COMMUNITY BANKING SIM
PROGRAM DESCRIPTION

PSI's *Community Banking Business Simulation* provides your professionals with the opportunity to manage a community bank. 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 operational 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 feeling the day-to-day pressures experienced by senior industry executives. This experience of "playing the role of top management" provides professionals with an experiential understanding of the business needs and goals at a contemporary financial services institution.

Our professionals at PSI have unparalleled experience creating effective, well-structured business simulations for financial services education. This document has been created to help you better understand the *Community Banking Sim* and includes:

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

LEARNING OBJECTIVES

Upon completing the *Community Banking Sim*, participants will be able to:

- Understand key strategic decision-making from management's perspective
- Identify the various market-related strategic decisions made by financial institutions, including:
  - Customers and segments
  - Product and service configuration
  - Appropriate distribution channels to employ
- Explain how financial institutions manage risk, including:
  - Profitability management including product/service pricing, fee income and identification of related costs
  - Market risk (understanding the economic and competitive impacts of decisions)
  - Credit risk management
  - Interest-rate management
- Discuss 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
- 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
  - Competition

Ultimately, your professionals will gain a richer understanding of financial services and the difficult task that management faces in managing the institution. By completing the simulation, participants will be able to:

- Apply that understanding to their real-life responsibilities
- Understand the importance of learning their institution's strategy and competition
- Contribute more to the success of their institution through a greater appreciation of the big picture
- Improve their ability to make decisions that align with their institution's strategic goals and realities of the industry

Program Prerequisites

Learner should have an understanding of financial services terms. If learner does not possess that understanding, learner should complete PSI's Inside Financial Services – Overview online program.

Program Level

Intermediate.

Advance Preparation

Read the Overview section (pages 1-22) of the Executive Suite Banking Simulation Guide.

Delivery Method

The program is delivered in a live, group study setting.

Recommended CPE

For participants that complete the entire program shown on the agenda on the following page, 20 CPE credits will be earned.

Program Registration Requirements

Contact your training administrator for registration details. [PSI works with individual clients to arrange entire classes and does not hold open sessions or register individuals.]

Course Agenda

The *Community Banking Sim* 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 multiple ways and your audience can complete three or four rounds (an example of a three-day agenda is shown below):

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

The core modules are listed below. We can however add/subtract modules to meet 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 *Community Banking Sim.* Topics covered include:

- Simulation Objectives
- Simulation process
- Scoring measures

This is the first step in preparing 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)
- 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 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 multiple 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

We tailor this workshop segment specifically for your institution or audience.

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 and focus many of the examples on your institution and peers. 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)
- 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 teams finish, the Facilitator will run Round Two results.

Analyst Meetings

We encourage each team to make brief analyst presentations.

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)
- 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 third round (we allow an option to have four rounds as well). 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, technology). It also covers strategies and tactics financial institutions are using to manage risks.

Improving Our Strategic Focus

If you choose this optional exercise, we will debrief the simulation and 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 what was learned in the simulation and how that has changed their view of the world.
- Then we will ask participants to consider their contribution to the institution's strategy. The instructor will stress how one person can make a difference using examples if the participants struggle with this discussion.
- Then we will ask participants to consider how they will apply the knowledge they gained in the simulation to their job.
- Finally, we will encourage participants to stay in-tune with the strategic approaches and objectives of your institution and their business unit and the ongoing issues in the industry.

Other Options: For some clients, we've also had participants prepare and deliver presentations on competitors, on specific business units within their institution (increasing understanding of their bank) and on industry issues.

Final Debrief and Results

The Facilitator then reviews the final results of the simulation, including:

- Market results
- Each team's results
- Lessons learned
- Distribute the final awards and prizes

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

COMMUNITY BANKING SIM DECISIONS

Each team will organize itself into four functional roles:

- Retail Banking
- Commercial Banking
- Operations
- Asset Liability Management (ALM)

Retail Banking is responsible for developing the retail banking strategy, attracting new retail customers, and configuring the institution's retail products and services. It is also responsible for managing retail credit risk. Products and services managed by *Retail Banking* include:

- Checking accounts
- Savings accounts
- Time deposits
- Investments (mutual funds and annuities)
- Home equity loans
- Mortgage loans (fixed and variable)
- Personal loans (installment loans)

Commercial Banking is responsible for developing the commercial banking strategy, attracting new corporate customers, configuring the institution's corporate products and services and managing credit risk. Products and services managed by *Commercial Banking* include:

- Commercial lending
  - Term loans
  - Lines of credit
  - Commercial Real Estate
- Commercial deposits and cash management
  - Checking accounts
  - Sweep accounts
  - ACH transactions

Operations is responsible for managing the bank's back-room, staffing (branch, loan officers, operations) and helps to define the customer service levels provided by the bank. Decisions include:

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- Retail network
  - Branch offices
  - ATMs and fees
- Training provided to the staff
- Operating budgets (processing checks, deposits, loans, ACH and on-line)

ALM is responsible for managing the institution's overall balance sheet, including funds management and investment management and securitization. Decisions include:

- Reconciling sources and uses of funds
- Funding
- Managing the investment portfolio (money market instruments, treasuries, mortgage-backed securities and municipal bonds)

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

Simulation Reports

At the end of each round, 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 Reports (deposits, investment management, lending)
- Commercial Banking Reports (loans and cash management)
- Operations Report
- ALM Reports (investments and funding)

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

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

The *Community Banking Sim* will provide your professionals with a solid understanding of the decisions and thought processes that community banking executives complete. With this understanding, your professionals will be much more effective in carrying out your strategy.

If you have any questions or wish more information on PSI's Financial Services Industry Training Curriculum, please call Chris Lawton at (973) 895-6061.

Complaint Resolution

If you are not completely satisfied with your delivery, contact Chris Lawton at 973-895-6061 and discuss your complaints. All incoming complaints are documented and forwarded to the Administrator. After resolution, documentation is kept in a complaint file for five years and it is used for consideration during course updates and improvements.

PSI's contact for complaints is Christopher Lawton (or David Tompkins in Chris' absence). Chris may be reached by telephone at either 1 (866) GOTO PSI (choice # 3) or (973) 895-6061. Chris can also be reached at clawton@goto-psi.com or by fax at (973) 895-4238.

Refund Policy

If you wish to discuss PSI's refund policy in advance of booking your training, please contact Christopher Lawton at either 1 (866) GOTO PSI (choice # 3) or (973) 895-6061. Chris can also be reached at clawton@goto-psi.com or by fax at (973) 895-4238. A refund policy will be discussed and agreed-upon. PSI would like to make sure that you are fully satisfied with our services and will refund your money if you are not entirely satisfied.

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