



Society of Actuaries in Ireland

**Are Actuarial Skills Transferable
to Banking**

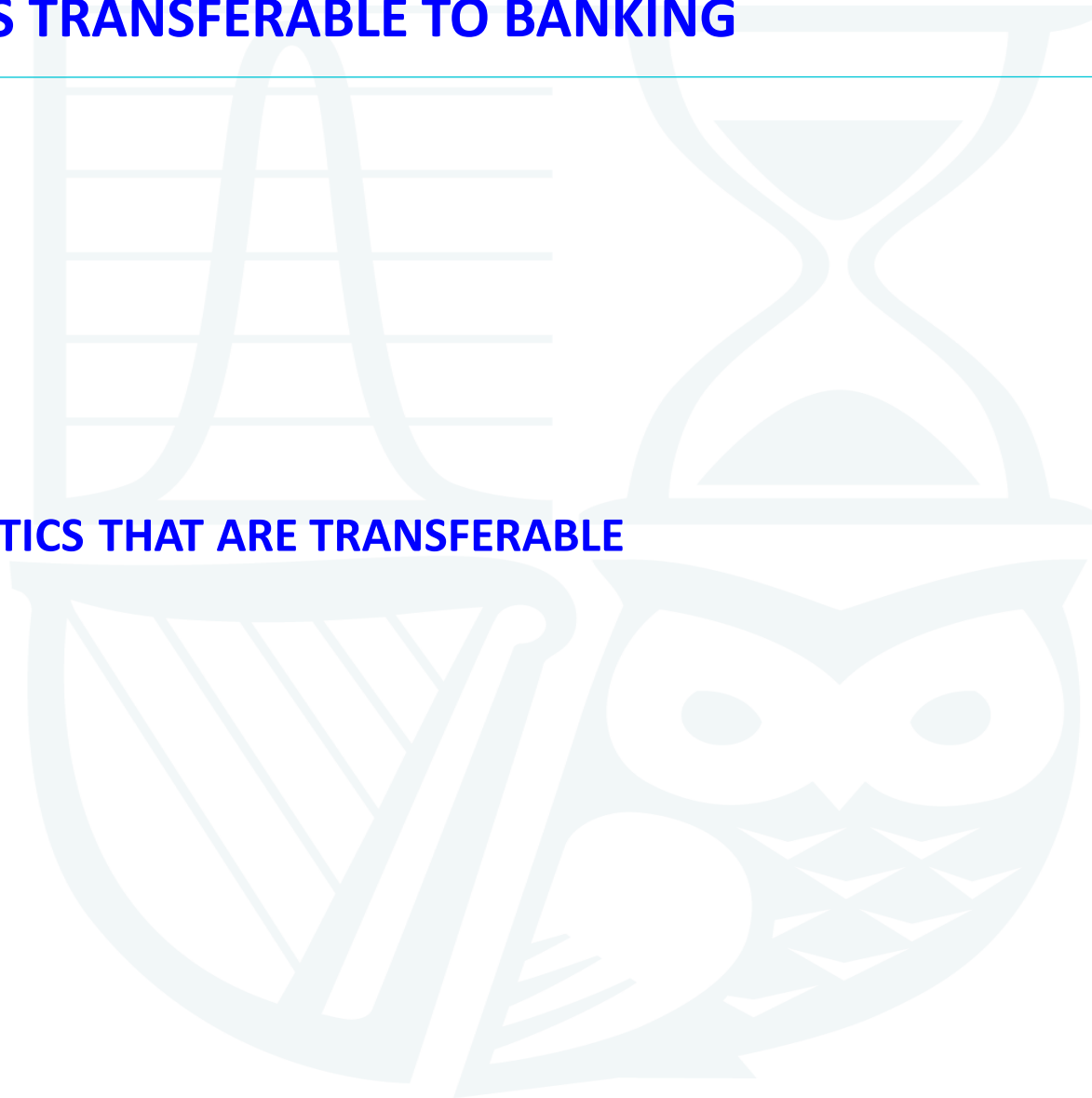
9th December 2021

Disclaimer

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ARE ACTUARIAL SKILLS TRANSFERABLE TO BANKING

- WHICH AREA
- WHEN
- OTHER CHARACTERISTICS THAT ARE TRANSFERABLE
- MY JOURNEY



WHICH AREA

THERE ARE MANY OPPORTUNITIES FOR ACTUARIES

Main responsibilities by area

PRODUCT	FINANCE & STRATEGY	MARKETING	RISK & DATA	TECHNOLOGY	DISTRIBUTION & OPERATIONS	HR, LEGAL & COMPLIANCE
<ul style="list-style-type: none"> • Pricing cost of funds, Op cost, cost of capital, expected credit losses. • Market Product Fit customer needs & insights, market analysis, pricing. • Commercial performance evaluation 	<ul style="list-style-type: none"> • Commercial Performance • Financial Reporting • Solvency • Strategy (incl research) • M&A • Investor Relations 	<ul style="list-style-type: none"> • Brand/Comms Creative • Proposition Dev Fit • Performance evaluation & optimisation • Segmentation – targeting, propensity modelling • Research – Qual and Quant, industry & macro 	<ul style="list-style-type: none"> • Risk identification, mitigation, measurement & management • Regulatory Reporting & Guidance adherence • Data modelling / segmentation / mining 	<ul style="list-style-type: none"> • Mainframe maintenance & development • Transformational Change • AI / Modelling 	<ul style="list-style-type: none"> • Sales & Service fulfilment • Financial Advise – human and digital (Omni) 	<ul style="list-style-type: none"> • Organisational Culture • Recruitment, retention, succession • Payroll & remuneration • Industrial and employee relations • Compliance

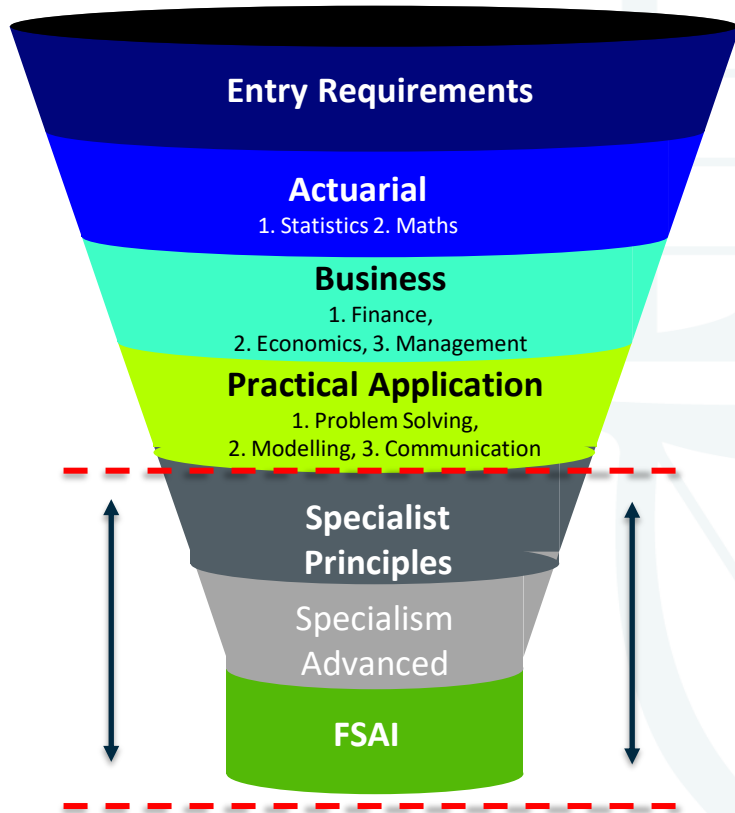
Key skills by area

<ul style="list-style-type: none"> • Creative / Futuristic • Analytical • Numerical • Commercial • Problem Solving • Business/Market understanding • Decision Making 	<ul style="list-style-type: none"> • Qualifications • Analytical • Commercial • Creative • Attention to detail • Integrity 	<ul style="list-style-type: none"> • Creative • Writing/Communication • Analytical • Commercial • Agility • Dynamism • Adaptable • Business/Market understanding 	<ul style="list-style-type: none"> • Analytical • Problem Solving • Integrity • Attention to detail • Negotiation & diplomacy • Business/Market understanding 	<ul style="list-style-type: none"> • Organization • Analytical • Creative • Project Mgt • Agility • Adaptable • Problem Solving 	<ul style="list-style-type: none"> • Qualifications • Personable • Integrity • Communication • Organisational 	<ul style="list-style-type: none"> • Qualifications • Problem Solving • Attention to detail • Integrity • Agility • Personable
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Actuarial skills - top 6:

- Analytical
- Numerical
- Commercial/Business Knowledge
- Decision Making
- Communication

WHEN



When is the best time to transition - for You and the Bank

It depends

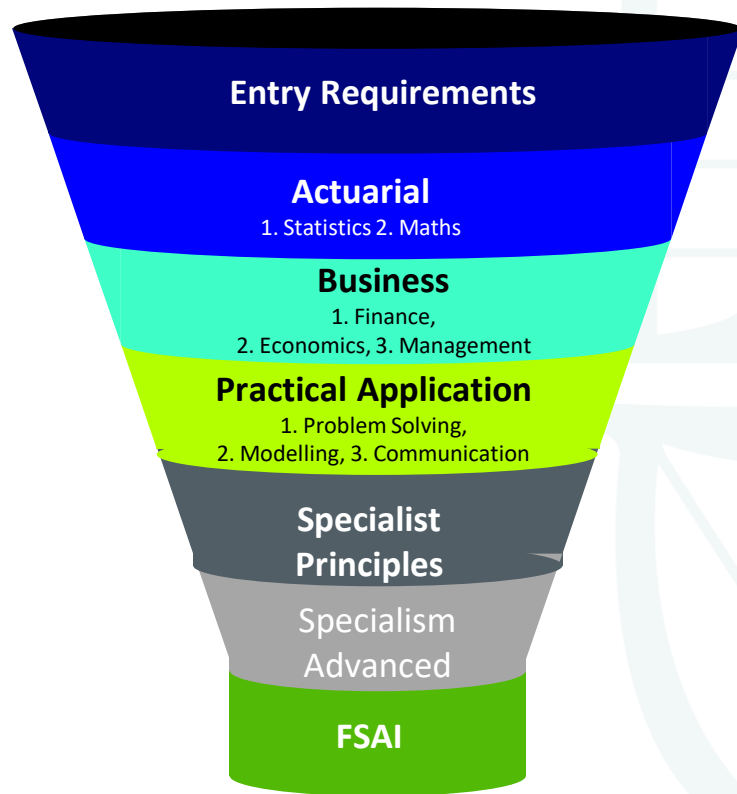
- Exam progression
- Experience

Two Sample Scenarios:

- Associate qualification level and don't want to continue studying. You're a great fit for a Management Band level as a specialist or people manager (if appropriate experience).
- Fellowship qualification level with breadth of experience behind you – great fit for senior management band level.



OTHER CHARACTERISTICS THAT ARE TRANSFERABLE

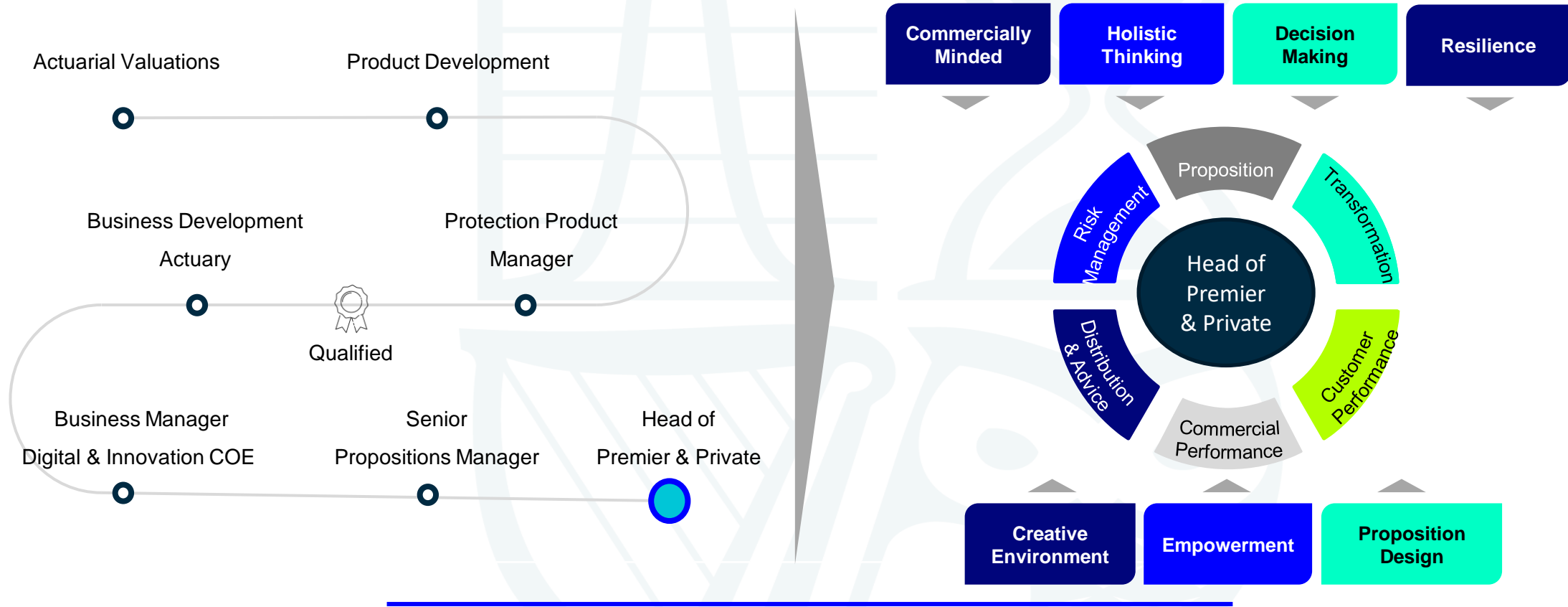


Distinguishing Characteristics

- Resilience (Grit Mindset)
- Curious mind / ability to learn
- Decision making



MY JOURNEY



As an Actuary you have a broad range of highly developed skills which separates you out from others and will would hugely benefit any organisation, giving you great job satisfaction through the impact you can have . You're ability to learn means you will bridge any gaps that may exist. As an Actuary you've all the ability to succeed and you just need to back yourself.



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Niall Dillon

9th December 2021

Background & Route to Banking

- 1996 to 2010 Insurance, Reinsurance, Consulting, Wealth Management & Bank interaction.
- 2010+ Banking, Asset-Liability Management, Liquidity & Capital Management
- Focussed on transferability of skills set;
- Asset-Liability Management, forecasted cashflows, balance sheet interactions, assumptions justified by experience & the market conditions. Working in small companies get exposure to reserving, pricing and an appreciation of corporate Governance.

Potential areas in Banking for actuaries

- Treasury/Investments/Wealth Management
- Risk Management
- Capital Management
- Credit Models / Credit Portfolio Management
- Analytics / Data

Banking - Capital Management & ALM Roles

Capital Management

Forecasting & Stress Testing underpin

- ICAAP – Demonstrates robust capital base – ORSA equivalent
- Recovery planning
- Drives Dividend Capacity
- Acquisitions
- Capital & Funding issuance to the market

RAROC – Risk adjusted Return on Capital, i.e. Risk based Pricing, including:

- *Loan Margins + other income, what other income?*
- *What funding cost, term?*
- *What expected credit loss? How incorporate recent crisis*
- *Cost allocation*
- *What Capital figure – economic capital, regulatory capital?*

Models - Internal Ratings Based Models, Economic Capital Models, IFRS 9 Models, Climate Risk

Liquidity Management

- Current & future funding requirements, includes behavioural modelling of Assets & liabilities
- Funds Transfer Pricing

Interest Rate Risk Management

- Banks generally like upward sloping yield curves, borrow short, lending long (maturity mismatch).
- How much to hedge?
- What to hedge – duration, basis risk?

Transactions & Due Diligence

- Capital issuance
- IPO
- loan sales
- acquisitions
- Investors & Rating agencies

Bank ICAAP similar to ORSA

Banking ICAAP – Independent Capital Adequacy Assessment Process

Current & Forecast Capital (including Own Funds) under various scenarios versus

- a) Regulatory Capital Requirements (can be either standardised or internal model based)
- b) Economic Capital Requirements

Risks assessed under various scenarios include

- Credit Risk, i.e. credit losses. Non-performing loans tend to fair worst in a stress testing
- Net Interest Income (e.g. loan income less liability Outgo), Fee income (e.g. transaction fees)
- Market Risk
- Operational Risk
- Pension Risk

Basis of Preparation: Past experience overlaid with trends and macro economic environment – sound familiar – Mortality, persistency rates....

Insurance ORSA - Own Risk & Solvency Assessment – Is this not similar?

- Own Funds Vs SCR
- OSNA (Own Solvency Needs Assessment) – akin to Bank economic capital, used for internal buffer setting
- Scenarios similar – e.g. impacts of lower for longer interest rate environment



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**Comparison of study support benefits between
insurance undertakings and credit institutions**

John Caslin



Factors to Consider when Transitioning

STUDY LEAVE

PAYMENT OF EXAM FEES

EXAM BONUSES

AUTOMATIC EXAM PASS INCREMENTS



Factors to Consider when Transitioning

Basic salary

Pension and other benefits

Share option scheme

Annual leave



Human Factors

Mentor

Age profile
of staff

Questions

Please click on the 'Raise Hand' icon to ask a question

and

wait to be unmuted

or

Use the Q&A function

