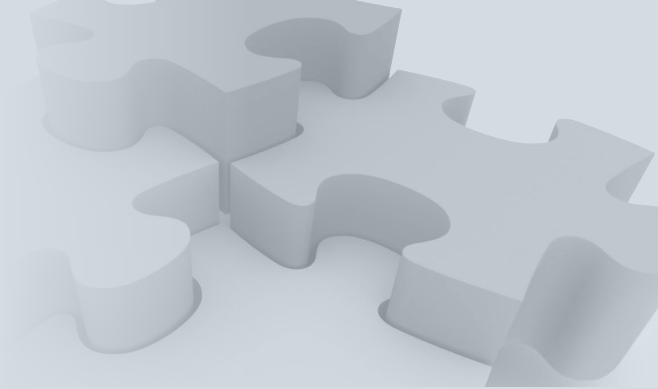




CEIS REVIEW INC.



Consulting Services to the Financial Community





LOAN REVIEW PROGRAMS

GENERAL LOAN REVIEW

Since CEIS Review's inception, the cornerstone of our business has been in providing top tier **Independent Loan Review Programs** for commercial lending institutions.

Our loan review programs are implemented by experienced senior & executive level lenders who come from a variety of lending institutions inclusive of community & regional banks, international banks, and commercial finance companies.

Loan review programs are typically structured to cover 60% – 75% of the outstanding balance of the commercial loan portfolio within a 12 month period.

After the conclusion of the on-site or remote individual file review, CEIS then submits a detailed draft report within a 3 week period to the client. The report includes an executive summary letter, a set of summary schedules, and a write-up on each reviewed loan. Each report also contains recommendations regarding overall credit, portfolio management and portfolio quality.

Typical Loan Review engagements are structured to be comprehensive in design without any hidden fees. Clients have indicated that this fee structure allows them to better anticipate and manage their respective budgets.

INTERNATIONAL (OFF-SHORE) LOAN REVIEW & RISK RATING VALIDATIONS

Our international division (CEIS Review International LLC) consists of professionals who travel overseas to perform loan reviews and risk rating validation engagements. Our bilingual staff can produce reports in both English and Spanish for our clients in Central or South American banks.

Regardless of geography, when engaged in an international engagement, CEIS always reviews the loan portfolio in accordance with the bank's internal loan review process and risk ratings – and as applicable with the bank's regulatory agency.



PORTFOLIO ACQUISITION/DUE DILIGENCE REVIEW

The acquisition/Due Diligence review request is given a high priority in the CEIS schedule and a team is assembled for a quick turnaround time. The scope of the review is established with the client and is structured so that a written report is delivered to the client **within days of completing the on-site review.**

The review will assess the sufficiency and reliability of the credit risk rating system, loan approval and monitoring, effectiveness of credit and loan administration and adequacy of the loan loss reserve. The report will detail the findings with a summary of observations and conclusions with a written report on each reviewed loan.

CEIS does have the available resources to put a mark on the target portfolio when requested.

LEVERAGED LOAN & SPECIALTY FINANCE REVIEWS

CEIS's **Leveraged Loan Reviews** cover the adequacy of the bank's analytical coverage of the 10 leveraged loan performance indicators that are in accordance with the Interagency Guidance on Leveraged Lending. These performance indicators are regarded as important analytical considerations in forming both an initial opinion of credit risk as well as maintaining a current assessment of transaction progress, and assigned grade. The resulting leveraged loan review report will detail the findings of the review, including a summary of observations and recommendations as well as conclusions supported by a written report on each loan reviewed.

CEIS's **Specialty Finance Reviews** address middle market non-investment grade leveraged finance, traditional and non-traditional commercial real estate finance, asset-based lending, factoring and cash-flow enterprise value lending. Asset classes include both senior and subordinated debt across broad industry categories.

These review programs are implemented by experienced bankers who have senior or executive level management experience along with specialty expertise. As with all CEIS Loan Review Programs, the review will assess the sufficiency and reliability of the credit and investment risk rating system, underwriting, loan approval and monitoring, effectiveness of credit and loan administration, legal documentation, and adequacy of asset valuations and specific loan loss reserves.

- ↳ **General Loan Review**
- ↳ **International (off-shore) Loan Review**
- ↳ **Portfolio Acquisition/Due Diligence Review**
- ↳ **Leveraged Loan & Specialty Finance Reviews**





LOAN LOSS RESERVE

METHODOLOGY VALIDATION

CEIS's validation will assess compliance with regulatory requirements (including the 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses and the 2011 Supervisory Guidance on Model Risk Management), as well as GAAP requirements (ASC 310 and ASC 450-20).

The review will ultimately determine whether the methodology: (i) is in compliance with regulatory requirements and GAAP (ASC 310 and ASC 450-20); (ii) is appropriate for the portfolio; (iii) and is implemented accurately and as described in policy and related documentation. This will include review of the underlying model or spreadsheet(s), data used in the model/spreadsheet, and resulting calculations.

CEIS will make recommendations based on industry best practices and review trends in portfolio concentrations, migration and historical losses. The considered review will address matters such as portfolio characteristics and existing and prior performance of the portfolio.

METHODOLOGY REFINEMENT

We work with organizations to either refine their existing methodology or to create an all new one. In either case, CEIS will always:

- Incorporate industry-leading best practices
- Review trends in portfolio concentrations
- Analyze risk migration & historical losses
- Address relevant regulatory and GAAP requirements

↳ **Methodology
Validation**

↳ **Methodology
Refinement**



LOAN PORTFOLIO STRESS TESTING

“BOTTOM UP” Loan Level Approach

Many times CEIS’s experience has shown that a good portion of a community bank’s core IT loan systems do NOT contain the financial data required to perform a valuable “bottom up” stress testing exercise. CEIS’s approach to the “bottom up” stress testing is to gather the pertinent transactional data during a Loan Review engagement thus making the project economical and seamless to the client.

Further, CEIS’s discussions with clients as well as by our review of regulatory examinations has consistently shown that regulatory expectations regarding CRE-related stress testing are more focused on the development of a process and framework for stress testing, and not necessarily on achieving whole portfolio coverage from day 1 of the program. By combining a stress-testing program with a loan review program, we limit disruption to normal internal processes to make the exercise easy and convenient for our clients.

CEIS Review manages the Stress Test program for clients and delivers clear concise reporting enabling client management to form actionable plans.

“TOP DOWN” Capital Adequacy Assessment

The “Top Down” whole portfolio approach to stress testing is sometimes the appropriate starting point in determining if further analysis is warranted.

Like our other services, a detailed and transparent analysis is the **foundation of the engagement**. We will:

- Organize the portfolio by similar loss characteristics
- Develop “stressed” loss rates for each segment
- Calculate stress period loss amounts (2 year min.)
- Estimate the overall earnings impact
- Apply the earnings impact to Tier 1 Capital

↳ **“BOTTOM UP”
Loan Level
Approach**

↳ **“TOP DOWN”
Capital
Adequacy
Assessment**





STRESS TESTING VALIDATION

Given that CEIS provides Stress Testing Programs for institutions, we have the ability to “switch hats” from being the Stress Test provider to being able to validate a bank’s stress test program. CEIS will draw upon its knowledge of available market data and experience in performing and validating stress test programs to assess the reasonableness of the stress testing program and to determine if the program captures the potential degrees of risk given the scenarios the bank has defined and then provide feedback and recommendations for improvement where warranted.

More specifically, CEIS will:

- Address the bank’s sufficiency of identified variables, parameters regarding sensitivity to variables, system or process of maintaining current information and identification of risk scenarios
- CEIS will also evaluate the overall reasonableness of Expected Default Frequencies (EDF, sometimes referred to as Probability of Default) and Expected Recovery (ER, sometimes referred to as its inverse, Loss Given Default) derived from third party sources/models
- Lastly, CEIS will also evaluate the back testing and other outcome analysis performed by management in order to assess the reasonableness of the stress test framework

The Stress Testing Program Validation engagement involves meetings and discussions with the bank’s management, a board presentation which will outline the major findings of the exercise, recommendations based on industry best practices and regulatory guidelines, and a comprehensive and granular report.

CREDIT RISK PROCESS REVIEW

CEIS evaluates specific processes within a bank’s credit risk management framework and provides an overall assessment of credit-related processes. Clients have sought this assistance when preparing for regulatory exams or in response to an exam to ensure internal processes meet regulatory requirements as well as incorporating industry-best practices.

➤ **Credit Risk
Process Review**

➤ **Loan Policy
Maintenance**

➤ **Loan & Credit
Seminars**



Typical engagements:

- Review of the overall credit/credit administration process with recommendations for improvement
- Analysis of current processes in anticipation of growth
- Forensic reviews to identify causes of specific loan losses
- Assessment of a bank's internal loan review function

LOAN POLICY MAINTENANCE

CEIS writes and updates loan policy and procedure manuals that reflect the loan portfolio profile, regulatory guidance, and the markets that clients serve. The process includes meeting with executives to discuss the details of the manual.

LOAN & CREDIT SEMINARS

Programs are customized to the audience and can be delivered to directors, management and account officers.

We'll propose the most suitable training plan for your organization's size and resources. Our seminars often involve topics such as Dissecting a Bank's Loan Portfolio, Board Expectations on Loan Presentations, Risk Rating workshops for Management and Directors, loan loss reserve methodology, loan structuring and others!



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CEIS Review, Inc. was formed in 1989 for the specific purpose of providing professional services to banks and other financial institutions. We focus entirely on the loan portfolio and its risk profile.

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