



The Dodd-Frank Act, the Consumer Financial Protection Bureau and ongoing financial reform may not alleviate persistent high unemployment, wavering consumer confidence and declining home valuations, but they impact financial institutions. An increased reliance on stress testing, managing enterprise risk and heightened regulatory oversight have permanently changed the banking industry.

Risks are economic, regulatory, strategic, competitive, operational and reputational. *What is your risk appetite and risk tolerance? What is your risk management philosophy? How does your internal control system and reporting help with risk assessment?* Alvarez & Marsal (A&M) works with senior management to build effective risk management systems that offer timely information to control risk and make informed decisions.

Integrating strategic and capital planning with risk management is critical for financial institutions. A&M has a highly experienced team that is able to systematically identify, analyze, manage and monitor potential risks to a bank. Our approach to risk governance is hands-on and collaborative, with a focus on best practices and your organization's long-term interests.

THE A&M ADVANTAGE

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.

Our distinct culture is defined by an action-oriented and entrepreneurial spirit; a commitment to core values focused on quality and integrity; and by a meritocracy that rewards talent for high performance and accelerating client results.

Risk Management is not only critically important, but also required by regulators, creditors and other stakeholders. A&M's independent, objective advice enables organizations to cost-effectively protect their assets, earnings and management from unexpected losses.

REGULATORY RISK MANAGEMENT SERVICE OFFERINGS

Governance and Reporting	Portfolio Analysis	Regulatory Organizational Structure Review	Stress Testing and Monitoring	Regulatory Preparedness
<ul style="list-style-type: none"> Review and address key regulatory risk factors Identify structural deficiencies to meet best practices Evaluate scalability for organic growth and requirements for regulator-approved acquisitions Compare the level of governance and reporting against the desired level of risk taking at the bank 	<ul style="list-style-type: none"> Perform statistical analysis on existing loan portfolios Identify credit concentrations and potential areas of concern Suggest enhancements to bank management information systems Identify trends in portfolio statistics over a specified period of time 	<ul style="list-style-type: none"> Assess reporting to ensure appropriate transparency Review delegation of duties throughout the bank Assess the bank's committees structure Review lines of business that the bank is participating Provide training and other recommendations Develop risk-based process maps and benchmarking to improve efficiencies 	<ul style="list-style-type: none"> Design, test and implement stress tests Examine departments that oversee risk control functions such as credit, compliance, audit and operations Compare existing monitoring against industry best practices 	<ul style="list-style-type: none"> Review the bank's current operations against pending regulation Enhance bank's readiness to conform to Basel III and other pending regulation Assess bank's regulatory culture and regulatory awareness Provide specialized training

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

Improving Operations and Board Effectiveness

A community bank was under regulatory pressure to improve its executive leadership, internal operations and organizational structure. Concerns centered on board oversight, composition and independence, as well as senior management's ability to successfully lead the company. Using a small team of experts, A&M reviewed all relevant information and conducted an on-site assessment by interviewing management and board members, and holding staff focus groups. A&M advised the bank on how to improve organizational design, management structure and reporting lines. We also determined that the board could be more effective by increasing its membership, and enhancing performance measures and board reporting. Further recommendations were made regarding structure and staffing levels for such key areas as: IT, BSA / AML, finance, loan review and reporting. The overall results were improved operations and board effectiveness.

Reassessing Organizational Structure

A regional bank was pressured by regulators to reassess its organizational structure. Specifically, the bank holding company operated with certain corporate services consolidated at the parent level. Regulators perceived the bank's structure as containing excessive risk and determined that it was not conducive to clear lines of authority. After interviewing senior management to understand the bank's needs and the origins of its complex structure, A&M provided a report outlining several alternative organizational structures, each with pros and cons for the client to choose. All recommendations addressed board and regulatory concerns, while balancing the client's operational needs. In addition to providing an end-solution, A&M advised the bank on how to transition over to the desired new structure. Our report was well received and used as a blueprint for the client's response to the regulatory requirements.

Enhancing Structure and Growth Potential

A&M was engaged by a regional bank to determine if its proposed Enterprise Risk Management (ERM) program was appropriately structured and would be scalable for acquisitions and integrations. In addition, the program design needed to pass regulatory review. Our team developed a tailored approach for key risk positions and structure, making recommendations to improve the ERM structure and reporting lines. Mandates were also developed for the ERM function, as well as key management positions, including Director of Audit, Director of Loan Review, Director of Compliance, ERM Manager, Chief Risk Officer and Chief Credit Officer. Additional structure and staffing recommendations were provided for key areas, such as BSA / AML, audit, loan review and ERM reporting. The bank is currently implementing improvements to meet regulatory requirements, as well as provide the capacity to grow through additional acquisitions.

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.

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