

**ASSUMPTION UNIVERSITY
MARTIN DE TOURS SCHOOL OF MANAGEMENT
DEPARTMENT OF FINANCE AND BANKING
COURSE OUTLINE 1/2010**

Course title : FIN 4815 BANK MANAGEMENT

Prerequisite : FIN 3712 Money and Capital Markets

Martin de Tours School of Management's Vision and Mission

Vision:

To be the leading international business school in the ASEAN region providing high quality business education to enable graduates to make invaluable contributions to organization and society.

Mission:

To shape our students into independent-minded graduates who are well-versed in business, able to communicate effectively, tech savvy, innovative, and ethical to successfully face global challenges.

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Courseware : <http://www.aufinance.net>

Course Description:

The course focuses on various aspects of bank management. Topics include the nature of commercial banks, assets, liabilities and capital management, liquidity management, credit management and risk management. The course also includes current issues in the banking industry.

Course Objective:

The course will enable the students to:

- Understand the environment in which banks operate and the various structural changes that affect the banking business;
- Understand and analyze bank financial statements and explain their implications on the risk-return performance of the banks;
- Understand the objectives, policies and strategies in the management of major banking functions such as funding, lending security portfolio management and liquidity management, and;
- Define the various banking risks such as liquidity risk, interest rate risk, credit risk and capital risk and identify or select the suitable strategies to manage the various risks.

Text:

- Management of Banking, Sixth Edition, S. Scott Macdonald / Timothy W. Koch, published by Thomson/South Western (2006)

References:

- Bank Management Text and Cases George H. Hempel, Donald G. Simonson, Alan B. Colemand 5th Ed.
- Bank management and Financial Services, Seventh Edition, by Peter S. Rose and Sylvia C. Hudgins, McGraw-Hill/Irwin (2007).

Course Requirements and Marks Allocation* (* see also classroom policies and course requirements)

One individual assignment	5%
One group project and presentation	15%
Two quizzes	10%
Midterm	30%
Final	<u>40%</u>
Total	100%

Tentative Course Schedule:

No.	Topic	Chapter
1	The Changing banking Environment <ul style="list-style-type: none"> - Organizational forms of the Banking Industry - Goals and Functions of Bank Regulations - Fundamental Forces of Change 	1
2	Evaluating Bank Performance <ul style="list-style-type: none"> - Commercial bank financial statements - The Return on Equity model - Banking Risks and Returns: The profitability, liquidity, and solvency trade off 	2
3	Managing Non-interest Income and Non-interest Expense <ul style="list-style-type: none"> - Common financial ratios of expense control and non-interest income growth - Customer Profitability and Business Mix - Strategies to Manage non-interest expense 	3
4	Funding the Bank and Managing Liquidity <ul style="list-style-type: none"> - The composition of bank liabilities - Measuring the cost of funds - Funding costs and banking risks - Meeting Liquidity Reserve requirement - Liquidity Planning 	8
QUIZ 1 (Chapter 1, 2, 3, 8)		
5	The Effective Use of Capital <ul style="list-style-type: none"> - Importance of bank capital - Risk based Capital Standards - Function of bank capital - The effect of capital requirements on bank operating policies - Characteristics of external capital sources - Capital planning 	9
6	Managing the Investment Portfolio <ul style="list-style-type: none"> - Objectives of the investment portfolio - Composition of Investment portfolio - Establishing investment policy guidelines - Active and Passive Investment Strategies 	13
7	Overview of Credit Policy and Loan Characteristics <ul style="list-style-type: none"> - Recent trends in loan growth and quality - Trends in competition for loan business - The credit process - Characteristics of different types of loans 	10
MIDTERM (Chapter 1, 2, 3, 8, 9, 13, 10)		
8	Evaluating Commercial Loan Requests <ul style="list-style-type: none"> - Fundamental credit issues - Evaluating credit request - Credit analysis: an application 	11
9	Customer Profitability Analysis and Loan Pricing <ul style="list-style-type: none"> - Account analysis framework - Customer profitability analysis: an application to commercial accounts 	Sheet
10	Evaluating Consume Loans <ul style="list-style-type: none"> - Types of Consumer Loans - Credit Analysis - Risk and return Characteristics of Consume Loans 	12
QUIZ 2 (Chapter 11, 12, sheet)		
11	Managing Interest Rate Risk; GAP and Earning Sensitivity <ul style="list-style-type: none"> - Measuring Interest Rate Risk with GAP - GAP Analysis 	5
12	Managing Interest Rate Risk: Duration GAP and Market Value of Equity <ul style="list-style-type: none"> - Measuring interest rate risk with duration GAP 	6
13	Using Derivatives to Manage Interest Rate Risk <ul style="list-style-type: none"> - Speculation versus hedging - Micro hedging application - Macro hedging application 	7
FINAL (Comprehensive)		

Examination Schedule:

Examination	Date	Time	Place
Quiz 1	July 3, 2010 (Sat.)	15:30 – 16:30	Suvarnabhumi Campus
Quiz 2	September 4, 2010 (Sat.)	15:30 – 16:30	Suvarnabhumi Campus
Midterm	July 30, 2010 (Fri.)	09:00 – 11:00	Suvarnabhumi Campus
Final	October 4, 2010 (Mon.)	13:00 – 16:00	Suvarnabhumi Campus

Note:

- **No make-up quizzes allowed.**
- The students will not be admitted to the quizzes, mid-term exam, and final exam later than 10 minutes after quizzes and exams start.
- Both the Mid-term Examination and Final Examination would include three Parts; Essays, Problem Solving and Analysis. The final exam would be comprehensive.
- **Calculators:** Non-Programmable calculators are permitted for the quizzes and the examinations.

Course Requirements:**Class participation and Commitment:**

Active class Participation provides you with the opportunity to share your ideas and analysis with other in the class. You are required to be prepared and contribute regularly to the class room discussions. This will facilitate an interactive class environment.

Assignments:

Readings would be assigned throughout the course to provide students a clear understanding of practices and policies in the banking sector. Part of the requirement for the course will involve students carefully reading and preparing themselves on the assigned material.

In addition to these readings, students should keep themselves informed about current issues by reading the Business Section of 'The Nation' and 'Bangkok Post', on a regular basis.

Students will be required to submit **one individual assignment and one group project (with presentation-schedule to be determined by the instructor)**. Presentation skills and proper usage of English shall account for a better project grading. The purpose is for the students to demonstrate an understanding of the subject matter as well as to explore and understand current trends in the banking industry both in Thailand and International, involving the analysis of the banking industry, economic environment and application of the banking management theories on the actual cases (to be assigned by instructor).

Assignment and group project should be type written and submitted on the date specified and should include the list of sources. In fairness to students who complete assignments on time, late work will not be accepted. Plagiarism, copying the works or ideas of another writer without giving credit is strictly prohibited. Copying the work of your friends is also not allowed and is subject to being penalized.

Classroom Policies:

- **Students need to comply with AU Dress Code, Time Conflict Examination Regulations, Laws on Smoking Cigarette, and Restrictions on Foods and Drinks V10.1, June 2010.**
- **Attendance policies:**
 - [2 times of ten-minute late for class considered as 1 absence.](#)
 - Make-up classes are not allowed.
 - 80% attendance is strictly required regardless of any reason.
 - No checking attendance for other classmates. Violation of the policies will result in being automatically withdrawn from the class.
 - [Attendance is counted since the first day of class regardless of any reason.](#)
- **Manner in class:**
 - Behave in a polite manner
 - Pay respect to instructors and class participants
 - Turn off all communication devices
 - Do not leave and re-enter the classroom

- Prohibited manners: Eating, drinking, chatting, talking on the phone, text-messaging, sleeping, reading other materials, doing other subjects' assignments/homework, walking in-out, etc.
- Improper behavior will result in no attendance checked.
- **Dress code:**
 - Follow AU dress code
 - Improper dress code will result in no attendance checked.
- **Class assignments (Homework, reports, project, presentation, paper, etc.):**
 - No Plagiarism.
 - The students copying works from all sources will be penalized – “Zero” marks or “F” grade.
 - Hand in all class assignment on time, both soft copy and hard copy.
 - Late submission will NOT be graded.
- **Class participation:**
 - Be participative and attentive in class
 - The students are also required to comply with all classroom policies.
 - Violation of the classroom policies will result in “zero” or “negative” participation marks and/or no attendance checked.
- **Request for make-up quizzes (if applicable):**
 - The students requesting for the make-up quizzes need to submit their names with valid evidence (ABAC related issues only) to the respective lecturer within the specified dates.
 - Late submission will NOT be allowed to take the make-up quizzes.
- **Grade inquiry:**
 - The students can request for a review for their marks or grades.
 - The students need to submit petition to the respective Chairperson at D6 or MSM2 within 2 weeks after their marks or grades have been officially announced. Petition submitted after the specified period will NOT be considered.
 - **Reevaluation process:** The students' class assignments or exam answer scripts will be reevaluated by the internal committees assigned by the respective department. Please note that the students' marks may or may not be adjusted after the reevaluation process and it is considered as a “final consensus” between the students and the committees.

**August 27, 2010 (Friday) : Last day to withdraw with “W”
(Withdrawing after this date, the students need a chairperson's approval.)**