

Back-Testing Services from ProfitStars®

In response to recent regulatory pressures and client requests, ProfitStars is offering our ALM clients a service to back-test their model projections. Back-testing performs an attribution analysis on the variance of projected results from actual results. ProfitStars can show you how much of your model variance was caused by rates, how much was caused by mix, and how much was caused by balances.

Reviewing the back-test analysis helps financial institutions gain insight into some of the more subtle changes on net interest margin while also becoming more accurate in projection results. A back-test report offers you another line of defense to ensure that your forecast assumptions are accurate, so you're not caught off guard by net interest margin results that can sometimes change over time.

Back-Test: Why Is It Necessary?

- Back-testing projected results versus actual results provides actionable feedback on the validity of your forecast assumptions.
- It's an independent assessment of the skills of the person who is responsible for creating the assumptions that make up the projected net interest margin.
- The back-test report can give managers greater insight into subtle changes in net interest margin over time.

Visit <http://www.profitstars.com/pdfs/BackTestSampleReport.pdf> to view a sample Back-Test Service report packet.

What We Do

- Compare projected net interest margin results to actual net interest margin results.
- The total variance of projected NIM versus actual NIM is attributed to one of the following factors:
 - Rate variance
 - Volume variance
 - Mix variance
- Provide a summary narrative that offers further insight into the causes of the variance.
- Results are annualized and reconciled to your financial statements.