Commercial Banking

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Commercial Banking

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What is a Commercial Bank

- Banking is one of the key drivers of the U.S. economy.

- Provides the liquidity needed for families and businesses to invest for the future.

- Bank lending (credit) means families don't have to save up before going to college or buying a house, and companies can start hiring immediately to build for future demand and expansion.

- A commercial bank is a bank that primarily works with businesses. Commercial banks might also work with consumers, but they have the ability to help businesses manage their money and keep operating as well.
Differences Between Commercial and Investment Banks

- **Main Street** (Commercial and Community Banks)
  - Takes deposits from consumers and businesses
  - Issues loans to customers from the deposits
  - Depository base, the “source” of funds for making loans to businesses and individuals
  - Broad financial services for consumer and business clients
  - Integral to the community, and to the economy at large, provide the stimulus for the economic cycle

- **Wall Street** (Investment Banks)
  - Sells securities and investment instruments
  - Provides advice on buyouts and mergers to corporations and large business clients
  - Separate from commercial banks by legislation from 1933 to 1999. Now part of commercial banks since the economic crisis
  - Investment driven
  - Financial intermediaries
What Do Commercial Bankers Do

- Make **loans** to businesses and individuals
- Take **deposits** and pay interest on savings, CDs, NOW and other types of accounts
- Process **checks** and other transactions (payments, check cashing, etc.)
- Provide **investment guidance** and financial planning
- **Manage Trust** relationships
- Analyze financials and make **credit decisions**
- Provide **information technology services** to branches (network, hardware, support)
- Build and maintain physical branches and **Real Estate**
- Manage **online and mobile banking**
Roles and Hierarchy in Commercial Banks

Officer/AVP → VP/SVP → CEO/C-Suite, EVP

President & CEO

Sales
- Commercial
- Retail
- Wealth

Finance
- Treasury
- Budget/Planning
- Accounting
- Information Technology

Operations
- Loan
- Deposit
- Training

Human Resources
- Benefits
- Recruiting

Credit
- Underwriting
- Workout

Risk Management
- Audit
- Compliance

Legal
- Corp. Secretary
- Public Relations
- Shareholder
# Career Paths in Commercial Banking

<table>
<thead>
<tr>
<th>Career Path</th>
<th>Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Lending</td>
<td>Commercial loans, business financial management,</td>
</tr>
<tr>
<td>Personal Banking</td>
<td>Account opening, consumer lending, mortgage lending</td>
</tr>
<tr>
<td>Investment Banking</td>
<td>Personal Financial Planning, investment guidance</td>
</tr>
<tr>
<td>Operations Management</td>
<td>Loan/Deposit Operations, Trust Operations, Investment</td>
</tr>
<tr>
<td>Risk/Security Management</td>
<td>Audit, compliance, information security, physical security</td>
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<tr>
<td>Information Technology</td>
<td>Network, web management, hardware support, development, project management</td>
</tr>
<tr>
<td>Treasury Management</td>
<td>Deposit sales, business support tools</td>
</tr>
<tr>
<td>Marketing/Communications</td>
<td>Advertising, public relations, social media, branding</td>
</tr>
<tr>
<td>Finance/Accounting</td>
<td>Planning, budgeting, decision management, funding</td>
</tr>
<tr>
<td>Facilities Management</td>
<td>Brick-and-mortar maintenance, real estate management, physical appearance, equipment</td>
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</tbody>
</table>
Skills Required in Banking

- Project Management
- Operations and Production Management
- Risk Management
- Compliance Management
- Change Management
- Communication skills
- Financial and analytical skills
- Technical skills
- M&A integration management
Issues & Trends in Commercial Banking

- Decline and elimination of checks (the checkless society)
- Cyber Security
- Electronic banking (online and mobile banking)
- Changing physical branches (brick-and-mortar)
- Changing look of bank facilities (re-purpose for sale/interior changes)
- Increased regulations and scrutiny
- Consolidating number of banks
Why a Career in Commercial Banking

- Jobs, succession planning
- Innovation
- Needed reputation change (wall street versus main street)
- Diversity of disciplines within a bank (variety)

“Modern banking has been the single greatest contributor to human progress,” Wall Street Journal