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DARLING CONSULTING GROUP

34th ANNUAL

Balance Sheet Management Conference

PREMIER ALM & MODEL RISK MANAGEMENT EVENT

June 11-12, 2018 • Boston, MA

CONFERENCE HIGHLIGHTS



Keynote

Monday will feature a general session with **Afterburner**, a global management training and consulting firm, rare in the fact that they are entirely comprised of elite military professionals such as fighter pilots, Navy SEALs and Special Ops members. Their speakers will teach you a continuous improvement methodology called Flawless Execution – a process and performance model that was born and bred by proven military practices.

Economic Update

Leading off Tuesday's program will be a general session conducted by **Chris Low**, Chief Economist for FTN Financial. Chris has more than 25 years of experience tracking U.S. and global economies, financial markets, central banks and fiscal policy, as well as six years of experience as a money manager, giving him a unique ability to distill economic events into information useful to investors.

Chris Low
Chief Economist
FTN Financial



CONFERENCE SESSIONS

Loan Pricing: Key Ingredients for Improved Earnings Performance

For many recent years, lenders have been faced with intense competition and low market rates. This has often resulted in weaker discipline around pricing and structuring loans. With the rising market rates over the past year and a half and a growing cost of funds, bankers need to remember the importance of pricing for risk and liquidity in their decision-making processes. This session led by Rob will include an overview of key ingredients in effective pricing models, insights on current pricing trends and how changes such as CECL may impact pricing decisions.

ROBERT ASHBAUGH, *Senior Risk Management Consultant* • Sageworks

Washington Update and Implications for the Banking Industry

Congress and every Federal financial agency, as well as the White House and the Treasury Department, are reviewing laws and regulations affecting banks and their customers. Rather than a case of "the pendulum swinging back the other way," this is an opportunity to get the regulations right by asking what works with regard to promoting economic growth. This is a process that has already begun, is picking up steam and will likely persist for a number of years. From the perspective of good regulation that facilitates the ability of banks to serve their customers, what are the priorities and prospects for action in 2018?

WAYNE ABERNATHY, *Executive Vice President* • ABA

Financial Institution Alert: Illiquid Investments

Implementation of the Liquidity Coverage Ratio has tasked large institutions with maintaining quality liquid assets in their securities portfolio. We have recently seen a disturbing trend of less liquid CMO structures with large bid-ask spreads begin to appear in bank and credit union portfolios. Will's session will teach you how to identify the liquidity risks of certain CMO structures as well as some lesser rated, longer dated municipals. It is important to ensure the liquidity you think exists in your portfolio will actually be there when you need it most.

WILL TAYLOR, *Director of the Portfolio Management Group* • Vining Sparks IBG, LP

Preparing for Your Liquidity Exam – Defending Your Case Profitably

Over the past year as short-term rates were increasing, regulatory agencies have begun to reemphasize liquidity management in their exams. They have been concerned with trends of reductions in liquidity-eligible investment holdings in favor of loans harkening back to the crisis of 2008! In addition, another major trepidation is with the role of core deposits/runoff and the use of wholesale funding in this rising rate environment. In this session, Bob and Patrick will speak to trends in liquidity exams and how to best defend your position as well as strategies to consider to enhance your profile in a profitable fashion.

BOB LALLO • Darling Consulting Group

PATRICK WARD • Darling Consulting Group

The Renaissance of Analyzing Deposits: Looking Beyond "The Deposit Study"

Non-maturity growth has been outpacing CD growth since 2009, and many are understandably uncomfortable that the tide will turn and see some flow of "core deposits" back to CDs. This session will address the critical role deposit assumptions play in risk models and the best practice approach of developing those assumptions. Going beyond the study, Joe and Billy will also review the most recent impact the rising rate cycle has had on deposit pricing and stability through recent case studies using DCG's Deposits360° platform. They will also discuss how utilizing deposit data to your advantage can pay significant dividends.

JOE KENNERSON • Darling Consulting Group

BILLY GUTHRIE • Darling Consulting Group

Buying & Selling Branches and Deposits: Which Deals Make Sense?

In this session, Steve will focus on the pros and cons of buying and/or selling branches. Topics covered will include deposit premiums paid, alternative transaction structures, competitive factors, customer retention, balance sheet management strategy and funding mix considerations.

STEVE EGLI, *Managing Director* • Raymond James

How Banks Should Make the Decision to Sell or Buy

Decisions made even before bankers engage with the other side foretell the likelihood for success. In this session, Peter will discuss how to play the negotiating game in the most effective manner for both sellers and buyers, while examining the role of directors in the process.

PETER WEINSTOCK, *Partner* • Hunton & Williams LLP

EARLY REGISTRATION DATE
Register by April 6 and save!

DarlingConsulting.com

Capital Planning & Credit Stress Testing – Expect the Unexpected

Incorporating solid capital planning and stress-testing processes into your overall enterprise risk management practices has quickly become not only a best practice, but also a regulatory expectation. Capital planning has proven to be the foundation and backbone for effective enterprise risk management whereby interest rate risk, liquidity risk, credit risk and operational risk can be simultaneously evaluated under normal operating conditions, as well as under stress. Steve will discuss how most institutions going into the last crisis that had major losses did not expect to have the losses they had. Expect the unexpected and prepare for such a scenario today!

STEVE BOSELLI • Darling Consulting Group

Financial Institution Investing in the Current Cycle

Institutions find themselves paralyzed when it comes to making investment decisions in the current environment. The challenges of a flat yield curve, along with high premiums and anemic returns, make what should be a straightforward exercise one we agonize over. More than ever, it is essential we carefully examine all investment alternatives and evaluate why we are buying the securities that we are. In this session, Larry will sort through the clutter and focus on the strategies that high-performing institutions are implementing to maximize earnings and manage their risk positions.

LARRY MIELE, *Managing Director/Investment Officer* • Wells Fargo Advisors

Managing Interest Rate Risk with Derivatives: A Practical Implementation Guide

Todd and Eri will provide a practical guide to implementing the new balance sheet hedging strategies afforded by ASU 2017-12. This session will focus on both the strategy considerations and financial statement impacts of the new techniques, using real life examples from their client franchise. In addition to a deep dive on the new last-of-layer technique, the session will explore the practical considerations of hedging CDs, non-indexed MMDAs and the pros and cons of utilizing caps and floors to mitigate interest rate risk.

TODD CUPPIA, *Managing Director* • Chatham Financial

ERI PANOTI, *Director of Accounting Advisory* • Chatham Financial

Derivative Strategies: A Real World Balance Sheet Approach Under the New Accounting Guidance

Liability sensitive? Asset sensitive? Looking for advantages in your loan market? Concerned that a certain class of depositor has too much control of your balance sheet management strategy? There will likely be something in this session for you! Implemented in the late 1990s, FAS 133 changed the hedge accounting landscape and limited hedging opportunities for community banks. Reversing gears somewhat, recent key changes within FASB's hedging guidance have dramatically increased the attractiveness of plain vanilla interest rate derivatives for community bankers. Frank's session will feature examples of how these accounting changes have unlocked opportunities to explore loan and deposit growth strategies that were difficult to achieve before the beginning of 2018.

FRANK FARONE • Darling Consulting Group

Managing Millennials

One of the biggest challenges any organization faces is managing a multi-generational workforce. Managing Gen Y (the Millennials) in your labor force can be particularly daunting. It can also be incredibly rewarding when approached in the right way. Join Keith for an hour-long discussion of what you and your colleagues can do to better manage what is now or soon will be the single largest segment of your team (not to mention your company's customer base).

KEITH HUGHEY, *Founder* • J. Keith Hughey Company



Our DCG mobile app will give you access to the full agenda, presentations and other conference-related materials before, during and after the conference.

The app will be available on iTunes and Google Play.

CORE SESSIONS

The following sessions are the equivalent of a full-day seminar on balance sheet management. They are intended to create a base for first-time attendees or serve as a refresher series for past attendees.

Risk/Return Trade-Offs in Balance Sheet Management

Jeff's session will be an introduction to balance sheet management issues and risk/return trade-offs. Subjects discussed will include fundamental banking concepts in perspective, sources of balance sheet risk, discussions of value versus income protection, regulatory perspectives on risk/return and recent industry issues.

JEFF REYNOLDS • Darling Consulting Group

Measuring and Managing Liquidity

Robust management of liquidity has become increasingly important as interest rates have increased, deposit pressures build and loan demand continues to be necessary for increasing earnings. Effective measurement and management of both operating and contingency liquidity is of heightened focus at high performing institutions and with all regulatory agencies. Keri's session will discuss best practice approaches to liquidity measurement and management, strategies for enhancing liquidity, marginal cost of funds analysis, strategies for controlling funding costs and available funding alternatives.

KERI CROOKS • Darling Consulting Group

Measuring and Managing Interest Rate Risk

Many ALCOs feel the current rising rate cycle is unfolding more like a flat rate environment. While short-term market rates are noticeably higher, loan and deposit rates have changed minimally. Margins are shrinking, due to growth composition more so than to balance sheet structure. This has many perplexed and wondering, "To what degree is my balance sheet truly exposed to rate risk?" This session will help you answer that important question (and others) by providing you the background to construct an effective IRR management process. Darnell will discuss measurement techniques (earnings and value) and display a comprehensive approach to risk analysis and decision making.

DARNELL CANADA • Darling Consulting Group

Developing & Documenting Balance Sheet Management Strategies

CASE STUDIES

This popular topic includes a separate two-hour "hands on" session using case studies from actual banks. The first portion of this two-part session, led by Mark and Keith, will discuss strategy formulation and documentation including such subjects as setting strategy objectives, determining potential risk/return trade-offs and tracking results. Strategies discussed will include lending, investments, deposit pricing, alternative funding sources and the use of "off-balance sheet" hedging instruments. During the second portion of this session, Mike and Vinny will provide attendees the opportunity to work through two case studies in detail. This is a great opportunity for exchanging ideas and approaches and analyzing "what-if" scenarios.

MARK HABERLAND • Darling Consulting Group

KEITH REAGAN • Darling Consulting Group

MIKE CARNEY, *Principal* • Darling Consulting Group

VINNY CLEVINGER • Darling Consulting Group

CREDIT UNION SESSIONS

These sessions are designed specifically for credit union attendees with an applied focus on industry topics and challenges. Attendees will also have the opportunity to benefit from an interactive discussion with policy leadership at the NCUA.

NCUA – An Inside Perspective on Topical ALM Issues

In this session, Owen will share his thoughts on the challenges that lie ahead for credit unions in the area of asset/liability management. Also, he will share his view on examination expectations as it relates to best practice methods for measuring and managing liquidity, interest rate risk and capital.

OWEN COLE, *Director, Division of Capital & Credit Markets* • NCUA

Interest Rate Risk Management in a Challenging and Uncharted Rate Environment

After nearly a decade of a protracted low rates and continued shrinking margins, rising rates are here again. While most credit unions should benefit tremendously, many will miss great opportunities due to self-imposed policies, fear of regulatory concerns or traditional financial ratios that get in the way of executing effective strategies. In Frank's session, learn why longer-term fixed rate assets can help reduce risk, add income and help facilitate the necessary growth ahead. Understand how much capacity your balance sheet has for long-term assets and how to manage the risks including NEV.

FRANK FARONE • Darling Consulting Group

Capital and Credit Stress Testing – An Effective Tool for Planning

The regulatory community has raised the bar for credit unions to understand capital adequacy. Capital planning is no longer an exercise reserved for troubled institutions. Greater earnings challenges have created increased pressure to grow assets, and the demand to be preemptive with concentrations developing asset quality concerns requires risk managers to better understand capacities for loss absorption. In Steve's session, attendees will gain insight into how to properly stress test capital to best understand the guardrails for managing both growth and credit levels/composition, providing a strategic advantage over competitors who think they can continue to survive on traditional profit planning and budget exercises.

STEVE BOSELLI • Darling Consulting Group

Liquidity Management – The Secrets to Successful Funding Diversification

The deposit landscape is changing, and related liquidity stresses have been pushed very high on the list of NCUA concerns. Regulatory guidance states that "an institution should establish a funding strategy that provides effective diversification in the sources and tenor of funding, including secured and unsecured wholesale sources." Keri's session will focus on recent exam sentiments around liquidity risk management, policy considerations and the prudent use of alternative wholesale funding sources. Don't allow an inferior operational and contingency liquidity plan to trigger examiner discomfort and/or constrain your ability to meet your growth objectives.

KERI CROOKS • Darling Consulting Group

Strategy Development – Motivating Action from Your Risk Analysis

This session provides a "hands-on" experience that will improve your ability to make intelligent decisions to reduce risk and/or improve the performance of your balance sheet. Frank will discuss our proven and time-tested method for utilizing detailed modeling and analysis to help set strategy objectives, assess risk/return trade-offs and track results. Strategies covered will include lending, investments, deposit pricing, alternative funding sources and the use of "off-balance sheet" hedging instruments. This is a great opportunity for exchanging ideas and approaches and analyzing "what-if" scenarios.

FRANK FARONE • Darling Consulting Group

NCUA – An Inside Perspective on Long-Term Strategic Issues

This competitive landscape of the industry is changing at a rapid pace. The traditional business model is being threatened by the technology revolution and a more sophisticated customer base, and credit unions are struggling to keep up. In this session, Owen will share his thoughts on long-term planning and key strategic questions every credit union should be trying to answer.

OWEN COLE, *Director, Division of Capital & Credit Markets* • NCUA

CONFERENCE INFORMATION

DATE AND LOCATION: JUNE 11-12, 2018

Marriott Long Wharf • 296 State Street • Boston, MA

This two-day conference takes place Monday 8:15 a.m. to Tuesday 3:15 p.m. The Marriott Long Wharf is just one block from Faneuil Hall/Quincy Market and the heart of Boston's financial district. It is approximately two miles from Logan Airport. Please contact the hotel for directions at 617.227.0800.

TO REGISTER

Register online at DarlingConsulting.com

RATES

Register early & save...this conference always sells out!

\$1,475 per person by April 6, 2018 \$1,575 per person after April 6, 2018

CANCELLATIONS

Conference registration fees are refundable but are subject to a \$100 cancellation fee if received in writing by May 18, 2018. No refunds will be made after this date. Substitutions may be made at any time; please advise us in advance. For more information regarding refund and/or program cancellation policies or other concerns, please contact our conference staff at conference@DarlingConsulting.com or by calling 978.463.0400.



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HOTEL RESERVATIONS

Please contact the Marriott directly at 617.227.0800 and use room rate group code: DCLDCLA. You can also visit their website at www.marriott.com/boslw.

When making your hotel reservation with the Marriott, please be sure to identify yourself as a "Darling Consulting Group Conference Attendee" to guarantee the preferred room rate. Rooms are available on a first-come, first-served basis.

MARRIOTT LONG WHARF • 296 State Street • Boston, MA 02109

All room reservations for this conference are on a space-available basis.

The rate of \$330 per room per night is subject to 14.45% Massachusetts tax.

For additional information regarding this conference, contact us at 978.463.0400 or email conference@DarlingConsulting.com.

MODEL RISK MANAGEMENT & VALIDATION SESSIONS

This track provides insight on the challenge of building and maintaining an effective model risk management process at your institution. We will also share insights into advanced modeling (such as DFAST/stress testing and CECL) from our horizontal perspective.

To \$10B and Beyond: Lessons Learned in Modeling, MRM and Stress Testing

As banks and credit unions approach and exceed \$10 billion in assets, there are heightened expectations with regard to financial and operational risk management. While many organizations are conceptually aware of the changes expected, the degree of change and the effort required to successfully develop the practices needed are often underestimated. During Drew's session, participants will gain tremendous insight into how to best prepare for becoming a "larger" organization, how to continue to evolve the key risk management practices and how to drive greater strategic performance.

DREW BOECHER • Darling Consulting Group

The New Era of Data Management: Facts vs. Hype

Organizations large and small are actively assessing, developing and implementing new data management processes and controls which, while beneficial, are also adding a layer of challenge for model development and management practitioners. During this session, Joe will offer substantive ideas on how to address the additional challenges new data initiatives are having on model development and how to make your institution's data a powerful ally in risk management and strategic decision making. In addition, common data selection and management issues will be highlighted and addressed.

JOE MONTALBANO • Darling Consulting Group

Communicate with your Quants: Statistics for Bankers and Executives

We've all heard of p-values, F-tests and C-stats, among other statistical concepts that may seem intimidating and confusing. In this session, Sam will demystify some common concepts used to evaluate stress testing and credit risk rating models. Statistics are just tools we can use to better evaluate the soundness and reliability of our models, and it doesn't take a lot to learn how to use these tools for our benefit. At the end of this session, you will all be able to better communicate with your quants.

SAM CHEN • Darling Consulting Group

CECL: A Practitioner's Research and Development Journey

The time for implementing CECL is here. Institutions of all sizes and types are facing a challenge aligning finance, risk and credit functions to create a process for estimating credit losses over the life of each loan. Ty and Bond will share insights on leveraging existing data, infrastructure, models and processes to meet the requirements. The session will also cover ways of incorporating an economic outlook into loss estimates, implications for purchased assets (via mergers) and disclosures in a CECL regime.

TY LAMBERT, Senior VP & Senior Consultant • BancorpSouth

BOND CALDARO, Senior Risk Consultant • FIS

Winning Model Documentation

Good model documentation is a key aspect of well-managed model development, testing, implementation, use and validation. However, organizations struggle to develop robust and up-to-date documentation that meets current expectations of regulators and validators. During

Mike's session, participants will gain insight into leading industry practices that go beyond limited guidance provided by regulators. Topics addressed in this session include key elements of good model documentation, the importance of well-established model development and testing practices, effective data and assumption descriptions and model risk management and performance implications.

MIKE GUGLIELMO • Darling Consulting Group

Next Generation ALM Modeling: Vendor Insights PANEL DISCUSSION

ALM models continue to evolve in terms of features, capabilities and use for a broader spectrum of strategic risk modeling activities. Jerry, Grant and Chris will discuss the ongoing evolution of current tools and technology and provide their insights into the future state of ALM modeling and how organizations are further leveraging these tools for interest rate risk, liquidity, budgeting, forecasting, CECL, capital planning and stress testing.

JERRY CLARK, Senior VP, Sales & Marketing • ZM Financial Systems

JOE SASS, Global Head of Ambit Risk & Performance • FIS

CHRIS MACLIN, Managing Director • Empyrean Solutions

Ace Your Next Model Validation: Best Practices and Key Mistakes to Avoid

Examiners' and model validators' expectations for model development and management continue to evolve. Many processes that were previously thought of as best practice, or only performed within larger organizations, have trickled down and become the norm. During this session, the most common and impactful model development and management mistakes will be highlighted, along with practical advice on how to avoid or overcome these model and process deficiencies. In addition, Brett and Andy will underscore the benefits of good model stewardship and its impact on validation and remediation costs along with model performance.

BRETT AITKEN • Darling Consulting Group

ANDREW MITCHELL • Darling Consulting Group

The Future Is Now: Capitalizing on Stress Testing for Strategic and Financial Performance

Financial institutions routinely stress test various aspects of their balance sheet and business activities including interest rate risk, liquidity, credit and operational risks. These exercises are often managed and performed independent of one another by different areas or committees of the organization using varying scenarios, modeling methods, assumptions and risk assessment/governance frameworks. Mike's session will provide actionable ideas for developing a centralized stress-testing framework and insight into how progressive institutions are leveraging stress testing strategically across the organization.

MIKE GUGLIELMO • Darling Consulting Group

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EARLY REGISTRATION DATE: Register by April 6 and save!

DarlingConsulting.com

Darling Consulting Group is the recognized leader in providing balance sheet risk management analyses, strategies and solutions to the U.S. banking industry. DCG provides independent strategic ALM consulting, model risk management and validation (including DFAST), education and decision-making support tools (liquidity stress testing, deposit and loan analytics and credit stress testing) to over 600 financial institutions nationwide. In these capacities, DCG serves a broad array of community banks and credit unions, as well as many of the country's 100 largest banks.

34th ANNUAL

Balance Sheet Management Conference

PREMIER ALM & MODEL RISK MANAGEMENT EVENT

Darling Consulting Group's information-packed, two-day conference offers timely insight into managing your institution's balance sheet in today's challenging environment. Educational sessions and interactive forums – ranging from basic through advanced – are designed to generate comprehensive and lively discussion about balance sheet risk management, model risk management and validation processes.

WHO SHOULD ATTEND?

Directors, CEOs, CFOs, CROs, risk managers, DFAST managers, model developers, model validators, senior management and analysts will benefit from this popular Group-Live conference. Attendees are eligible for up to 13 CPE credits. No prerequisite and/or advance preparation is required.

Sunday & Monday Evening Receptions

We welcome you and your guests to the following social events:

SUNDAY
Cocktail Reception
Marriott Long Wharf
6:00 – 9:30 p.m.



MONDAY
Boston Harbor
Cocktail Cruise
6:00 – 7:30 p.m.



MONDAY
Lobster Bake
Marriott Long Wharf
7:30 – 9:30 p.m.



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