



ALLL

Do you fully understand the ALLL regulatory guidance?

Did your last exam criticize your ALLL Policy or reserve calculation?

Are you unsure if your reserve is adequate enough for your risk profile?

Financial institutions need to identify loan portfolio quality problems as early as possible. Careful monitoring of asset quality, internal controls and administrative procedures are essential to effective credit management. A robust Allowance for Loan and Lease Losses policy and process build on these credit fundamentals to ensure a bank's balance sheet can withstand regulatory scrutiny, and more importantly, reflect the inherent risk of its loan portfolio.

ALLL = Regulatory Minefield

While Community Banks have always been in the business of understanding and managing risk, an appropriate Allowance for Loan and Lease Losses policy and quarterly calculation can often be a stumbling block for even the most experienced management team. With innumerable, diverging opinions among public accountants and bank regulators, navigating the ALLL process is proving to be extremely difficult for many Community Bank boards and senior management teams.

Is Your ALLL Effectively Measuring Your Risk Profile?

An institution must maintain an adequate ALLL so that its financial statements not only show the current financial

condition of the bank, but also reflect the inherent risk of its loan portfolio. An effective ALLL policy and calculation are designed to ensure a bank can sufficiently absorb potential losses due to deteriorating external factors.

ALLL Calculation as Insurance Against Unplanned Losses

One or two large classified loans can be the difference between profit and loss, success and failure, regulatory approval or a Regulatory Order. A thorough understanding of the components of an ALLL calculation is integral to a realistic assessment of the riskiness of your loan portfolio and the likelihood of future loss.

RMPI Offers You a Blueprint For Compliance

Though it has been over five years since the 2006 ALLL Interagency Policy Statement was enacted, we find many of our clients still are not compliant with its requirements. RMPI Consulting has developed a comprehensive ALLL process that has been tested by the FDIC, OCC and Federal Reserve.

RMPI will provide an independent and objective review of your ALLL policy as well as opine on the sufficiency of your quarterly ALLL calculation report and reserve balance. We will review your methodology for reasonableness and more importantly check all relevant loss factors to make sure they meet the current expectations of your regulatory agency.

Specifically, RMPI's process covers the following:

- › Review ALLL Policy and current quarterly calculation
- › Recommend Policy changes to ensure compliance
- › Apply ASC 450 (formerly FAS 5) qualitative factors for your institution's specific risk profile
- › Implement a compliant ASC 450 methodology for calculating the General Reserve
- › Confirm or perform ASC 310 (formerly FAS 114) impairment analyses
- › Calculate necessary charge-offs and/or establish proper reserves
- › Develop and implement a customized ALLL calculation worksheet and workflow process
- › Work with your management team to implement necessary changes
- › Train your staff to adopt and maintain changes going forward
- › Conduct a peer group validation to compare your reserve to similar institutions' reserves
- › Present the modified ALLL Policy and newly constructed ALLL calculation to Senior Management and Board of Directors for acceptance

Experience the RMPI Difference

Our extensive knowledge and community bank experience make RMPI the right partner to help you implement a successful ALLL program.

RMPI Consulting provides process improvement, as well as regulatory, enterprise risk and credit management services to Community Banks across the credit life cycle. We also help clients with interim, outsourced staffing, and our thought leadership has defined industry "best practices" on a broad range of risk management services.

Recognizing there is no "one size fits all" solution for all Community Banks, we work with each client to develop an appropriate, custom solution to solve their specific problem at a reasonable cost in an efficient manner within a scheduled deadline.

For more information, please call us or visit rmpiconsulting.com



Call us today and learn how our experienced team can assist your organization by enhancing the risk management process and creating innovative solutions to all your regulatory challenges.



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