

Asset/Liability Management Basics

Build a foundation of concepts to support all the specifics you will learn over time.

2.

The goal of asset/liability management (ALM) is to produce adequate _____
_____ and to maintain adequate _____ .

3.

The goal of asset/liability management (ALM) is to produce adequate _____
_____ and to maintain adequate _____ .

4. - 8.

Would you lend a family member
or friend money to buy a car?



9. Default Intermediation

10. Denomination Intermediation

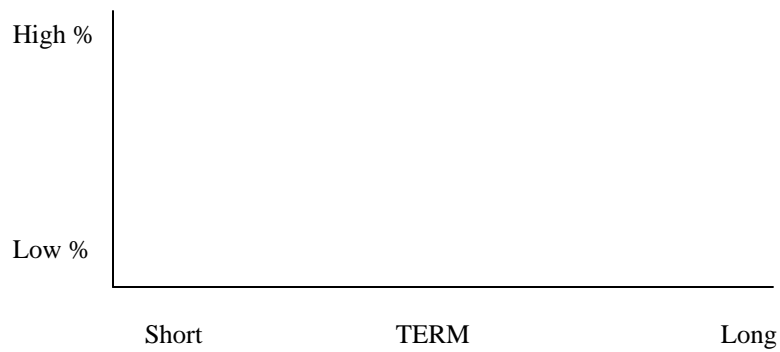
11. Maturity Intermediation

12. Maturity Intermediation & Inflation



13. Yield Curve

Draw your own "curve"

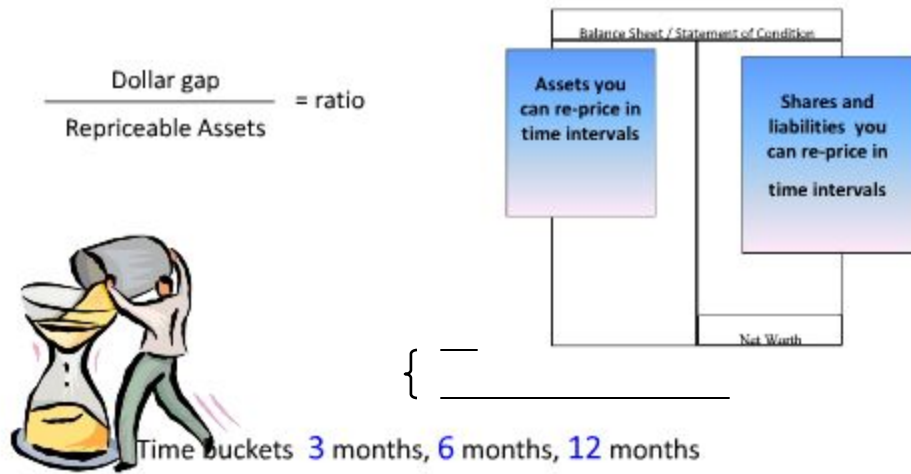


14. - 17. One ALM Strategy is Matching

Balance Sheet / Statement of Condition	
<ul style="list-style-type: none"> First mortgages Sec market mortgage 2nd mortgages Home Equities New auto Used auto Other secured Personal loans Credit cards 	<ul style="list-style-type: none"> Long CDs Short CDs IRAs Regular shares Share Draft
Net Worth	

18.

Gap analysis



19.

One ALM strategy is **matching**.



Borrow



Save

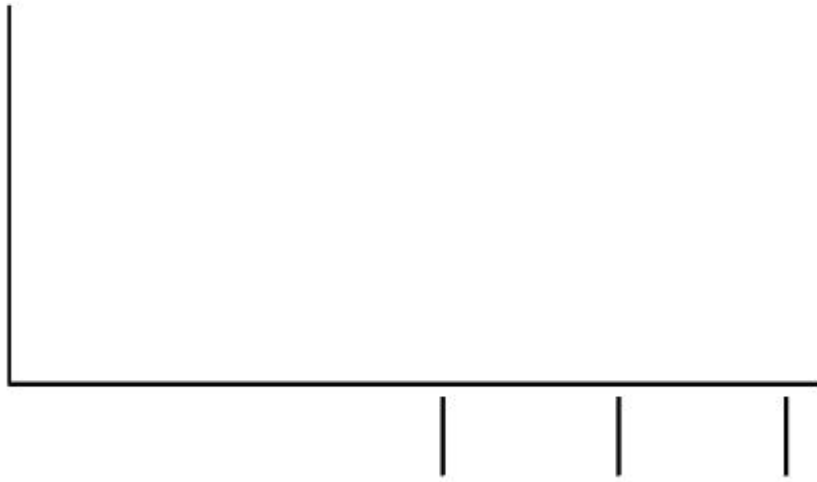


Transact



20.

Income Simulations



21. - 22.

Secured and unsecured loans

23. What Determines a Loan Rate

24.

Potential
loan losses
based on
borrower
risk category

Balance Sheet / State
A
B
C
D
E
Allowance

	A	B	C	D	E
1st Mortgage					
New car					
Used car					

25. - 26.

Which will produce a lower level of loan losses?

Scenario B increases the portion of loans that are secured

Scenario C which increases the portions of unsecured loans

27. Allowance in Two Parts

Historical (formulaic) plus ...

28. Net Economic Value

Director's questions:

1. Do we calculate and track this estimate?
2. Who tracks it?
3. How is it calculated?
4. What is our acceptable range?

