

STRESS TESTING

Since its founding in 1920, Elliott Davis has consistently sought to maintain a culture that yields a positive impact on our clients, our people, and our communities. Our mission and values guide us in how we work, how we make decisions, and what we do each day. With a network of nearly 750 forward-thinking professionals in major U.S. markets, Elliott Davis has provided services to a wealth of clients engaged in the financial services industry. As a result, we are knowledgeable of industry trends and insights related to emerging issues. Our years of experience in the industry combined with our progressive ideas are valuable resources we use in helping our clients achieve their goals.

Our Mission

is to make a positive impact on our clients, our people, and our communities.

Our Values

- Do the right thing
- Service to others
- Mutual respect
- Always getting better
- Quality

Value of a Stress Test

High Impact Conversations	Knowing which borrowers need assistance before the borrower knows allows lenders to have high impact, value added conversations with borrowers before crisis occurs.
Proactive vs Reactive	Loan portfolio stress testing adds meaningful insight to a loan portfolio and allows management to respond to potential issues proactively instead of reactively.
Risk vs Reward	Identify loan portfolio segments that exhibit elevated risk due to marginal debt service coverage ratios and/or loan-to-value ratios, but lack the associated return for the risk.
Concentration Management	Strong risk management practices and appropriate levels of capital are important elements of a sound CRE lending program, particularly when an institution has a concentration in CRE loans.
Peace of Mind	Peace of mind regarding your financial institution’s capital position can be comforting. Management can strategize on how to improve or maintain capital levels.

STRESS TESTING

Types of Stress Testing

With both stress test options, management has the opportunity to determine the stress test approach, stressed scenarios, depth of coverage, and stress test factors. There is not a one size fits all, canned approach that applies to every institution's loan portfolio stress test and Elliott Davis tailors each test to fit your institution's needs.

Top-Down Approach



- Provides macro-economic information based on historic loss rates at the loan portfolio level
- Perfect for Board of Directors and Executive Management
- Analyzes impact to financial institution as it relates to capital, leverage ratios, ALLL, and income if certain loss rates are experienced

Bottom-Up Approach



- Provides micro-economic information at the borrower level
- Most common approach utilized
- Allows loan officers to have high-impact, value add conversations with borrowers
- Focuses on specific concentrations and pools of loans with common characteristics
- Identifies potential collateral shortfalls with borrowers
- Analyzes impact to financial institution as it relates to capital, leverage ratios, ALLL, and income based on stress test factors

Our Process

Phase 1

- Meet with management and determine stress test parameters
- Determine date and time needed to complete review

Phase 2

- Provide client assistance letter
- Perform field work
- Provide management with results through an exit meeting

Phase 3

- Provided draft reports with opportunity to review and comment
- Provide final stress test report

Contact us today to learn more about our Stress Testing services
at **615.790.0542** or elliottdavis.com