The financial crisis that appeared in 2007 has dramatically altered global financial institutions and markets. It continues to create macroeconomic problems despite the regulatory reforms that have been implemented. Sovereign debt problems, low growth and high unemployment in the Eurozone continue to strike fear among politicians and economists. Economic conditions in the U.S. are improving, but at a slow rate. Interest rates around the world remain low with certain rates even negative! Market participants continue to wait for the ‘inevitable’ Federal Reserve effort to increase the federal funds rate. While the largest institutions have survived and continue to capture greater market share, many smaller institutions are struggling, in part, because they cannot absorb high regulatory costs, are not the first movers in instituting new technologies, do not have the same access to capital and frequently have not adequately planned for management succession. Which firms will survive and thrive?

This course is structured around the theme of risk management in banking. You will examine how banking institutions generate earnings and assess the risks assumed in their operations. Topics to be covered include performance analysis, capital management, interest rate risk management, credit analysis and resolving asset quality problems, liquidity planning, investment portfolio analysis, the use of off-balance sheet instruments and activities, and the impact of regulatory requirements. Content and discussion will cover both domestic and international banking activities along with conditions in the money and capital markets. Special attention will focus on the wide range of “DISRUPTORS’ providing financial services. These firms are largely unregulated and offer seemingly innovative online solutions to financial problems.

The objective of this course is to provide the student with the conceptual framework necessary to analyze and comprehend the current problems confronting managers of commercial banks and related financial institutions. The course materials do not dwell on the development of financial theories. It is assumed that the student comprehends the basic theoretical concepts of corporation finance, monetary theory, and financial accounting. Each class session will be structured to include lecture, discussion, and problem/case analysis. Text reading assignments are described in the attached materials. Specific dates at which assignments are due will be indicated in class.

Learning Objectives

- Understand how banks contribute to economic growth
- Evaluate the risks in banking (CAMELS, etc.) and how banks generate profits
- Understand banking regulation and its impact on bank resource allocation, bank customers and the availability of credit
• Recognize differences in the business strategies and operating performance of different types of banks
• Examine the increasing role of technology in providing financial services and the related competition among banks, FinTech firms, etc.
• Understand the role that banks, government agencies and officials and other market participants played in the financial crisis
• Apply finance theory to the evaluation of banking business strategies
• Understand how to access financial information and employ data analysis to support strategic decisions in banking

Required Course Materials

1. Koch, Timothy, Community Banking: From Crisis to Prosperity, 2014 [Students may purchase an eBook from www.TWKStrategies.com or a hardbound book directly from a finance department representative.]
2. Selected book chapters, articles and cases (provided via Blackboard)

Recommended Reading Materials

1. Bloomberg Business Week
2. Fortune
3. Economist
4. American Banker
5. Financial Times
6. ABA Banking Journal
7. The RMA Journal
8. Forbes

Course Grading

The course grade will be determined on the basis of three written exams, three quizzes given throughout the semester, and one written case. Each quiz is worth 30 points, with the lowest quiz score dropped. The case will involve analyzing the performance of a large U.S. bank holding company and its subsidiaries. The grading weights are provided below. Make-up exams, where appropriate, will be given at the end of the semester. Four quizzes will be given throughout the semester with the three highest scores included in your final grade computation. If you miss a quiz, that quiz will be dropped with no make-up quiz. **You must notify me before a test begins to qualify for consideration regarding a make-up exam.** Contact me directly via my university telephone number or send me an email message. All exams and quizzes will be problem-oriented and/or short-answer (key concept) in form. If you do not take a quiz beyond one that is dropped, a score of 0 will be assigned.

<table>
<thead>
<tr>
<th>Grading</th>
<th>Total points possible*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exams (150 each)</td>
<td>450</td>
</tr>
<tr>
<td>Quizzes (30 each) + Case (30)</td>
<td>120</td>
</tr>
<tr>
<td>Total Points</td>
<td>570</td>
</tr>
</tbody>
</table>

All exams and quizzes will be curved. After each exam, you will be provided the minimum score required to have earned a grade of A, B, C or D on that exam and cumulatively for the semester.

Assignments & Class Participation

Daily assignments will be made at the end of each class. Typical assignments include background readings and selected problems or a case. Regular participation is an integral part of
this class. **Each student is expected to contribute by answering questions and presenting data analysis in class.** During each session students will be selected to respond to questions. It is expected that each student come to class prepared to participate in class discussion and present his or her analysis. Each student can earn a limited amount of extra credit for ACTIVE class participation throughout the semester.


* The only extra credit available is that for consistent, active class participation. Be diligent in your preparation, class participation, and performance on the exams and quizzes. Bring a calculator and blank paper with you to all tests.

**Cases/Projects: For Discussion Purposes**

Bank Performance Analysis  
Asset & Liability Management (GSBC Bank)  
Cash-Based Income Statement (salesforce.com)  
Commercial Lending: Guest Speaker

---

**Course Outline: Bank Management**  
**Chapters are from Community Banking: From Crisis to Prosperity**

A. Part One: Overview of the Domestic & Global Banking Environment & Performance Analysis

2. Preface to *Community Banking: From Crisis to Prosperity*  
3. The Community Banking Model (Chapter 1)  
4. Bank Regulation and Regulatory Reform (Chapter 3)  
5. *Inside Job* – a documentary by Charles Ferguson  
6. Basic Financial Statements & Key Risk Ratios (Chapter 4)  
7. Bank Performance Analysis (Handout)

   Sept. 5: Assignment: Watch *Inside Job* (in classroom)  
   Case Study: UBPR Analysis

EXAM #1: Approximately Sept. 26, 2017 [150 points]

B. Part Two: Funding, Capital and Interest Rate Risk

1. Earnings & Shareholder Value Analysis (Chapter 5)  
2. Funding the Bank (Chapter 6)  
3. Asset and Liability Management (Chapter 10)  
4. Capital Protects and Provides Opportunities (Chapter 12)

   Case Study: GSBC Bank
EXAM #2: Approximately November 7, 2017 [150 points]

C. Part Three: Lending & Managing the Bond Portfolio

1. Lending: We Eat Our Own Cooking (Chapter 8)
2. Evaluating Commercial Loan Requests (Handout)
3. Managing the Investment Portfolio (Chapter 9)
4. Taking Advantage of Competitive Opportunities (Chapter 11)
5. Building Value in Difficult Times: One Bank’s Story (Chapter 12)

Cases: Cash-Based Income Statement (Handout)
Lending to a Small Business (Guest Speaker)

EXAM #3: Finals Week [150 points] - Common Exam Time for All Sections

University of South Carolina Honor Code

I expect all students to follow the policies associated with the USC Honor Code. As stated in the Honor Code:

“It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violated this Honor Code or who knowingly assists another to violate this Honor Code shall be subject to discipline.”