

Asset/Liability Management and ALCO

Marriott Courtyard Hotel, Marlborough ♦ March 12, 2015

Registration: 8:30 a.m. **Program Begins:** 9 a.m. **Program Concludes:** 3:30 p.m.

This program will focus on asset/liability management, and the critical issues community bank ALCOs will face in 2015. Bank financial management remains challenging given the interest rate environment we continue to face. Many community bankers are delighted with the cost of funds, but the volatility in the bond market has to be a concern. In recent history there has never been a more challenging environment. Short-term interest rates will likely be the greatest concern in 2015 as the forecast for a rate increase continues to change based on the newest economic data, but it appears almost certain that within the next twelve months the Fed will begin to increase the fed funds rate.



In a world where short-term interest rates could increase 300 to 500 basis points, an accurate assessment of interest rate risk is critical. Through my work on both ALM seminars and conducting numerous model validations and independent audits for community banks, I have observed that a high percentage of banks report asset sensitivity. But based on experience, I question the accuracy of the modeling leading to these conclusions; although I'm not the only one: Regulators, too, are concerned about the accuracy of IRR modeling.

Another challenge we will discuss is rebuilding our loan portfolios. Loan to asset ratios in every community bank peer group bottomed in 2013, and many community banks saw an increase in 2014, but the industry is below an optimal level. The economy will continue to improve in 2015 which should lead to greater commercial loan demand. The challenge for many banks will be achieving satisfactory volume in residential mortgage lending. If the long bond remains near 2% refinancing will likely increase, but in the long run the market will be driven by purchase loans, which is a different ballpark requiring a change in strategy.

As the threat of rising short-term interest rates continued monitoring of asset duration will be critical, but the focus in 2015 in my opinion will shift to liability management and lengthening duration. Deposit pricing is likely to become a challenge. Many community banks have experienced deposit outflows in 2014 due to competitive pricing. This is likely to intensify in 2015. This entire program will be focused on relevant issues in ALM for 2015. *(Dr. Jim Clarke)*

Who Should Attend

This program is an annual event; therefore it is meant to be relevant and practical, targeted primarily for senior and middle managers, and all members of the ALCO, whether managers or board members [this program would be especially beneficial for board members who desire a better understanding of the ALCO process]. As such, the following individuals from the bank should consider attending: chief executive officers, chief financial officers, investment managers, asset/liability committee members, board members, lenders, risk managers and any other interested bank personnel.

Facilitator:

Dr. Jim Clarke is the Principal of Clarke Consulting, a Villanova, Pennsylvania firm specializing in ALM and strategic planning for community banks. Jim consults on asset/liability management at the Stonier National School of Banking sponsored by ABA, the Pennsylvania School of Banking and Advanced School, New England School of Banking, the Connecticut School of Banking, and the Southwest Graduate School of Banking. He conducts ALM seminars for many State associations, and for the Risk Management Association (RMA) and Financial Managers Society (FMS). Jim also conducts board education programs for a number of state associations. Clarke consulting conducts independent audits and model validation on interest rate and liquidity risk for community banks.

Dr. Clarke is on the Board of two community banks, and is a Director of an investment Company. He is also on the editorial board of the RMA Journal.

Directions:

Courtyard Marriott, 75 Felton Street, Marlborough, MA 01752

From Boston and points east: Take the Mass Turnpike West (I-90) to Exit 11A (I-495 North) to exit 24B (Route 20 West/Northborough). Take your first right onto Felton St. (before the Shell Gas Station). Hotel is on your right. **From points west:** Take the Mass Turnpike East (I-90) to Exit 11A (I-495 North) to exit 24B (Route 20 West/Northborough). Take your first right onto Felton St. (before the Shell Gas Station). Hotel is on your right. **From Worcester:** Follow signs for I-290 East. Take exit for I-495 South. Take Exit 24B (Route 20 West/Northborough). Take first right onto Felton Street (before Shell Gas Station). Hotel on right. **From NH and points north:** Take I-93 South to I-495 South. Take exit 24B (Route 20 West/Northborough). Take first right onto Felton Street (before the Shell Gas Station). Hotel on right side.

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AGENDA

8:30 a.m. **Registration & Refreshments**

9:00 a.m. **Welcome and Introductions**

Tanya M. Duncan, Director of Management Development
Massachusetts Bankers Association, Boston

9:05 a.m. **Current Environment**

James J. Clarke, Ph.D., Principal Clarke Consulting

- Industry Issues – QML
- Business Cycle Trends - National & New England: Impact on balance sheet management
- Interest Rate Forecast – Balancing the volatility in the bond market and impending increase in short-term rates

10:30 a.m. **Refreshment Break**

10:45 a.m. **Managing Bank Risk: What are the current Regulatory issues?**

- Capital – Developing a Capital Plan and Stress Testing: Sample Plans
- Liquidity Stress Test: Sample testing models
- Regulatory Trends in Interest Rate Risk Management: Examiner criticisms

12:00 noon **Lunch**

1:00 p.m. **Managing Assets in the Current Environment**

- Investment Options – A Very Difficult Environment managing duration.
- Loan Portfolio Management – Where are the opportunities in both consumer and commercial lending?
- Asset Management and Potential Interest Rate Risk

2:00 p.m. **Break**

2:15 p.m. **Managing Liabilities in the Current Environment**

- FHLB Strategies: Flexibility in Lengthening Liability Duration
- Deposit Management: Balancing deposit costs and risk management?
- Challenges Facing ALCO In 2015

3:30 p.m. **Adjourn**

Weather Note:



Should a storm occur on the day of any program, please call the MBA Weather Advisory Hotline for information on a delayed start time, or in the case of extreme weather, cancellation of the program. To access the hotline, please call 617/523-7595 after business hours, and choose extension 777 and listen to instructions. Or check our website at www.massbankers.org.

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Please print or type:

Institution _____

Billing Address _____

City _____ State _____ Zip Code _____

Telephone _____ FAX _____

Please register the following persons:

Name	Nickname for Badge	Corporate Title	Email
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Registration per person—member:	\$250.00	Amount Enclosed	\$ _____
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Registration per person—non-member:	\$500.00	Amount Enclosed	\$ _____
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Three ways to register:

Online: www.massbankers.org

Fax: Complete the registration form and fax **credit card** payments to our secure fax line: 617-249-0441

We cannot accept registrations with credit card payments via email.

Mail: Send this form with a check to:

Massachusetts Bankers Association-ALM15

One Washington Mall, 8th Floor, Boston, MA 02108-2603

Credit Card Information:

☐ MasterCard ☐ Visa ☐ American Express ☐ Discover Amount \$ _____

Card Number _____

Expiration Date _____ Signature _____

Cancellation and refund policy: A \$75 per person cancellation fee will be charged. No refunds for cancellations made within three business days of the program, whether you register online, fax, email or mail your registration. Substitutions from your bank are encouraged if you are unable to attend. Please note that if you don't cancel and don't attend, you are still responsible for payment, however seminar materials will be sent to you. If you faxed or emailed your registration and cancel within three days of the program, you will be invoiced.

Registration Deadline: To assist us in planning, registrations should be received no later than **March 5, 2015**. Please direct inquiries or cancellation information to Pat Tabolsky, registrar, 617.523.7595 or ptabolsky@massbankers.org.

For faster registration, register on-line at www.massbankers.org. Payment by check must be received by the Association, on or before the seminar date, either by mail or hand-carried to the seminar.