



▶ CASE STUDY

SOVEREIGN BANK



SOVEREIGN BANK
INCREASES PRODUCTIVITY,
STREAMLINES ENTIRE
ASSET REVIEW FUNCTION

TECHNOLOGY NEEDED to support growth

Shortly after Tom Whiteside, Senior Vice President and Director, Internal Asset Review of Sovereign Bank, had installed DiCom's LRS Enterprise solution to automate their loan review processes, examiners were in for a scheduled review. After a few days, they handed Tom a read list with a few hundred credits that they wanted to look at. When the examiners asked Tom if his staff could provide the review team with anything that would help them, Tom didn't hesitate. He went straight for the standard line sheet reports generated out of DiCom's LRS Enterprise system, one of the company's three flagship applications for managing a bank's commercial credit portfolio.

"I simply handed them about 270 line sheet reports that we ran in a matter of a few minutes. Before they wrapped up, one of the examiners told me point blank that those reports saved their entire examination team three solid weeks of onsite time. Considering that we pay for them while they are at the bank, we were pretty pleased," Whiteside commented.

That was a few years ago and the benefits of their decision to implement DiCom's credit risk management suite keep coming.

Sovereign Bank is a \$85 billion financial institution with nearly 750 offices, 2300 ATMs and about 12,000 employees throughout the northeastern United States. The bank—the 19th largest banking institution in the U.S.— provides a wide array of financial services, including retail banking, business and corporate banking, cash management, capital markets, wealth management and insurance.

In 1998, Sovereign began a series of strategic acquisitions, including the purchase of divested assets when First Union (now Wachovia) acquired CoreStates Financial Corp, as well as the purchase of divested assets from the Fleet Group and Bank Boston merger. As a result of these and other transactions, the bank grew from consolidated net assets of approximately \$22 billion to more than \$90 billion in assets.

"When we hit 2002, we realized that assets were growing more quickly than my staff could grow. And even if we had approved additional resources, we didn't simply want to just throw people at the issue, certainly not in a cost-conscious environment," Whiteside explained.

Whiteside said that their goal of 65% penetration of each of 119 business units and a full pass of the bank every 2 years was becoming increasingly more difficult to sustain. "We had no trouble hitting the 65% penetration, but as the bank continued to grow and my staff didn't, I had a problem hitting the once-every-22-months target."

It was at that point that Whiteside and his staff began to search for an automated solution that would enable them to enhance productivity and keep pace with the growth of the organization, as well as provide more analytical tools to support the growing responsibility of assessing credit risk and credit quality for the bank.

EXECUTIVE SUMMARY

BANK: Sovereign Bank

LOCATION: Wyomissing, PA

ASSET SIZE: \$85 billion

GEOGRAPHIC FOOTPRINT: Southeastern U.S.

PORTFOLIO SIZE: \$62.4 billion

▼
DiCom APPLICATIONS:

LRS Enterprise, Portfolio Analysis, Portfolio Management

▼
KEY CHALLENGES:

Rapid portfolio growth through a recent series of acquisitions; bank-wide cost reduction initiatives that cut review staff; manual processes unable to keep pace with growth; inconsistent, cumbersome processes and workflow.

▼
RESULTS:

- Elimination of manual input, redundant data
- Reviewer in charge (RIC) prepares review in an hour vs. 2 days
- Reduction in onsite time, saving travel time and expenses
- Elimination of manually-created exhibits and supporting documentation
- Portfolio penetration up to \$3.2 billion per reviewer
- Shorter regulatory reviews minimize disruption and cost

▼
CLIENT COMMENT:

"Our exposure per loan review officer has increased—from \$2.3 billion to \$3.2 billion—with no adverse impact on the quality of our work product. This simply would not have been possible without DiCom."

TOM WHITESIDE

SVP & Director Internal Asset Review

SOVEREIGN BANK

They found the answer in DiCom and implemented their first application, LRS Enterprise, in the fall of 2003. LRS Enterprise enables loan reviewers to obtain a comprehensive view of the credit quality of their entire portfolio at any point during the review process.

REPLACING MANUAL TASKS, increasing efficiency

“Before DiCom, we would do the reviews in a Word document and the analysis portion in Excel, but nothing tied it together. If you needed to access the history, we would have to manually search through a host of Word and Excel files in what I call the network nether-world. We would eventually find what we were looking for of course, but it was extremely time consuming and frankly, very frustrating,” Whiteside said. “I wanted something that consolidated the work papers in one place.”

He noted that the inconsistencies from examiner-to-examiner elicited varying results. “We’d get done with the review, write an 8-12 page narrative report with various exhibits, and they were all different because they were crafted individually, by different examiners,” Whiteside said.

A member of the Risk Management Association’s National Loan Review Round Table, Whiteside likes the focus that the DiCom system provides across the entire review process.

“Now we know exactly what we have to do and where we need to look. Much less time is wasted. We’ve achieved tremendous efficiencies. What took 2 days in the past to cut a sample from the portfolio now takes 20 minutes.” He explained that DiCom’s loan review system has fundamentally changed the way his loan review officers do their job. In assessing exactly how things have changed, Whiteside and his team found a wide range of productivity and efficiency benefits.

For example, in the pre-examination planning phase, the system has eliminated manual input, resulting in less time spent verifying data against the loan system. Additionally, the reviewer in charge (RIC) now has the ability to more effectively plan and manage a review and can prepare a material portfolio review within one hour versus two days, using consistent, departmental-established criteria. Time savings have also been realized in planning examinations, since the system provides the ability to review previously captured analysis and commentary from the system’s archives.

In the field, the benefits they’ve achieved range from a more streamlined workflow of the site examination process, to reduced travel time and expenses, since a majority of the



“Since we recently moved to a continuous monitoring review, I wanted to ensure my loan review officers had the tools they need to expand our analytical and management capabilities. Portfolio Analysis is the tool we use to point us in the direction of where to look for heightened risk.

TOM WHITESIDE

SVP & Director Internal Asset Review • SOVEREIGN BANK

work can be done from the loan review officer’s home workstation. Another big time saver has been the near-total elimination of copying ancillary information and supporting documentation.

Reporting has also been streamlined. Whiteside said that manual efforts involved in compiling individual loan review officers’ work product is eliminated. Using the system’s standard reports, the bank simply uses those as exhibits to support narrative business unit reports, eliminating the need to craft additional Excel spreadsheet exhibits.

Whiteside noted that the system’s standard line sheet report has proved invaluable in providing a single, concise document containing all relevant financial and indicative information together with the examiner’s analysis and narrative commentary.

“We provide this document to regulatory examiners and independent auditors to assist their asset quality exam activities. It has been a serendipitous and time-saving benefit and the output serves to validate the efficacy and veracity of the credit review function,” he explained.

In January 2007, the bank moved from a business unit review process to continuous monitoring. Now, Sovereign’s 12 commercial loan review officers divide up the approximately 120 business units and touch each and every one of those units each year.

“With DiCom, our loan review officers have a much more intimate knowledge of the business units they track and the credits within them.”

PRODUCTIVITY INCREASES
despite staffing cuts

When a bank-wide cost reduction initiative cut Whiteside's staffing levels in the last quarter of 2006, Whiteside knew they could sustain productivity levels. "Our exposure per loan review officer has increased—from \$2.3 billion to \$3.2 billion—with no adverse impact on the quality of our work product," Whiteside said. "This simply would not have been possible without DiCom."

Whiteside's team has also used LRS Enterprise in the due diligence process during bank acquisitions. "I've gotten very spoiled. I hate getting hard copies of trial balances, so we ask for it in an Excel spreadsheet. We have the ability to import it right into DiCom and my examiners use it to seamlessly perform the review. It takes us something like 20 minutes. In the past, this would have taken days."

With the success of LRS Enterprise under their belt, Sovereign Bank recently began the process of implementing DiCom's Portfolio Analysis and Portfolio Management solutions.

Portfolio Analysis provides immediate access to current and historical credit information, delivering enterprise-wide analytics on loan portfolio composition and risk performance

over time. It also features a query builder that generates a graphical view of data for simplified management reporting. Portfolio Management provides tools to manage a credit's evolving status through actionable tickler items and provides an interactive forum among appropriate bank personnel to facilitate discussion and decision making.

"Since we recently moved to a continuous monitoring review, I wanted to ensure my loan review officers had the tools they need to expand our analytical and management capabilities. Portfolio Analysis is the tool we use to point us in the direction of where to look for heightened risk. Our focus this year is to accelerate our pass through of the wholesale portfolios and touch all business units at least annually."

Whiteside concluded that they continue to deal in an environment influenced by internal growth, recent acquisitions and ongoing cost reduction initiatives, but notes that despite the asset growth and the reduction in staff, they have been able to successfully achieve all their business goals and meet the information requirements of their regulatory agency and independent auditor.

"We are confident this has been possible because of DiCom," he said.



www.dicomsoftware.com

DiCom Software Corporation

2111 EAST MICHIGAN STREET, SUITE 144

ORLANDO, FLORIDA 32806

407.246.8060