

VLERICK BANK SIMULATION



**BUSINESS
SCHOOL**

TARGET GROUP

This simulation is designed for executives who are working in a bank or who need a good general understanding of the functioning of a bank.

This tool can also be used for students in Master's and MBA programmes.



Participants will learn more about the following topics:

- Principles and politics of bank funds management
- Repos and Reverse Repos
- Level and term structure of interest rates
- Analysis of net interest margin
- Maturity Gap
- Re-pricing Gap
- Duration Gap
- Analysis of bank interest rate policy
- Capital adequacy
- Politics of liquidity management
- Credit risk policy
- Financial intermediation
- Regulation of banking activities: Basel I, Basel II and Basel III
- Trends in bank portfolio composition
- Common stock evaluation
- Dividend policy
- Bank capital management
- Loan portfolio management
- The banking environment in the future

Through their experiences in the simulation, the participants will feel the need to increase their knowledge of a bank's products, balance sheet and general management.

THE BENEFITS

The Vlerick Bank Simulation depicts a realistic financial market in which banks take major financial management decisions in a competitive setting.

Participants in the Vlerick Bank Simulation will:

- 1 Apply the theories they have learned to managing their simulated bank
- 2 Gain insight into major decisions taken in banks
- 3 Understand the impact of financial markets on business and financial performance
- 4 Understand a bank's overall strategy and the interactions among different business areas.



MORE INFO

Frederik Boterdaele

T: + 32 9 210 97 09

E: frederik.boterdaele@vlerick.com

www.vlerick.com/bankingsimulation

HOW IT WORKS

The Vlerick Bank Simulation is an online environment.

The participants are grouped into 'management teams' of 3 or 4 members, and each team manages a hypothetical bank.

Each team and the Game Leader need a PC with internet access. Participants should also have Microsoft Excel installed on their PC in order to balance their balance sheet prior to submitting their decisions on the decision sheet.

The Game Leader provides each team with a login and password to access the game.

PLAYING THE GAME

A computer-managed model produces a realistic set of financial market variables that affect each bank. In each round, the teams submit the decisions they have made based on managing the bank's balance sheet. This means that the team members have to agree on:

- the banking products they are willing to buy or sell,
- how many loans they want to issue, and the pricing for these loans,
- how many credit card customers they want to attract,
- how much they want to attract in deposits (by deciding on the spread and bank proximity),
- the amount of capital they need to attract to reach a sufficient capital ratio (depending on the banking environment: Basel I, II or III),
- the number of off-balance sheet items they want to attract,
- whether they will step into investment banking activities or private banking activities,
- how many branches they want to open or close,
- the investments they will make in IT.

The teams submit their decisions by completing a Decision Sheet (provided in the simulation) for each period. The time factor is manipulated in such a way that the management teams will experience the effects of their decisions over a maximum period of 8 quarters.

Upon receiving all decisions from the management teams, the Game Leader runs the simulation and produces the results for each period, which are distributed to the participants in PDF through the game environment.



“ The Vlerick Bank Simulation shows the theoretical concepts in real practice and in a competitive environment, what makes it believable, facilitates the memorizing of the concepts and brings some fun to it. The possibility to check the decisions after each decision round helps to truly understand the effect of the practical decisions on the balance sheet and profit and loss of the entity. Furthermore, variability in the regulatory regimes (Basel I/II/III) gives good insight into the regulatory impacts on the management of the company. Heavy discussions amongst the teams in the corridors and outside the lecture rooms maximize the learning effects and stimulate to consider various scenarios, approaches and strategies and their variable impacts. ”

Vladimir Jezek - Head of Internal Audit and Inspection ČSOB
Slovak Republic