



**SPECIALISTS IN ASSET/LIABILITY  
AND FINANCIAL MANAGEMENT  
FOR THE BANKING INDUSTRY**



## Summary of ALA Services

Asset/Liability Advisors (ALA) offers a number of asset/liability advisory services to meet the varying needs of its Clients:

- **A/L Model Implementation Services** For institutions that are implementing new ALM software, ALA can streamline the process. ALA personnel have extensive experience with implementing and using the leading ALM software - BancWare, QRM and Sendero. ALA can help develop the often difficult, but critical, process of extracting data from the client's application systems and feeding it into the ALM software:
  - Set up A/L model chart of accounts to serve as guide for data extraction and aggregation.
  - Obtain and analyze raw data integrity and design data "scrubbers" to deal with data problems.
  - As needed, create aggregation processes that retain data validity (i.e. avoid "averaging" problem).
  - Ensure that the cleaned data is properly imported into the ALM software.

Once the data-feed process has been finalized, ALA will assist in setting up the ALM model:

- Develop appropriate assumptions regarding prepayments, core deposit account behavior, base rates, lagging rate models and discounting process.
- Create appropriate reporting processes to meet the client's needs.
- Conduct test of modeling process and audit results for validity.

Once the model is certified for production, ALA will aid in the creation of a thorough set of procedures documenting the data-feed and modeling process. ALA can also help develop or modify policies to ensure regulatory compliance.

- **A/L Modeling Audit** Institutions with an established ALM modeling process may benefit from a third party review of their modeling methods and assumptions. What is the source for prepayment assumptions, and how are they extended to other types of loans? How are the rates and lives of core deposits modeled? Are the most appropriate discounting methods and benchmark rates being used for market value computations? Do the modeling results provide a comprehensive representation of the client's interest rate risk exposure? ALA personnel have experience dealing with these and other ALM modeling issues. An ALA audit can provide A/L managers, senior management and regulators with added confidence that the modeling process provides a solid basis for ALM decision-making.
- **FASB 133 Implementation** ALA has worked with banking clients to create implementation strategies for hedging activities under FASB 133. The goal is to develop methods to satisfy the requirements of this new statement without creating earnings variability or producing cumbersome tracking mechanisms. ALA has experience with FASB 133, economic considerations of derivatives, trading expertise, and the ability to produce programming solutions. This combination of experience enables ALA to provide custom FASB 133 implementations at a very reasonable cost.
- **On-going Advisory Services** ALA stands ready to provide on-going consultative support for institutions seeking a third-party to validate modeling results and/or provide opinions regarding interest rate risk reduction strategies.



## Experience of ALA Principal

Stan C. Faries, President of ALA, has been engaged in state-of-the-art asset/liability management since 1984. Mr. Faries' career spans four companies:

- Asset / Liability Advisors, Inc., an A/L advisory firm (96-present)
- First Banks, Inc., a \$4 billion multi-bank holding company (94-96)
- Roosevelt Bank FSB, an \$8 billion thrift before its acquisition (83-94)
- Financial Research Associates, a market research consulting firm (79-83)

A summary of Mr. Faries' experience follows:

- Numerous implementations of interest rate risk measurement and management processes, including development of extensive policies, acquisition and training of A/L department personnel, and asset/liability committee leadership. Experience in implementing and using ALM models such as QRM, BancWare and Sendero SV.
- Provided advice to software companies regarding ALM model development.
- As Chief Investment Officer of two multi-billion dollar banking concerns, have extensive asset/liability and portfolio management experience, including management of \$2 billion portfolios of mortgage-backed securities and mortgage derivative products (REMICs, IOs, POs, residuals, etc.), and rate risk reducing instruments such as financial futures, interest rate swaps, and OTC/exchange-traded options.
- Introduction of risk adjusted pricing system for loans and deposits, permitting the allocation of funds to the most attractive asset alternatives, and providing funds for those assets from the lowest cost sources.
- General banking experience including development of cost accounting system, management of market research and product development activities, and studies evaluating branch facilities and ATMs.

Mr. Faries has dealt with examiners of all federal banking and thrift regulatory agencies, as well as numerous state regulators. His open, honest and respectful approach has resulted in excellent working relationships with the various agencies. As a commentator on regulatory issues, Mr. Faries has positively influenced banking regulatory policy.

Mr. Faries holds a Master of Arts degree in Economics from the University of Missouri. He has been a speaker at regulatory forums on interest rate risk management and served on the Industry Advisory Panel for the OTS Interest Rate Risk Model.



## **ALA Business Philosophy**

How a company goes about doing business is just as important as the services it has to offer. The people of ALA share a common business philosophy. The cornerstone of that philosophy is complete honesty and integrity, such that even the appearance of impropriety is unacceptable. ALA personnel are prohibited from holding seats on Boards of Directors of financial institutions due to potential conflicts of interest. ALA strictly adheres to the following Code of Ethics of the Institute of Management Consultants:

### **Clients**

- We will serve our clients with integrity, competence, and objectivity.
- We will keep client information and records of client engagements confidential and will use proprietary client information only with the client's permission.
- We will not take advantage of confidential client information for ourselves or our firms.
- We will not allow conflicts of interest which provide a competitive advantage to one client through our use of confidential information from another client who is a direct competitor without that competitor's permission.

### **Engagement**

- We will accept only engagements for which we are qualified by our experience and competence.
- We will assign staff to client engagements in accord with their experience, knowledge, and expertise.
- We will immediately acknowledge any influences on our objectivity to our clients and will offer to withdraw from a consulting engagement when our objectivity or integrity may be impaired.

### **Fees**

- We will agree independently and in advance on the basis for our fees and expenses and will charge fees and expenses that are reasonable, legitimate, and commensurate with the services we deliver and the responsibility we accept.
- We will disclose to our clients in advance any fees or commissions that we will receive for equipment, supplies or services we recommend to our clients.

### **Profession**

- We will respect the intellectual property rights of our clients, other consulting firms, and sole practitioners and will not use proprietary information or methodologies without permission.
- We will not advertise our services in a deceptive manner and will not misrepresent the consulting profession, consulting firms, or sole practitioners.
- We will report violations of this Code of Ethics.



## **Full Faith Disclosures**

ALA may pay other companies and individuals referral fees for providing ALA with contacts. Clients will be provided with a copy of a referral contract prior to establishing contractual arrangements with ALA, if ALA may make a referral payment for business obtained from the Client. Referral payments do not effect the fees paid by clients.