

The Dodd-Frank Act has provided the most significant changes to financial regulation since the Great Depression. Notable results from this financial reform include the Office of Thrift Supervision (OTS) being absorbed into the Office of the Comptroller of the Currency (OCC) and the new Consumer Financial Protection Bureau being instructed to examine banks at its discretion. With global markets mandating capital stress testing, regulators now seem to be disseminating new directives regularly.

In response to these developments, Alvarez & Marsal (A&M) has assembled a team of former senior bankers and former regulators to assist banks in navigating regulatory headwinds. The success of our work is manifest in the respect and trust we have built with all regulators. We go further with a hands-on collaborative approach, and focus on best practices and your bank's long-term interests.

A&M has been owner-operated and privately held since 1983, and has been able to put the needs of businesses and their investors first — without conflicting or competing interests. We have over 1,700 professionals across North America, Europe, the Middle East, Asia, and Latin America. We work with boards of directors and executive management to develop effective, practical solutions in a timely and highly effective manner.

A&M offers support and guidance to boards of directors and executive leadership to enhance regulatory communication, respond and correct issues related to regulatory enforcement actions, and gain approval for bank proposals.

REGULATORY RELATIONS SERVICE OFFERINGS

Risk Management			Strategic Governance		
Regulatory Relations	Regulatory Order Assistance	Loan Review	Allowance for Loan and Lease Losses Assessment	Capital and Liquidity Planning	Criticized Asset Reduction
<ul style="list-style-type: none"> • Serve as liaison between the bank and its regulators • Provide meaningful interpretation of regulator objectives • Enhance enterprise risk management processes • Recommend best practices for bank policy and procedures 	<ul style="list-style-type: none"> • Respond to regulators for enforcement actions • Generate corrective actions for matters requiring attention • Review corporate governance structure and reporting • Train compliance and credit functions for risk identification, measurement and management 	<ul style="list-style-type: none"> • Assess the accuracy of risk grades • Sample retail and commercial loans to determine potential loss • Develop targeted training to improve risk grading accuracy • Design successful credit administration policies and procedures • Form an effective loan review process 	<ul style="list-style-type: none"> • Assess existing allowance for loan and lease losses • Compare ALLL against re-rated credits in portfolio • Assess ASC 450 (formerly FAS 5) and environmental factor reserve allocation percentages • Assist in conducting ASC 310-40 (a portion of which was formerly FAS 114) analysis 	<ul style="list-style-type: none"> • Capital, liquidity and earnings improvement planning and reporting • Navigate institution through regulatory and sensitive enforcement issues • Lengthen deposit base through strategic deposit laddering 	<ul style="list-style-type: none"> • Create action plans for distressed or impaired assets • Determine current asset value • Develop and execute asset disposition • Enhance policies and procedures to distinguish assets for loan workout • Establish criteria to measure progress and performance of loan workouts

WHY CHOOSE A&M?

- Senior financial industry regulatory professionals each with more than 35 years of experience
- Proven experience with healthy and troubled institutions, business units, executive leadership and boards
- Comprehensive approach to regulatory relations, compliance and risk management
- Our regulatory team has access to professionals in other A&M advisory practices to comprehensively address all ongoing needs

SUCCESS STORIES

Two Affiliate Banks

The bankruptcy of a global financial services company led to liquidity challenges and capital constraints for two affiliate banks. A&M assisted restructuring professionals with crafting a regulatory approach to not only eliminate unfunded commitments to relieve capital, but also increase regulatory capital ratios by noticing a “double count” on capital. Additionally, our engagement required bank management and the A&M team to work together to challenge assumptions and coordinate viewpoints to achieve hundreds of millions of dollars in cash flow savings.

Regional Bank

A super-regional bank adopted a loss-based risk rating matrix system that prompted regulators to question its accuracy as the economy deteriorated. A&M was engaged to evaluate the system and conduct a review covering multiple loan types and risk grades. The results indicated the system was flawed and our team conducted extensive regulatory risk rating training. We followed up with training covering non-accrual and troubled debt restructuring issues, and additional training relative to commercial lending and cash flow analysis focused on regulatory risk ratings. The bank utilized the results to recalibrate its system and loan approval function to ensure proper ALLL reporting and obtain compliance with regulatory mandates. Subsequently, the bank was sold with over a 33 percent premium to prior market value.

Multi-State Bank

A mid-sized multi-state bank was operating under a regulatory memorandum of understanding (MOU). When examiners criticized the bank's efforts to comply with the MOU, the board of directors retained A&M to evaluate and make recommendations to document and facilitate the MOU compliance. Together, we identified 15 critical action items and timelines for completion and A&M coordinated with management to ensure progress toward compliance. The regulators approved the improvement plan and deferred further action pending this ongoing progress. Due to our combined efforts with management and support from the board of directors, the bank's overall CAMELS rating was not downgraded and a more severe regulatory action was avoided. Subsequently, the board was able to negotiate a bank merger for more than 1.5 times tangible book value.

Regional Thrift

A&M was retained by a regional thrift to evaluate risk ratings accuracy for a sample of pass loans, as mandated in a regulatory memorandum of understanding. The review found significant errors in their credit risk rating, partly due to outdated real estate appraisals. We conducted training for all lenders and credit administration personnel in regulatory risk ratings, non-accrual determination, troubled debt restructures and credit and cash flow analysis. A&M also helped to create an effective and independent internal loan review function, and our Real Estate Advisory Services Group assisted in the bank's evaluation of appraisals. The client embraced our training and follow-up loan reviews. The next regulatory exam reported no risk rating changes, praised the loan review function and did not recommend a formal regulatory action – thereby saving over \$1 million in additional deposit insurance premiums.

ABOUT ALVAREZ & MARSAL

Alvarez & Marsal (A&M) is a global professional services firm specializing in turnaround and interim management, performance improvement and business advisory services. A&M delivers specialist operational, consulting and industry expertise to management and investors seeking to accelerate performance, overcome challenges and maximize value across the corporate and investment lifecycles. Founded in 1983, the firm is known for its distinctive restructuring heritage, hands-on approach and relentless focus on execution and results.

For more information, visit:
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