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# Asset-Liability Strategy and Balance Sheet Risk Training Course for Banks

26 – 30 July 2027  
Madrid





## Asset-Liability Strategy and Balance Sheet Risk Training Course for Banks

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### Programme Summary

Asset-liability strategy and balance sheet risk is a one-week training course for senior bank executives at strategic level, culminating in an ALCO balance sheet strategy and risk limit framework for their own institution. Interest rate cycles, deposit behaviour and funding conditions can shift margins and liquidity faster than many asset and liability committees review them. The approach connects interest rate risk, liquidity, transfer pricing and hedging into one governed balance sheet view. Mars Training Centre UK delivers this programme in asset-liability strategy and balance sheet risk.

### The Business Case

Banks that manage assets and liabilities in silos discover mismatches only when margins compress or deposits leave. Institutions whose ALCO sets clear risk appetite, prices funding internally and tests the balance sheet against severe scenarios protect earnings and capital.

- Net Interest Margin Stability: Improves as repricing and basis mismatches are measured and managed within approved limits.
- Funding Resilience: Strengthens as the funding mix, liquidity buffers and contingency funding plan are aligned with stress results.
- Pricing Discipline: Increases as funds transfer pricing charges business lines the true cost of liquidity and interest rate risk.

### Principles and Evidence Base

- Basel Committee Standards on Interest Rate Risk in the Banking Book: Frame the measurement of economic value of equity and net interest income sensitivity in Session 2.
- Basel Committee Principles for Sound Liquidity Risk Management and Supervision: Guide liquidity governance, stress testing and contingency funding in Session 3.
- Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio: Set the short-term and structural liquidity metrics managed in Sessions 3 and 5.
- Gap and Duration Analysis: Provide the analytical basis for repricing and maturity mismatch assessment from Session 1 onwards.

### Intended Participants

- Executives who sit on or chair the asset and liability committee.
- Leaders accountable for funding strategy, liquidity buffers and interest rate positioning.
- Senior managers who set internal transfer prices and business line profitability measures.
- Risk heads who propose balance sheet limits and report breaches to the board.



The programme serves commercial and Islamic banks, development finance institutions, treasury functions and central finance and risk departments.

## Learning Outcomes

1. Participants will be able to diagnose repricing, maturity and basis mismatches across a bank balance sheet.
2. Participants will be able to quantify interest rate risk through economic value of equity and net interest income sensitivity.
3. Participants will be able to evaluate liquidity positions against the LCR, the NSFR and internal stress scenarios.
4. Participants will be able to construct a funds transfer pricing approach that reflects liquidity and interest rate costs.
5. Participants will be able to justify behavioural assumptions for non-maturity deposits and loan prepayments.
6. Participants will be able to prioritise hedging and balance sheet actions within an ALCO risk appetite.

## Programme Structure

### Day 1: Asset-Liability Strategy and ALCO Governance

Who owns the balance sheet, and where do its structural risks come from?

- ALCO Mandate, Membership and Decision Rights
- Balance Sheet Risk Appetite Statements
- Repricing Gap and Maturity Ladder Analysis
- Duration Gap and Basis Risk
- Management Information Packs for ALCO

### Day 2: Interest Rate Risk in the Banking Book

How sensitive are earnings and economic value to rate movements?

- Economic Value of Equity Sensitivity
- Net Interest Income Simulation
- Rate Shock and Yield Curve Scenarios
- Behavioural Modelling of Non-Maturity Deposits
- Loan Prepayment and Early Withdrawal Assumptions

### Day 3: Liquidity Risk and Funding Strategy

Can the bank meet its obligations in normal and stressed conditions?



- Liquidity Coverage Ratio Components
- Net Stable Funding Ratio and Structural Funding
- Liquidity Stress Testing and Survival Horizons
- Contingency Funding Plan and Early Warning Indicators
- Funding Concentration and Diversification

## Day 4: Transfer Pricing and Balance Sheet Hedging

How are risks priced internally and reduced through the market?

- Funds Transfer Pricing Methods and Curves
- Liquidity Premium Allocation to Business Lines
- Interest Rate Swaps for Banking Book Hedging
- Hedge Effectiveness and Limit Monitoring
- Capital and Profitability Trade-Offs in Balance Sheet Decisions

## Day 5: Applying Balance Sheet Risk Governance

How are rate, liquidity and pricing decisions combined into one ALCO strategy?

- Balance Sheet Diagnostic of a Participant Institution
- Integrated Rate and Liquidity Stress Simulation
- ALCO Decision Exercise Under Margin Pressure
- Limit Framework and Escalation Design
- ALCO Balance Sheet Strategy Presentation

## Methodology

The programme is built around simulation. Participants manage a model bank balance sheet across several rounds, taking ALCO decisions on pricing, funding and hedging as rates and deposit behaviour change. Cases are drawn from retail, corporate and Islamic banking.

- Suggested activity: Building a repricing gap report from a sample balance sheet.
- Suggested activity: Running a combined rate shock and deposit run scenario.
- Suggested activity: Setting transfer prices for a new lending product.

## Capstone Output

Each participant completes an ALCO balance sheet strategy and risk limit framework for their institution. It sets out risk appetite, interest rate and liquidity limits, key behavioural assumptions, transfer pricing principles, hedging guidelines and a stress testing calendar, ready for discussion at the next ALCO meeting.



## Frequently Asked Questions

### **Is asset-liability strategy and balance sheet risk suitable for executives new to ALCO?**

Yes. It suits treasurers, CFOs, CROs and new ALCO members. It assumes senior banking experience but no prior modelling expertise.

### **Which standards underpin asset-liability strategy and balance sheet risk?**

It rests on the Basel Committee standards on interest rate risk in the banking book, its principles for sound liquidity risk management, and the Basel III LCR and NSFR.

### **How is the ALCO balance sheet strategy used at work?**

You take back a strategy and limit framework that your ALCO can debate, adopt and monitor.

### **How does asset-liability strategy and balance sheet risk differ from general treasury programmes?**

It addresses the bank balance sheet as a whole, linking interest rate risk, liquidity regulation, transfer pricing and ALCO governance, whereas general treasury programmes focus on corporate cash and payments.