



CEIS REVIEW INC.

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# Commercial Loan Portfolio Quality Trends 4-Q-2019



# More Notable Bank Examiner Concerns

- Overall weakened underwriting analysis over the past several years with increased risk appetite; while allowing more aggressive deal terms and structures.
- Regulators will be focused on more robust and thorough credit underwriting analysis including financial analysis and trends, collateral valuation, source(s) of repayment and refinancing risk. Increased focus will also be on stress analysis for individual loans with recommended assumptions such as interest rates, vacancy, cap rates, margins, etc. Overall analysis seems to be weaker on C&I deals than CRE related.
- More focus will also be on deal structures which have been deteriorating over time due to more intense competitive pressures, including cash out refinancing, limited or non- recourse, extended I/O, weak financial covenants if any, more overall aggressive LTV, and minimum liquidity verifications
- Concern over banks using broker packages for loan volumes; particularly around KYC issues

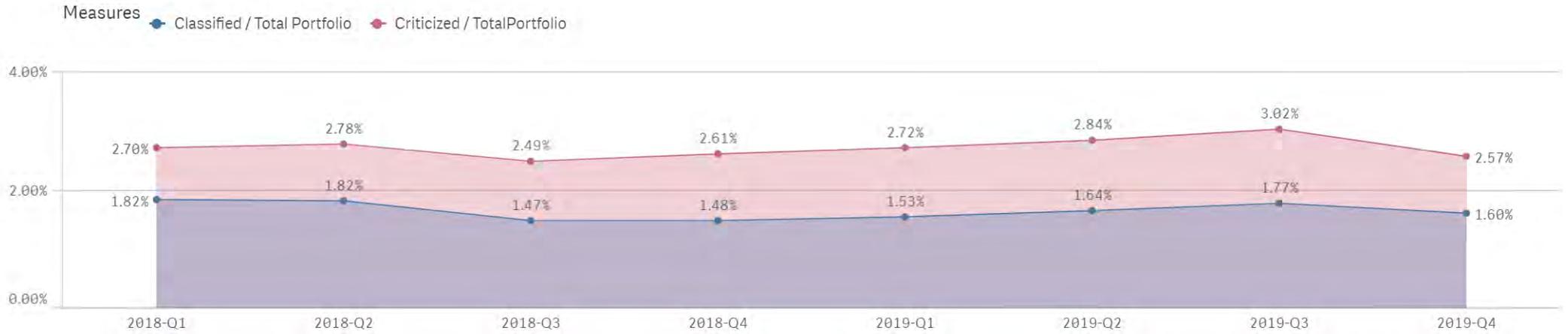


# More Notable Bank Examiner Concerns

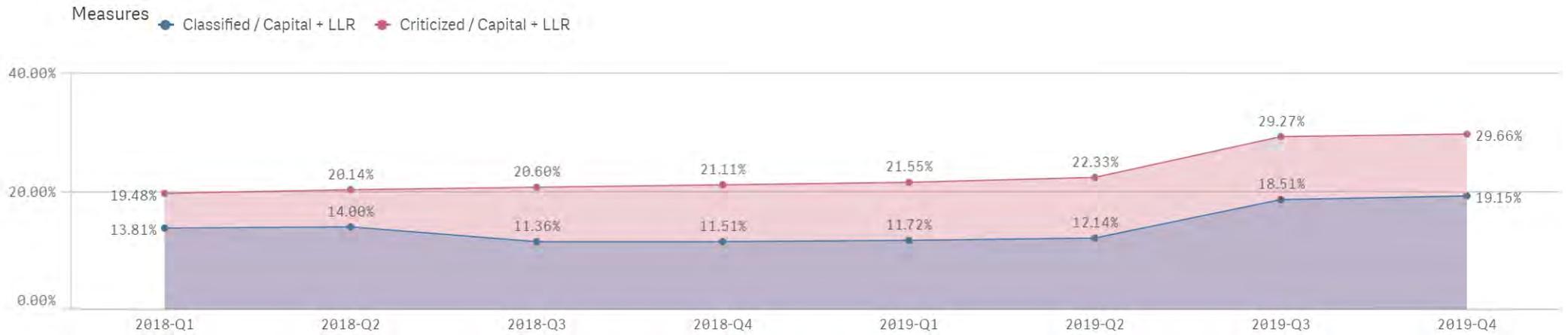
- Increased dependence on guarantor support with inconsistent Global DSCR analysis being done
- Construction Loan monitoring is inconsistent; regulator concerns around increased construction cost from limited skilled labor force and certain materials
- Noted concern around increased number of credit policy exceptions on new/renewed loans with general lack of clearly identified mitigants and ongoing tracking and monitoring
- Concerned around weakened monitoring and follow-up being done by banks including required financial reporting, timely annual reviews, and covenant compliance
- Overall observance of slower problem loan identification and lack of pro-active adjustment to risk ratings



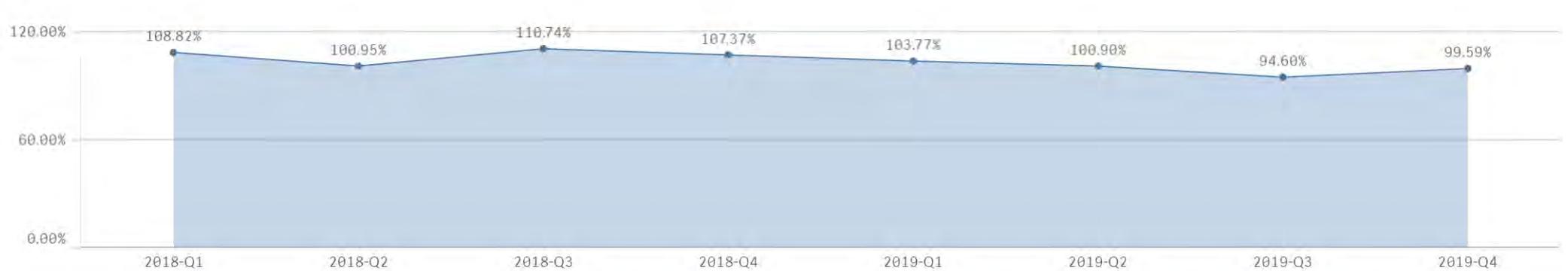
### CRCL/Total Portfolio



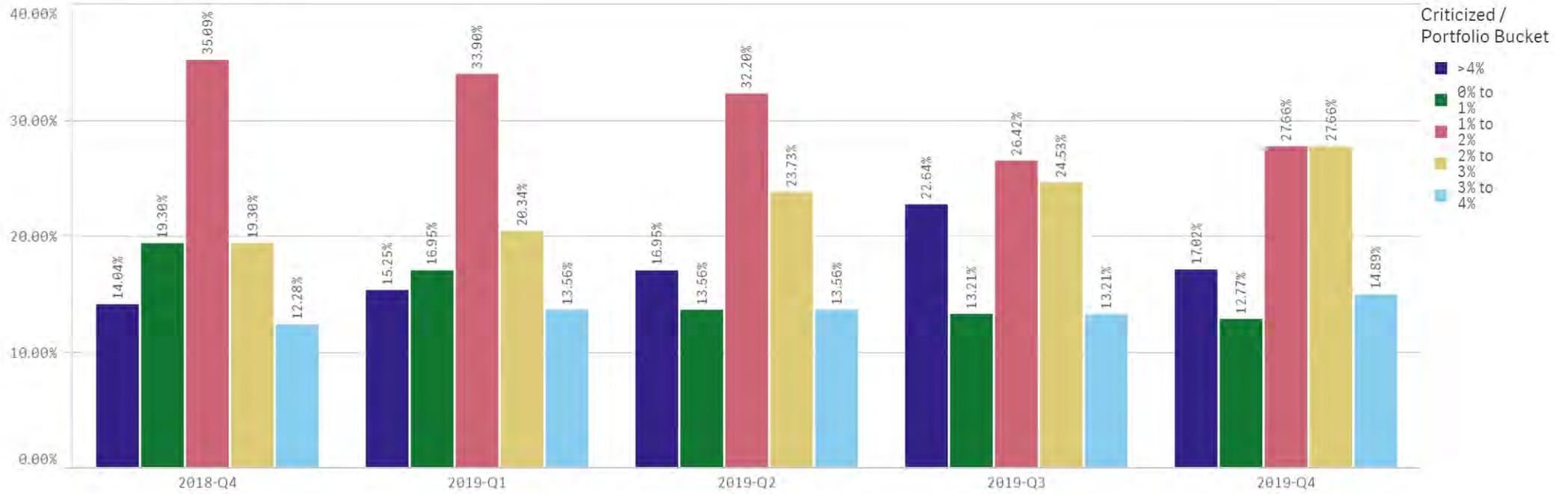
### CRCL/Capital + LLR



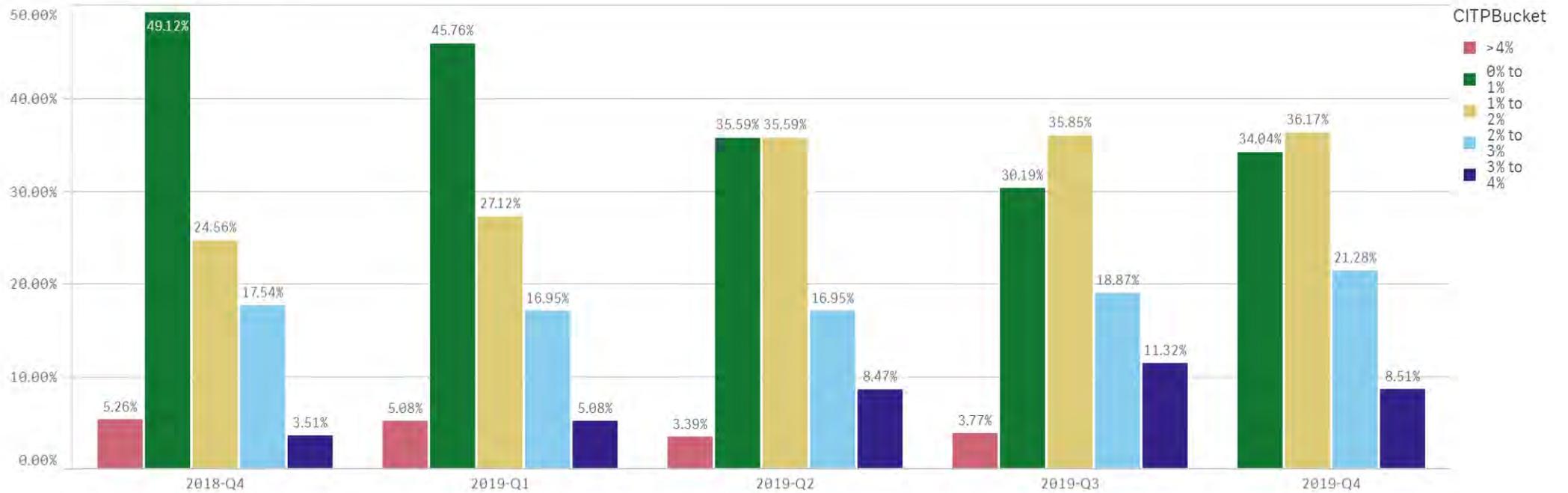
### LLR / Classified



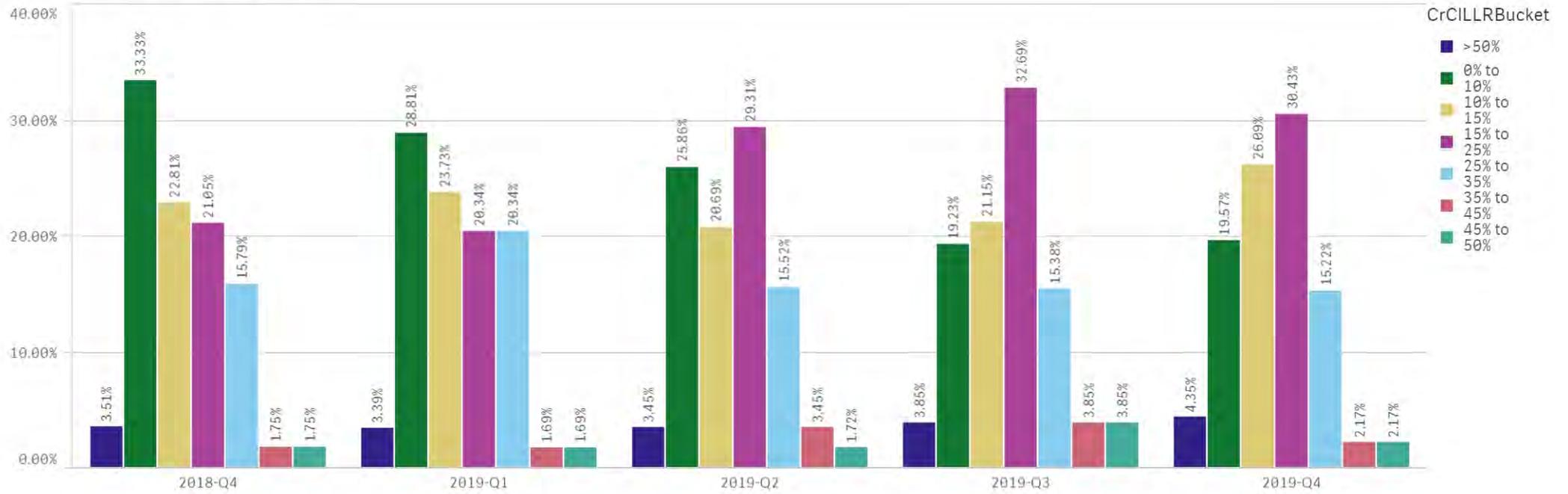
Criticized / Portfolio - % by Bucket



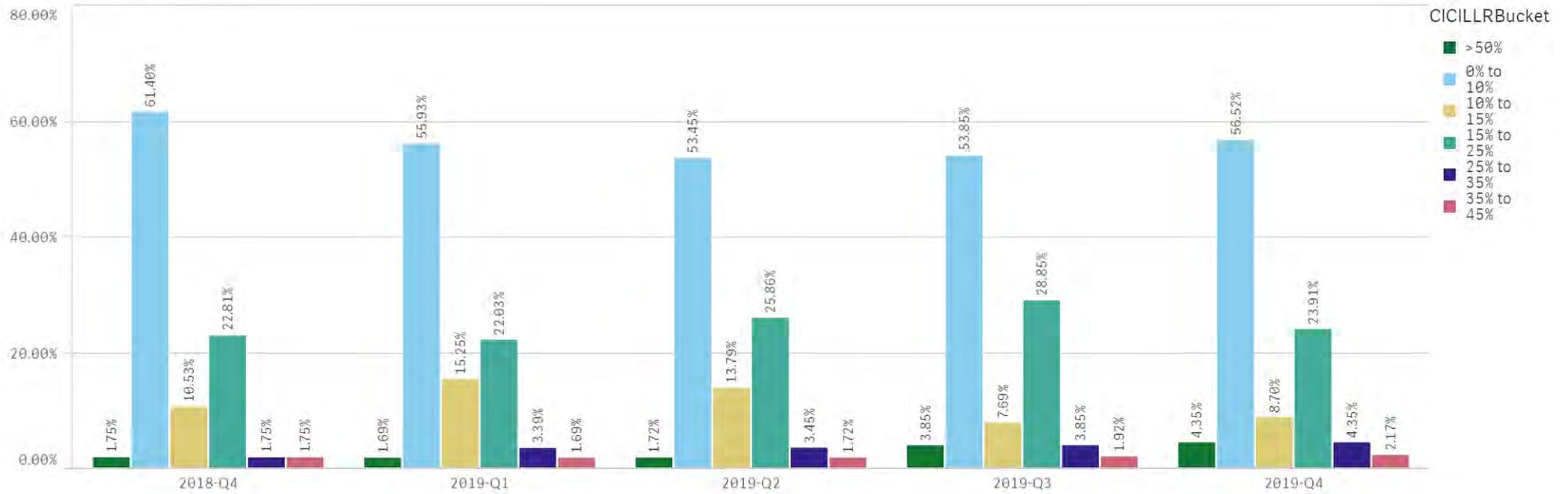
Classified / Portfolio - % by Bucket



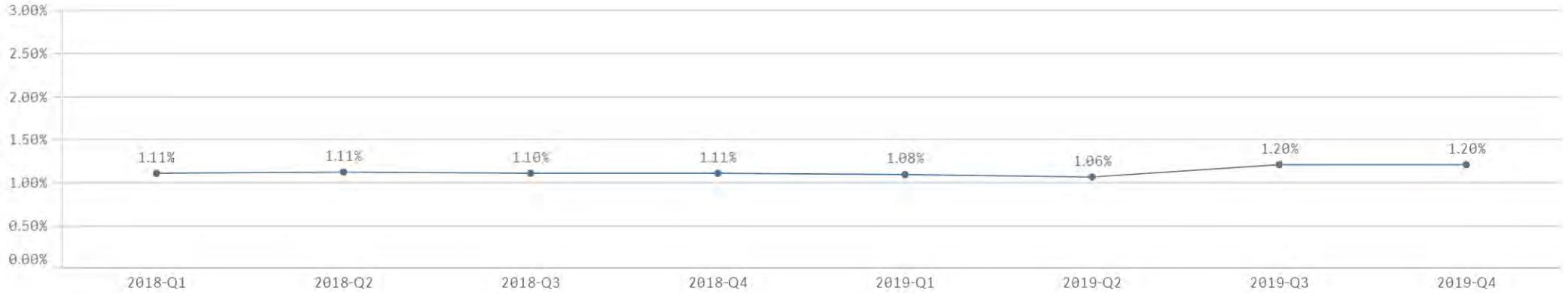
Criticized / T1 Capital + LLR - % by Bucket



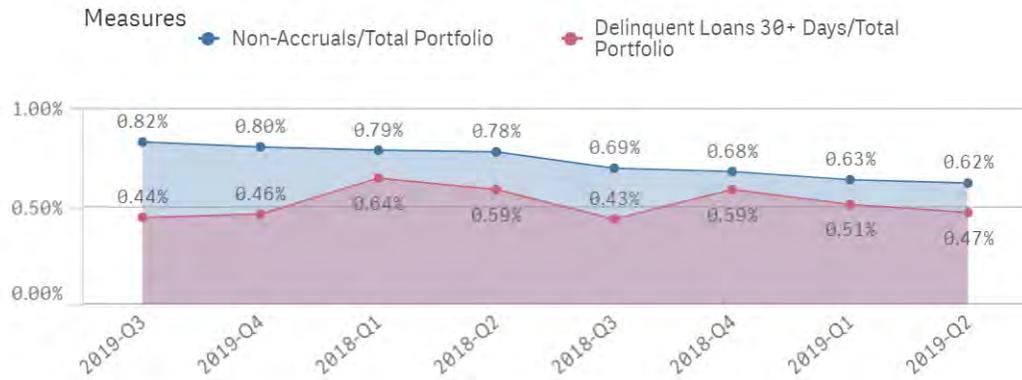
Classified / T1 Capital + LLR - % by Bucket



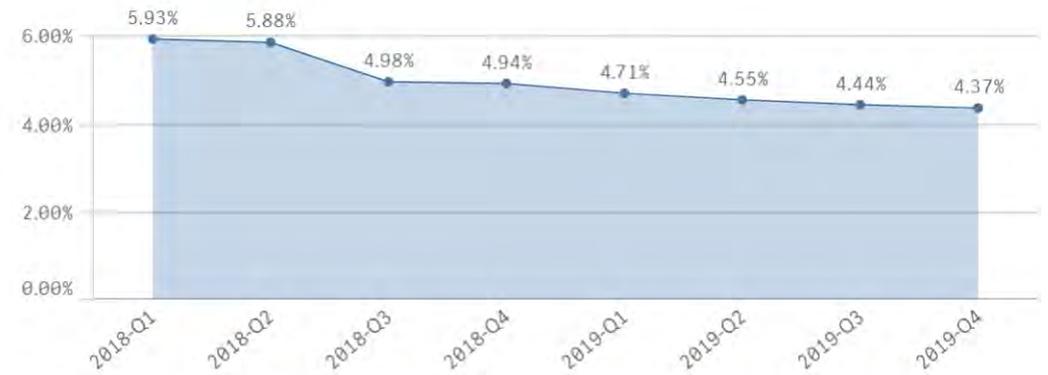
### LLR / Total Portfolio



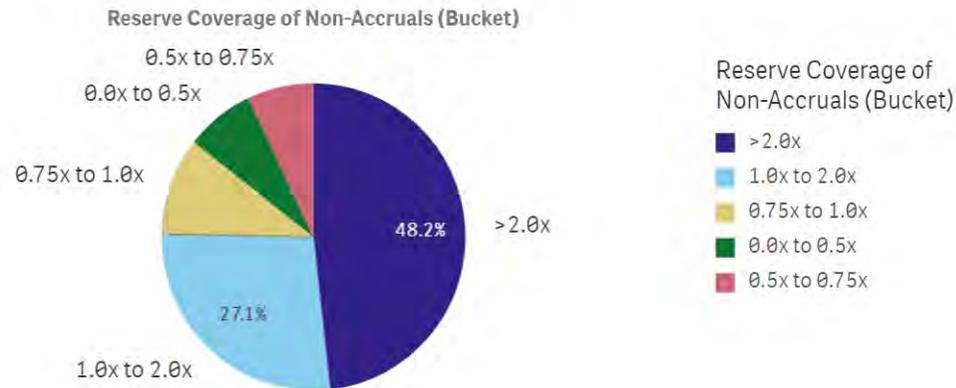
### Non-Accruals and Delinquencies / Portfolio



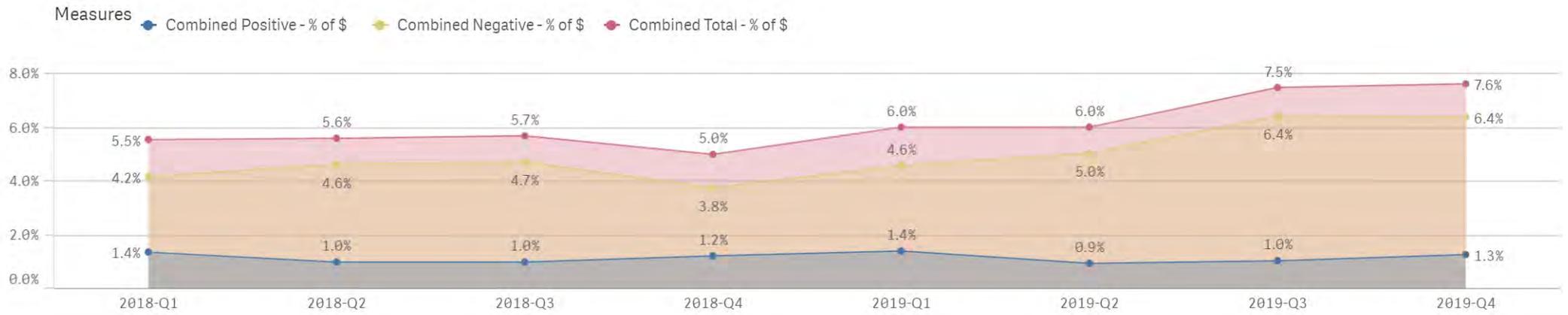
### Non-Performing / Capital + LLR



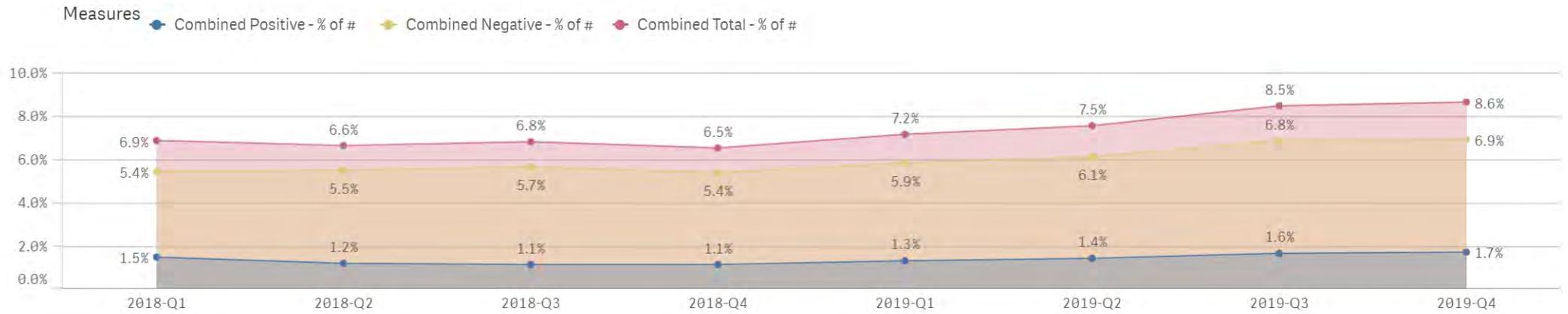
### Reserve Coverage of Non-Accruals



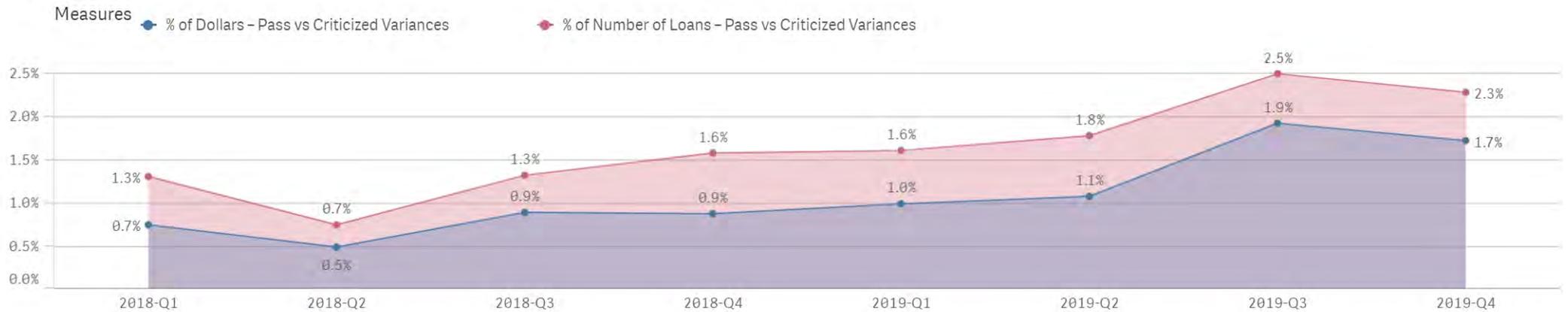
### Combined Grade Variances - \$



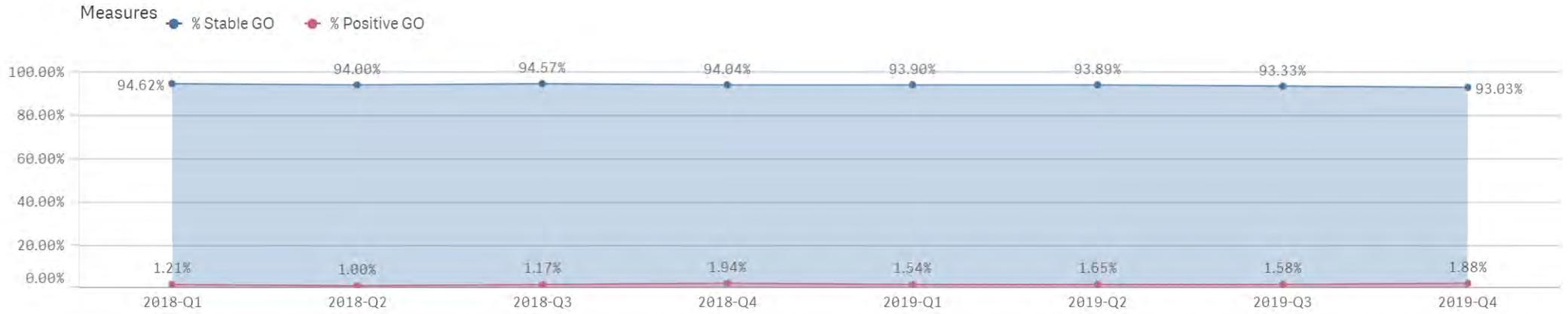
### Combined Grade Variances - # of Loans



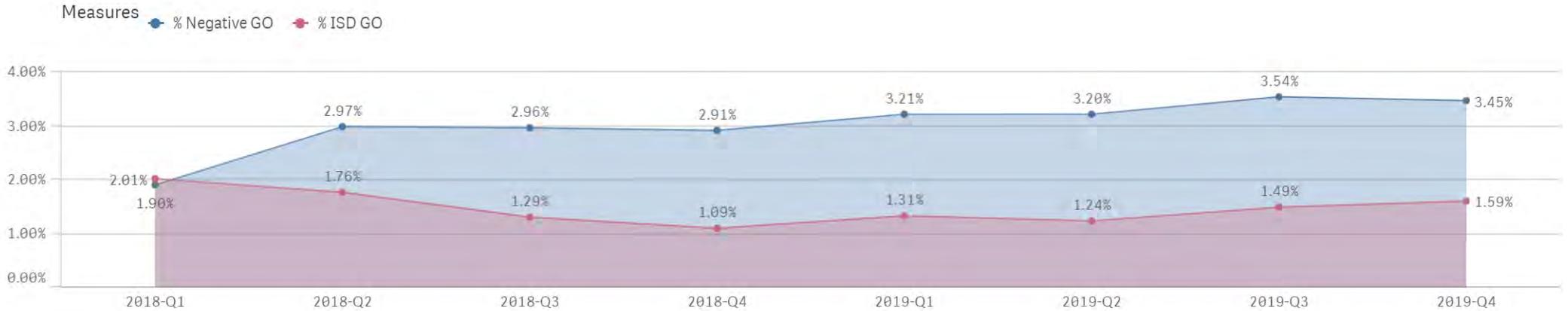
### Pass vs Criticized Variances



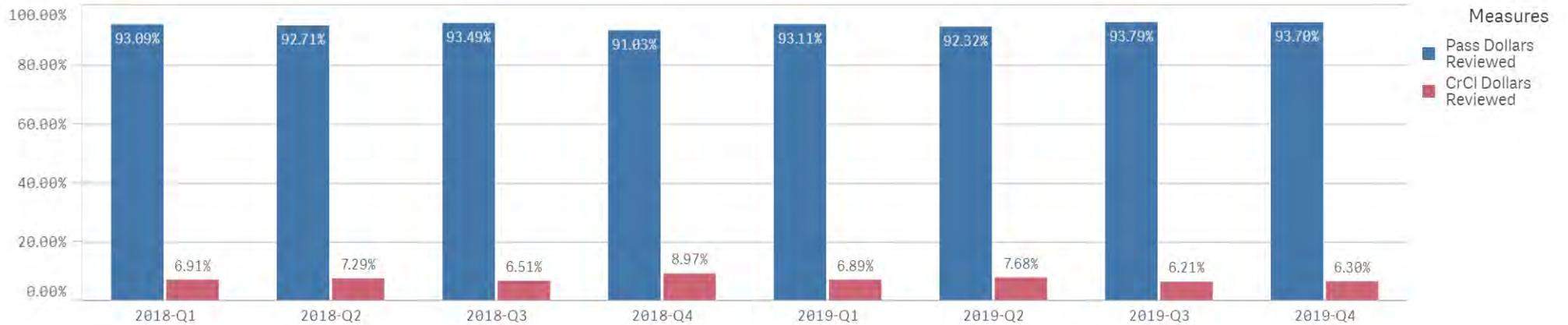
### Combined Grade Outlook - Positive and Stable



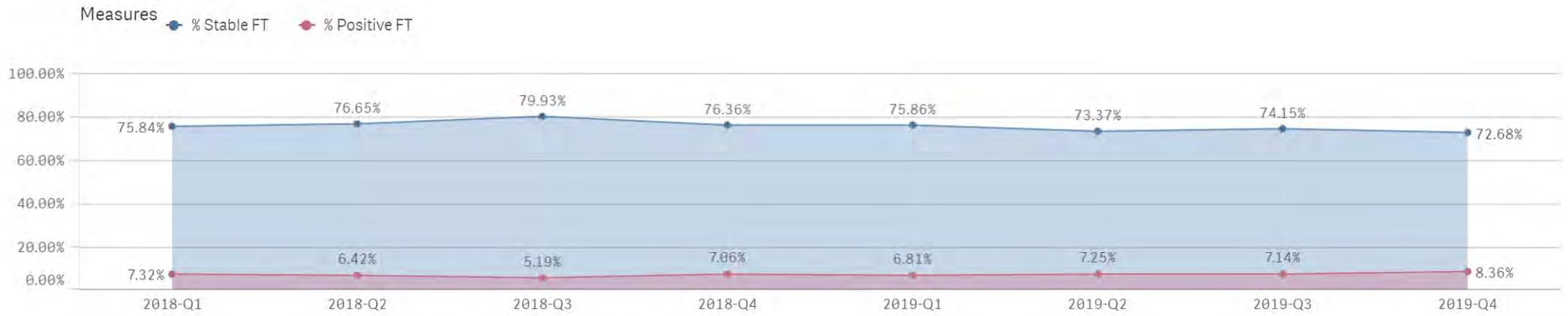
### Combined Grade Outlook - Negative and ISD



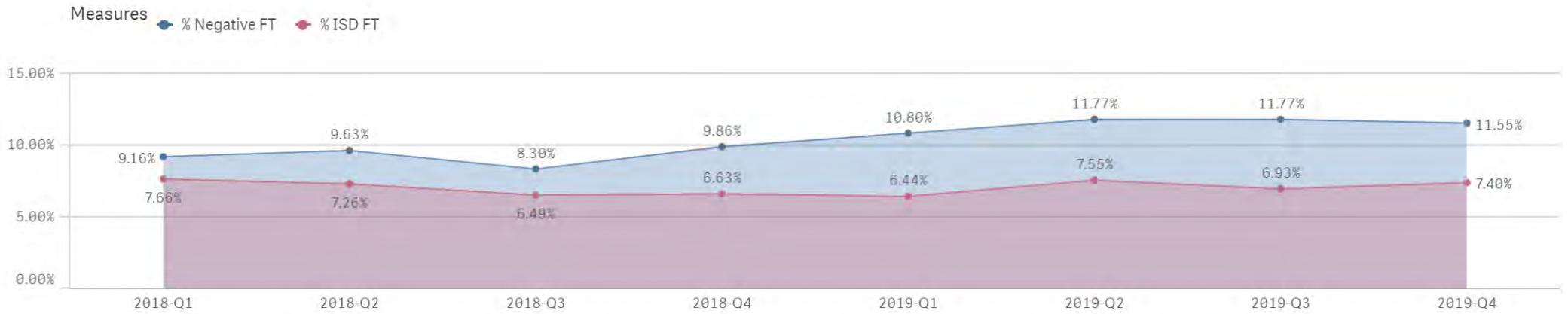
### Pass and CrCI Mix



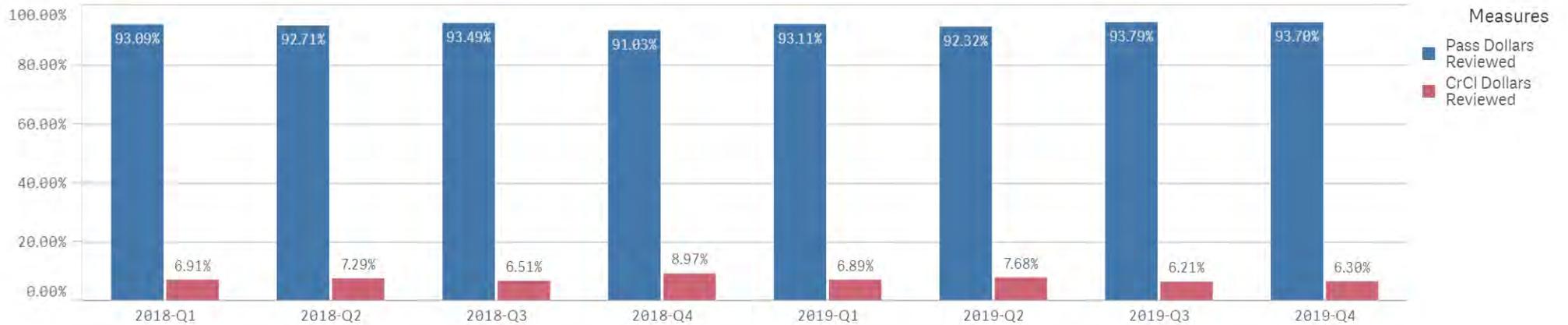
### Combined FT - Positive and Stable



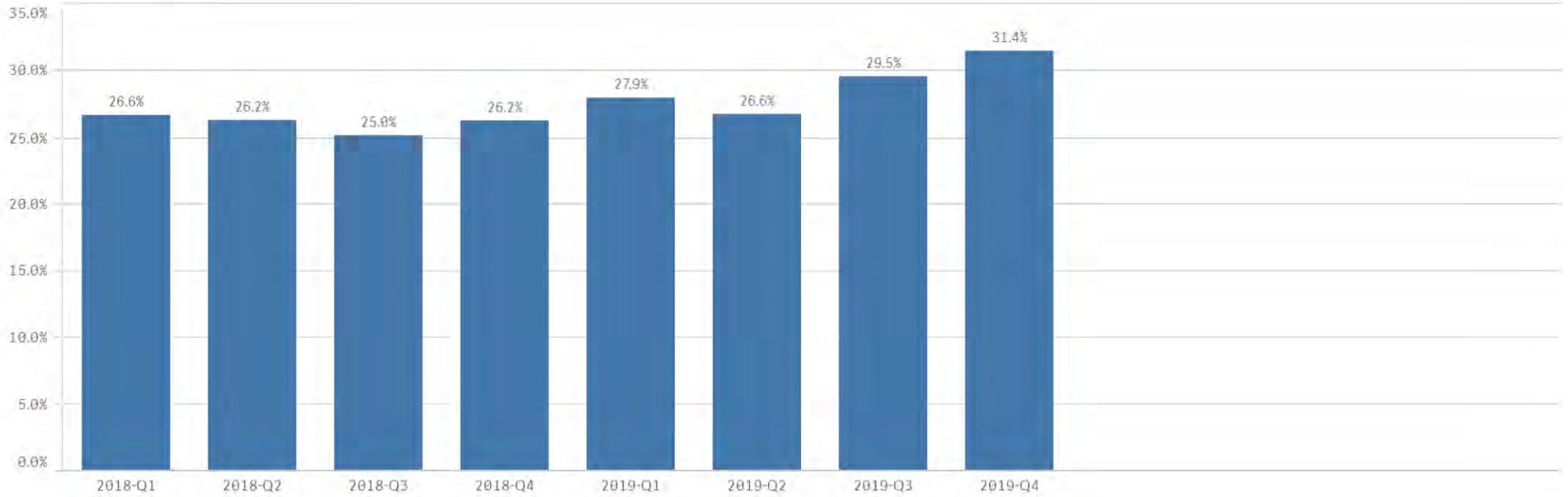
### Combined FT - Negative and ISD



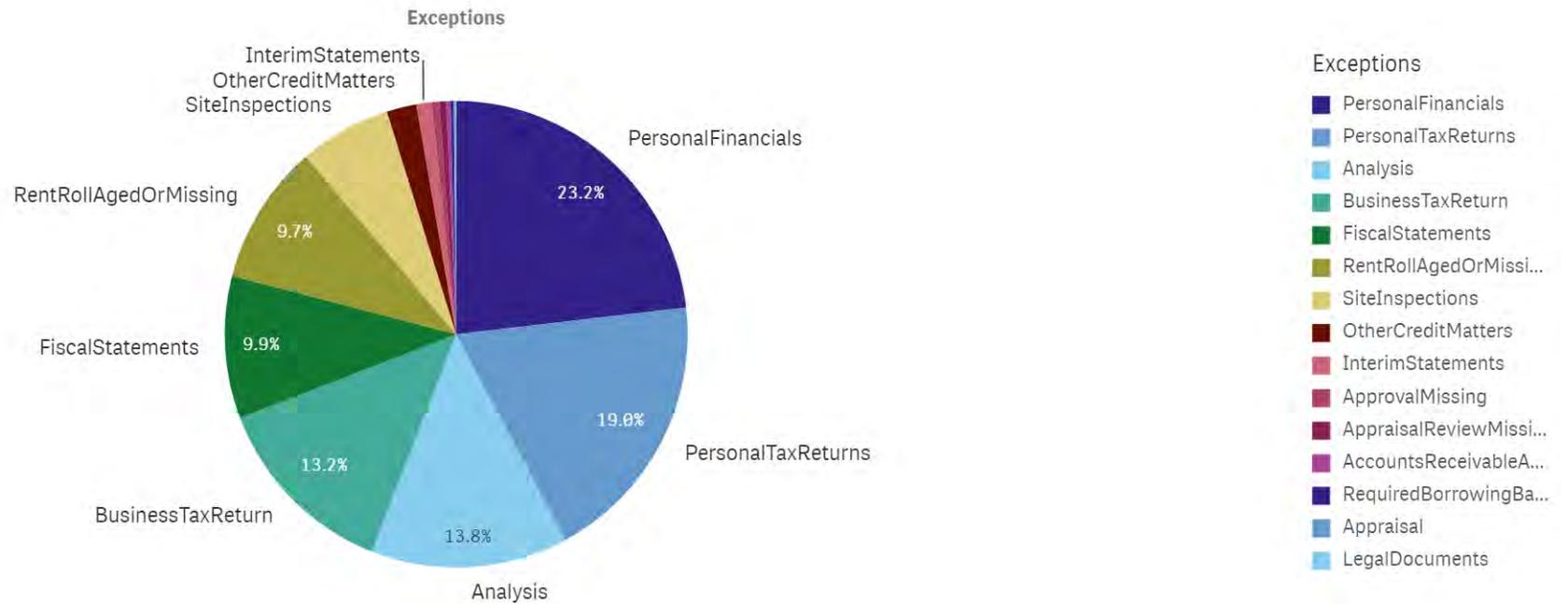
### Pass and CrCI Mix



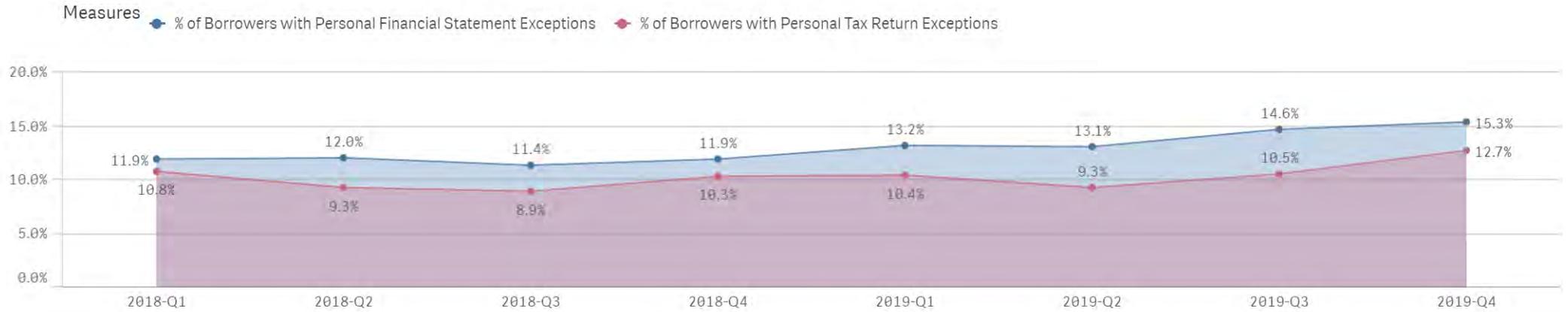
### Borrowers with Exceptions



### Exceptions by Type



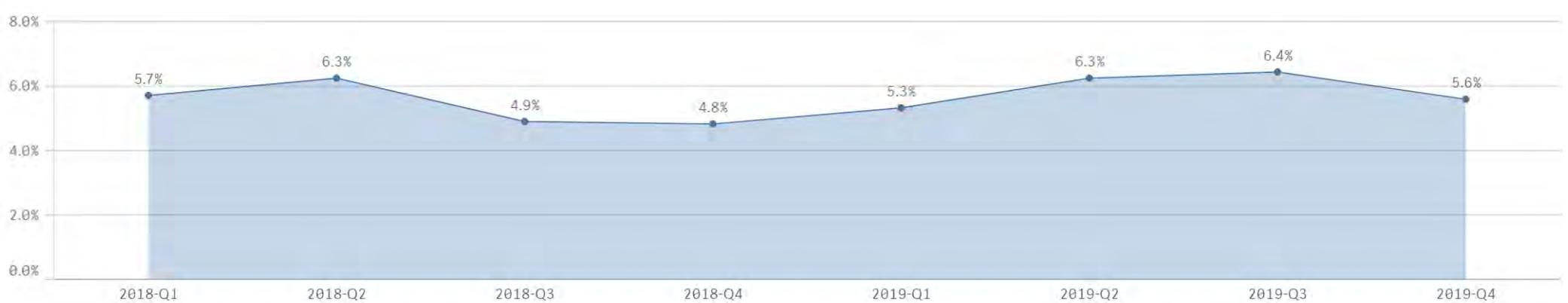
### Personal Financial Statement and Tax Return Exceptions



### CTR Exceptions



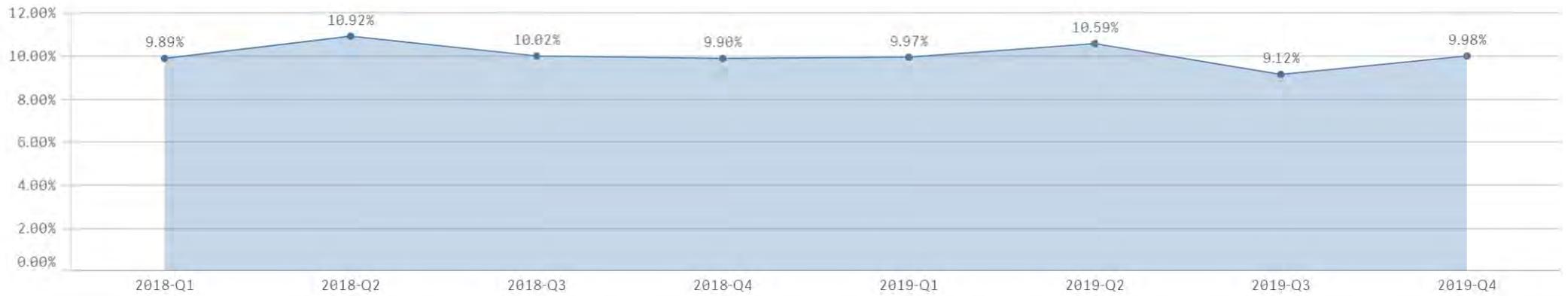
### Fiscal Statement Exceptions



### Non-Compliant Covenants



### Covenants Waived or Amended



### Covenants Not Tracked





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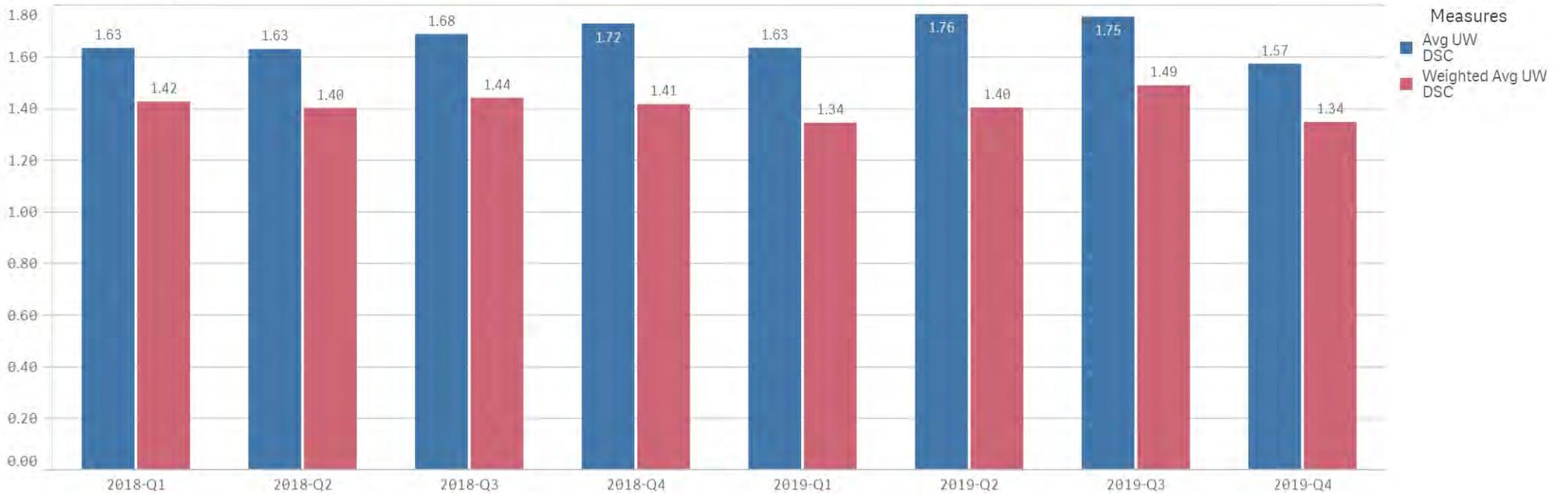
# New and Renewed (Following Pages)



### Loan to Value



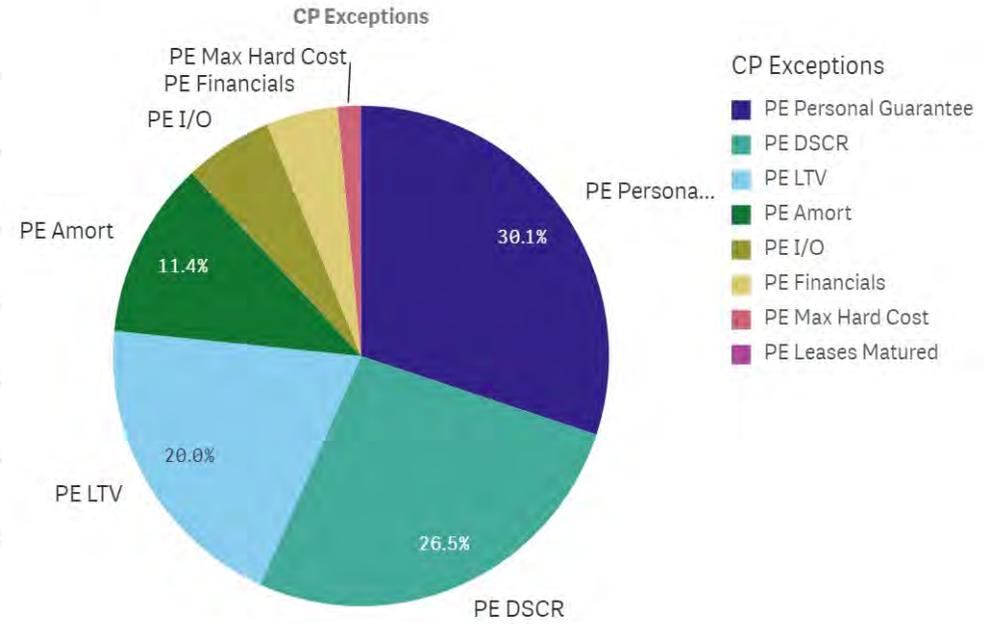
### Debt Service Coverage



Loans with Credit Policy Exceptions



CP Exceptions by Type



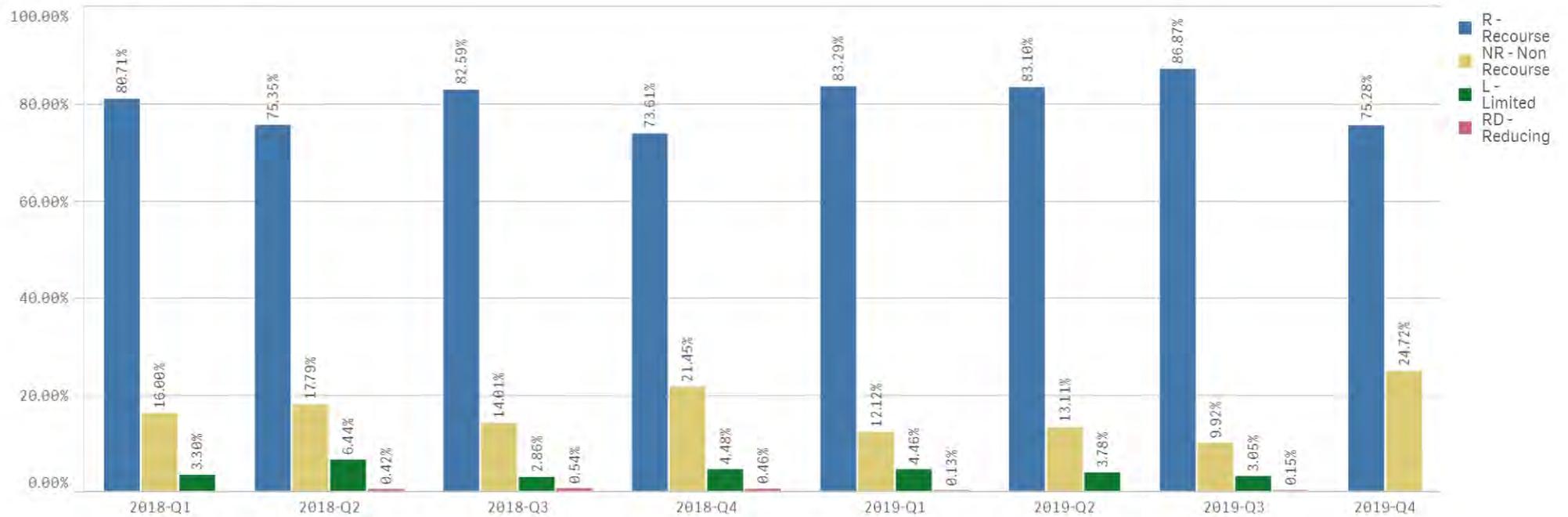
CP Exceptions Approved and Mitigated



### Non Recourse % of Population and Value

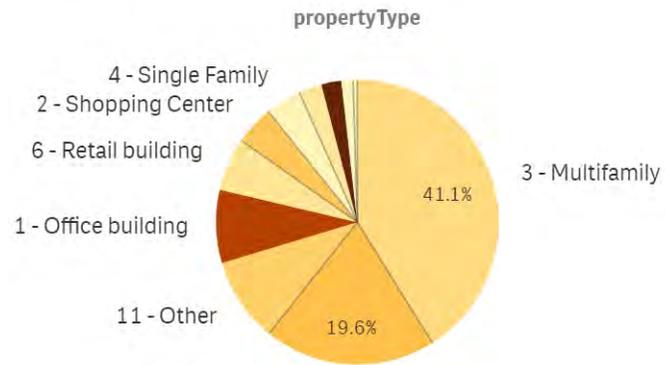


### % of Population by Recourse Type

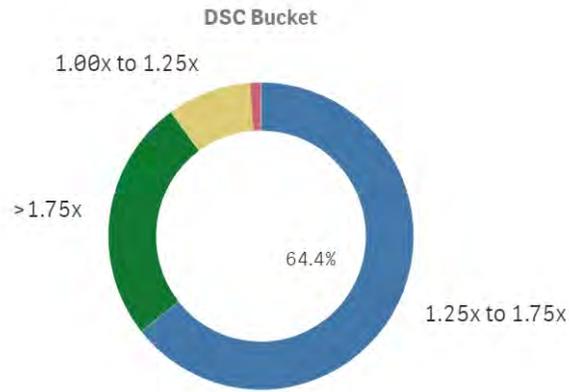


### Loan Count by Property Type

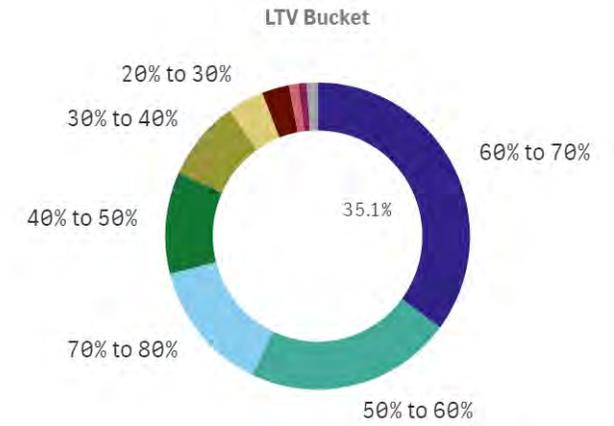
Color by Avg Loan Size



### Loan Count by DSC Bucket



### Loan Count by LTV Bucket



### Loan to Value



### Debt Service Coverage





**CEIS REVIEW INC.**

CEIS is an independent consulting firm established in 1989, serving the needs of organizations with general and/or specialized commercial loan portfolios.

Loan Review, ALLL / LLR Methodology and Validation, Portfolio Stress Testing, Portfolio Acquisition Review, Leveraged Lending Review, Municipal and Public Finance Review, Loan Policy Maintenance, Process Review, and Customized Loan and Credit Seminars.

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