

Back-Testing Services from ProfitStars®

In response to regulatory pressures and client requests, ProfitStars is offering our 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.

Back-test analysis helps financial institutions gain insight into some of the more subtle changes on net interest margin. 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 change over time.

Back-Test: Why Is It Necessary?

- To gain actionable feedback on the validity of your forecast assumptions.
- It's an independent assessment for those who are responsible for creating the assumptions that make up the projected net interest margin.

[Click here](#) to view a sample Back-Test Service report packet.

What We Do

- Compare projected net interest margin results to actual net interest margin results.
- Analyze interest related balance sheet accounts, directly related non-interest fee income accounts and/or any other accounts that impact mix and rate contribution.
- Exhibit total variance of projected NIM versus actual NIM is attributed to the following factors:
 - Rate variance
 - Volume variance
 - Mix variance
- Provide a summary narrative that offers further insight into the identified causes of variance.
- Results can be QTD or YTD, annualized and reconciled to your financial statements.