

# Shared National Credits Program

3<sup>rd</sup> Quarter 2016 / 1<sup>st</sup> Quarter 2017 Examinations

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Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency

Washington, D.C.

August 2017

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## **About the Shared National Credit (SNC) Program**

The SNC Program assesses credit risk and trends as well as risk management practices associated with the largest and most complex credits shared by multiple regulated financial institutions. The program provides for uniform treatment and increased efficiency in shared credit risk analysis and classification. The SNC Program is governed by an interagency agreement among the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (the agencies).

The agencies initiated a semiannual SNC examination schedule in 2016, after employing annual reviews since 1977. SNC reviews are now planned for the first and third quarters, with large agent banks receiving two examinations and other participating banks receiving a single review each year. Results discussed in this document are based on examinations conducted in the third quarter of 2016 and first quarter of 2017, and reflect data submitted by all reporting banks. Despite the increase in examination frequency, the agencies will continue to issue a single statement annually that captures combined findings from the previous 12 months. The next statement will be released upon completion of the first quarter 2018 SNC examination.

### **Summary of Results**

The level of adversely risk rated (i.e., special mention and classified<sup>1</sup>) commitments in the SNC portfolio declined slightly but remains elevated (see exhibit 3), leading to concern that losses could rise considerably should economic conditions deteriorate. The high level of credit risk in the portfolio stems primarily from distressed borrowers in the oil and gas (O&G) sector and/or other industry sector borrowers exhibiting excessive leverage. Since 2014, the decline in oil prices has led to a significant increase in adversely rated credits in the O&G sector (see exhibit 6) and has offset improvement noted in the remainder of the SNC portfolio.

Since the issuance of the “2013 Interagency Guidance on Leveraged Lending”<sup>2</sup> and the subsequent “Frequently Asked Questions (FAQ) for Implementing March 2013 Interagency Guidance on Leveraged Lending,”<sup>3</sup> agent banks have improved their underwriting and risk management processes to reduce and manage risk of leveraged lending exposure. In particular, most agent banks are now better equipped to project future cash flows to assess borrower repayment capacity and enterprise valuations, which better align with basic safety and soundness principles. However, the agencies noted \$317 billion of leveraged credit in the respective agent banks’ lowest pass rating category, raising additional supervisory concerns.

### **I. Leveraged Lending**

The agencies continue to be concerned that any downturn in the economy would result in a significant increase in the already considerable adversely risk rated leveraged lending exposure. Leveraged loan transactions typically exhibit limited financial flexibility due to a combination of elevated financial risk and weak loan structure regardless of risk rating. Examiners noted several common weaknesses in underwriting, including ineffective covenants, liberal repayment terms, and incremental debt provisions that allow for increased debt, which may inhibit deleveraging capacity and dilute senior secured creditors. Additionally, usage of incremental debt facilities shortly after funding an initial debt package may result in risk rating downgrades and non-pass originations. Incremental facility provisions in loan agreements rarely limit use of proceeds and can result in increased credit risk when utilized for non-cash generating purposes such as dividends. Banks should exercise caution during the underwriting process to prevent

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<sup>1</sup> Special mention and classified commitments are defined in Appendix A.

<sup>2</sup> 78 FR 17766 (March 22, 2013)

<sup>3</sup> Available at <https://www.fdic.gov/news/news/press/2014/pr14096faq.pdf>.

incremental provisions from resulting in non-pass originations. It is incumbent upon lenders to fully consider all credit quality factors, including incremental facilities, prior to underwriting a transaction.

Furthermore, the agencies continue to see cases of aggressive projections used to justify pass ratings on transactions that examiners consider non-pass, albeit at much lower levels than in prior periods. Combined with supportable performance projections, a sound business premise, an appropriate capital structure, and reasonable cash flow and balance sheet leverage are expected in a safe-and-sound loan structure. The loan structure should clearly support a borrower's capacity to de-lever to a sustainable level over a reasonable period, generally five to seven years. The 2013 interagency guidance outlines repaying 50 percent of total debt, or 100 percent of senior secured debt, under most scenarios in this timeframe.

The ratio of adversely risk rated commitments to total commitments (excluding O&G) has declined significantly, from 11.1 percent in 2014 to 8.1 percent for the current review period. This trend can be traced to improvements in underwriting and risk management practices consistent with the 2013 interagency guidance. As a result of underwriting improvements, non-pass loan originations remain at a de minimis level. By comparison, in 2014, examiners identified more than 90 non-pass originations. During the 2014 review, examiners found that 42 percent of newly originated leveraged loans in the sample exhibited leverage levels of 6.0x or greater; in the current period, 30 percent of newly originated leveraged loans were at this level.

## **II. Oil and Gas Lending**

Adversely risk rated O&G credits have increased year-over-year and remain high due to continued reduction in revenue and strained liquidity. These weaknesses have been exacerbated by exploration and production (E&P) companies with high leverage, primarily a result of debt-funded acquisitions during previous drilling expansion. The risk is concentrated in non-investment grade and unrated E&P and energy service companies and predominantly held by regulated entities. This characteristic is the converse of that noted in the leverage portfolio where non-banks predominately hold a majority of the riskier, adversely rated credit.

The US O&G industry experienced a slow, albeit volatile, recovery in late 2016 and into the first quarter 2017. US E&P independents are forecasted to increase capital spending for 2017, a reversal of the production declines in 2016. The increased capital spending is resulting in the highest rig count in two years. The industry is also reducing operating costs and experiencing increased merger and acquisition activity, as companies continue to rationalize and optimize their operations. Nonetheless, oil supplies remain at record highs and the reductions in liquidity and unsustainable debt burdens (from excessive accumulation of second lien and unsecured debt) have resulted in a dramatic increase in borrower defaults and bankruptcy filings. This dynamic is expected to continue through 2017. Bank commitments to these borrowers are primarily in a senior secured position with a generally lower risk of loss.

### III. SNC Portfolio: Volume, Credit Quality, and Trends

#### Overall SNC Portfolio

The 2017 SNC portfolio totaled \$4.3 trillion, with 11,350 credit facilities to 6,902 borrowers (see exhibit 1). Appendix C contains a breakout of SNC results by major industry groups.<sup>4</sup>

#### Exhibit 1: Overall Credit Facilities and Commitment Trends

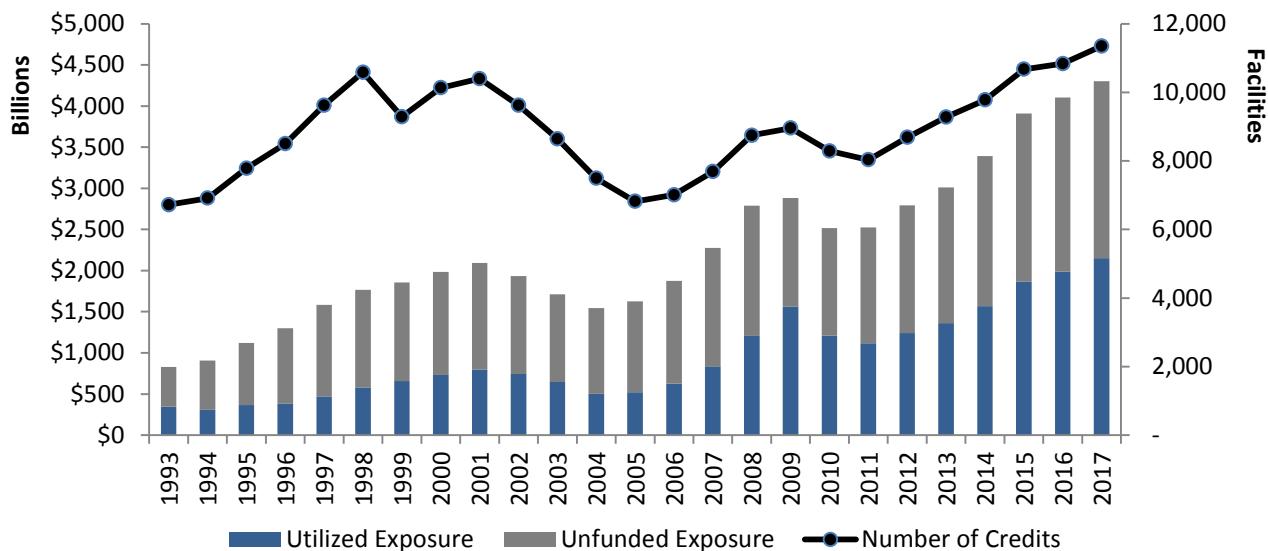


Exhibit 2 below details the year-over-year trends in overall SNC commitment amounts.

|                                      | 2016 Commitments (\$ Billion) | 2017 Commitments (\$ Billion) | 2017 vs. 2016 (\$ Billion) | 2017 vs. 2016 (%) |
|--------------------------------------|-------------------------------|-------------------------------|----------------------------|-------------------|
| <b>SNC Portfolio Commitments</b>     | \$4,102.3                     | \$4,303.7                     | \$201.4                    | 4.9%              |
| <b>SNC Portfolio Outstanding</b>     | \$1,986.5                     | \$2,149.4                     | \$162.9                    | 8.2%              |
| <b>SNC Portfolio Borrowers</b>       | 6,676                         | 6,902                         | 226                        | 3.4%              |
| <b>SM and Classified Commitments</b> | \$421.4                       | \$417.6                       | (\$3.9)                    | -0.9%             |
| <b>SM Commitments</b>                | \$136.4                       | \$131.7                       | (\$4.7)                    | -3.5%             |
| <b>Classified Commitments</b>        | \$285.1                       | \$285.9                       | \$0.8                      | 0.3%              |
| <b>Non-Accrual Commitments</b>       | \$72.6                        | \$58.0                        | (\$14.6)                   | -20.2%            |

Note: Nonaccrual amounts are net of loss dispositions.

The percentages of non-pass and classified commitments decreased to 9.7 percent and 6.6 percent, respectively, from 10.3 percent and 6.9 percent in 2016.<sup>5</sup>

<sup>4</sup> The agencies introduced industry data in 2008 that presented industries vertically along product origination and distribution lines. The review places credits in seven primary sectors, largely following the outline of the 2007 U.S. Census Bureau North American Industry Classification System codes (see appendix C).

<sup>5</sup> The non-pass credits and related ratios do not include the effects of hedging or other techniques that organizations may use to mitigate risk.

### Exhibit 3: Overall Special Mention and Classified Volume and Percentage Trends

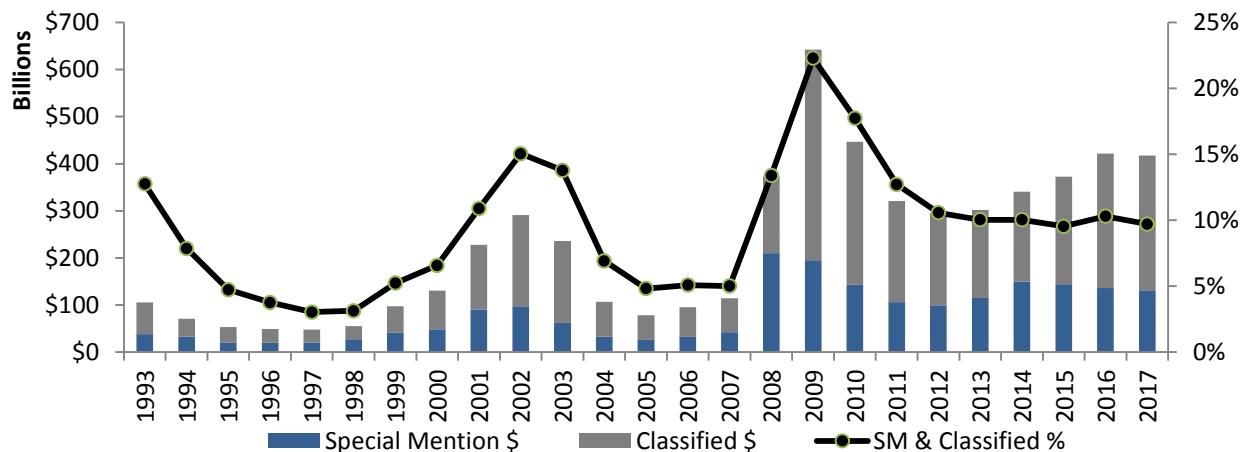


Exhibit 3 shows trends in overall non-pass credit volume and percentage in the portfolio. It also illustrates the evolution and impact of leveraged credit within the syndicated lending market. While the special mention and classified asset ratio is somewhat inflated in recent years (due to the O&G sector impact noted earlier), the ratio has not returned to troughs seen previously. During prior cycles, non-investment grade borrowers relied more heavily on the high-yield bond market to finance operations. Today, those borrowers, especially when controlled by financial sponsors, tend to favor the syndicated loan market for all financing needs. As a result, the current portfolio reflects a larger volume of riskier paper in aggregate, which is noted in the special mention and classified percentage above. The special mention and classified asset ratio continues to be double that of the pre-crisis period.

#### Leveraged Lending

The 2017 SNC review included an examination of 27.2 percent of leveraged SNC borrowers, representing 34.9 percent of all leveraged loans by dollar commitment (see exhibit 4).

### Exhibit 4: SNC Leveraged Lending Exposure and Review Sample

|   | 2016 SNC Examination<br>(\$ billion) | 2017 SNC Examination<br>(\$ billion) | 2017 vs. 2016 |
|---|--------------------------------------|--------------------------------------|---------------|
| SNC Leveraged Lending Commitments         | \$971.2                              | \$1,763.1                            | \$792.0       |
| Sampled SNC Leveraged Lending Commitments | \$359.2                              | \$615.2                              | \$256.0       |
| SNC Leveraged Lending Obligors            | 1,399                                | 2,196                                | 797           |
| Sampled SNC Leveraged Lending Obligors    | 343                                  | 597                                  | 254           |

The increase in total committed leveraged loans is primarily the result of banks recalibrating leveraged loan definitions to meet regulatory expectations of committed senior debt above three times EBITDA<sup>6</sup> or committed total debt above four times EBITDA, except in industries or sectors where banks have documented appropriate reasons for other leverage levels. Leveraged lending is the primary contributor to the overall SNC special mention and classified rate of 9.7 percent. Leveraged loans make up 64.8 percent of all SNC special mention commitments, 63.5 percent of all substandard loans, 74.2 percent of all doubtful loans, and 48.8 percent of all nonaccrual loans.

<sup>6</sup> Earnings before interest, tax, depreciation, and amortization

## Oil and Gas Lending

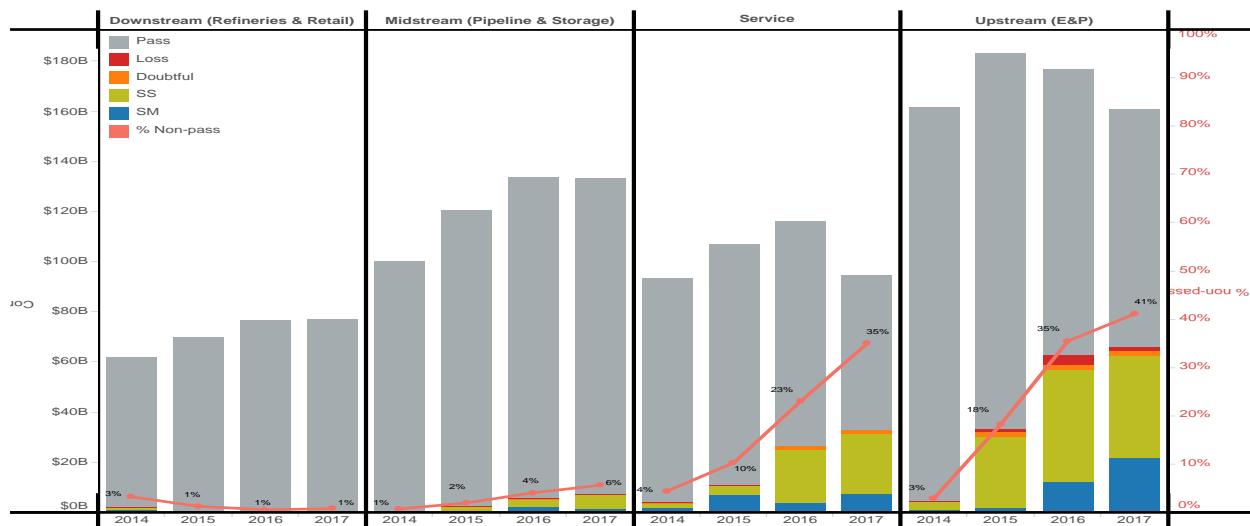
The 2017 O&G SNC portfolio represents 10.9 percent of the total \$4.3 trillion in reported SNCs. The 2017 SNC review included an examination of 29.9 percent of O&G SNC borrowers, representing 35.3 percent of all O&G loans by dollar commitment. SNC examination data showed classified O&G borrowers totaled \$75.7 billion, or 26.5 percent of 2017 total classified commitments, compared with \$77.0 billion, or 27.0 percent, in 2016.

### **Exhibit 5: SNC Oil and Gas Lending Exposure and Review Sample**

|  | 2016 SNC<br>Examination<br>(\$ billion) | 2017 SNC<br>Examination<br>(\$ billion) | 2017 vs. 2016 |
|--|---|---|---------------|
| <b>SNC O&amp;G Lending Commitments</b>         | \$502.9                                 | \$467.3                                 | (\$35.6)      |
| <b>Sampled SNC O&amp;G Lending Commitments</b> | \$125.4                                 | \$165.0                                 | \$39.5        |
| <b>SNC O&amp;G Lending Obligors</b>            | 735                                     | 722                                     | (13)          |
| <b>Sampled SNC O&amp;G Lending Obligors</b>    | 152                                     | 216                                     | 64            |

Exhibit 6 illustrates the migration of regulatory risk ratings and commitments within the different subsectors of the O&G sector. The decline in commitments in the past year for both E&P and service subsectors reflect the effect of bankruptcy driven restructures and periodic collateral revaluations used to control reserve-based borrowing lines in the E&P subsector.

### **Exhibit 6: SNC Oil and Gas Subsector Breakdown of Non-Pass Commitments**



#### IV. SNC Portfolio: Ownership of Risk

US banks continue to be the largest holders of SNC commitments, followed by foreign bank organizations (FBOs) and non-bank entities.

**Exhibit 7: Distribution of SNC Commitments by Lender Type**

| Lender Type       | 2016 Total Commit. | 2017 Total Commit. | 2016 % Total | 2017 % Total |
|-------------------|--------------------|--------------------|--------------|--------------|
|                   | (\$ billion)       | (\$ billion)       | Commit.      | Commit.      |
| <b>U.S. Banks</b> | \$1,840.4          | \$1,951.6          | 44.9%        | 45.3%        |
| <b>FBOs</b>       | \$1,377.3          | \$1,457.6          | 33.6%        | 33.9%        |
| <b>Non-Banks</b>  | \$884.7            | \$894.4            | 21.6%        | 20.8%        |
| <b>Total</b>      | \$4,102.3          | \$4,303.7          | 100.0%       | 100.0%       |

Note: Non-banks include securitization pools, hedge funds, insurance companies, and pension funds.

Non-bank entities continued to be the primary buyers of riskier loans, as they hold a disproportionate share of classified commitments (see exhibit 8), compared with their overall ownership of the SNC portfolio (see exhibit 7).

**Exhibit 8: Distribution of SNC Special Mention and Classified Commitments by Lender Type**

| Lender Type       | 2017 Special Mention and Classified | 2017 Special Mention and Classified | 2017 Special Mention and Classified |
|-------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                   | (\$ billion)                        | ( % Share Held by Lender Type)      | (% Share of Total Commitments)      |
| <b>U.S. Banks</b> | \$104.3                             | 25.0%                               | 2.4%                                |
| <b>FBOs</b>       | \$79.2                              | 19.0%                               | 1.8%                                |
| <b>Non-Banks</b>  | \$234.1                             | 56.1%                               | 5.4%                                |
| <b>Total</b>      | \$417.6                             | 100.0%                              | 9.7%                                |

Note: Non-banks also owned \$30.3 billion in, or 52.2 percent of all, nonaccrual loans.

Additional detail on supervisory definitions, outstanding balances, industry trends, exposure by entity type, and loan maturity can be found in the appendices of this document.

## Appendix A: Definitions

- **Credit facilities:** Credit facilities include syndicated loans and loan commitments, letters of credit, and commercial leases, and other forms of credit. Commitment amounts include both drawn and undrawn portions of the loans or facilities. The SNC review reports only the par amounts of commitments, which may differ from the amounts at which loans are carried by investors.
- **Doubtful:** Doubtful commitments have all the weaknesses of commitments classified substandard and when the weaknesses make collection or liquidation in full, on the basis of available current information, highly questionable or improbable.
- **Loss:** Commitments classified as loss are uncollectible and of so little value that their continuance as bankable commitments is not warranted. Amounts classified as loss should be promptly charged off. This classification does not mean that there is no recovery or salvage value, but rather that it is not practical or desirable to defer writing off these commitments, even though some value may be recovered in the future.
- **Nonaccrual:** Nonaccrual loans are defined for regulatory reporting purposes as loans and lease financing receivables that are required to be reported on a nonaccrual basis because (a) they are maintained on a cash basis owing to a deterioration in the financial position of the borrower, (b) payment in full of interest or principal is not expected, or (c) principal or interest has been in default for 90 days or longer, unless the obligation is both well secured and in the process of collection.
- **Non-pass loan:** A non-pass loan is any loan that is rated special mention, substandard, doubtful or loss.
- **Pass:** A credit that is in good standing and is not criticized in any way.
- **Shared National Credit (SNC):** A shared national credit is any loan or formal loan commitment, and any asset such as real estate, stocks, notes, bonds, and debentures taken as debts previously contracted, extended to borrowers by a federally supervised institution, its subsidiaries, and affiliates, that aggregates to \$20 million or more and is shared by three or more unaffiliated federally supervised institutions, or a portion of which is sold to two or more unaffiliated federally supervised institutions. The threshold of \$20 million has remained unchanged since the first report in 1977.
- **Special Mention:** Special mention commitments have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses could result in further deterioration of the repayment prospects, or in the institution's credit position in the future. Special mention commitments are not adversely rated and do not expose institutions to sufficient risk to warrant adverse rating.
- **Special Mention and Classified Commitments:** This includes all commitments rated special mention, substandard, doubtful, and loss. (Classified commitments include commitments rated substandard, doubtful, and loss.) The agencies' uniform loan classification standards and examination manuals define these risk rating classifications. Loans that are special mention and classified are considered non-pass loans.
- **Substandard:** Substandard commitments are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard commitments have well-defined weaknesses that jeopardize the liquidation of the debt and present the distinct possibility that the institution will sustain some loss if deficiencies are not corrected.

## Appendix B

| <b>Committed and Outstanding Balances</b><br>(Dollars in Billions) |                        |                     |                 |             |                         |                         |                        |                          |
|--|------------------------|---------------------|-----------------|-------------|-------------------------|-------------------------|------------------------|--------------------------|
| <b>Year</b>  | <b>Special Mention</b> | <b>Sub-Standard</b> | <b>Doubtful</b> | <b>Loss</b> | <b>Total Classified</b> | <b>Total Criticized</b> | <b>Total Committed</b> | <b>Total Outstanding</b> |
| <b>1989</b>  | 24.0                   | 18.5                | 3.5             | 0.9         | 22.9                    | 46.9                    | 692                    | 245                      |
| <b>1990</b>  | 43.1                   | 50.8                | 5.8             | 1.8         | 58.4                    | 101.5                   | 769                    | 321                      |
| <b>1991</b>  | 49.2                   | 65.5                | 10.8            | 3.5         | 79.8                    | 129.0                   | 806                    | 361                      |
| <b>1992</b>  | 50.4                   | 56.4                | 12.8            | 3.3         | 72.5                    | 122.9                   | 798                    | 357                      |
| <b>1993</b>  | 31.7                   | 50.4                | 6.7             | 3.5         | 60.6                    | 92.3                    | 806                    | 332                      |
| <b>1994</b>  | 31.4                   | 31.1                | 2.7             | 2.3         | 36.1                    | 67.5                    | 893                    | 298                      |
| <b>1995</b>  | 18.8                   | 25.0                | 1.7             | 1.5         | 28.2                    | 47.0                    | 1,063                  | 343                      |
| <b>1996</b>  | 16.8                   | 23.1                | 2.6             | 1.4         | 27.1                    | 43.9                    | 1,200                  | 372                      |
| <b>1997</b>  | 19.6                   | 19.4                | 1.9             | 0.9         | 22.2                    | 41.8                    | 1,435                  | 423                      |
| <b>1998</b>  | 22.7                   | 17.6                | 3.5             | 0.9         | 22.0                    | 44.7                    | 1,759                  | 562                      |
| <b>1999</b>  | 30.8                   | 31.0                | 4.9             | 1.5         | 37.4                    | 68.2                    | 1,829                  | 628                      |
| <b>2000</b>  | 36.0                   | 47.9                | 10.7            | 4.7         | 63.3                    | 99.3                    | 1,951                  | 705                      |
| <b>2001</b>  | 75.4                   | 87.0                | 22.5            | 8.0         | 117.5                   | 192.8                   | 2,049                  | 769                      |
| <b>2002</b>  | 79.0                   | 112.0               | 26.1            | 19.1        | 157.1                   | 236.1                   | 1,871                  | 692                      |
| <b>2003</b>  | 55.2                   | 112.1               | 29.3            | 10.7        | 152.2                   | 207.4                   | 1,644                  | 600                      |
| <b>2004</b>  | 32.8                   | 55.1                | 12.5            | 6.4         | 74.0                    | 106.8                   | 1,545                  | 500                      |
| <b>2005</b>  | 25.9                   | 44.2                | 5.6             | 2.7         | 52.5                    | 78.3                    | 1,627                  | 522                      |
| <b>2006</b>  | 33.4                   | 58.1                | 2.5             | 1.2         | 61.8                    | 95.2                    | 1,874                  | 626                      |
| <b>2007</b>  | 42.5                   | 69.6                | 1.2             | 0.8         | 71.6                    | 114.1                   | 2,275                  | 835                      |
| <b>2008</b>  | 210.4                  | 154.9               | 5.5             | 2.6         | 163.1                   | 373.4                   | 2,789                  | 1,208                    |
| <b>2009</b>  | 195.3                  | 337.1               | 56.4            | 53.3        | 446.8                   | 642.1                   | 2,881                  | 1,563                    |
| <b>2010</b>  | 142.7                  | 256.4               | 32.6            | 15.4        | 304.5                   | 447.2                   | 2,519                  | 1,210                    |
| <b>2011</b>  | 106.4                  | 190.7               | 14.0            | 9.9         | 214.6                   | 321.0                   | 2,524                  | 1,118                    |
| <b>2012</b>  | 99.3                   | 161.7               | 29.5            | 4.6         | 195.8                   | 295.1                   | 2,792                  | 1,243                    |
| <b>2013</b>  | 115.0                  | 164.5               | 14.5            | 8.0         | 187.0                   | 302.0                   | 3,011                  | 1,362                    |
| <b>2014</b>  | 149.2                  | 171.0               | 11.8            | 7.8         | 191.3                   | 340.6                   | 3,389                  | 1,568                    |
| <b>2015</b>  | 144.2                  | 203.2               | 20.6            | 4.6         | 228.4                   | 372.6                   | 3,909                  | 1,867                    |
| <b>2016</b>  | 136.4                  | 250.7               | 25.7            | 8.6         | 285.1                   | 421.4                   | 4,102                  | 1,986                    |
| <b>2017</b>  | 131.7                  | 245.1               | 24.2            | 16.6        | 285.9                   | 417.6                   | 4,304                  | 2,149                    |

Note: Figures may not add to totals due to rounding

**Appendix C**  
**Summary of Shared National Credit Industry Trends**  
(Dollars in Billions)

| <b>Industry</b>               | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Services</b>               |             |             |             |             |             |             |             |             |             |             |             |
| Commitment                    | 589.3       | 779.0       | 820.1       | 735.4       | 701.3       | 784.9       | 821.2       | 927.3       | 1,062.1     | 1,101.5     | 1,150.7     |
| Classified                    | 18.1        | 45.0        | 156.5       | 120.1       | 92.3        | 92.8        | 86.2        | 85.5        | 74.9        | 90.8        | 103.0       |
| Special Mention               | 14.3        | 106.6       | 81.5        | 73.1        | 57.3        | 43.2        | 47.3        | 65.2        | 68.1        | 54.2        | 49.7        |
| % Classified                  | 3.1%        | 5.8%        | 19.1%       | 16.3%       | 13.2%       | 11.8%       | 10.5%       | 9.2%        | 7.1%        | 8.2%        | 8.9%        |
| % Special Mention             | 2.4%        | 13.7%       | 9.9%        | 9.9%        | 8.2%        | 5.5%        | 5.8%        | 7.0%        | 6.4%        | 4.9%        | 4.3%        |
| <b>Commodities</b>            |             |             |             |             |             |             |             |             |             |             |             |
| Commitment                    | 439.6       | 578.1       | 658.8       | 592.3       | 593.0       | 665.0       | 709.5       | 788.6       | 904.5       | 937.9       | 937.8       |
| Classified                    | 10.7        | 12.7        | 77.8        | 57.7        | 42.5        | 34.8        | 39.4        | 43.5        | 72.1        | 114.6       | 111.2       |
| Special Mention               | 7.0         | 53.6        | 34.9        | 20.4        | 14.0        | 22.4        | 27.7        | 30.0        | 23.1        | 35.7        | 48.2        |
| % Classified                  | 2.4%        | 2.2%        | 11.8%       | 9.7%        | 7.2%        | 5.2%        | 5.6%        | 5.5%        | 8.0%        | 12.2%       | 11.9%       |
| % Special Mention             | 1.6%        | 9.3%        | 5.3%        | 3.4%        | 2.4%        | 3.4%        | 3.9%        | 3.8%        | 2.5%        | 3.8%        | 5.1%        |
| <b>Financial</b>              |             |             |             |             |             |             |             |             |             |             |             |
| Commitment                    | 506.3       | 541.0       | 470.9       | 391.3       | 435.4       | 462.6       | 521.9       | 598.3       | 691.7       | 752.0       | 781.7       |
| Classified                    | 19.2        | 32.5        | 60.4        | 32.6        | 27.6        | 24.7        | 25.3        | 26.7        | 32.2        | 24.7        | 15.4        |
| Special Mention               | 3.3         | 13.7        | 28.0        | 17.7        | 9.6         | 9.6         | 12.1        | 19.6        | 20.5        | 18.4        | 9.4         |
| % Classified                  | 3.8%        | 6.0%        | 12.8%       | 8.3%        | 6.3%        | 5.3%        | 4.8%        | 4.5%        | 4.6%        | 3.3%        | 2.0%        |
| % Special Mention             | 0.7%        | 2.5%        | 5.9%        | 4.5%        | 2.2%        | 2.1%        | 2.3%        | 3.3%        | 3.0%        | 2.4%        | 1.2%        |
| <b>Manufacturers</b>          |             |             |             |             |             |             |             |             |             |             |             |
| Commitment                    | 339.4       | 405.0       | 436.6       | 368.4       | 385.2       | 431.4       | 480.1       | 531.8       | 599.2       | 632.8       | 685.3       |
| Classified                    | 18.8        | 39.8        | 78.4        | 27.2        | 17.0        | 16.6        | 15.7        | 16.5        | 23.3        | 30.5        | 29.7        |
| Special Mention               | 10.8        | 13.2        | 16.3        | 7.6         | 4.3         | 7.7         | 13.0        | 16.6        | 21.3        | 13.6        | 14.9        |
| % Classified                  | 5.5%        | 9.8%        | 18.0%       | 7.4%        | 4.4%        | 3.9%        | 3.3%        | 3.1%        | 3.9%        | 4.8%        | 4.3%        |
| % Special Mention             | 3.2%        | 3.3%        | 3.7%        | 2.1%        | 1.1%        | 1.8%        | 2.7%        | 3.1%        | 3.6%        | 2.1%        | 2.2%        |
| <b>Real Estate</b>            |             |             |             |             |             |             |             |             |             |             |             |
| Commitment                    | 203.6       | 241.6       | 244.4       | 198.2       | 164.8       | 164.8       | 171.9       | 222.1       | 262.3       | 284.9       | 324.3       |
| Classified                    | 2.9         | 25.3        | 49.2        | 45.9        | 23.7        | 14.4        | 5.1         | 3.9         | 5.8         | 6.6         | 5.9         |
| Special Mention               | 2.2         | 9.2         | 22.3        | 15.3        | 11.4        | 6.9         | 2.1         | 2.0         | 2.3         | 3.6         | 3.9         |
| % Classified                  | 1.4%        | 10.5%       | 20.1%       | 23.1%       | 14.4%       | 8.8%        | 3.0%        | 1.7%        | 2.2%        | 2.3%        | 1.8%        |
| % Special Mention             | 1.1%        | 3.8%        | 9.1%        | 7.7%        | 6.9%        | 4.2%        | 1.2%        | 0.9%        | 0.9%        | 1.3%        | 1.2%        |
| <b>Distribution</b>           |             |             |             |             |             |             |             |             |             |             |             |
| Commitment                    | 175.7       | 216.0       | 220.5       | 199.0       | 225.9       | 268.7       | 291.3       | 306.5       | 369.8       | 373.4       | 402.9       |
| Classified                    | 1.9         | 7.7         | 23.2        | 19.6        | 10.0        | 10.7        | 11.8        | 11.0        | 16.7        | 15.0        | 18.0        |
| Special Mention               | 4.7         | 13.9        | 12.1        | 8.4         | 9.8         | 8.9         | 12.4        | 15.9        | 8.5         | 11.0        | 5.6         |
| % Classified                  | 1.1%        | 3.6%        | 10.5%       | 9.9%        | 4.4%        | 4.0%        | 4.1%        | 3.6%        | 4.5%        | 4.0%        | 4.5%        |
| % Special Mention             | 2.7%        | 6.4%        | 5.5%        | 4.2%        | 4.4%        | 3.3%        | 4.3%        | 5.2%        | 2.3%        | 2.9%        | 1.4%        |
| <b>Government</b>             |             |             |             |             |             |             |             |             |             |             |             |
| Commitment                    | 21.6        | 28.6        | 29.9        | 34.0        | 18.5        | 14.6        | 15.3        | 15.8        | 19.1        | 19.8        | 21.0        |
| Classified                    | 0.1         | 0.0         | 1.2         | 1.5         | 1.5         | 1.6         | 3.4         | 4.2         | 3.5         | 2.9         | 2.6         |
| Special Mention               | 0.1         | 0.1         | 0.2         | 0.1         | 0.0         | 0.5         | 0.3         | 0.2         | 0.4         | 0.0         | 0.1         |
| % Classified                  | 0.5%        | 0.0%        | 4.0%        | 4.3%        | 8.4%        | 11.0%       | 22.4%       | 26.7%       | 18.2%       | 14.6%       | 12.6%       |
| % Special Mention             | 0.2%        | 0.4%        | 0.7%        | 0.4%        | 0.0%        | 3.4%        | 2.1%        | 1.4%        | 2.1%        | 0.0%        | 0.3%        |
| <b>All Industries (Total)</b> |             |             |             |             |             |             |             |             |             |             |             |
| Commitment                    | 2,275.4     | 2,789.2     | 2,881.2     | 2,518.5     | 2,524.2     | 2,792.0     | 3,011.1     | 3,390.5     | 3,908.8     | 4,102.3     | 4,303.7     |
| Classified                    | 71.7        | 163.1       | 446.8       | 304.5       | 214.6       | 195.8       | 187.0       | 191.3       | 228.4       | 285.1       | 285.9       |
| Special Mention               | 42.4        | 210.4       | 195.3       | 142.7       | 106.4       | 99.3        | 115.0       | 149.4       | 144.2       | 136.4       | 131.7       |
| % Classified                  | 3.2%        | 5.8%        | 15.5%       | 12.1%       | 8.5%        | 7.0%        | 6.2%        | 5.6%        | 5.8%        | 6.9%        | 6.6%        |
| % Special Mention             | 1.9%        | 7.5%        | 6.8%        | 5.7%        | 4.2%        | 3.6%        | 3.8%        | 4.4%        | 3.7%        | 3.3%        | 3.1%        |

Note: Figures may not add to totals due to rounding

| Appendix D: Exposure by Entity Type       |      |       |       |       |       |       |       |       |       |       |       |
|---|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Share of Total Commitments (%)            |      |       |       |       |       |       |       |       |       |       |       |
|   | 2007 | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  |
| US Banking Institutions                   | 42.7 | 41.1  | 40.8  | 40.8  | 41.5  | 43.2  | 44.4  | 43.4  | 43.3  | 44.9  | 45.3  |
| FBOs                                      | 41.4 | 39.0  | 38.0  | 37.9  | 38.3  | 36.9  | 35.8  | 34.5  | 33.7  | 33.6  | 33.9  |
| Nonbanks                                  | 15.9 | 19.9  | 21.2  | 21.3  | 20.2  | 19.8  | 19.7  | 22.1  | 23.0  | 21.6  | 20.8  |
| Total Classifications (\$ billion)        |      |       |       |       |       |       |       |       |       |       |       |
|   | 2007 | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  |
| US Banking Institutions                   | 19.2 | 47.2  | 134.8 | 81.6  | 49.4  | 35.8  | 29.2  | 25.6  | 40.7  | 63.9  | 66.7  |
| FBOs                                      | 17.6 | 45.9  | 101.8 | 62.0  | 41.7  | 37.8  | 32.4  | 25.1  | 34.8  | 54.0  | 53.2  |
| Nonbanks                                  | 34.8 | 70.0  | 210.2 | 160.9 | 123.5 | 122.2 | 125.4 | 140.6 | 153.0 | 167.2 | 165.9 |
| Totals                                    | 71.6 | 163.1 | 446.8 | 304.5 | 214.6 | 195.8 | 187.0 | 191.3 | 228.4 | 285.1 | 285.9 |
| Classified as % of Commitments            |      |       |       |       |       |       |       |       |       |       |       |
|   | 2007 | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  |
| US Banking Institutions                   | 2.0  | 4.1   | 11.5  | 7.9   | 4.7   | 3.0   | 2.2   | 1.7   | 2.4   | 3.5   | 3.4   |
| FBOs                                      | 1.9  | 4.2   | 9.3   | 6.0   | 4.3   | 3.7   | 3.0   | 2.1   | 2.6   | 3.9   | 3.7   |
| Nonbanks                                  | 9.6  | 12.6  | 34.4  | 30.0  | 24.3  | 22.1  | 21.1  | 18.8  | 17.0  | 18.9  | 18.6  |
| Totals                                    | 3.1  | 5.8   | 15.5  | 12.1  | 8.5   | 7.0   | 6.2   | 5.6   | 5.8   | 6.9   | 6.6   |
| Total Nonaccrual Commitments (\$ billion) |      |       |       |       |       |       |       |       |       |       |       |
|   | 2007 | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  |
| US Banking Institutions                   | 0.8  | 7.4   | 46.8  | 35.6  | 22.0  | 12.9  | 7.9   | 5.4   | 7.6   | 15.0  | 15.6  |
| FBOs                                      | 0.9  | 5.6   | 35.5  | 28.6  | 18.1  | 15.9  | 11.2  | 6.5   | 7.2   | 15.9  | 12.1  |
| Nonbanks                                  | 2.2  | 9.3   | 89.8  | 87.0  | 61.0  | 56.9  | 49.7  | 39.2  | 39.7  | 41.8  | 30.3  |
| Totals                                    | 3.9  | 22.3  | 172.1 | 151.2 | 101.1 | 85.6  | 68.8  | 51.1  | 54.5  | 72.6  | 58.0  |

Note: Figures may not add to totals due to rounding