FINANCE 4413  
Commercial Bank Management  
Fall 2011

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Office Hours:  2:00- 3:30 Tuesday and Thursday

Required Books:  
1.) Financial Institutions Management, 7th edition by Saunders and Cornett  
   (hereafter referred to as Saunders)

2.) Selected chapters of Bank Management, 8th edition by Rose and Hudgins

3.) Stanford Bank Game Manual

<table>
<thead>
<tr>
<th>LEARNING BLOCKS</th>
<th>READING</th>
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</table>
| 1. a. Team Learning ,Bloom's Taxonomy, and Active Learning and Depository Institutions | Michaelsen and Black on "Building Learning Teams" (or TBL orientation), "Bloom's Taxonomy", Syllabus, and "Using Active Learning in the Classroom"  
   All above are on D2L: Content Chapter 2 of Saunders |
| 1.b. Bank Financial Statements and Performance | Rose chapters 5 and 6 |
| 2. Stanford Bank Game (SBG) | Saunders chapters 8,9,10 |
| 3. Interest Rate Risk | Saunders chapter 10  
   Saunders chapter 26 |
| 4. The Bond Portfolio | Saunders Chapters 17, 18 |
| 5. Liquidity Risk and Management | Saunders Chapters 19, 20 (or Credit chapters) |
| 6. Bank Capital and either Deposit Insurance or Credit chapters |

NOTES:  
Students are not responsible for appendices on RATS unless specifically assigned for a RAT. (Appendices
can nonetheless be useful for application exercises.)

Make up days for individual missed RATS are October 17 (9:00 a.m.) and December 2 (9:00 a.m.)

**GRADING**

There will be 6.5 readiness assessment tests (RATS, also known as RAP meaning readiness assurance process) given during the course — one at the beginning of each learning block. (The same RATS will be given to individuals and groups.) Also, there will be two individual exams.

On group RATS and projects, all group members will receive the same score.

**GRADING CRITERIA**

Grades will be determined by scores in three major performance areas: Individual Performance, Group Performance, and Group Maintenance.

**GRADING WEIGHTS**

**Individual Performance (50% of total)**

RATS (equally weighted): 45%
(1a is 1/3rd and 1b is 2/3rd of Block 1)

(First take is 75%, Second take is 25%)

2 Exams (equally weighted): 45%

Midterm is 7:00pm October 20

Homework Problems 10%

100%

**Group Performance (40% of total)**

RATS (equally weighted): 60%
(1a is 1/3rd and 1b is 2/3rd of Block 1)

(First take is 80%, Second take is 20%)

2-5 large graded activities (applications) (equally weighted) 40%

100%

**Group Maintenance (10% of total)**

Peer Evaluation 450 average
Please bring Scantrons for each RAT— for yourself and for your group

Team Based Learning

“Team Learning” processes will be used for about 50-60% of the class. TBL is a type of active learning that has been shown quite effective for many educational objectives. However, it may not fit some objectives very well. Thus, for example, end of chapter computational problems will be done in a more conventional format. Long written assignments where sentence construction and grammar are critical do not tend to be good TBL assignments.

One key to using TBL effectively is making sure that the (end of block) application assignments are well designed.

To obtain the maximum benefits, the 4 S’s should be used to design each application.

1) Same Problem
2) Significant Problem
3) Specific choice: using course concepts to make a specific choice
4) Simultaneously report: reporting choices simultaneously

In-Class Application Activity

PEER EVALUATION

Each individual will rate all of the other members of their groups at the end of the course and perhaps at midterm. Please see below. The average peer evaluation score for all groups is identical. This means that the Peer Evaluation scores will produce differences in grades only within groups. As a result, you can't help everyone in your group get an "A" by giving them a high peer evaluation score. The only way for everyone in a group to earn an "A" is by doing an outstanding job on the individual and group tasks.

THE CONVENTIONAL PRACTICE OF 90% IS AN “A”, 80% IS A “B, ETC. DOES NOT NECESSARILY APPLY.”
POINT ALLOCATION

Please allocate 100 points to *others* in your group. Do not give points to yourself.

Your Name ____________________________

Your Group ____________________________

<table>
<thead>
<tr>
<th>Names of <em>Others</em> in Your Group</th>
<th>Points</th>
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SUM = 100
**TYPICAL BLOCK**

A typical block will commonly look like the below although there will be variation with respect to number of days and other factors.

<table>
<thead>
<tr>
<th>Days</th>
<th>Activity</th>
<th>Bloom's Objectives</th>
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<tbody>
<tr>
<td>Day 1</td>
<td>RATs (RAPs)</td>
<td>Mostly knowledge, comprehension, and (limited) application</td>
</tr>
<tr>
<td>Day 2,3</td>
<td>End of chapter problems and other short applications,</td>
<td>Mostly application and analysis, some synthesis</td>
</tr>
<tr>
<td>Day 3,4</td>
<td>Applications</td>
<td>Advanced application and analysis. Also, some synthesis and evaluation.</td>
</tr>
<tr>
<td>Day 4,5,6</td>
<td>Applications</td>
<td>Analysis, synthesis, and evaluation</td>
</tr>
</tbody>
</table>

**COURSE OBJECTIVES**

The objective of this course is to a.) become capable of managing all the financial aspects of a bank and b.) become capable of valuing a bank. “Team Learning” will be used to a large degree but there are parts of the course that will not be team learning. Oklahoma banks will be used as examples.

In order to attain the above, you need to achieve thorough knowledge of each of the 6 learning blocks by mastering all six educational objectives of Bloom's taxonomy of educational objectives. For each block, the first stage will be RAT (RAP) testing concerning the first three levels of educational objectives (knowledge, comprehension, and “limited” application) in Bloom's taxonomy. The first two will typically be stressed on RATS. Then, objectives three and four (application, analysis) will be met mainly by working problems at the end of the chapters. Finally, objectives four through six (mainly five and six) will be met by working more comprehensive applications such as cases.

A. Acquire "knowledge". This basically means an ability to recall and state facts and definitions.
   For example, (i) What is the duration gap? (ii) What is the repricing gap? (iii) What is net interest margin?

B. "Comprehend" information. This is largely the ability to restate or reorganize material to demonstrate understanding.
   For example, (i) Under what conditions is “riding the yield curve” a good bond portfolio strategy?
   (ii) How can ROE decline if ROA is constant?
C. "Application" of theory and knowledge. This involves problem solving with minimal prompting of rules and principles.
   For example, (i) How can a bank change the interest sensitivity of their balance sheet? (ii) Find the 3 month funding gap for BancFirst.

D. "Analysis" of a situation. This requires breaking an idea down into its component parts.
   For example, (i) If a large block of bonds with a 20 year maturity is purchased, how will net income be affected if interest rates rise by 100 basis points next year? (ii) Why does the duration gap encourage a different configuration of assets compared to the funding gap?

E. "Synthesis" of information. This involves combining ideas into original plans or products.
   For example, create a plan/strategy for managing a bond portfolio that is best for today's financial environment.

F. "Evaluate" information. This requires making an adjustment from use of some criteria or standard.
   For example, why do you think George's suggestion to tighten lending standards on consumer loans for Bank of Oklahoma is a good idea?

Policies

Attendance on days 3, 4, 5, 6 of a block will be taken. There is no substitute for being in class when larger applications are being discussed. Three points will be deducted from your RAT score for every day missed. If a student misses a regular class, he mostly hurts himself. Missing later days of the block hurts his group. Moreover, he has abrogated a responsibility to the other members of his group. (This is not just psycho-babble. Once the groups have gotten off the ground, they actually function less effectively if one (or, worse, two) members are absent.) Therefore missing an "application" day really is a serious "offense." That's why there is a significant penalty attached---unless the student must miss for some legitimate reason. In such a case, the student must EMAIL the professor 48 hours in advance indicating that they're going to miss and why they are missing class.

Your cell phone will not be used during class in any way. This includes getting up to leave the room to answer your phone. PLEASE DO NOT LEAVE THE ROOM! Anyone using a cell phone in any way will lose 20 points on the next RAT. Penalties double for each successive offense. A prime reason for this is that students from prior semesters have complained that other students rising to answer a cell phone interrupted their concentration. This will not happen in this class.
Detailed class notes will not be posted.

I wish to maximize student interaction. I want you to be active, not passive learners. Research has shown active learning is better learning. Relatedly, research has shown that putting detailed notes on line may lull students into passivity as they do not feel they need to understand what is going on in class. Although I may use PowerPoint on occasion, please see the below Wall Street Journal article which maintains that PowerPoint can be overused.

Many students feel they do not need to come to class if detailed notes are available on line. Again, this encourages passive, not active, learning. It may also encourage delaying study until an exam/quiz which is bad practice. Much of the course material is sufficiently complex that you likely need to make two or three passes at many problems and applications. Again, please see the below Wall Street Journal article which maintains that PowerPoint can be overused.

Speaking Truth to PowerPoint

By Dave Farn

Talking Donuts indicate that America runs on Dunkin'. Actually, America runs on PowerPoint. Slide by slide, by slide.

But maybe we shouldn't. Maybe—while we re-
consider how we bank, manufacture cars, emit carbon and visit the doctor—we should also re-
think how we PowerPoint. Maybe cutting the cord is change you can believe in.

This is the bold message trumpeted today by a few anti-PowerPointers. "The PowerPointers." Let's call them. Do they stand a chance?

PowerPoint—the Microsoft program for creating slide presentations—is ubiquitous in board-
rooms, government offices, military bases and universities. Like Xeroxing, it is a brand name com-
monplace. Microsoft estimates that there are 200 million PowerPoint users worldwide.

Standing aloof from these legions is Joel Bowen, a SourPoint, who serves as dean of Southern Methodist University's School of the Arts. In addition to being a professor of music, Mr. Bowen is a jazz musician who has played with Dizzy Gillespie and written for Jerry Garcia. So he knows perform-
ance. And he thinks PowerPoint undermines it, serving as a crutch for professors and hotel-
skiing students to avoid doing their homework. Mr. Bowen insists not to use the acronym leg-
endarily "to teach music as he says.

T.C. Rymis writes a quite different background to the ranks of the SourPointers. A retired colonel in the Marine Corps and an expert on counterintau-
geney warfare, Col. Rymis was in this month's Armed Forces Journal that PowerPoint "is actively
hostile to thoughtful decision-making."

In the Defense Department and military, he says, the agenda is driven by vague, oversimpli-
ified and easily misunderstood bullet points. While decision-makers once read and slept on "succinct two- or three-page summaries of key issues," today they are harried by PowerPoint's pace and "are making more decisions with less preparation and less time for thought," Col. Rymises charges.

Turning boardrooms into bored rooms.

As Newton stood on the shoulders of giants, Mr. Bowen, Col. Rymis and other SourPointers are propped on the shoulders of Edward Tufte, a design guru and former Yale University professor. Mr. Tufte travels the country giving six-hour lectures that people in advertising, programming and publishing pay hundreds of dollars to attend. Upending PowerPoint is a chief goal of his work.

Mr. Tufte's case against PowerPoint is lengthy, detailed and not easily summarizable. On his blog and in public, he wrote in 1990: "a popular concept is widely adopted before evidence is sought and thought is eaten."

On the cover of his self-published pamphlet, "the Cognitive Style of PowerPoint," Mr. Tufte depicts Josef Stalin overlooking a large, rigid Soviet military parade and declaring "next slide, please."

When the Columbia space-shuttle disaster occurred in early 2003, Mr. Tufte fingered Power-
Point as a culprit. He argued that information vital to NASA analysts had been shunted to the

bottom of a typical cluttered PowerPoint slide. And he wasn't just demonstrating a critical oversight—imagination—he was right. As the Columbia Accident Investigation Board concluded: "It is easy to understand how a senior manager might read this PowerPoint slide—the one Mr. Tufte singled out—and not realize that it ad-

dress a life-threatening situation." The board called PowerPoint "a 'mental' and 'an illustrations of the problematic methods of technical communi-

cation at NASA.'

Brands have been destroyed by for less

weighty associations. Yet the PowerPoint jugg-
qunder rolls on. The reason is not just PowerPoint users' business, or the software's many attractive

features. It is that PowerPointers and SourPointers offer different answers to a basic question: Are poor slide presentations the fault of the presenta-
tion tool or the presenter?

"Any general opposition to PowerPoint is just
dumb," argued Harvard psychologists Steven Pinker

in an email. "We like downplaying lectures before

there were awful PowerPoint presentations, there

were scripted lectures, interpreted lectures, slide shows, chalk talks, and so on."

Computer programming pioneer Larry Wall has argued similarly, stating: "I do quarrl with logic that says 'Stupid people are associated with X; therefore X is stupid.' Stupid people are associated with everything."

So perhaps all we can say is "next slide." And

please pass the doughnuts.

Mr. Farn is a Robert W. Bartley Fellow at the Wall Street Journal this summer.
Subscribing to the *Wall Street Journal* is strongly recommended. WSJ articles will likely be integrated into assignments.

Any student in this course who has a disability that may prevent him or her from fully demonstrating his or her abilities should contact me personally as soon as possible so we can discuss accommodations necessary to ensure full participation and facilitate your educational opportunities.

No programmable calculators can be used for exams.