





Page Title	Unit Launch	Type	Text and Static Image / Graphic	Number	1
Screen Layout					
A graphic for 'PROFESSIONAL BANKING FUNDAMENTALS'. It features a low-angle shot of modern glass skyscrapers against a blue sky. Text overlays include 'Chapter 1 - The Business of Banking and the Economic Environment', 'A Banks Financials', the FINSIA logo, and a 'LET'S GET STARTED >' button.					
Event	Audio	On-Screen Text (OST)			
1.		Professional Banking Fundamentals			



		<p>Chapter 1 – The Business of Banking and the Economic Environment</p> <p>A Bank's Financials</p> <p>Let's Get Started</p>		
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Page Title	Unit Navigation	Type	Text and Static Image / Graphic	Number	2
Screen Layout					
Event	Audio	On-Screen Text (OST)			
2.	Nil	<p>This unit will take approximately 15 minutes to complete.</p> <p>To navigate through this unit, there are arrows to continue next and go back.</p> <p>This unit is one of several in the Business of Banking chapter. A Knowledge Check will be provided at the conclusion of the chapter to assist in reinforcing your learning. This does not count towards your final exam</p>			



Page Title		Learning Introduction and Objectives		Type	Animated Text and Static Image / Graphic	Number	3	
Screen Layout								
<div><div><div>PROFESSIONAL BANKING FUNDAMENTALS</div><div><div>A Banks Financials</div><div><div>Introduction</div><div>Welcome to A Banks Financials unit.</div><div>In this unit we will explore the fundamentals of a banks financials and how they operate as a business.</div><div>By the end of this unit you will be able to:</div><div><div><div>• Describe the different revenue streams and funding sources of a bank</div><div>• Understand the financials behind a banks operation</div></div></div></div></div></div></div>								
Event	Video/Audio	On-Screen Text (OST)						
3.		<div>Introduction</div> <div>Welcome to “A Bank's Financials” unit.</div> <div>In this unit we will explore the fundamentals of a bank's financials and how banks operate as a business.</div> <div>By the end of this unit you will be able to:</div> <div><div><div>• Describe the different revenue streams and funding sources of a bank; and</div><div>• Understand the financials behind a bank's operation</div></div></div> <div>Click next to explore sources of revenue</div>						





Unit 3: A BANKS FINANCIALS

Page Title	Revenue Sources	Type	Static text and icons	Number	4
Screen Layout					
					
Event	Audio	On-Screen Text (OST)			
4.		<p>REVENUE SOURCES</p> <p>Banks make money in two main ways:</p> <p>Lending Money</p> <p>Lending money at rates higher than they pay for deposits. The difference is the spread, or the net interest income. When net interest income is divided by the bank's earning assets, it is the net interest margin.</p> <p>Charging Fees</p> <p>Charging fees for products and services such as loans, deposit and payment services, as well as other services such as foreign exchange fees.</p> <p>Click next to proceed</p>			





Page Title		Type	Animated text and imagery	Number	5
Screen Layout					
<div><div>PROFESSIONAL BANKING FUNDAMENTALS</div><div><div>A Banks Financials</div><div><div>BANKING FEES IN AUSTRALIA</div><div>The Reserve Bank's annual bank fee survey provides information on the fees earned by banks from households and businesses through their Australian operations. The most recent survey conducted, covering banks' financial years ending in 2019, indicates:</div><div><div><div>For households:<ul style="list-style-type: none">credit cards represented the largest component of fee income, followed by housing loan fees.Banks' fee income from households declined by 7 per cent in 2019, which followed a similar decline in 2018, and compares with modest growth in the preceding few years.</div></div><div><div><div>For businesses:<ul style="list-style-type: none">loans represented the largest component of fee income, followed by merchant services fees.Increased fee income from large businesses mostly reflected an increase in fee income from account-servicing fees, though fee income from transaction services and exception fees also increased.</div></div></div></div></div></div></div>					
Event	Audio	On-Screen Text (OST)			
5.	None	BANKING FEES IN AUSTRALIA <p>The Reserve Bank's annual bank fee survey provides information on the fees earned by banks from households and businesses through their Australian operations. The most recent survey conducted, covering banks' financial years ending in 2019, indicates:</p> <ul style="list-style-type: none">For households, credit cards represented the largest component of fee income, followed by housing loan fees and deposits.Banks' fee income from households declined by 7 per cent in 2019, which followed a similar decline in 2018, and compares with modest growth in the preceding few years.			




		<ul style="list-style-type: none">• For businesses, loans represented the largest component of fee income, followed by fees for merchant services.• Bank's fee income from large businesses increased mainly due to account-servicing fees and to a lesser extent transaction services and exception fees.		
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Page Title	Cost of Funding	Type	Animated text. Drag and drop.	Number	6
Screen Layout					
<div><div><div>PROFESSIONAL BANKING FUNDAMENTALS</div><div><div>A Banks Financials</div><div><div>≡</div><div>🏠</div><div>✕</div></div></div></div><div><div><div>COST OF FUNDING</div><div>The primary cost for financial institutions is that of obtaining the funds used to lend to households and businesses to support a growing Australian economy. Determining a bank's cost of funds is a complex exercise – it is a function of the source of funding and the costs of raising the funding.</div></div><div><div><div>FUNDING SOURCES</div><div>The sources of bank funding (as at July 2019 via ABA data) were as follows:</div><div><div>Do you know the composition of bank funding? (drag each heading to the corresponding data and see if you're right)</div><div><div>Retail Deposits</div><div>Wholesale Funding</div></div></div><div><div><div>62%</div><div>from households and businesses, accounting for 62% of total funding, or \$607 billion.</div><div>\$607b</div></div><div><div>38%</div><div>short term and long term debt issuance (both domestic and offshore), accounting for 38%, or \$372 billion.</div><div>\$372b</div></div></div><div><div>The price that banks pay for their funds is influenced by a range of market factors which include credit ratings, availability of funds, investor confidence, inflation expectations, broader global economic and financial environment, and the official cash rate.</div></div></div></div></div></div>					
Event	Audio	On-Screen Text (OST)			
6.	None	<div><div><div>COST OF FUNDING</div><div>The primary cost for financial institutions is that of obtaining the funds used to lend to households and businesses, to support a growing Australian economy. Determining a bank's cost of funds is a complex exercise – it is a function of the source of funding and the costs of raising the funding.</div></div><div><div><div>FUNDING SOURCES</div><div>The sources of bank funding (ABA data as at July 2019) were as follows:</div><div>Do you know the composition of banks funding? (drag each heading to the corresponding data and see if you're right)</div></div></div></div>			



		<ul style="list-style-type: none">• Retail deposits – from households and businesses, accounting for 62% of total funding, or \$607 billion.• Wholesale funding – short term and long-term debt issuance (both domestic and offshore), accounting for 38%, or \$372 billion. <p>The price that banks pay for their funds is influenced by a range of market factors which include credit ratings, availability of funds, investor confidence, inflation expectations, the broader global economic and financial environment, and the official cash rate.</p>		
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Page Title	Risk Management	Type	Static Text and Imagery with click and reveal	Number	7
Screen Layout					
					
Event	Audio	On-Screen Text (OST)			
7.	None	<p>RISK MANAGEMENT</p> <p>As part of their role as intermediaries, banks take on the risk of being unable to satisfy cash flow needs. This is largely because they offer short term liabilities (such as deposits) and transform them into longer term assets (such as loans), known as maturity transformation.</p> <p>There is a cost inherent in the risks associated with such a process.</p> <p>There are three risk categories:</p> <ul style="list-style-type: none"> • Credit risk – the probability of loss due to a borrower’s failure to make payments on any type of debt. • Liquidity risk – the potential inability of a bank to meet its payment obligations in a 			



		<p>timely and cost-effective manner.</p> <ul style="list-style-type: none">• Interest rate risk – the risk that movement in interest rates will have an adverse effect on the value of an investment. <p>We will look at risk and risk management in greater detail later in this program.</p> <p>What is MATURITY TRANSFORMATION?</p> <p>Is the practice by financial institutions of borrowing money on shorter timeframes than they lend money out.</p>		
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Page Title		Analysing Financial Statements	Type	Static text	Number	8
Screen Layout						
<div><div>PROFESSIONAL BANKING FUNDAMENTALS</div><div><div>A Banks Financials</div><div>ANALYSING A BANK'S FINANCIAL STATEMENTS</div><div>Understanding a bank's financial statements is central to understanding what banks do, the risks they take and how best those risks should be mitigated. Banking is a highly-leveraged business, and regulators dictate what are the minimum capital levels required to be held, in order to help ensure the solvency of each bank and the banking system.</div></div></div>						
Event	Audio	On-Screen Text (OST)				
8.	None	ANALYSING A BANK'S FINANCIAL STATEMENTS Understanding a bank's financial statements is central to understanding what banks do, the risks they take and how best those risks should be mitigated. Banking is a highly leveraged business, and regulators dictate the minimum capital levels required to be held, in order to help ensure the solvency of each bank and the banking system.				



Page Title		Type	Number
Liquidity, Solvency and Profitability		Clickable slide show. Click and reveal.	9
Screen Layout			
<div><div>PROFESSIONAL BANKING FUNDAMENTALS</div><div><div>A Banks Financials</div><div>There are key elements to consider when looking at a bank's financial statements and performance, such as:</div><div><div>Profitability</div><div>Solvency</div><div>Liquidity</div></div><div><div>Did you know?</div><div>The global financial crisis during 2007-08 revealed that a number of banks globally had not managed their liquidity risk prudently, as funding market liquidity evaporated.</div></div></div></div>			
Event	Audio	On-Screen Text (OST)	
9.	None	<p>LIQUIDITY, SOLVENCY AND PROFITABILITY</p> <p>There are key elements to consider when looking at a bank's financial statements and performance, such as:</p> <p>Liquidity. Liquidity is determined by a bank' s ability to meet all its anticipated expenses, such as funding loans or making payments on debt, using only liquid assets. Liquidity problems arise when a bank does not hold sufficient cash (or assets that can easily be converted into cash) on their balance sheet to repay depositors and other creditors.</p>	



		<p>Solvency. Solvency is the ability of a bank to meet its long-term financial obligations. Solvency is essential to staying in business as it indicates a company's ability to continue operations into the foreseeable future.</p> <p>Profitability. Profitability is the ability to generate earnings compared to its expenses and other relevant costs incurred during a specific period of time. Profitability ratios such as profit margin, return on assets (ROA) and return on equity (ROE) are popular metrics used in financial analysis.</p>		
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Page Title	Balance Sheet – Assets and Liabilities	Type	Transitional/Animated text.	Number	10				
Screen Layout									
<div><div>PROFESSIONAL BANKING FUNDAMENTALS</div><div><div>A Banks Financials</div><div><div>A bank's balance sheet will generally comprise the following:</div><table><tr><th>ASSETS</th><th>LIABILITIES</th></tr><tr><td><div>Interest Earning Assets<ul style="list-style-type: none">• Home loans• Loans to consumers• Business and corporate loans• Cash and coin</div><div>Non Lending Interest Earning Assets</div><div>Non Earning Assets<ul style="list-style-type: none">• Premises, e.g. branches, offices• Equipment, e.g. computers, furniture, vehicles</div></td><td><div>Interest Bearing Liabilities<ul style="list-style-type: none">• Transaction deposits• Savings deposits• Investment deposits• Other demand deposits• Debt issues</div><div>Equity<ul style="list-style-type: none">• Share capital</div></td></tr></table><div>Click next to discover what else can be found on a banks balance sheet.</div></div></div></div>						ASSETS	LIABILITIES	<div>Interest Earning Assets<ul style="list-style-type: none">• Home loans• Loans to consumers• Business and corporate loans• Cash and coin</div> <div>Non Lending Interest Earning Assets</div> <div>Non Earning Assets<ul style="list-style-type: none">• Premises, e.g. branches, offices• Equipment, e.g. computers, furniture, vehicles</div>	<div>Interest Bearing Liabilities<ul style="list-style-type: none">• Transaction deposits• Savings deposits• Investment deposits• Other demand deposits• Debt issues</div> <div>Equity<ul style="list-style-type: none">• Share capital</div>
ASSETS	LIABILITIES								
<div>Interest Earning Assets<ul style="list-style-type: none">• Home loans• Loans to consumers• Business and corporate loans• Cash and coin</div> <div>Non Lending Interest Earning Assets</div> <div>Non Earning Assets<ul style="list-style-type: none">• Premises, e.g. branches, offices• Equipment, e.g. computers, furniture, vehicles</div>	<div>Interest Bearing Liabilities<ul style="list-style-type: none">• Transaction deposits• Savings deposits• Investment deposits• Other demand deposits• Debt issues</div> <div>Equity<ul style="list-style-type: none">• Share capital</div>								
Event	Audio	On-Screen Text (OST)							
10.	None	<div><div>BALANCE SHEET – ASSETS AND LIABILITIES</div><div>A bank's balance sheet will generally comprise the following:</div><table><tr><th>Assets</th><th>Liabilities</th></tr><tr><td><div>Interest Earning Assets<ul style="list-style-type: none">• Home loans• Loans to consumers• Business and corporate loans• Cash and coin</div><div>Non Lending Interest Earning Assets</div><div>Non Earning Assets<ul style="list-style-type: none">• Premises, e.g. branches, offices• Equipment, e.g. computers, furniture, vehicles</div></td><td><div>Interest Bearing Liabilities<ul style="list-style-type: none">• Transaction deposits• Savings deposits• Investment deposits• Other demand deposits• Debt issues</div><div>Equity<ul style="list-style-type: none">• Share capital</div></td></tr></table></div>				Assets	Liabilities	<div>Interest Earning Assets<ul style="list-style-type: none">• Home loans• Loans to consumers• Business and corporate loans• Cash and coin</div> <div>Non Lending Interest Earning Assets</div> <div>Non Earning Assets<ul style="list-style-type: none">• Premises, e.g. branches, offices• Equipment, e.g. computers, furniture, vehicles</div>	<div>Interest Bearing Liabilities<ul style="list-style-type: none">• Transaction deposits• Savings deposits• Investment deposits• Other demand deposits• Debt issues</div> <div>Equity<ul style="list-style-type: none">• Share capital</div>
Assets	Liabilities								
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		Click next to discover what can be found on a bank's income statement.		
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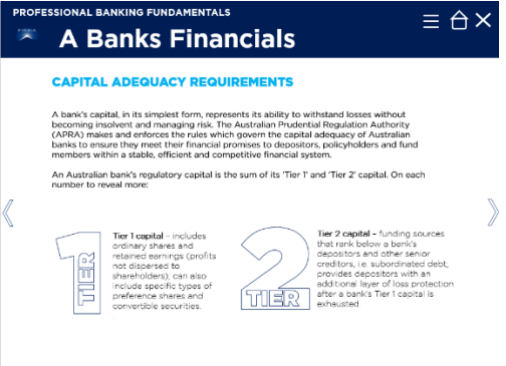


Page Title	Balance Sheet – Revenue and Expenses	Type	Transitional/Animated text.	Number	11										
Screen Layout															
<div><div>PROFESSIONAL BANKING FUNDAMENTALS</div><div><div>A Banks Financials</div><div><div>A bank's income statement will generally comprise the following:</div><table><thead><tr><th>Revenue</th><th>Expenses</th></tr></thead><tbody><tr><td>Net Interest Income (Difference between asset pricing and funding costs).</td><td>Operating Expenses<ul style="list-style-type: none">• Salaries• Technology• Investment spend• Risk and compliance</td></tr><tr><td>Other Banking Income<ul style="list-style-type: none">• Fees• Commissions</td><td>Loan Impairment Expenses</td></tr><tr><td>Funds Management Income<ul style="list-style-type: none">• Funds Under Administration (FUA)• Assets Under Management (AUM)</td><td>Corporate Tax Expense</td></tr><tr><td>Insurance Income</td><td>Dividends to Shareholders</td></tr></tbody></table></div></div></div>						Revenue	Expenses	Net Interest Income (Difference between asset pricing and funding costs).	Operating Expenses <ul style="list-style-type: none">• Salaries• Technology• Investment spend• Risk and compliance	Other Banking Income <ul style="list-style-type: none">• Fees• Commissions	Loan Impairment Expenses	Funds Management Income <ul style="list-style-type: none">• Funds Under Administration (FUA)• Assets Under Management (AUM)	Corporate Tax Expense	Insurance Income	Dividends to Shareholders
Revenue	Expenses														
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Other Banking Income <ul style="list-style-type: none">• Fees• Commissions	Loan Impairment Expenses														
Funds Management Income <ul style="list-style-type: none">• Funds Under Administration (FUA)• Assets Under Management (AUM)	Corporate Tax Expense														
Insurance Income	Dividends to Shareholders														
Event	Audio	On-Screen Text (OST)													
11.	None	<div><div>INCOME STATEMENT – REVENUE AND EXPENSES</div><div>A bank’s income statement will generally comprise the following:</div><table><thead><tr><th>Revenue</th><th>Expenses</th></tr></thead><tbody><tr><td>Net Interest Income (Difference between asset pricing and funding costs).</td><td>Operating Expenses<ul style="list-style-type: none">• Salaries• Technology• Investment spend• Risk and compliance</td></tr><tr><td>Other Banking Income<ul style="list-style-type: none">• Fees• Commissions</td><td>Loan Impairment Expenses</td></tr><tr><td>Funds Management Income</td><td>Corporate Tax Expense</td></tr></tbody></table></div>	Revenue	Expenses	Net Interest Income (Difference between asset pricing and funding costs).	Operating Expenses <ul style="list-style-type: none">• Salaries• Technology• Investment spend• Risk and compliance	Other Banking Income <ul style="list-style-type: none">• Fees• Commissions	Loan Impairment Expenses	Funds Management Income	Corporate Tax Expense					
Revenue	Expenses														
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Other Banking Income <ul style="list-style-type: none">• Fees• Commissions	Loan Impairment Expenses														
Funds Management Income	Corporate Tax Expense														




		<ul style="list-style-type: none"> • Funds Under Administration (FUA) • Assets Under Management (AUM) 		
		Insurance Income	Dividends to Shareholders	



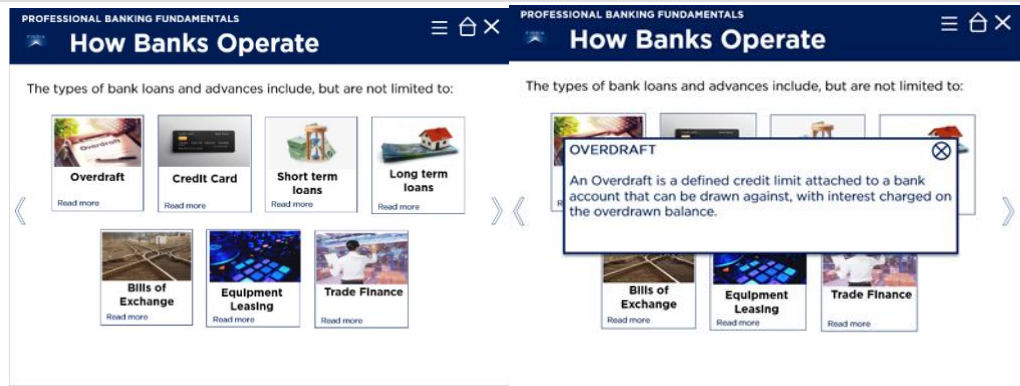
Page Title	Capital Adequacy Requirements	Type	Transitional/Animated text. Click and reveal.	Number	12
Screen Layout					
					
Event	Audio	On-Screen Text (OST)			
12.	None	<p>A bank's capital, in its simplest form, represents its ability to withstand losses without becoming insolvent and managing risk. The Australian Prudential Regulation Authority (APRA) makes and enforces the rules which govern the capital adequacy of Australian banks to ensure they meet their financial promises to depositors, policyholders and fund members within a stable, efficient and competitive financial system.</p> <p>An Australian bank's regulatory capital is the sum of its 'Tier 1' and 'Tier 2' capital:</p> <p>(Click each tier to learn more)</p> <p>Tier 1 capital – includes ordinary shares and retained earnings (profits not dispersed to shareholders); can also include specific types of preference shares and convertible securities.</p>			



		Tier 2 capital – funding sources that rank below a bank’s depositors and other senior creditors, i.e. subordinated debt; provides depositors with an additional layer of loss protection after a bank’s Tier 1 capital is exhausted.		
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Page Title	Basel III Liquidity Reforms	Type	Transitional/Animated text. Click and reveal.	Number	13
Screen Layout					
					
Event	Audio	On-Screen Text (OST)			
13.	None	<p>BASEL III LIQUIDITY REFORMS IN AUSTRALIA</p> <p>The global financial crisis during 2007–08 revealed that a number of banks globally had not managed their liquidity risk prudently, as funding market liquidity evaporated.</p> <p>As part of its post-crisis response, the Basel Committee on Banking Supervision (BCBS) developed the Basel III international bank liquidity framework, which aims to improve banks' resilience to future liquidity shocks.</p> <p>The framework includes global minimum quantitative requirements that banks are required to disclose, such as:</p> <ul style="list-style-type: none"> • Liquidity Coverage Ratio (LCR) Requires Australian ADIs to hold sufficient 			

		<p>liquid assets to meet 30-day net cash outflows projected under an APRA-prescribed stress scenario (a liquidity measure required by the Basel III reforms and implemented by APRA in Australia on 1 January 2015).</p> <p>• Net Stable Funding Ratio (NSFR) Requires Australian ADIs to fund their assets with sufficient stable funding to reduce funding risk over a one-year horizon as prescribed by APRA (a requirement of the Basel III reforms and scheduled to be implemented by APRA in Australia on 1 January 2018).</p>		
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Page Title	Other Credit Metrics	Type	Static Text and Imagery with slide layers for each heading	Number	14
Screen Layout					
 <p>The screenshot shows a presentation slide titled 'How Banks Operate' from 'PROFESSIONAL BANKING FUNDAMENTALS'. The slide lists various bank products: Overdraft, Credit Card, Short term loans, Long term loans, Bills of Exchange, Equipment Leasing, and Trade Finance. An 'OVERDRAFT' callout box is visible, defining it as a defined credit limit attached to a bank account that can be drawn against, with interest charged on the overdrawn balance.</p>					
Event	Audio	On-Screen Text (OST)			
14.	None	<p>Banks may include other credit quality metrics in their annual reports, such as:</p> <ul style="list-style-type: none"> • Funding cost v cash rate. Read more Measuring deposit and wholesale funding costs by comparing the interest on lending and other assets with the RBA cash rate. • Funding composition Read more Sources of funding such as Customer Deposits, Short Term Wholesale Funding, Long Term Wholesale Funding, Bonds, Residential Mortgage Backed Securities, Equity. • Risk Weighted Assets (RWA) Read more Used to determine the minimum amount of capital that must be held by banks and other institutions to reduce the risk of insolvency. 			



		<ul style="list-style-type: none">• High Quality Liquid Assets (HQLA) Read more As defined by APRA and includes cash, government and semi-government securities.• Credit Risk Estimates (CRE) Read more Regulatory estimates of long run Probability of Default (PD), downturn Loss Given Default (LGD) and Exposure at Default (EAD).		
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Page Title	Completion/Next Steps	Type	Static text/ Clickable buttons	Number	15	
Screen Layout						
<div><div>PROFESSIONAL BANKING FUNDAMENTALS</div><div><div><div>A Banks Financials</div><div><div>Well done!</div><div>You have completed the A Banks Financials Unit</div><div>What would you like to do now?</div><div><div>Click here to see next unit</div><div>Click here to review this unit</div></div></div></div></div></div>						
Event	Audio	On-Screen Text (OST)				
15.		<div>Well done. You have now completed the A Bank’s Financials unit.</div> <div>What would you like to do now?</div> <div>Click here to see next unit.</div> <div>Click here to review this unit.</div>				