ASSET & LIABILITY MANAGEMENT

COURSE OVERVIEW

This course offers an in-depth exploration of asset and liability management (ALM), focusing on the critical aspects of managing balance sheet risks, particularly those related to duration and funding gaps. Participants will gain a thorough understanding of how mismatches in the timing of asset and liability cash flows can impact an organization's financial health. The course also covers advanced techniques such as portfolio immunization to mitigate these risks. By the end of this course, participants will be equipped with the knowledge and skills to effectively manage and optimize their organization's balance sheet, ensuring financial stability and sustainability.

TARGET COMPETENCIES

- Balance Sheet Analysis
- Duration Management
- Funding Gap Analysis
- Risk Mitigation
- Portfolio Immunization
- Financial Strategy

COURSE OBJECTIVES

By the end of this course, attendees will be able to:

- Understand the principles of asset and liability management.
- Analyze the impact of duration gaps on the balance sheet.
- Assess the implications of funding gaps.
- Apply techniques to measure and manage interest rate risk.
- Implement portfolio immunization strategies.
- Develop strategies to mitigate balance sheet risks.
- Evaluate the effectiveness of different ALM techniques.
- Utilize financial models for ALM decision-making.

TARGET AUDIENCE

- Financial Managers
- Risk Management Professionals
- Treasury Managers
- Bank Executives
- Investment Analysts

COURSE METHODOLOGY

This course employs a combination of lectures, case studies, group discussions, and hands-on exercises. Participants will engage in practical applications of ALM principles, using real-world scenarios to enhance their understanding and skills. Interactive sessions and simulations will reinforce theoretical concepts and their practical implementation.

COURSE OUTLINE

INTRODUCTION TO ASSET & LIABILITY MANAGEMENT

- Overview of ALM.
- Balance Sheet Structure.
  - Assets and Liabilities.
  - Equity Considerations.
- ALM Framework.
- Key ALM Metrics.
  - Net Interest Margin (NIM).
  - Economic Value of Equity (EVE).

UNDERSTANDING DURATION AND DURATION GAP

- Duration Basics.
- Measuring Duration.
- Duration Gap Analysis.
  - Positive and Negative Gaps.
  - Implications for Interest Rate Risk.
- Managing Duration Gaps.
  - Strategies to Close Gaps.
  - Impact on Financial Performance.

FUNDING GAPS AND LIQUIDITY MANAGEMENT

- Identifying Funding Gaps.
  - Short-term vs. Long-term Gaps.
  - Cash Flow Matching.
- Liquidity Risk Management.
- Funding Strategies.
  - Diversifying Funding Sources.
  - Managing Maturity Mismatches.
- Regulatory Requirements.
  - Basel III Liquidity Standards.
  - Liquidity Coverage Ratio (LCR).

INTEREST RATE RISK MANAGEMENT

- Types of Interest Rate Risk.
- Measuring Interest Rate Risk.
  - Gap Analysis.
  - Sensitivity Analysis.
- Interest Rate Risk Models.
  - Scenario Analysis.
  - Stress Testing.
- Mitigating Interest Rate Risk.
  - Hedging Strategies.
  - Use of Derivatives.

PORTFOLIO IMMUNIZATION TECHNIQUES

- Concept of Immunization.
- Types of Immunization Strategies.
  - Classical Immunization.
  - Contingent Immunization.
- Implementing Immunization.
- Monitoring and Adjusting Immunized Portfolios.

STRATEGIC ALM DECISION-MAKING

- Developing ALM Strategies.
  - Aligning with Business Goals.
  - Risk Appetite and Tolerance.
- Integrating ALM with Corporate Strategy.
  - Capital Allocation Decisions.
  - Profitability Analysis.
- Future Trends and Innovations in ALM.