



BACKGROUND

- Operates in both rural and suburban areas of the Southeast
- Region was severely impacted by the housing bubble burst and subsequent degradation of Commercial Real Estate loans
- Decentralized lending decision practice and inadequate Special Asset Management process exacerbated the non-performing asset ratios
- Lending processes were not aligned to deliver high performance and customer service
- Performance management systems were not in place to manage process efficiency or service quality
- Tier 1 capital was exceedingly low placing the Bank under keen scrutiny by regulators
- A dramatic turnaround effort was required to drive earnings, while shrinking the Bank's balance sheet to improve capital ratios
- New and motivated executive team was committed to restoring profitability and asset quality

LENDING ENHANCEMENT Project Summary & Benefit overview

[region]	Southeast
[assets]	\$900 Million
[branches]	32
[FTE]	375

[RESULTS]

<ul style="list-style-type: none"> * Instilled culture of focused results through reliance on performance measurement * Empowered work force through role clarity linked to performance * Improved NII performance and collection * Reduced non-performing loans 	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">CATEGORY</th> <th style="width: 40%;">Midpoint Estimated BENEFITS</th> </tr> </thead> <tbody> <tr> <td>Non Interest Income</td> <td>\$300,000</td> </tr> <tr> <td>Non Interest Expense</td> <td>\$450,000</td> </tr> <tr> <td>Productivity</td> <td>\$650,000</td> </tr> <tr> <td>TOTAL</td> <td>\$1,400,000</td> </tr> </tbody> </table>	CATEGORY	Midpoint Estimated BENEFITS	Non Interest Income	\$300,000	Non Interest Expense	\$450,000	Productivity	\$650,000	TOTAL	\$1,400,000
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APPROACH

- Interviewed management and operations team to understand organizational culture and obtain feedback for improvement
- Worked with staff to develop process maps for consumer and commercial loans
- Developed role and activity matrices to leverage specialized positions
- Interviewed loan operations team to better align production support and loan servicing functions
- Performed deep analysis of current collections practice and special assets/loan workout policy
- Developed loan officer capacity models using internal performance benchmarks and industry standards
- Performed deep analysis of loan pricing and fee collection performance

RECOMMENDATIONS

- Leverage technology by eliminating redundancy and increase image utilization
- Reorganize the Collections group to centralize collections efforts for consumer loans
- Refocus roles to create a Special Assets loan workout group, as lender capacity was being exceeded
- Evaluate lender capabilities and skills to develop a centralized underwriting role for consumer loans
- Build new lending process that leverages role specialization
- Reorganize loan operations into Production Support and Loan Servicing functional areas
- Implement balanced scorecards to ensure process efficiency and service/asset quality