

Regional Director John Vogel: Good afternoon everybody. I'm John Vogel, the New York Regional Director for the FDIC. And I'd like to welcome everyone and thank you for joining us for our quarterly call with the industry.

Today our regulatory conference call is entitled Corporate Governance: Expectations for Proactive Oversight. During today's call we will discuss what constitutes effective corporate governance. Our speakers will provide an overview of the duties and responsibilities of management and the board of directors/trustees.

We view these conference calls as an opportunity to share regulatory guidance and discuss items of supervisory importance with a wide audience. These calls also present us with the opportunity to hear directly from you regarding any questions you may have on issues discussed.

In addition to our quarterly conference calls, the FDIC partners with various trade associations to conduct Directors' Colleges. The Directors' College is an interactive one-day seminar that provides ongoing education to bank directors on current topics in various elements of bank supervision. It is designed to help directors, both new and experienced, stay abreast of the changing regulatory and economic environment.

Our forthcoming events are, on October 29 in Syracuse, New York we are partnering with the New York Banker's Association. On November 5 there will be an event in Hershey, Pennsylvania partnering with the Pennsylvania Banker's Association.

On November 6 there will be an event in Monroeville, Pennsylvania partnering with the Pennsylvania Community Banker's Association. On November 8 there will be a Directors' College in Monroe Township, New Jersey partnering with the New Jersey Banker's Association. And on November 18 we will be in Turf Valley, Maryland partnering with the Maryland Banker's Association. More information on the events is available on the trade association Websites.

We very much appreciate your participation in today's call. Your confirmation email included a link to the PowerPoint slides for the various topics being covered. The PowerPoint slides should aid you in following today's presentation and can be used for future reference.

If you have any questions relating to this presentation you can contact the presenters or email us at nycalls@fdic.gov. There will be a question and answer session at the end of the presentation and the operator will provide procedures for calling in a question. Please note that you may also send email questions at any time during the presentation to the nycalls@fdic.gov mailbox.

For any questions that are specific to a particular institution or present a unique set of circumstances for a particular bank, please email those questions to the NY Calls mailbox. A written transcript and question and answer document will be posted to the same Web link you used to register for today's call.

With me today are three presenters, Case Managers Stephanie Cadwell and Lauren Hertz along with Supervisory Examiner Audra Cast. They will discuss managerial and director/trustee oversight weaknesses cited during examinations, current standards for effective supervision and mechanisms and strategies used to promote strong corporate governance.

It's now my pleasure to turn the program over to Stephanie who will begin the presentation.

Case Manager Stephanie Cadwell: Thank you, John. We are on slide two. Today we are going to discuss corporate governance and regulatory expectations for effective oversight. We will provide an overview of management and the Board's responsibilities. We will also discuss audit and internal controls and self-dealing. Finally, at the end of the presentation we will discuss best practices and provide resources to obtain additional information. Please turn to slide three.

Let's first set the stage by defining corporate governance. Corporate governance is the set of processes, customs, policies, and laws affecting the way a corporation is directed, administered and controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. Please turn to slide four.

Directors are responsible to a variety of stakeholders including shareholders, depositors, customers, the bank's community, regulators, employees, and other Board members. Stakeholders' interests do not always align. Therefore, directors frequently have to make decisions that balance conflicting interests. Moving on to slide five.

Directors have two primary duties. The first is loyalty. Directors are responsible for dealing fairly with the bank in business transactions and for ensuring that their personal interests do not bias Board decisions or otherwise harm the bank. Although transactions between a bank and its directors may be important to the bank, directors must ensure that their own business and personal relationships with the bank, and the bank's relationship with the other directors, are always at arm's length. We will discuss conflicts of interest in greater detail later on in the presentation.

The second duty, "Duty of Care," requires that directors act in good faith, with the level of care that an ordinarily prudent person would exercise in similar circumstances, and in a manner that they reasonably believe is in the best interests of the organization. The duty of care requires directors to acquire sufficient knowledge of the material facts related to a proposed transaction, thoroughly examine all information available to them with a critical eye, and actively participate in the decision-making process. Let's move to slide six.

We will now further explore some of the more specific duties of the Board. The Board must implement an organizational structure to keep members informed and provide an adequate framework to oversee the bank. Establishing Board committees allows for a division of labor, and enables directors with expertise to handle matters that require detailed review and in-depth consideration.

Some committees are required by regulation or supervisory policy. An audit committee is required for any bank with assets in excess of \$500 million and for banks over \$1 billion the committee must be composed entirely of outside and independent directors. A trust audit committee is required for a bank with trust powers. Audit, compensation, and corporate governance/nominating committees are required for banks whose securities are registered with the Securities Exchange Commission (also known as the SEC) and must be composed entirely of independent directors. Banks should also consider establishing other committees to address identified risks such as compliance, lending, and investments. Please turn to slide seven.

The Board is responsible for setting an appropriate tone “at the top.” The Board must establish a corporate culture and work environment that promotes responsible, ethical behavior. Directors and executive officers must understand that their actions and behaviors reflect their commitment to integrity, honesty, and ethical conduct. Therefore, great care should be taken to avoid conflicts of interest or self-serving practices or the appearance of conflicts of interests or self-serving practices. A written code of ethics should be established for employees, that addresses areas such as conflicts of interest; self-dealing; protection and proper use of bank assets; integrity of financial recordkeeping; compliance with laws and regulations; and how to report illegal or unethical behavior (also known as a whistleblower policy). The code of ethics should identify an individual, such as an ethics officer or bank counsel, that employees can contact to seek advice in the event ethical issues arise. Let’s go to slide eight.

One of the most important responsibilities of the Board is to select and appoint executive officers who are qualified to administer the bank’s affairs effectively and soundly. The selection criteria should include integrity, technical competence, character, and experience in the financial services. The Board should also ensure that candidates share the Board’s operating philosophy and vision. The Board should consider implementing a formal appraisal process to periodically review management’s performance. If officers are unable to meet reasonable standards of executive ability, the Board is responsible for dismissing those officers. Additionally, the Board should develop a management succession plan to address the loss of the Chief Executive Officer (also known as the CEO) and other key executives. The Board must also implement adequate training and personnel activities to ensure the continuity of quality staff. Some features of good personnel administration are a designated organizational structure; detailed position descriptions; appropriate training and development activities, quality salary administration; and an effective communications network. Moving on to slide nine.

Board meetings are the primary mechanism for directors to oversee bank operations. Therefore, it is imperative that Board members regularly attend Board and committee meetings. Directors should come to the meetings prepared by requesting and reviewing meeting materials in advance. Board members should keep abreast of basic facts such as capital growth, loan-to-deposit ratios, liquidity position, portfolio composition, and loan losses. Board members should also review audits and supervisory communications. Board discussions should be well-documented, and members should exercise independent judgment when making decisions. Board minutes should document active participation by Board members. Minutes are the official record of Board decisions and should reflect all actions taken by the Board, including dissensions.

Regulators become concerned when the institution's principal officer or stockholder dominates virtually all phases of the bank's policies and operations. There are at least two potential dangers inherent in a dominant policymaker situation. First, the loss of a dominant officer may deprive the bank of competent management, and because of the immediate need to fill the managerial void, may render the bank vulnerable to dishonest or incompetent replacement leadership. Second, problem situations resulting from mismanagement are more difficult to solve through normal supervisory efforts because the bank's problems are often attributed to the one individual that dominates the bank. Whenever possible, the Board should avoid having a dominant policymaker. In some instances, particularly in smaller institutions, having a dominant policymaker cannot be avoided. In those instances, the Board should ensure adequate controls and compensating factors are in place to mitigate the level of risk presented by the existence of a dominant policymaker. Next, let's turn to slide ten.

A vital part of the responsibilities of the directors is to set the future direction of the bank. Planning, organizing, and controlling are three fundamental dimensions of management. The planning process typically begins with the development of a long-term strategic plan that encompasses the bank's philosophy and mission. The Board should review the plan periodically to consider new opportunities or respond to unanticipated external developments. Short-term business plans translate long-term goals into actionable goals over specific timelines. The Board and management are also responsible for establishing policies and procedures for operating standards. Policies and procedures should address areas such as investments; loans; asset/liability management; profit planning; budgeting; capital planning; internal routine and controls; audit programs; the Bank Secrecy Act; Consumer Compliance; the Community Reinvestment Act (also known as CRA); information technology; and conflicts of interest. Policies and procedures should be written and reviewed periodically to determine that they remain applicable. Audra will now discuss risk management, audit, and internal controls. Please turn to slide 11.

Supervisory Examiner Audra Cast: Thank you, Stephanie. We have just discussed some director responsibilities. Let's now further discuss the regulatory expectations for overall risk management functions and audit programs. The Board should provide for a comprehensive and independent risk management function and an effective system of internal controls. The system of internal controls should include a process to prevent or detect significant inaccurate, incomplete, or unauthorized transactions; identify deficiencies in safeguarding assets; detect unreliable financial reporting; and identify deviations from laws, regulations, and bank policies. Lax corporate governance structures, coupled with the absence of an effective internal control system, foster an environment for fraud and have been contributors to financial institution failures. Moving on to slide 12.

The Board should establish an effective risk management program commensurate with the bank's size and complexity. For a small community bank with a traditional banking model, the risk management program may consist of an active Board with an appropriate committee structure and effective policies and procedures. For larger institutions, the risk management program may be more formalized, and include a risk management officer and a structured process for approving new business lines. Regardless of size, policies and procedures should always be tailored to a bank's identified risks. A bank's risk management program should also

implement a compliance management system to address consumer and fair lending laws and regulations, as well as CRA. Turn to slide 13.

Another important component of an independent risk management function is a strong audit program, including both internal and external audits, which regularly assesses the effectiveness of the internal control system. When properly structured and conducted, the audit process provides directors and senior management with vital information about weaknesses in the system of internal controls so that management can take prompt, remedial action. It is vital that audit programs are independent of management and that auditors have direct access to report findings to the Board. It is the Board's responsibility to establish and oversee a sound audit program, and these functions cannot be delegated. An important element of a sound program includes establishing timeframes for corrective action, and reporting such actions to the Board. Continuing on slide 14.

Directors should be confident that the audit function addresses the risks and meets the demands posed by the institution's current and planned activities. The audit programs should be flexible and responsive to change, and strategic vision discussions should plan for audit coverage. Please turn to slide 15.

The Board should ensure that all major business activities and risk areas are included as part of an internal audit scope. A critical piece to assessing the overall risk is a control risk assessment. This assessment is generally prepared by the internal audit manager and documents the manager's understanding of the institution's significant business activities and their associated risks. These assessments typically analyze the risks inherent in a given business line, the mitigating control processes, and the resulting residual risk exposure to the institution. The assessments should be updated regularly to reflect changes to the system of internal controls or work processes, and to incorporate new lines of business. From this assessment, the internal audit plan is established. Both the control risk assessment and the internal audit plan should be reviewed and approved by the Board annually. Next we move to slide 16.

We have seen several instances in the New York Region where the internal audit plan did not encompass all significant business activities or risk areas. For example, one financial institution derived 90% of its income from a single third party payment processing relationship that was processing fees related to online gambling. This activity was never included in a Bank Secrecy Act audit or other internal or external audit. In several other instances, a review of insider transactions or expenses had not been conducted, or the review lacked independence, or was performed by someone with limited authority to resolve the issues. Last, in several cases, a review of third-party activities was either limited or nonexistent. These deficiencies have led to downgrades in the institution's management component rating and in some instances have resulted in losses to the institution. Turn to slide 17.

For directors to properly carry out their responsibility for maintaining a strong internal control environment, directors should foster forthright communications. This slide highlights some communication avenues. Two avenues for encouraging forthright communication are whistleblower policies and executive sessions with the audit managers. Regulatory guidance,

including the Interagency Policy Statement on the Internal Audit Function and Its Outsourcing, which applies to all institutions, and Sarbanes Oxley, which applies solely to public companies, recommends that the Audit Committee of the Board establish and maintain procedures for employees of their institution to submit confidentially and anonymously concerns to the audit committee about questionable accounting, internal accounting control, or auditing matters. In addition, Financial Institution Letter 80-2005 entitled Guidance on Implementing a Fraud Hotline, encourages financial institutions to consider the benefits of implementing a fraud hotline as a confidential communication channel to identify fraud and reduce fraud-related losses. Several instances have been identified at New York Region banks where bank employees were aware of wrongdoing, but there was no mechanism in place for the employees to confidentially report this activity. Moreover, the Audit Committee should give the managers of internal and external audit the opportunity to discuss their findings without management being present to provide the auditors the opportunity to frankly discuss any concerns. Now Lauren will discuss self-serving practices and conflicts of interest. Please turn to slide 18.

Case Manager Lauren Hertz: Thank you, Audra. The Board and management are expected to avoid self-serving practices and conflicts of interest. Excessive compensation is self-serving, and conflicts with the bank's interests. This practice should be avoided. The Board and management should never use their position for personal gain, including accessing and misusing customer information. All actions of the Board and management should be above reproach. There should never be an appearance of a conflict of interest, and these individuals should perform their duties at the bank with no regard to personal objectives. Let's move to slide 19.

In this vein, the Board and management are expected to put the safety and soundness of the bank, and all interests of the bank, above personal interests. This includes separating personal from bank interests, and putting the operations and reputation of the bank first. Insiders must exercise fairness and act in good faith when executing bank matters. Insiders have a responsibility to guard the interests of the bank. All directors and officers must fully disclose personal interests and recuse themselves from discussing or voting on any matter in which they have a related interest. Moving on to slide 20.

Board members and managers should avoid self-serving practices because they serve in their respective capacities to protect the interests of the bank. Further, self-serving practices can result in personal liability. Also, self-serving practices can create an atmosphere where other employees think they can engage in similar practices. Last, and as important, self-serving practices can create reputational, financial, and legal risk for the institution. Please go to slide 21.

Types of actions that could result in personal liability include negligence, breach of trust, fraud, and misappropriation of bank assets. Let's go to slide 22.

Board members may be held liable for negligent acts if they fail to exercise a degree of care with regard to statutory law, and cause loss or injury to the institution. There are many examples of negligent acts for which a director may be held personally liable. Let's go to slide 23.

A primary example of negligence is an attitude of indifference to the affairs of the bank. This can include the failure to hold meetings, failure to obtain a financial condition statement, failure to arrange audits, failure to address regulatory and audit recommendations, failure to adopt practices and follow procedures, and failure to conduct due diligence for third-party activities. Slide 24.

Other negligent acts include relinquishing control to managers or employees, assenting to loans in excess of applicable statutory limitations, breaching internal policies, and misrepresenting financial statements. Please turn to slide 25.

Insider dealings and conflicts of interest are important issues related to corporate governance. When considering proposed dealings with the bank, Board members and managers must consider conflicts of interest, as well as ethics and conduct. Regulation O governs borrowing relationships between insiders and the bank. Other business relationships of the individuals should also be considered when reviewing insider transactions. We will discuss topics related to insider dealings and conflicts of interest. First, we will discuss Regulation O on slides 26 through 29.

Part 215 of the Federal Reserve Board Regulations (also known as Regulation O) is made applicable to state non-member banks by Section 337.3 of the FDIC Rules and Regulations. Regulation O governs any extension of credit made by an insured bank to an executive officer, director or principal shareholder of the bank as well as related interests of such individuals (also known as insiders). Generally, credits extended to any insider of the bank must be made on substantially the same terms and conditions as with other persons not employed by the bank. This includes interest rates and collateral considerations. Regulation O loans must follow credit underwriting procedures that are as stringent as those prevailing at the time for comparable transactions with non-insiders. These loans must not involve more than the normal risk of repayment or contain other unfavorable features. Allowable loans to insiders have varying thresholds. Slide 27.

Insiders can each have loans totaling 15% of the bank's unimpaired capital and unimpaired surplus. They can borrow an additional 10% if fully secured by readily marketable collateral at least equal to the amount of the loan. Aggregate debt to an insider exceeding the higher of \$25 thousand or 5% of unimpaired capital and surplus must receive prior majority Board approval. In all cases, aggregate debt exceeding \$500 thousand must be approved in advance. Interested parties should abstain from voting on personal loans. Slide 28.

Executive officers have additional restrictions for all loans other than for education, home purchase, and home improvement loans. For all other loan purposes, an executive officer may borrow the greater of \$25 thousand or 2.5% of unimpaired capital plus surplus, but not more than \$100 thousand. The limit may not be increased by Board approval. Slide 29.

All insiders combined may not have borrowings that, when aggregated, total more than 100% of unimpaired capital plus unimpaired surplus. Banks with deposits less than \$100 million may pass an annual Board resolution to increase the aggregate limit to 200%. This is only the case if

the bank has a satisfactory composite rating from its most recent examination, and meets or exceeds all capital requirements. A bank must identify all insiders and maintain records of all extensions of credit to insiders, including amounts and terms of each. Regulation O also restricts overdrafts for executive officers and directors. Loans to affiliates are separately covered under Sections 23A and 23B of the Federal Reserve Act. Please turn to slide 30.

In determining conflicts of interest, bank Boards and management must also consider other business relationships. Related business relationships can include deposits, legal, appraisal services, real estate and insurance, among others. All business arrangements should be handled in a manner that is above and beyond reproach, and at arm's length. Officers and directors must disclose all business relationships that could result in conflicts of interest. Even the appearance of a conflict of interest should be avoided. In fact, in regard to public companies, Sarbanes Oxley Section 404 seeks to promote the avoidance of conflicts of interest, by requiring the disclosure of any material transactions or relationships that could give rise to conflicts. Moving on to slide 31.

Banks should have codes of ethics and conduct. A code of ethics defines acceptable business practices and behaviors. Sarbanes Oxley Section 404, which is applicable to public companies, requires banks to disclose whether they have adopted a code of ethics. Setting standards and expectations for ethics and conduct helps to ensure that conflicts will be avoided, fraud minimized, and the bank's interests will take precedence over personal interests. A nominee loan is a loan in which the borrower named in the loan documents is not the party receiving the use or benefit of the loan proceeds. Nominee loans should be prohibited in all cases, and should certainly never be used for an insider to obtain bank funds. Additionally, nepotism should be addressed in all ethics policies. Let's go to slide 32.

The FDIC has a Statement of Policy (also known as an SOP) on Corporate Codes of Conduct, which contains guidance on implementing an effective ethics plan. The SOP discusses factors important to include in codes of conduct and ethics. Items include providing specific guidelines to employees for acceptable and unacceptable business practices, explaining the Federal Bank Bribery Act, which basically prohibits bank officials from accepting anything that looks like a bribe, providing for training, and ensuring that employees understand the policy. It also includes provisions for monitoring compliance and taking action against violators of the policy and also includes a reporting mechanism. We will now provide examples of poor corporate governance on slides 33 and 34.

This first example involves a de novo institution where management engaged in indirect auto lending. Management's decision to originate indirect auto loans impacted many facets of the bank's operations and resulted in a decline in the bank's overall financial condition. Management initiated the activity without formally revising the bank's business plan or financial forecasts. Corporate governance deficiencies were significant and contributed to financial deterioration and less than satisfactory ratings, as well as an enforcement action. Board minutes revealed minimal documentation regarding the Board's goals, objectives, and risk tolerances for the activity. Corporate governance deficiencies regarding the indirect auto lending activity resulted from inadequate loan policies, internal control weaknesses, failure to provide for internal

audit coverage, failure to provide for independent loan review, insufficient management information systems, accounting system weaknesses, and failure to assess the impact the activity would have on other aspects of the bank's operations. These issues contributed to operational losses, a reduction in capital and unfavorably impacted the bank's asset quality. In eight months, the indirect auto loan portfolio grew to more than \$60 million, but Board packages consistently lacked detail to gauge the risk in the portfolio. Additionally, the auto lending division was located more than 75 miles from the bank, and therefore management was totally reliant on individuals at an alternate location for all information and processes regarding the activity. This scenario also raises potential compliance, fair lending, and unfair or deceptive practices issues. Management's failure to secure audits and provide internal controls created circumstances to promote ineffective operations, unreliable financial and regulatory reporting, and noncompliance with laws and regulations. Additionally, the Board approved a compensation package for the Chairman considered unusual for the size of the bank. The package was based on bonuses tied to the indirect auto lending activity. The concept was that the Chairman could have run the business on his own, so he would be paid bonuses based on the performance of the indirect auto lending division. Based on this arrangement, the bank held all the credit risk, while the Chairman financially benefitted from the activity. This appears to be self-dealing and a conflict of interest. Within two years of opening, the bank's composite, management, earnings and asset quality ratings were downgraded to 4 from ratings of 1, 2 and 3. One year later, capital and liquidity were downgraded to 4. Later, ratings were downgraded to 5 and the bank ultimately failed. Turn to slide 34.

The second example relates to a former President and CEO who took full advantage of weak oversight and controls and personally financially benefited. The former CEO was a dominant individual with a controlling influence over the Board. He set up "straw" loans, including a \$600 thousand loan that he used to purchase a yacht. He took the loan out through a limited liability corporation (also known as an LLC), but never disclosed his relationship with the LLC. He was in fact the sole owner. He also approved a nominee passbook loan opened in the name of an unsuspecting bank customer. He enticed the customer to deposit money into the bank by offering a high rate. He used the loan proceeds to keep his larger loan current. He made payments on several straw loans, reduced the interest rates, and waived late fees. He also changed the mailing address so all correspondence went to his personal mailbox. The former CEO had a strong influence on lending functions at the bank. He gave false information to the Board, indicating that a loan was participated to other financial institutions in order for the bank to meet the state legal lending limits. In reality, there was no loan participation and the bank violated the legal lending limits. Primarily due to the former CEO's actions, the asset quality, management, capital, and composite ratings were downgraded to 4, and a Consent Order was put in place. The bank incurred losses of almost \$2.3 million based on the former CEO's actions, including an increase in the FDIC assessment. The former CEO stipulated to an 8(e) removal enforcement action, which barred him from banking for life. Please turn to slide 35 for Audra's discussion of Best Practices

Supervisory Examiner Audra Cast: Thank you, Lauren. We have discussed throughout this presentation some of the roles and responsibilities of bank directors, as well as some of the regulatory expectations. Next, we will briefly discuss some of the best practices associated with the most effective Boards. First, right-size your Board. The optimal size for one institution may

not be for another. The FDIC does not have a required minimum or maximum number of Board members; however, you should first refer to state statutes and your own organizational bylaws. You should also consider diversity amongst Board members and who should be on the Board collectively and individually to attain the desired composition. A diverse Board allows for diversity, not just of skills and experience, but also of thought and opinion. Diversity of social, racial, ethnic, gender, and age should be considered an important aspect along with professional, educational, and community or charitable service experience.

Second, establish an effective committee structure. An effective committee structure can allow for a deeper, more concentrated review of higher risk areas. Periodic rotation of committee membership is a good practice to allow for cross-training of directors and to provide for a fresh independent view.

Third, institute a formal compensation program for directors and executive officers. Director and executive officer compensation packages should be commensurate with the complexity, risk, and overall financial condition of the institution. Appendix A of Part 364 of the FDIC Rules and Regulations prohibits compensation that constitutes an unsafe and unsound practice. Compensation includes all direct and indirect payments or benefits, both cash and non-cash. Executive officer performance evaluations should be included as part of the formal compensation program to ensure that the officer is meeting expectations and is deserving of the compensation paid. The review of compensation packages for executives should be conducted by independent directors.

Fourth, develop executive officer succession plans. Succession planning should be a continual process. The Board should evaluate the bank's strategic direction and needs when determining succession plans, and consideration should be given to both internal and external candidates.

Fifth, evaluate Board meeting effectiveness. Regular attendance at Board meetings is critical to the success of the meetings. In addition, preparation before the meeting is crucial. The meeting output is only as good as the input. With that being said, Board informational packets should be prepared well in advance of the scheduled meeting and available for review by the Board members. The packet should be clear, concise, and include all the information the Board is being asked to render a decision upon as well as information concerning the overall health and risk profile of the institution. Also, Board minutes should be well-documented and representative of Board actions.

Sixth, perform director evaluations. Periodic director evaluations can identify gaps in knowledge and understanding of the bank's risks and financial condition, rules and regulations, and finance, banking, or business processes. In addition, the evaluation can highlight mismatches in the desired Board composition or the overall perception of the Board's effectiveness.

Seventh, provide for ongoing director education and training. Ongoing training is essential to maintaining the competency of the Board. Knowledge gaps identified through the director evaluation process can be addressed through training. There are several FDIC training options available to directors including technical assistance videos posted on the FDIC website

(fdic.gov), the annual New York Region Director's College program, referenced earlier in Regional Director John Vogel's comments, as well as periodic industry outreach calls such as the one you are listening to today.

Last, provide for director accountability. All directors must be accountable to other Board members. This includes remaining in good financial standing as an individual. Some Boards require each member, along with executive officers, to sign financial certifications annually.

These best practices are not intended to be an all-encompassing list. Rather, this list is just a snapshot of the practices conducted by the most effective Boards. A list of regulatory references is contained on slides 36 through 38.

Today, we have referenced many sources of regulatory guidance associated with Corporate Governance. Included here is a partial list of the major banking laws, regulations, or policy statements applicable to Directors and Corporate Governance. Slide 36 includes related FDIC Rules and Regulations. Slide 37 contains related FDIC Statements of Policy and slide 38 includes other FDIC resources. All of these documents can be found on the FDIC website (fdic.gov) under the Rules and Regulations tab. Please turn to Slide 39.

Contact information for the presenters of today's industry outreach call is included on this slide. Please feel free to contact any of us with questions specific to your institution. At this time, we will open up the discussion for questions and comments.