

ASSET & LIABILITY MANAGEMENT



GENTEX[®]
TRAINING CENTER



Introduction

The Asset & Liability Management Training Course builds the technical skill needed to manage a bank's balance sheet under real market conditions. Asset and liability management connects funding decisions, interest rate exposure, and liquidity buffers into one coordinated discipline. Banks that manage this well protect their margins and survive stressed markets. This course covers interest rate risk, liquidity risk, capital planning, and transfer pricing. Furthermore, it applies Basel III liquidity standards, IRRBB metrics, and stress testing to live balance sheets. As a result, participants learn to steer the balance sheet, price funds internally, and prepare credible ALCO decisions.

Asset & Liability Management Course Objectives

- Explain the structure of a bank balance sheet and its risk drivers.
- Identify and measure interest rate risk in the banking book (IRRBB).
- Apply gap analysis, duration, and basis risk measurement techniques.
- Evaluate liquidity risk using the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).
- Design funds transfer pricing (FTP) frameworks and product pricing rules.
- Build behavioural models for deposits and prepayment assumptions.
- Apply Basel III capital and liquidity standards to balance sheet planning.
- Conduct stress testing and scenario analysis on the balance sheet.
- Prepare ALCO reports, dashboards, and recommendation papers.
- Manage funding diversification and contingency funding plans.

Course Methodology

- Interactive lectures with real bank balance sheet examples.
- Workshops on gap analysis, duration, and repricing schedules.

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- Funds transfer pricing and product pricing case exercises.
- Liquidity and capital stress testing scenarios.
- Simulated ALCO meetings with role-played decisions.

Who Should Take This Course

- Treasury and asset and liability management professionals.
- Balance sheet and capital planning analysts.
- Risk managers covering interest rate and liquidity risk.
- ALCO members and finance department leaders.
- Internal auditors reviewing treasury and risk controls.
- Bank supervisors and prudential analysts.

Asset & Liability Management Course Outlines

Day 1: Balance Sheet Structure and Risk Drivers

- Bank balance sheet components and their behaviour.
- Net interest income, margins, and earnings at risk.
- Assets: loans, securities, and interbank placements.
- Liabilities: deposits, wholesale funding, and capital instruments.
- Off-balance-sheet items and contingent exposures.
- The role of the ALCO and its governance charter.
- Case study: how margin pressure changed a bank's balance sheet.

Day 2: Interest Rate Risk Measurement

- Repricing gap and maturity gap analysis.



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- Duration and modified duration of equity.
- Basis risk, optionality, and embedded options.
- Earnings at risk (EaR) and economic value of equity (EVE).
- IRRBB metrics and supervisory outlier tests.
- Hedging instruments: interest rate swaps and caps.
- Workshop: computing a repricing gap and EVE sensitivity.

Day 3: Liquidity Risk and Funding Management

- Liquidity risk sources: mismatch, concentration, and contingency.
- Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).
- Deposit stability, behavioural modelling, and rollover assumptions.
- Funding diversification and wholesale market reliance.
- Intraday liquidity and collateral management.
- Contingency funding plans and liquidity buffers.
- Workshop: computing LCR and NSFR from a balance sheet extract.

Day 4: Funds Transfer Pricing, Pricing, and Capital

- Funds transfer pricing objectives and design principles.
- Matched-maturity and pool-based FTP methodologies.
- Product pricing, spread allocation, and deposit value.
- Basel III capital requirements and buffer planning.
- Capital allocation to business lines and return measures.
- Risk-adjusted return on capital (RAROC) and economic profit.
- Workshop: building an FTP rate for a lending product.





Day 5: Stress Testing, ALCO Reporting, and Strategy

- Balance sheet stress testing and scenario design.
- Interest rate and liquidity stress scenario construction.
- Reverse stress testing and recovery planning.
- ALCO reporting packs, dashboards, and key metrics.
- Recommendations, escalation, and decision tracking.
- Integration with ICAAP and recovery planning.
- Course review, assessment, and action planning.

Conclusion

By successfully completing Asset & Liability Management, participants will gain a complete understanding of balance sheet risk management, interest rate and liquidity measurement, funds transfer pricing, and capital planning. They will also acquire practical skills in gap analysis, LCR and NSFR computation, FTP design, and stress testing. In addition, the course prepares them to contribute confidently to ALCO decisions. Gentex Training Center delivers this programme with a strong focus on applied treasury practice and measurable balance sheet improvement.

FAQs for Asset & Liability Management course

Q1 What is the "Asset & Liability Management" course about?

It is a five-day programme on managing a bank's balance sheet. It covers interest rate risk, liquidity risk, funds transfer pricing, capital planning, stress testing, and ALCO reporting, so participants can measure exposures and support sound balance sheet decisions.



Q2 What are the key benefits of the "Asset & Liability Management" course?

Participants gain the tools to protect net interest margin and liquidity in normal and stressed markets. The course improves hedging and pricing decisions, strengthens regulatory compliance with Basel III liquidity standards, sharpens ALCO reporting, and reduces the risk of funding shocks and unexpected earnings losses.

Q3 What skills will I gain from the "Asset & Liability Management" course?

Participants gain balance sheet risk analysis, interest rate risk measurement using gap, duration and EVE, liquidity management and LCR and NSFR computation, and funds transfer pricing, capital allocation and stress testing. These four skills cover the core of practical asset and liability management work.

Q4 What tools, methods, or standards are covered in the "Asset & Liability Management" course?

The course covers repricing and maturity gap analysis, duration and modified duration, basis risk and optionality, earnings at risk and economic value of equity, the Basel III LCR and NSFR standards, IRRBB supervisory outlier tests, matched-maturity and pool-based funds transfer pricing, RAROC and economic profit, interest rate swaps and caps, reverse stress testing, and ICAAP integration.



Q5 How is the "Asset & Liability Management" course applied in real-world practice?

Participants apply the methods to real balance sheets. They build gap and duration reports, compute LCR and NSFR, design FTP curves, price loans and deposits, run interest rate and liquidity stress scenarios, and prepare recommendations for ALCO. Many leave with working templates for monthly balance sheet reporting.