Compliance as a differentiator

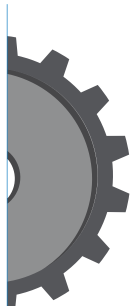
Strategic actions for regulatory compliance

In order to prepare for and comply with these regulations, financial institutions should use careful analysis to determine the impact to their business. As we have demonstrated, there are commonalities to individual requirements across regulations. Without this realization, financial institutions may find compliance insurmountable and a drain on resources. The graphic below demonstrates, regardless of the specific regulation, the similarities across all regulations shifting focus to that of necessary business process change. It emphasizes the importance of ongoing analysis and reporting to demonstrate that the steps needed to comply can in fact become common practice in a financial institution's operations, driving not only compliance, but opportunity. Real opportunity does not come simply from complying with the aforementioned regulations, but rather from identifying strategic and organizational changes that drive the optimization of capital usage and credit strategies. Opportunity comes from the strategic assessment of models and portfolios and the future outlook derived from stress testing and loss forecasting. These opportunities drive competitive advantage and help to refine portfolio composition and product offerings. Through an organization's ability to conduct ongoing data audits and establish appropriate gap analysis, it continually will refine and enhance its strategic position in the marketplace.

The following depicts the business levers mentioned above that can be adjusted to meet regulatory needs and optimize opportunities.

STRATEGIC AND ORGANIZATIONAL CHANGES: to determine general organizational impact from regulation and necessary strategic modifications.

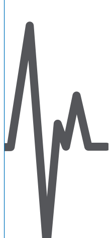
OPTIMIZE CAPITAL USAGE AND RISK — WEIGHTED ASSET (RWA) STRATEGIES: can include restructuring levels of capital and liquidity and redefining RWA strategies to optimize profit/loss.



OPTIMIZE CREDIT STRATEGIES: to maximize lending opportunities while minimizing risk.

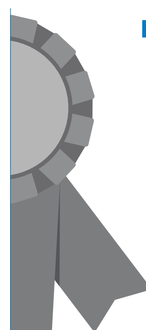
PORTFOLIO AND MODEL ASSESSMENT: allows for confidence that models are predictive and portfolios are profitable.

STRESS TESTING AND LOSS FORECASTING: understand areas of vulnerability for economic stress and ensure optimal capital adequacy while maximizing revenue potential.



COMPETITIVE BENCHMARKING: establish a baseline comparison from "like" organizations to understand areas of saturation and opportunity.

REFINE PRODUCT OFFERINGS AND PORTFOLIO COMPOSITION: with appropriate data analysis by eliminating unprofitable business lines and modifying or adding new product offerings.



DATA AUDITS AND GAP ANALYSIS: provide ongoing evaluation of how the business is responding to regulatory changes and identifies areas in need of modifications.