

CEIS REVIEW INC.
Commercial Portfolio Advisors EST 1989

LOAN QUALITY UPDATE 2Q23

CEIS Review evaluates and assesses commercial loan portfolios to assist Senior Management and The Board in objectively assessing the Credit Risk Quality and Administration of their Institutions' portfolios.



Loan Quality – Metrics (a)

The following presents the trendline on criticized (Special Mention, Substandard, Doubtful) and classified (Substandard, Doubtful) loans relative to portfolio and Tier I Capital + LLR.



Source: CEIS Data for All Banks

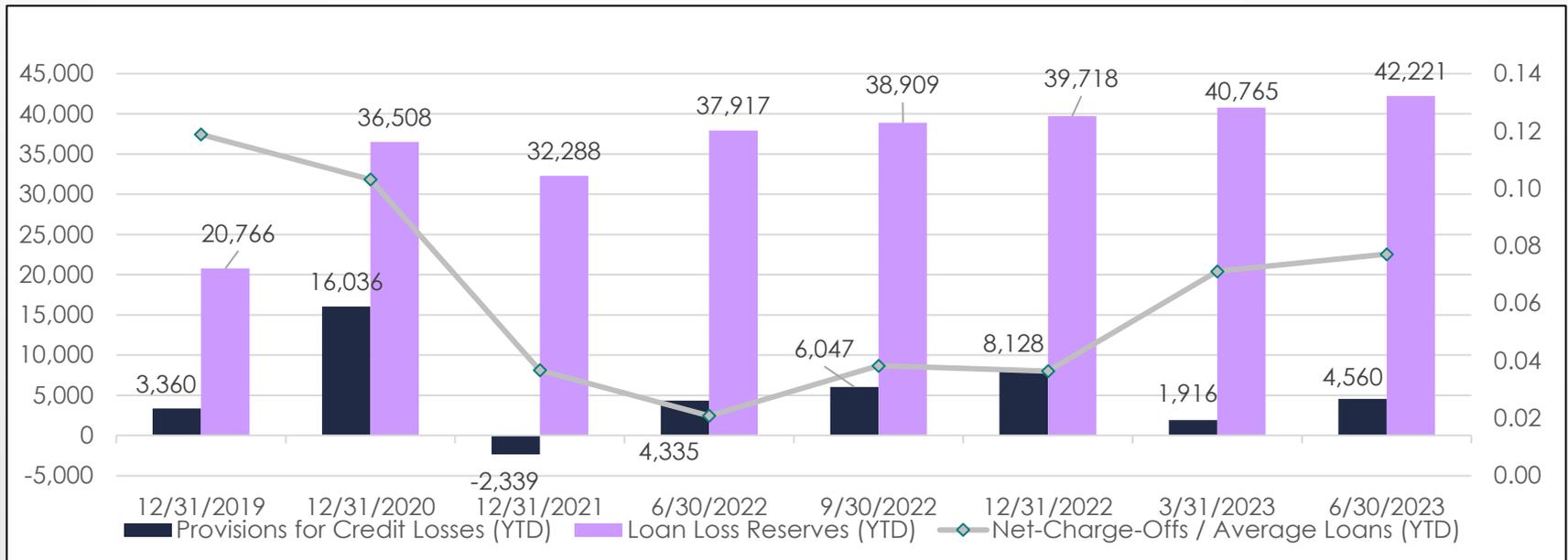
Over the last eight quarters criticized loans relative to portfolio ranged from 2.73% to 3.59% while the ratio of classified loans to portfolio ranged between 1.53% and 2.06%.

The trend line showed a **decline** in the criticized to portfolio from 3QE21 to 1QE23 with the most recent averages indicating a modest increase to 2.85% at 2QE23 compared to 2.73% at 1QE23.

Classified loans relative to portfolio have followed a similar path and **declined** further to 1.53% at 2QE23 compared to 1.62% at 1QE23.



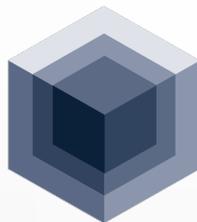
Provisions for Credit Losses, Reserves and Net Charge-Offs



The average provision for credit losses for the CEIS' client base **increased** notably from \$1,916m on 1QE23 to \$4,560m on 2QE23 and is higher than the comparative YTD period ended at 2QE22 i/a/o \$4,335m.

Loan loss reserves for the group have exhibited an **increasing** trend since 4QE21. Net charge-offs **increased** from an annualized 0.04% of average loans at 4QE22 to 0.07% at 1QE23 and 0.08% at 2QE23 but remained below the 0.11% reported at FYE20.





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Loan Review, Portfolio Stress Testing, CECL / LLR Methodology and Validation, Credit Risk Management process review, and customized Board Loan and Credit Seminars.

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