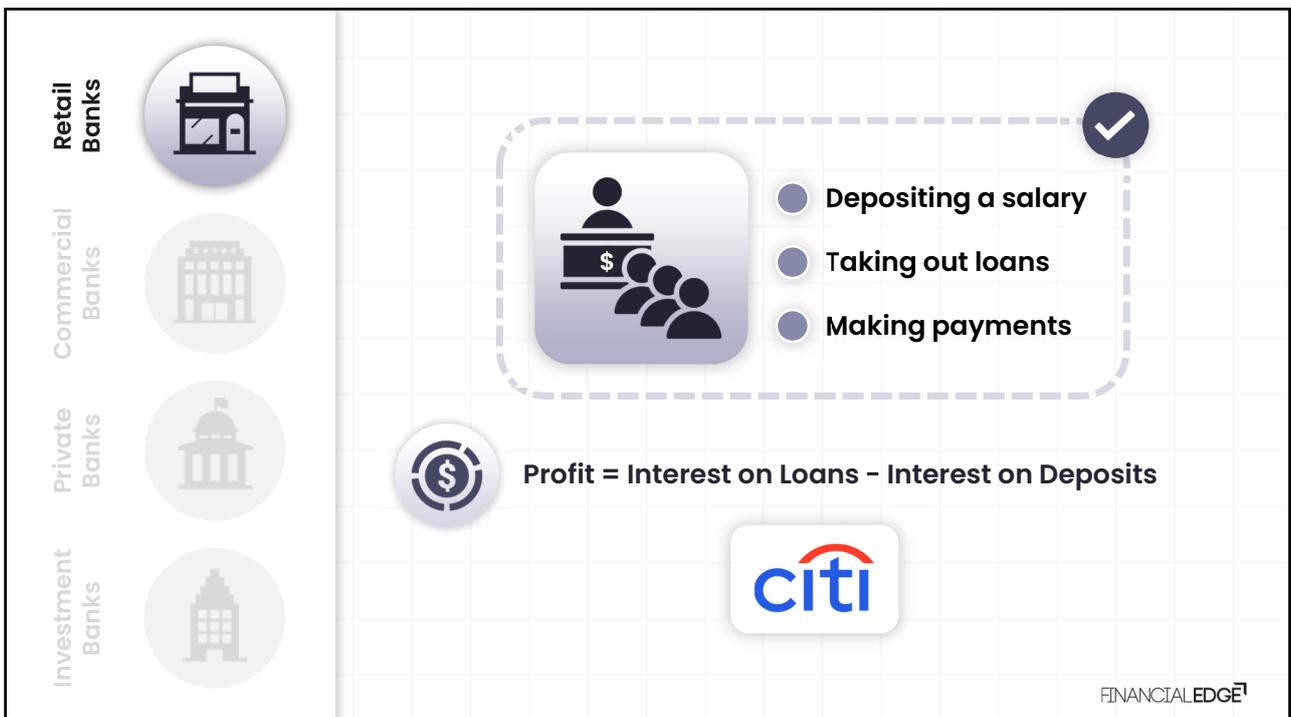
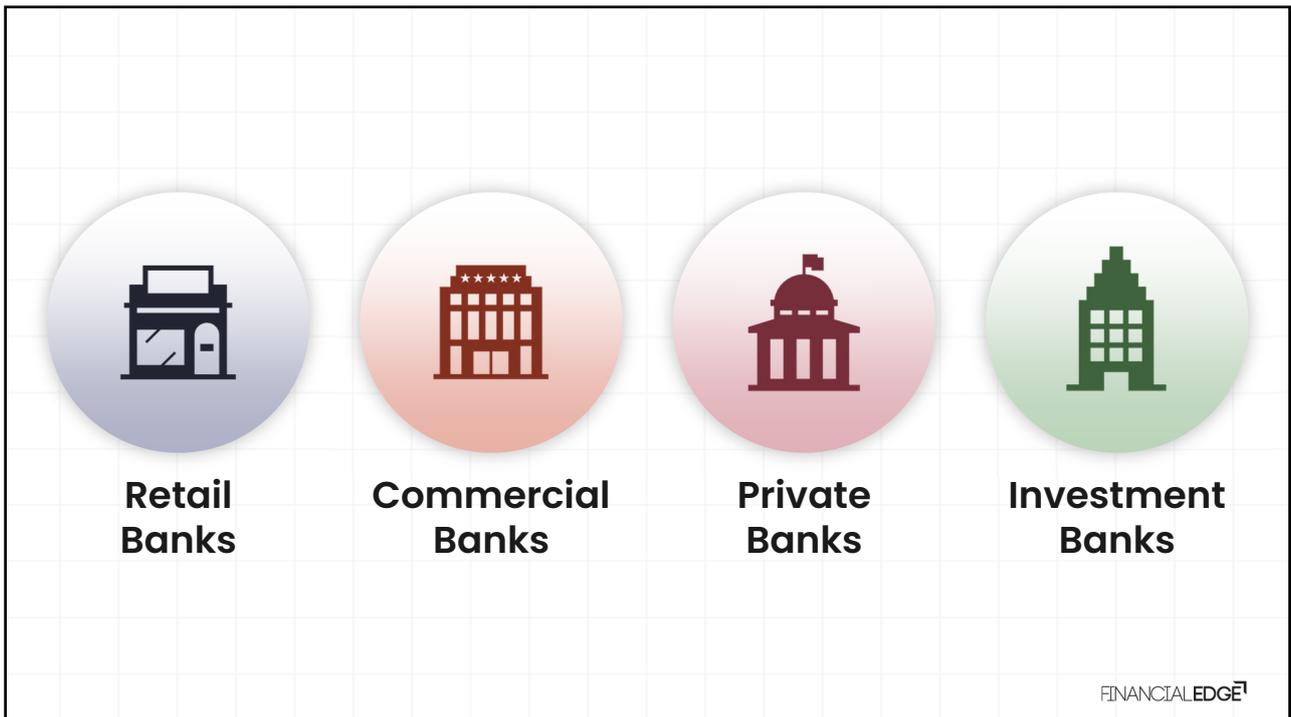
Introduction to Banking



FINANCIALEDGE

Banking Sectors

FINANCIALEDGE



Retail Banks 

Commercial Banks 

Private Banks 

Investment Banks 



Same services as retail banks, but for companies

+



- Foreign exchange
- Global account setup
- International trade

✓

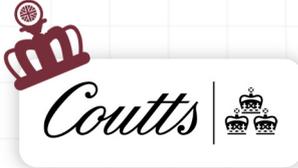
FINANCIALEDGE¹

Retail Banks 

Commercial Banks 

Private Banks 

Investment Banks 



Core banking: deposits & loans

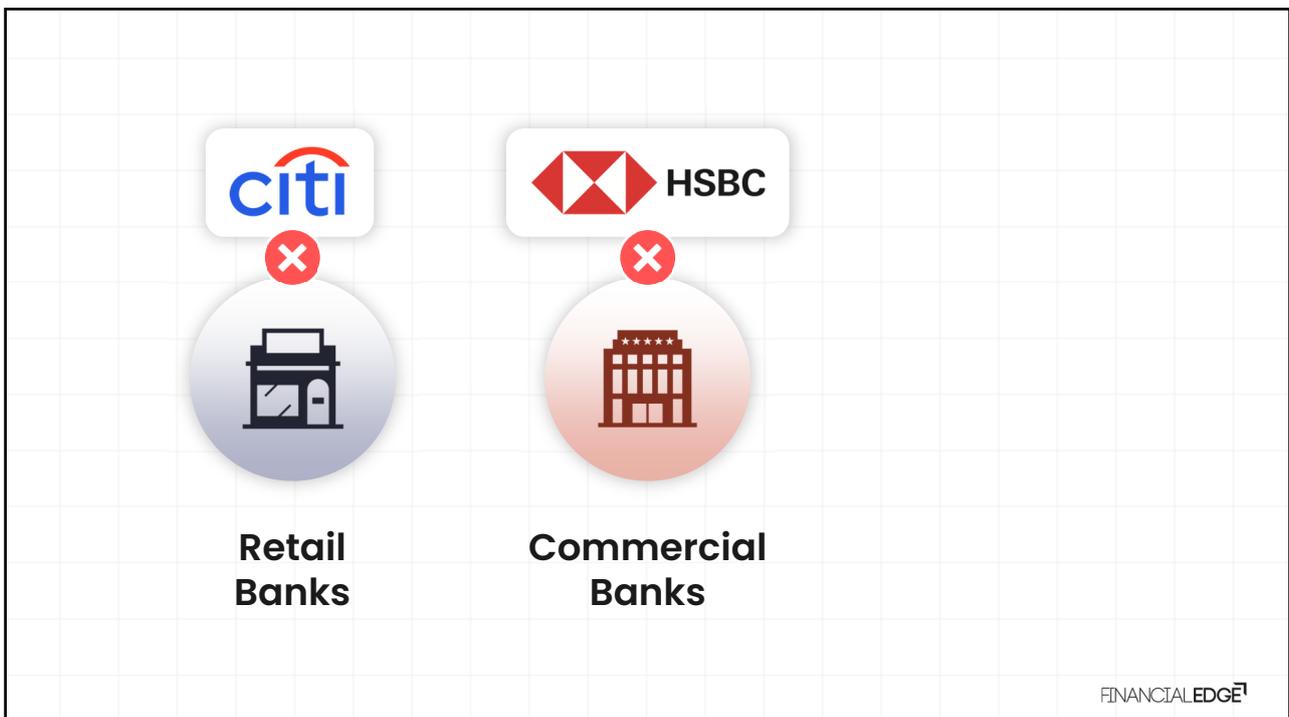
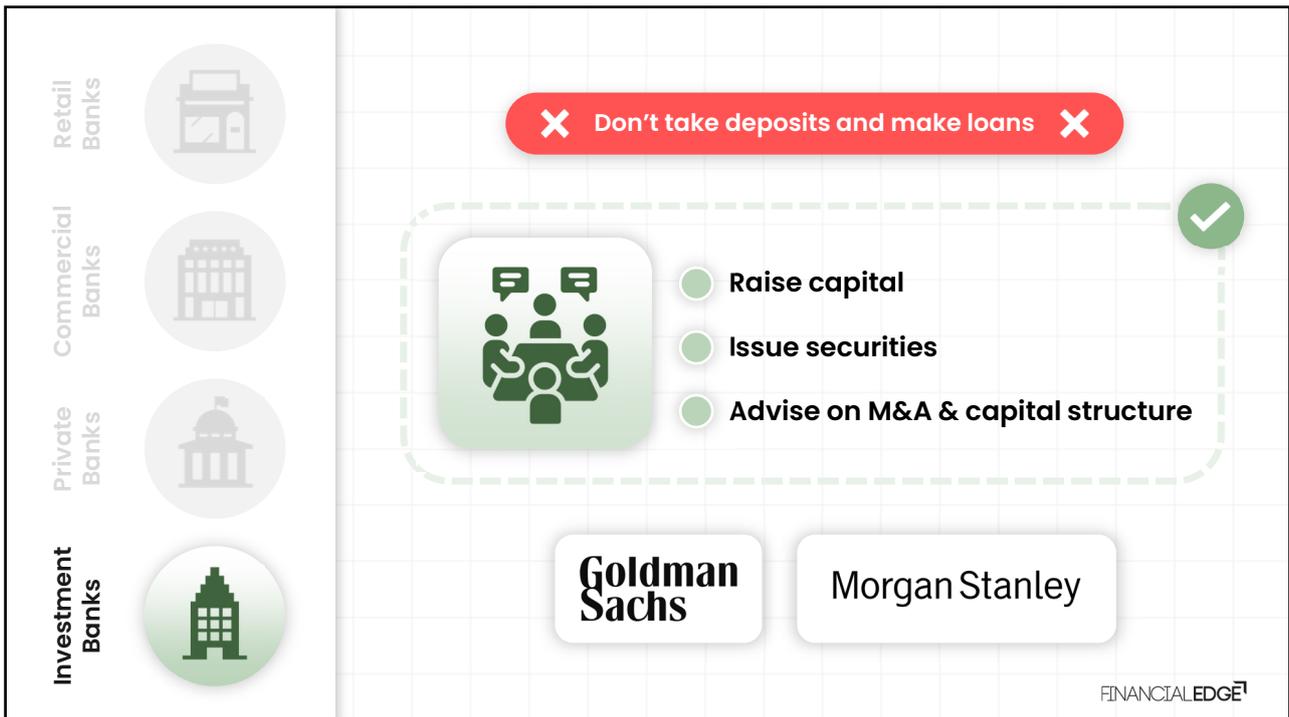
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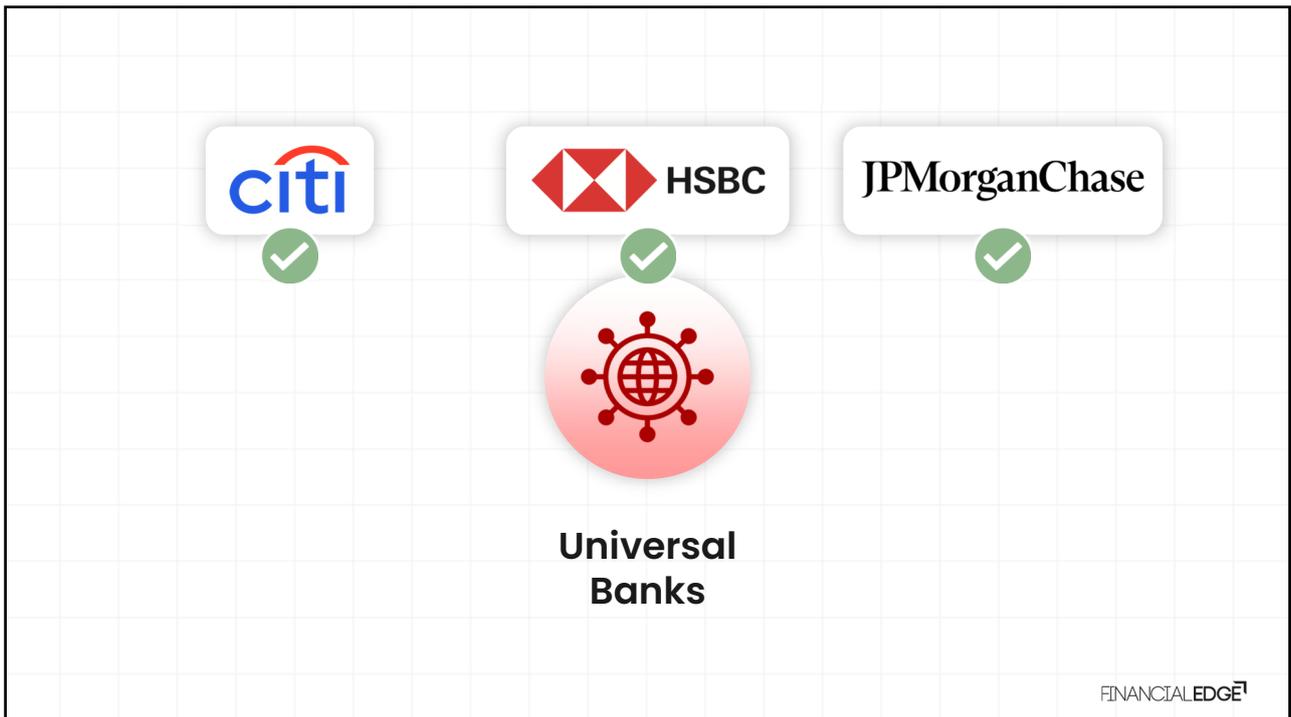


- Tax planning
- Estate planning
- Wealth management

✓

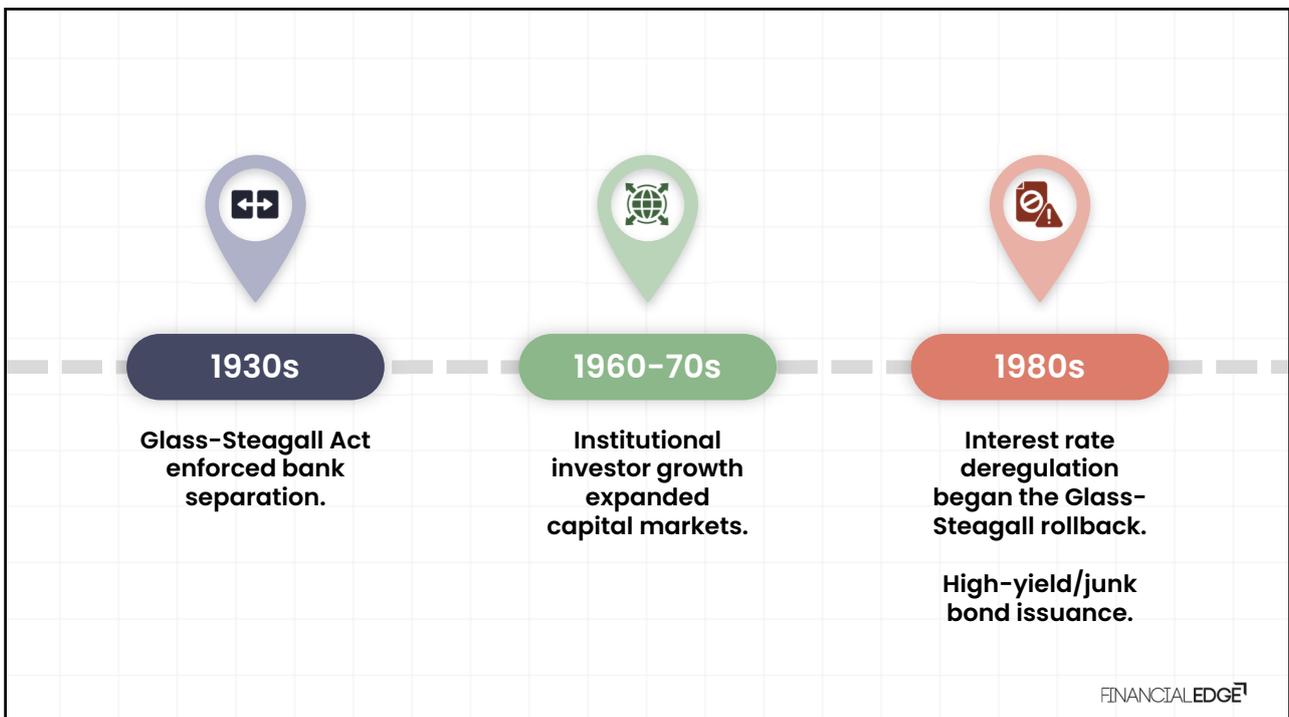
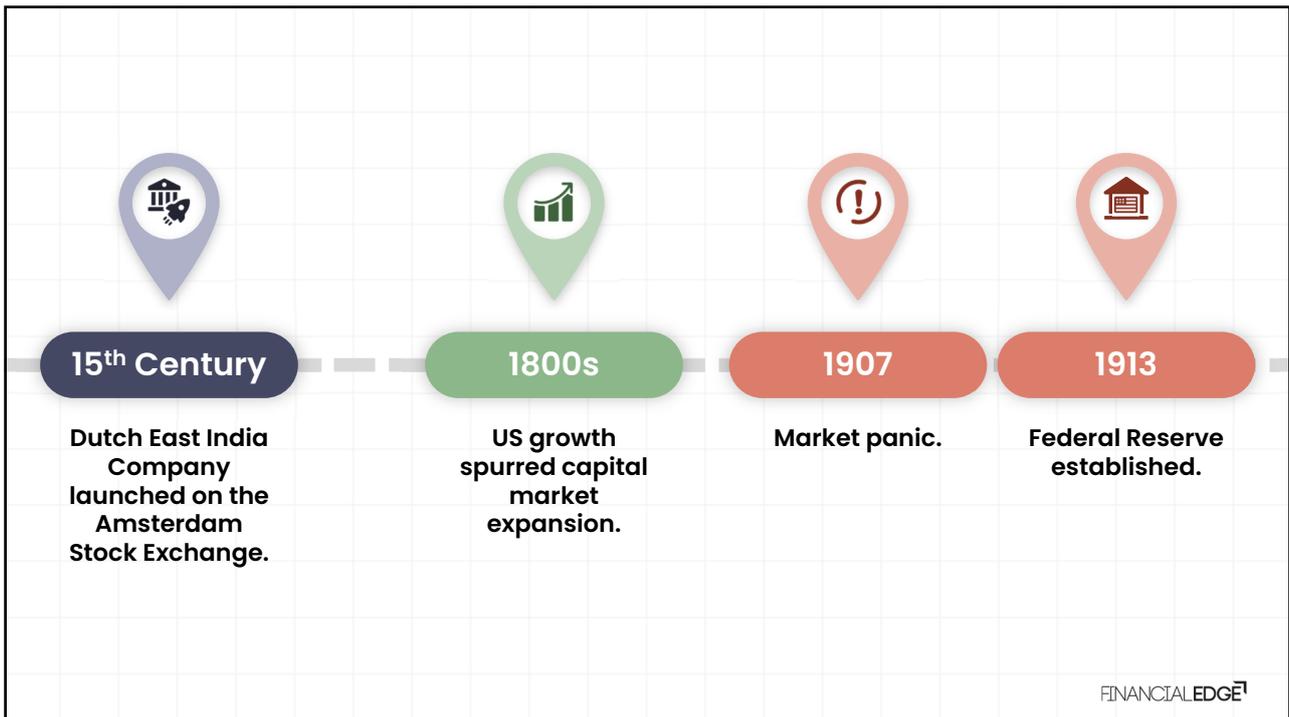
FINANCIALEDGE¹

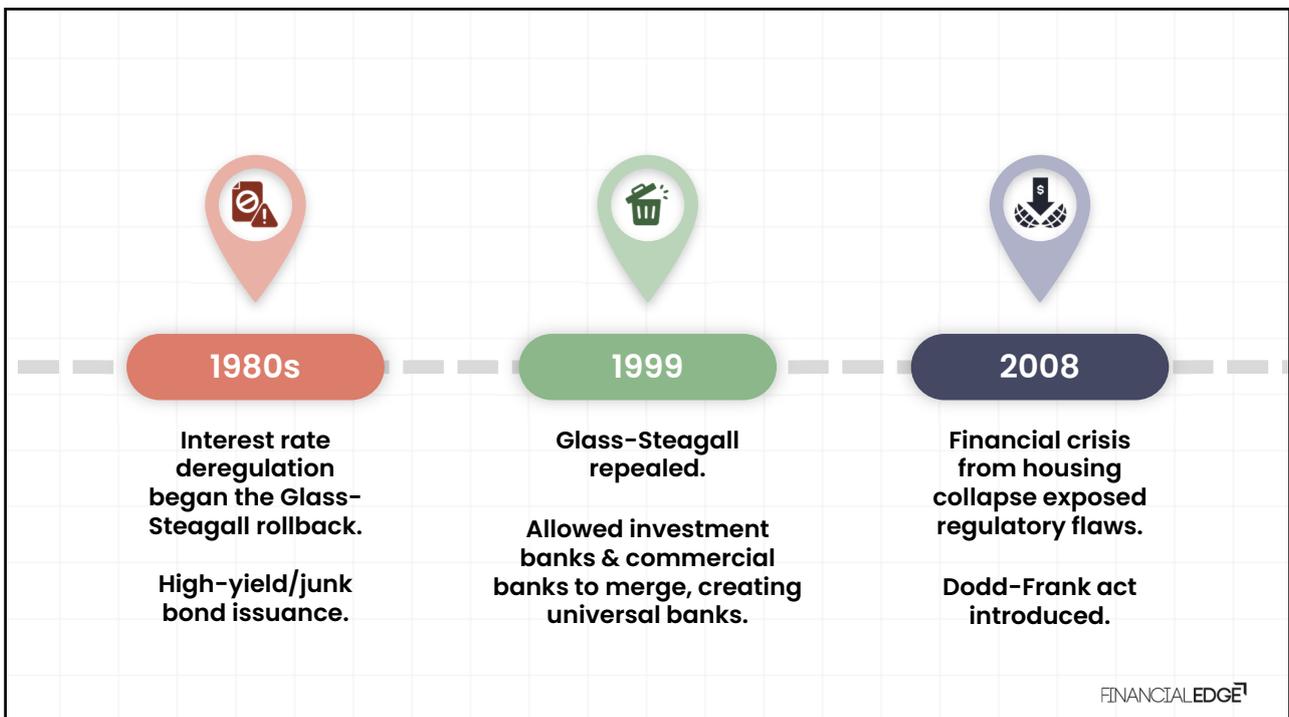
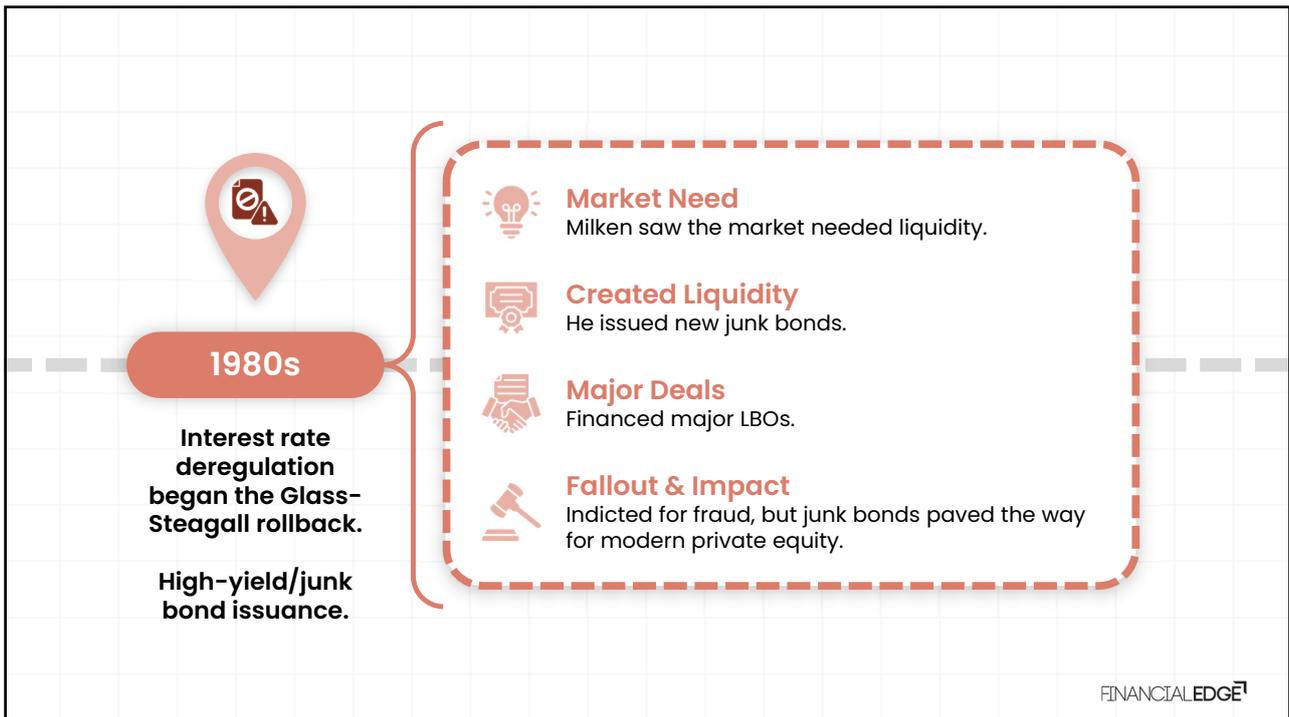




Banking Trends

FINANCIALEDGE¹



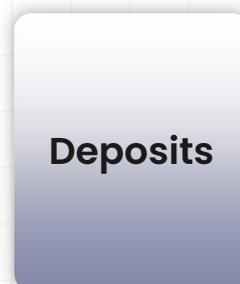


How a Commercial Bank Works

Bank Balance Sheet

Borrowing Clients:

- Corporations
- Retail
- Governments



Depositing Clients:

- Corporations
- Retail
- Governments

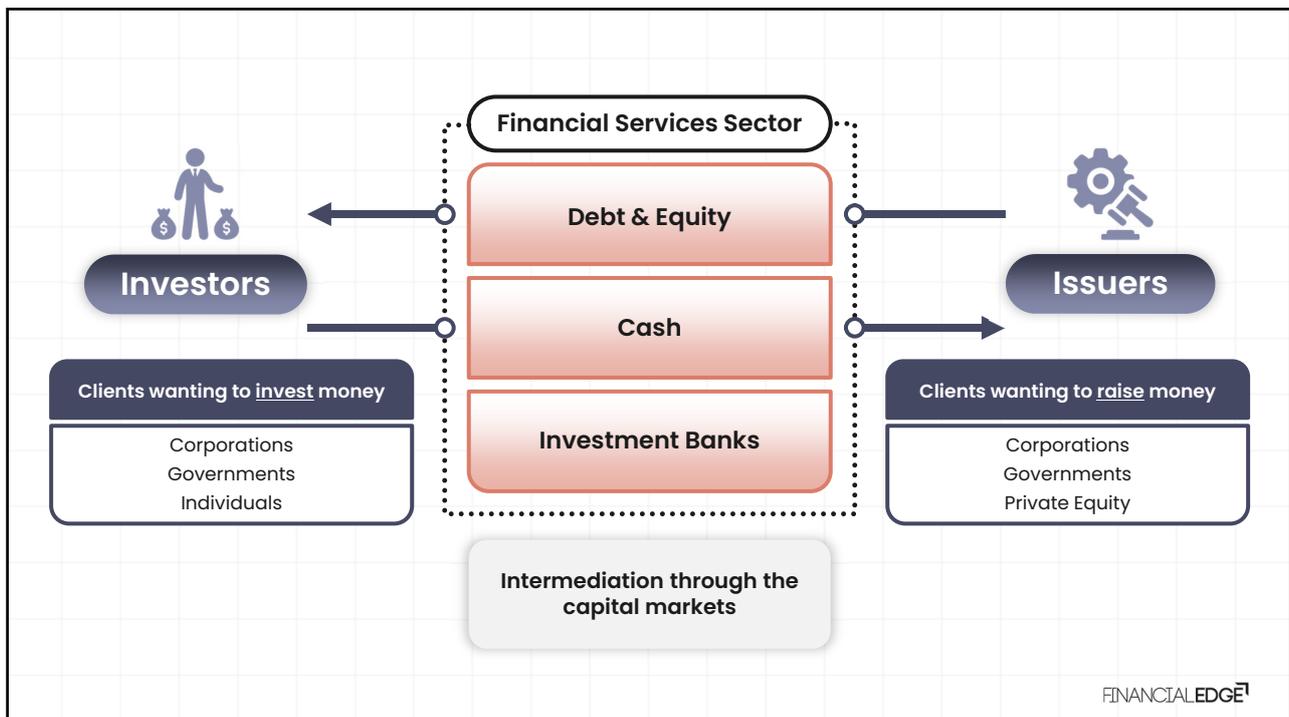


Regulatory Requirement

Intermediation through the balance sheet



How an Investment Bank Works – Part 1





Maximize Profits for Shareholders

Return on Capital

Returns increase

External acquisitions/disposals

= **Financial Advisory (M&A)**



Cost of Capital

Lowering cost of capital

Cheap debt

Managing equity

= **Equity, Debt & Credit**

Commodities

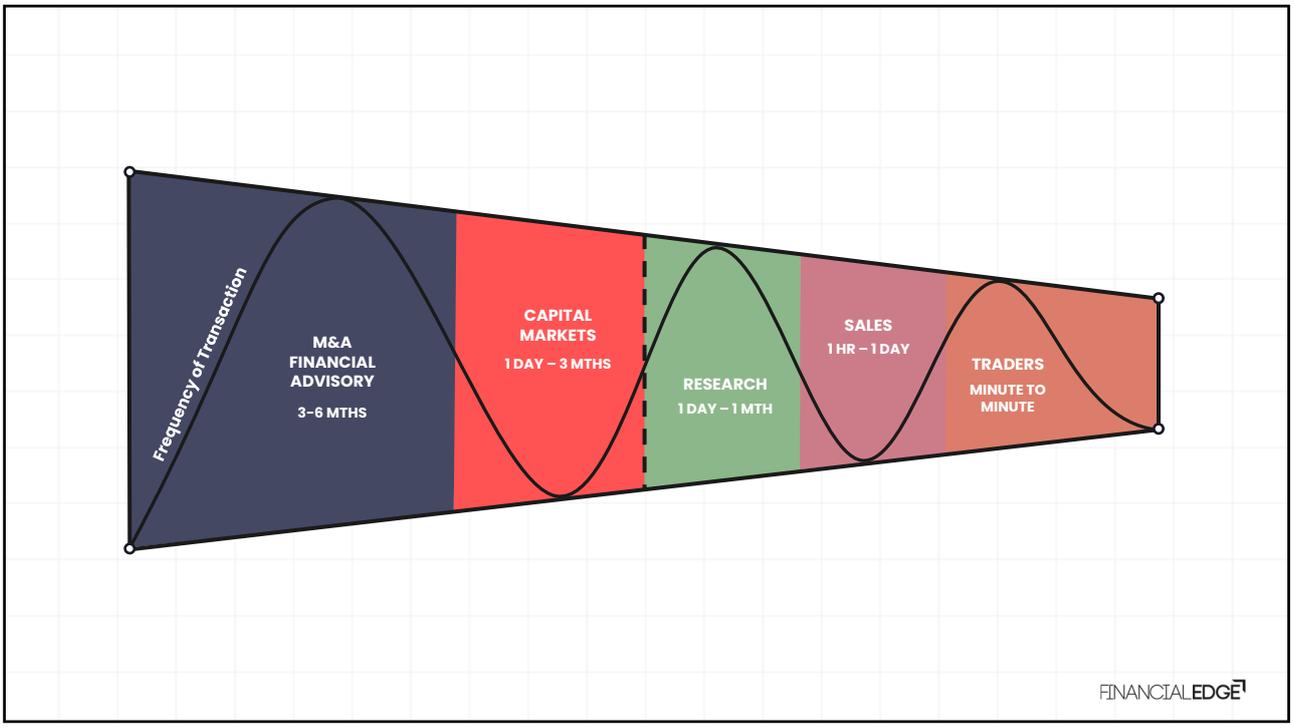
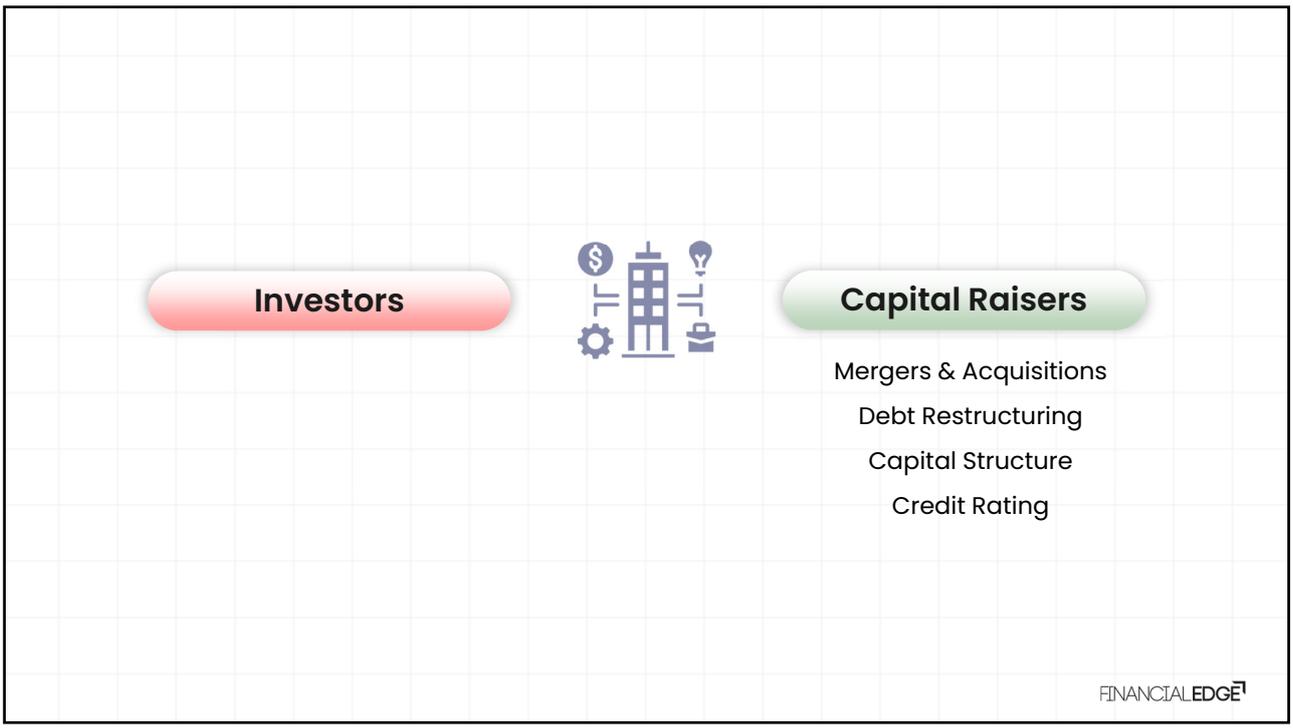
Managing Risk

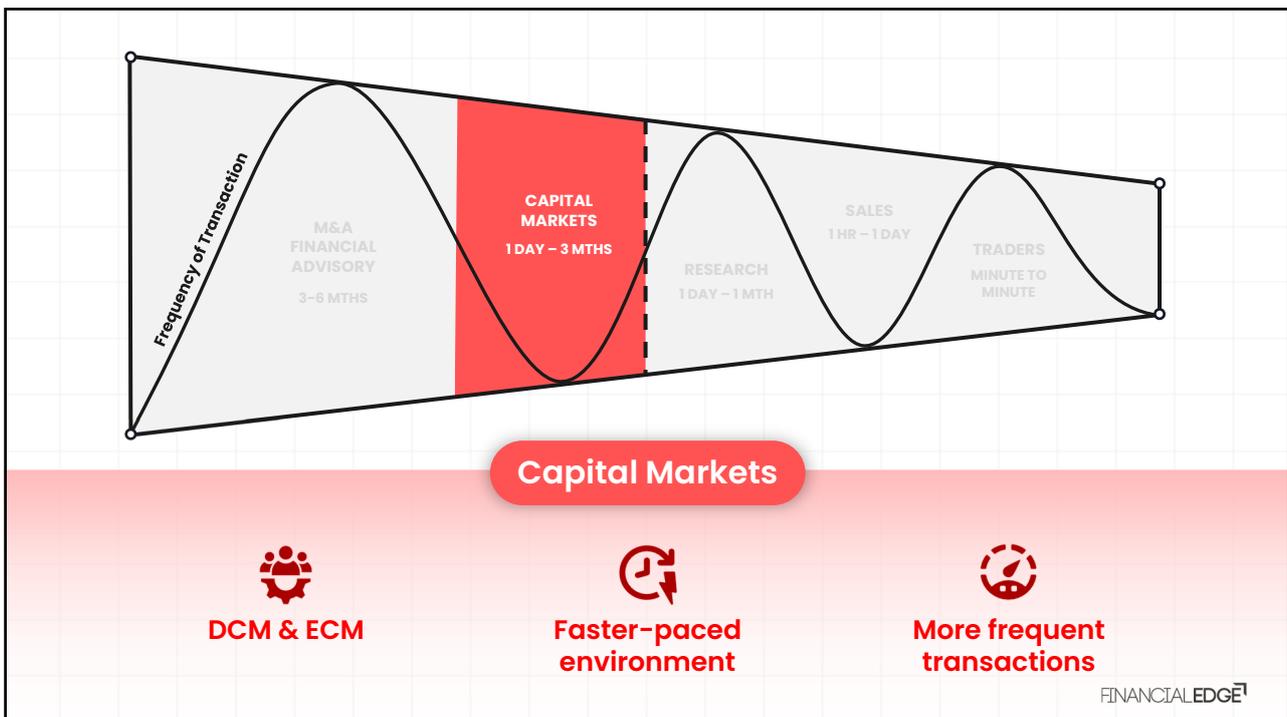
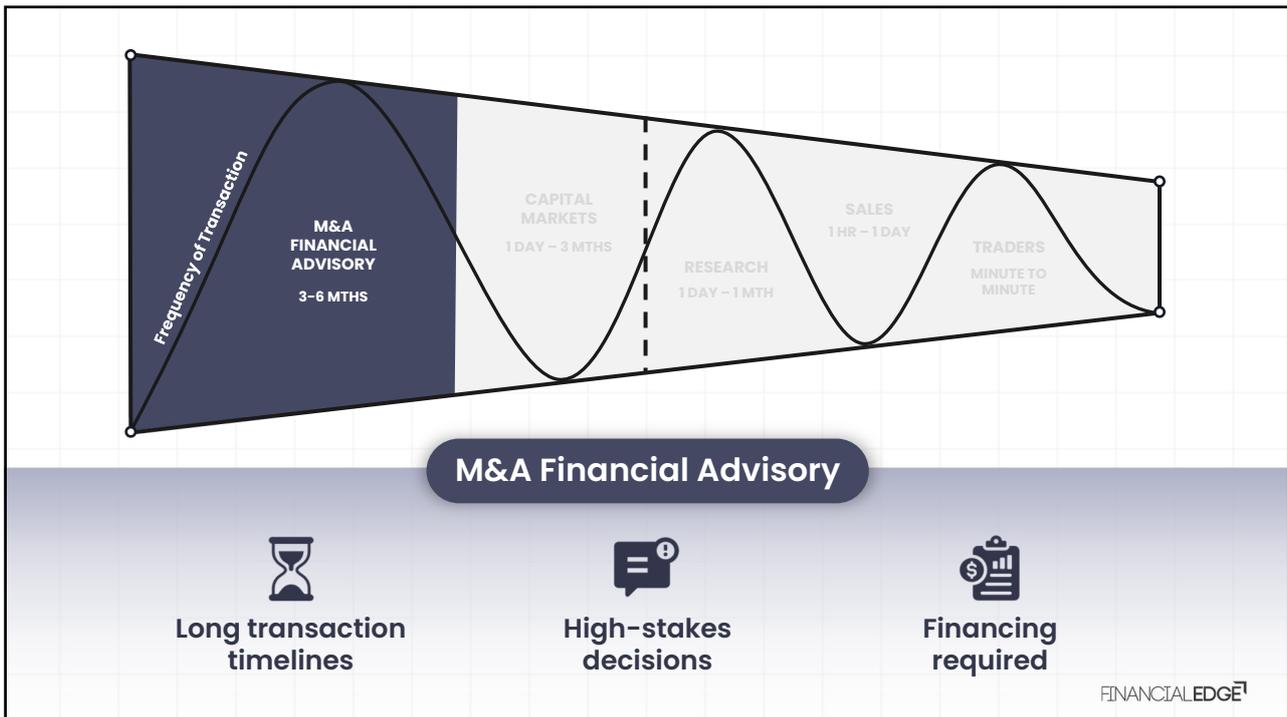
Foreign exchange (FX)

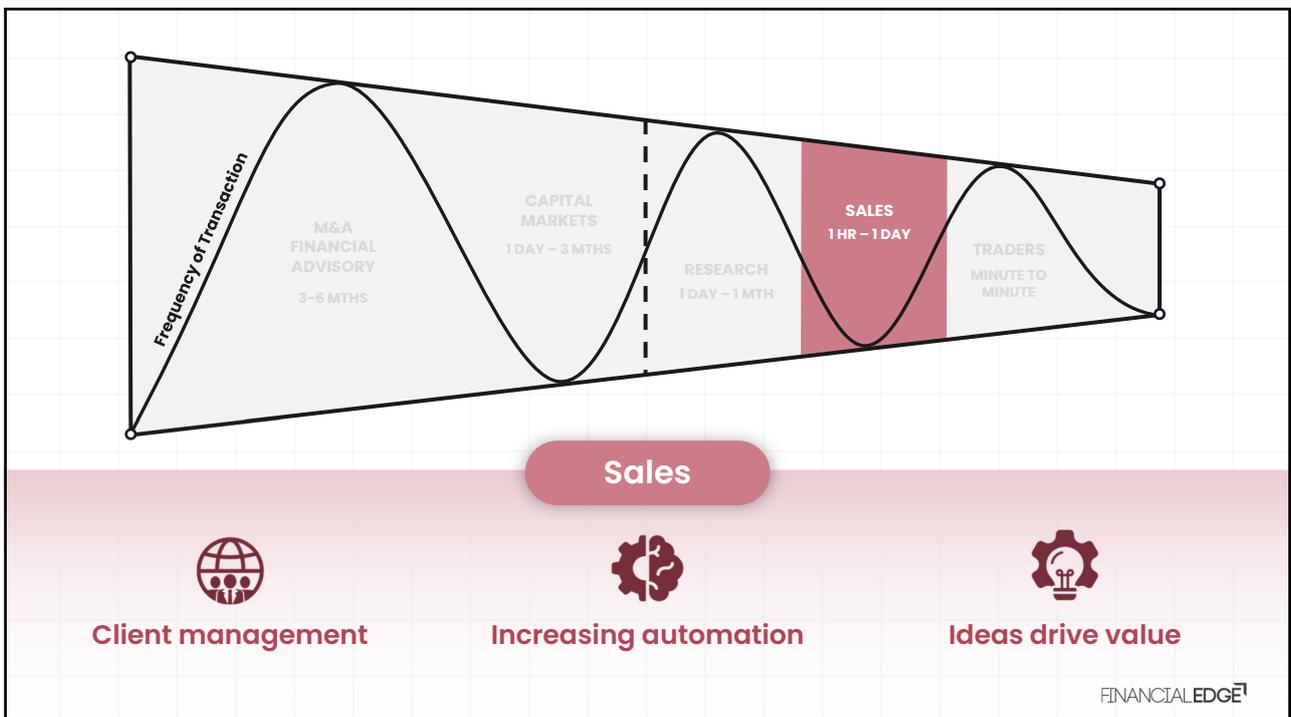
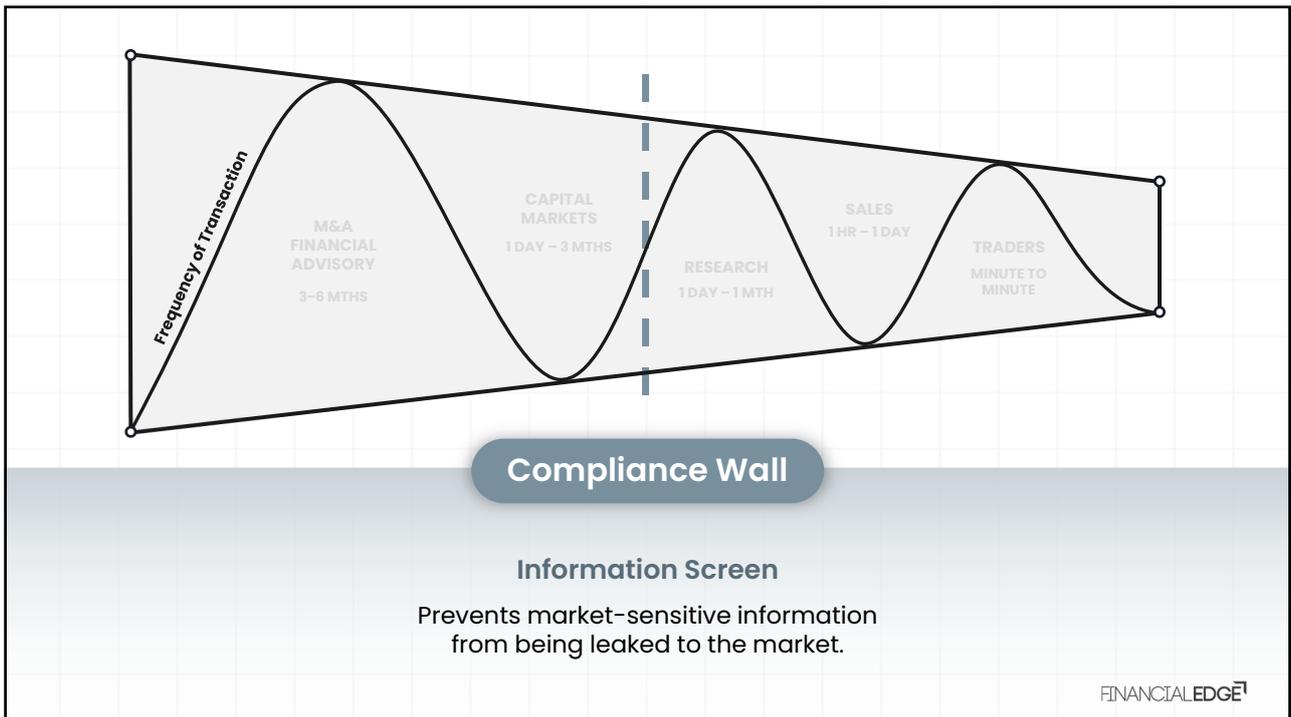
FINANCIALEDGE¹

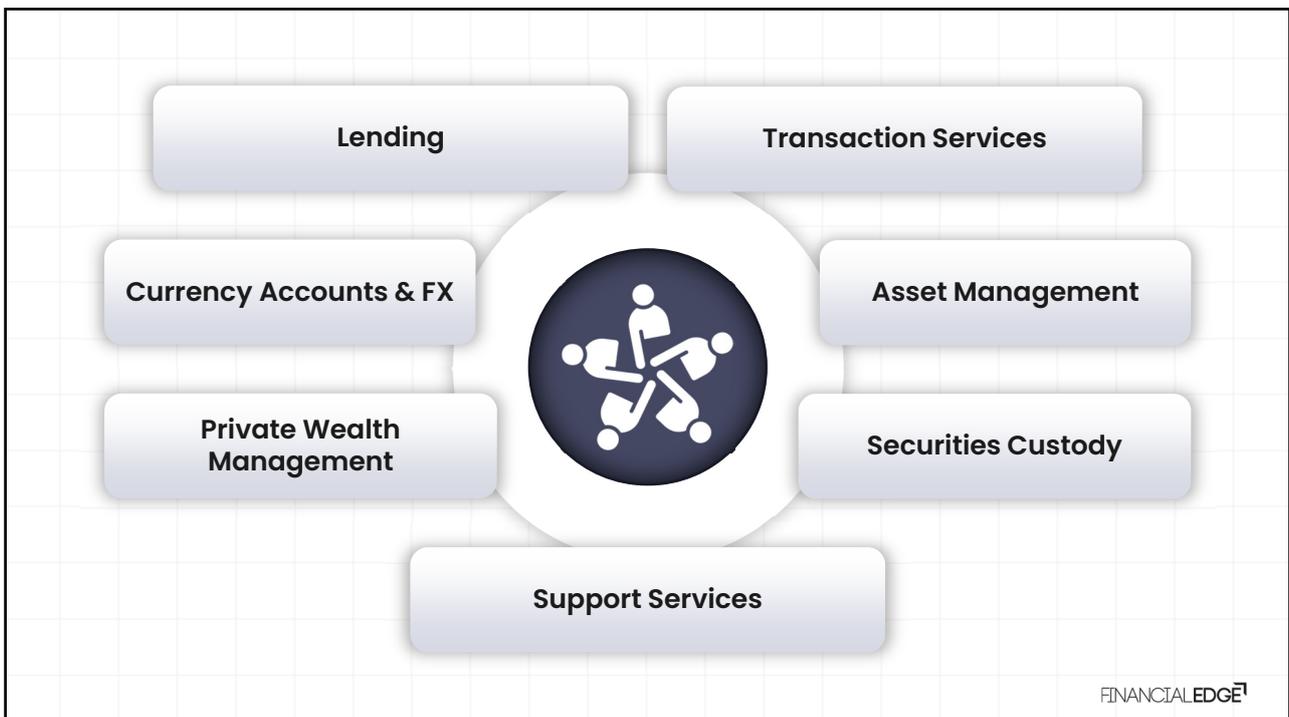
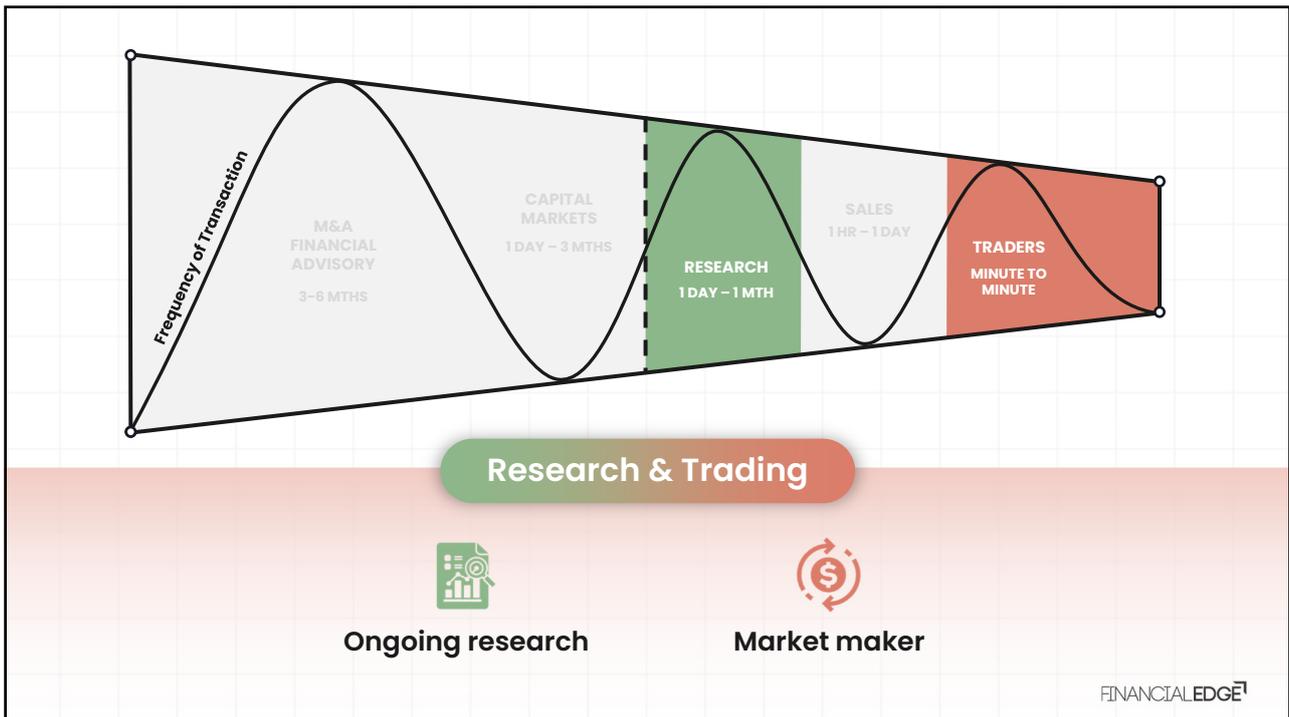
How an Investment Bank Works – Part 2

FINANCIALEDGE¹



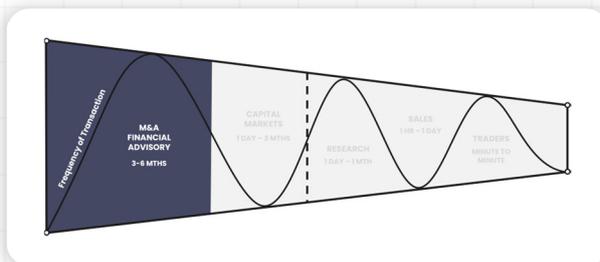






M&A / Financial Advisory

M&A / Financial Advisory



Execution Division
Handles mandated transactions.



Industry Teams
Organized by industry or geography.

Industry Teams

Industrials
Healthcare
Natural Resources
Technology Media & Telecoms (TMT)
Consumer Retail

Specialized Analytical Methodologies
Financial Institutions (FIG)
Real Estate
Financial Sponsors

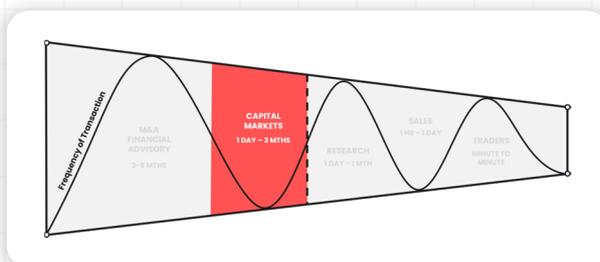
Skills

Attention to Detail
Math
Analytics
Industry Knowledge
Accounting
Financial Modeling

Written & Verbal Communication (incl. PowerPoint)
Valuation
Financing
Deal Structuring

Capital Markets / Financing

Capital Markets



Product Groups
Could be geography or industry teams.



Structured Finance
Combines derivatives with bonds or stocks.

Teams

Typically the Biggest Teams
Equity Capital Markets
Debt Capital Markets
Leveraged Finance

Derivatives
Structured Finance
Municipal Finance
High Yield

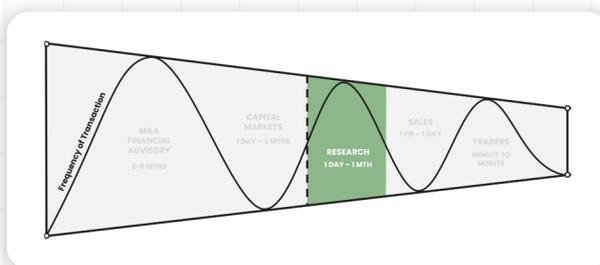
Skills

Attention to Detail
Math (in DCM)
Written & Verbal Communication (incl. PowerPoint)

Analytics
Accounting
Financial Modeling
Valuation

Research

Research



Regulatory Change

Research unbundled from other services.



The Impact

Greater transparency; asset managers scrutinize research value.

Teams

Credit Research

Corporate Research
Economic Research

Rates Research
Commodities
Asset Allocation

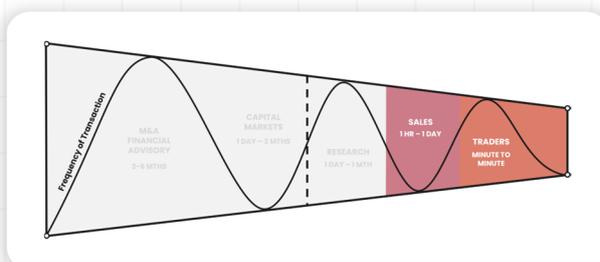
Skills

Attention to Detail
Math
Written & Verbal Communication (incl. PowerPoint)

Analytics
Accounting
Financial Modeling
Valuation

Sales & Trading

Sales & Trading



Trading Floor

Reflects bank's capital markets activities.



Market-Driven Divisions

Divisions shift with markets.

Teams

Equities
Cash Equities
Convertibles

Fixed Income
Rates
High Yield
Credit CDS

Commodities

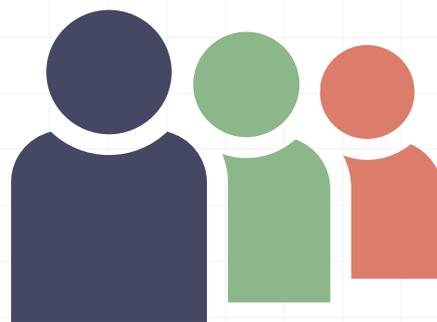
Currencies

Skills

Attention to Detail
Very Strong
Math in Trading
Analytics
Very Strong Verbal
Communication

Very Strong
Interpersonal Skills
Accounting
Financial Math
Valuation

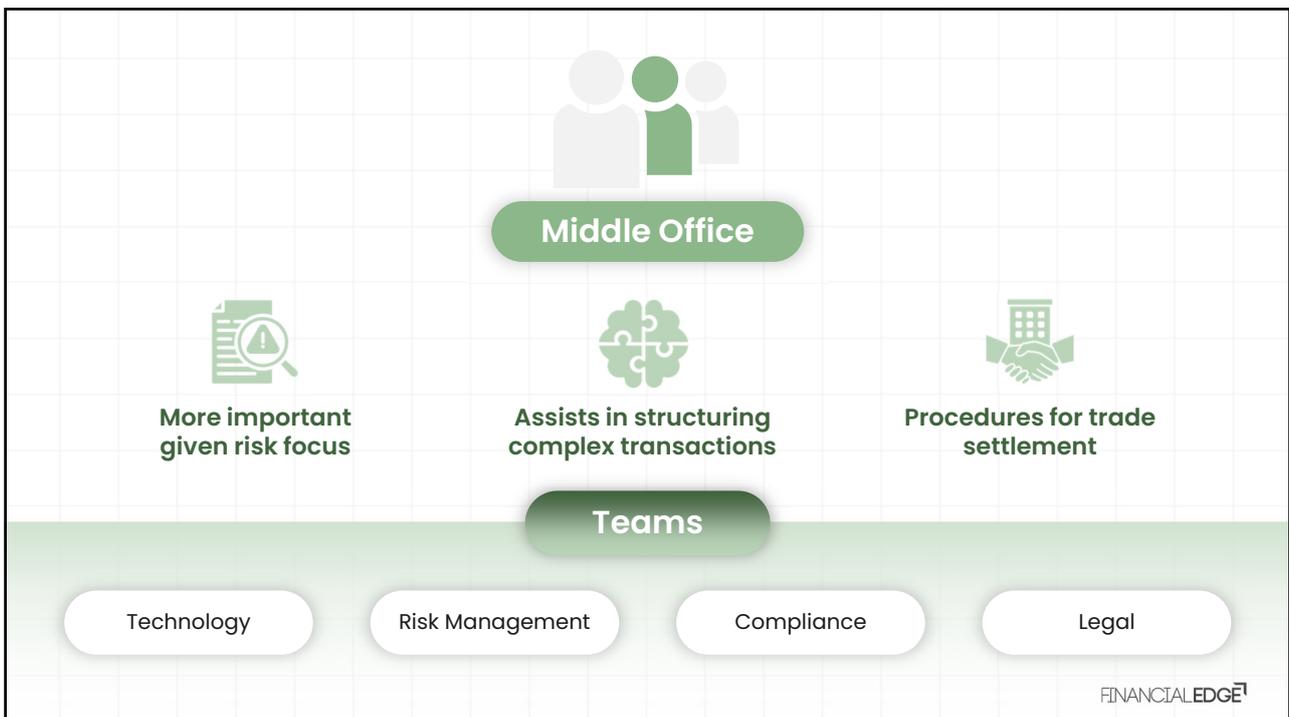
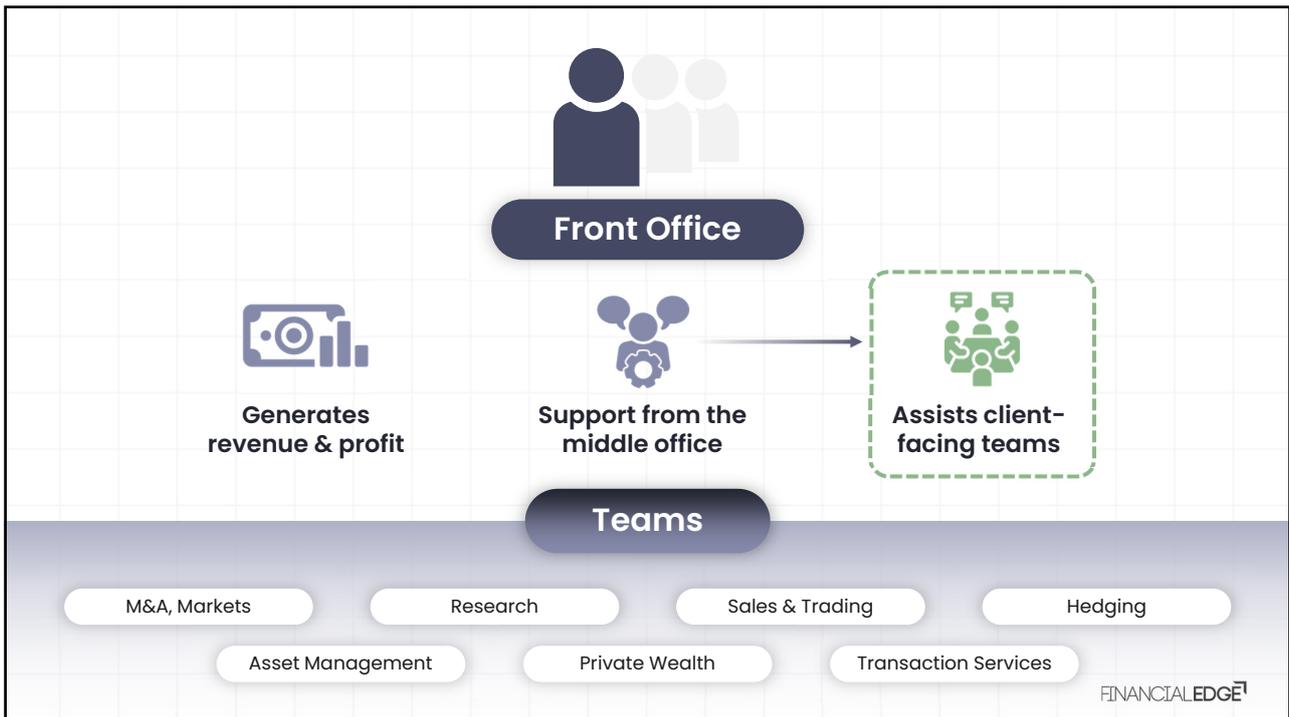
Front, Middle & Back Office

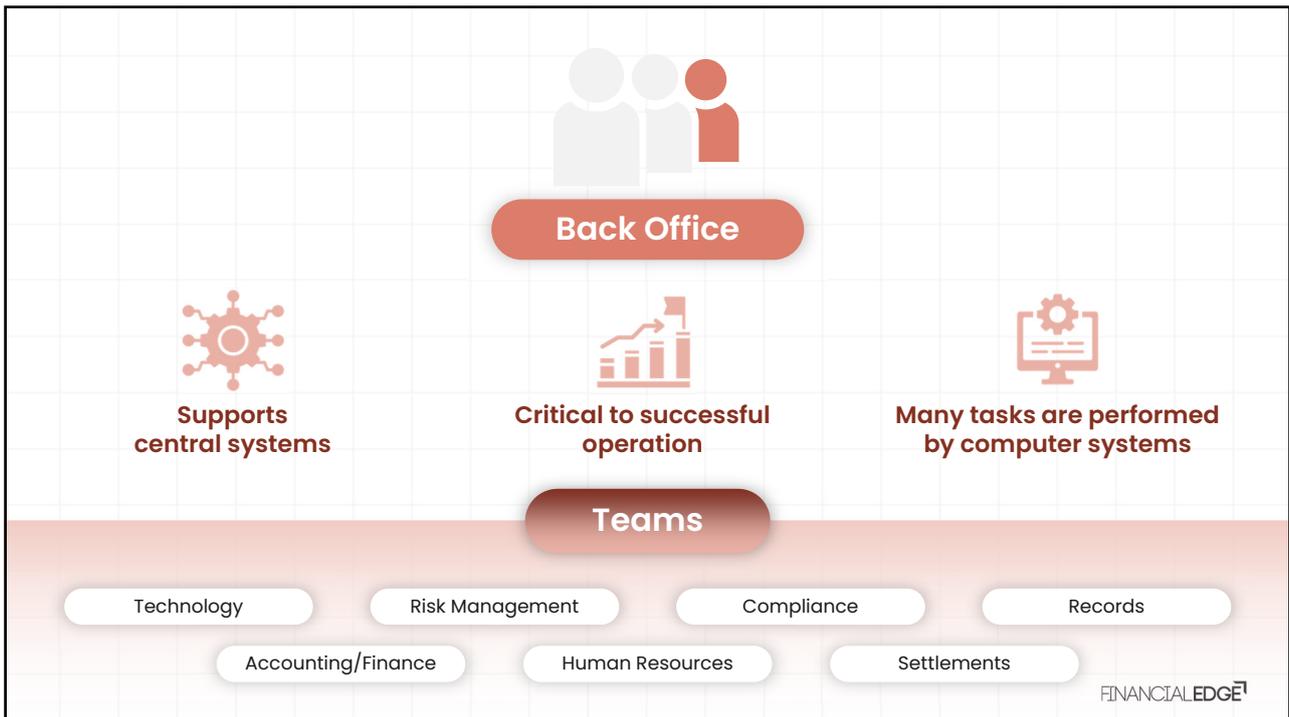


Front Office

Middle Office

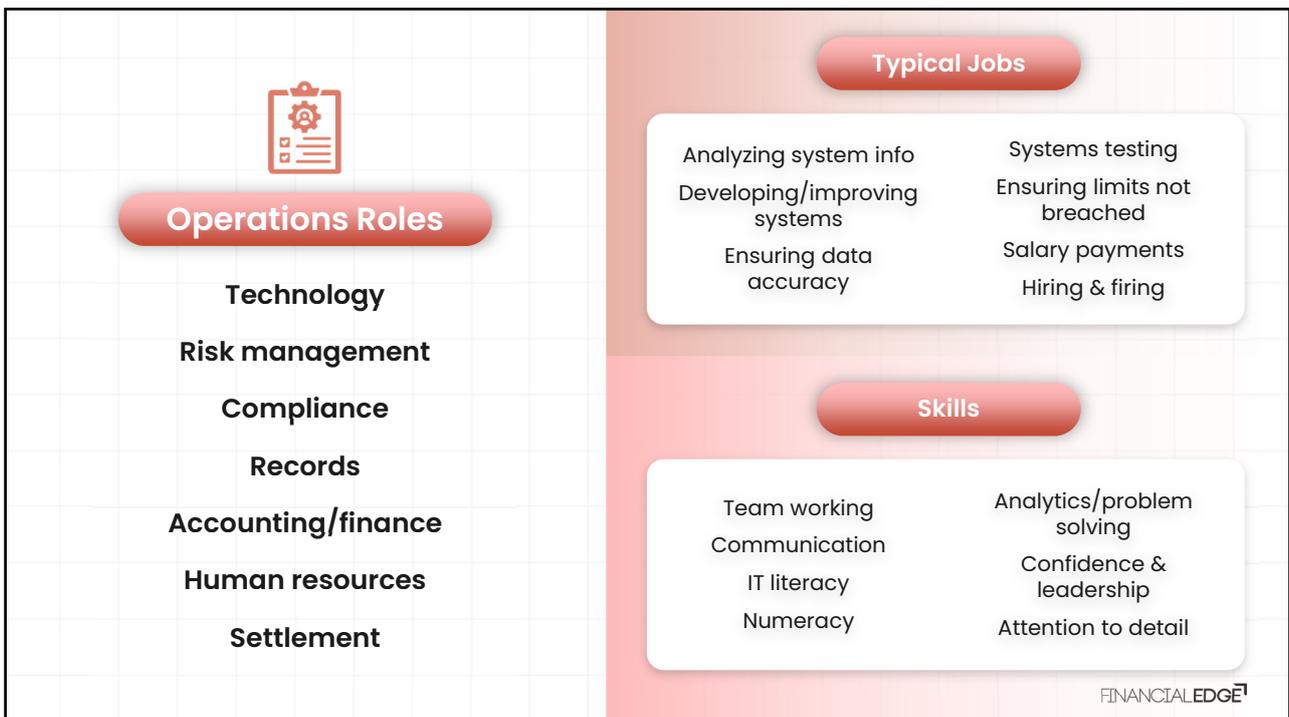
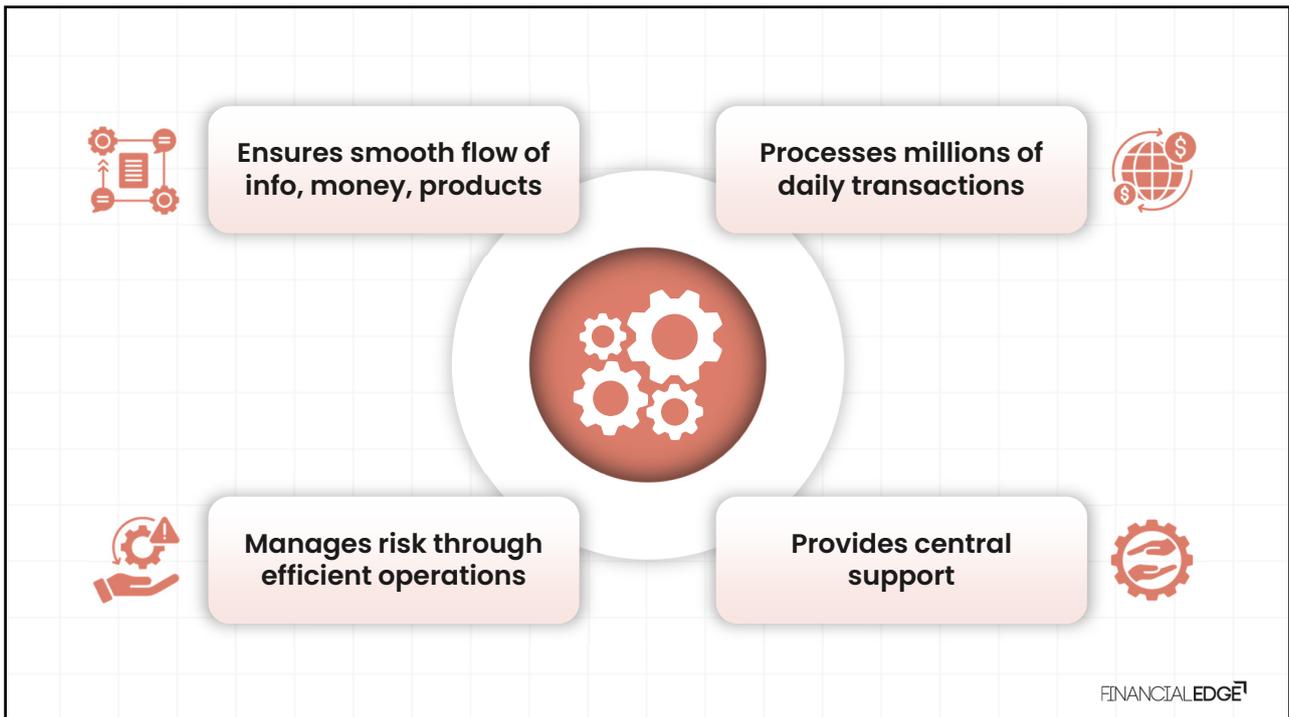
Back Office





Back Office

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Middle Office



Supports Front Office

- Technology
- Risk management
- Compliance
- Legal
- Settlement/clearing

Typical Jobs

- | | |
|------------------------------------|--------------------------|
| Transaction clearing | Managing trading systems |
| Liaising with clients | Designing software |
| Checking daily transaction reports | |

Skills

- | | |
|---------------|---------------------------|
| Team working | Analytics/problem solving |
| Communication | Confidence & leadership |
| IT literacy | Attention to detail |
| Numeracy | |

Working in the Middle & Back Office

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Front Office

80-hour work weeks
are not uncommon

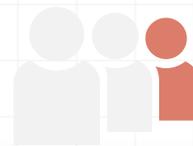
High-pressure work



Middle Office

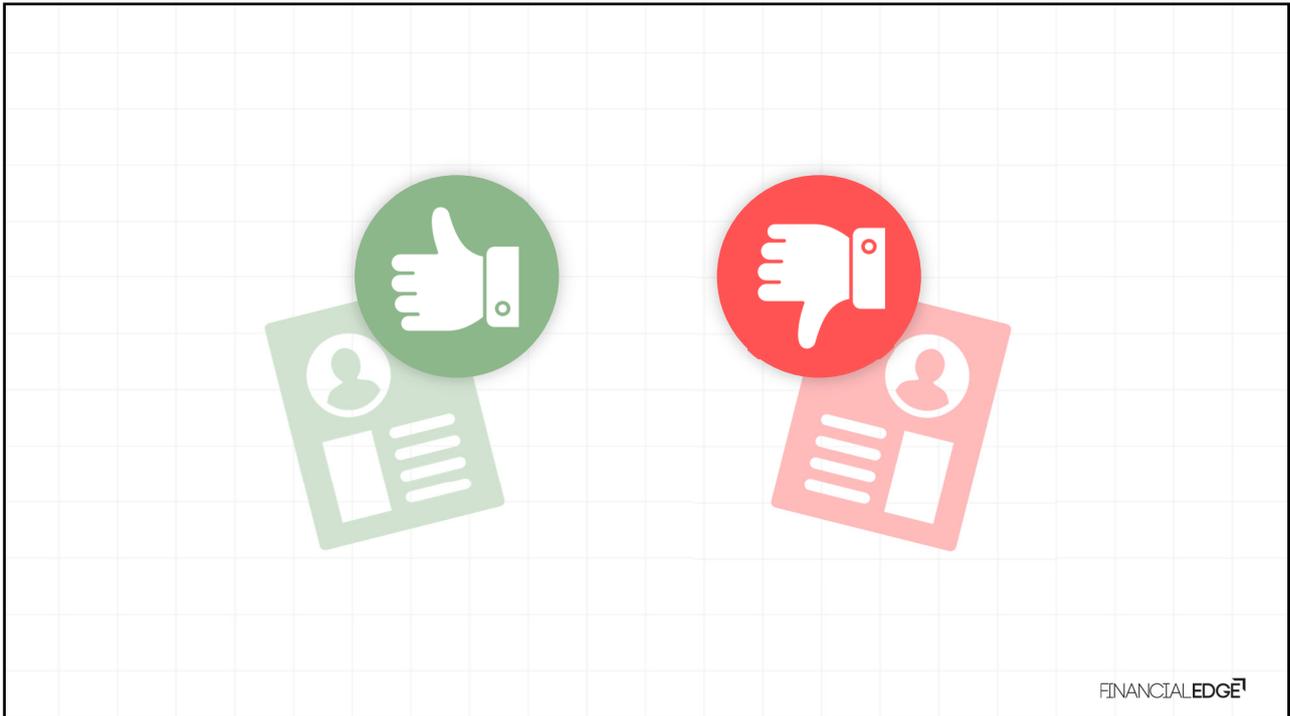
Better work life balance (50/60-hour work week)

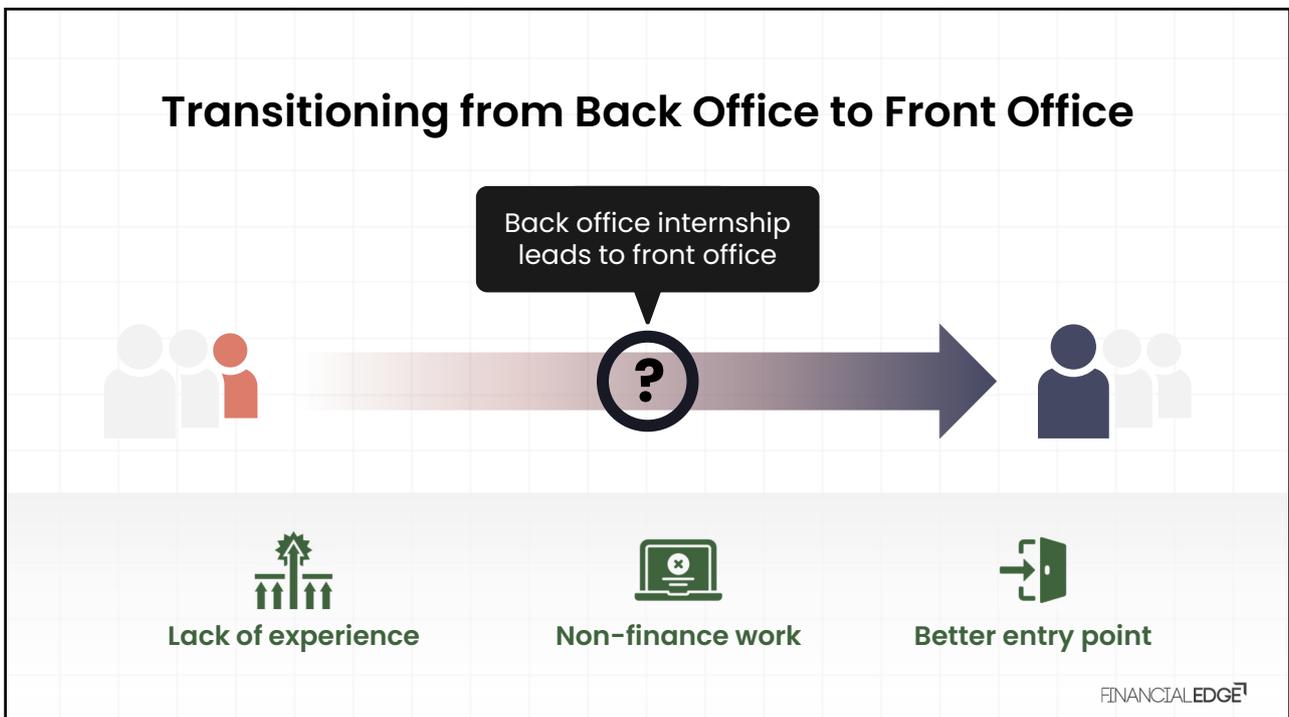
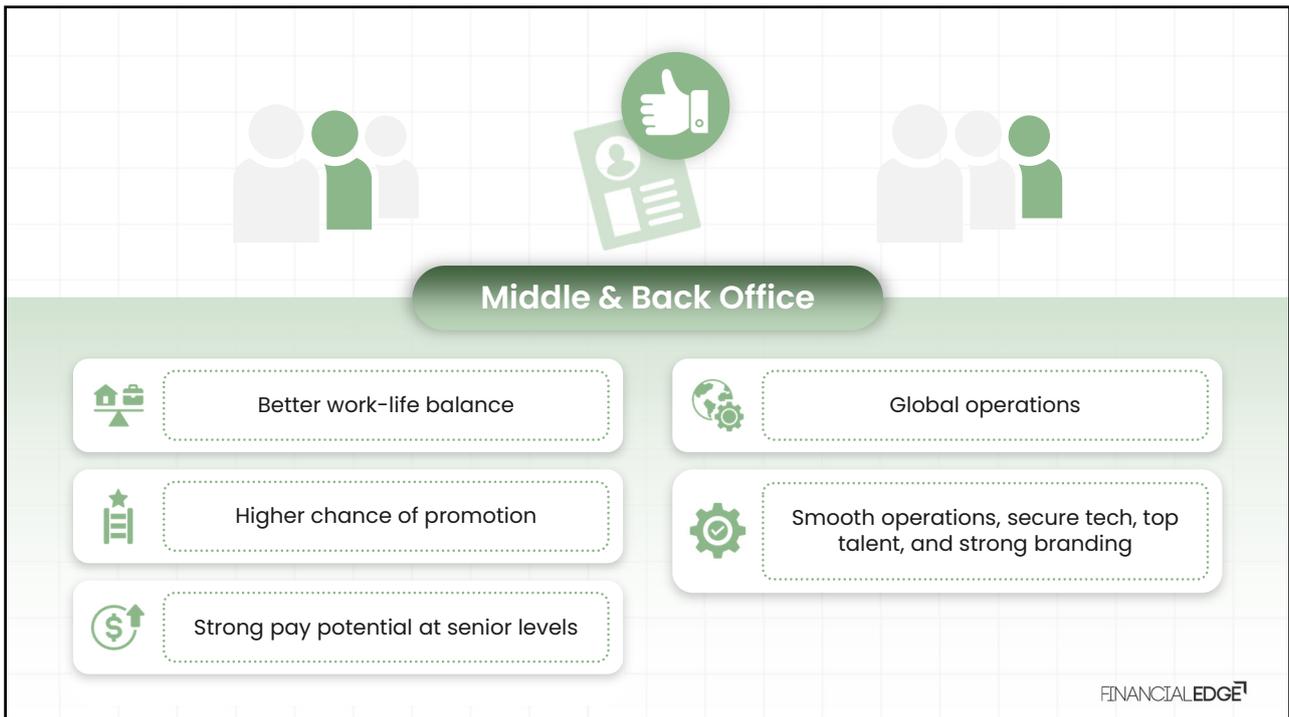
Excellent pay at senior levels



Back Office

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Risk Management

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Investor

Buys a government bond over corporate bond.

Fund Manager

Hedges a currency exposure with derivatives.

Bank

Performs credit checks before approval.

Stockbrokers

Use financial instruments like options and futures.

Money Managers

Portfolio diversification to manage risk effectively.

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Value at Risk (VAR)

Calculates how bad your losses could get with a given level of confidence and time horizon.

95%
CONFIDENCE

\$1,000 (2 Years)
INVESTMENT

\$200
MAXIMUM LOSS



Highly analytical roles



What might impact us?



How might we mitigate it?



How might we take advantage of it?

Risk Categories

Macro, market or systematic risks are unavoidable.

For example, interest rate, FX, inflation risk



Systematic Risk
Industry-wide events



Credit Risk
Counterparty default
→ Screen clients regularly

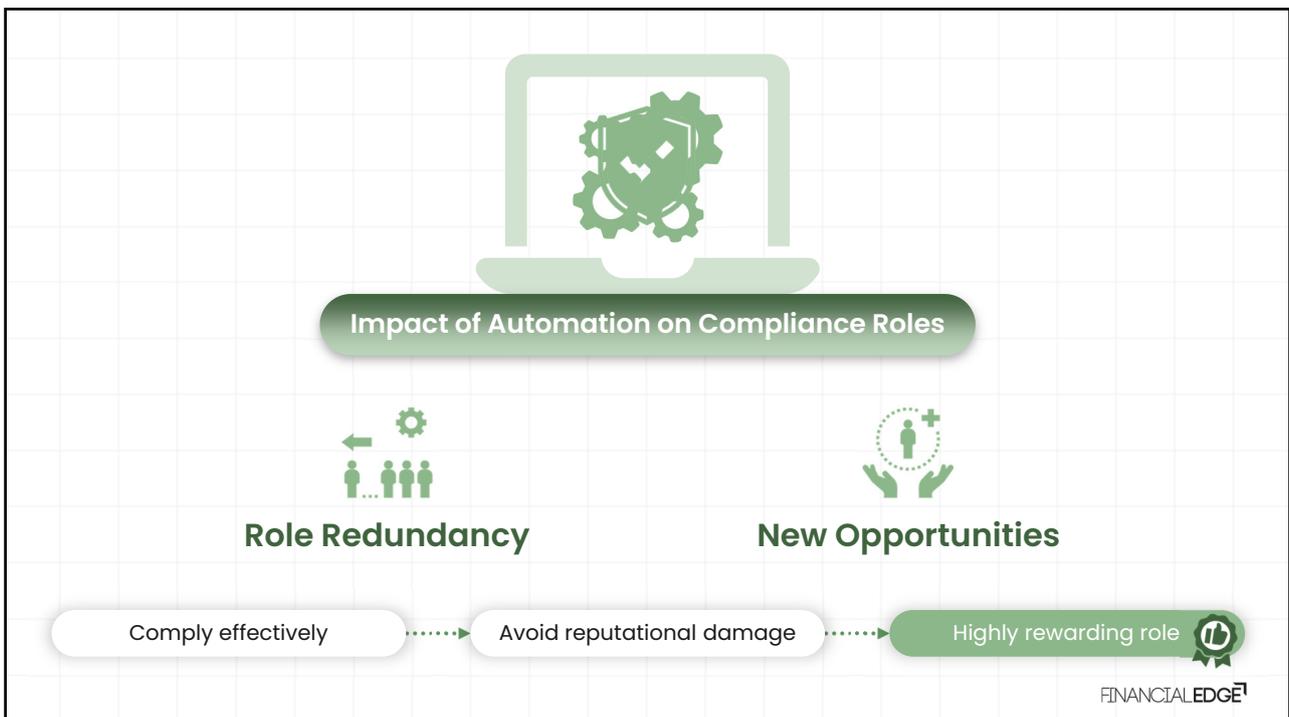
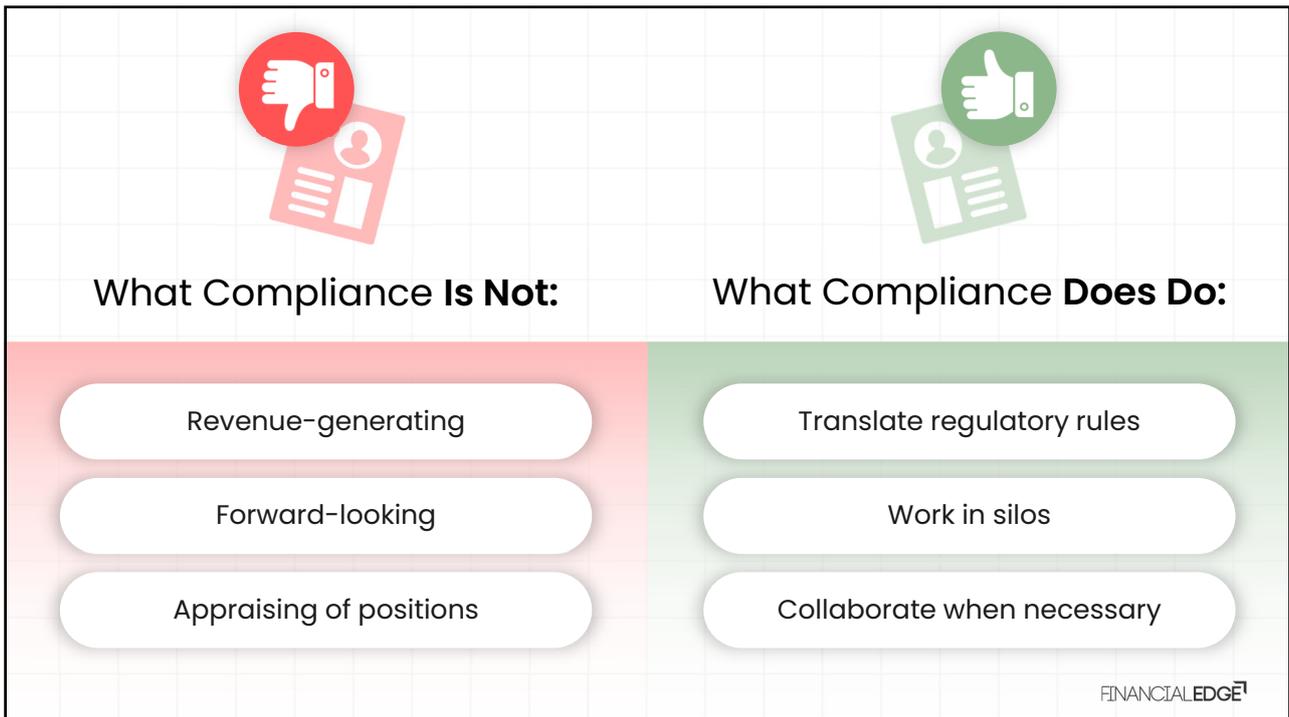


Operational Risk
Human error, tech failure,
fraud → Manage with
training & controls

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Compliance

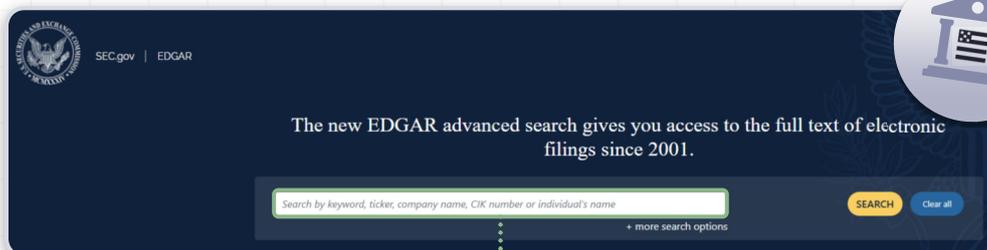
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Bank Divisions

Breaking Down Bank Divisions

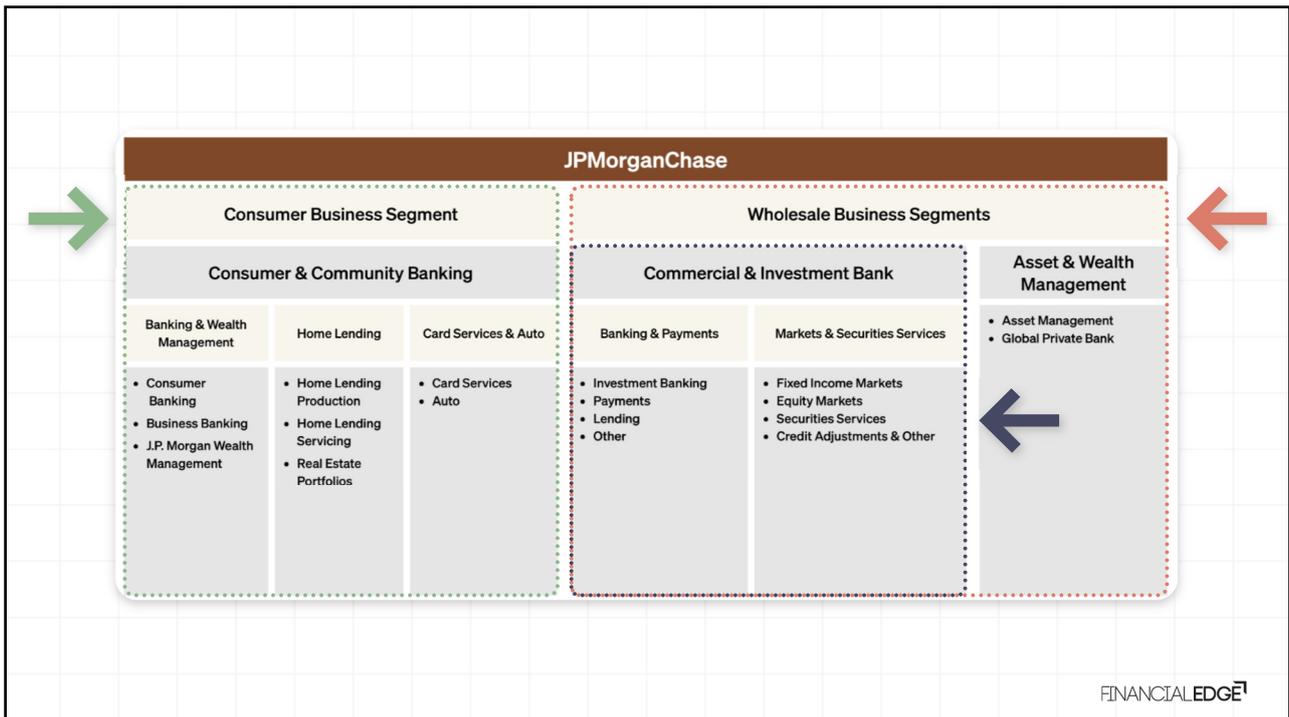
To get a true sense of structure, review annual reports



10-K Reports

VARIOUS SOURCES & LOCATIONS

Annual Reports



Bulge Brackets



Largest Multinational Investment Banks

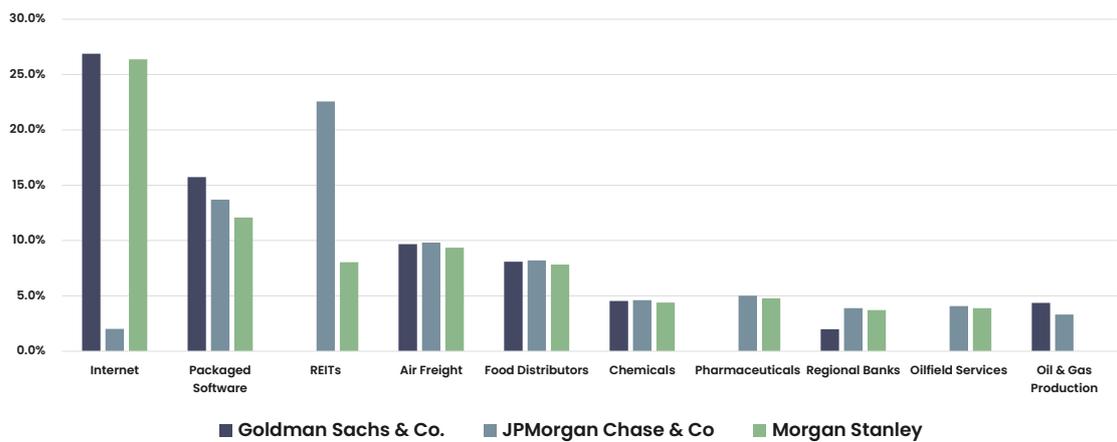
Term for banks underwriting most securities in new deals.

Goldman Sachs

Morgan Stanley

J.P.Morgan

Top Three IPO Bookrunner Penetration By Industry



FinTech

FINANCIALEDGE¹

FinTech (Financial Technology)



Redefining Finance

Automates financial
service delivery



Expansive Innovation

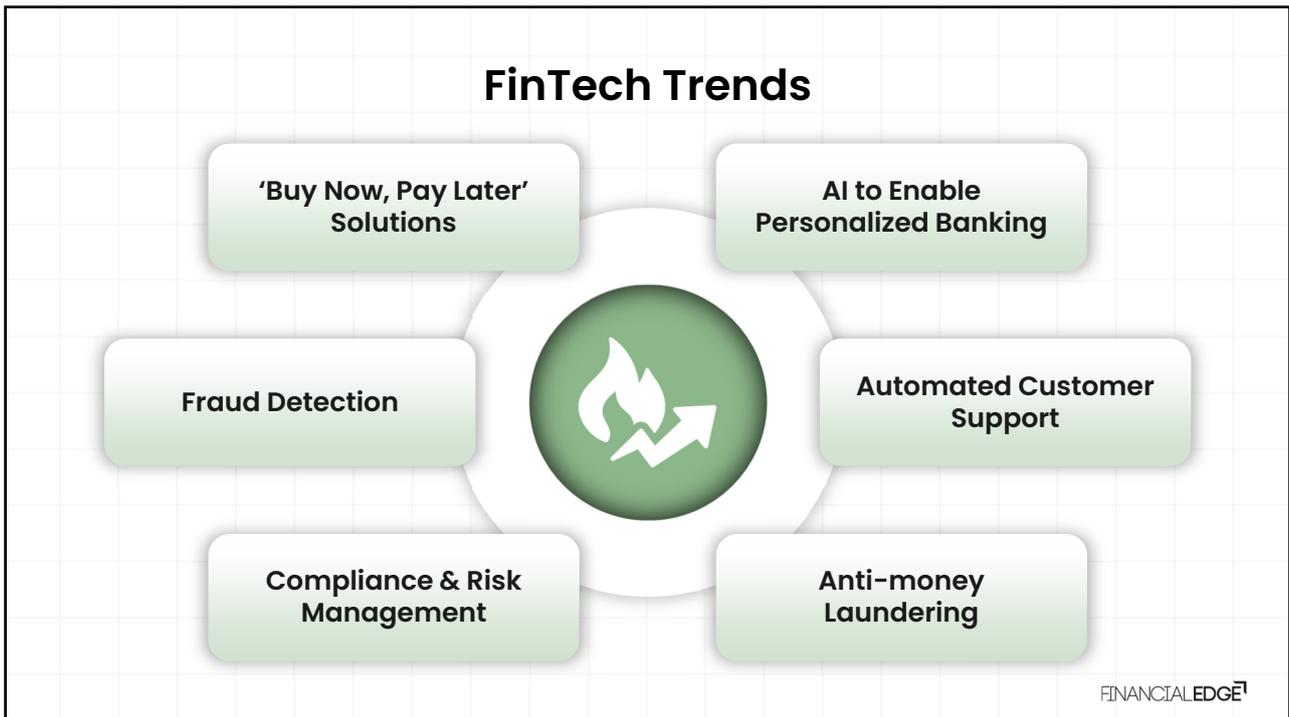
Diverse solutions,
driving rapid evolution



The Impact

Challenges traditional
incumbents

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Investment Banking Skills Matrix

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	Teamwork	Organized	Quick Learner	Comms	Negotiator	Analytical	Client Management	People Management	Tech Skills
Advisory	5	5	5	3	2	5	3	2	3
Markets	4	4	4	3	2	5	3	2	2
Sales	4	2	4	5	3	3	5	2	2
Trading	2	2	5	2	3	5	3	2	3
Research	3	4	5	5	1	5	3	2	2
Asset Management	3	4	4	3	2	5	3	2	2
Ops/Back Office	5	5	5	4	2	2	1	5	2
Risk Management	5	4	4	3	5	5	1	2	2

FINANCIALEDGE¹

	Teamwork	Organized	Quick Learner	Comms	Negotiator	Analytical	Client Management	People Management	Tech Skills
Advisory	5	5	5	3	2	5	3	2	3
Markets	4	4	4	3	2	5	3	2	2
Sales	4	2	4	5	3	3	5	2	2
Trading	2	2	5	2	3	5	3	2	3
Research	3	4	5	5	1	5	3	2	2
Asset Management	3	4	4	3	2	5	3	2	2
Ops/Back Office	5	5	5	4	2	2	1	5	2
Risk Management	5	4	4	3	5	5	1	2	2

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