

BA 4821/5821 – Bank Management
MW 10:40 – 11:55 @ G 107

Instructor:	Dr. Seza Danişoğlu
Office:	FEAS Building B, H 112
Phone:	210 2035
E-mail:	seza@metu.edu.tr
Office Hours:	Monday and Wednesday: 09:00 – 10:00, or, strictly by appointment
Course Web Page:	https://odtuclass2024s.metu.edu.tr/course/view.php?id=4517
Course Description:	<p>The banking environment is constantly changing. In today's financial world, bank managers must be increasingly aware of competitive opportunities that coincide with change. The purpose of this course is to apply basic finance concepts to the management of depository institutions. The course will address the decision-making and problem-solving aspects of asset and liability management with special emphasis on risk management as the basic ingredient in the bank management process.</p> <p>For this course, as a prerequisite, students should have taken BA 2802 – Principles of Finance with a semester grade of at least DD, or BA 5802 - Financial Management with a semester grade of at least CC, or, an equivalent finance course with a passing grade.</p>
Course Student Learning Objectives: (CSLO)	<p><i>Upon successful completion of this course, students should be able to:</i></p> <p>Course Specific Skills:</p> <ol style="list-style-type: none">1. Understand how the banking firm is different from a non-financial corporation2. Understand the importance of operational risk for the banking, learn about non-interest income and expense3. Understand the importance of interest rate risk for the banking firm, learn how to measure interest rate risk4. Develop skills in using derivative contracts to hedge against interest rate risk5. Understand the importance of different funding sources for the banking firm6. Understand the importance of liquidity risk for the banking firm, learn how to measure liquidity risk7. Develop skills in short-term and long-term liquidity planning8. Understand the importance of bank capital, learn about capital regulations9. Understand the importance of solvency risk for the banking firm10. Understand the importance of credit risk for the banking firm11. Develop skills in evaluating commercial and consumer loan applications <p>Discipline Specific Skills:</p> <ol style="list-style-type: none">12. Develop skills in analyzing the performance and riskiness of a banking firm and financial institutions in general <p>Develop an understanding of:</p> <ol style="list-style-type: none">13. The significant role played by the banking industry in an economy14. How firms compete in highly regulated markets15. How a lender evaluates a borrower <p>Personal and Key Skills:</p> <ol style="list-style-type: none">16. Develop problem solving skills17. Develop writing and discussion skills18. Learn to apply the abstract concepts learned in the classroom to everyday decisions made by financial institutions

Learning and Teaching Methods:
This course is going to make use of formal lectures, in-class discussions and problem solving, written case study reports, and in-class case study discussions.
Required Reading:
Koch, Timothy W. and S. Scott MacDonald. <u>Bank Management</u> , 8 th Edition, 2015, Cengage Learning, ISBN: 9781305535107.
Available for sale as an e-book at the publisher's web site: https://www.cengage.uk/c/bank-management-8e-koch-macdonald/9781133494683/

Assessment and Grading:				
Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by this assessment	Feedback Method
Written Examinations	66	135-minute essay-type examination	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18	Written and oral
Three Case Reports	12	Self-study hours (4+ hours)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18	Written
Case Discussions	12	Class participation during regular lectures	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18	Oral (in class)
Attendance	10	Class participation during regular lectures	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18	Written
<p><u>No</u> "extra" work above the aforementioned will be accepted or credited.</p> <p>Makeup Examinations: There will be <u>no</u> make-ups for exams or assignments. If you have a time conflict, please contact me <u>ahead of time</u>.</p> <p>Important Note About Re-sit (Bütünleme) Exams: Please note that re-sit exams are <u>no longer</u> given at METU.</p> <p>Incompletes: A grade of incomplete will <u>not</u> be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".</p>				

Course Policies:
Course Requirements: The students will be assigned readings from the textbook and are <u>expected</u> to come to class prepared and ready to take part in class discussions.
Attendance is mandatory in this class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform <u>significantly</u> better than students who have an intermittent attendance and/or who do not keep current in reading the chapters.
Cases: Three cases will be assigned during the term. All cases will be discussed in detail during a regular class session. Students are expected to respond to specific questions and to critique other student comments. Therefore, each student is expected to come to class ready to discuss the case.

Please note that 12 percent of your overall grade will depend on your participation in the case discussions.

In addition, a written report on all of three cases will be submitted. You need to prepare these reports in groups of two people. You do not have to form a group with the same person for each case study. The cover page of the case reports should state the names of the students clearly. The reports should be concise yet address all of the major issues raised in the case. They should be similar in style and content to an executive summary and should be no more than three typed pages of narrative plus exhibits. The reports for the case studies will be submitted via the plagiarism detection service Turn-it-in's link available at the course page and instructions will be provided with each case study.

Reading Assignments: The following pages give the schedule for the reading assignments. The lectures will stress the most important and/or most difficult material. Appendices are required only if they are assigned.

Presentation Slides: A copy of the presentation slides is available at the course web page. These slides can be used as chapter summaries and utilized while taking down notes during class.

Case Study Texts: A copy of the case study texts will be distributed in class after the add/drop week.

STUDENT DISABILITIES: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

ACADEMIC DISHONESTY: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BS/MBA degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

CHEATING: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty or the Graduate School of Social Sciences for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

PLAGIARISM: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately. Persons observed to plagiarize while preparing assignments will be referred to the Dean of the Faculty or the Graduate School of Social Sciences for additional disciplinary action and also they will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

Please read the following documents carefully:

Turkish: [https://oidb.metu.edu.tr/sites/oidb.metu.edu.tr/files/ODTUAkademikDurustluk-Kilavuzu-7.3.2016.son .pdf](https://oidb.metu.edu.tr/sites/oidb.metu.edu.tr/files/ODTUAkademikDurustluk-Kilavuzu-7.3.2016.son.pdf)

English: <http://oidb.metu.edu.tr/system/files/Academic%20Integrity%20Guide%20for%20Students.pdf>

Turkish: http://oidb.metu.edu.tr/sites/oidb.metu.edu.tr/files/ODTU%20Sinav%20Kurallari-Kilavuz-7.4.2016.son_.pdf

English: <http://oidb.metu.edu.tr/sites/oidb.metu.edu.tr/files/Guide%20for%20Rules%20to%20Be%20Followed%20In%20an%20Examination%20Environment.docx>

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

CIVILITY IN THE CLASSROOM: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

Students arrive on time. Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

Laptops, phones and wireless devices are turned off.

STUDENT EXCUSES: Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR!
<http://oidb.metu.edu.tr/en/academic-calendar>

Notes:

- Usage of cell phones is strictly prohibited during class. Please be courteous to your classmates and me and make sure that your phones are on silent mode before the class begins.
- Please arrive on time and do not enter the classroom if I already have closed the classroom doors. If you have to leave early, please inform me in advance. If, due to uncontrollable circumstances, you end up being late for class, please wait outside until the first in-class break during which I will open the classroom door and let you in.
- You are encouraged to drop by my office during office hours for questions, concerns, or suggestions. Outside the office hours, please make an appointment with me in advance, before or

after the class, via phone or e-mail. For quick questions that you may have, note that e-mailing is a very effective means of communicating with me.

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

Good luck to all of you and let's have a very enjoyable semester together!! SD

Don't be Trashy. Recycle.

Do not throw items away in the trash that should go into the recycling bin.
Show a little class.

REFUSE, REDUCE, REUSE, REPURPOSE, RECYCLE!



The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. Appendices are required only if they are assigned. The students are required to read the chapters and appendices before they are covered in class.

Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
February	17	Introduction Analyzing Bank Performance Assigned Reading: Banking and the Financial Services Industry Government Policies and Regulation	Chapter 3 Chapter 1 Chapter 2	1, 2
	19	Analyzing Bank Performance (Cont'd)	Chapter 3	1, 2
	24	Analyzing Bank Performance	Chapter 3	1, 2
		Recommended Reading: Pricing Fixed-Income Securities	Chapter 6	3
	26	Managing Interest Rate Risk: GAP and Earnings Sensitivity	Chapter 7	3
March	3	Managing Interest Rate Risk: GAP and Earnings Sensitivity (Cont'd)	Chapter 7	3
	5	Managing Interest Rate Risk: Duration GAP and Economic Value of Equity	Chapter 8	3
	10	Managing Interest Rate Risk: Duration GAP and Economic Value of Equity (Cont'd)	Chapter 8	3
	12	Managing Interest Rate Risk: Duration GAP and Economic Value of Equity (Cont'd)	Chapter 8	3
	17	CASE STUDY 1		1
	19	Using Derivatives to Manage Interest Rate Risk (Cont'd)	Chapter 9	4
	24	Using Derivatives to Manage Interest Rate Risk	Chapter 9	4
	26	Using Derivatives to Manage Interest Rate Risk (Cont'd)	Chapter 9	4
	31	No class: Break for the bayram		
April	2	Using Derivatives to Manage Interest Rate Risk (Cont'd)	Chapter 9	4
	7	Using Derivatives to Manage Interest Rate Risk (Cont'd)	Chapter 9	4
	9	Using Derivatives to Manage Interest Rate Risk (Cont'd)	Chapter 9	4
	14	Funding the Bank	Chapter 10	5
	16	Funding the Bank (Cont'd) Managing Liquidity	Chapter 10 Chapter 11	5 6, 7
	18	MIDTERM EXAMINATION 1 @ 18:00 Chapters 3, 6, 7, 8, 9		1, 2, 3, 4
	21	Managing Liquidity (Cont'd) The Effective Use of Capital	Chapter 11 Chapter 12	6, 7 8, 9
	23	No class: National Sovereignty and Children's Day		
	28	CASE STUDY 2		3, 4
	30	The Effective Use of Capital (Cont'd)	Chapter 12	8, 9
May	5	The Effective Use of Capital (Cont'd)	Chapter 12	8, 9
	7	Overview of Credit Policy and Loan Characteristics	Chapter 13	10
	12	Overview of Credit Policy and Loan Characteristics (Cont'd) Evaluating Commercial Loan Requests and Managing Credit Risk	Chapter 13 Chapter 14	10 11
	14	Evaluating Commercial Loan Requests and Managing Credit Risk (Cont'd)	Chapter 14	8, 9
	19	No class: Commemoration of Atatürk and Youth and Sports Festival		
	21	CASE STUDY 3		8, 9
	26	Evaluating Consumer Loans	Chapter 15	11
	28	Guest Speaker		
June	19	MIDTERM EXAMINATION 2 @ 09:30 Chapters 10, 11, 12, 13, 14, 15		5 - 11