



The EUROPEAN SUPERVISOR EDUCATION INITIATIVE  
(ESE)

presents the seminar on

## **“Interest Rate Risk and Asset-Liability Management in Banks”**

hosted by: Oesterreichische Nationalbank

Date: 24 – 26 May 2023

Venue: Vienna, Austria



## **OBJECTIVES**

The seminar aims at explaining key aspects of interest rate risk within asset liability management (ALM) in banks. The two core pillars of ALM, the economic value of equity (EVE) and net interest income (NII) concepts are covered, and the differences of fixed-rate, floating-rate and non-maturing products are outlined. Additionally, the widely used method for internal pricing and steering called Funds Transfer Pricing (FTP) is introduced. Regulatory aspects, such as Interest Rate Risk in the Banking Book (IRRBB) guidelines and the new Basel III framework are discussed along with most recent developments in interest rate risk management, such as negative interest rates and behavioral modeling of bank customers.

## **TARGET GROUP**

Primarily banking supervisors (micro-prudential) or staff members from the financial stability sector (macro-prudential) from Central Banks or National competent authorities (NCAs) in Europe, who have already gained some experience in the field of the title topic and are interested in deepening their knowledge and sharing their experience with other staff members.

## **FORMAT**

Learning methods include presentations of theoretical concepts, computer live-simulations (participants should bring a laptop, if possible), discussions with experts and case studies on interest rate risk and asset-liability management (ALM). Market professionals from banks will present their perspective and stand ready for an exchange of views. An Oesterreichische Nationalbank expert will speak on regulatory experiences and developments relating to the Basel III framework and a former Erste Bank ALM manager will share first-hand experiences from a practitioner's point of view.

The Participants will have a chance to familiarize themselves with best practice models, discuss different approaches and share their experiences.

For practical exercises participants are invited to bring along their laptops.

## **SPEAKERS**

The seminar will be delivered by two seasoned industry experts in risk management and ALM with a combined executive experience of 50 years, Prof. Dr. Fidelio Tata and Dr. Tibor Dudás. In addition, an expert from the Oesterreichische Nationalbank will discuss regulatory practice and implications on interest rate risk and asset liability management.



## PROGRAMME

### Day 1, Wednesday, 24th of May 2023

16.00 – 16.30	<b>Kick-Off</b> <ul style="list-style-type: none"><li>• Welcome and introduction of speakers</li><li>• Quick introduction of seminar participants and their expectations for the seminar</li><li>• Organizational issues</li></ul>
16.30 – 17.15	<b>Session I: ALM in Banks</b> <ul style="list-style-type: none"><li>• How the recent rise in interest rates is causing interest rate risk</li><li>• Economic Value vs. Earning Perspective</li><li>• Purpose of ALM, including being a regulatory requirement</li><li>• Stakeholders of ALM</li><li>• Banking Book vs. Trading Book</li><li>• Instruments used in ALM</li><li>• Active vs. Passive Risk Management</li></ul>
17.15 – 17.30	Break
17.30 – 18.15	<b>Session II: Interest Rate Risk</b> <ul style="list-style-type: none"><li>• Definitions</li><li>• Duration</li><li>• Duration Gap Analysis</li><li>• Economic Value (EV) Measures</li><li>• Earnings Measure</li><li>• Discussion</li></ul>
18.15 – 18.30	<b>Wrap-Up</b> <ul style="list-style-type: none"><li>• Summary</li><li>• Organizational issues</li><li>• Open questions</li></ul>
Starting 18:30	Dinner in a Restaurant near the Hotel



**Day 2, Thursday, 25th of May 2023**

09.00 – 09.15	<b>Kick-Off</b> <ul style="list-style-type: none"><li>• Organizational issues</li><li>• Open questions</li></ul>
09.15 – 10:00	<b>Session III: Funds Transfer Pricing (FTP)</b> <ul style="list-style-type: none"><li>• Net Interest Margin</li><li>• Cost of Fund</li><li>• Transfer Price Curve</li><li>• Structural Contribution</li><li>• Interest Rate vs. Liquidity Risk</li><li>• Steering the Bank's Business</li></ul>
10.00 – 10.15	Break
10.15 – 11:00	<b>Session IV: Net Interest Exposure</b> <ul style="list-style-type: none"><li>• Net Interest Income (NII)</li><li>• Net Exposure to Interest Changes</li><li>• Parallel vs. Non-parallel Yield Curve Shifts</li><li>• Repricing Gap Analysis</li></ul>
11.00 – 12.00	<b>Simulation Exercise</b>
12.00 – 12.15	Break
12.15 – 13.00	<b>Simulation (cont'd)</b>
13.00 – 14.00	Lunch Break
14.00 – 14.30	<b>Session V: Non-Maturing Products</b> <ul style="list-style-type: none"><li>• Examples of Non-Maturing Products</li><li>• Expected Maturity &amp; Rate Reset Frequency</li><li>• Embedded Options</li><li>• Discussion</li></ul>
14.30 – 15.15	<b>Session VI: Replicating Model</b> <ul style="list-style-type: none"><li>• Intuition</li><li>• Rolling Portfolio</li><li>• Replication over time</li><li>• Calibration of the Replicating Model</li><li>• Volume Changes</li><li>• Dynamic Replication</li><li>• Discussion</li></ul>
15.15 – 15.30	Break



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- 15.30 – 16.00      **Session VI: Replicating Model (cont'd)**
- 16.00 – 16.15      Break
- 16.15 – 17.15      **Session VII: Regulatory treatment of Interest Rate Risk**  
(incl. update of EBA GLs and new RTS)
- Friedrich Penkner*  
*Oesterreichische Nationalbank*
- 17.15 – 17.30      **Wrap-Up**
- Summary
  - Organizational issues
  - Open questions
- Free Evening!

### Day 3, Friday, 26th of May 2023

- 09.00 – 09.15      **Kick-Off**
- Organizational issues
  - Open questions
- 09.15 – 10.45      **Session VIII: Case Study: A European Banking Group**
- ALM at a European Banking Group - The History
  - Organizational Set-up
  - Related departments
  - The Standard Analysis Concepts
  - The Standard ALM Process
  - Ongoing Projects and Topics
- 10.45 – 11.00      Break
- 11.00 – 12.00      **Session IX: Bank-specific ALM**
- Different Bank Balance Sheets since the 1990s
  - Regional Differences in Bank Balance Sheets
  - Balance Sheets for different Business Models
  - ALM as a Profit or a Cost Center
  - Implications for ALM
  - Discussion
- 12.00 – 13.00      Lunch Break



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|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13.00 – 14.00 | <b>Session X: Planning of NII</b> <ul style="list-style-type: none"><li>• Planning of Scenarios</li><li>• Planning of Volume</li><li>• Planning of Margin</li></ul>                                                                |
| 14.00 – 14.15 | Break                                                                                                                                                                                                                              |
| 14.15 – 15.15 | <b>Session XI: Selected ALM Issues</b> <ul style="list-style-type: none"><li>• Behavioral Economics</li><li>• Strategic ALM</li><li>• 0% Interest Rate Floor</li><li>• Rapid Interest Rate Increase</li><li>• Discussion</li></ul> |
| 15.15 – 15.30 | <b>Wrap-Up</b> <ul style="list-style-type: none"><li>• Summary</li><li>• Poll of seminar participants</li><li>• End of seminar</li></ul>                                                                                           |

## ORGANISATIONAL INFORMATION

### Accommodation and venue

The Oesterreichische Nationalbank reserved rooms at the Hotel Arcotel am Kaiserwasser, 159 €/night. The hotel reservation is valid until May 2, 2023. You have to book the room by yourself (!) with reference to the ESE-seminar after receipt of a confirmation of participation.

### Seminar Venue

Trainingscenter Unicredit Am Kaiserwasser (in walking distance to hotel)  
Eiswerkstraße 20  
A-1220 Vienna  
Website: Unicredit Center am Kaiserwasser

### Seminar fee and registration

Seminar fee: 750 € (excluding accommodation)

Lunches and snacks will be provided during the seminar. Dinner on the first evening is also included. Ancillary costs (e.g. telephone calls, additional drinks, etc.) are to be borne by the participants themselves.



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Confirmations of participation will be sent after the registration deadline. Invoices will be issued and sent to the individual institutions after the seminar has taken place. In case a registration already confirmed by ESE is cancelled after the registration deadline and no replacement for this place can be found, the complete seminar fee is due and will be invoiced by ESE.

Please register via our website until **Tuesday, 4 April 2023.**

**<http://www.ese-initiative.org> or this direct [link](#).**

### **Seminar organisation in general**

ESE Secretariat, Deutsche Bundesbank, Frankfurt a.M.

Email: [ese-initiative@bundesbank.de](mailto:ese-initiative@bundesbank.de)

Tel. + 49 69 9566 -37809 or -14362

### **Questions regarding the venue**

Email: [training@oenb.at](mailto:training@oenb.at)

## **About ESE**

The European Supervisor Education Initiative (ESE) is an alliance of central banks and supervisory authorities in Europe with the objective to qualify financial supervisors in Europe. Its members are Bank of Slovenia, Banque centrale du Luxembourg, Czech National Bank, De Nederlandsche Bank, Deutsche Bundesbank, German Federal Financial Supervisory Authority and Oesterreichische Nationalbank.

ESE is committed to high level training based on uniform standards to enhance financial supervisors' knowledge and skills and to promote a common European supervisory culture and practice. The initiative offers a modular seminar programme for banking, insurance and securities and markets supervisors, financial stability analysts and economists from central banks and supervisory authorities in Europe.

ESE is always open to new members or cooperations. Any contribution by European central banks, supervisory authorities or other institutions in the field of financial supervision sharing the idea that training is crucial to the success of financial supervision is highly appreciated.