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RISK MANAGER'S WEEKLY

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The 2010 Audit for ALM Advisors

In order to meet the demands of our clients and the regulators, ALM Advisors has recently subjected its model to an audit by Fiserv's Professional Service Group. The Fiserv information concludes that ALM Advisors "properly evaluates the complexities of their clients' balance sheet for the purpose of calculating Earnings at Risk and Economic Value of Equity analysis."

Also included is the last Statement of Certification that McGuire Performance Solutions (MPS) issued for the Sendero model. MPS concludes that the Sendero model has the capability to "accurately forecast balance sheet performance and analyze interest rate risk.

As third party service providers, ALM Advisors strives to provide our clients the best analytics available. We assembled this handout with that objective in mind and hope this report provides you with confidence in our process and information needed for your next ALM examination.

As always, the consultants and analysts in ALM Advisors are available to answer any questions or help in any way to ensure a good examination.

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ALM Model Audit for FTN Financial

Balance Sheet Date: 09/30/2009

Bill Corsnitz – Senior Risk Advisor

Risk & Performance Solutions

Professional Services Group

Overview

Risk and Performance Solutions Professional Services examined the Asset Liability Management (ALM) model of FTN Financial as of September 30, 2009. This review included an overview of the current Fiserv (formerly IPS-Sendero) simulation model to determine the adequacy and accuracy for its use in balance sheet management for FTN Financials respective clients.

The audit includes a review of the following items:

- Current Position / DMS setup
 - Review of the Asset Liability and DMS setup
 - A/L chart of accounts structure and attributes
- Repricing risk capture
- Model Adequacy
- Recommendations

It is our opinion that the Fiserv (formerly IPS-Sendero) ALM Model as utilized by FTN Financial properly evaluates the complexities of their client's balance sheets for purposes of generating modeling results for Earning-at-Risk and Economic Value of Equity simulations.

MPS Statement of Certification

IPS-Sendero SVAL ALM Model

The keystone of confidence for asset-liability management model users is an independent, external certification affirming that their model has the innate capability to accurately forecast balance sheet performance and analyze interest rate risk. Because of this need, IPS-Sendero chose McGuire Performance Solutions, Inc. (MPS), a nationally recognized expert in financial model evaluation, to certify their SVAL ALM model.


MPS verified the theoretic capabilities of the model by examining its technical details and fundamental functionality. MPS then validated the model's actual analytical capabilities using multiple tests of model forecast data in a proprietary diagnostics system. In these ways, the model's full range of functionality and its forecast accuracy were examined and challenged. The comprehensive MPS verification and validation of the model (as version 1.4) was successfully completed in March 2007.

Based on its detailed examinations of model technical elements and functionality, MPS certifies that the IPS-Sendero SVAL ALM model possesses the technical design characteristics, functionality, and user features required to accurately forecast financial performance and analyze the interest rate risk in financial institution balance sheets. Users of this model can have solid confidence that category level model analyses and forecasts are complete and accurate across a wide range of interest rate scenarios and other assessment environments.

This certification applies to the model's fundamental analytical and forecast capabilities. Because of the high degree of customization that characterizes institution specific model implementations, it does not take the place of a periodic model risk assessment as may be mandated by business and regulatory needs.

Professional Certification

This certification of the IPS-Sendero SVAL ALM model represents an independent, unbiased, and objective third-party opinion provided by a provider with a national professional standing.

Signed: 
William J. McGuire, Ph.D.
President and CEO
McGuire Performance Solutions, Inc.