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*Looking Forward:
Leadership Opportunities Through The
Covid-19 Pandemic*

June 18, 2020



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What we will cover:

- Customer shift to virtual and remote channels:
Are you participating?
- Organizational and leadership opportunities
- Changes in the credit environment & ALLL
- Strategic planning for the evolving environment
- Key takeaways



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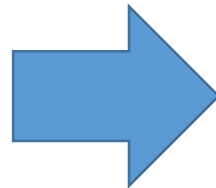
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Customer Shift to Remote or Other Channels

Key Observations

- Continued shift to greater reliance on remote channels
PPP loan experience has driven customers to reconsider relationships
- Accelerated reimagining of customer facing technology & client acquisition techniques
- Many conversations about closing branches



Strategic Implications

- Investments in technology and Fintech applications to improve the customer experience and leverage existing staff
- Expand “market presence” without adding branches
- Ensure that compliance policies, procedures and processes are effective and scalable for remote channels



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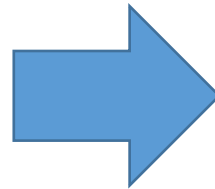
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Operations, Finance & Accounting

Key Observations

- Need for flexibility in the workforce and work-flows
- Management of remote teams
- Card/Contactless transactions can create complex reconciliation flows
- Increased ACH/Wire volumes drive upgraded processes, technologies and staff
- Process scalability for branch operations with fewer branches and/or branch transactions
- Investment Portfolio management is challenging



Strategic Implications

- Updated financial forecasts and long-range plans. Including technology and automation investments
- Process improvement and reengineering
- Ensure process consistency for remote workers.
- Updated internal controls
- Operations and compliance training
- Appropriate outsourcing
- Processes should reflect emerging business realities



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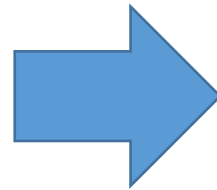
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Organizational and Leadership Opportunities

Key Observations

- The pace of change since March has been rapid, unprecedented
- Shift in customer reliance to new channels requires management and employees to adapt
- Employees are uncertain about what's next at work and at home
- Maintaining strong relationships is key



Strategic Implications

- Communication with employees is critical to moving through these changes
- Work being done will be evolving to meet new Customer expectations, new tech and evolving market conditions
- Change will create opportunities for existing staff
- Plan for the organization changes required to meet the new environment



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Organizational and Leadership Opportunities

- This crisis is a challenge. It's also a chance to move your bank forward. Bring your leadership team along on the journey, show your community that you're there for them, make the business changes your customers need and engage employees in new ways.
- Understand that one size doesn't fit all when it comes to work.
- Employee personal needs are your concern as an institution – your community and your customers rely on you to handle them.
- With transparent communication, a vision of where you're headed and a flexible approach, employees will deliver what is needed.
- Try to acknowledge your own experiences over the past few months – what has worked well, what has been difficult.



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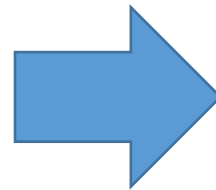
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Changes in The Credit Environment

Key Questions

- Borrowers under stress
- Administration of larger portfolio of SBA loans may be challenging
- Historical assumptions such as real estate collateral values and business cash flows have changed
- Need for more robust stress testing. For all segments of portfolio, including C&I loans
- Work with incurred loss and CECL models to preserve reserve adequacy



Strategic Implications

- Plan for managing declining asset quality including: Work outs, reserve adequacy and TDRs
- Support for borrowers looking to restructure loans
- SBA expertise either in-house or as a consultant
- Reevaluate, update and document new assumptions for Stress testing and ALLL



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Strategic Plan Updates

- Investments in technology and Fintech applications to improve the customer experience and leverage existing staff
- Changes to branch strategies
- Employee communication plans
- Remote workforce management
- Benefits from process improvement, reengineering, and outsourcing
- Problem asset management and forecasts
- Updated financial forecasts and long-range plans. Including technology and automation investments



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Key Takeaways

- Operating environment will continue to evolve
- Focus on your customers and expenses
- Make transparency and regular communication to employees a regular part of Management's routine
- Ensure that processes reflect today's business reality
- Update strategic plan scenarios before the regulators ask for them



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