

ENSIGHT CRC GROUP, LLC

Providing *Credit Risk Consulting* Services to the Banking Community



CONTENT OUTLINE FOR THE LOAN REVIEW SUMMARY REPORT

Discussion of Loan Review Program & Loan Summaries

- Loan Review Program Design
- Loan Summaries Content

Loan Review Scope & Coverage

- Defined Scope for the Review Sample
- Narrative summary of the nature of the loan review and coverage metrics followed by the review sample penetration below:

LOAN REVIEW PORTFOLIO PENETRATION SUMMARY		
	Current Balances	Loan Exposure
Total Commercial Loans	\$ 165,000,000	\$ 187,000,000
CRC Group Sample	\$ 105,000,000	\$ 127,000,000
Segment Penetration	63.6%	67.9%
Total Consumer Loans	\$ 65,500,000	\$ 92,500,000
CRC Group Sample	\$ 4,750,000	\$ 5,000,000
Segment Penetration	7.3%	5.4%
Total Cited Loans	\$ 1,375,000	\$ 1,400,000
CRC Group Sample	\$ 985,000	\$ 1,005,000
Segment Penetration	71.6%	71.8%
Total Portfolio Loans	\$ 231,875,000	\$ 280,900,000
CRC Group Sample	\$ 110,735,000	\$ 133,005,000
Portfolio Penetration	47.8%	47.3%

- Defined Purpose for the Loan Review
- Executive Summary of the Findings

Loan Document Exceptions

- Discussion of the number of Legal/Loan Document Exceptions followed by an exhibit of the percentage and level of concern as shown below:

Loan Document Exceptions				
	Exceptions	Mitigated %	Un-mitigated %	Critical %
(as % of Loans Reviewed)	17.5%	4.0%	12.0%	1.5%
(as % of Exposure Reviewed)	18.5%	5.5%	11.0%	2.0%

- Discussion of Identified Issues & Recommendations, if any

Financial Document Exceptions

- Discussion of the number of Financial Document Exceptions followed by an exhibit of the percentage and level of concern as shown below:

Financial Document Exceptions				
	Exceptions	Mitigated %	Un-mitigated %	Critical %
(as % of Loans Reviewed)	27.5%	3.5%	22.5%	1.5%
(as % of Exposure Reviewed)	24.0%	3.8%	17.4%	2.8%

- Discussion of any Identified Issues & Recommendations

Horizontal Review of Loan Policy & Underwriting and Loan Structure

- Loan Policy Overview & Evaluation
- Discussion of the number and mitigation of Policy Exceptions, followed by an exhibit indicating the perceived degree of mitigation as shown below:

Loan Policy Exceptions & Mitigation (based on # of loans)					
Total Exceptions	Approved	Mitigation Not Provided	Mitigation Provided		
			Justified	Questionable	Not Justified
30.0%	91.7%	5.0%	20.0%	2.5%	2.5%

- Discussion of any Identified Issues & Recommendations

- Evaluation of Loan Underwriting Memorandum content, followed by an exhibit indicating the relative quality of the credit presentation as shown below:

Quality of Credit Presentation (based on # of loans)			
Thorough	Complete	Acceptable	Unsatisfactory
15.0%	50.0%	30.0%	5.0%

- Discussion of any Identified Issues & Recommendations

- Evaluation of the Loan Underwriting Financial Analysis, followed by three exhibits indicating the relative quality of the financial analysis as shown below:

Quality of Financial Analysis (based on # of loans)			
Thorough	Acceptable	Weak	Unsatisfactory
32.0%	58.5%	7.5%	2.0%

- Discussion of any Identified Issues & Recommendations

Global Cash Flow Analysis Performed (based on # of loans)		
Yes	No	Not Applicable
60.0%	15.0%	25.0%

- Discussion of any Identified Issues & Recommendations

Loan Level Stress Testing (based on # of loans)			
Yes - Single Factor	Yes - Multiple Factor	None	N/A
40.0%	30.0%	15.0%	15.0%

- Discussion of any Identified Issues & Recommendations
- Evaluation of the Adequacy of Financial Loan Covenants, followed by an exhibit indicating the relative adequacy as shown below:

Adequacy of Financial Loan Covenants (based on # of loans with financial covenants)				
Appropriate	Too Few	Excessive Headroom	Too Few & Excessive Headroom	No Covenant When There Should Be
96.0%	0.0%	2.0%	0.0%	2.0%

- Discussion of any Identified Issues & Recommendations
- Evaluation of the Loan Structure Adequacy, followed by an exhibit indicating the relative adequacy overall loan structural support as shown below:

Overall Loan Underwriting Structural Support (based on # of loans)				
Conservative	Moderate/Conservative	Moderate	Moderate/Liberal	Liberal
10.0%	25.0%	45.0%	15.0%	5.0%

- Discussion of any Significant Loan Structural Issues & Recommendations

Term Loan Servicing Analysis

- Term Loan Servicing Summary & Evaluation, followed by an exhibit indicating the adequacy of the term loan servicing as shown below:

Term Loan Servicing Review Analysis							
# of Loans	Current Financial Information	Current Annual Servicing Memo	Satisfactory Financial Review	Risk Grade Outlook			
				Positive	Stable	Negative	ISD *
15	80.0%	66.7%	15.0%	20.0%	53.3%	6.7%	20.0%

* Insufficient Data to Forecast

- Discussion of any Identified Issues & Recommendations

Risk Grade Analysis and Recommended Risk Grade Changes

- Summary of the Bank Risk Grade Categories
- Migration Analysis of Bank Risk Grades for the Loan Portfolio as of the review cut-off date (also indicating the Weighted Average Risk Grade %) as shown in the exhibit below:

Bank Loan Portfolio Risk Grade Migration Report ('000)							
Risk Grade	Description	2016		2017		2018	
		Exposure	%	Exposure	%	Exposure	%
1	Excellent	\$ 5,138	1.8%	\$ 6,054	2.0%	\$ 7,406	2.2%
2	Above Average	21,409	7.5%	19,978	6.6%	19,526	5.8%
3	Average	196,675	68.9%	199,479	65.9%	217,139	64.5%
4	Acceptable	38,250	13.4%	53,275	17.6%	67,330	20.0%
5	Pass Watch List	10,847	3.8%	12,411	4.1%	13,466	4.0%
6	Special Mention	9,991	3.5%	8,476	2.8%	8,753	2.6%
7	Substandard	3,140	1.1%	2,422	0.8%	3,030	0.9%
8	Doubtful	-	0.0%	605	0.2%	-	0.0%
9	Loss	-	0.0%	-	0.0%	-	0.0%
	Total	\$ 285,450	100.0%	\$ 302,700	100.0%	\$ 336,650	100.0%
	Weighted Average Risk Grade	3.25		3.28		3.29	

- Discussion of the Bank Risk Grade Migration
- Discussion and List of Recommended Risk Grade Changes
- Bank Risk Grade metrics for the Review Sample as compared to the Reviewer Risk Grade metrics (also utilizing Weighted Average Risk Grade %) as shown in the exhibit below:

Bank vs Loan Review Risk Grades for Loan Review Sample ('000)									
Risk Grade	Description	2017				2018			
		Sample Exposure	Bank	Sample Exposure	CRC Group	Sample Exposure	Bank	Sample Exposure	CRC Group
1	Excellent	\$ 2,863	2.5%	\$ 3,664	3.2%	\$ 2,752	2.2%	\$ 4,379	3.5%
2	Above Average	8,015	7.0%	5,153	4.5%	8,507	6.8%	5,630	4.5%
3	Average	62,059	54.2%	57,937	50.6%	65,678	52.5%	61,049	48.8%
4	Acceptable	18,320	16.0%	22,900	20.0%	21,893	17.5%	24,395	19.5%
5	Pass Watch List	11,565	10.1%	12,252	10.7%	15,012	12.0%	15,763	12.6%
6	Special Mention	8,244	7.2%	9,160	8.0%	8,382	6.7%	8,257	6.6%
7	Substandard	3,434	3.0%	3,434	3.0%	2,877	2.3%	5,630	4.5%
8	Doubtful	-	0.0%	-	0.0%	-	0.0%	-	0.0%
9	Loss	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	Totals	\$ 114,500	100.0%	\$114,500	100.0%	\$ 125,100	100.0%	\$ 125,100	100.0%
	Weighted Average Risk Grade	3.58		3.66		3.60		3.71	

- Discussion of the Bank Risk Grade Distribution versus CRC Group Risk Grade Distribution and respective Weighted Average Risk Grades

- Discussion and Risk Grade Outlook for the reviewed loans, followed by an exhibit indicating the relative Risk Grade Outlooks as shown below:

Risk Grade Outlook for Reviewed Loans ('000)		
<u>Risk Grade Outlook</u>	<u>Loan Exposure</u>	<u>%</u>
Positive	\$ 23,350	27.1%
Stable	\$ 54,750	63.6%
Negative	\$ 5,500	6.4%
ISD *	\$ 2,500	<u>2.9%</u>
Total	\$ 86,100	100.0%
* Insufficient Data to Forecast		

- Loan Summary Report closing remarks