COVER SHEET FOR HOME STUDY PROBLEM
SOUTH CAROLINA BANKERS SCHOOL

FIRST-YEAR CLASS - 2026 School Session

HOME STUDY PROBLEM II

Based on Lectures in Analyzing Bank Financial Performance

Instructor Mrs. Lauren O. Nilan

Submitted by: Name ____

Bank ____

Bank's Mailing Address ____

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ZIP CODE

List the other members of your class with whom you worked in preparing this solution:

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I certify that this home study problem is my original work and that all writings by any other person, business, or organization, including my own bank, have been carefully documented. I have not shared my completed work with any other SCBS student nor have I read the completed work of any other students.

Signature: ____

Due Date November 4, 2026

Date Submitted ______________________________

Date SCBS Received ______________________________

Date Returned to Student ______________________________

ATTENTION STUDENT: EMAIL TO homestudy@scbankers.org OR MAIL HOME STUDY PROBLEM TO:

South Carolina Bankers School
Post Office Box 1483
Columbia, S.C. 29202

OR EXPRESS/REGISTERED MAIL TO: 2009 Park Street, Columbia, SC 29201

Year 1: Analyzing Bank Performance
Home Study Problem

Balance Sheet Management Discussion

Scenario:

Rising rates have increased funding costs and put pressure on net interest margins despite increasing loan yields. Using the attached HSP Data Bank selected financials, please develop answers to the following questions.

There are no wrong answers to the questions. You can forecast any economic scenario in your answer. This is an exercise to help develop your balance sheet management understanding.

Question 1: Highlight at least 3 balance sheet items from the HSP Data Bank and discuss strategies to improve earnings based on what we have learned in class to improve the bank's performance (hint: look for opportunities to lower costs of funds **and** increase yields). Please explain why you chose those strategies and how you plan to implement them.

Question 2: Identify sources of liquidity on the balance sheet of the HSP Data Bank that you would utilize to fund a pipeline of $25MM loans in the next six months (or explain why sufficient sources do not exist and identify outside sources of liquidity you would pursue).

Question 3: Based on your understanding of the current economic conditions and the banking industry, what would you recommend as a longer-term strategy to best manage the HSP Data Bank's financial performance?

HSP Data Bank

(*dollars in thousands*)	For the Years Ended December 31, 20X2 Average Balance	20X2 Interest and Fees	20X2 Yield/Rate	20X1 Average Balance	20X1 Interest and Fees	20X1 Yield/Rate
ASSETS						
Earning assets:						
Loans	$ 65,000	$ 4,700	7.23%	$ 51,950	$ 3,500	6.74%
Investment securities, available-for-sale	22,000	1,100	5.00%	17,460	850	4.87%
Int bearing deposits in other banks	12,980	550	4.24%	2,200	92	4.18%
Fed funds sold and repos	8,500	410	4.82%	3,380	150	4.44%
Total earning assets	**108,480**	**6,760**	**6.23%**	**74,990**	**4,592**	**6.12%**
Cash and due from banks	25,000			3,700		
Premises and equipment	940			960		
Other assets	1,100			1,000		
Allowance for credit losses	813			(650)		
Total assets	**136,333**			**80,000**		
LIABILITIES						
Interest-bearing liabilities						
Interest-bearing transaction accounts	12,222	103	0.84%	9,730	95	0.98%
Savings & MMDAs	18,852	591	3.13%	14,000	450	3.21%
Time deposits	33,139	1,035	3.12%	38,380	1,600	4.17%
Fed funds purchased & repos	9,000	444	4.93%	470	22	4.68%
FHLB Advances	47,000	2,500	5.32%	200	10	5.00%
Subordinated Debt	800	70	8.75%	800	70	8.75%
Total interest-bearing liabilities	**121,013**	**4,743**	**3.92%**	**63,580**	**2,247**	**3.53%**
Noninterest-bearing transaction accounts	7,000			8,680		
Other liabilities	620			620		
Shareholders' equity	7,700			7,120		
Total liabilities and shareholders' equity	**$ 136,333**			**$ 80,000**		
Cost of deposits, including demand deposits			2.43%			3.03%
Cost of funds, including demand deposits			3.71%			3.11%
Net interest spread			2.31%			2.59%
Net interest income/ net interest margin		**$ 2,017**	1.86%		**$ 2,345**	3.13%

Current Rates:	
Federal Reserve overnight	4.80%
Fed Funds	4.75%
FHLB 1 year	5.00%
Brokered CDs 1 year	4.50%
FHLB 5 year	4.85%
Brokered CDs 2 year	4.65%
New Loans	8.00%
New Securities	6.00%
Interest bearing cash/cash equivalents	5.00%

Borrowing Capacity	
FHLB	35,000
Federal Reserve	20,000
Brokered CDs	30,000
Federal Funds	20,000