Mutual Savings Association
Advisory Committee Meeting
November 18, 2013

OCC District Business Plans

Art Goodhand
Senior Thrift Advisor
Western District
Business Planning Process

- National Risk Committee RADAR Screen
- OCC Strategic Initiatives
- District Business Plans
- Quality Assurance Findings
- CBS Operating Plan
- District Risk Committee RADAR Screen
- Supervisory Office Business Plans
## TOP RISK AREAS

<table>
<thead>
<tr>
<th>Major Risk Area</th>
<th>Specific Risk Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic</strong></td>
<td>Earnings pressure, competition, new products and services, management continuity/succession</td>
</tr>
<tr>
<td><strong>Operational</strong></td>
<td>Impact of strategic and regulatory change on corporate governance, risk management, audit and control systems, increasing complexity in the operations environment, outsourcing, cyber-threats</td>
</tr>
<tr>
<td><strong>Credit</strong></td>
<td>Commercial Credit - C&amp;I, CRE, Ag concentrations, low loan demand, pressure on loan terms and underwriting, problem assets, ALLL methodology</td>
</tr>
<tr>
<td><strong>Compliance Management</strong></td>
<td>Regulatory reform, product changes and expansion, high costs and resource limitations, vendor reliance, gaps in monitoring and management programs</td>
</tr>
<tr>
<td><strong>Asset Liability Management</strong></td>
<td>Low rate environment, duration extension, uncertain deposit assumptions, modeling risk</td>
</tr>
</tbody>
</table>
# COMMUNITY BANK - RISK ASSESSMENTS

**9/30/2013**

<table>
<thead>
<tr>
<th>Charter Type</th>
<th>Risk</th>
<th>Moderate &amp; Increasing</th>
<th>High</th>
<th>Moderate &amp; Increasing or High</th>
<th>Weak Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All National Banks &amp; Federal Thrifts</strong></td>
<td>Credit</td>
<td>14%</td>
<td>21%</td>
<td>35%</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>Strategic</td>
<td>18%</td>
<td>15%</td>
<td>32%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Compliance</td>
<td>25%</td>
<td>6%</td>
<td>32%</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>Operational</td>
<td>22%</td>
<td>6%</td>
<td>28%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Reputation</td>
<td>8%</td>
<td>12%</td>
<td>19%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Interest Rate</td>
<td>13%</td>
<td>6%</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>5%</td>
<td>8%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>Liquidity</td>
<td>6%</td>
<td>5%</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Federal Mutual Thrifts</strong></td>
<td>Credit</td>
<td>14%</td>
<td>20%</td>
<td>34%</td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td>Operational</td>
<td>20%</td>
<td>6%</td>
<td>26%</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>Strategic</td>
<td>12%</td>
<td>10%</td>
<td>22%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Interest Rate</td>
<td>15%</td>
<td>6%</td>
<td>21%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Compliance</td>
<td>18%</td>
<td>2%</td>
<td>20%</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>6%</td>
<td>7%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>Reputation</td>
<td>6%</td>
<td>6%</td>
<td>12%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Liquidity</td>
<td>5%</td>
<td>2%</td>
<td>7%</td>
<td>3%</td>
</tr>
</tbody>
</table>
COMMUNITY BANK - MRA ISSUE SUMMARY

FY 2013 (10/1/2012 to 9/30/2013)

- Credit
- Compliance
- Mgmt/Staffing
- Info Tech
- A/L Mgmt
- Audit/Controls
- Capital/Earnings
- Loan Review
- Other
## Supervision Focus

### Strategic Risk
- New Products and Services
- Strategic and Capital Planning
- Bank Processes to Assess Risks and Align Strategies
- Scenario Analysis
- Succession Planning

### Operational Risk
- Corporate Governance
- Audit, Controls, Response and Tracking
- Third Party Oversight
- IT Risk Management
COMMUNITY BANK – CREDIT MRA ISSUE DETAIL

FY 2013 (10/1/2012 to 9/30/2013)

- Loan Doc
- ALLL
- Policy
- Analysis
- Appraisals
- Underwriting/Policy X
Credit Risk Supervision Focus

• New Loan Products, Markets, and Delivery Channels; Changes in Existing Lending Activities
• Underwriting Trends, Monitoring Processes, Risk Rating and Exception Tracking
• Concentration Risk Management and Portfolio Stress Testing
• ALLL Methodology
COMMUNITY BANK – COMPLIANCE MRA ISSUE DETAIL

FY 2013 (10/1/2012 to 9/30/2013)

- BSA/AML/OFAC
- Compliance Mgmt
- Flood
- HMDA
- Fair Lending

<table>
<thead>
<tr>
<th>Category</th>
<th>All NB &amp; FSA</th>
<th>Mutual FSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSA/AML/OFAC</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Compliance Mgmt</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Flood</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>HMDA</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Fair Lending</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Supervision Focus

Compliance Risk

- Compliance Management
- Change Management Process
- Fair Lending
- Flood Protection Act
- Servicemembers Civil Relief Act
- CFPB Mortgage Regulations

BSA/AML Risk

- Risk Assessment
- CDD, EDD and High Risk Customer Identification
- Suspicious Activity Monitoring
- Staffing and Training
Asset-Liability Management Supervision Focus

- Internal Controls
- Rate Scenarios
- Assumptions
- Model Validation
- Risk Mitigation
- Expanded IRR Data Collection
Quality Assurance

**Internal Reviews**
- Baseline and Data Integrity QA
- District-wide Reviews of Supervisory Strategies
- Real Time Credit QA
- Business Process Reviews
- Lead Expert Reviews

**External Reviews**
- Corporate Governance Horizontal Review
- IRR Horizontal Review - Expanded Data Collection
- BSA Horizontal Review
External Communications

- Timely Communication of Examination Findings
- Risk Targeted Industry Training and Conferences
- District Outreach
  - Meet the Comptroller Forums
  - CEO and CCO Roundtables
  - Small Group Roundtables
  - Director Workshops
- Supervisory Office Outreach
- Regular Communication with Banks on Emerging Supervisory Issues
Staffing

• Align retention, recruitment and training programs with Agency needs
• Address skill gaps across the Districts through staff development and targeted hiring initiatives
• Use District resource sharing, geographic clusters and horizontal reviews to attain efficiencies
• Promote NBE/FTR cross-credential initiatives (457 NBEs currently certified to lead thrift exams)
Questions?