



2018 Bank Study Project Class of 2020

ASSET/LIABILITY MANAGEMENT Stephen Laceywell

NOTES:

1. Please use 8 1/2" x 11" paper (or paper folded to that size).
2. Attach the **Freshman Cover Sheet – Class of 2020** 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, 2018

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Asset/Liability Management I 2018 Bank Study Project

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

- 1) <https://www.ffiec.gov/ubpr.htm>
- 2) UBPR Reports
- 3) Select report type: Uniform Bank Performance Report
- 4) Enter Bank Name **OR** Unique Identifier: FDIC Certificate Number
- 5) Enter your bank's Location or FDIC Certificate Number
- 6) If you do not work for a bank choose a bank that you are familiar with.
- 7) Search
- 8) Custom...change dates to 12/31/17 and 12/31 of previous four years
- 9) Generate Report
- 10) Look at Summary Ratios (Be sure to click on the subject instead of the square for a better view)
- 11) Be sure to PRINT the Summary Ratios page and include it with your assignment (print in landscape format)

A. For 2017, Margin Analysis, list the following ratios for your bank, the peer Group (PG), and your bank's PCT percentile ranking.

	Bank	Peer Group	PCT
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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 last five years.

C. Describe four changes that can influence NIM and show how these changes may be causing above or below average performance of your bank vs. the peer group.

2. Go back to the FFIEC web site mentioned in question #1 above. Instead of generating a UBPR you should generate your State Average Report. The following steps should give you access to this report:
- 1) <https://www.ffiec.gov/ubpr.htm>
 - 2) UBPR Reports
 - 3) Select report type: State Average Report
 - 4) Select your state from the drop down menu
 - 5) Select the peer group “All Insured Commercial Banks in Your State”
 - 6) If you do not work for a bank use the state where your previously selected bank in #1 above is located
 - 7) Search
 - 8) Summary Ratios (Be sure to click on the subject instead of the square for a better view)
 - 9) Be sure to print the Summary Ratios page for the State Average Report and include it with your assignment (print in landscape format)

A. For 2017, Margin Analysis, list the following ratios for your bank and the peer Group (PG)...found in #1 above...and also list your state’s ratios.

	Bank	Peer Group	State
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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 last five years as shown on the UBPR compared to those shown on the State Average Report for the last five years.
- C, List and explain in detail three reasons why your bank’s ratios may differ from the state averages and is the difference a positive or negative for your bank. This could include characteristics of your bank, location of your bank, customer base, management philosophy, etc. For this question you may have to dig deeper into the UBPR.

3.
 - 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> . However you are free to use another source if you want.
 - B. Describe the effect of the current yield curve on bank lending, investing, profitability, and interest rate risk.
4.
 - A. Describe in detail the advantages and disadvantages of the Gap Analysis/Earnings at Risk model.
 - B. Describe in detail 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 in detail how beta adjustments can help to make Gap analysis more accurate and free of errors due to basis risk.
6. Explain in detail 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 in detail the importance of duration as a concept that is a part of asset/liability management.