QUEST
Professional Center

PROFESSIONAL TRAINING COURSE

Course No. 1033

Interest Rate Risk in the Banking Book

RISK MANAGEMENT
FINANCE, INVESTMENT & BANKING

DURATION
5 Days

DELIVERY
Classroom

Course Overview

Interest Rate Risk in the Banking Book is a comprehensive professional training course designed to provide banking and financial professionals with the knowledge, analytical techniques, and practical skills required to identify, measure, monitor, and manage interest rate risk arising from traditional banking activities. As changes in interest rates significantly influence banks' earnings, economic value, funding costs, and balance sheet performance, effective management of Interest Rate Risk in the Banking Book (IRRBB) has become a strategic priority for financial institutions seeking long-term stability, regulatory compliance, and sustainable profitability.

This course provides participants with a structured understanding of the principles, governance frameworks, and regulatory expectations associated with Interest Rate Risk in the Banking Book. Participants will examine how fluctuations in interest rates affect assets, liabilities, off-balance sheet exposures, net interest income, and the economic value of equity. The program emphasizes the importance of integrating IRRBB into enterprise risk management, Asset and Liability Management (ALM), treasury operations, strategic planning, and capital management.

The program also explores internationally recognized methodologies for measuring and controlling IRRBB, including repricing gap analysis, duration analysis, sensitivity analysis, Earnings at Risk (EaR), Economic Value of Equity (EVE), stress testing, scenario analysis, behavioral modeling, and balance sheet optimization. Participants will gain practical knowledge of governance structures, risk appetite frameworks, internal controls, model risk considerations, and regulatory reporting requirements associated with effective interest rate risk management.

Through practical case studies, interactive workshops, and real-world banking scenarios, participants will strengthen their ability to assess interest rate exposures, evaluate balance sheet sensitivity, develop effective mitigation strategies, and support strategic decision-making. By the end of the course, participants will be equipped to improve Asset and Liability Management, strengthen treasury performance, enhance regulatory compliance, and contribute to the financial resilience and long-term sustainability of banking institutions.

Objectives

- Analyze the principles and regulatory requirements of Interest Rate Risk in the Banking Book and evaluate their application within banking institutions by the end of the course.
- Develop structured methodologies for identifying, measuring, monitoring, and managing interest rate risk across banking book activities.
- Evaluate the impact of changing interest rates on net interest income, economic value of equity, and balance sheet performance using practical banking scenarios.
- Apply quantitative methodologies including repricing gap analysis, duration analysis, sensitivity analysis, Earnings at Risk (EaR), and Economic Value of Equity (EVE).
- Design effective interest rate risk mitigation strategies through balance sheet optimization, hedging considerations, and Asset and Liability Management practices.
- Improve interest rate risk monitoring through the implementation of Key Risk Indicators (KRIs), exposure limits, and management reporting.
- Strengthen governance frameworks by evaluating risk appetite, policies, internal controls, and oversight responsibilities.
- Implement stress testing and scenario analysis techniques to assess institutional resilience under changing interest rate environments.
- Assess behavioral risks associated with deposits, loan prepayments, and non-maturity products affecting IRRBB measurement.
- Align Interest Rate Risk in the Banking Book practices with enterprise risk management, regulatory expectations, and strategic business objectives before course completion.

Who Should Attend

This course is designed for Asset and Liability Management (ALM) Managers, Treasury Managers, Interest Rate Risk Managers, Market Risk Managers, Enterprise Risk Managers, Treasury Analysts, Financial Risk Analysts, Finance Managers, Investment Managers, Balance Sheet Managers, Compliance Managers, Internal Audit Managers, Internal Control Professionals, and specialists responsible for managing interest rate risk within banks and financial institutions.

The program is equally valuable for Chief Risk Officers, Chief Financial Officers, Chief Treasury Officers, members of Asset and Liability Committees (ALCO), senior treasury executives, strategy managers, finance executives, central bank professionals, regulatory affairs specialists, banking supervisors, and senior decision-makers responsible for balance sheet management, capital planning, treasury governance, financial performance, and regulatory compliance.

Learning Outcomes

- By the end of this course, participants will be able to:
- Develop a comprehensive Interest Rate Risk in the Banking Book framework aligned with international banking practices.
- Identify and evaluate major sources of interest rate risk affecting banking book activities.
- Apply repricing gap analysis, duration analysis, sensitivity analysis, Earnings at Risk (EaR), and Economic Value of Equity (EVE) methodologies.
- Assess the impact of changing interest rates on earnings, capital, liquidity, and balance sheet performance.
- Conduct stress testing and scenario analysis to evaluate interest rate risk exposures.
- Analyze behavioral assumptions related to deposits, loan prepayments, and non-maturity products.
- Design practical interest rate risk mitigation strategies through Asset and Liability Management and balance sheet optimization.
- Monitor interest rate risk using Key Risk Indicators (KRIs), management reports, and governance dashboards.
- Evaluate governance structures, regulatory expectations, and internal control frameworks supporting IRRBB.
- Develop an implementation roadmap to strengthen Interest Rate Risk in the Banking Book practices, improve treasury decision-making, and enhance financial resilience.

Course Outline

DAY 01

Foundations of Interest Rate Risk in the Banking Book

- Principles and objectives of Interest Rate Risk in the Banking Book
- Sources and categories of interest rate risk
- Regulatory expectations and international best practices
- Governance, risk appetite, and oversight responsibilities

DAY 01 — CONTINUED

> **PRACTICAL APPLICATION**
>
> Identifying interest rate risk exposures within the banking book

DAY 02

Measuring Interest Rate Risk

- Repricing gap analysis
- Duration analysis and sensitivity analysis
- Earnings at Risk (EaR)
- Economic Value of Equity (EVE)

> **PRACTICAL APPLICATION**
>
> Measuring and interpreting interest rate risk exposures

DAY 03

Asset and Liability Management for IRRBB

- Integrating IRRBB into Asset and Liability Management (ALM)
- Balance sheet optimization strategies
- Managing deposit behavior and loan prepayment risk
- Hedging considerations and interest rate risk mitigation

> **PRACTICAL APPLICATION**
>
> Developing Asset and Liability Management strategies for changing interest rate environments

DAY 04

Stress Testing, Monitoring, and Reporting

- Interest rate stress testing methodologies
- Scenario analysis under changing market conditions
- Key Risk Indicators (KRIs) and exposure monitoring

DAY 04 — CONTINUED

- Executive reporting and regulatory disclosures

PRACTICAL APPLICATION

Conducting stress tests and preparing IRRBB management reports

DAY 05

Building a High-Performance IRRBB Framework

- Integrating Interest Rate Risk in the Banking Book with Enterprise Risk Management
- Strengthening governance, internal controls, and regulatory compliance
- Emerging trends in interest rate risk management and balance sheet optimization
- Continuous improvement of IRRBB practices and organizational resilience

FINAL WORKSHOP

Developing a comprehensive Interest Rate Risk in the Banking Book implementation plan that includes governance enhancements, measurement methodologies, repricing gap analysis, duration analysis, Earnings at Risk (EaR), Economic Value of Equity (EVE), stress testing, Asset and Liability Management strategies, executive reporting, and continuous improvement initiatives to strengthen financial performance, regulatory compliance, balance sheet resilience, and sustainable banking operations.

Register or Request More Information

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