Actuaries Institute.

Fellowship Program

Banking

Subject Syllabus 2026

1. Overview and aim

This subject is a Fellowship Principles subject.

The aim of this subject is to familiarise students with the key components of a banking institution and provide an understanding of the operational, strategic, governance, profitability and risk management issues prevalent for banks.

2. Student outcomes

After completing this subject, students will be able to:

- demonstrate knowledge of banking operations, including key components of a bank balance sheet and the pricing and economics associated with the main banking products;
- describe the key components of the regulatory landscape and corporate governance issues facing banking operations;
- identify and apply techniques to measure the main risks prevalent within a banking operation;
- demonstrate knowledge of the key funding sources for a bank and analyse the pricing and economics associated with different funding sources; and
- describe the key forms of bank capital and demonstrate knowledge of the key principles and methodologies used in bank capital management.

3. Prerequisites

Students will have attempted (but not necessarily passed) all Foundation Program subjects and all Actuary Program subjects.

Actuarial Mathematics for Modelling, Economic Modelling, Business Finance, Business Economics, Actuarial Control Cycle and Asset Liability Management are directly relevant to this subject.

4. Assessment skill level

Assessment of this subject will be split across the following skill levels:

- Simple Application (25%): demonstration of a detailed knowledge and understanding of the topic;
- Application (50%): demonstration of an ability to apply the principles underlying the topic within a given context; and
- Higher Order (25%): demonstration of an ability to perform deeper analysis and assessment of situations, including forming judgements, considering different points of view, comparing and contrasting situations, suggesting possible solutions and actions and making recommendations.

5. Assessment method

The subject is assessed via:

- an assignment worth 20%; and
- an examination worth 80%.

6. Learning objectives

1 Banking operations, strategy, governance and regulation [10%]

1.1 Analyse the banking industry and the key operations of banking institutions, with examples primarily drawn from Australia [Chapter 2]

1.1.1 Describe the roles of banks in the economy, the differing types of banking institutions, and the various activities carried out by those institutions

1.1.2 Describe banking products and services, distribution channels, and bank systems and technologies

1.1.3 Analyse the business model of a bank, identifying the key sources of revenue and costs

1.1.4 Identify the types of risks faced by banks, the forms of capital held and the various sources of funds used to fund their operations

1.1.5 Describe key issues in the strategic planning process of a bank, including considerations of the economic environment, the key competitive forces, and risk appetite

1.2 Explain the typical corporate governance structures of banks and the regulatory landscape within which they operate, with examples primarily drawn from Australia [Chapter 3]

1.2.1 Explain the main regulatory bodies and their roles

1.2.2 Describe the types of regulations and prudential standards under which banks operate

1.2.3 Explain the development of the international prudential regulatory framework for banks established by the Basel Committee

1.2.4 Describe APRA's implementation of Basel III regulations and the capital framework that applies to banks in Australia

1.2.5 Describe a typical corporate governance structure for a bank, the key governance principles, and typical management structures

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2 The bank balance sheet [20%]

2.1 Consider the asset side of a bank balance sheet and apply the techniques used in assessing pricing, profitability, and valuation of loan assets [Chapter 4]

2.1.1 Describe the components that comprise the main assets within a bank's balance sheet

2.1.2 Describe retail lending products

2.1.3 Describe corporate lending products

2.1.4 Explain the key considerations associated with pricing retail and corporate products

2.1.5 Apply discounted cash flow models and techniques to assess the pricing and profitability of lending products

2.2 Consider how banks are funded, including the capital and key liability components of a bank balance sheet [Chapter 5]

2.2.1 Describe the key components that comprise the main liabilities within a bank's balance sheet

2.2.2 Explain the typical deposit and savings products and the key considerations associated with pricing those products

2.2.3 Describe the various wholesale funding alternatives available to banks, including senior and subordinated debt, securitisation and covered bonds

2.2.4 Distinguish the various forms of capital within the capital structure of a bank

2.2.5 Explain funds transfer pricing, including how funding costs and the cost of capital impact bank profitability

3 Risk management [30%]

3.1 Assess the key sources of credit risk and approaches used to analyse, measure and manage credit risk exposures [Chapter 6]

3.1.1 Explain the key sources of credit risk, including Banking Book exposures and Trading Book exposures

3.1.2 Describe the individual assessment and the Basel approaches used to analyse credit risk in the Banking Book

3.1.3 Determine the appropriate approach to analyse credit risk for each Trading Book asset type that produces credit risk

3.1.4 Assess various techniques and methodologies used to quantify and manage credit risk exposures

3.2 Assess the key sources of market risk and approaches used to measure and manage market risk exposures [Chapter 7]

3.2.1 Explain the sources of interest rate risk in the Banking Book (IRRBB) and key metrics used to measure and monitor IRRBB

3.2.2 Explain the sources of traded market risk in the Trading Book and key metrics used to measure and monitor this market risk

3.2.3 Describe the regulatory requirements for IRRBB and market risk

3.2.4 Examine the methodologies used for managing market and interest rate risk

3.3 Explain the drivers and management of operational risk [Chapter 8]

3.3.1 Describe the sources of the various operational and non-financial risks faced by banks

3.3.2 Examine the methodologies used for quantifying and managing bank operational risk

3.3.3 Summarise the key regulatory requirements for management of bank operational risk

3.3.4 Describe policies and procedures used to ensure compliance with financial crime-related regulatory obligations, including anti-money laundering and counter terrorism financing regulations

4 Treasury and financial management [30%]

4.1 Explain the key sources of bank liquidity risk and approaches used to measure and manage liquidity risk [Chapter 9]

4.1.1 Describe the different sources of bank liquidity risk

4.1.2 Explain the Basel regulatory requirements for the management of bank liquidity risk

4.1.3 Analyse the two key liquidity risk metrics

4.1.4 Describe the process of setting liquidity risk limits and managing liquidity risk

4.2 Assess the capital management process within a bank [Chapter 10]

4.2.1 Consider why banks need to hold capital and the key management aspects

4.2.2 Describe the Basel regulatory capital framework and prudential capital requirements

4.2.3 Examine capital management strategy and policy, including setting capital targets, capital allocation and performance measurement

4.2.4 Relate risk appetite, risk management, and capital management

4.2.5 Apply modelling techniques for capital forecasting, setting capital management strategy, and dividend policy.

About the Actuaries Institute and Profession

As the peak professional body for actuaries in Australia, the Actuaries Institute represents the profession to government, business and the community. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, enterprise risk management, data analytics and AI, climate change and sustainability, and government services.

Actuaries use data for good by harnessing the evidence to navigate into the future and make a positive impact. They think deeply about the issue at hand, whether it's advising on commercial strategy, influencing policy, or designing new products. Actuaries are adept at balancing interests of stakeholders, clients and communities. They're called upon to give insight on complex problems and they'll look at the full picture. Actuaries analyse the data and model scenarios to form robust and outcome-centred advice.

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