

Strategic Risk International

3 Day ALM Workshop

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Leading Edge Balance Sheet Risk Issues

Presentations by:

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CONFERENCE TIMES

DAY 1

8.30 am	Welcome Coffee/Tea
9.00 am	1 st Session Commences
10.30 am	Morning Tea
12.30 pm	Lunch
3.30 pm	Afternoon Tea
5.30 pm	Day 1 Finish
6.30 for 7.00 pm	Conference Dinner

DAY 2

8.30 am	Coffee
9.00 am	1 st Session Commences
10.30 am	Morning Tea
12.30 pm	Lunch
3.30 pm	Afternoon Tea
5.30 pm	Day 2 Finish

DAY 3

8.30 am	Coffee
9.00 am	1 st Session Commences
10.30 am	Morning Tea
12.30 pm	Lunch
3.30 pm	CONFERENCE CLOSE

DAY 1

The Foundations of an Effective ALM Process

- 8 Pillars of a successful ALM process
- The 6 key policy decisions
- Earnings vs market value sensitivity as the risk measure

Interest Rates for Earnings Forecasts and Risk Management

- Market rate predictions
- Forecast development
- Scenarios for earnings stress testing
- Scenarios for risk assessment
- Scenarios for Value-at-Risk and Earnings-at-Risk

Establishing a Policy Framework for Balance Sheet Risk Management

- The capital investment term
- Hedging strategies
- Measures of risk and risk limits
- The organisational decision-making process

Pricing and Risk Management of Discretionary Rate Products

- Discretionary rates: an overview
- Fundamental assumptions and econometric models
- Rate dynamics as relaxations: a simpler approach
- Partial adjustment models: implementation & interpretation
- Implications: for earnings and market value

Understanding Derivatives

- Swaps, futures and FRAs
- Example: Using swaps for hedging
- Pricing and valuation of swaps

Transfer Pricing Overview

- Seven issues to be considered
- The underlying paradigm
- Treasury as a profit centre?
- 3 Correct ways to transfer price
- 4 Incorrect ways to transfer price

DAY 2

The Main Techniques for Quantifying Balance Sheet Risk

- Gap analysis
- Market value analysis
- Simulation modelling
- Duration analysis
- Earnings and Value-at-Risk

Gap Analysis

- Gap Report construction
- Interpretation
- Uses & limitations

Duration

- What duration is
- McCaulay, Modified & Effective Duration
- Application of duration to risk management
- Case Study

Value and Earnings at Risk

- Measuring Value-at-Risk
- Measuring Earnings-at-Risk
- Converting VaR & EaR to actionable risk measures
- Case Study

Technical Components of a Successful ALM Process

- Earnings vs market value risk
- Forecasting interest rates
- The importance of accurate prepayment modelling
- Core deposit account risk assessment
- Duration of equity quantification

IAS 39 Hedge Designation & Effectiveness Testing

- Micro Fair Value hedging
- Macro Fair Value hedging
- Micro Cash Flow hedging
- Macro Cash Flow hedging
- Prospective & retrospective effectiveness testing
- Hedge designation
- Performance assessment & accounting
- Case Study

DAY 3

Return on Economic Capital as the Measure of Performance

- Why consider return on economic capital as a measure of performance
- Alternatives for calculating economic capital
- Challenges with using economic capital in performance measures
- Suggestions for coping with these challenges

Pricing and Risk Management of Fixed Rate Mortgages

- The effect of mortgage prepayments
- Prepayment penalties
- Whole-of-life performance
- Optimum funding

IAS 39

- Micro & macro cash flow & fair value hedging
- Prospective & retrospective effectiveness testing
- Hedge designation
- Performance assessment & accounting

Creating an Effective ALCO Process

- Educating your Committee
- Establishing a decision making framework
- Managing and measuring ALCO decisions

Risk Performance Measures and Limits

- Earnings projections
- Balance sheet market value
- Value-at-Risk/Earnings-at-Risk
- Duration and gap

PRESENTERS

Andrew Kameron PhD Mathematical Physics, MBA

Chief Executive – Strategic Risk International

Andrew is the founder and CEO of Strategic Risk International. Established in 1988, SRI specializes in providing high performance simulation models and AASB139/IAS39 compliance systems budgeting and performance measurement as well as profit centre, product, customer, channel and market segment profitability for banks in Australia, New Zealand, SE Asia, the USA, UK and Europe, as well as advising financial institutions on the management of their balance sheet risk exposures.

Andrew has been responsible for managing the implementation of asset liability management capabilities for over 200 institutions in several countries. He has advised on policy and strategic ALM matters and has attended ALCO meetings with a large number of organizations.

Andrew has a strong background in financial risk management, derived from twenty years working in a consultancy capacity as well as several years working with J.P. Morgan and Bank of America. At J.P. Morgan he was the head of derivatives operations, including advising clients, monitoring risk exposures and managing the floor traders. At BofA he headed the financial planning and ALM functions.

Andrew has extensive experience as a speaker in the areas of asset liability management, market risk management, risk based capital allocation and transfer pricing both at public conferences and for in-house familiarization.

Toby Matthewson B.Sc (Hons)

VP & Head of Client Support – Strategic Risk International

Toby's role within SRI is management of support for SRI's clients (worldwide) using the ALM, AASB139 and budget & profit measurement systems. The role also includes participation in the design and development of the firm's advanced V_{SERIES} technology.

Toby has extensive experience in assisting with the implementation of systems for ALM and AASB139/IAS39 compliance as well as providing client training on risk management issues.

He has familiarity with the risk in the balance sheets of financial institutions in Australia, New Zealand, the UK, USA and SE Asia.