



2017 Bank Study Project Class of 2019

ASSET/LIABILITY MANAGEMENT Stephen K. Lacewell, Ph.D.

NOTES:

1. Please use 8 1/2" x 11" paper (or paper folded to that size).
2. Attach the **Freshman Cover Sheet – Class of 2019** from <http://www.gsblsu.org/students-3/> as the first page of your project.
3. Please staple your project or use a binder clip. **DO NOT** use paper clips or any kind of folder or binder.

Complete and mail by November 15, 2017

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Asset/Liability Management I

2017 Bank Study Project

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1. Access your bank's UBPR (Uniform Bank Performance Report) by the following steps below:

<https://www.ffiec.gov/ubpr.htm>

UBPR Reports

Select report type: Uniform Bank Performance Report

Enter Bank Name **OR** Unique Identifier: FDIC Certificate Number

Enter your bank's Location or FDIC Certificate Number (_____) or use one of the numbers below if you do not work for a bank.

3325 11151 15657 3511

Search

Custom...change dates to 12/31/16 and 12/31 of previous four years

Generate Report

Summary Ratios (Be sure to click on the subject instead of the square for a better view)

- A. For 2016, Margin Analysis, list the following ratios for your bank, the peer group, PG, and your bank's PCT percentile ranking.

	Bank	Peer Group	PCT
	-----	-----	-----
Avg Earning Assets to Avg Assets			
Avg Int-Bearing Funds to Avg Assets			
Int Inc (TE) to Avg Earn Assets			
Int Expense to Avg Earn Assets			
Net Int Inc (TE) to Avg Earn Assets			

- B. Given the ratios shown for margin analysis, describe your bank's performance in terms of Net Interest Margin (NIM) over the number of years shown on the UBPR.
- C. Describe four changes that can influence NIM and show how these changes may be causing the relative performance of your bank vs. the peer group.

2.
 - A. Utilize a reliable source to describe the shape of the U.S. Treasury yield curve in the current market. Note the date of this information (one good source can be found at <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-Yield-Data-Visualization.aspx>).
 - B. Describe the effect of the current yield curve on bank lending, investing, profitability, and interest rate risk.
3. For each of the following assets, liabilities, and capital accounts, list and describe two types of embedded options, the risk or advantage to the bank for each option, and whether the bank is a buyer or seller of the option.
 - A. Municipal bond
 - B. Commercial line of credit
 - C. Retail mortgage loan
 - D. Bond issued by the bank
4.
 - A. Describe the advantages and disadvantages of the Gap Analysis/Earnings at Risk model.
 - B. Describe the advantages and disadvantages of the Duration Analysis/EVE Simulation model.
 - C. Discuss the dominant asset/liability management model used by your bank or a bank that you examine or have other experience with.
5. Describe how beta adjustments can help to make Gap analysis more accurate and free of errors due to basis risk.
6. Explain how the price risk associated with interest rate changes can affect the bank's income stream, and discuss steps that the bank's managers can take to hedge against this risk.
7. Discuss the importance of duration as a concept that is a part of asset/liability management. What are the advantages of duration and what are its uses?