



APPLIES TO ACADEMIC YEAR 2011/2012

## FIN 3601 Commercial Bank Financial Management

### Programme

Bachelor in Finance (3. year)

### Responsible for the course

Emanuel Blattner

### Department

Department of Accounting - Auditing and Law

### Term

According to study plan

### ECTS Credits

7,5

### Language of instruction

Norwegian

### Introduction

Management of financial institutions is a part of business economics, which consists of knowledge achieved in finance, managerial economics, microeconomics and statistics. The aim of the course is to improve the students' knowledge and skills in business economics as well as the use of tools of monetary policy. The course has a special focus on a risk approach in asset and liability management and liquidity risk. Due to high volatility in interest rates and foreign exchange rates, managing financial institutions has become more dependent on advanced tools of asset and liability management and the use of derivatives such as futures, options, caps, floors and collars.

### Learning outcome

#### Acquired knowledge

After taking the course, the students shall be able to explain key concepts and give an account of the tools of monetary policy, the tools used in asset and liability management, statements of income and cash flow analyses and the use of derivatives in asset and liability management.

Examples of concepts that students shall be able to explain:

- Monetary policy of the Central Bank
- Behaviour of interest rates
- Balance sheet, statement of income and cash flow in financial institutions
- The term structure of interest rates
- Repricing gap
- Duration gap, duration of equities
- Futures and forwards, interest rate swaps, interest rate options.

#### Acquired skills

After taking the course, the students shall be able to (a) apply knowledge (i.e. concepts and skills) in analyses and discussions on asset and liability problems, (b) distinguish between relevant and irrelevant information, and (c) give written answers to questions so that the readers understand the applied methods and conclusions. Examples:

- Understanding the use of the FED's monetary policy
- Understanding interest rates
- Analyzing financial reports of financial institutions
- Risk in financial institutions
- The use of the term structure of interest rates in asset and liability management
- The calculation of the repricing gap
- Duration gap calculations
- Equity duration
- The use of on-balance immunizing in asset and liability management
- The use of derivatives in off-balance immunizing

### Reflection

After taking the course, the students should be able to ask critical questions and reflect on crucial assumptions and theories within the asset and liability management field.

### Prerequisites

Knowledge equivalent to the 2nd year of the Bachelor of Business Administration Program in Finance.

### **Compulsory reading**

#### **Books:**

Saunders, Anthony, Marcia Millon Cornett. 2011. Financial institutions management : a risk management approach. 7th ed. McGraw-Hill/Irwin. 300 sider

#### **Articles:**

Mishkin, Frederic S m.fl.. 2010. Central Bank and the conduct of monetary policy

#### **Other:**

Økonomiske perspektiver - Årstale av sentralbanksjef Øystein Olsen. 2011. Norges Bank. [http://www.norges-bank.no/Upload/82421/arstale\\_2011\\_norges\\_bank.pdf](http://www.norges-bank.no/Upload/82421/arstale_2011_norges_bank.pdf)

### **Recommended reading**

#### **Books:**

Mishkin, Frederic S. 2010. The economics of money, banking and financial markets. 9th ed. Pearson

Steigum, Erling. 2004. Moderne makroøkonomi. Gyldendal akademisk. Kapittel 2. (Dette er samme bok som ble brukt i kurset SØK 3525 Makroøkonomi for økonomer på 2. år)

### **Course outline**

1. Tools of monetary policy
2. Overview of banking and the financial services industry
3. Sources and uses of bank funds and the risk of banking
4. Accounting and economic models of banking performance and valuation
5. Liquidity risk
6. Interest rate risk
7. Asset and liability management and the interest rate risk
8. Profit planning and budgeting
9. Excel risk simulations

### **Computer-based tools**

Excel spreadsheets (Solver and RISK)

### **Learning process and workload**

The course consists of 35 hours of lectures, and 10 hours of case studies that are supervised by the lecturer.

Recommended use of hours:

<b>Activity</b>	<b>Use of hours</b>
Lectures	35
Casestudies*	10
Reading literature and preparation for lectures	151
Final examination	4
<b>Total use of hours recommended</b>	<b>200</b>

\*Casestudies are supervised by the lecturer

### **Use of hours**

35- lectures  
10 hours - casestudies  
45 hours total

### **Examination**

A four-hour individual written examination concludes the course.

### **Examination code(s)**

FIN 36011 Written exam, counts 100% towards the final grade in FIN 3601, Commercial Bank Financial Management, 7,5 credits.

### **Examination support materials**

Only TEXAS INSTRUMENTS BA II Plus™ calculator is allowed.  
Examination support materials at written examinations are specified under exam information in our web-based Student Handbook. Please note the use of calculator and dictionary.  
<http://www.bi.edu/studenthandbook/examaids>

**Re-sit examination**

A re-sit examination is offered in connection with the next ordinary course.

**Additional information**