


2ND QUARTER 2015

# CREDIT RISK BENCHMARKS



**WE ARE PLEASED** to provide second-quarter 2015 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 of the service. 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. 

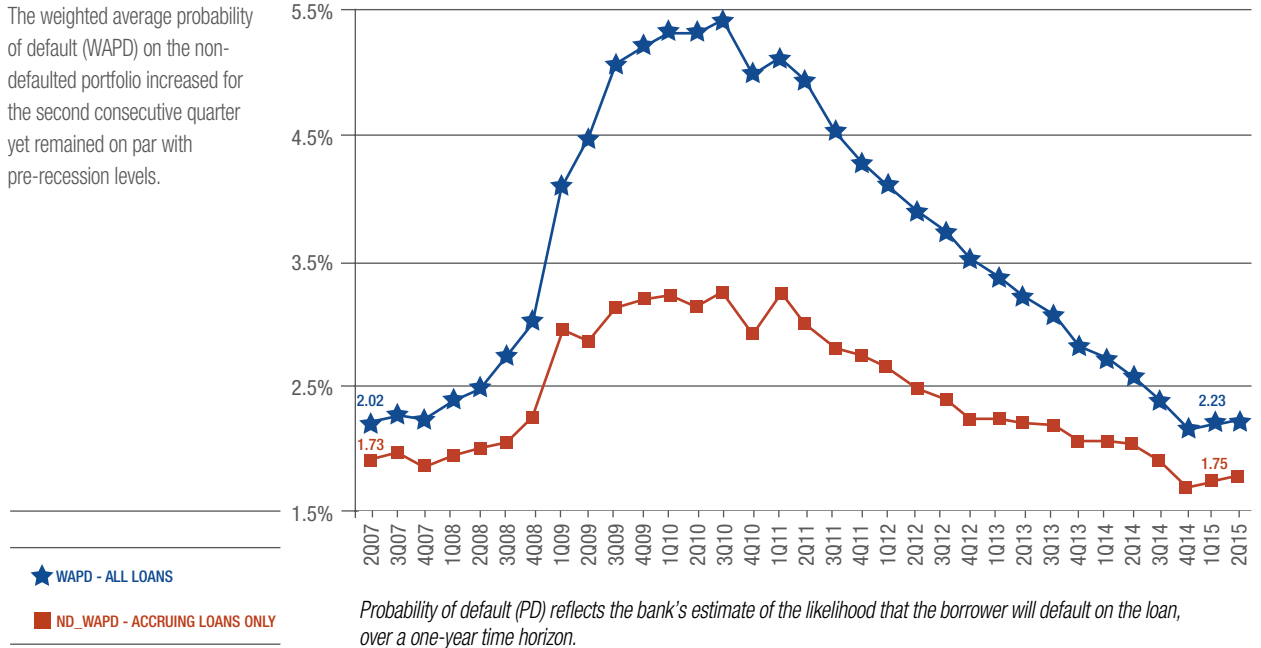


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## WEIGHTED-AVERAGE PROBABILITY OF DEFAULT TREND

### All Loans vs. Nondefaulted Loans

The weighted average probability of default (WAPD) on the non-defaulted portfolio increased for the second consecutive quarter yet remained on par with pre-recession levels.



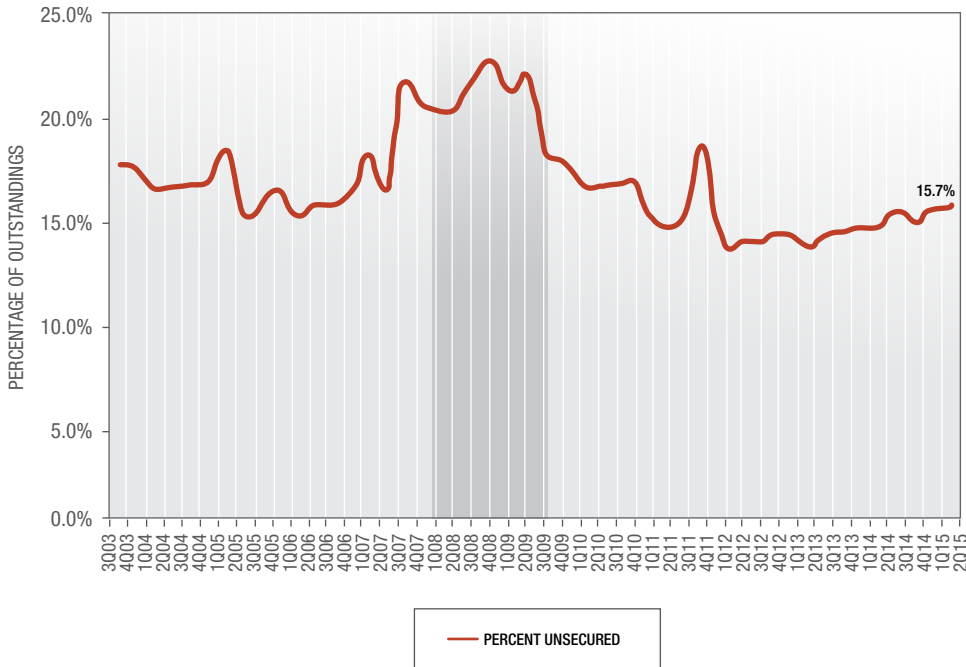
## C&I LOAN QUALITY

### Percentage of C&I Loans Outstanding

Percentages of both criticized and classified C&I loans increased for the second consecutive quarter. Recent increases in criticized loan levels have been predominantly driven by ratings downgrades for mining, oil & gas credits, which have seen problem loan levels triple in the last year.

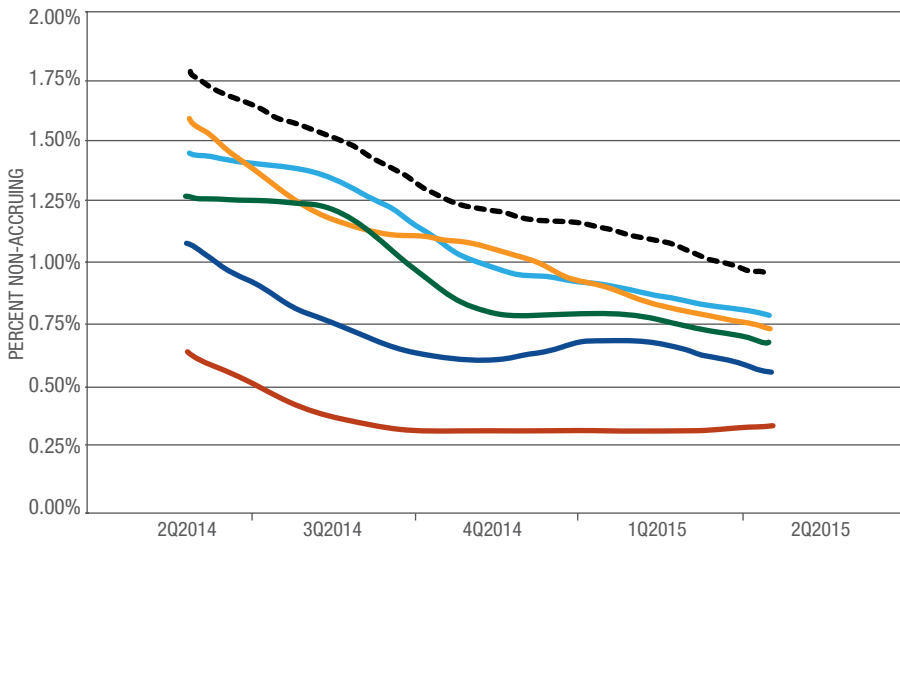


## PERCENTAGE OF UNSECURED LOANS OUTSTANDING



The percentage of unsecured deals to total loans outstanding increased modestly over the last three years. However, the ratio of unsecured deals was beneath the high level seen right before the start of the recession.

## CRE: PERCENT NON-ACCRUAL BY PROPERTY TYPE

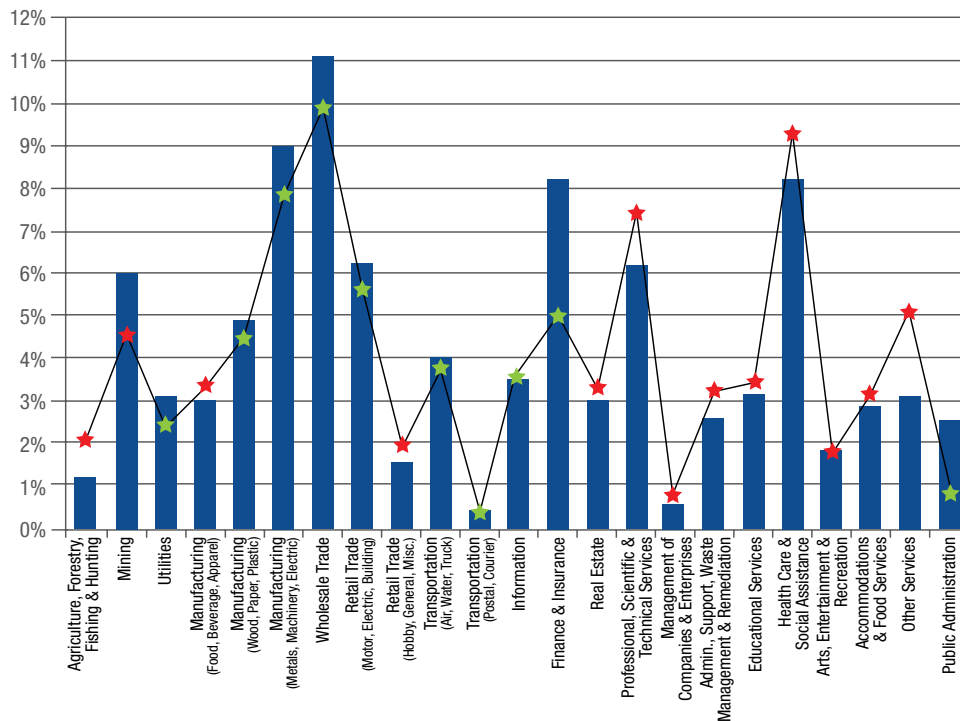


CRE non-accrual levels for most major property types continued to improve in the second quarter of 2015. While Multifamily non-accruals remained flat, the level of non-accruing CRE loans for Industrial, Office, Residential and Retail properties dropped again this quarter and are at all-time lows.

## EXPECTED LOSS BY INDUSTRIES

The industry make-up 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

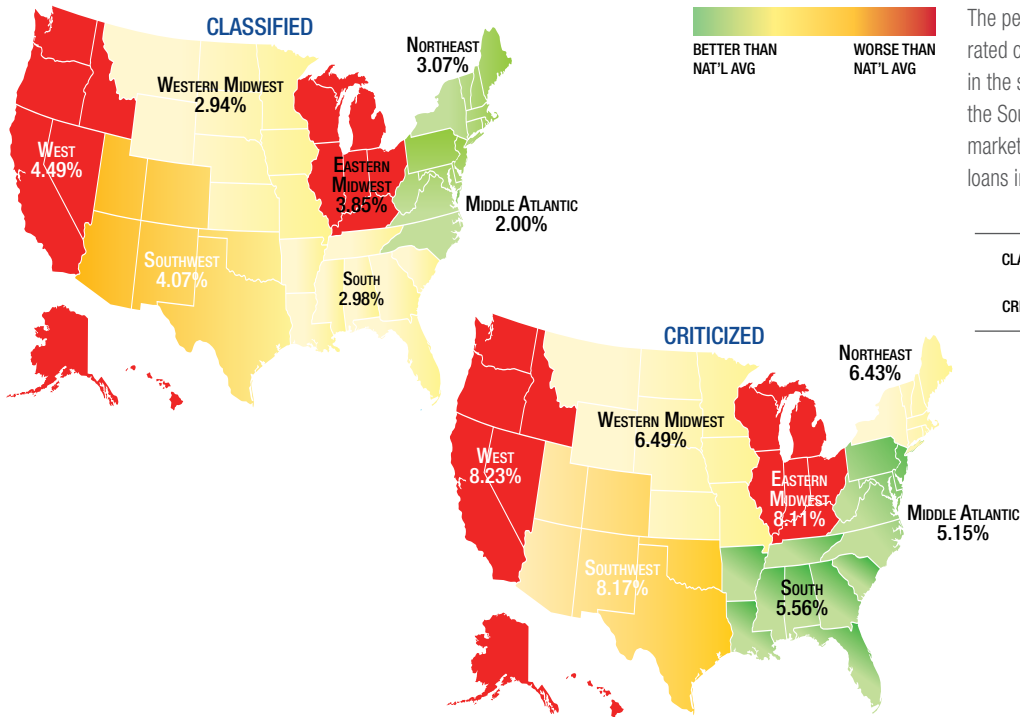


## CREDIT QUALITY COMPARISON BY MARKET SEGMENT

Within the Risk Analysis Service, the business banking segment represents loans to companies with annual sales of less than \$20 million, the middle market 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, and construction, multifamily, nonfarm nonresidential, etc.

	Commercial & Industrial Loans			Commercial Real Estate
	Business Banking	Middle Market	Large Corporate	
Percentage 30–89 Days Past Due	0.41%	0.13%	0.43%	0.54%
Percentage on Nonaccrual	1.07%	0.72%	0.09%	0.95%
Percentage Noncurrent (90 Days + Nonaccrual)	1.20%	0.74%	0.34%	1.00%
Weighted Average Risk Rating (10 pt RMA Scale)	5.16	4.54	4.14	5.16
Weighted Average PD	2.78%	2.29%	1.51%	2.16%
Weighted Average PD: Non-defaulted Portfolio	1.92%	1.81%	1.41%	1.56%
Percentage Classified	5.25%	3.13%	1.24%	8.42%
Percentage Criticized	9.77%	5.95%	4.89%	11.42%
LOC Utilization Rate	54.78%	47.18%	49.38%	63.65%

## PROBLEM C&I LOANS BY GEOGRAPHIC REGION



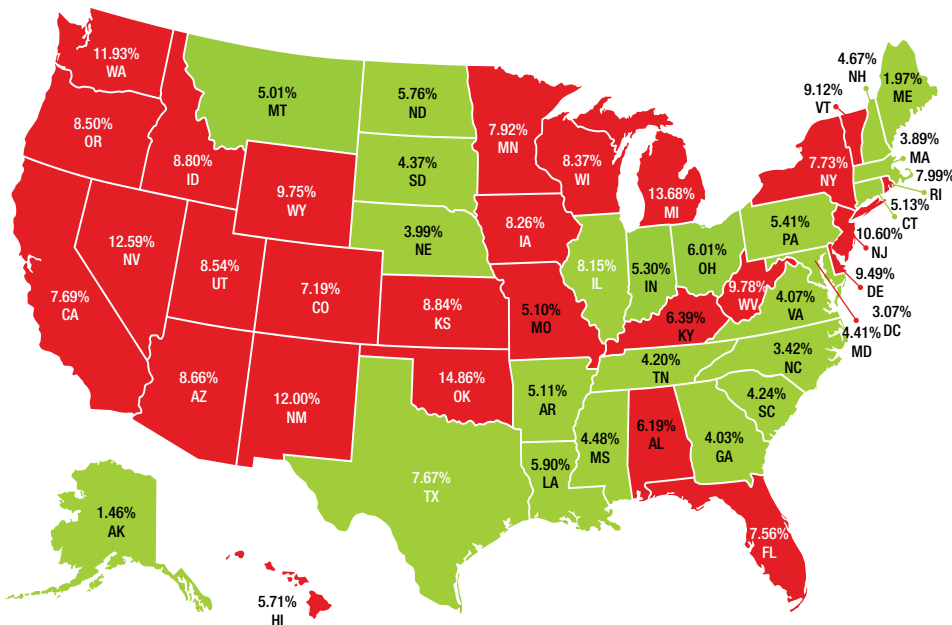
The percentage of loans adversely rated classified or criticized increased in the second quarter of 2015 for the Southwest region, reflecting this market's growing levels of problem loans in the mining, oil & gas sector.

CLASSIFIED RATIO, USA = 3.25%

CRITICIZED RATIO, USA = 6.63%

## PROBLEM C&I LOANS BY STATE

*Criticized Loans (in %)*



Criticized levels deteriorated in the second quarter of 2015 for Texas, with this state now bearing a worse-than-average-criticized ratio. While criticized loan levels are still much higher than average in Michigan, this state posted an improvement quarter over quarter.

CRITICIZED RATIO, USA = 6.63%

■ BETTER THAN AVG

■ WORSE THAN AVG