

MEMORANDUM

To: Subscribers to *Self-Paced Asset/Liability Training and Certification*

From: Sheshunoff Information Services

Subject: Highlights

Managing risk exposure today is more and more a matter of survival and the driving need to increase your earnings and profitability. And, as always, the regulatory issues are of vital importance for all ALM managers. Enclosed is the most current update to *Self-Paced Asset/Liability Training and Certification*. In it you'll find the following new and revised contents to update your book:

- **In Chapter 5, Duration and Convexity**, we have expanded our discussion of Key Rate Duration. The added material includes two new exhibits and an additional review question.
- **In Chapter 6, Economic Value Simulation**, we have added a new subsection discussing two common misconceptions about how rollover and new business impact EVE; included a new exhibit; and we've expanded the chapter conclusion to emphasize three essential "best practice" elements.
- **In Chapter 7, Measuring the Rate Risk of Indeterminate Maturity, Administered Rate and Puttable Deposits**, we have added a new subsection describing how behavioral models are used to estimate deposit maturity; added a new subsection describing how OAS models are used to estimate deposit maturity; and revised the chapter conclusion.
- **In Chapter 13, ALM Policies, Management Structures, and Risk Limits**, we have extensively revised both the section discussing limits that now covers both EVE and EAR and the section discussing the parameters for establishing the bank's risk tolerance or risk appetite. The changes include an additional parameter. There is also an additional point to the discussion of weak risk limits.
- Minor errors are corrected in Chapters 2, 8 and 12.

SHESHUNOFF CERTIFICATION PROGRAM

With your purchase of the *Self-Paced Asset/Liability Training and Certification*, you become eligible to receive a personalized Sheshunoff Certificate of Completion. This certification is a reflection of the individual's knowledge of the practical business application and regulatory compliance rules governing asset/liability management.

After reading the manual, you may request a copy of the final examination. This final test will be graded by a member of the Sheshunoff Certification Board, and when it is determined by your answers that you have achieved a level of competency, you will be awarded a Certification of Completion suitable for framing. The information on the examination program is located behind the last tab in this manual.