Your Essential ALM Checklist

Do this and avoid exam comments

WHAT'S NXT

Checklist

- Policies
- Assumptions
- Vendors
- Testing
- Backtesting
- Reports

Policies

Reviewed and Updated Annually

- ALCO Authored and Reviewed in Detail
- Board Approved and Understood
- Limits Appropriate for Size & Complexity

Policies for IRR

- IRR Policy
  - VaR & EaR limits appropriate for your institution
  - Defines metrics your institution monitors
  - Responsibilities of ALCO & Board
- Liquidity Policy
  - Cumulative Coverage Ratio
  - Primary Liquidity – current cash flows and forecast
  - Secondary Liquidity – includes other funding sources
- Contingency Funding Plan
  - Responsibilities
  - Sources of Funding & Order
  - Test Results

Assumptions

Documented and Institution Specific

- Source and Values
- Deposit Decay Rates
- Deposit Pricing Betas
- Prepayment Speeds
- Reinvestment Rates
- Discount Rates

Deposit Key Results

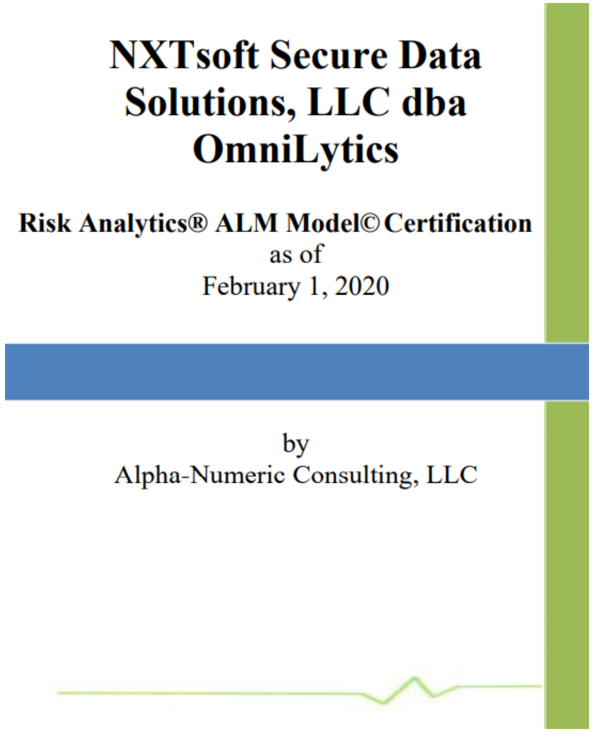
As of June 2020				Surge Adjusted Annual Decay Rate				Weighted Average Life (years)				Final Month			
Description	Balance	Surge	Cap	12 Month	24 Month	Since 2015	Capped	12 Month	24 Month	Since 2015	Capped	12 Month	24 Month	Since 2015	Capped
Checking	3,179,528	-	10%	0.07	0.11	0.67	0.15	6.71	4.56	0.74	3.36	161	109	18	81
IRA	379,835	19,835	10%	0.06	0.07	0.10	0.10	8.47	7.10	4.87	4.87	203	170	117	117
Money Market	1,419,950	319,950	10%	0.11	0.32	0.34	0.28	4.39	1.55	1.46	1.80	105	37	35	43
Non-Interest Checking	23,157,375	2,157,375	10%	0.13	0.15	0.19	0.19	3.95	3.23	2.61	2.61	95	78	63	63
Non-Interest Shares	2,621,142	346,142	10%	0.19	0.22	0.23	0.18	2.58	2.24	2.14	2.83	62	54	51	68
Shares	46,630,530	4,130,530	10%	0.06	0.08	0.07	0.07	7.92	6.53	6.96	6.96	190	157	167	167

95% confidence interval

Account Type / Current Rate	Rate Driver	R-Square	Beta	Confidence Interval Lower		Upper
NOW	Fed Funds	96%	0.34	0.32	-	0.36
0.744	1mo L	96%	0.33	0.31	-	0.35
	3mo L	93%	0.33	0.30	-	0.35
	6mo L	87%	0.33	0.30	-	0.36
	1yr CMT	88%	0.32	0.29	-	0.35

Vendor Management

- Software Validation Certificate
- Vendor SOC Audit Updated Annually
- Use and Assumption Review
    - Joint Agency Requirement
    - Reasonableness of Assumptions
    - Process Used to Determine Assumptions
    - Reasonableness of Scenarios
    - Appropriateness of Risk System
    - Backtesting of Assumptions and Results



NXTsoft Secure Data Solutions, LLC dba OmniLytics

Risk Analytics® ALM Model© Certification
as of
February 1, 2020

by
Alpha-Numeric Consulting, LLC

Identify New IRR

From New Products & Activities

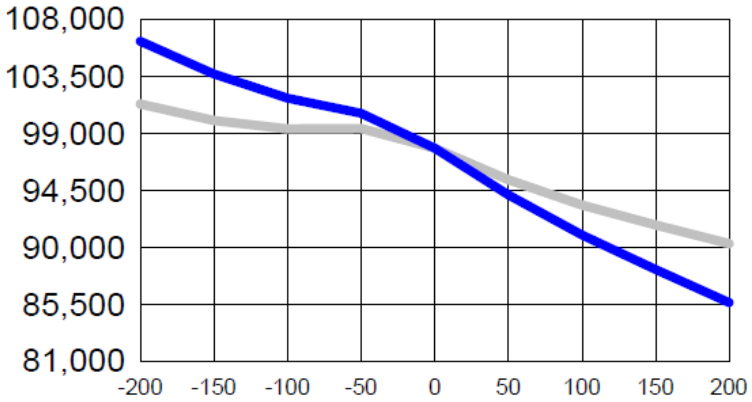
Pre-decision Modeling of Balance Sheet Strategy

Test New Products & Activities

Base Scenario | Add $100MM 5 Yr Coml Loans, Fund w/FFS

12/6/12 9:30 AM

Present Value Equity Volatility (000)



Liquidity Ratios (%)

	Base Scenario	Add $100MM 5 Yr Coml Loans, Fund w/FFS
Current	43.55	31.86
Volatile Funds	0.00	0.00
Loans to Total Assets	55.23	61.48
Net Loan to Deposit	70.36	91.04

Present Value Equity Volatility (000)

Cases	-200	-50	0	50	200
Base Scenario	101,310	99,374	97,829	95,333	90,291
Add $100MM 5 Yr Coml Loans, Fund w/FFS	106,262	100,580	97,829	94,142	85,643
Difference	4,952	1,205	0	(1,191)	(4,648)
% Difference	4.89	1.21	0.00	(1.25)	(5.15)

Capital Ratios (%)

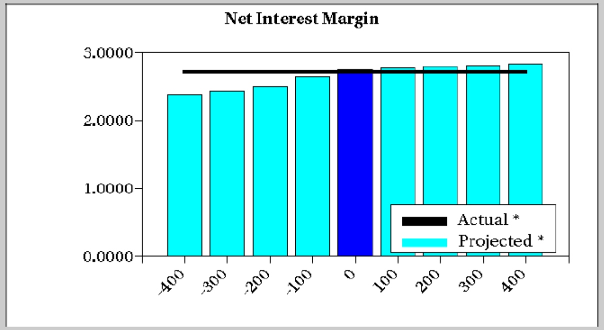
	Base Scenario	Add $100MM 5 Yr Coml Loans, Fund w/FFS
Total Risk Adj Capital Ratio	14.80	11.34
Tier 1 Capital to Risk Adjusted Assets	13.51	10.27
Leverage Ratio	7.70	6.52

Backtesting

- Lookback Periods: 3, 6, 12 months
  - Does it capture the lag?
  - Is it too far back?
- Rate and Volume Variance
- Stable Environment? Results?
- Changing Interest Rates? Results?
- Repeated Variances?

Net Interest Margin

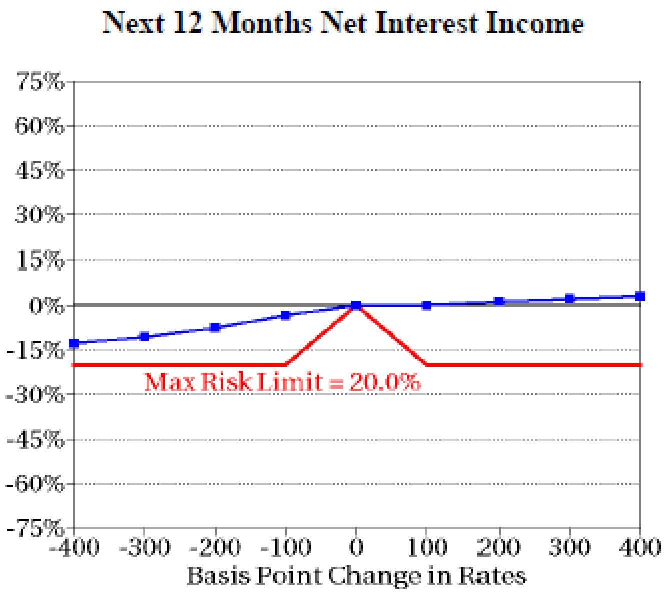
Rate Scenario	Mar-2018 Projection	Jun-2018 Actual	Variance %	Variance % of Actual
-400	2.3827	2.7143	0.3316	12.2%
-300	2.4325	2.7143	0.2818	10.4%
-200	2.5001	2.7143	0.2142	7.9%
-100	2.6513	2.7143	0.0630	2.3%
0	**2.7604**	**2.7143**	**(0.0461)**	**-1.7%**
100	2.7787	2.7143	(0.0644)	-2.4%
200	2.8003	2.7143	(0.0860)	-3.2%
300	2.8206	2.7143	(0.1063)	-3.9%
400	2.8416	2.7143	(0.1273)	-4.7%

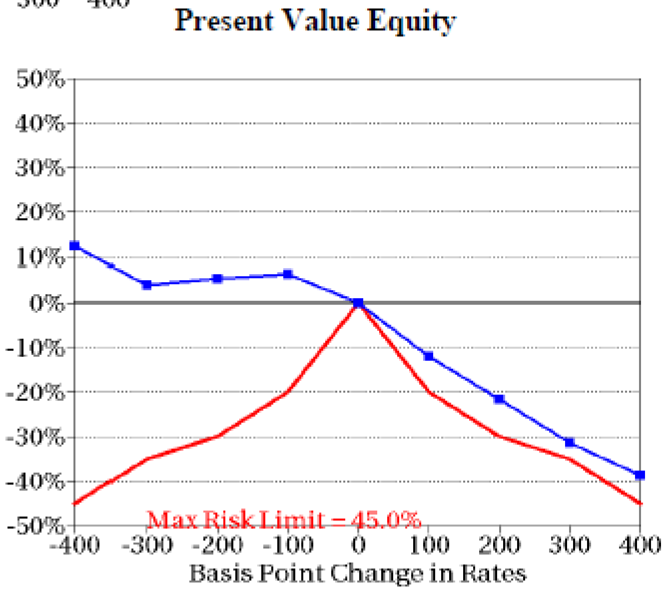


* Normalized to an Actual / Actual day count

Minimum Report Output

- Earnings at Risk (EaR)
- Value at Risk (VaR)
- Parallel Rate Shocks
- Non-Parallel Rate Shocks
- Assumption Sensitivity Testing





THANK YOU!

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