



Angel Oak University Executive Education Series

Asset/Liability Management

Course Overview

In the past few years a number of well-publicized cases of dramatic losses at financial institutions both large and small have occurred. These losses have increased the public's awareness of the interest rate risks associated with traditional banking activities as well as newer and more complex derivatives instruments. This class will identify the products that are most often used to either leverage or de-leverage risk, as well as the strategies and tools used to manage these positions.

Course Outline:

Organization of Asset/Liability Management

- Interest Rate Risk Management
- Balance Sheet Matching
- Asset/Liability Management Committee (ALCO) Composition

Interest Rate Risk Measurement Tools

- Gap - Static vs. Dynamic and Repricing vs. Cashflow
- Earnings At Risk (EaR) and Income Simulation
- Duration And Convexity
- Economic Value Of Equity (EVE)
- Measuring Core Deposit Behaviors

Market Risk Measurement Tools

- Market Value Measures
- Present Value of a Basis Point (PVB_P, DV₀₁)
- Statistical Analysis
 - Standard Deviation and Correlation
 - Probability Distributions
- Value At Risk (VaR)
- Stress Testing Models
- Back-testing Models



Risk Mitigation and Hedging Using Derivatives

- Forward and Futures Contracts
- Swaps
- Options
 - Caps, Floors, and Collars
- Credit Derivatives
- Interest Rate Risk Hedging Strategies
 - Swap Strategies
 - Options Strategies

Securitization

- Mortgage-Backed Securities
- Asset-Backed Securities
- Structured Finance/CDOs

Regulatory Considerations

- Regulatory Guidance
- Risk Capital Allocation for Market/Interest Rate Risk