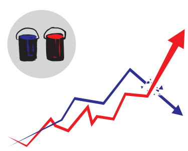
CREDIT RISK BENCHMARKS

1ST QUARTER 2018

THE GRAPHS PRESENTED ON THE FOLLOWING PAGES ARE BASED ON DATA REPORTED IN THE RMA/AFS RISK ANALYSIS SERVICE, GLOBAL BANKING'S ONLY COMPREHENSIVE CREDIT RISK BENCHMARK.

WE ARE PLEASED to provide first-quarter 2018 metrics for this *Journal* feature, which provides an up-to-date view of C&I and Commercial Real Estate credit quality and trends. Comparing portfolio composition and performance to industry benchmarks is a key aspect of effective credit risk management. The graphs presented on the following pages are based on data reported in the RMA/AFS Risk Analysis Service, global banking's only comprehensive credit risk benchmark. RAS is currently offered in U.S. Commercial and Industrial and U.S. Commercial Real Estate versions. The service is an industry-led credit-data consortium benchmarking key credit risk metrics including risk ratings (PD and LGD), expected loss, delinquencies, nonaccruals, charge-offs, and line utilization rates.

The RMA/AFS Risk Analysis Service includes analytical capabilities for portfolio segmentation and in-depth analysis by line of business, vintage, industry, location, deal size, collateral, and product type. The specialized Commercial Real Estate module includes additional segmentations such as property type, location, value, and debt service coverage.



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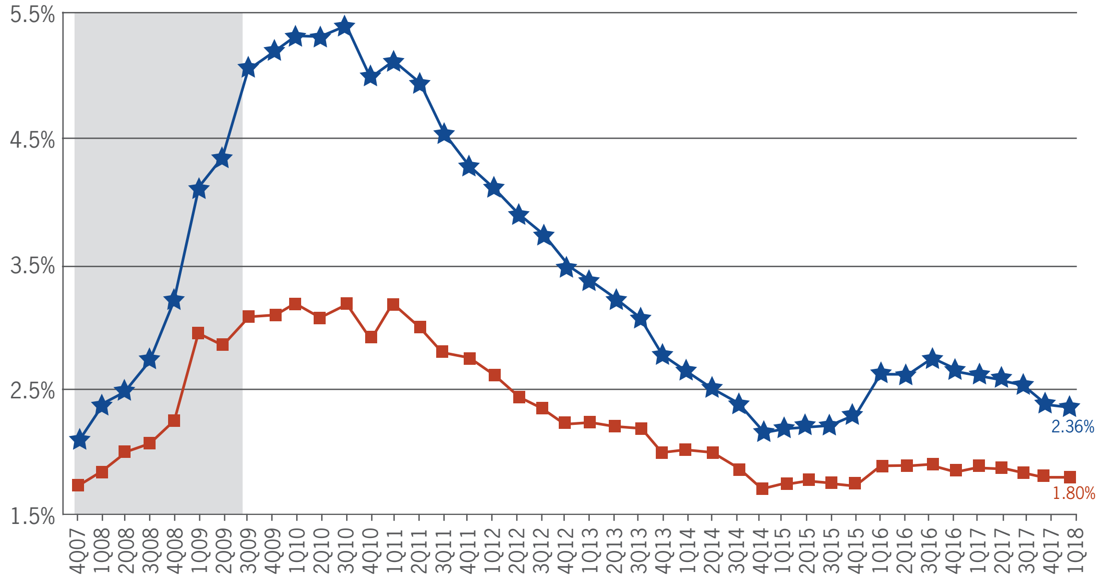
WEIGHTED-AVERAGE PROBABILITY OF DEFAULT TREND

All Loans vs. Nondefaulted Loans

In 1Q18, the non-defaulted weighted-average probability of default for C&I loans was at the lowest level seen in the last 10 years.

Note: Shaded area indicates length of recession.



WAPD - ALL LOANS

ND_WAPD - ACCRUING LOANS ONLY

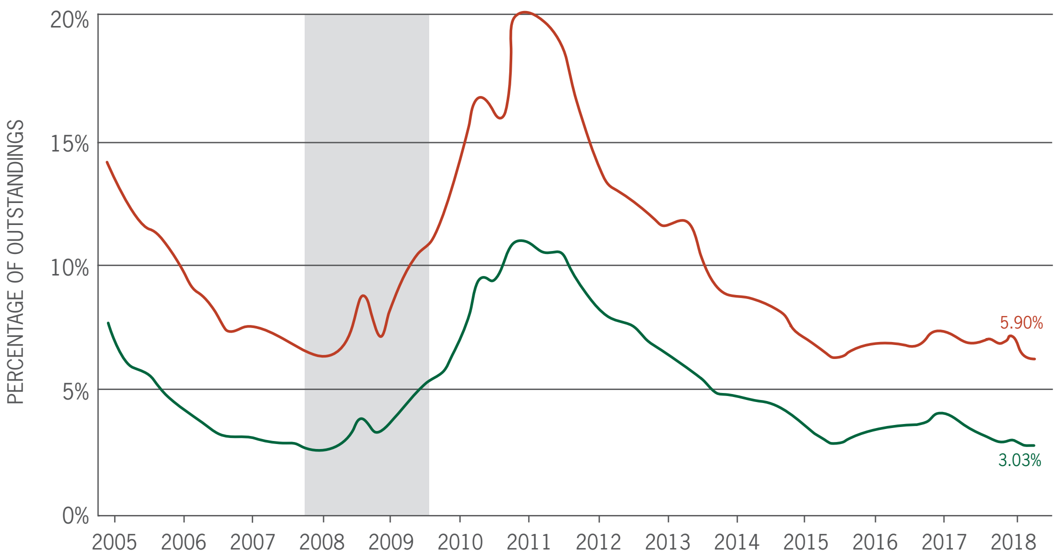
Probability of default (PD) reflects the bank's estimate of the likelihood that the borrower will default on the loan, over a one-year time horizon.

C&I LOAN QUALITY

Percentage of C&I Loans Outstanding

At 5.90%, the ratio of loans risk-rated criticized to total C&I outstandings was at the lowest level seen in the 15-year history of the RAS database.

Notes: Shaded area indicates length of recession. "Classified" represents loan outstanding balances risk-rated Substandard, Doubtful, or Loss. "Criticized" represents "Classified" loans as well as loans risk-rated Special Mention.

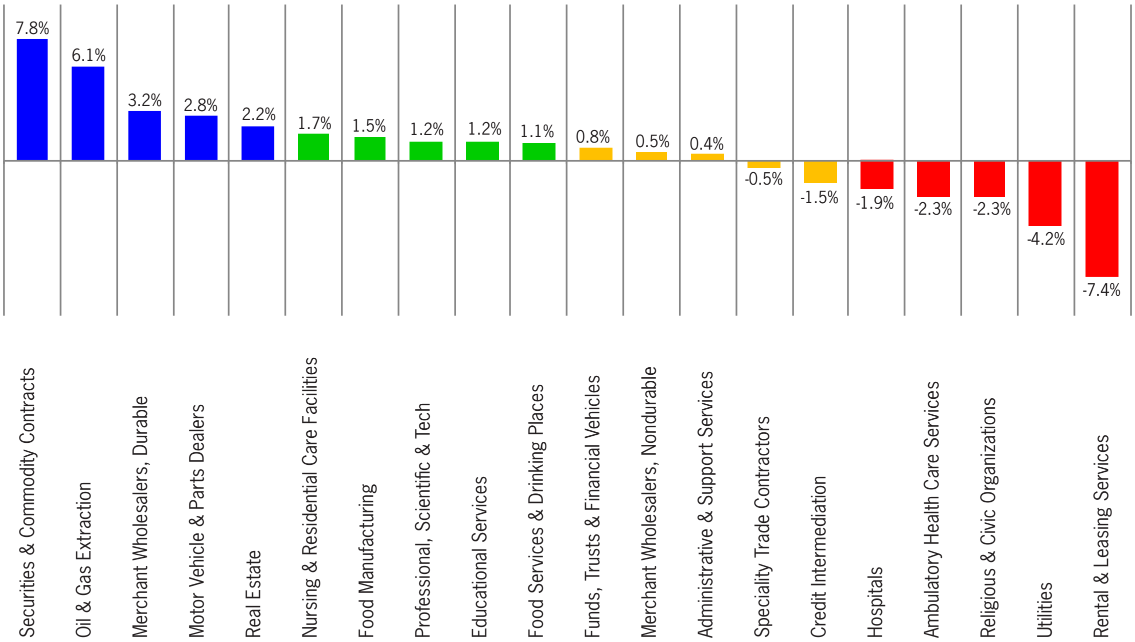


CRITICIZED

CLASSIFIED

TOTAL LOAN GROWTH BY INDUSTRY SUBSECTOR

GROWTH IN OUTSTANDINGS: DECEMBER 2017 TO MARCH 2018
ALL LOAN TYPES

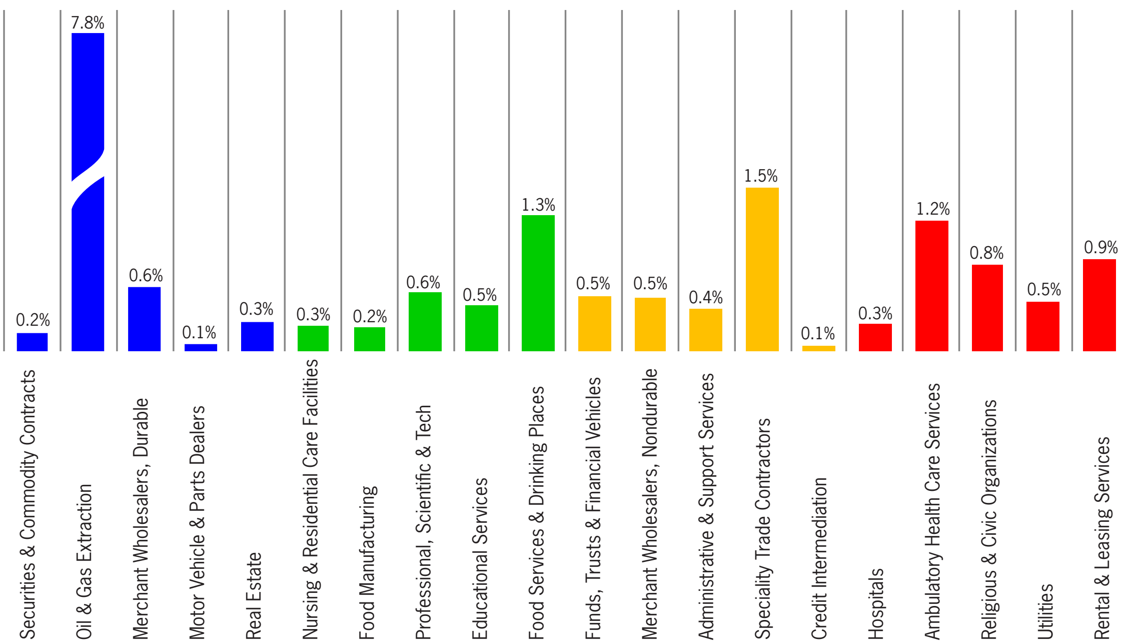


This chart ranks the 20 largest three-digit NAICS industry subsectors in descending order by their 1Q18 quarter-over-quarter C&I loan growth rates. Industries shaded blue represent the top quartile of this group for balance growth. In 1Q18, we observed a rebound in balance growth for the oil & gas extraction subsector (second from the left). Conversely, balances were down this last quarter for hospitals and ambulatory health care services.

Note: The 20 subsectors on this chart represent the largest concentrations of loan outstanding balances in the RAS database.

PERCENT NONACCRUAL BY INDUSTRY SUBSECTOR

PERCENT NONACCRUAL: FIRST QUARTER OF 2018
ALL LOAN TYPES

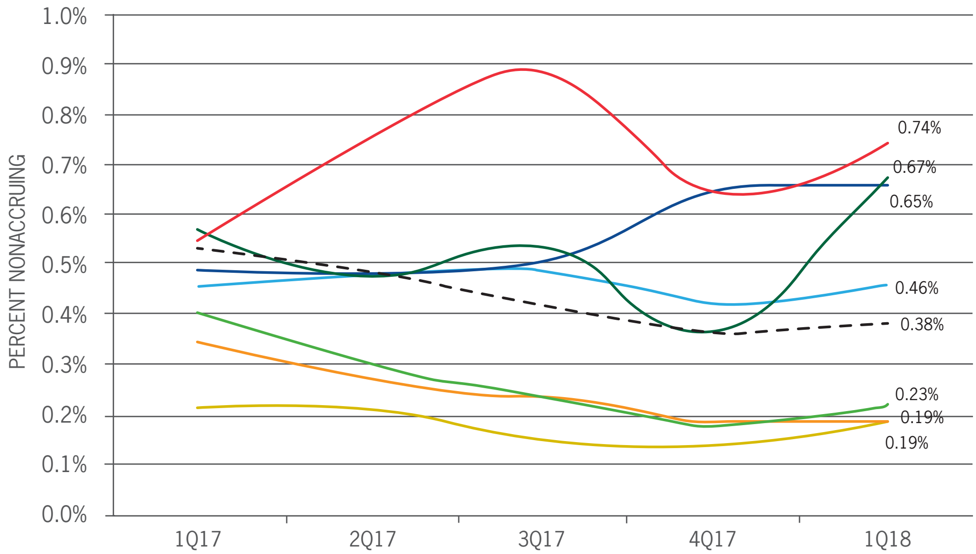


Here, we present the 1Q18 nonaccrual rates for the same industry subsectors listed on the preceding chart, sorted by their respective quarter-over-quarter growth rates from left to right. While oil & gas extraction ranked in the top quartile for balance growth in 1Q18, nonaccrual levels remain elevated in this subsector.

Note: The 20 subsectors on this chart represent the largest concentrations of loan outstanding balances in the RAS database.

CRE: PERCENT NONACCRUAL BY PROPERTY TYPE

For the first time since 2011, the CRE nonaccrual rate increased in 1Q18, rising very slightly to 0.38% from 0.37% in the prior quarter. The nonaccrual rate for the Industrial property type nearly doubled quarter-over-quarter in March. Retail nonaccruals, while higher than most other property types, experienced little change in 1Q18 from the prior quarter.

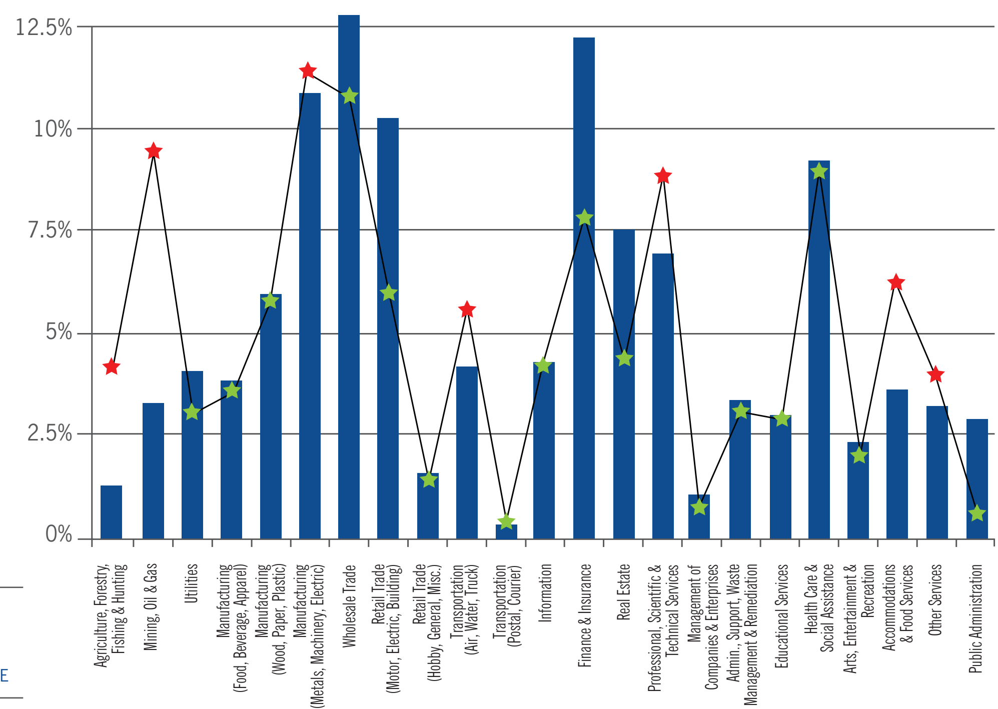


INDUSTRIAL
MULTIFAMILY
OFFICE
RESIDENTIAL
RETAIL
LODGING
HEALTH CARE
ALL PROPERTY TYPES

Note: The property types illustrated on this chart represent the largest segments in terms of total CRE outstanding balances in the RAS database.

EXPECTED LOSS BY INDUSTRIES

The industry makeup of the RAS database is represented by the blue bars. The horizontal line graph represents the expected loss estimates. Thus, for the industries where the line graph is greater than the blue bars, the expected loss for that sector is greater than the relative contribution of the sector in terms of exposure. The industries depicted by the red markers are currently bearing a disproportionate amount of expected losses.



PERCENTAGE OF TOTAL EXPECTED LOSS

PERCENTAGE OF EXPOSURE

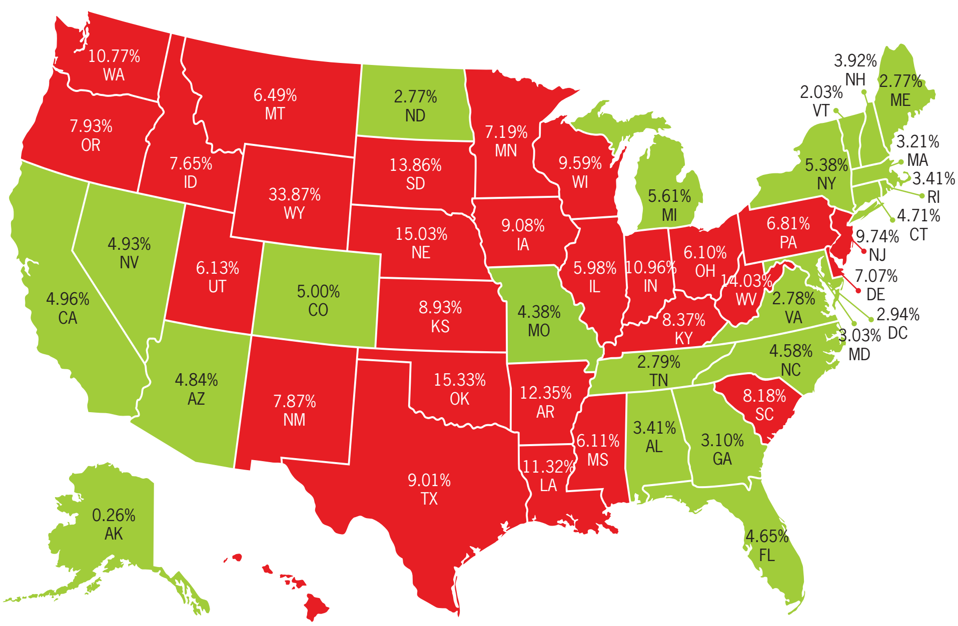
CREDIT QUALITY COMPARISONS BY MARKET SEGMENT

	Commercial & Industrial Loans			Commercial Real Estate
	Business Banking	Middle Market	Large Corporate	
Percentage 30–89 Days Past Due	0.48%	0.28%	0.35%	0.47%
Percentage on Nonaccrual	1.13%	0.86%	0.36%	0.38%
Percentage Noncurrent (90 Days + Nonaccrual)	1.23%	0.91%	0.37%	0.39%
Weighted-Average Risk Rating (10 pt RMA Scale)	4.87	4.32	4.13	4.90
Weighted-Average PD	3.12%	2.26%	1.61%	3.52%
Weighted-Average PD: Nondefaulted Portfolio	2.22%	1.76%	1.33%	3.31%
Percentage Classified	4.32%	2.84%	0.86%	4.29%
Percentage Criticized	7.33%	5.32%	4.11%	6.24%
LOC Utilization Rate	51.35%	39.51%	35.40%	67.63%

Within the Risk Analysis Service, the business banking segment represents loans to companies with annual sales of less than $20 million, the middle market segment represents companies with annual sales of between $20 million and $200 million, and the large corporate segment represents companies with annual sales greater than $200 million. Commercial Real Estate (CRE) loans represent investor CRE, including land acquisition, development, construction, multifamily, nonfarm nonresidential, etc.

PROBLEM C&I LOANS BY STATE

Criticized Loans (%)



All geography-based data in the Risk Analysis Service is based on the ZIP code of the borrower (for C&I loans) or the property (for Commercial Real Estate).

This map illustrates the percentage of C&I loans risk-rated as criticized. Criticized loan levels were down across the majority of states in 1Q18 compared to the same quarter a year ago. For C&I loans, Texas, California, and Pennsylvania led the improvement in criticized loan levels over the last year.

CRITICIZED RATIO, USA = 5.90%

BETTER THAN AVG.

WORSE THAN AVG.