COURSE OBJECTIVES
This course is designed to give you an overview of commercial banking, particularly from the perspective of the commercial banker. After an overview of where commercial banks fit into the financial services industry and how they are regulated, we’ll then take a look at their typical structures and gain some insight into understanding their financial statements and evaluating their performance. You’ll also learn about how banks fund themselves, including regulatory issues regarding their capital. We’ll then spend significant time on a bank’s lending function, looking at various types of borrowers; loan structures; collateral arrangements; the lending decision process and documentation; and how a bank monitors its loan portfolio.

We’ll look at large, multinational banks, as well as regional and local banks and we’ll also have several guest speakers to cover certain topics from their day-to-day perspective, both as bankers and as a banking customer. By the end of the module, you should have gained an insight into commercial banking and the integral role commercial banks play in the financial functioning of our economy and with their individual customers.

Although not covered as a separate topic, we’ll also look at the ethical issues that arise in commercial banking, including the regulatory environment at the state, local and national levels; appropriate lending practices to both corporations and consumers; usury laws; consumer credit disclosure; and business practices related to customer relationships.

RESOURCE MATERIALS
There is no text for this course. Instead, there are supporting materials for the course in Sakai (see attached list of topics) which will be referred to during the class, as well as some material we may not cover but which might be helpful to you in your future endeavors. In addition, there are some texts on reserve in the Mahaffey Business Library which you are welcome to use as background reading for any of the topics we will be covering:

- Fraser, Gup and Kolari, “Commercial Banking: The Management of Risk”
- Koch and MacDonald, “Bank Management”
- Rose, “Commercial Bank Management”
- Rose and Hudgins, “Bank Management and Financial Services”
- Sinkey, “Commercial Bank Financial Management”

FINANCIAL CALCULATOR
A calculator is required, to help with basic class, case and exam calculations.

CLASS PARTICIPATION
Class participation counts for 7.5% of your grade and points will be awarded in this area based on the quality of your participation in class and your level of participation as a team member.
CASES
We will be discussing 2 corporate lending cases during the semester –Clarkson Lumber Company and Advanced Medical Technology Corporation – copies of each are located in the Mahaffey Business Library and historical financials in Excel are in Sakai for the course. Guidelines for the cases are included with each, as well as in Sakai. These cases will be written up and handed in by teams of 4-5 students each and will represent 30% of your final grade. There are no “right” answers for each case. Rather, I’ll be assessing your thought process in reaching the decision you recommend to your bank and how you support your conclusion. Professionalism and consistency of thought will be key guides in how I grade your write ups. (Note – the Academic Code of Honor is assumed to cover all work in this course. This means that all teams are expected to work on cases separate from other teams and you should not use material from previous classes.)

EXAMS
One mid-term quiz and a final exam will be given and will cover all assigned material, as well as anything presented in class. The exams will consist of multiple choice, true-false and short problems/essay questions. You should bring your calculator to the exams and you may bring an 8-1/2”x11” “cheat sheet” to each exam. Cram anything onto both sides of this sheet you think might be helpful to you.

GRADES

<table>
<thead>
<tr>
<th>Exams – 62.5%</th>
<th>Points</th>
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<tbody>
<tr>
<td>- mid-term quiz</td>
<td>50</td>
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<tr>
<td>- final exam</td>
<td>75</td>
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Case write-ups – 30%
(2 at 30 points each)
60

Class participation – 7.5%
15
Total Possible
200

The following conversion from numerical to letter grades will be used, based on total points earned during the semester:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Points</th>
<th>Letter Grade</th>
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<tbody>
<tr>
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<td>186 – 200</td>
<td>A</td>
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<tr>
<td>90 - 92</td>
<td>180 – 185</td>
<td>A-</td>
</tr>
<tr>
<td>87 – 89</td>
<td>174 – 179</td>
<td>B+</td>
</tr>
<tr>
<td>83 – 86</td>
<td>166 – 173</td>
<td>B</td>
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<tr>
<td>80 – 82</td>
<td>160 – 165</td>
<td>B-</td>
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<tr>
<td>77 – 79</td>
<td>154 – 159</td>
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<td>70 – 72</td>
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<td>134 – 139</td>
<td>D+</td>
</tr>
<tr>
<td>63 – 66</td>
<td>126 – 133</td>
<td>D</td>
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<tr>
<td>60 – 62</td>
<td>120 – 125</td>
<td>D-</td>
</tr>
<tr>
<td>0 – 59</td>
<td>0 – 119</td>
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</table>
Topics to be covered, with supporting materials (bullets - see Sakai)

I. The Banking Industry
   A. Intro/Overview; Governmental Policy and Regulation
   B. Organization and Structure
   C. Bank Financial Statements
      • Analyzing Bank Financial Statements (Deutsche)
   D. Bank Funding Sources
   E. Bank Capital

II. Bank Lending
   A. The Lending Function
   B. Corporate Statement Analysis
      • Analyzing Corporate Financial Statements (Omega, BOTM)
   C. Corporate Loans
      • Types of Credit Facilities (Omega)
   D. Real Estate Loans

III. If we have time (additional materials will be handed out)
   A. Loan Documentation/Monitoring
      • Loan Agreements (Omega)
      • Writing Loan Agreement Covenants (Journal of Commercial Bank Lending)
      • Commercial Lending Responsibilities
      • Credit File Contents
   B. International Banking
   C. Consumer Loans
   D. Marketing Bank Products and Services
   E. Overview of Cash Management
   F. Relationship Management