

STRESS TESTING



CEIS REVIEW INC.

Commercial Portfolio Advisors EST 1989.

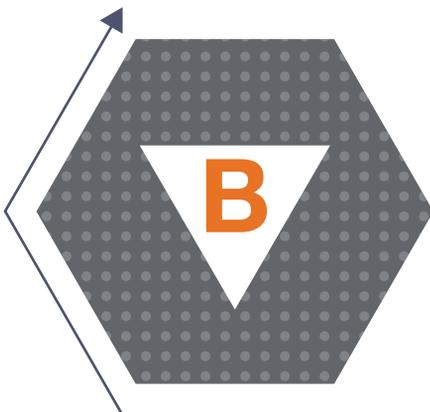
CEIS Review has performed over ~250 stress tests for commercial Banks across the U.S. over the course of a decade. CEIS' stress testing engagements cover either solely the CRE segment or the entire commercial portfolio, depending on the client's preference. Our stress testing format is designed to comply with all OCC and FDIC guidelines while incorporating all industry best practices.

TYPES OF STRESS TESTING OFFERED

CEIS offers both (A) Top-Down "CCAR" and (B) Bottom-Up "loan level" approaches to stress testing. For Institutions that are required to perform stress tests due to a CRE Concentration, the Bottom-Up loan level approach is required.

A. Top-Down

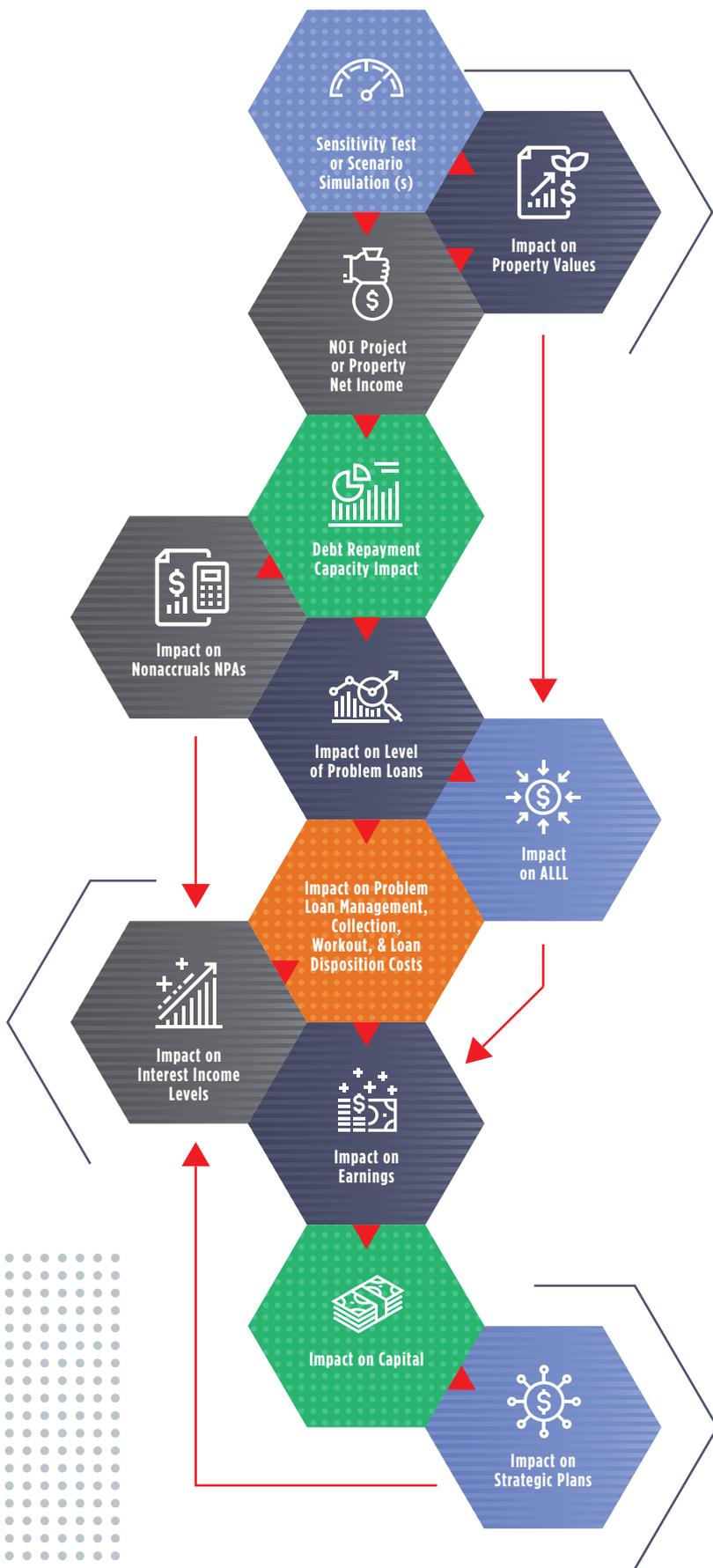
The top-down approach evaluates the impact of shocks to **Macro-economic** variables on a bank's balance sheet or income statement categories. It assists Banks in determining whether the bank has enough capital to survive economically stressful conditions. This approach is based on the FRB's Comprehensive Capital Analysis and Review. Banks identify the potential Macro Risks for stress or use the FRB scenarios provided to the CCAR banks annually.



B. Bottom-Up

The bottom-up approach evaluates the impact of shocks to **Micro-economic** variables such as Interest Rates, Cash Flow declines, Commercial Real Estate Valuations, and more, on the Bank at the most granular data level possible. This considers shocks at individual customer levels, their credit ratings, and Debt Service Capacity of Loans and Leases. The results are then aggregated to give a firm-wide view of the impact on the Bank's capital levels.

The chart below highlights the Bottom-Up approach:



ADDITIONAL BENEFITS

While most Banks understand the purpose of stress test analysis, there are still a handful of institutions that are hesitant to adopt stress testing practices as an integral part of their business management. Stress Testing is not to be seen as an overhead function or simply a regulatory compulsion. Adopting stress testing can aid a Banks regular business decisioning in areas that include pricing, identification of portfolio weakness, and capital requirements at a macro and micro level.

CEIS' experience has shown that the sourcing of high-quality data is, and remains, a key challenge for many Institutions. Even a comprehensive and well-designed stress testing model will fail to produce reliable results if the data inputs are inconsistent. As many of CEIS Stress testing clients are also Loan Review clients, much of the data can be sourced directly from these validated sources and further put through multiple error identification processes to insure only accurate data is processed. Non-Loan Review client's data sets go through rigorous testing before being used in any stress testing functions, as even good stress testing programs will produce unreliable outcomes if the data is not accurate.

Why CEIS? We provide professional consulting services to bankers by bankers.

Our commitment is to commercial banks, savings banks, credit unions, foreign branches and agencies, multinational organizations and other firms requiring a third-party assessment of loan portfolio quality and process.

Our commitment to excellence includes delivering clear and concise reporting, utilizing cutting edge credit and portfolio management techniques, maintaining an objective viewpoint, providing adequate flexibility to client's needs and consistently staying ahead of emerging industry and regulatory matters.

Our experienced staff will work directly with the bank during every phase of the process to insure not only the accuracy of the outcomes but to insure that bank management understands the process and can convey this as their own.

Contact us today to learn more about CEIS Review and our Stress Testing services at www.ceisreview.com or 888-967-7380.