

Asset/Liability Management Risk Modeling

Credit unions must navigate through a constantly changing business environment. CEOs and CFOs need to understand how unpredictable lending trends or the uneven flow of member liquidity can influence the balance sheet risk profile. Challenging financial market conditions can impact the net interest margin, the market value of balance sheet components, earnings performance and capital adequacy. Furthermore, asset-liability committee (ALCO) and board members must be aware of and comply with greater regulatory risk management and reporting requirements.

Partner with Balance Sheet Solutions

Leverage Balance Sheet Solutions' expertise and resources. We offer a wide range of comprehensive asset-liability management (ALM) analytics, balance sheet modeling, interest rate risk (IRR) reporting and consulting services to meet the needs of any credit union. Tap our team for in-depth ALM-IRR education for your management, ALCO and board members.

Interest Rate Risk Modeling – Using sophisticated financial valuation and earnings simulation tools (such as ZMdesk from ZM Financial Systems Inc. or A/L from Fiserv, formerly IPS Sendero), Balance Sheet Solutions provides the analytical power and expertise to handle the most complex balance sheets for any size credit union. Our ALM modeling includes comprehensive net economic value (NEV) and net interest income (NII) simulations analyses covering a full range of interest rate shock scenarios.

Interest Rate Risk Modeling and Reporting can incorporate the following:

- Instrument-level data input and valuation calculations
- Product specific chart-of-account set up within the models
- NEV and NII interest rate shock simulations
- Stochastic modeling option
- CUSIP-specific investment portfolio analytics
- Collateralized mortgage obligation (CMO) cash flows
- Four-factor mortgage prepayment model (incentive, seasoning, seasonality, burnout)
- Option-adjusted spread (OAS) valuation
- Supports callable and step-up bond schedules
- Premium and discount accounting
- Comprehensive report presentation
- Ability to export NEV and earnings simulation spreadsheet data
- Knowledgeable consultants to review and explain the results

What-If Scenario Analysis – Utilize the power to evaluate “what-if” scenarios such as changes to the shape of the yield curve, shifting market rates, specific product growth, faster or slower prepayment rate assumptions, alternative non-maturity share assumptions and more.

Regulatory Compliance – We can help your credit union with NCUA rule 12 CFR Part 741-Interest Rate Risk Policy and Program criteria. You select the appropriate level of modeling analytics, IRR reporting, “what-if” scenario capabilities and ALM consulting expertise that is right for your needs.

Reporting Options - Credit unions vary in size and complexity. They range from simple balance sheets with consumer loans and basic shares, to more complex balance sheets with diverse mortgage and investment portfolios and broad share-liability funding sources. Balance Sheet Solutions offers three ALM-IRR reporting options to meet your needs – because one size does not fit all.

A/L Advanced & Consulting – This service is designed for larger and more complex credit unions that require top-tier modeling capabilities – with capital markets-based stochastic analysis, relevant output, robust “what-if” scenario functionality and targeted recommendations on risk profiles. Using instrument-level data and our ZMdesk platform, credit unions receive NEV and NII rate shock analyses to generate reports and an analytics package that is easy to follow and presentable for management, ALCO and board reporting. Simulations can be run monthly, quarterly, semi-annually or annually.

A/L Manager – For those credit unions needing a mid-level analytics modeling system – with relevant output, scenario analysis and consulting on results – the A/L Manager option fulfills this goal. Using instrument-level data and the power of our modeling platforms, credit unions receive NEV and NII rate shock analysis and a detailed analytics package that is easy to follow and presentable for all levels of management. Simulations can be run monthly, quarterly, semi-annually or annually.

A/L Reporter – This service offers fundamental ALM-IRR reporting for credit unions. This is done by aggregating assets and liabilities, and assumes flat balance assumptions in the asset-liability model. This product is designed for smaller credit unions with simple balance sheets that do not contain complex investments or a large mortgage exposure. The report package identifies primary NEV and NII risk measures. Simulations can be run quarterly, semi-annually or annually.

Advantages

Ease of Use – There is no in-house software to purchase or maintain. Your staff will extract loan and share data from your core processing system, and upload it to Balance Sheet Solutions. We compile and load monthly market data, prepayment speeds and investment CUSIP pricing into our models so you get current and accurate information. This is a tremendous time-saving advantage for your credit union.

Staff Expertise – Our ALM Risk Management team can serve as an extension of your staff. The depth of expertise and the experience of our staff provide your credit union with invaluable resources. From the initial data import functions to risk modeling and reporting steps, to education and training, our ALM risk management staff is there to guide you along the way.

Cost Effective – Partnering with Balance Sheet Solutions for your ALM-IRR reporting makes financial sense. The cost and effort to purchase and maintain in-house ALM software and hardware; hire, train and retain qualified staff; gather market-based financial data, analyze results and prepare reports are considerable. Annual expenses can easily total \$150,000, depending on credit union size and complexity. Let Balance Sheet Solutions do it for a fraction of the cost.

Getting Started

To learn more about these services and how to participate, contact us at 888-796-6389 or info@balancesheetsolutions.org.