



COURSE SYLLABUS

Course: **FINN 3133 Commercial Banking**

Prerequisite: WCOB 2043

Course Description:

Commercial bank administration, management; loans; bond portfolios; credit analysis; public relations; analysis and interpretations of Federal Reserve regulations and publications.

Text:

Bank Management & Financial Services, 8th edition by Rose and Hudgins, 2010.

Various journal articles and other readings will be made available throughout the semester.

COMPUTER SIMULATION:

During the semester, we will use a bank simulation program called *ProBanker*. The simulation is programmed and written by Dr. Flannery and Dr. Flood, two of the leading banking economists in the field. The simulation provides you with hands-on experience running a bank. The first half of the semester will be spent learning the model in "AutoBank" mode. During the second half, small groups of students will run their own bank and compete against one another to see whose bank is the most profitable. The tentative plan is that the group that wins the simulation automatically receives an 'A' in the course, if the attendance requirement is met. That proposition may be waived by me depending upon how smoothly the simulations go. Most weeks in the first half of the semester, we will spend Tuesdays running *ProBanker*.

INTERNET RESOURCES:

PowerPoint slides, project assignments and examples, and end-of-chapter homework assignments are posted on *Blackboard*. You are responsible for downloading and printing the relevant materials.

COURSE OBJECTIVES:

The US banking industry is composed primarily of small community banks and large internationally active complex banks. This course is primarily an analysis of community banks. We evaluate bank financial statements, and we analyze banks' lending, funding, capital and investment decisions. We also discuss current events most classes. By the end of the semester, you should have a firm knowledge of the fundamentals of community banking.

EXPECTATIONS, ASSIGNMENTS AND GRADING:

Because this course has many group assignments and activities, **class attendance and participation is mandatory**. You can miss up to three class days (excused or unexcused) during the semester. **If you miss four or more days, your letter grade drops one full grade**, i.e. from an A to B. (Excused student-athlete absences or long-term illnesses with doctor notes do not

count as missed classes.) You must also keep up to date on the textbook reading, do the assigned *ProBanker* and end-of-chapter homework questions, and turn in the simulation exercises, bank decisions, and written group projects in a timely manner.

During class, cell phones must be on silent and put away.

In case of inclement weather, check Blackboard or my phone message for instructions on whether class will meet.

Homework and bank simulation assignments must be typed and turned in to me through *Blackboard* by the beginning of the class period that they are due. Students will receive a grade of 'S' (satisfactory) or 'U' (unsatisfactory). An 'S' will be awarded if the student answers the majority of the questions neatly and correctly and attempts to answer each question. Late homework will not be accepted for any reason.

There are three exams during the semester. They are not explicitly comprehensive, but the material builds as we go along.

There are also two group writing assignments. You will be placed into groups of two to write two reports during the semester analyzing various aspects of a community bank that you choose. Teams that have a nonparticipating member should report him/her to me, and I will have a discussion with that person. If the student still does not participate, he/she will be removed from the group and receive a zero on both writing assignments. Because the due dates will be announced well in advance, late projects will not be accepted for any reason.

The weighting for the assignments is as follows:

| | |
|------------------------|----------------|
| Writing Project 1 | 5% |
| Writing Project 2 | 5% |
| Homework & Simulations | 15% |
| Exams | 75% (25% each) |

Grades will be assigned along the typical 90/80/70/60 scale.

MISSED EXAMS:

The only accepted excuses for missing an exam are medical illnesses or family emergencies. When possible, I must be notified beforehand if you cannot take the exam. An excused missed exam can be made up at a time of mutual convenience.

ACADEMIC HONESTY:

Cheating is a serious violation of student ethics and will be treated as such. Such behavior will result in failing the course at a minimum, and more serious administrative action will probably be taken. While cooperation on class projects and homework is encouraged, copying or cheating on projects or exams is unacceptable.

TENTATIVE SCHEDULE:

| <i>Day</i> | <i>Topic</i> | <i>Chapter</i> | <i>Room</i> |
|------------|--|----------------|-------------|
| Jan 17 | Current events in banking. Overview of banks. | 1 | |
| 19 | Organization and Structure of the Banking Industry | 3 | |
| 24 | Introduction to ProBanker. Exercise 1. | PM 1,2 | TR |
| 26 | Government policy and regulation. | 2 | |
| 31 | Pricing Bank Products. Exercise 2. | PM 3,6 | TR |
| Feb 2 | Evaluating the bank balance sheet. | 5 | |
| 7 | Loan and Deposit Sensitivity. Exercise 3. | PM 4,5 | TR |
| 9 | Evaluating the bank income statement. Project 1 assigned. | 6 | |
| 14 | Balancing the Balance Sheet. Exercise 4. | | TR |
| 16 | Bank Financial Statement Analysis. Project 1 due. | | |
| 21 | Exam 1. | | |
| 23 | The Management of Capital | 15 | |
| 28 | Bank capital. Exercise 5. | | TR |
| Mar 1 | The investment function. | 10 | |
| 6 | Reserve Management. Exercise 6. | | TR |
| 8 | Liquidity and reserve management. | 11 | |
| 13 | Introduction to Competitive Bank Game. | | TR |
| 15 | Decisions due. Evaluating credit risk in bank financial statements. Project 2 assigned. | | |
| 20 | Spring Break | | |
| 22 | Spring Break | | |
| 27 | The lending function. Policies and procedures. Decisions due. | 16 | |
| 29 | Project 2 due. Exam 2. | | |
| Apr 3 | Exam 2. Decisions due. | | |
| 5 | Business lending and pricing. | 17 | |
| 10 | Decisions due. Cash flow analysis. | | |
| 12 | Consumer and real estate lending. | 18 | |
| 17 | Decisions due. | | |
| 19 | Managing and pricing deposits. | 12 | |
| 24 | Decisions due. | | |
| 26 | Other funding sources. | 13 | |
| May 1 | Decisions due (final round). Investment banking, insurance, and other sources of fee income. | 14 | |
| 3 | Final analysis of competitive simulations | | |
| May 10 | Final Exam 8:00am -10:00am | | |

PM = *ProBanker* Player's Manual

TR = Walker Hall Trading Room