

Southeast Bankers Outreach Forum

Allowance for Loan and Lease Loss Challenges

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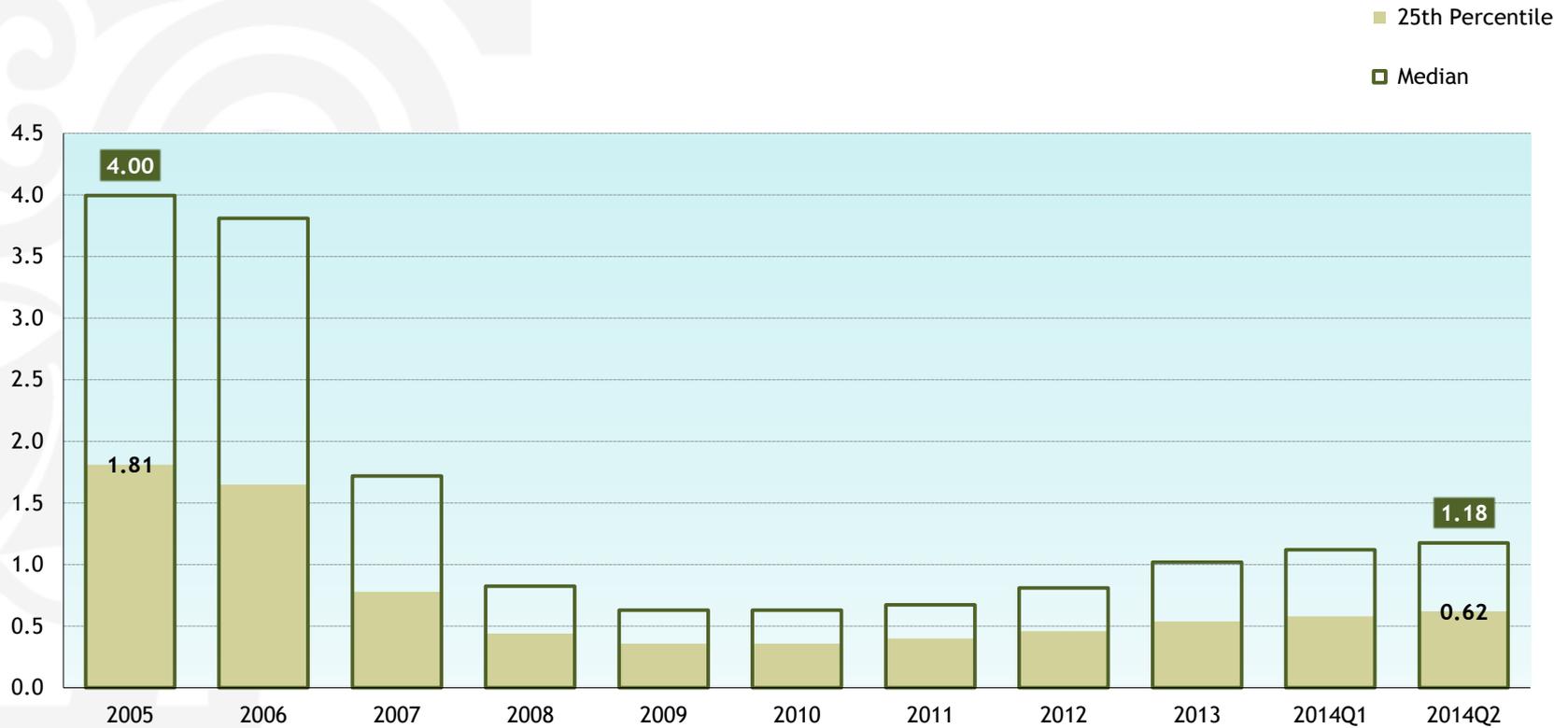
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Agenda

- ▶ Key asset quality metrics related to the ALLL
- ▶ What are the current conditions out in the field as it relates to the ALLL
- ▶ Exam related issues

Reserves/ Nonaccrual Loans (X)

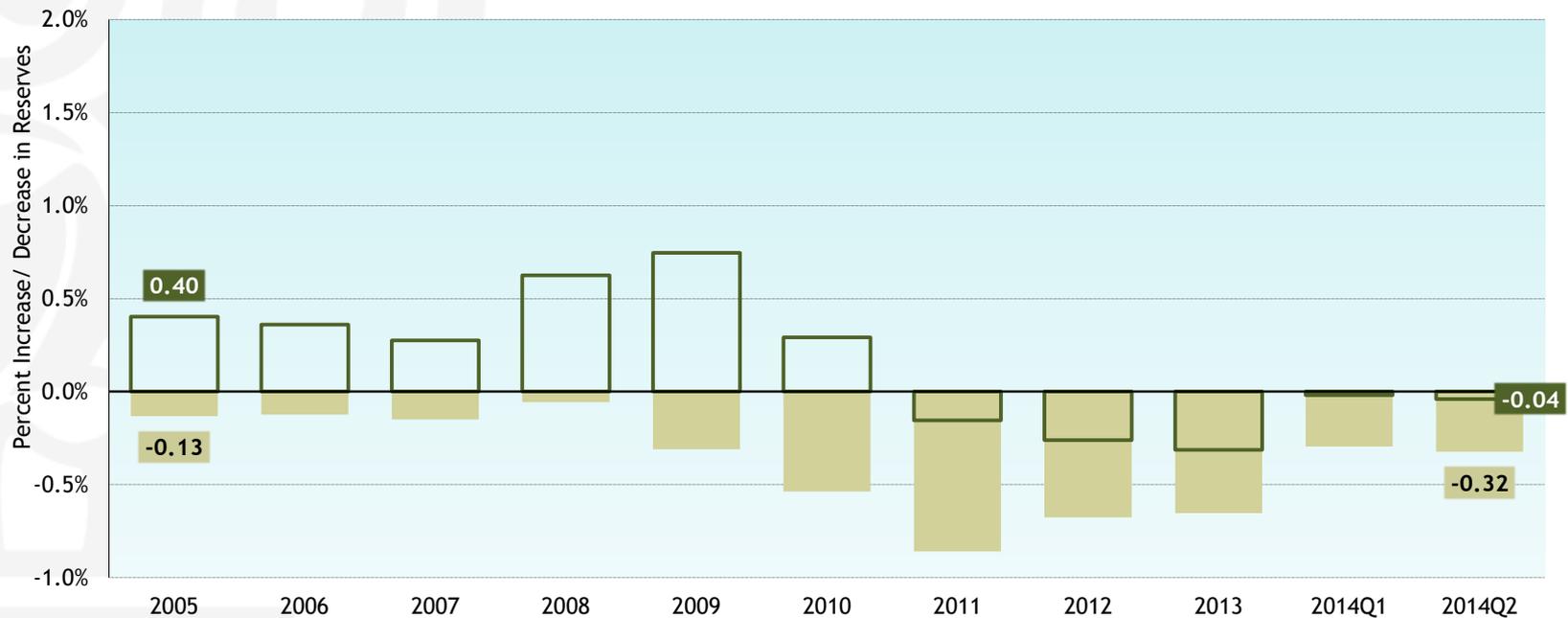


Source: Bank Call Reports

Building/Releasing Reserves

Building Reserves > 0%, Releasing Reserves < 0%

■ 25th percentile □ Median

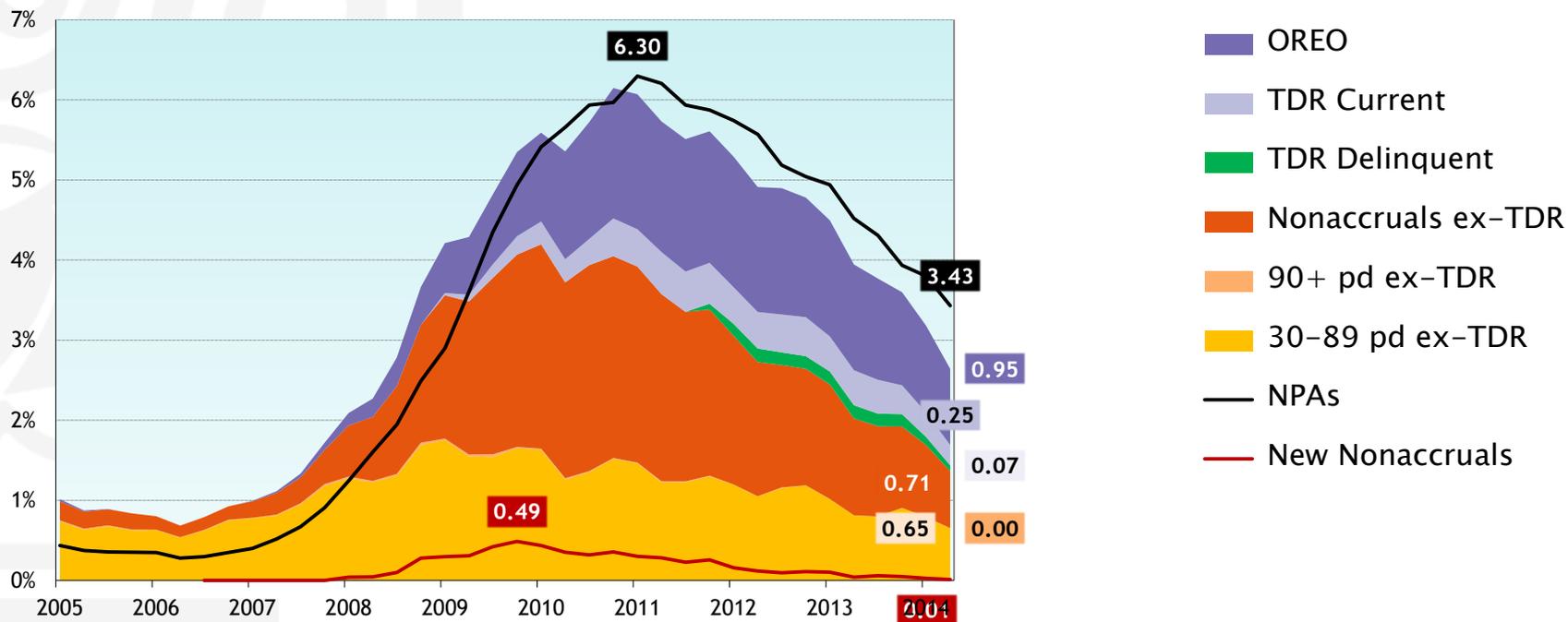


Source: Bank Call Reports

Asset Quality Trends

Asset Quality Trends

Medians, Percent of Total Loans + OREO



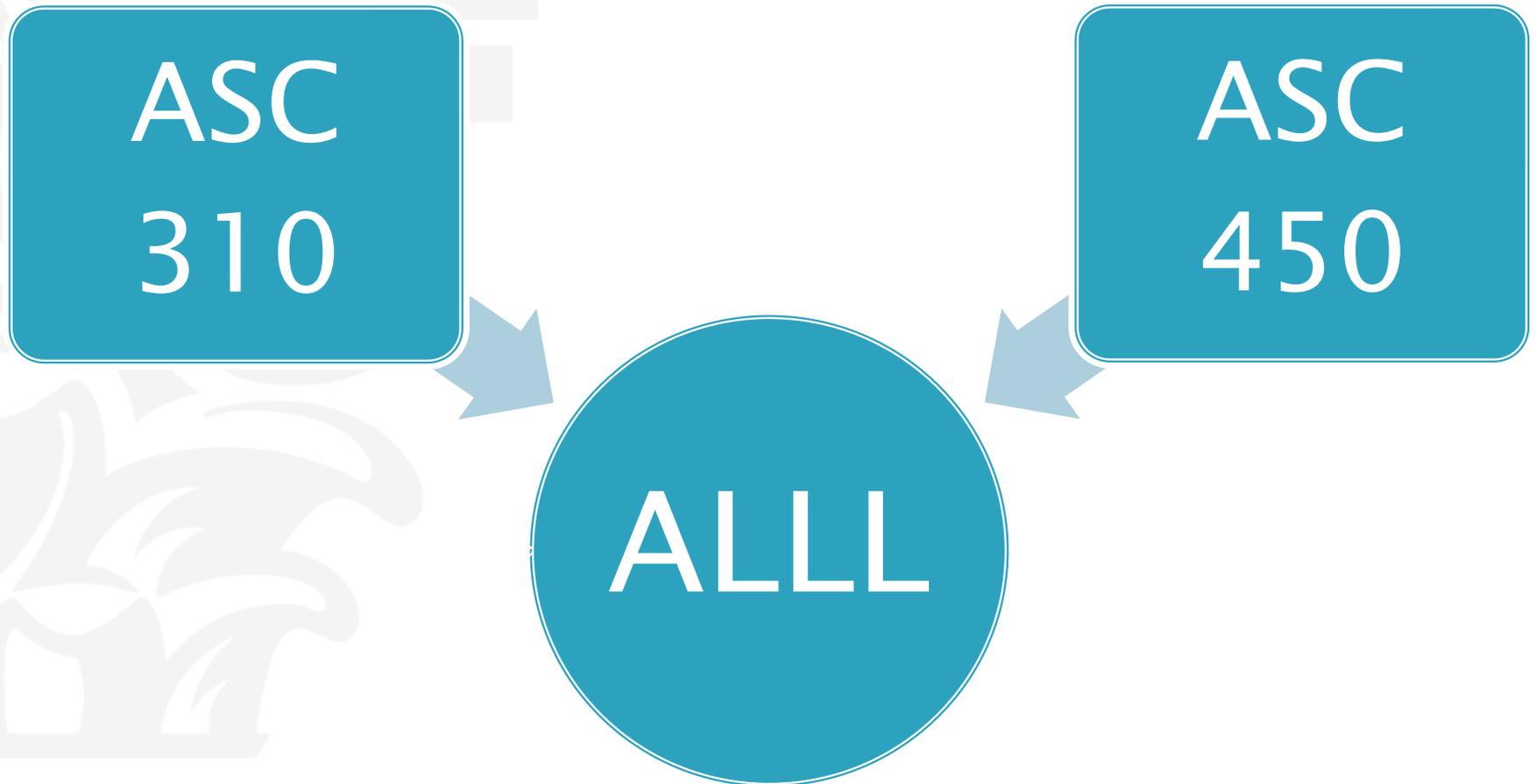
Source: Bank Call Reports

Data through 2014Q2

What are the current conditions out in the field?

- Improving economic indicators leading to a reduction in past due and nonaccrual loans
- Charge-offs have reduced significantly
- Minimal provision requirement and in some cases reverse provisions.

ALLL



What have we observed with the key components of the ALLL?

- As conditions improve the ASC-450 becomes more relevant
 - Greater emphasis on supporting the 450:
 - Historical loss period should be gradually returning to normal conditions
 - Q-factors instrumental in supporting leading indicators

Exam Related Issues

- Inconsistent approach (homogeneous groups)
- Loss periods (look back) need to transition back to normal economic periods
- Support unallocated portfolio
- Proper treatment of anomalies
- Documentation – (Q-Factors)
- Validation – independent testing



QUESTIONS?