

2017 ASSET/LIABILITY MANAGEMENT SEMINAR

March 28th - Springfield

March 29th - Naperville



OUR SEMINAR SPEAKER



Dr. James Clarke is the Principal of Clarke Consulting, a Villanova, Pennsylvania firm specializing in ALCO issues and strategic planning for community banks. Jim has lectured on asset/liability management at the Stonier National School of Banking sponsored by ABA, The Pennsylvania Bankers Advance School of Banking, the Southwest Graduate School of Banking, the New England School of Financial Studies and Connecticut School of Banking. He conducts ALM seminars for many state associations, and for Risk Management Association (RMA) and Financial Managers Society (FMS). Jim also conducts board education programs on ALM for a number of state associations. In 2014 through 2016, Jim spoke at the FMS Forum, the Connecticut, Maine and Pennsylvania Bankers conventions and number of Directors conferences. Dr. Clarke is on the Board of a community bank, and is a Director of an investment company. Jim is also on the Editorial Board of the RMA.



SEMINAR OVERVIEW

This program will focus on the critical issues bank ALCOs will face in 2017. Asset/liability management has been a challenge in 2016 primarily due to changes in the yield curve in mid-year (Brexit impact). As we enter another event causing changes in market interest rates is the 2016 Presidential election. The current post-election changes for the most part are positive, but the question facing bankers and forecasters is: How permanent is the optimism towards economic growth, and is the new interest rate environment just a short-term reaction or will the steepening slope of the yield curve continue through 2017?

Short-term interest rates increased at the December 2016 Fed Open Market Committee meeting, and if the growth of the economy remains strong, and inflation continues to rise the Fed will surely move the short-term rates up more aggressively in 2017. Intermediate and long term rates are the major post-election stories. From November 7th to November 28th the rate on the two year Treasury note increased 32 basis points; the five year note was up 59 basis points or 49%; and the 10 year note was up 67 basis points or 42%. It is too early to predict whether rates will hold at these levels, but it is hard to believe the 10 year is moving back to the 1.70% range.

Economic data has been very positive in the 4th quarter of 2016: 3rd quarter GDP growth was revised to 3.2% and the 4th quarter growth appears to be strong. Consumer spending is rising along with consumer confidence. The housing market is strengthening along with the labor market. The unemployment rate is 4.6% and wages are beginning to rise. All of this activity is moving inflation rates to levels desired by the Fed. All of this positive news bodes well for bank lending, but should be a caution sign for liquidity management.

The seminar will present regulator concerns with liquidity management, and interest risk management. We will explore recent regulatory guidelines on interest rate risk policy and procedures. The seminar will conclude with asset and liability decision making in 2017. As loan demand increases, investments will be less of a priority, but investment portfolio strategies continue to be an essential element of ALM. We will also look at recent trends in loan portfolio management. Liability management will focus on deposits strategies to cope with a rising rate environment. We will also explore wholesale strategies involving the FHLB advances and brokered CDs.



SCHEDULE

- 8:30 a.m. ***Registration & Continental Breakfast***
- 9:00 a.m. – 10:30 a.m. ***Current Environment***
- ✓ Post-Election Impacts on the Banking Industry
 - ✓ Business Cycle Trends & Impact on Illinois Banks
 - ✓ Interest Rate Forecast – Fed is likely to be more aggressive in 2017
- 10:30 a.m. – 10:45 a.m. ***Refreshment Break***
- 10:45 a.m. – 12:00 p.m. ***Managing Bank Risk***
- ✓ Liquidity Management – Liquidity is shrinking on bank balance sheets as rates increase
 - ✓ Interest Rate Risk – A greater regulatory concern in 2017
 - ✓ Rationalizing Board Policy Limits
 - ✓ Modeling IRR - Validating assumptions is key concern of examiners.
- 12:00 p.m. - 1:00 p.m. ***Lunch Provided***
- 1:00 p.m. – 2:30 p.m. ***Managing Assets in the Current Environment***
- ✓ Funding growth for 2017 – Liquidity Management
 - ✓ Investment Options on a Steepening Yield Curve
 - ✓ Lending
 - Residential lending may be a challenge
 - Managing concentration in commercial lending
- 2:30 p.m. – 3:30 p.m. ***Managing Liabilities in the Current Environment***
- ✓ FHLB Strategies for Lengthening Liability Duration
 - ✓ FHLB Strategies for Matched Funding
 - ✓ Deposit Strategies: Moving customers from large savings pools to CDs
 - ✓ Challenges Facing ALCO In 2017
- 3:45 p.m. ***Adjourn***

We Hope to See You in March!