



BANKING BUSINESS SIMULATION PROGRAM DESCRIPTION

The *Banking Business Simulation* provides your professionals with the opportunity to experience managing a large financial services institution. In this business simulation, participants experience the challenges faced by senior executives, including:

- Setting a business strategy for their financial institution
- Executing strategy through tactical business and IT decisions
- Evaluating the impact of decisions on bottom-line profitability
- Understanding the interrelationships between various business units

Simulations are extremely powerful learning tools. Participants are immersed in the environment of their clients, feeling the day-to-day pressures experienced by senior industry executives. This experience of “sitting on the other side of the desk” provides sales professionals with an intuitive understanding of business needs and goals that cannot be replicated in other environments. However, for a business simulation to be effective, it must be realistic and well structured. Our professionals at PSI have unparalleled experience creating business simulations for financial services training and education.



This document has been created to help you better understand the *Banking Business Simulation* and includes:

- Learning Objectives
- Course Agenda
- Simulation Decisions
- Simulation Reports

LEARNING OBJECTIVES

Upon completing the *Banking Business Simulation*, participants will be able to:

- Understand key strategic decision-making from the executive perspective
- Identify the various market-related strategic decisions made by financial institutions, including:
 - Customer segments to target
 - Product and service configuration
 - Appropriate distribution channels to employ
- Explain how financial institutions manage risk, including:
 - Profitability management including product/service pricing (risk adjusted pricing), fee income and identification of related costs
 - Market risk (understanding the economic and competitive impacts of decisions)
 - Credit risk strategy
 - Interest-rate management
- Discuss the operational issues financial institutions need to manage, including:
 - Technology and operational infrastructure
 - Personnel management
 - Budgeting
 - Aligning operational support with business strategy
 - Controlling operational risks and costs
- Explain the basics of treasury and balance sheet management, including:
 - Asset management
 - Liability management
 - Balance sheet vs. off-balance sheet decisions and risks
- Understand the interrelationships between the different units within a financial institution



- Discuss the impact of business decisions on financial performance, and how institutions are measured by management, the investment community and customers, including:
 - Profitability measures
 - Credit quality measures
 - Market measures
 - Regulatory measures
 - Customer satisfaction measures

Ultimately, your professionals will gain a richer understanding of the difficult task that financial services executives face in managing their institutions. By completing the simulation, participants will be able to:

- Reposition their product, solution and overall selling strategy to reflect the perspective of the buyer
- Evidence a better understanding of the day-to-day business issues effecting the buyer and therefore establish the credibility for making the appropriate recommendations
- Apply that understanding to their real-life responsibilities
- Understand the importance and implications of learning an institution's strategy
- Contribute more to the success of your organization



COURSE AGENDA

The *Banking Business Simulation* is best delivered in a workshop setting to maximize the learning that takes place as participants compete with each other and share lessons learned. The simulation workshop can be delivered in either a two or three-day agenda (three-day agenda is shown below):

	DAY ONE	DAY TWO	DAY THREE
8:30	Course Introduction	Analyzing Bank Performance Key Reports & Ratios 	Analyst Meetings
9:00	Simulation Introduction		Round 2 Results
10:00	Analyze SimStart		Round Three Banking Business Decision-Making
11:00	Simulation Strategy Development		Simulation Reports Reports Presentation
NOON	Simulation Decisions Decisions Presentation	LUNCH	LUNCH
	LUNCH		
1:00		Round 1 Results	FS Industry Issues
2:00			
3:00	Round One Banking Business Simulation Decision-Making	Round Two Banking Business Simulation Decision-Making	Final Results & Awards
4:00			
5:00			

The core modules are listed below. We can however add modules to cover your specific needs.

Course Introduction

In this opening presentation, the objectives and agenda of the course are reviewed and instructor and participant introductions are completed.

Simulation Introduction

In this opening presentation, participants are introduced to the *Banking Business Simulation*. Topics covered include:

- Simulation Objectives
- Simulation process
- Scoring measures

This is the first step in preparing participants for their simulated experience!



Analyze SimStart

Participants will then analyze the financial institution they are inheriting in the simulation to learn more about the strategy, strengths and weaknesses of the institution. To answer the specific questions posed in the exercise, participants review:

- The institution's financial performance over the last 2 years (balance sheet and income statement)
- Previous management's strategy and objectives
- Key financial indicators

The Facilitator leads a class debrief, ensuring all teams reach the same conclusions regarding the starting position of the simulation.

Simulation Strategy Development

Building on the previous analysis, each team determines their simulation strategy. Using a framework we provide, the teams begin to identify the:

- Customer segments they will target
- Products and services they will emphasize
- Pricing strategy
- Risk management strategy
- Distribution channel strategy
- Customer service strategy
- Asset/liability management implications

Simulation Decisions Presentation

The Facilitator then leads a detailed review of the decisions available to each team. This review includes:

- Revenue/cost implications associated with each decision
- Background information to evaluate
- Impact on other areas of the institution
- Simulation reporting

Throughout this presentation, your simulation instructor reinforces and teaches the fundamental aspects of the financial services business.

Round One Banking Business Decisions

Participants will then spend the remainder of Day One making their Round One decisions.

For most of this time, participants will work with their teammates around small tables. This approach forces them to discuss strategy, competition, customers and the effects on their simulated institution. Repeating this process three times helps participants internalize and learn all about financial services. They are also motivated to win which enhances the learning process.



After Round One decisions are completed, each team will type their decisions into the PC to complete the round.

Overnight, the Facilitator will run Round One results based on the decisions input by the teams and prepare the Round One Debrief.

Analyzing Bank Performance

In this segment, the fundamentals of financial statements and ratios are discussed, breaking down the barriers of understanding to these complex issues. Your PSI instructor will present each topic using an easy-to-understand approach. Content areas covered include:

- Balance Sheet and Income Statement
- Key ratios including:
 - Profitability/earnings ratios
 - Credit and portfolio ratios
 - Share data and market ratios
 - Capital ratios

Simulation Reports Presentation

In this segment, the facilitator reviews the reports participants will receive after each round. This helps the participants understand the reports and more importantly the implications those reports have on their performance. This also presents another opportunity for the facilitator to teach participants about various aspects of the business.

Round One Results and Debrief

The facilitator then reviews the results from Round One, including:

- Overall simulated market results
- Individual team's results and standings
- Lessons learned (reinforcing the fundamentals of the business at every opportunity)
- Objectives and opportunities to consider for the next round

Detailed simulation reports, customized for each team are handed out to each participant.

Round Two Banking Business Decisions

Participants will then make their Round Two decisions. Again, participants will work with their teammates around small tables. After all of their decisions have been completed, each team will enter their decisions into the PC to complete the round.

Once all of the teams have finished, the Facilitator will run Round Two results.



Analyst Meetings

We encourage each team to make a brief “presentation” to industry analysts.

In this presentation, each team is asked to discuss their strategy, performance, and decision-making with industry analysts (played by the Facilitator and class). This forces participants to "talk the talk" and helps begin the debriefing of the simulation as participants learn about all the strategies that are at work in the class. As a result, it creates a more competitive Round Three. This module also provides an important opportunity for the facilitator to gauge understanding and stress key points after each presentation.

Round Two Results and Debrief

The Facilitator will review the results from Round Two, including:

- Overall simulated market results
- Individual team’s results and standings
- Improvements from Round One
- Lessons learned (reinforcing the fundamentals of the business at every opportunity)
- Objectives and opportunities to consider for the next round

Detailed Simulation Reports, customized for each team are handed out to each participant.

Round Three Banking Business Decisions

Participants will then make their decisions for the final round.

Once all of the teams have finished, the Facilitator will run the final results.

FS Industry Issues

This class discussion is intended to provide participants with an understanding of some of the "hot" issues driving the financial services industry (e.g., profitability, competition, e-commerce issues). It also covers the strategies and tactics financial institutions are using to manage risks in the industry.

Opportunities in the Industry

If you choose this exercise, we will ask participants to apply the information learned in the simulation to their “real-life” responsibilities.

This exercise is customized for each of our clients. However, as an example, we may lead a high-level review of the products and services you provide to the financial services industry. We will then ask participants to link these products and services to the knowledge they gained in the simulation:

- What type of financial institution would be most interested in each product and service we offer?



- How would our products and services support a financial institution's strategy and business objectives?
- Who in a financial institution would be most interested in each product and service we offer?
- What is the impact of our products and services on a financial institution's revenue and cost streams?

Final Debrief and Results

The Facilitator will then review the final results of the simulation, including:

- Market results
- Each team's results
- Improvements from Round Two
- Lessons learned
- Final awards and prizes

SIMULATION DECISIONS

Each team will organize itself into three functional roles:

- Retail Banking
- Corporate Banking
- Asset Liability Management (ALM)

Retail Banking is responsible for developing the retail banking strategy, attracting new retail customers, configuring the institution's products and services, as well as staffing the institution's sales force as needed. It is also responsible for defining customer service, managing credit risk and managing the retail operations infrastructure (i.e., branches, ATMs, on-line services, IT budgets etc.). Products and services managed by *Retail Banking* include:

- Checking accounts
- Time deposits
- Brokerage accounts
- Mutual funds
- Term life
- Credit cards
- Mortgage loans (fixed and variable)
- Personal loans (installment and home equity)



Corporate Banking is responsible for developing the corporate banking strategy, attracting new corporate customers, configuring the institution's corporate products and services and staffing relationship managers. Corporate banking decides on the quality of the investment research staff and the investment banking services the bank offers. It is also responsible for managing credit risk and the entire corporate operational infrastructure (i.e., operational budgets, IT budgets, processing capabilities, etc.). Products and services managed by *Corporate Banking* include:

- Corporate and Institutional Services
 - Corporate finance
 - Term loans
 - Lines of credit
 - Underwriting (debt, equity and M&A)
 - Treasury services (cash management, payment and trade finance)
 - Trading services

ALM is responsible for risk management (e.g., credit risk, interest rate risk etc.) across the organization, managing the institution's overall balance sheet, including funds management and investment management and securitization. Decisions include:

- Reconciling sources and uses of funds
- Securitization
- Issuing debt
- Managing the investment portfolio (money market instruments, mortgage-backed securities, debt and equities)

All three roles are required to interact with their peers across their simulated institutions to carryout a consistent strategy.

SIMULATION REPORTS

Each team will make their decisions across three rounds of activity. At the end of each of three rounds, the decisions of all teams are entered into the simulation and the results are produced. Each team will receive the following reports:

- Scoring Report
- Key Indicators Report
- Income Statement
- Balance Sheet



- Retail Services
 - Deposits Report (customers, retention rates, balances)
 - Consumer Lending Report (customers, retention rates, balances, delinquency rates, write-off rates)
 - Mortgage Lending Report (customers, retention rates, balances, delinquency rates, write-off rates)
 - Investment Management Report (customers, retention rates, balances, activity)
 - Operations Report (processing volumes, customer service standards)
- Corporate and Institutional Services
 - Commercial Lending Report (clients, balances, delinquency rates, write-off rates, fee income)
 - Investment Banking Report (clients, fee income)
 - Treasury Services Report (clients, volumes, fee income)
 - Trading Report (client trade execution, proprietary trading)
 - Operations Report (processing volumes, customer service standards)
- Treasury Reports

In addition, each team will receive “plain-English” commentary of their performance. This Performance Analysis provides participants with:

- Performance graphics
- Guidance on how to improve (or maintain) their performance
- Links to specific reports for gathering more information on their own performance

All of our reports that are issued each round reinforce and emphasize solid financial services strategies and practices.

CONCLUDING REMARKS

The *Banking Business Simulation* will provide your professionals with a solid understanding of the decisions and thought processes that financial services executives complete. With this understanding, your professionals will be much more effective in serving your financial services clients, helping them to develop and maintain long-term relationships with client business needs in mind.

If you have any questions or wish more information on PSI's Financial Services Industry Training Curriculum, please call Howard Stein at (713) 668-7647.