Course Description

The course will cover techniques for the financial management of commercial banks and will analyze the role of commercial banks in the financial system. Topics of study include industry structure, administrative organization, management of assets and liabilities, and financial analysis of the banking firm.

Prerequisites: MBAD 6152 Financial Management

Course Objectives

The objectives of this course are to: (1) provide students with an introduction to the financial management of the commercial banking enterprise, (2) afford students with an understanding of the basic issues involved in value creation and risk management for banking firms, and (3) equip students with the technical and analytical tools, and strategic abilities necessary to understand the evolution and workings of the commercial banking industry.

Our main attention will focus on managing risk and return in the modern banking firm. Specifically, we will focus on the following areas:

1. Identifying the distinguishing features of banks as financial intermediaries, their unique characteristics as businesses in our economy, and their sources of value-added in the economy,
2. Identifying and understanding the sources of risk in banking and how these risks interact to understand the overall risk level that banks face in today’s economic, financial, and regulatory environment,
3. Understanding how banks manage their risk exposure and the relationship of risk management to the creation of value for the bank,
4. Understanding how the economic and regulatory environments of the banks impact banks’ decision-making,
5. Developing technical, analytical and decision making skills in order to help understand managerial responsibility in the financial management of the banking firm; and finally,
6. Providing students with a foundation for more advanced academic and professional training and development in bank management.

Materials

1. Handouts: Slides used in class will be available on Moodle.

2. Textbook: Saunders, Anthony, and Marcia Millon Cornett, Financial Institutions Management: A Risk Management Approach, 8th ed., McGraw-Hill Education, New York, NY, 2014. The text contains more material than we can cover in a semester. Reading assignments for each class are shown on this syllabus; however, assignments are divided into “primary” assignments, which should be read carefully, and “secondary” assignments, which may be skimmed.

The Southeast Bank of Texas in the Financial Crisis (2011)
Banc One Corporation (2008)
All cases are Harvard Business School cases, available in the form of a Coursepack, which is available at: https://cb.hbsp.harvard.edu/cbmp/access/32287565

4. Calculators: Please bring a calculator with financial functions to every class. Texas Instruments BAII Plus (including Professional model) and Hewlett Packard 12C (including Platinum model) are excellent choices.

Examinations: Midterm Exam 1: February 4 (first half of class)
Midterm Exam 2: March 18 (first half of class)
Final Exam: Wednesday, May 6, 5:00 pm to 7:30 pm
For the midterm and final exams, a financial calculator and a letter-sized piece of paper with formulas and notes are allowed. In the real world, most calculations are performed using Excel on a desktop or laptop; however, mid-term exams and the final exam will be “closed book”, which means “no laptops”. The final exam is cumulative; the midterm exams are not.

**Grading:**

Course grading will be determined based on the following elements:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Mid-term exams (1.25 hours)</td>
<td>30%</td>
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<tr>
<td>Problems</td>
<td>10%</td>
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<tr>
<td>Class participation</td>
<td>15%</td>
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<td>Case analyses (3 cases)</td>
<td>15%</td>
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<tr>
<td>Final exam</td>
<td>30%</td>
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The mid-term exams will be relatively brief and are intended to insure comprehension of basic concepts. (If a make-up exam is necessary, it will be administered as soon as reasonably possible after the originally scheduled time for the exam.)

Three written case analyses will be required. Each analysis will be limited to three pages of text, plus exhibits (if any). There is no limit applicable to exhibits.

Regular class participation is expected. There is not a strict rule about attendance, but excessive absences will be reflected in the class participation score. I am not offended if you walk in (or out) in the middle of class; therefore, if other commitments keep you from being present for the entire class, attend whatever portion you can.

Students may be called upon to answer questions and to present their analyses of cases and problem situations; in addition, they are expected to demonstrate initiative in class participation.

Grades will be based on the following scale:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tr>
<td>A</td>
<td>100 – 90</td>
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<tr>
<td>B</td>
<td>89 – 80</td>
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<tr>
<td>C</td>
<td>79 – 70</td>
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<tr>
<td>D</td>
<td>69 – 60</td>
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<tr>
<td>F</td>
<td>Below 60</td>
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Additional Information

Email: Much out-of-class communication is done by email. Please make sure you can be reached via your UNC Charlotte email account.

Disability services: Students in this course seeking accommodations to disabilities must first consult with the Office of Disability Services and follow the instructions of that office for obtaining accommodations.

Student conduct: All students are required to read and abide by the UNC Charlotte Code of Student Academic Integrity and the UNC Charlotte Code of Student Responsibility. Violations of the Codes will result in disciplinary action as provided in the Codes. Students are permitted to participate in study groups to discuss cases and other course materials; however, when writing a case analysis or performing calculations or quantitative analysis, all work should be performed by each student individually.

Statement on diversity: The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Disclaimer: The schedule presented on the following pages represents the plan for covering the material in this course. It may, however, be necessary to adjust the schedule, depending upon the time required for each topic.
Course Schedule

The following schedule is subject to adjustment, depending upon the actual amount of time necessary to cover each topic.

Class 1, Jan. 7: Overview of Financial Institutions
Reading: Saunders & Cornett, Chapter 1
Chapter 2, pp. 25 - 44, pp. 60 - 63
Secondary reading: Saunders & Cornett, Chapter 2, pp. 44 - 60
Chapters 3 – 6

Class 2, Jan. 14: Risks of Financial Institutions
Primary reading: Saunders & Cornett, Chapters 7 & 9
Secondary reading: Saunders & Cornett, Chapter 8

Class 3, Jan. 21: Credit Risk
Reading: Saunders & Cornett, Chapters 10 & 11

Class 4, Jan. 28: Liquidity Risk
Reading: Saunders & Cornett, Chapter 12
Wellfleet case due

Class 5, Feb. 4: Mid-term exam 1 (first half of class)
Foreign Exchange Risk
Reading: Saunders & Cornett, Chapter 13 (not covered on the mid-term exam)

Class 6, Feb. 11: Review of Mid-term exam 1
Sovereign Risk
Reading: Saunders & Cornett, Chapter 14

Class 7, Feb. 18: Market Risk
Reading: Saunders & Cornett, Chapter 15

Class 8, Feb. 25: Capital Adequacy
Primary reading: Saunders & Cornett, Chapter 20
Secondary reading: Saunders & Cornett, Chapter 18

Mar. 4: No class

Class 9, Mar. 11: Off-Balance Sheet, Technology, and Operational Risks
Primary reading: Saunders & Cornett, Chapter 16
Secondary reading: Saunders & Cornett, Chapter 17
Southeast Bank of Texas case due

Class 10, Mar. 18: Mid-term exam 2
Catch-up, in necessary, on previous material

Class 11, Mar. 25: Review of Midterm exam 2
Deposit Insurance and Product Expansion
Primary reading: Saunders & Cornett, Chapter 19
Secondary reading: Saunders & Cornett, Chapter 21

Class 12, Apr. 1: Swaps
Reading: Saunders & Cornett, Chapter 24

Class 13, Apr. 8: Futures and Forwards
Reading: Saunders & Cornett, Chapter 22
Banc One case due

Class 14, Apr. 15: Options, Caps, Floor, and Collars
Reading: Saunders & Cornett, Chapter 23

Class 15, Apr. 22: Loan Sales and Securitization
Reading: Saunders & Cornett, Chapters 25 & 26

Apr. 29: Reading Day

May 6: Final Exam, 5:00 pm – 7:30 pm