

Excel Bank gains interest rate risk management expertise with Abrigo

Case Study

Excel Bank, a small commercial bank in Southern California, has navigated various economic cycles since its founding in 2005, including the current challenging interest rate environment. With a team of around 40 full-time employees, the bank focuses on commercial real estate and deposit products in the Beverly Hills community. Excel Bank prides itself on its cohesive finance and accounting team. The small but efficient team of four has created a stable and productive work environment over the past five years.

SEEKING TRANSPARENCY AND TOTAL CONTROL

Despite its stability, Excel Bank faced challenges in managing interest rate risk effectively and sought a more current framework for its ALM model. The bank's previous interest rate risk model, which had been used for over a decade, was becoming outdated and limited in its capabilities. Excel's EVP and Chief Financial Officer Hrach Kahwajian recognized the need for a more robust and dynamic model to address the bank's specific requirements and satisfy regulatory expectations. While they had considered using ALM software instead of running a model themselves, Kahwajian felt it would be a good learning experience to set up a new model and have an advisor walk his team through it. Kahwajian also sought advisory expertise to help his team fully understand their model.

"I thought we needed somebody with expertise in the interest rate environment who could also train our board, asset/liability committee (ALCO), and finance team," said Kahwajian. "We wanted to teach everybody what's happening in that model behind the scenes so that it wouldn't just be me and my financial analyst who understand it."

"Five years ago, I don't know that a bank of our small size would be asked to do what we are required to do now from a regulatory perspective. But with the current environment, regulatory oversight in this area is increasing."

Hrach Kahwajian, EVP and Chief Financial Officer
EXCEL BANK

ABOUT EXCEL BANK



Serving Southern California since 2005, Excel Bank (a tradename of EH National Bank) is the only bank headquartered in Beverly Hills, CA. With a full array of solutions, it is a digitally progressive bank, specializing in a consierge-style of personalized service for both business and personal banking needs. Excel Bank also has a full-service branch office in Temecula, CA. Learn more about Excel Bank at www.excel.bank.com.

A MODERN ALM MODEL WITH ADVISORY SUPPORT

After evaluating several vendors, Excel Bank chose Abrigo for its comprehensive model and experienced advisors. It was a bonus that the bank had used Abrigo in the past for deposit studies and is currently using Abrigo's anti-money laundering software, BAM+. When it came to technical expectations, Excel required non-parallel yield curves, the ability to include off-balance sheet items, and a dynamic model to replace their previous static balance sheet model. Excel Bank's wish list for a new model indicates the importance of having a modern and comprehensive interest rate risk model, particularly in today's regulatory environment. As regulatory scrutiny increases, Excel Bank's proactive approach to managing interest rate risk positions them well for the future.

"Five years ago, I don't know that a bank of our small size would be asked to do what we are required to do now from a regulatory perspective," Kahwajian said. "But with the current environment, regulatory oversight in this area is increasing. Times are changing."

Abrigo catered to those specific needs, and the advisory component could help the team facilitate internal discussions and decision-making. Having an industry expert on hand will also help Excel Bank's ALCO and board set realistic thresholds and policies tailored to the bank's unique situation. That valuable expertise was the clincher for Excel when choosing Abrigo.

"When we started looking at various vendors, we didn't just want a model that does everything for us. It was important to have expertise from someone working with other banks and regulators all the time and who knows exactly what's going on in the interest rate risk world. We wanted advisors with experience behind our model who could teach us the ins and outs of it. And we got that with Abrigo."

MORE ACCURATE RISK MANAGEMENT AND CONFIDENCE IN COMPLIANCE

Since implementing the Abrigo model, Excel Bank has improved its accuracy and understanding of its interest rate risk. The model has provided the ALCO and the board with more precise insights into the bank's financials, enabling more informed decision-making.

"We wanted advisors with experience behind our model who could teach us the ins and outs of it. And we got that with Abrigo."

Hrach Kahwajian, EVP and Chief Financial Officer
EXCEL BANK

While it is still early to measure the full impact of the model, Excel Bank is confident that it will help them manage their interest rate risk more effectively and position the bank for greater stability in the future.

"If you're not careful, an in-house model after a while can become just an exercise that you run every quarter to check a box and satisfy auditors," Kahwajian said. "But does everybody really understand it? Are you really using it to make the right decisions? Over time, that can get lost. So it has been a huge help to have an advisor to help us see how our model fits into a bigger picture and understand what we need to keep doing."

A PARTNERSHIP TO IMPROVE RISK MANAGEMENT DECISIONS

Excel Bank's decision to partner with Abrigo has not only resulted in a more advanced interest rate risk model but has also provided the bank with expert guidance and training. The model has exceeded their expectations, and the support from Abrigo's advisors, particularly Dave Koch, has been instrumental in the model's successful implementation and ongoing management. Excel Bank looks forward to continuing its partnership with Abrigo, providing feedback to improve its processes further, and reaping the benefits of a more robust interest rate risk management framework.

ABOUT ABRIGO

Abrigo is a leading technology provider of compliance, credit risk, and lending solutions that community financial institutions use to manage risk and drive growth. Our software automates key processes — from anti-money laundering to asset liability management to fraud detection to lending solutions — empowering our customers by addressing their Enterprise Risk Management needs.

Make Big Things Happen. Get started at abrigo.com.