



Allowance for Loan and Lease Losses

I. Overview & Summary of Policy Statements

Discussion Topics

Summary of Policy Statements

ALLL Decision Tree

Measuring Impairment Under ASC 310

Estimating Credit Losses Under ASC 450

Loss Migration Analysis

Review & Resources

Policy Statements

**Policy Statement on
ALL Methodologies
and Documentation
for Banks and
Savings Institutions
(July 2001)**

**Interagency Policy
Statement on the
ALL
(December 2006)**

Management Responsibilities

**Written Policies
and Procedures**

**Comprehensive
Portfolio
Analysis**

**Effective Loan
Review and
Credit Grading
System**

**Adequate Data
Capture and
Reporting
Systems**

**Sufficient
Documentation**

**Analysis of
Collectability /
Prompt Charge-
offs**

**Periodic
Validations and
Revisions**

**Appropriate
Level**

Board Responsibilities

**Oversee
Significant
Judgments and
Estimates**

**Review and
Approve
Written Policies**

**Review
Assessment of
Loan Review
System**

**Review
Estimated
Amount**

**Require
Periodic
Validation and
Revisions**

Generally Accepted Accounting Principles

**ASC 310-10-35
(FAS 114)**

**Individually evaluated loans
meeting established criteria**

**ASC 450-20
(FAS 5)**

**All other loans
including non-impaired
individually evaluated loans**

Directional Consistency

ALLL Level vs. Credit Quality Indicators

- **Factors to Consider:**
 - Adverse Classifications
 - Nonaccrual Loans
 - Past Due Loans
 - Charge-off History
 - Loan Concentration Levels
 - Relevant Economic Factors

Peer Comparison

- Identify outliers
- Identify possible deficiencies in the methodology

Peer Bank Comparison					
Credit Quality Ratios	Bank A	Bank B	Bank C	Bank D	Bank E
Rest + Nonac + RE Acq / Eqcap + ALLL	54.90%	75.97%	180.09%	163.54%	287.13%
Net Loss / Avg Total Loans	2.44%	2.76%	9.19%	8.88%	10.15%
Past Due + Nonaccrual / Loans	4.69%	1.77%	10.03%	14.50%	10.67%
ALLL/Total Loans	2.65%	3.83%	3.80%	4.23%	2.50%