US Commercial Credit Risk
Portfolio Management

Asset Based Lending “ABL”

Monthly Update

May 2015

U.S. Head of Credit & Market Risk

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ABL: What is Asset Based Lending?

- Asset Based Lending ("ABL") is a discipline where the financing is predicated on the credit worthiness of the borrower and, equally as important, on the quality and value of the collateral provided to support the extension of credit.

- The borrower is provided a committed revolving line of credit, typically for a period of 3- 5 years with quarterly covenants established.

- **Various sources of repayment** include:
  - Operating cash flow of borrower
  - Refinance by other bank or commercial finance company
  - Liquidation of collateral
  - Reliance on personal guarantees

- Given reliance on collateral as a source of repayment, **collateral (primarily accounts receivable and inventory) is properly margined and monitored on a more stringent basis than a traditional secured loan**. Level and degree of monitoring is based on perceived risk in the underlying credit:
  - Dedicated operations and examination groups to monitor collateral.
  - Collateral monitored on Stuckey system, specialty program for maintenance of asset based loans.
  - Daily, weekly or monthly borrowing base certificates with updated collateral and availability figures.

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ABL: What is Asset Based Lending?

- Asset based loans are structured so that the credit extended to a borrower is closely monitored in relation to the collateral, which has been pledged to support the credit.
- A high degree of reliance is placed on the collateral as a means of repayment.

Collateral Pool		Advance Rates		Borrowing Base
• A/R • Inventory • Other	X	• 70-90% • 25-55% • varies	=	= max. allowable drawings under credit facility • If BB > facility size, then Excess availability. • If BB < facility size, then full facility amount cannot be utilized.

Due Diligence

- Field Examinations to verify collateral, book keeping, etc.
- Verification of Accounts Receivable reported by the customer.
- UCC searches on liens on the Companies and assets and search on Company/Principals for judgments/liens

SAN Underwriting Guidelines

- Revolver tenor: max. 5 years.
- A/R advance rate: max. 85% w/o credit enhancement.
- A/R eligibility and concentration guidelines.
- No stand-alone term exposure. Must be connected to Revolver. *Note: group exposure is usually fully cross-collateralized.*
- Inventory advance rate: max. 55% w/o appraisal.
- Defined Inventory sublimit.
- Cash control guidelines.
- Frequency of field exam and A/R verification guidelines

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May 2015 YTD Snapshot

($ in Millions)

Metric ($MM)	May-14	Jun-14	Sep-14	Dec-14	Mar-15	Apr-15	May-15	MAY '15 Budget	MAY'15 vs. Budget
Exposure	1,603	1,660	1,593	1,593	1,611	1,639	**1,652**	--	--
Outstandings	873	895	895	895	862	825	**850**	**982**	-132
Delinquency	0	0	0	0	0	0	**0**	--	--
Ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	--	--
Nonaccrual	5.1	3	21.0	6.9	4.8	4.5	**4.2**	**5.8**	-1.6
Ratio	0.59%	0.37%	2.35%	0.77%	0.55%	0.55%	0.50%	0.59%	-0.09%
Criticized Outstandings	36	64	57		39	43	**47**	--	--
Ratio	4.13%	7.19%	6.36%	4.92%	4.48%	5.20%	5.52%	--	--
Classified	23	19	38	12	26	29	**29**	--	--
Ratio	2.59%	2.18%	4.21%	1.34%	3.06%	3.47%	3.40%	--	--
NPL	5.1	0	21.0	6.9	4.8	4.5	**4.2**	**5.8**	-1.6
Ratio	0.59%	0.00%	2.35%	0.77%	0.55%	0.55%	0.50%	0.59%	-0.09%
Net Charge-Offs YTD	0	0	0	-2.6	-0.3	-0.26	**-0.26**	**1.11**	-1.37
YTD Annualized Ratio	0.00%	0.00%	-0.01%	-0.29%	-0.12%	-0.10%	-0.07%	0.27%	-0.35%
VMG (local) YTD	0	-2	16	-0.9	-2.4	-2.6	**-3.0**	--	--
Risk Premium	-1.09%	-1.27%	0.89%	-0.10%	-0.38%	-0.40%	-0.44%	--	--
Provision YTD	0.8	2.5	0.8	0.6	-0.7	-1.5	**-1.4**	**1.3**	-2.66
Cost of Credit	-0.51%	-0.30%	-0.26%	0.07%	-0.05%	-0.11%	-0.18%	0.11%	-0.29%
ALLL	7.1	7.0	6.0	8.5	7.5	7.7	**8.1**	**8.3**	-0.2
Ratio	0.82%	0.79%	0.67%	0.95%	0.87%	0.94%	0.95%	0.84%	0.11%
ALLL/Nonaccrual	138.94%	212.53%	28.72%	123.12%	158.18%	169.94%	191.83%	143.05%	48.78%
Mora	5	3	22	6.9	4.9	4.7	**4.4**	--	--

Note: Budget data as of 3/18/15.

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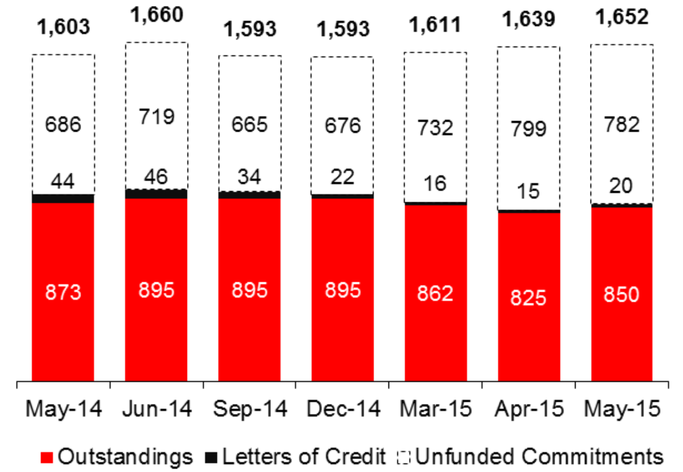
ABL: Credit Exposure Overview

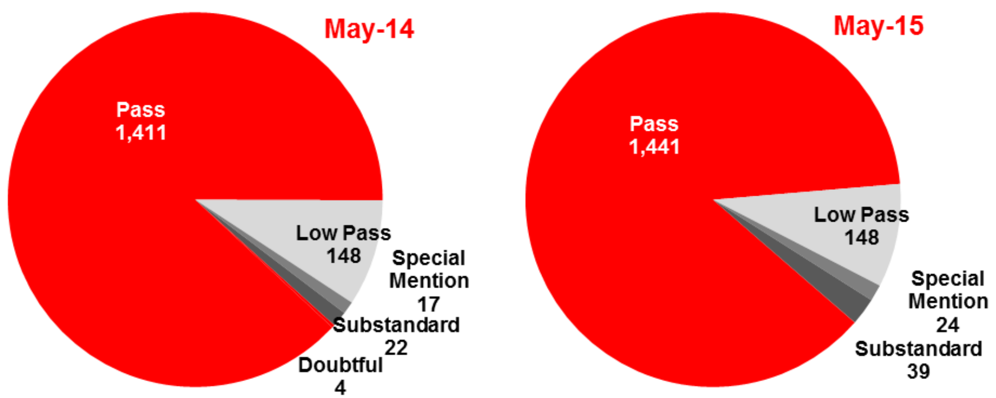
($ in Millions)

- The size of the portfolio is stable. For the first time since Dec-14, Outstandings have increased but are still down by $45MM since FYE14, while Exposure increased by $12MM and $59MM, respectively.
- Since the beginning of the year, portfolio growth has been driven by ABL-South which originated one new facility – a 3.5-year $20MM RLOC with GMMF Funding LLC (ORR 5.4, No FEVE), a closed-end investment company, which was subsequently approved to be increased to $35MM in June. There were no portfolio exits.
- The rating distribution remains stable, with 96% of the portfolio rated Pass and Low Pass, in line with the 97% during the previous year.

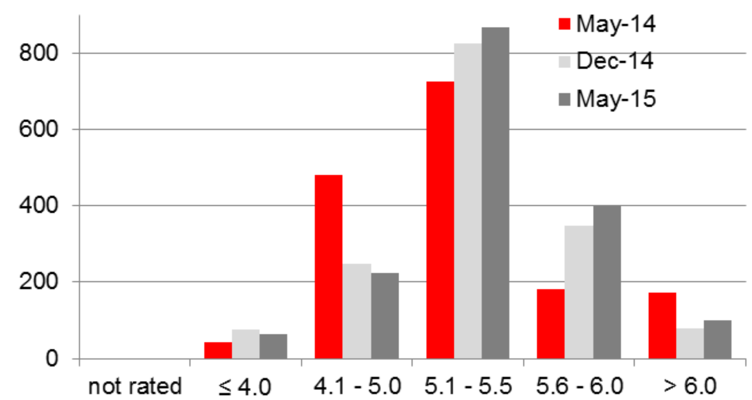
Exposure



Exposure by Regulatory Rating



Exposure by Obligor Rating



- Sources: The Exposure Chart on the top right is based on the 4/30/15 Credit Metrics report. The Exposure by ORR and Regulatory Rating is derived from Monitoring's FEVE report as of 4/30/15.

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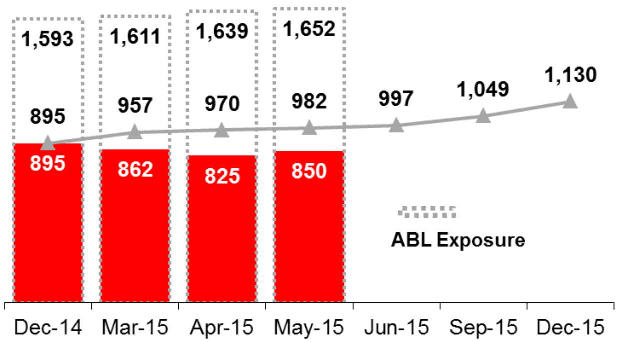
ABL: Performance vs. Budget

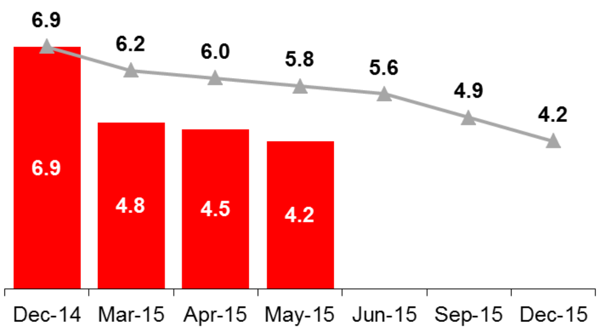
($ in Millions)

- ABL continues to underperform its budget for funded outstandings by 13% due to the combination of decreasing usage under the existing credit lines.
- The March decline in ALLL and Provisions to below their respective budgets is the result of the $1.6 million release of provisions for Mar Lees, a seafood company in Workout that is self-liquidating its assets to repay the outstandings under its revolver. No losses are expected with a projected release of the remaining $1.4MM reserve in the next 3 months.

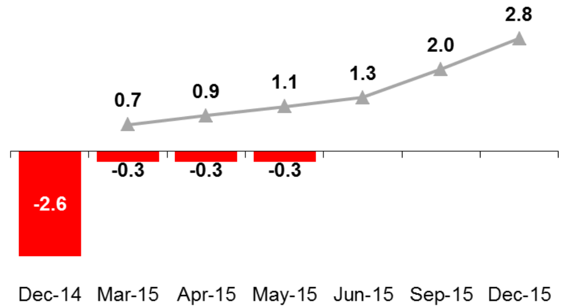
Outstandings



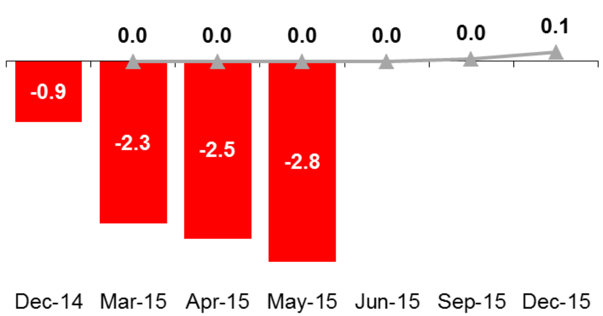
Nonaccrual Loans



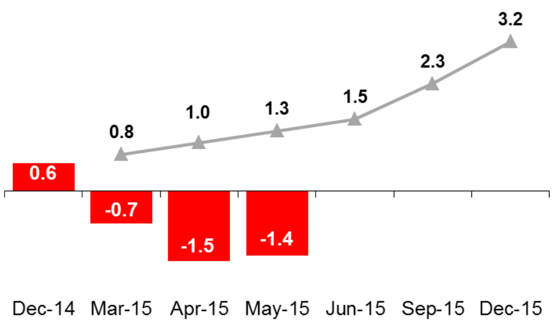
Net Charge-Offs YTD



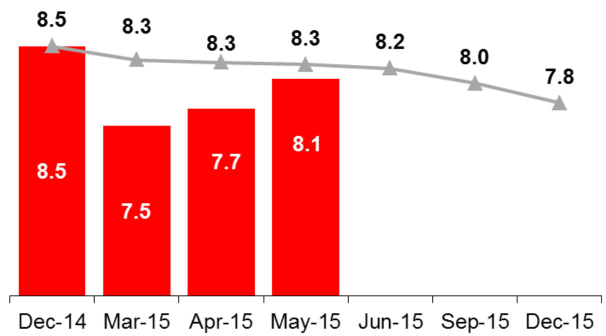
VMG (Spanish) YTD



Provision for Credit Losses YTD



ALLL



Actual (YTD) Budget (YTD)

Source: SBNA Solvency - Budget data as of 3/18/15; May-15 metrics according to Credit Metrics report.

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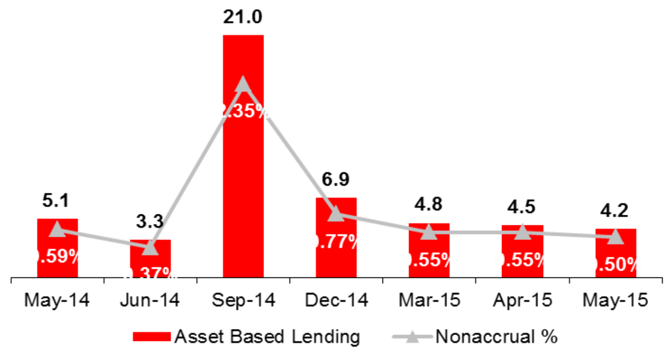
ABL: Credit Quality Metrics (1 of 2)

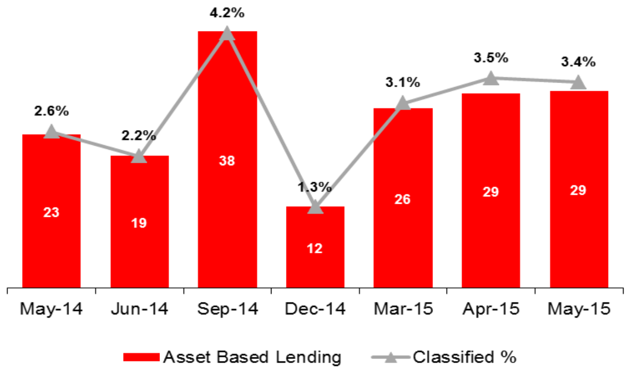
($ in Millions)

- There has been little change in Classified and Criticized balances which increased slightly in May as a result of usage increases for Garber Brothers (+$3.5MM, ORR 3.6/Monitor) and Universal Wilde (+$0.7MM, ORR 1.5/Extinguish).
- The small $0.3MM decrease in Nonaccruals was caused by usage decreases in the Mar Lees Revolver; there were no exits from the Nonaccrual book. No entries to NPL are expected for June and 3Q15. Universal Wilde was transferred to Workout on 3/9/15, but remains on accrual status. Ideal Snacks is being shadowed by Workout due to the deterioration in performance and a pending buyout.

Nonaccrual Loans



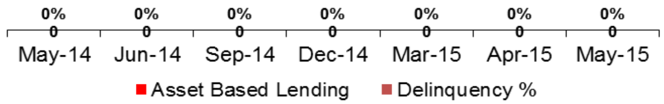
Classified Loans - outstandings



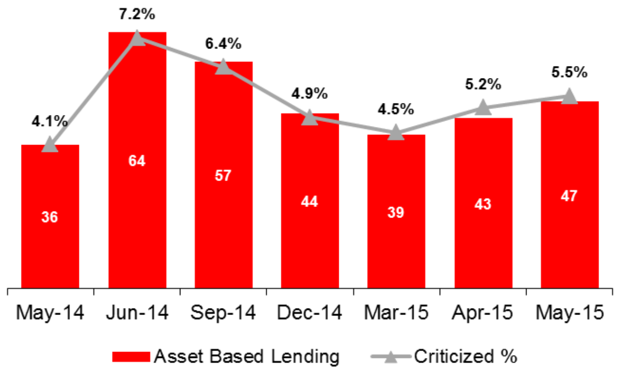
Outstandings of $29MM on $39M of Exposure

Delinquency

No delinquencies were reported.



Criticized Loans - outstandings



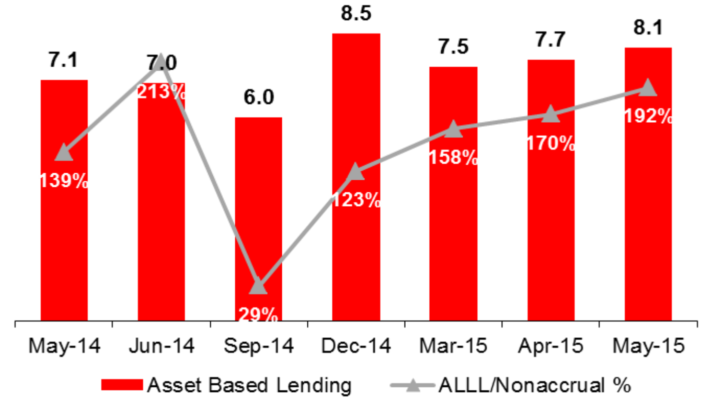
Outstandings of $47MM on $63M of Exposure

ABL: Credit Quality Metrics (2 of 2)

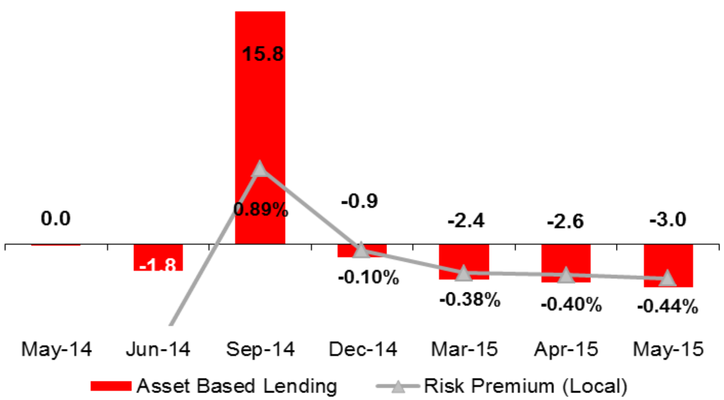
($ in Millions)

- YTD Provisions for Credit Losses and Net Charge-offs are negative, i.e. providing income.
- The $1.9MM decrease in ALLL and $1.7MM decline in provisions in March were due to the Mar Lees provision release. The recent smaller increases are attributable to the increase in exposure and outstandings combined with a $30MM rating downgrade from 4.8 to 4.2 for Wind Turbine & Energy.

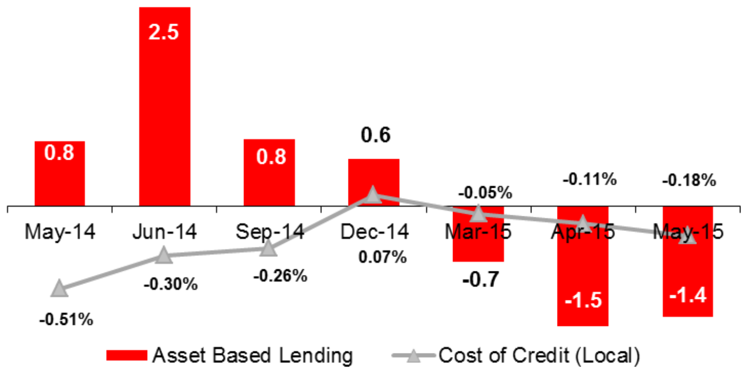
Allowance & Coverage



VMG & Risk Premium



Provision & Cost of Credit



Source: SBNA Solvency - Budget data as of 3/18/15.

VMG = Change in Mora (Nonaccrual including letters of credit) plus Net Charge-Offs
Cost of Credit = Rolling 12 months Provision / Average 12 months Utilizations
Risk Premium = Rolling 12 months VMG / Average 12 months Utilizations

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ABL: FEVE Trends

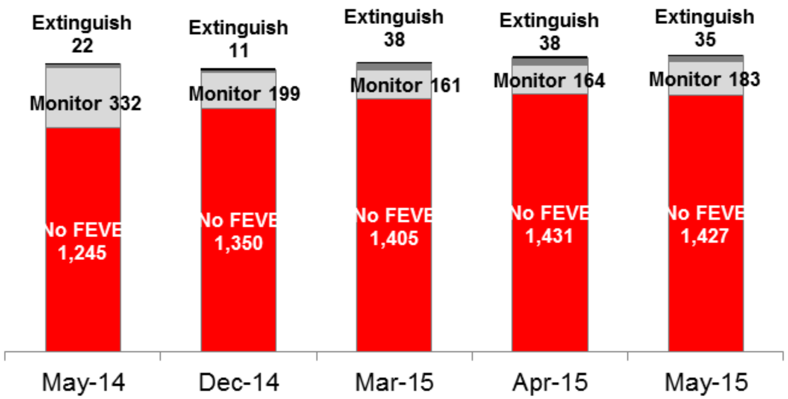
($ in Millions)

- Portfolio Quality has improved significantly since May-14. Approximately 86% of Binding Exposure are rated NO FEVE, up from 78% at 5/31/14.
- The Portfolio did not have any names rated “Secure” or “Reduce” as of 5/31/15.

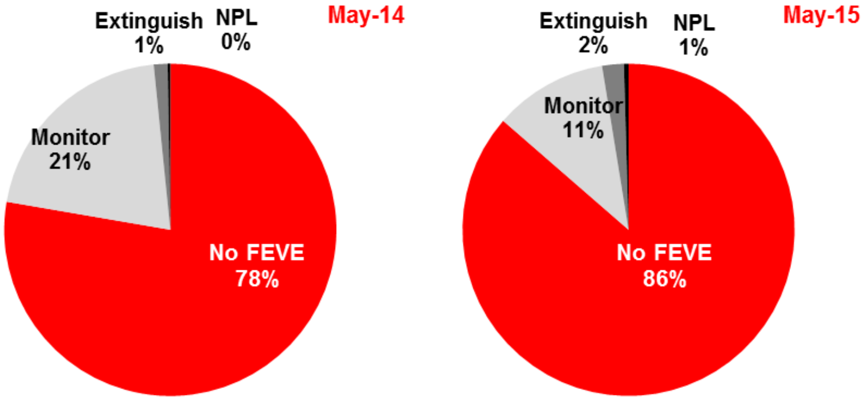
FEVE Status Changes in May-15

One Obligor	Apr'15 FEVE	May'15 FEVE	Binding Exposure	Comment
UPGRADES				
Repapers Corp.	Monitor	No FEVE	$16	Improved earnings, cash flow and solvency
DOWNGRADES				
Stavis Seafoods	No FEVE	Monitor	$31	Losses, inventory mismanagement, DSCR <1.00x

Historical FEVE Distribution



FEVE Distribution



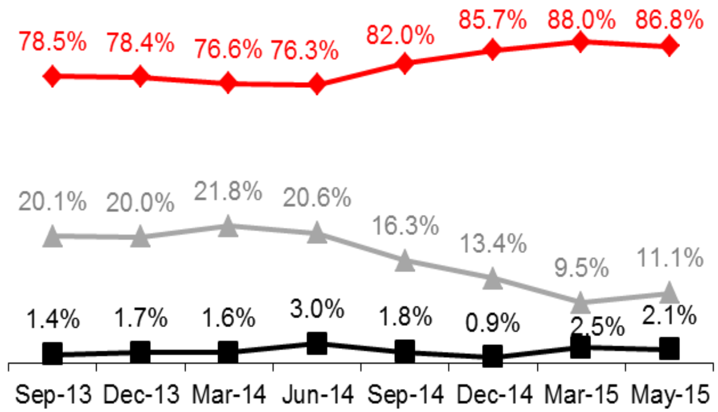
ABL: FEVE History

($ in Millions)

	Asset Based Lending							
	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	May-15
No FEVE	$1,085	$1,112	$1,093	$1,221	$1,143	$1,275	$1,345	$1,427
In FEVE	$297	$307	$334	$378	$251	$212	$183	$217
Monitor	$278	$283	$311	$330	$227	$199	$146	$183
FEVE Grave	$19	$24	$23	$48	$25	$13	$38	$35
Reduce	$5	$10	-	-	-	$3	$0	-
Extinguish	$14	$14	$23	$48	$25	$11	$38	$35
Grand Total	**$1,382**	**$1,419**	**$1,427**	**$1,599**	**$1,395**	**$1,488**	**$1,529**	**$1,644**

ABL's FEVE Quality has stabilized after strong **improvement**, a reflection of the improving business environment and tougher underwriting standards, while the portfolio size continues to grow, mostly in Lender Finance. The jump in **FEVE Grave** in March 2015 was caused by the recent transfer of Universal Wilde to Workout.

	Asset Based Lending							
	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	May-15
No FEVE	78.5%	78.4%	76.6%	76.3%	82.0%	85.7%	88.0%	86.8%
In FEVE	21.5%	21.6%	23.4%	23.7%	18.0%	14.3%	12.0%	13.2%
Monitor	20.1%	20.0%	21.8%	20.6%	16.3%	13.4%	9.5%	11.1%
FEVE Grave	1.4%	1.7%	1.6%	3.0%	1.8%	0.9%	2.5%	2.1%
Reduce	0.4%	0.7%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%
Extinguish	1.0%	1.0%	1.6%	3.0%	1.8%	0.7%	2.5%	2.1%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**



Source: FEVE Monitoring Reports. All by Binding Exposure in SMM – Manual adjustments were made to correct inaccurate cost center allocations, leading to variances with the previous slides' FEVE results on occasion..

ABL: New Originations

($ in Millions)

- New origination activity in ABL has been driven by ABL South and particularly the Lender Finance business, which added $85MM of Binding Exposure in 2015.
- The exceptions recorded for the New Originations are related to Underwriting Guidelines concerning loan covenant and field examination guidelines.
- The new obligors with exceptions are all Lender Finance obligors.
- Since the Strategic Commercial Plan did not outline specific targets besides profitability and minimum/ maximum transaction sizes, there are no exceptions to the SCP.

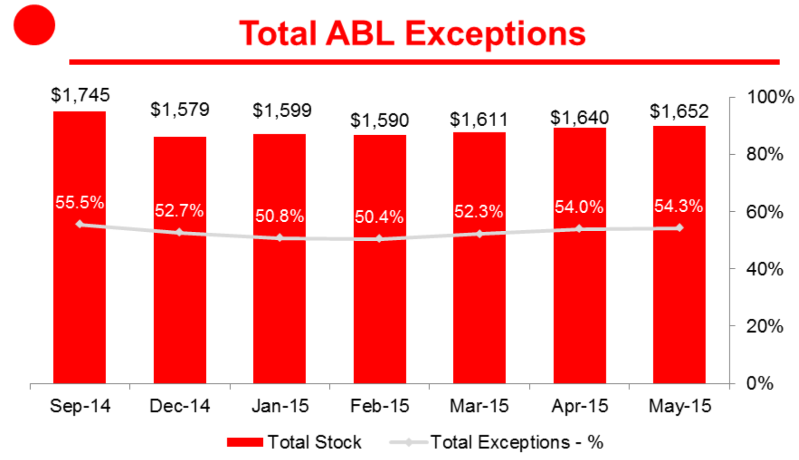
YTD 5/31/15 Stats	#	Binding Exp. $M
Total Facilities booked	8	110,925,000
Thereof Facilities with Exceptions	3	85,000,000
Total Exceptions recorded	5	85,000,000
Thereof CP	0	-
Thereof UG	5	85,000,000
Total Obligors	6	
Total WARR	5.3	
Average Tenor	3.57 years	
Average Deal Size		13,865,625
Total Obligors w/Exceptions	3	
Total WARR on Facilities w/Exceptions	5.3	
Average Tenor on Facilities w/Exceptions	2.51 years	
Average Deal Size of Facilites w/Exceptions		28,333,333

OPEN	OBLIGOR_NAME	SRR	FEVE	Total
Feb-15	WARSHAUER ELECTRIC	5.1	NO FEVE	$ 925,000
Feb-15	GEC OIL LLC AND ROBISON	5.2	NO FEVE	$ 15,000,000
Feb-15	JEFFERIES FINANCE LLC	5.6	NO FEVE	$ 50,000,000
Mar-15	SOLOMON EDWARDS GROUP L	4.4	Monitor	$ 15,000,000
Apr-15	GILES & RANSOME INC	5.5	NO FEVE	$ 10,000,000
May-15	GMMF FUNDING LLC	5.4	NO FEVE	$ 20,000,000
		5.3		**$ 110,925,000**

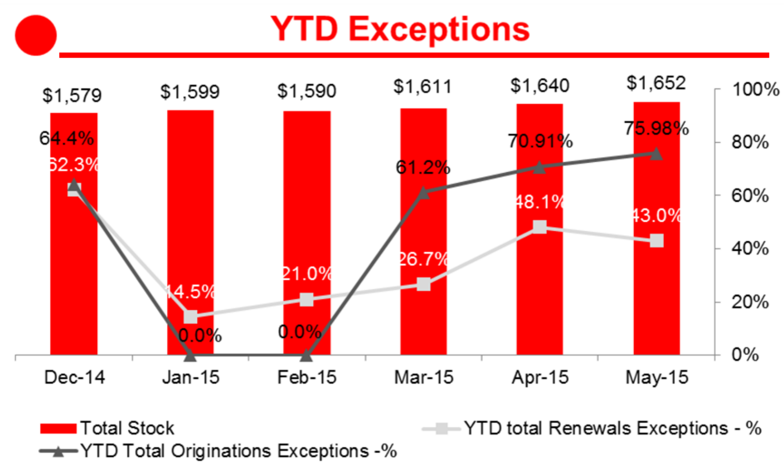
ABL: Exception Management

($ in Millions)

- ABL accounts for a relatively large amount of exceptions (10.6% of SBNA's Exceptions Binding Exposure) based on the size of the overall portfolio (2.5% of overall Binding Exposure).
- Of the 52% of exceptions reported on an exposure level as of 5/31/15, approximately 97% are related to Underwriting Guideline exceptions.
- Underwriting Guidelines exceptions were mostly related to field exam and advance rate guidelines, and affected 66 facilities.
- The 3% of Credit Policy exceptions is related to Pharmachem ($24.9MM), due to a FDICIA exception (LTV exceeds limit).



5/31/2015	BANK	ABL	% of Portfolio
Total Facilities	73,593	854	1.2%
Total Portfolio $MM	$62,145	$1,562	2.5%
Total Exceptions Facilities	1,320	67	5.1%
Total Exceptions Exposure $MM	$8,479	$897	10.6%
Policy Exceptions	11	1	9.1%
Policy Exceptions $MM	$48	$25	52.1%
UW Guideline Exceptions	1,309	66	5.0%
UW Guideline Exceptions $MM	$8,433	$872	10.3%



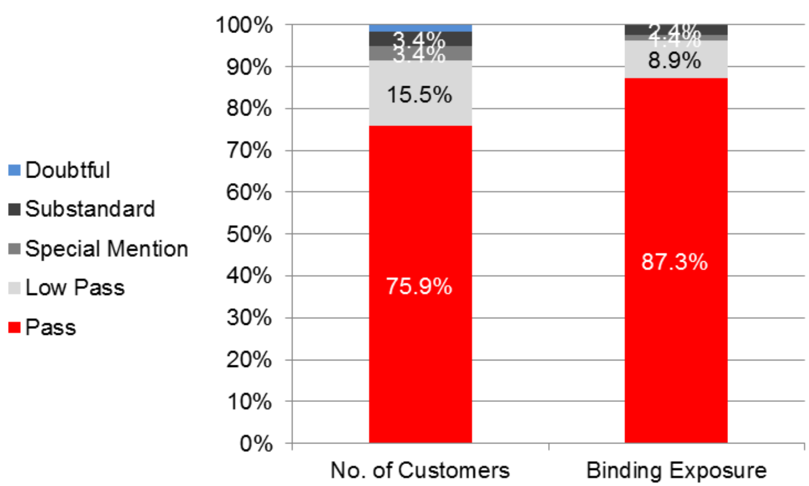
Exposure by Number of Customers

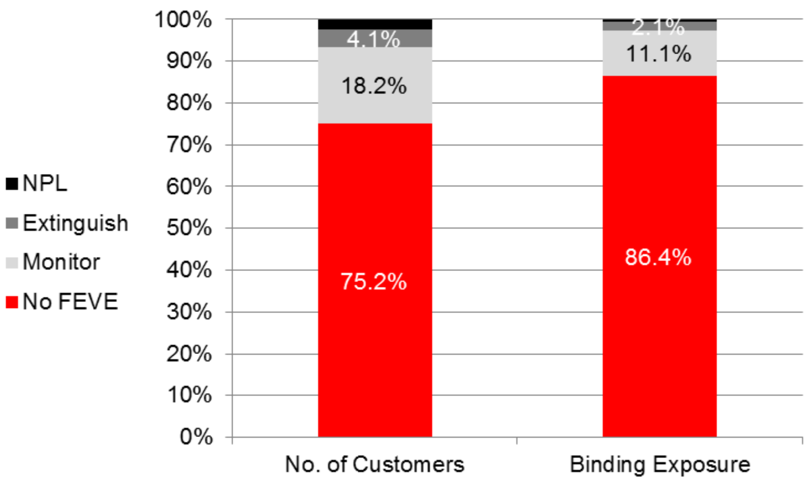
($ in Millions)

Both the FEVE and Regulatory rating distribution indicate that the larger ABL customers, on average, have a better credit quality than the smaller ones.

Regulatory Rating	No. of Customers		Binding Exposure	
Pass	88	75.9%	$1,441	87.3%
Low Pass	18	15.5%	$148	8.9%
Special Mention	4	3.4%	$24	1.4%
Substandard	4	3.4%	$39	2.4%
Doubtful	2	1.7%	$0	0.0%
	116		**$1,652**	

FEVE Rating	No. of Customers		Binding Exposure	
No FEVE	91	75.2%	$1,427	86.4%
Monitor	22	18.2%	$183	11.1%
Extinguish	5	4.1%	$35	2.1%
NPL	3	2.5%	$7	0.4%
	121		**$1,652**	





ORR vs. FEVE rating

($ in Millions)

Overall, ratings appear to be fairly distributed with a few exceptions.

- The distribution of FEVE grades is concentrated in No FEVE and Monitor, with no use of "Reduce" and "Secure".
- It appears that most of the mismatches can be attributed to administrative issues (CCLM not updated). However, data quality has improved with two corrections since March.

	Pass	Low Pass	Sp. Mention	Substandard	Doubtful	TOTAL	
No FEVE	$1,410	$17	$0	$0	$0	$1,427	86%
Monitor	$31	$131	$21	$0	$0	$183	11%
Extinguish	$0	$0	$3	$32	$0	$35	2%
NPL	$0	$0	$0	$7	$0	$7	0%
TOTAL	**$1,441**	**$148**	**$24**	**$39**	**$0**	**$1,652**	**100%**
	87%	9%	1%	2%	0%	**100%**	

- Potential rating mismatches:

FEVE	ORR	Reg. Rating	Exposure $M	Customers
No FEVE	4.5	Low Pass	$17,086	4

Obligor Name	Exposure $M	FEVE	ORR	Reg. ORR	Reason
Galant Inc.	$52	No FEVE	4.5	Low Pass	not an ABL customer
KTL Investment LLC	$672	No FEVE	4.5	Low Pass	strong guarantors
Repapers Corporation	$15,910	No FEVE	4.5	Low Pass	NILO dd. 5/20/15 shows SRR 5.0. Likely CCLM timing issue.
Total Confections LLC	$506	No FEVE	4.5	Low Pass	CREM Orphan, not updated since 2012 - NILO says 5.1?

Source: Monitoring FEVE report as of 4/30/15.

Open Regulatory, Internal Audit and Loan Review Issues

- There are currently no open MRAs or Internal Audit Recommendations specific to ABL.
- All Internal Audit recommendations were implemented
- Loan Review information is not available at this time.

SBNA	Open	In Process	DtR
Regulatory Matters	10	2	8
MRIA	*0*	*0*	*0*
MRA / MRBA	*10*	*2*	*8*
Internal Audit Recommendations	6	0	n/a
Loan Review Recommendations	n/a	n/a	n/a
Grand Total	**16**	**2**	**8**
Applicable to CRE	3	2	1
Applicable to BB + MM & C&I	2	0	2
Applicable to Dealer Floor Plan	1	0	1
Applicable to all Business Lines	3	0	3
Others	1	0	1
Grand Total:	**10**	**2**	**8**

MRA /RPA	DESCRIPTION / CONCLUSION	STATUS	TARGET DATE
MRA: Credit Administration	Modify primary loan approval document to provide a comprehensive, succinct summary of the key risks, mitigants, transaction rationale, and risk rating justification	In process.	6/30/15
MRA: Quality of MIS and Level of Portfolio Analytics:	Develop comprehensive portfolio analytics.	In process.	6/30/15

Source: Internal Audit as of 4/30/15.

DtR notes that the material to remediate the finding has been Delivered to Regulators.
DtR and In Progress include all Open MRIAs and MRAs from 2013 and 2014.

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APPENDIX

- Top 20
- Lender Finance Portfolio
- Risk ID (SCP)
- Underwriting Criteria (SCP)

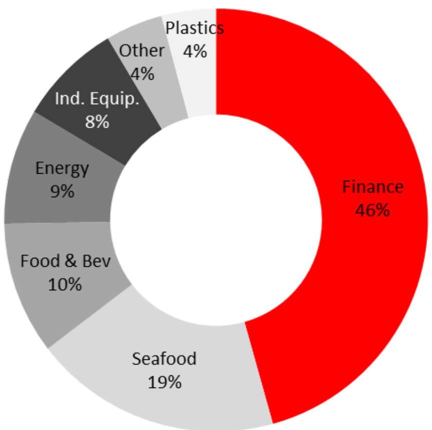
ABL: Top 20

($ in Millions)

- ABL's Top 20 is **concentrated in Finance and Seafood**, accounting for a combined 65% of Binding Exposure. The Top 20 customers reflect 17% of the 116 ABL customer groups, but account for **47% of ABL Binding Exposure**.
- There were no changes to the composition of the Top 20 in May, but three rating downgrades as well as another pending downgrade for Stavis Seafoods that became effective in June.
- The Top 20's **WARR of 5.5** implies a good Pass rating, down from 5.5 in Apr-15.

Rank	Master One Obligor	Industry	MAY-15 ORR	APR-15 ORR	MAY-15 FEVE	Binding Exposure	Usage
1	PBF HOLDING COMPANY LLC	Energy	5.6	5.7	No FEVE	68.8	17%
2	AMERICAN HOLDCO INC ET AL	Seafood	5.3	5.3	No FEVE	53.2	52%
3	ARES CAPITAL CORPORATION	Finance	6.5	6..5	No FEVE	50.0	1%
4	Jefferies Finance LLC	Finance	5.6	5.6	No FEVE	50.0	0%
5	PROSPECT CAPITAL FUNDING LLC	Finance	6.4	6.4	No FEVE	50.0	27%
6	PHARMACHEM LABORATORIES INC	Food & Bev	5.7	5.7	No FEVE	43.6	43%
7	TIMEPAYMENT CORP	Finance	5.7	5.7	No FEVE	40.0	76%
8	10th LANE FINANCE CO LLC	Finance	5.5	5.5	No FEVE	35.0	21%
9	FURMAN FARMS INC	Food & Bev	5.1	5.1	No FEVE	35.0	54%
10	TPG SPECIALTY LENDING INC	Finance	5.8	5.8	No FEVE	35.0	40%
11	MONROE CAPITAL SR SECURED	Finance	5.3	5.3	No FEVE	35.0	70%
12	HORIZON GROUP USA INC	Other	5.2	5.2	No FEVE	33.9	59%
13	ARISTA INDUSTRIES INC	Seafood	5.4	5.4	No FEVE	32.5	68%
14	GLOBAL PLASTICS GROUP	Plastics	5.4	5.4	No FEVE	32.3	83%
15	STAVIS SEAFOODS INC	Seafood	5.3	5.3	Monitor	31.4	94%
16	WIND TURBINE & ENERGY CABLES	Ind. Equipment	4.2	4.8	Monitor	30.9	76%
17	BLUE SEA PRODUCTS LLC	Seafood	5.3	5.3	No FEVE	30.0	59%
18	FULL CIRCLE CAPITAL CORPORATION	Finance	5.5	5.5	No FEVE	30.0	7%
19	OXFORD FINANCE FUNDING III LLC	Finance	5.2	5.2	No FEVE	30.0	12%
20	PAIGE ELECTRIC COMPANY LP	Ind. Equipment	5.9	5.9	No FEVE	30.0	70%
SUBTOTAL			5.5			776.5	

Top 20 by Sector



Source: FEVE Monitoring report as of 4/30/15. The number of customers was determined by Master One Obligor.
NOTE: PBF Holding is wrongly allocated to ABL; this is an Energy customer. The allocation was manually corrected by COML Portfolio Management on 6/4/15 and should become visible in the June-15 results.

Santander

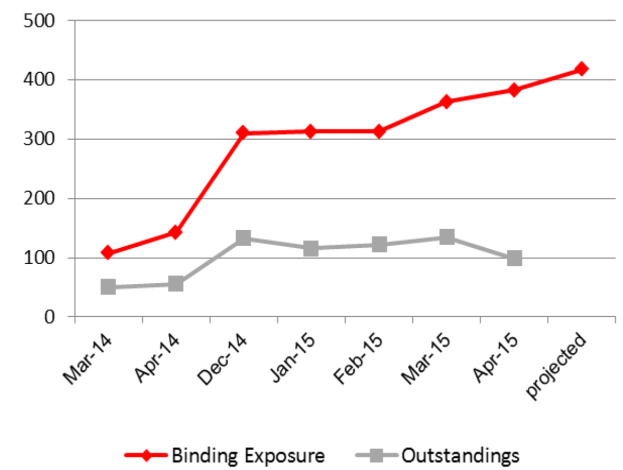
ABL: Lender Finance Exposure

($ in Millions)

- The Lender Finance portfolio has increased significantly in the past year, accounting for **23.4% of Exposure and 12.0% of Outstandings** as of 4/30/15*.
- In May-15, a potential new $35MM participation in the MVC Capital Inc. Revolver was approved. Closing is pending. Another new $25MM participation in the Gladstone Business Loan Revolver was approved and closed in Jun-15.

Binding Exposure	Mar-14	Apr-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	projected
10th Lane Finance Co LLC	-	-	35	35	35	35	35	35
AGR Advisors Inc.	25	25	25	**28**	28	28	28	28
Ares Capital Corporation	-	-	30	30	30	30	**50**	50
Capital Business Credit LLC	25	25	25	25	25	25	25	25
Full Circle Capital	30	30	30	30	30	30	30	30
Jefferies Finance LLC	-	-	-	-	-	**50**	50	50
Monroe Capital Senior Secured	-	-	35	35	35	35	35	35
Oxford Finance Funding III	-	-	30	30	30	30	30	30
Prestige Capital Corporation	15	15	15	15	15	15	15	15
Prospect Capital Funding LLC	-	35	50	50	50	50	50	50
TPG Specialty Lending Inc	-	-	35	35	35	35	35	35
Approved in May: MVC Capital Inc	-	-	-	-	-	-	-	***35***
exit: Lenders Funding LLC	8	8	-	-	-	-	-	-
exit: Lincoln Capital Group Inc	5	5	-	-	-	-	-	-
Grand Total	**108**	**143**	**310**	**313**	**313**	**363**	**383**	**418**
YOY change						236%	168%	
% of ABL portfolio (Bind Exp)			19.2%	19.4%	19.4%	22.5%	23.4%	
% of ABL portfolio (Outstandings)			14.9%	13.2%	14.1%	15.6%	12.0%	

Lender Finance – History



Source: Trial Balance data as of 4/30/15.
NOTE: No updated information was available for 5/31/15 due to database download issues.

Santander

Risk ID and Assessment

Risk ID	Risk Event	Risk Description	Control
10.001 Strategic Risk	Excess liquidity in the market, coupled with an increase of new entrants in the market continues to persist	Risk of loss due to spread compression. Forced to participate in deals with complex structures and carry greater risk.	- High credit standards - Established credit culture - Customer education and customer service strategy - Value added customer Contact strategy - Market segmentation expertise and strategy - Strategies in syndicated markets to offset the decline in spreads
10.002 Strategic Risk	Excessive time to market due to local lending limit	Risk of loss (opportunity) of potential new business due to uncertainty of approval and or timing issues	- Proactively obtaining necessary information for current customers
10.011 Credit Risk	Borrower is unable to repay (e.g.. Due to mismanagement, manufacturing interruption, customer receivables, macroeconomic events, natural disasters)	Risk of loss linked to default	Extensive credit analysis, on-going credit and collateral monitoring, tight controls of liquid assets, financial statement review.
10.013 Credit Risk	FED takes certain actions within the market, resulting in significant rate changes. Increase in rates negatively impact borrower's ability to repay loan balance.	If rates decrease, increased refinance risk. If rates increase, marketability of securities is significantly reduced.	Covenant reviews, interest rate sensitivity analysis.
10.015 Credit Risk	Act of nature - damaged collateral or total loss of collateral due to natural disaster e.g. hurricane, EMS outbreak.	Risk of loss due to lack of insurance on collateral base	'-Insurance and mitigation by client, Industry concentration monitoring/limits. Verification of collateral field examination, Presence/use of Lock boxes and blocked accounts
10.016 Credit Risk	Changes in the marketplace causing non-payment or default events for a high number of obligations, overwhelming current workout staff and systems	'- Risk of not detecting the faulty customers - Risk of detecting these customers and having insufficient resources at hand	'- Robust UW process that mitigates potential risk - Workout teams in place to handle troubled relationships; - On-going credit reviews/monitoring.
10.072 Credit Risk	Failure of internal or external parties (including field examiners, verification of receivables) to assess, appraise, monitor, and test collateral and proven levels could result in lending to a borrower who is unable to service the obligation.	Risk of Loss due to decrease in the amount of collateral value (LGD's)	Bank has a stringent approval process for evaluating collateral and approved appraisal lists for evaluation. On-going appraisals routinely required.
10.084 Credit Risk	Inappropriate exceptions and monitoring to established policy, and credit underwriting metrics leading to increased PD's.	'Risk of loss due to higher PD's; higher reserves/provisions	'Ongoing reporting, underwriting requirement of a detailed, clear explanation of noted exceptions. Continuing investment in the development of exception reporting.

ABL: Strategic Commercial Plan

($ in Millions)

The following parameter were outlined in the SCP approved for 2015:

- All transactions to follow SBNA approval process per credit policy. Credit Policy and underwriting guidelines will be approved locally as credit policy allows.
- Request: Additional delegated authority is requested to decision locally syndications between $100MM and $150MM in underwriting. The following criteria need to be met:
    - Up to $50MM of final hold.
    - One syndication at a time over $100MM, with 3 month sell down period.
    - Minimum risk rating of 5.4.
    - Tenor up to 5 years.
    - Formula driven advances and reporting via borrowing base certificates.
    - Field exam or outside collateral valuation prior to approval.
- Transactions beyond the delegated established in the SCP will require global approval in addition to local approval.

Target Profitability

- New clients (1st year): minimum RORAC of 7% in year one with a robust plan to achieve 10% in year 3;
- Year 2 clients: minimum RORAC of 8% in year 1 with a solid plan to achieve 10% in year 2;
- Clients with 2+ years: minimum RORAC of 10% in year 1.

Target Exposure

- Portfolio size: max. $2.6Bn
- One Obligor Exposure: max. $100MM
- Min. Exposure request: $10MM
- Max. hold in Syndication: $50MM