FINA 6122 Financial Management of Depository Institutions | Executive Summary

CARLSON SCHOOL OF MANAGEMENT
UNIVERSITY OF MINNESOTA

Course: FINA 6122 Financial Management of Depository Institutions
Credits: 2 credits
Prerequisites: FINA 6121, MBA 6230

Description

This course focuses on commercial banks and other depository institutions such as savings and loans and credit unions. This is the largest class of financial intermediaries, both in the United States and in the world. We deal with the full range of strategic issues confronting these firms: Asset/liability management, risk management, geographic expansion, mergers, and public policy issues.

Objectives

1. Provide an in-depth understanding of the theory of the banking firm --- what banks do and why they do it. Banks are fundamentally different from any other kind of business. They provide key services to the economy and play a critical role in the transmission of monetary policy.

2. Train students to understand the strategic decisions of bank management. Primarily, these decisions involve risk management. Everything that banks do involves risk, but risk-minimization is not the objective. The objective, rather, is to bear a manageable amount of risk that is fully compensated.

3. Provide an understanding of recent developments in the industry. The main trends include: consolidation (mergers), internationalization, conglomeration (diversification into non-banking business lines), and banking regulation issues.

Learning Outcomes

Students will demonstrate knowledge, through problem sets and exams, of the following:

1. The fundamental economic contributions of banks. (Example application. Are Fannie Mae and Freddie Mac competitors with local banks? Or just services providers? Do local banks care? Should they?)

2. Evaluate bank performance and sources of risk in banking as well as how to measure and manage them. (Example application: completing a four part bank analysis problem analysis.)

3. Recent developments in banking: consolidation, conglomeration, and banking regulation. (Example application. Understanding how too big to fail challenges bank regulators.)