

June 2018 Highlights	
Loan Growth <ul style="list-style-type: none"> Bilateral loans up +0.4% month over month Participations down -0.4% month over month 	↔
New/Renewed Volume <ul style="list-style-type: none"> Aggregate new/renewed bilateral volume up from prior month Aggregate new/renewed participation volume up from prior month 	↑
Spread Pricing <ul style="list-style-type: none"> Spread pricing down this month for both new and renewed bilateral loans Spread pricing down this month for both new and renewed participations 	↓
Fee Performance <ul style="list-style-type: none"> Upfront fee incidence rates up for new bilateral loans and down for bilateral renewals month over month Upfront fee levels down month over month for both new and renewed bilateral loans. 	↔

Total Commercial Loan Growth Accelerates in 2Q18

Bilateral balances grew in June for the fourth consecutive month, continuing a steady rise in balances during the renewal season. Combined new and renewed bilateral balances increased to the highest level seen since last June. The increase in bilateral balances was seen across most of the states and industries. Spread levels were down slightly in June when compared to last month across all loan types.

- Loan Growth:** Balances for bilateral loans increased in June from the prior month with growth shown in a majority of states primarily in the Finance & Insurance industry and Manufacturing industries. Participation balances declined in June from the prior month driven by a reduction in Finance & Insurance and Mining, Oil, & Gas, **p. 1-3, & 6.**
- New/Renewed Volume:** Volume for both new and renewed bilateral loans increased in June from the prior month with renewal volume being at the highest level seen in the past year. Both new and renewed participation volume continued an upward trend in the second quarter reaching the highest levels seen in the past year. New and renewed CRE bilateral balances increased in June from the prior month and from the same period last year, **p. 4-6.**
- Spread Pricing:** Spread pricing for new and renewed bilateral loans was down in June from the prior month and from levels seen in the last year. Similarly, spread pricing for new and renewed participations was down in June from the prior month and from the same period last year, **p. 4-6, & 8.**
- Fee Performance:** Average Upfront fee incidence rates for new loans ticked up slightly in June from the prior month while Upfront fee incidence rates for renewed loans trended down over the same period. Upfront fee levels for both new and renewed loans decreased in June when compared to the prior month, **p. 7.**

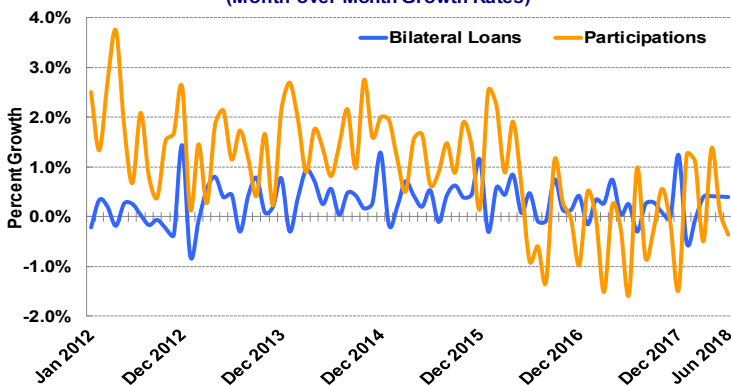
John H. Shain
President

Automated Financial Systems, Inc.

This newsletter presents monthly reporting on Commercial loan characteristics. The information is derived from the AFS Pricing Dashboard, which contains approximately \$1 trillion in Commercial banking commitments. Note: The charts below reflect total loan outstandings for participating banks.

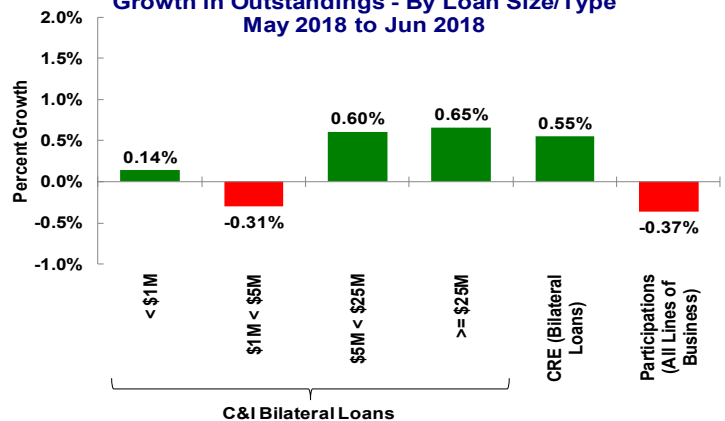
Loan Growth

Growth in Outstandings - Monthly Trend
(Month-over-Month Growth Rates)



- M/M Growth:** +0.4% Bilateral, -0.4% Participations
- Historical Perspective:** Balances for both bilateral loans and participations were up in 2Q18, with larger increases than seen in the same quarter a year ago.

Growth in Outstandings - By Loan Size/Type
May 2018 to Jun 2018

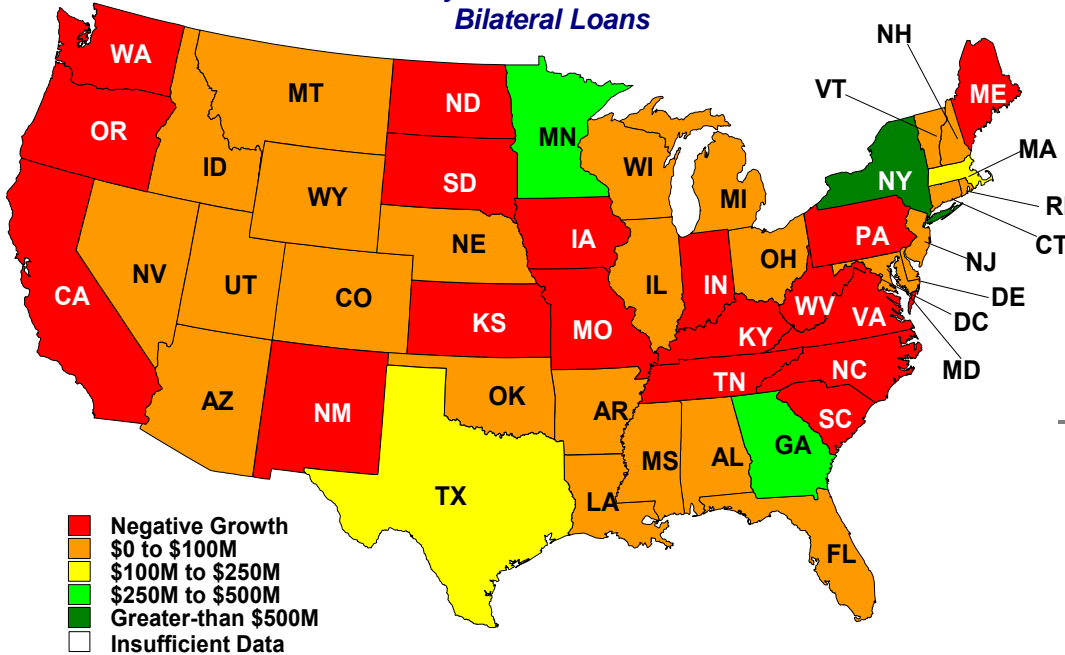


- M/M Growth:** In June, bilateral balances in the <\$1M loan size range increased for the first time in over a year. On a month-to-month basis, only the \$1M<\$5M range displayed a decline in bilateral loan balances in June.



Loan Growth Dynamics – May 2018 vs. Jun 2018 – Bilateral Loans

Growth in Outstandings May 2018 vs. Jun 2018 Bilateral Loans



June's increase in bilateral balances was broad-based, with more than half of the states displaying increases from the prior month.

- Consistent with the May results, **New York** (+1.2%) led the market in June for bilateral loan growth.
- Washington** (-1.7%) reported the sharpest drop in bilateral balances this month, with the decline driven predominantly by CRE loans.

\$ Change in Outstandings

Top 5 States

1. New York
2. Georgia
3. Minnesota
4. Texas
5. Massachusetts

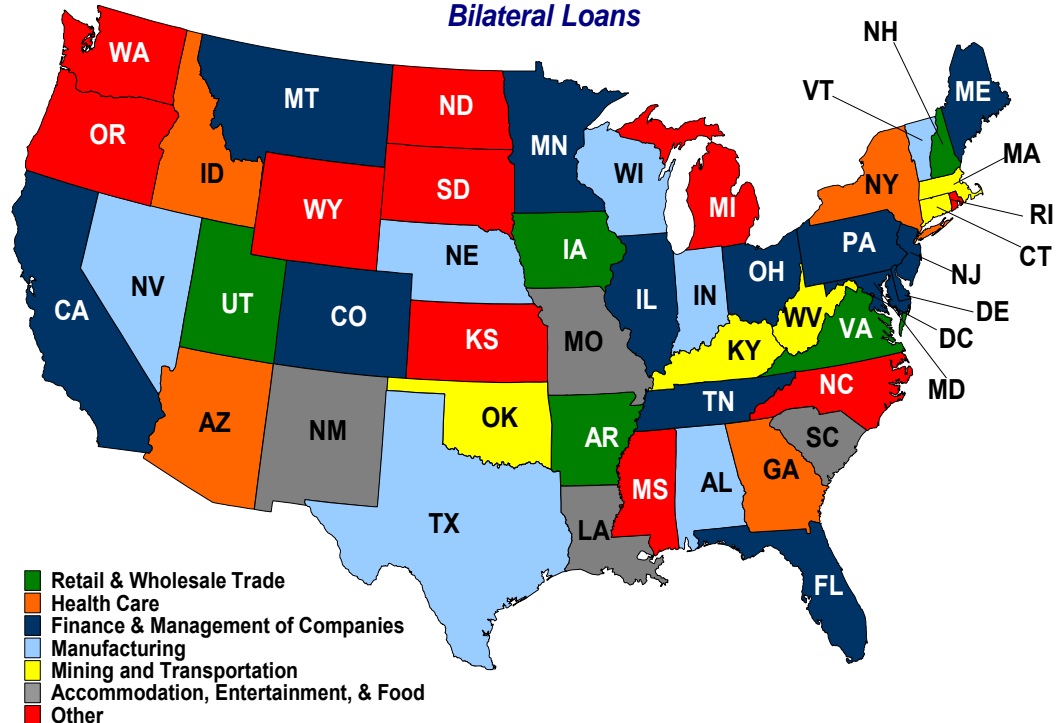
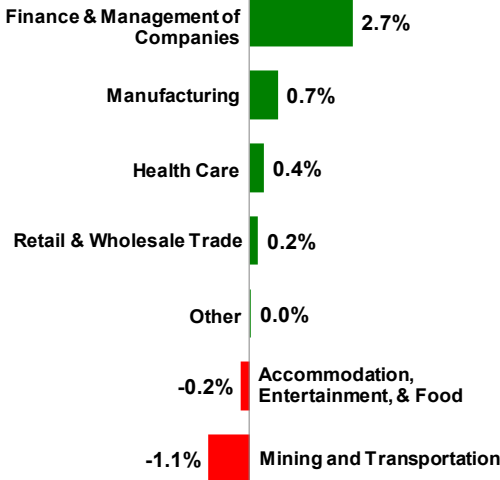
Bottom 5 States

1. Washington
2. Oregon
3. North Carolina
4. South Carolina
5. Pennsylvania

- Continuing the trend seen last month, the **Finance & Management** sector led bilateral balance growth in June.
- New York and Georgia, June's top states for bilateral loans, both reported **Health Care** as their leading industry for bilateral balance growth.

Growth in Outstandings - Predominant C&I Industries* May 2018 vs. Jun 2018 Bilateral Loans

Growth in Outstandings* - By Industry Bilateral Loans



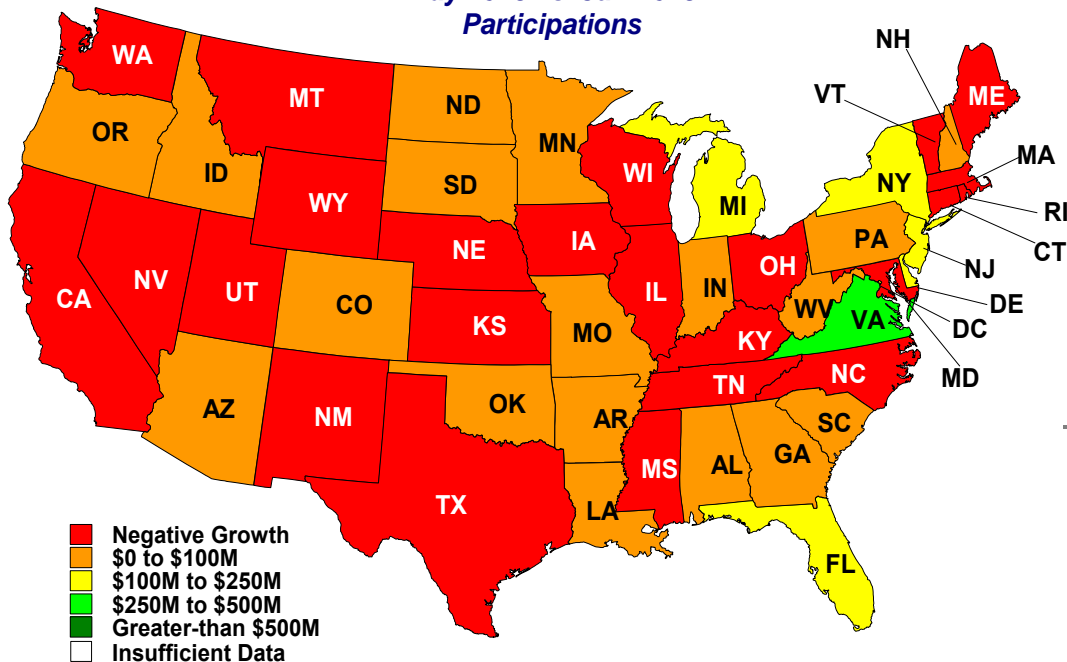
*Based on grouping of similar 2-digit NAICS codes.

"Other" includes Agriculture, Utilities, Information, Professional Services, Educational Services, Admin & Waste Mgmt, Public Administration, and Other Services.

* Growth in outstandings in Jun 2018 from May 2018
Excludes CRE Loans

Loan Growth Dynamics – May 2018 vs. Jun 2018 – Participations

Growth in Outstandings May 2018 vs. Jun 2018 Participations



Participation balances were down in June from the prior month across half of the states.

- In June, **Virginia** (+9.5%) ranked as the top state for participation balance growth.
- June's decline in participations was concentrated heavily in **California** (-2.5%) and **Texas** (-1.6%), with both states reporting decreases in the Finance & Insurance sector.

\$ Change in Outstandings

Top 5 States

1. Virginia
2. New Jersey
3. New York
4. Florida
5. Delaware

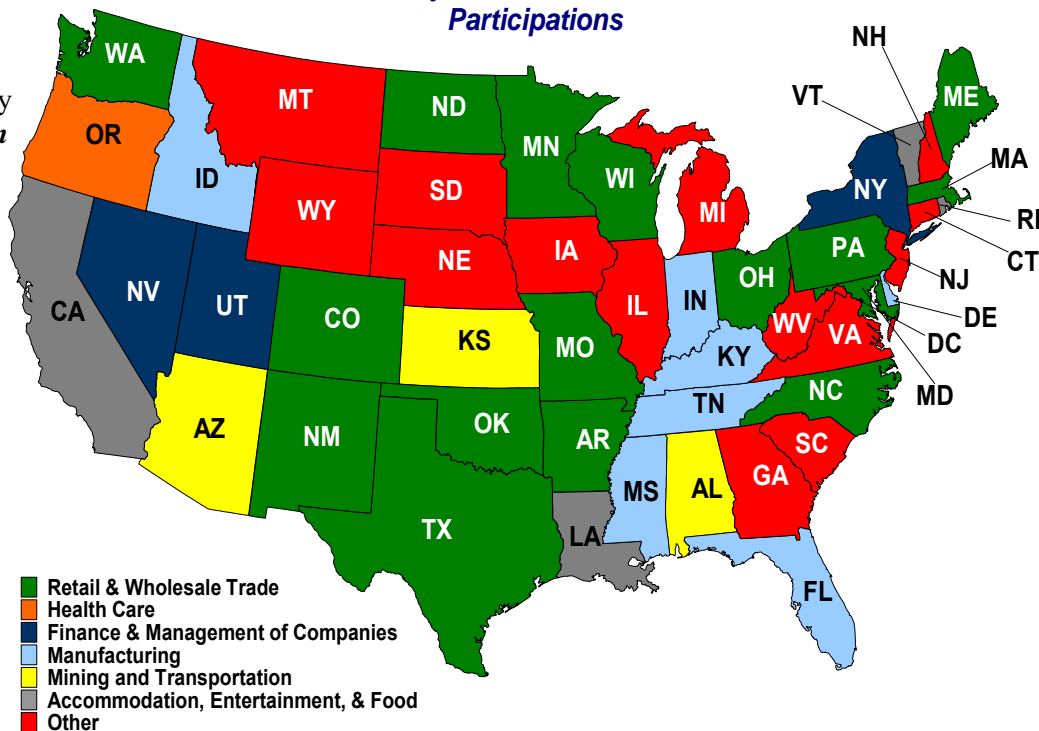
Bottom 5 States

1. California
2. Texas
3. Connecticut
4. Massachusetts
5. Ohio

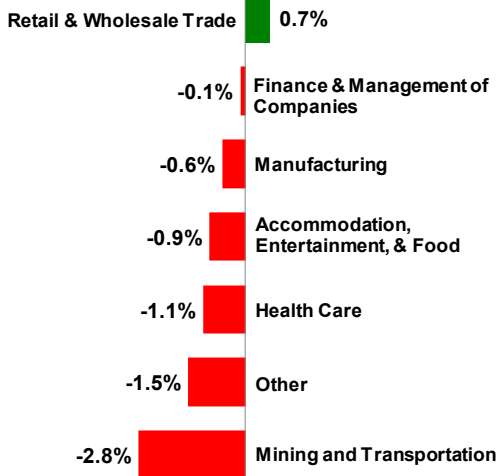
- In June, **Retail & Wholesale Trade** was the only major industry grouping to display an increase in participations. This same industry led participation balance growth in 16 states this month.

- Participation balances were down sharply in June for the **Mining & Transportation** sector, a reversal of last month's trend.

Growth in Outstandings - Predominant C&I Industries* May 2018 vs. Jun 2018 Participations



Growth in Outstandings* - By Industry Participations



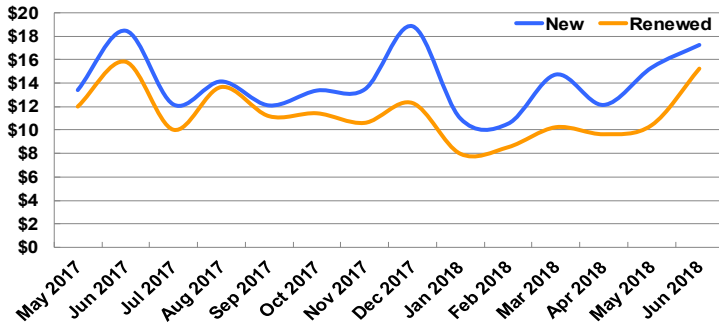
* Growth in outstandings in Jun 2018 from May 2018
Excludes CRE Loans

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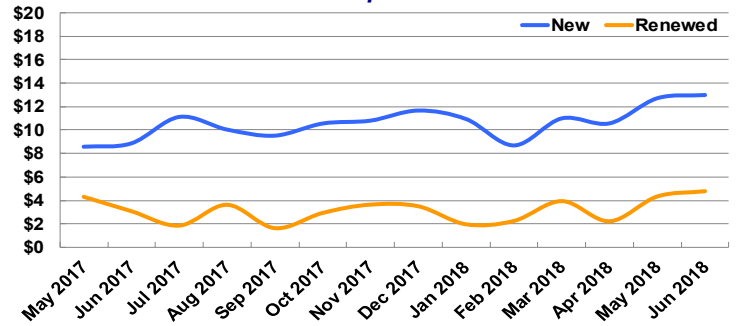
Portfolio Mix – New and Renewed Loans

New and Renewed Loans Trend (\$ Billions)
Bilateral Loans



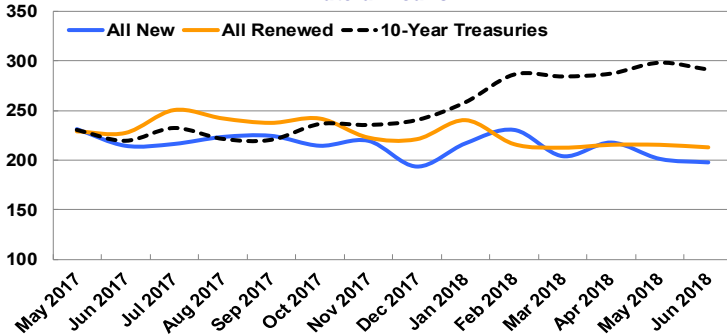
- Volume for both new and renewed bilateral loans increased in June from the prior month.
- Aggregate new/renewed bilateral volume in June was at the highest level seen over the last twelve months.

New and Renewed Loans Trend (\$ Billions)
Participations



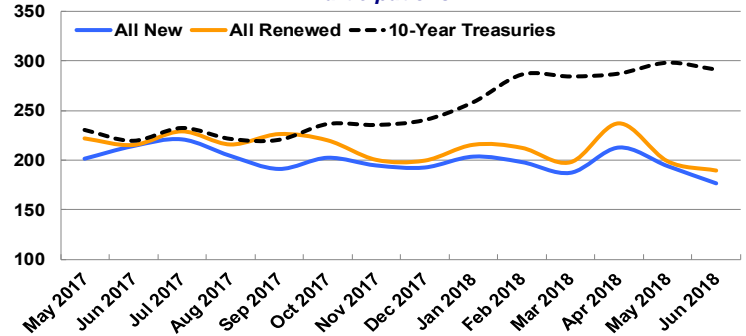
- New participation volume continued to rise in June, reaching the highest level seen over the last year.
- Similar to the trend for new loans, renewed participation volume in June was at the highest level seen over the last year.

LIBOR-Equivalent Spread (in BPS) Trend
Bilateral Loans



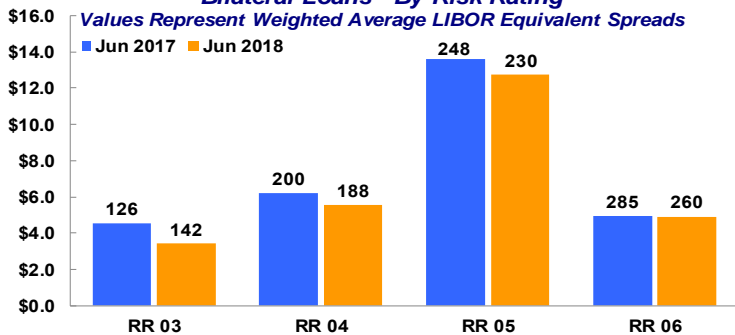
- Spread pricing for new and renewed bilateral loans declined slightly in June from the prior month.
- On a year-over-year basis, average spreads for both new and renewed bilateral loans were down in June.

LIBOR-Equivalent Spread (in BPS) Trend
Participations



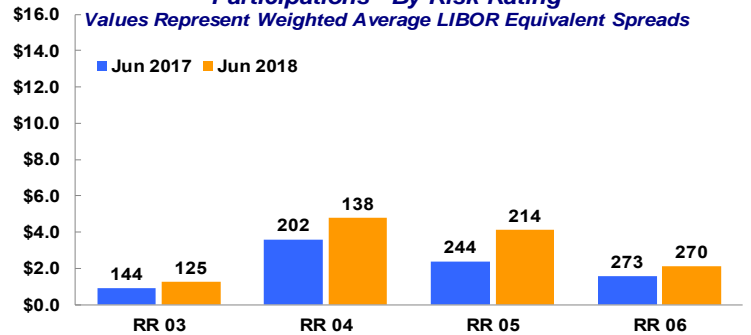
- Spread pricing for new participations continued to fall in June, reaching the lowest level seen over the last year.
- Similarly, the average spread for renewed participations declined in June to the lowest level seen in over a year.

Year-over-Year New & Renewed Volume (\$ Billions)
Bilateral Loans - By Risk Rating



- June's risk distribution of new/renewed bilateral volume was comparable to that seen in the same month a year earlier.
- Spread pricing for new/renewed bilateral loans declined over the last year across every risk rating except the 03 segment.

Year-over-Year New & Renewed Volume (\$ Billions)
Participations - By Risk Rating

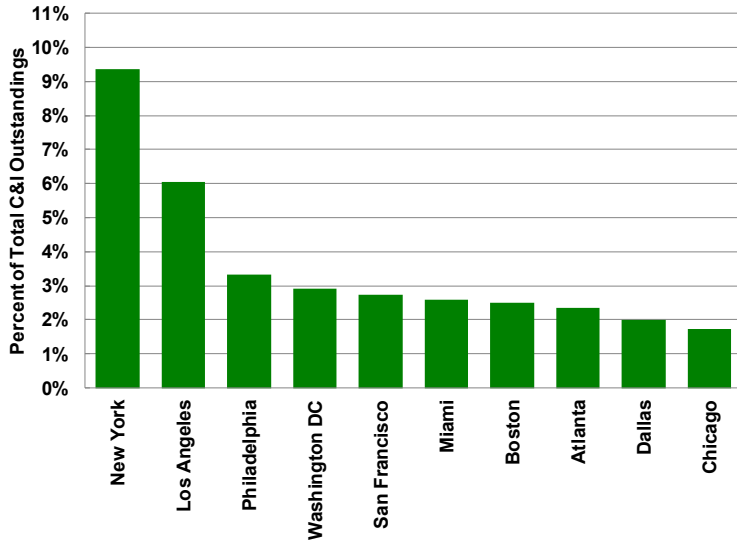


- New/renewed participation volume was up year over year in June across every risk rating category.
- For participations, spread pricing for new/renewed loans was down in June from a year ago across every risk rating.

Risk ratings based on the RMA 10-point obligor risk rating scale.

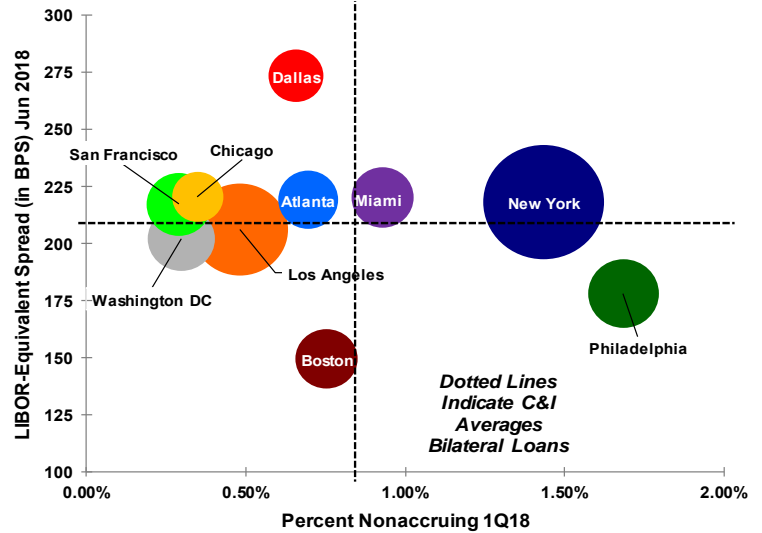
Risk-Return Dynamics by Geography – Bilateral Loans

**Outstandings by Geography - C&I Bilateral Loans
Top 10 Core Based Statistical Areas (CBSAs)
Jun 2018**



- The charts on this page highlight the risk and return fundamentals of the ten largest core-based statistical areas (CBSA) based on total outstandings for C&I bilateral loans.
- In June, **New York** was the largest regional market in terms of C&I bilateral loan outstanding balances.

**Risk/Return Geographic Profiles
Top 10 Core Based Statistical Areas (CBSAs)
Bilateral Loans**



Size of Bubble = Outstanding Balance Jun 2018

- For bilateral loans, **Dallas** displayed a better-than-average nonaccrual rate and the highest weighted average LIBOR-equivalent spread seen across the top ten CBSAs.
- Of the regional markets highlighted, **Philadelphia** reported the highest nonaccrual rate for bilateral loans.

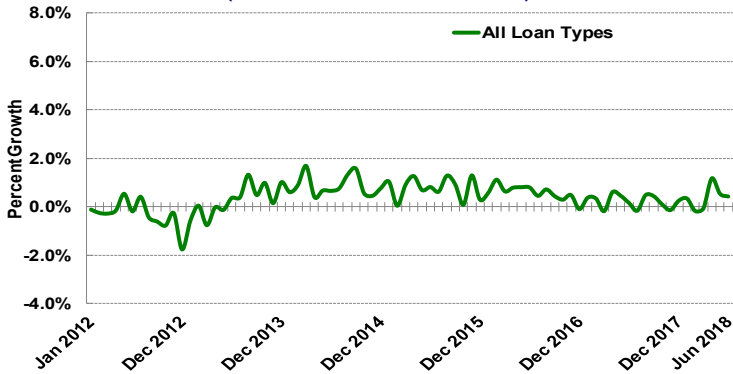
Core Based Statistical Area (CBSA)	LIBOR-Equivalent Spread (in BPS)			Percent Nonaccrual		
	Total Portfolio Dec. 2017	New/Renewed 6-M Avg. Jan. 2018 to Jun. 2018	Diff	3Q17	1Q18	6-Mth Change
C&I Average (Bilateral Loans)	215	212	▼	0.93%	0.84%	▼
New York	223	220	▼	1.00%	1.43%	▲
Los Angeles	203	219	▲	0.49%	0.48%	▼
Philadelphia	195	182	▼	1.46%	1.69%	▲
Washington DC	212	185	▼	0.98%	0.30%	▼
San Francisco	226	225	▼	0.46%	0.29%	▼
Miami	227	216	▼	0.84%	0.93%	▲
Boston	176	221	▲	0.56%	0.75%	▲
Atlanta	223	184	▼	0.39%	0.69%	▲
Dallas	295	251	▼	0.88%	0.66%	▼
Chicago	231	202	▼	0.90%	0.35%	▼

- Spread pricing for new/renewed C&I bilateral loans over the last six months was slightly beneath the total portfolio spread. From a credit risk perspective, nonaccrual levels improved over the two most recent quarters.
- As shown in the table above, **Los Angeles** was the only regional market to report higher new/renewed loan pricing versus the total portfolio spread as well as an improvement in nonaccrual levels.

Note: Nonaccrual data on this page sourced from the RMA/AFS Risk Analysis Service.

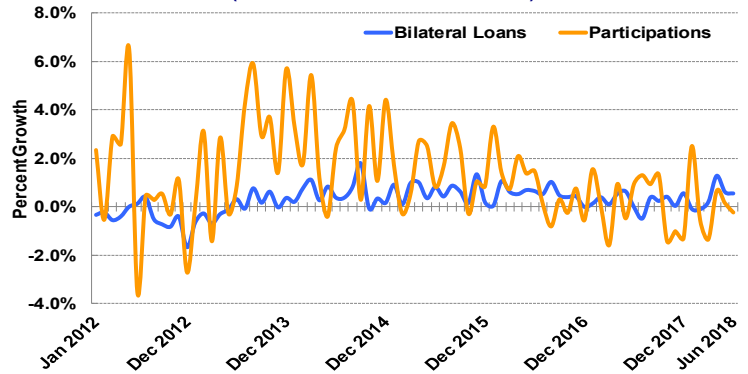
Commercial Real Estate (CRE) – Growth and Pricing Dynamics

Growth in Outstandings - Monthly Trend - CRE
(Month-over-Month Growth Rates)



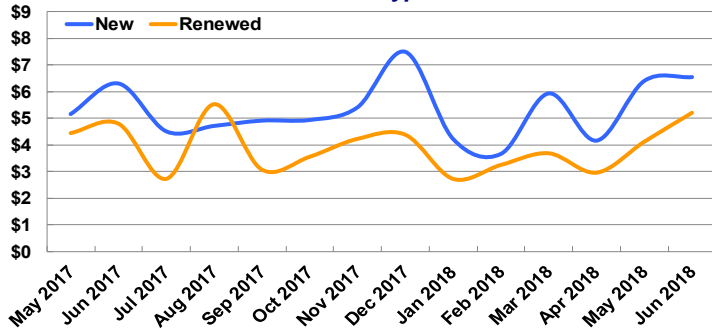
- Total CRE balances increased +0.4% month over month in June, a comparable growth rate to that reported in May.
- June's increase in total CRE balances was larger in rate compared to that seen in June of the prior year (+0.1%).

Growth in Outstandings - Monthly Trend - CRE
(Month-over-Month Growth Rates)



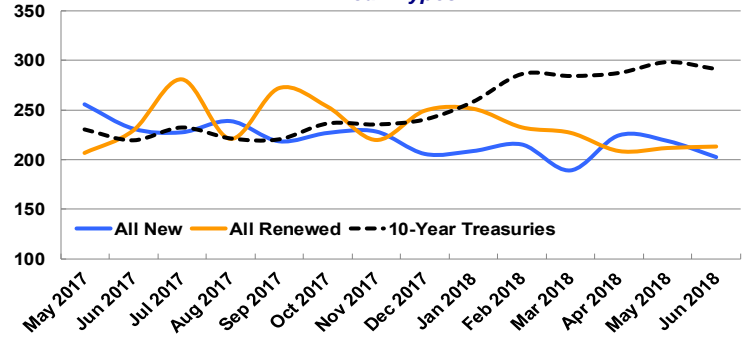
- CRE bilateral loan balances continued to grow in June, rising +0.5% from the prior month.
- Following two consecutive months of increase, CRE participation balances declined -0.2% in June.

New and Renewed CRE Loans Trend (\$ Billions)
All Loan Types



- New CRE volume varied little in June from the prior month and was comparable to the levels seen a year ago.
- Renewed CRE volume increased sharply in June, rising above the level seen in the same month a year earlier.

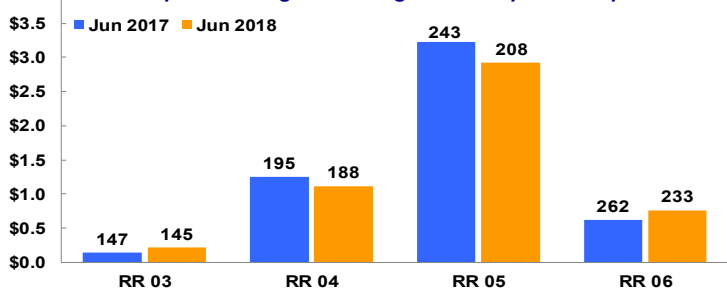
LIBOR-Equivalent Spread (in BPS) Trend - CRE
All Loan Types



- The average spread for new CRE loans fell for the second consecutive month, falling beneath the prior year's level.
- Spread pricing for CRE renewals was flat in June versus last month and was down relative to June of the prior year.

Year-over-Year New Volume (\$ Billions) - CRE
All Loan Types - By Risk Rating

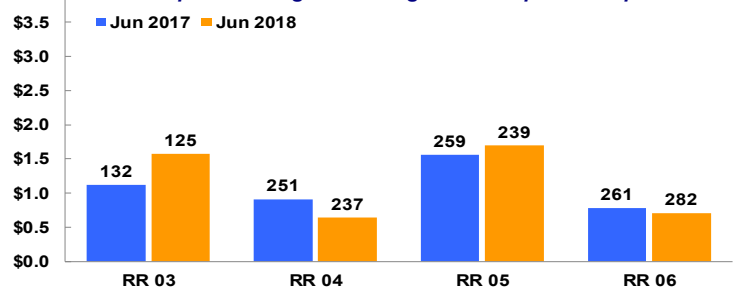
Values Represent Weighted Average LIBOR Equivalent Spreads



- New CRE volume was up in June from a year ago for loans with a 06 (low pass) risk grade.
- Pricing for new CRE loans declined in June from a year ago across every risk rating, especially for the 05 and 06 segments.

Year-over-Year Renewed Volume (\$ Billions) - CRE
All Loan Types - By Risk Rating

Values Represent Weighted Average LIBOR Equivalent Spreads

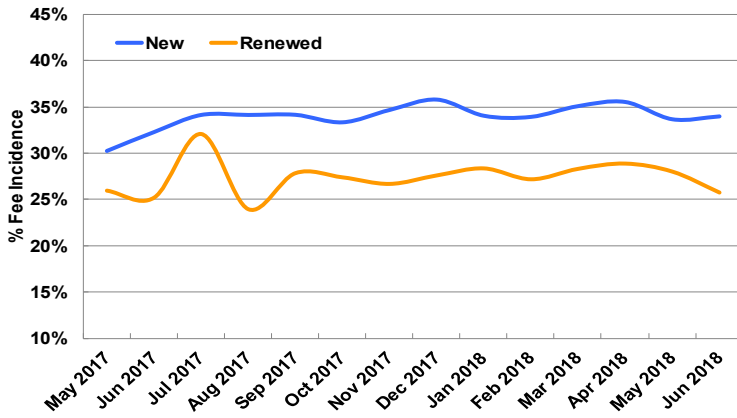


- June's year-over-year increase in CRE renewal volume was heavily focused in the 03 risk rating segment.
- Average spreads for CRE renewals were down year over year in June across every risk rating except the 06 segment.

Risk ratings based on the RMA 10-point obligor risk rating scale.

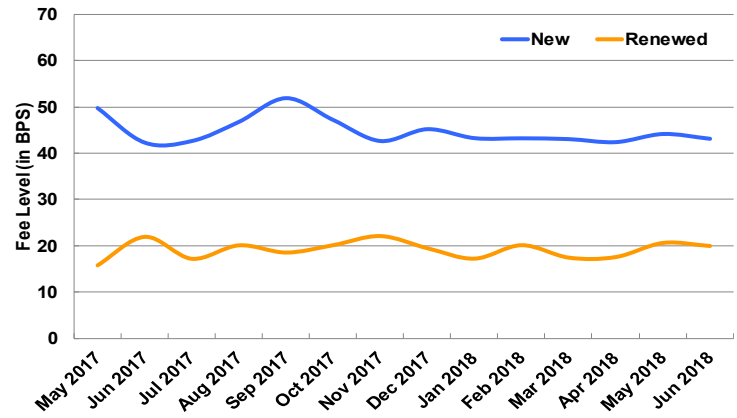
Upfront Fee Performance – Bilateral Loans

**Upfront Fee Incidence Trend
New and Renewed Bilateral Loans**



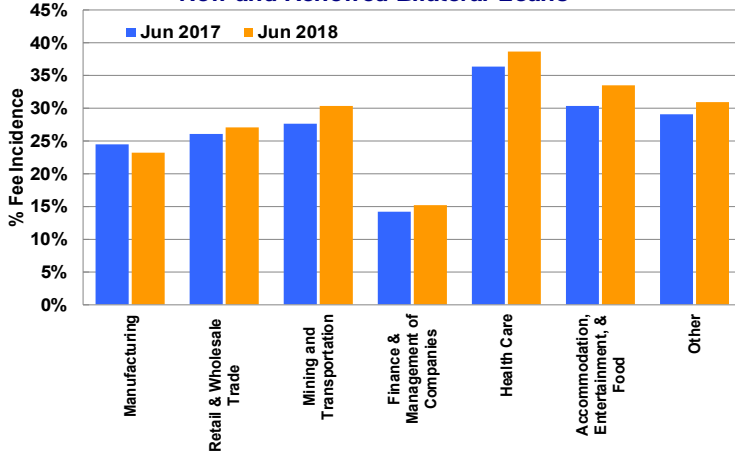
- From May to June, Upfront fee incidence increased slightly for new bilateral loans and declined for bilateral renewals.
- Upfront fee incidence rates were up in June when compared to the same month a year earlier for both new bilateral loans and bilateral renewals.

**Upfront Fee Level (in BPS) Trend
New and Renewed Bilateral Loans**



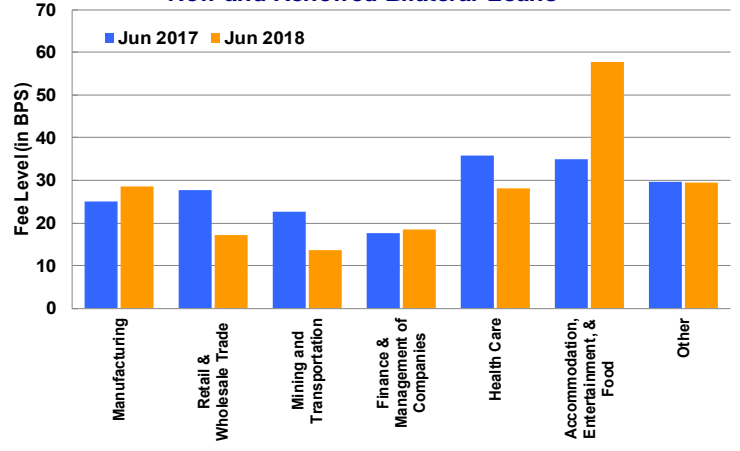
- Upfront fee levels for both new and renewed bilateral loans declined slightly in June from the prior month.
- On a year-over-year basis, Upfront fee level was up slightly in June for new bilateral loans and down for bilateral renewals.

**Upfront Fee Incidence by Industry*
New and Renewed Bilateral Loans**



- Upfront fee incidence rates were up in June from a year ago for every industry grouping except **Manufacturing**.
- For Upfront fee incidence, **Health Care** ranked highest in June while **Finance & Management** ranked lowest.

**Upfront Fee Level (in BPS) by Industry*
New and Renewed Bilateral Loans**



- The Upfront fee level for **Accommodation, Entertainment, & Food** was up significantly in June from a year ago.
- In June, **Mining & Transportation** displayed the lowest Upfront fee level seen across the major industry groupings.

*Based on grouping of similar 2-digit NAICS codes. "Other" includes Agriculture, Utilities, Information, Professional Services, Educational Services, Admin & Waste Mgmt, Public Administration, and Other Services.

Footnotes

- The LIBOR-equivalent spread for Prime- and LIBOR-based loans is calculated by subtracting the one-month LIBOR rate (as of the last business day of the month) from the actual interest rate.
- The LIBOR-equivalent spread for fixed-rate loans is calculated by subtracting the Federal Reserve swap rate in effect on the day that the loan was originated or renewed from the actual interest rate.
- A bilateral loan is a one bank, one borrower lending relationship. A participation is a borrower lending relationship involving more than one bank.
- Geographic data refers to the location of the borrower, not necessarily the bank booking the loan.
- CRE loans are investor real estate loans for the purpose of construction, land development, and other land loans; multifamily residential properties; and loans secured by other nonfarm nonresidential properties. Owner occupied is not included.
- Risk Ratings based on the RMA 10-point obligor risk rating scale. This scale contains 6 "Pass" gradations, and the standard regulatory classification gradations of Special Mention, Substandard, Doubtful, and Loss (grades 7-10, respectively).
- New/renewed trends exclude loans risk rated Substandard, Doubtful, and Loss (grades 8-10, respectively).
- Upfront Fee Incidence represents the number of obligations with Upfront fees as a percentage of all obligations.
- Upfront Fee Level (in BPS) represents the amount of Upfront fees assessed as a percentage of the original/last renewed amount for only those deals with Upfront fees.

Rates by Loan Size: New – Bilateral Loans

	Loan Size < \$1M			Loan Size \$1M < \$5M			Loan Size \$5M < \$25M			Loan Size >= \$25M		
	Jun 2017	May 2018	Jun 2018	Jun 2017	May 2018	Jun 2018	Jun 2017	May 2018	Jun 2018	Jun 2017	May 2018	Jun 2018
FIXED-RATE LOANS												
Interest Rate	4.34	4.92	4.95	4.10	4.46	4.64	3.72	4.48	4.11	2.79	N/A	N/A
LIBOR-Equivalent Spread	2.44	2.01	2.06	2.12	1.57	1.75	1.83	1.60	1.29	0.84	N/A	N/A
WARR	4.8	4.9	4.9	4.7	4.7	4.8	4.3	4.6	4.4	3.2	N/A	N/A
LIBOR-RATE LOANS												
Interest Rate	3.46	4.34	4.42	3.34	4.19	4.21	3.23	4.16	4.17	3.11	3.69	3.61
LIBOR-Equivalent Spread	2.24	2.34	2.33	2.11	2.19	2.12	2.01	2.16	2.08	1.88	1.69	1.52
WARR	4.4	4.7	4.7	4.5	4.8	4.8	4.6	4.8	4.8	4.4	4.3	4.2
PRIME-RATE LOANS												
Interest Rate	5.06	5.41	5.76	4.79	5.07	5.19	4.45	4.64	4.72	3.83	4.48	4.57
LIBOR-Equivalent Spread	3.83	3.41	3.66	3.57	3.07	3.10	3.23	2.64	2.63	2.61	2.48	2.48
WARR	5.1	5.2	5.1	5.0	5.1	5.1	5.0	4.7	4.9	4.9	5.1	4.9

Rates by Loan Size: Renewed – Bilateral Loans

	Loan Size < \$1M			Loan Size \$1M < \$5M			Loan Size \$5M < \$25M			Loan Size >= \$25M		
	Jun 2017	May 2018	Jun 2018	Jun 2017	May 2018	Jun 2018	Jun 2017	May 2018	Jun 2018	Jun 2017	May 2018	Jun 2018
FIXED-RATE LOANS												
Interest Rate	4.59	5.08	5.17	4.15	4.58	4.95	3.21	4.15	3.85	N/A	N/A	N/A
LIBOR-Equivalent Spread	2.86	2.24	2.37	2.43	1.78	2.14	1.50	1.50	1.13	N/A	N/A	N/A
WARR	5.1	5.0	5.0	5.0	4.9	4.9	4.9	4.6	3.9	N/A	N/A	N/A
LIBOR-RATE LOANS												
Interest Rate	3.94	4.52	4.79	3.63	4.32	4.47	3.30	4.12	4.20	2.95	3.61	3.69
LIBOR-Equivalent Spread	2.71	2.52	2.70	2.41	2.32	2.38	2.08	2.12	2.11	1.72	1.61	1.60
WARR	4.9	4.9	4.9	4.8	4.9	5.0	4.8	4.9	5.0	4.2	4.6	4.1
PRIME-RATE LOANS												
Interest Rate	5.07	5.48	5.70	4.54	5.01	5.35	4.41	5.02	5.07	4.11	4.72	4.75
LIBOR-Equivalent Spread	3.85	3.48	3.61	3.31	3.01	3.26	3.18	3.02	2.98	2.89	2.72	2.66
WARR	5.1	4.9	5.0	5.0	5.1	5.1	4.9	4.9	4.4	2.7	2.5	3.5

Weighted Average Risk Rating (WARR) based on the RMA 10-point obligor risk rating scale.

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