US Commercial Credit Risk
Portfolio Management

Santander USA Leveraged Lending Overview

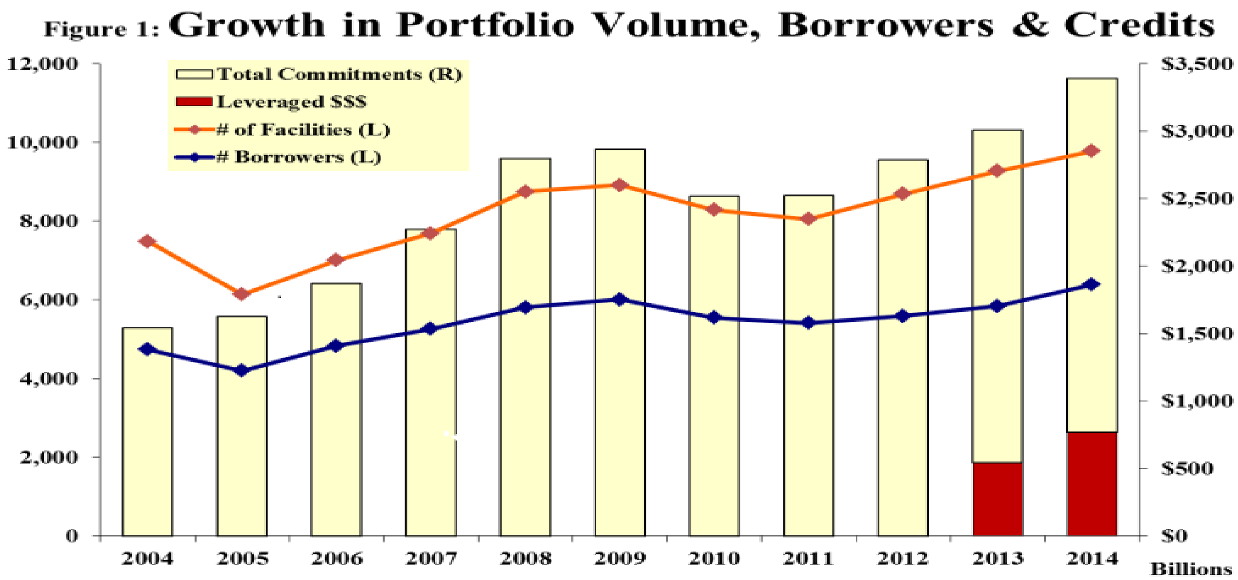
Boston – April 2015

Prepared by: RWaggett

Santander

Leveraged SNC Portfolio Trends

The combination of higher initial leverage, weaker creditor structural protections, and generally riskier borrowers increases credit risk and remains a supervisory concern.



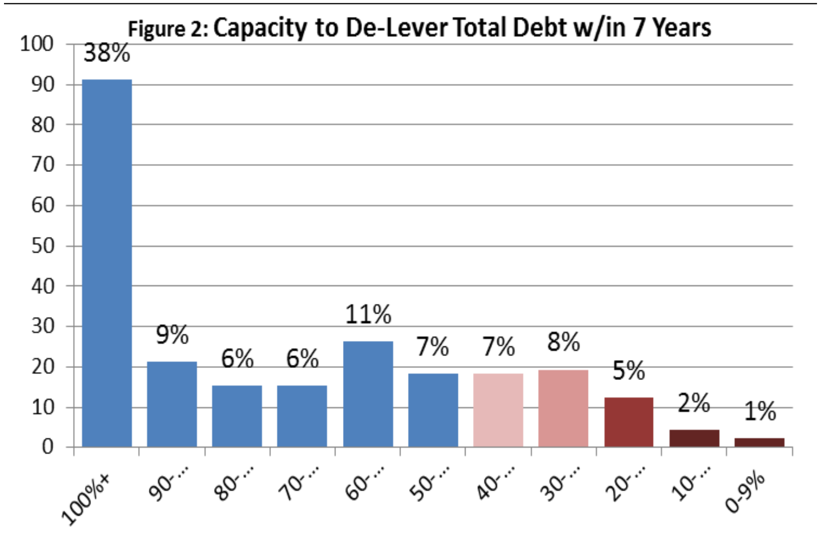
Source: Shared National Credits (SNC) Program - 2014 Leveraged Loan Supplement

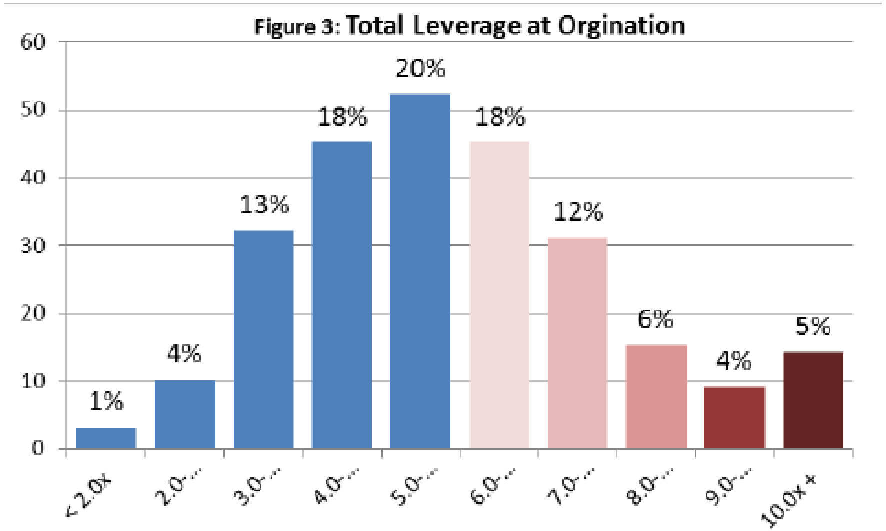
- **Leveraged lending is increasing, both in volume and dollar size of transactions.** The number of banks engaged in leveraged lending has increased. The level of risk in leveraged loans has increased as measured by **eased underwriting standards.**

- The 2014 leveraged SNC portfolio totaled $767 billion in commitments of $3.4 trillion in total SNC commitments, with 1,229 obligors and 2,494 facilities. The five largest industry segments represented in the leveraged portfolio were: Media/Telecom ($112Bn), Healthcare ($85Bn), Durable Manufacturing ($78Bn), Finance/Insurance ($78Bn) and Utilities ($50Bn).

SNC 2014 Review and Semiannual Risk Perspective

The 2014 Review found deficiencies in underwriting standards and risk management of leveraged loans. 31% of leveraged transactions originated in the prior year exhibited structures cited as "weak".





- **The 2013 Interagency Guidance set expectations around borrower repayment capacity at 50% of total debt over a five to seven year period.**
- Figure 2 shows that 77% of borrowers are projected to repay 50% of total debt within seven years (83% in prior year).
- Leveraged loans make up 72.9% of all SNC special mention assets and 75.3% of all substandard loans.

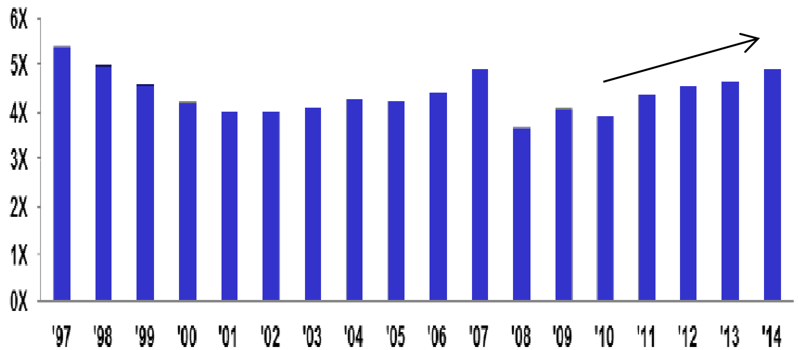
- The Guidance states that **leverage in excess of 6.0X raises supervisory concern.**
- As illustrated in Figure 3, a significant volume of credit carries leverage over this threshold. 15% of transactions showed leverage in excess of 8.0X.
- 54% of loans originated since June 2013 to obligors with leverage in excess of 6.0X were criticized.

The 2014 SNC Review included an examination of 782 leveraged loan obligors with $623Bn in commitments or 63.9% of leveraged SNC borrowers, representing 81% of all leveraged loans by dollar commitment`

OCC Semiannual Risk Perspective (Fall 2014)

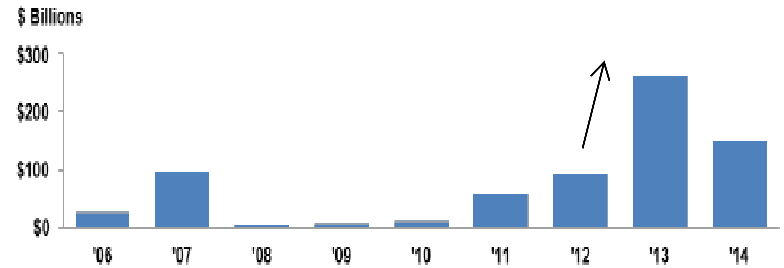
Examiners expect that credit risk in the leveraged lending category will likely remain unchanged or increase over the next year, due to continued strong competition among banks and market liquidity.

Average total debt-to-EBITDA multiples



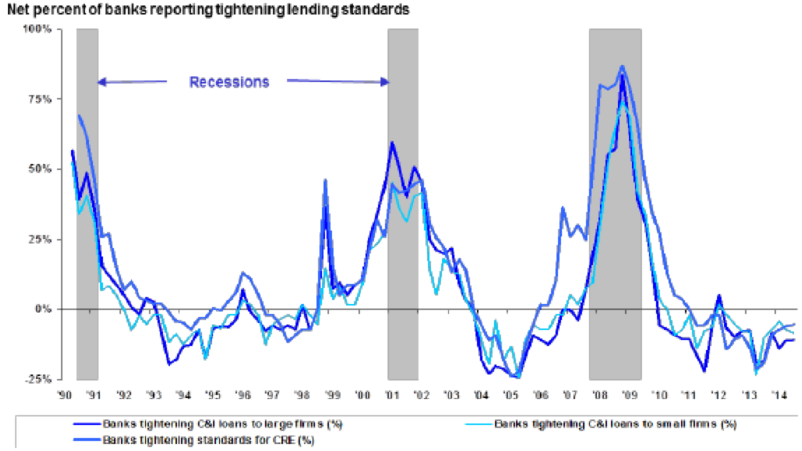
Source: S&P LCD. Data for 2014 are as of June 30. All other data as of year-end.
Note: Excludes existing tranches of add-ons and amendments & restatements with no new money.

New Issuance of Covenant-Lite Leveraged Loans



Source: S&P LCD. Data for 2014 is as of June 30. All other data as of year-end.
Note: Excludes existing tranches of add-ons and amendments & restatements with no new money.
S&P and its third-party providers are not liable for errors or omissions in the data/information and the context from which it is drawn.

Net percent of banks reporting tightening lending standards



Source: Federal Reserve Board/Haver Analytics (July 2014)

- **Investor demand for higher-yielding products remains strong, driving more relaxed transaction structures that incorporate fewer, if any, loan covenants and other lender protections.**
- 63% of new issuance leveraged transactions rated by S&P in the first half of 2014 were assigned ratings of B+ or lower, approaching the 64% peak share seen in 2007.
- The average leverage ratio measured as total debt to EBITDA for new money large corporate loans issued in the first six months of 2014 increased to 4.9X, a ratio last reached in 2007, compared with 4.7X for all 2013 loan issuances.

Leveraged Lending – Regulatory Background

April 9th 2001 - Sound Risk Management Practices

- US Regulators jointly issued a bulletin to provide financial institutions with guidance on "Sound Risk Management Practices" for leveraged finance.

February 2008 – Comptroller’s Handbook

- Describes the fundamentals of leveraged finance, summarizing and discussing risks, management of these risks and incorporating previous OCC guidance on leveraged lending.

March 26th 2013 – Updated Interagency Guidance

- Updates and replaces the 2001 guidance in light of developments and experience gained since then.
- Outlines the agencies' minimum expectations on the definition of leveraged lending, underwriting and valuation standards, credit analysis and review, risk rating leveraged loans, among others.

November 7th 2014 – Updates to Policy after FAQ

- Since the publication of the 2013 guidance, the agencies have received and addressed many questions relating to implementation of the guidance. It has been clarified, among others, that <u>it is NOT acceptable for an institution to articulate a leveraged loan definition that requires a loan to meet a "purpose test"</u>.

Leverage Lending Guidance - Common Characteristics

The agencies expect institutions to originate loans with a sound business premise, a sustainable capital structure, and borrower capacity to repay the loan or to de-lever to a sustainable level over a reasonable period. In leverage lending, a combination of high leverage and relaxed underwriting standards heightens risk and requires more intensive risk analysis, more frequent credit monitoring, and more active portfolio management.

Several definitions of "leveraged lending" have developed in the industry. Although regulatory agencies give flexibility in the definition, they expect that each institution's definition will capture the essence of leveraged lending and recognize the unique characteristics and risks associated with high levels of leveraging.

In summary, **the definition needs to include borrower characteristics that are recognized in the debt markets as leveraged for each industry**. <u>According to the Guidance, the following characteristics are commonly considered to be indications of leverage lending</u>:

1. Proceeds used for **buyouts, acquisitions, or capital distributions**.
2. Transactions where the borrower's **Total Debt divided by EBITDA or Senior Debt divided by EBITDA exceed 4.0x EBITDA or 3.0x EBITDA, respectively**, or other defined levels appropriate to the industry or sector. Cash should <u>not</u> be netted against debt for the purposes of this calculation.
3. A borrower **recognized in the debt markets as a highly leveraged firm**, which is characterized by a **high debt-to-net-worth ratio**.
4. Transactions **when the borrower's post-financing leverage significantly exceeds industry norms or historical levels.** "Fallen angels" or borrowers that have exhibited a significant deterioration in financial performance after loan inception and subsequently become highly leveraged would not be included within the scope of the 2013 Guidance, unless the credit is modified, extended, or refinanced.

FAQ for Guidance Implementation

November 2014

Policy Definitions (Q's 1-4):

- Institution-specific definition should take into account the institution's individual risk management framework and risk appetite.
- Excluding loans because they do not meet a "purpose test" is inconsistent with a comprehensive risk management framework.
- It's generally appropriate to exclude certain loans secured by tangible collateral that do not rely on EV for repayment, even where leverage exceeds 3x senior debt or 4x total debt divided by EBITDA.
- Examiners will criticize situations in which EBITDA is defined in loan documents in ways that allow enhancements to EBITDA without reasonable support.
- Loans referred as ABLs that lack evidence of the full monitoring incl. borrowing base advances, field audits, and enhanced reporting requirements should be captured.

Non-Pass Leveraged Loans (Q's 5-14):

- Leveraged loans originated with a non-pass rating would be inconsistent with safe and sound standards.
- Institutions that purchase participations in leveraged loans are expected to follow the guidance.
- If the downgrade to a non-pass occurs within a short period of time (typically, six months) after the inception date, the institution should evaluate the risk-rating documentation and decision-making processes.
- The designation of a loan as "covenant-lite" does not automatically result in a non-pass rating. The analysis needs to evaluate the repayment capacity of the borrower and the structure of the debt.
- Strong enterprise value alone is insufficient to avoid a non-pass risk rating if other factors call into question the borrower's ability to repay.

Leverage Levels and Benchmarks (Q's 17-18):

- The agencies do not view 6X Total Debt to EBITDA as a "bright line" when evaluating the risk in a transaction.
- Examiners evaluate the leverage level in a debt structure within the context of the expected future cash flows as well as the condition of the borrower's industry.
- The borrower's inability to fully amortize senior secured debt or to repay at least 50% of total debt over 5 to 7 years does NOT automatically result in a non-pass rating.

Scope: (Q's 15-16, 20-24)

- Lenders outside of the largest underwriters are held to the same standards for leveraged lending.
- "Best efforts" transactions fall under the guidance.
- Trading assets are subject to the guidance.
- If the institution originates or participates in a loan to a CLO or BDC that holds leveraged loans, then the loan to the CLO or BDC constitutes indirect exposure that should be measured and reported as a leveraged loan.

Risk Management Process (Q25-26):

- During SNC examinations, examiners may evaluate the underwriting standards that have been applied to SNC transactions originated since the effective date of the guidance.
- The agencies may also conduct horizontal reviews of leveraged lending on a stand-alone or interagency basis.
- Compliance with the Guidance and the FDIC deposit insurance rules are assessed separately.

Leveraged Lending - Regulatory Views

Credit Analysis and Risk Rating

- Lenders should consider whether base case cash flow projections show the ability to fully amortize senior secured debt or repay a significant portion of total debt over the medium term.
- The most realistic financial projections should be used when measuring the borrower's capacity to repay and de-lever. The risk rating of leveraged loans needs to involve the use of realistic repayment assumptions to determine the borrower's ability to de-lever to a sustainable level within a reasonable period of time (5-7 years).
- If the primary source of repayment becomes inadequate, it would generally be inappropriate to consider enterprise value as a secondary source of repayment unless that value is well supported. Potential collateral shortfalls should be factored into risk rating decisions.
- Covenant protections and collateral requirements need to be well understood and clearly documented.
- Projections need to be stress-tested for one or more downside scenarios, including covenant breach. The downside scenarios should reflect key risks identified in the transaction.

Portfolio Management

- The OCC believes that banks should also view risk management in terms of the entire portfolio in addition to focusing on the individual loans.
- An effective loan portfolio management process enables the bank to Identify, Measure, Monitor, and Control credit risk.
- Risk management may make a different decision about underwriting requirements for an individual HLT loan if it takes into account the risk profile of the bank's entire portfolio rather than focusing on the individual transaction.
- Industry concentration of risk, rating levels and trends in the leveraged lending category require intensive analysis and frequent monitoring. Early identification of emerging risks and potential problem loans in the leveraged lending portfolio is critical.
- House limits on exposure for single leveraged lending borrowers, specific industries, business units, and the aggregate portfolio need to be established and reviewed on a regular basis (at least annually by the board).

Risk Tolerance and Limits

- For Portfolio Management to be effective, the bank's strategic objectives need to be established, vetted, and clearly communicated.
- The agencies expect to see a limit framework that includes limits or guidelines for single obligors and transactions, aggregate hold portfolio, aggregate pipeline exposure, and industry and geographic concentrations.
- Management needs to periodically evaluate each lending unit's business, marketing efforts, and risk-adjusted returns on leveraged lending for consistency with the stated risk appetite.

Information Systems and Controls

- Effective portfolio credit risk management depends on adequate management information systems (MIS).
- The OCC encourages bank senior management and the board to periodically assess the adequacy of their bank's credit MIS in light of loan growth and changes in appetite for risk.
- Reliable identification, measurement, and monitoring of HLT risk is possible only if control systems ensure the accuracy of information. In most banks, the key control functions are loan review and audit, which are independent from the lending function.

SBNA Leveraged Lending – Portfolio Summary

Approved Limit (Dec'14): Total HLT Binding Exposure not to exceed 25% of T1C+ACL*

Actual HLT Binding Exposure (1QE15): $2.36B (vs. T1C+ACL of ~$10.5B)

Final HLT % at 1QE: 22.6% -- falling into Amber threshold of Approved Limit

(values in $ millions)	March 2015		
Segment	**SAN ORR*** **	**Outstandings**	**Binding Exposure**
Global Banking & Markets (MRG)	5.4	**494.2	**828.7
Large Corporate Commercial	5.5	610.9	997.1
Commercial Banking Middle Market	4.5	246.4	307.3
Energy Finance	4.5	19.3	19.8
Asset Based Lending	5.6	51.7	210.0
TOTAL	**5.3**	**1,422.5**	**2,362.9**

(*) Approved Limit is 25.00% of T1C+ACL with thresholds as follows: Green < 22.00%, Amber 22.00% to 23.50%, Red 23.51% to 24.99%
(**) Restated numbers -- after removal of Ball Corporation (MRG/Food/ORR 5.7). $353MM Exposure to Ball had been booked as Leveraged Lending "by operation error", according to Solvency. See the full list of Flagged HLT's by Segment in the Appendix.
(***) Average Risk Rating, weighted by Binding Exposure

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Next Steps

- **Reassess the adequacy of current Policy and Guidelines re. Leverage Lending**
  - SEE PROPOSED CRITERIA IN THE NEXT SLIDE

- **Review the existing HLT limits and propose changes if justified, in line with the approved Risk Appetite Statements and Strategic Commercial Plans**

- **Monitor HLT exposures and manage limits closely, to be within Green threshold**
  - Leveraged Lending Ceiling Rate 25% of T1C+ACL
  - Current 22.6% (Mar'15 revised) vs. 18.9% (Dec'14)
  - Current level is in Amber warning (22.0-23.5%) and leaves room for less than $265MM of new HLT originations before tripping the 25% Ceiling (all else equal)

- **Re-assess the adequacy of MIS and other reporting systems**

- **Continue to evaluate the impact of HLT exposures on adequacy of credit reserves and the overall condition of the portfolio through trending analysis, monthly reporting and quarterly reviews**

"In addition to exercising the risk selection, underwriting, credit administration, and portfolio management discipline required to safely manage the risks associated with lending in general, management must exercise additional diligence to properly identify, measure, manage, and control the higher and unique risks associated with leveraged lending (OCC AL 99-4).

Leveraged Lending – SBNA HLT Credit Policy (1 of 2)

Revisions to SBNA leveraged Lending credit policy are recommended based on the 2013 Interagency Guidance and the 2014 FAQ

EXISTING CRITERIA TO DETERMINE A HLT

If it meets ALL of the following tests at time of origination, modification, extension of the loan:

1. Total Debt to EBITDA > 4.0x or Total Senior Debt to EBITDA > 3.0x
2. Loan proceeds are used for buyouts, acquisitions, or capital distributions
3. Loan amount is greater than $5 million

- **Scope, Underwriting Guidelines and Monitoring Process are established in Policy (see next slide)**
- **However, additional guidance to effectively manage HTL Pipeline Risk may be in good order**

PROPOSED CRITERIA TO DETERMINE A HLT

1. Cash Flow Leverage Test: Total Debt to EBITDA > 4.0x AND/OR Total Senior Debt to EBITDA > 3.0x;
2. Book Leverage and Enterprise Value Reliance Test: Twofold increase in Borrower's liabilities resulting in balance sheet leverage (Total Liabilities to Total Assets) higher than 50% AND/OR Total Secured Senior Debt* exceeding properly margined collateral values by 20% or more;
3. Syndication Agent Classification and Purpose Test**: Transactions designated as a highly leveraged transaction (HLT) by the syndication agent AND/OR transactions that meet the Purpose Test, i.e. loan proceeds used for buyouts, acquisitions, or capital distributions;
4. Transaction Size: Transaction amount > $5 million (Note that minimum hold of $15 million is recommended based on existing Underwriting Guidelines in Policy.)

**** If the transaction is unsecured, the EV Reliance Test should be based on potential collateral using properly margined eligible assets.***

***** Syndication Agent Classification and Purpose Test is NOT a requirement. In other words, if the other criteria listed herein are met, the transaction will be considered a HLT even if the Agent does not classify as such and/or the Purpose Test is not met.***

Leveraged Lending – SBNA HLT Credit Policy (2 of 2)

UNDERWRITING GUIDELINES

To be followed regardless of whether SAN is the Agent or a Participant in the financing
Exceptions to Underwriting Guidelines require Tracking

- Should underwrite to a regulatory Pass risk rating
- Minimum 30% equity contribution
- Cash Flow projections with minimum amortization requirements
- Leverage and Coverage covenants a must

REPAYMENT CAPACITY

- Analysis should be done both at inception and on an ongoing basis and clearly state what the primary and secondary repayment sources are.

VALUATION – ENTERPRISE VALUE

- Analysis using discounted cash flow under a range of stress scenarios.

LOAN MONITORING

- Regardless of FEVE classification, HLT loans must be monitored quarterly.
- Monthly reports must be produced by the Solvency department.

APPENDIX

Risk Management Framework

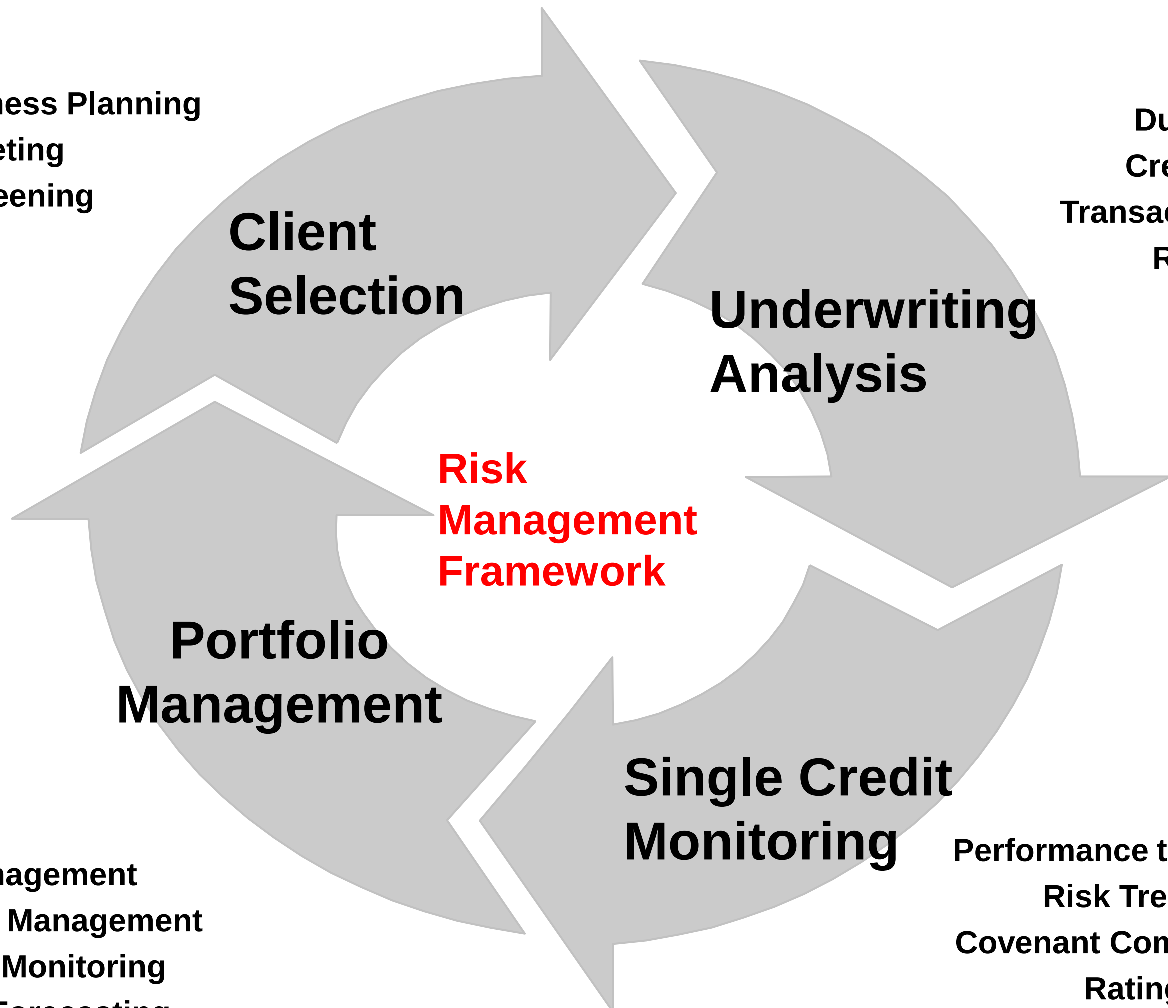
Supplemental Guidance on:

- **Financial Projections - Training Material**
- **Covenant Analysis and Tracking**
- **Monitoring of HLT Credits**

Our Risk Management Framework

Strategic Business Planning
Budgeting
Pre-Screening

Due Diligence
Credit Analysis
Transaction Structuring
Risk Rating



Pipeline Management
Sector Exposure Management
Industry Limit Monitoring
Asset Quality Forecasting
Policy Adherence Tracking

Performance to Plan Evaluation
Risk Trend Analysis
Covenant Compliance Tracking
Rating Review

Why/When Financial Projections are Important/Required

Borrower Risk

- A forward-looking view that is supported by Financial Projections is critical for an appropriate assessment of the Borrower Risk
- Stress Testing is required and becomes increasingly important as we move down the Risk Rating scale.
- Leveraged financing is normally related to a merger, buy-out (LBO), acquisition, recapitalization or other similar event. Higher financial risk justifies a more comprehensive Financial Projection analysis.
- For term exposure, Management-prepared projections should be obtained, especially if the Borrower is private and or non-investment grade.
- If the Borrower is investment grade, the Credit Professional can use public guidance on sales and earnings, if provided, as a starting point for Bank-prepared projections.

Facility Risk

- For term exposure, Financial Projections become an integral part of the credit due diligence and transaction structuring analysis.
- Financial Projections is an important analytical tool that should help decision makers identify, measure, assess, monitor and report the impact of material deviations from Credit Policy (e.g., Minimally Amortizing or Non-Amortizing Term Loans).
- Covenant and DSC Breakeven Analysis can help identify potential strengths and weaknesses in proposed credit structures and covenant packages.
- When Asset Collateral or Enterprise Value (EV) is identified as Secondary Source of Repayment, the Collateral/Enterprise valuation should be clearly documented, well supported, and follow Credit Policy standards regarding discount rates and EV methodology.

Financial Projections – Case Definitions

Management Case

- **Financial Projections prepared by the client and provided to the Bank as the basis for the credit underwriting**
  - Must be requested if the client is privately owned or non-investment grade
  - Usually provided for leveraged financing

Bank (Base) Case

- **Financial Projections that best reflect the Credit Professional's independent opinion on the strength of future cash flows and other primary sources of repayment**
  - **Base Case Projections may be either the Bank's or the client's as long as the Credit Professional is comfortable with the Management assumptions.**

Stress Test (Downside Scenario)

- **The Stress Case should incorporate a significant decline in Revenues (Volume x Price) along with Operating Profit Margin compression reflecting the impact of the Critical Risk Factors and Weaknesses, which must be identified and discussed in the Commented Rating (CR) document.**

- **Key drivers of leverage and liquidity such as CAPEX, Dividends, Interest and Tax Rates, Share Repurchase Programs and Working Capital Management should be factored into the Stress Test analysis.**

Breakeven Analysis

There are two relevant Breakeven Points:

1. **Covenant Breach (required)**
   - Point at which the most constraining financial covenant is tripped
     - How much cushion exists based on actual (most recent) and projected levels?
2. **Primary Repayment Source Breakeven**
   - Debt Service Coverage (DSC) = 1.0x
     - How far is actual performance from the DSC breakeven point?
     - To be used when financial covenants are weak or non-existent

Guidance for Bank Prepared Projections

Bank Prepared

Base Case

Stress Case

Breakeven Case

General Guidance: At a minimum, TWO Projection Cases must be presented (with supporting comments on key assumptions)

- Must use GBM's standard definition of EBITDA (Reported in AQUA), Debt Service Coverage (DSC) and Fixed Charge Coverage (FCC) ratios
- The evaluation of operating cash flows as Primary Source of Repayment should take into consideration not only DSC but also FCC and Free Cash Flow (FCF) – both recent historical actual trends and reasonably projected levels

- **Assumptions must be aggressive enough to result in a "stressed" scenario**
  - Must be linked to the identified key credit risk factors
    - Should cover revenues, margins, main sources and uses of cash flow
    - Resulting EBITDA could be similar to bottom level during a severe down cycle
    - Should quantify potential impact not only on future operating earnings but also on asset quality, liquidity and capital

- A Covenant Slack Analysis should be used to assess the appropriateness of the credit structure relative to the level of Borrower Risk. ***How far is the expected covenant level from the minimum/maximum required level?***
- A brief analysis of Primary Source Breakeven (PSBE) is also recommended as part of the evaluation of the strength of operating cash flows as Primary Source of Repayment. ***How far is the Borrower from a 1.0x DSC point under a reasonable amortization period? What is the likelihood of PSBE occurring during the life of our loan?***

Credit Monitoring Guidance for HLT's

HLT Credits

- Based on Interagency Regulatory Guidance, "Effective underwriting and management of leveraged lending risk is highly dependent on the quality of analysis during the approval process as well as ongoing monitoring."
- According to Credit Policy, HLT's must be monitored QUARTERLY to determine variance from financial plans and the accuracy of the risk ratings, among others.
- Recommendations to eliminate HLT designation may be only made following a reasonable period of ON PLAN performance (generally one year) and once the loan no longer meets the tests for determining Leverage Financing.

Actual vs. Expected Results

- Monitoring of actual vs. expected results is critical to ensure timely risk recognition and rating integrity.
  - –Evaluation of trends is necessary based on both actual and expected numbers:
    - If the borrower revises their forecast showing deteriorating performance, the Credit Officer should revisit the Downside Case and confirm whether it remains valid or assumptions need to be recalibrated to capture heightened risks or new emerging risks.
    - Performance to plan analysis should help determine the direction of credit risk. Rating triggers that are tied back to the Critical Risk Factors are a good monitoring tool, especially for weakening/behind plan borrowers.

Effective, Compliant Risk-Based Credit Monitoring

Timely Risk Recognition and Rating Integrity

Additional Guidance on Covenant Analysis

- Financial covenants are expected to be present in most term credit structures
  - Lack of financial covenants for term exposure (> 12 months) is considered a Policy Exception, which needs to be properly identified and mitigated
  - As per SAN Credit Policy Manual, "Covenant-lite" or "no-covenant" loans are highly discouraged
- Appropriateness of covenant structure should be assessed relative to the level of obligor risk taken
  - For relatively weaker borrowers, credit structure should provide sufficient protection and risk mitigation
  - The EBITDA cushion for the most constraining covenant in the first two years of projections should be no greater than 25% of the Management case
  - Based on the Base Case projections, the covenant cushion may thereafter gradually increase; however, according to best underwriting practices, the most constraining covenant should tighten (e.g., step up if DSC or FCC, step down if leverage) during the life of the loan
  - Any adjustments to EBITDA in the covenant calculations must be explained, particularly if they differ from standard adjustments made to arrive at the Base (SAN) EBITDA

Covenant Analysis: Relevant to Assess Credit Risk
Projected Financial Ratios Should be Compared Against Covenant Levels

Additional Guidance on Monitoring

Stable Credits

•For "Stable" or "Improving" credits, an abbreviated sensitivity analysis centered on DSC and Covenant Breakeven points may be sufficient and quarterly EV updates may be unnecessary.

–Stable credits must present the following characteristics:

1) **No material known change in business model or core strategies (recent or anticipated);**
2) **No change in key/senior management;**
3) **Overall stable operating performance (year-to-date and year-over-year);**
4) **No history of events of default such as non-compliance with covenants; AND**
5) **No negative rating migration since the last credit action/analysis.**

Strongly rated borrowers typically present larger PSBE cushion (with lower likelihood of PSBE occurrence) when compared to weaker borrowers.

Effective Risk-Based Credit Monitoring

Flagged HLT's - GBM (MRG + Large Corporate)

Business Segment	Customer Name	San RR	WAIR*	Outstandings	Letters of Credit	Binding Exposure
MRG		**5.4**	**2.11**	**613,191,755**	**11,938,525**	**1,181,713,821**
	AMERICAN TOWER CORP	5.6	2.85	176,210,606	507,130	306,666,667
	ARAMARK CORPORATION	4.7	2.67	5,625,000	244,379	25,900,000
	COTY INC	5.2	1.64	118,000,000	9,280	148,600,000
	JARDEN CORP	5.1	1.92	27,000,000	1,198,489	39,200,000
	CROWN AMERICAS LLC CROWN	5.2	1.84	83,103,693	1,765,602	120,235,915
	SPRAGUE OPERATING RESOURCES	4.8	2.69	40,754,913	3,503,313	78,289,000
	GLOBAL OPERATING LLC ET AL	5	2.47	42,247,450	4,493,725	92,550,000
	KILDAIR SERVICES LTD	4.6	#N/A	-	-	7,171,880
	BALL CORPORATION	5.7	1.34	118,987,500	216,607	353,100,360
	JBS USA LLC	5.5	3.5	1,262,593	-	10,000,000
Large Corporate		**5.5**	**2.07**	**610,930,863**	**4,577,542**	**997,071,832**
	ACI WORLDWIDE INC	4.8	2.68	48,735,707	-	70,980,152
	GRAPHIC PACKAGING INTL INC	5.4	1.67	36,963,210	805,833	64,824,574
	NCR CORPORATION	4.8	2.46	46,868,082	-	75,688,693
	ZIMMER HOLDINGS INC	5.8	#N/A	-	6,786	65,000,000
	SEALED AIR CORPORATION	5.1	1.68	27,000,000	458,799	40,000,000
	WARNER CHILCOTT CORPORATION	5.7	1.76	44,995,117	-	44,995,117
	QUAD GRAPHICS INC	4.8	2.41	8,134,615	710,387	19,826,923
	GENESEE & WYOMING INC	5.4	2.18	114,333,468	73,692	131,486,573
	ACTAVIS CAPITAL SARL	5.7	1.82	141,220,275	312,000	170,500,274
	PERRIGO COMPANY PLC	5.8	1.44	13,500,000	-	13,500,000
	PERRIGO FINANCE PLC	5.8	1.29	24,872,830	214,493	66,715,955
	TARGA RESOURCES PARTNERS LP	5.4	1.92	22,250,000	-	40,000,000
	SIMON PROPERTY GROUP LP	7.6	#N/A	-	76,364	75,000,000
	TARGA RESOURCES CORPORATION	5	2.92	13,731,343	-	20,000,000
	CROSSAMERICA PARTNERS LP	5	3.50	20,249,091	1,083,667	35,000,000
	REGAL BELOIT CORPORATION	5.3	1.93	36,839,286	807,230	49,553,571
	TRUCK-LITE CO LLC	4.8	2.68	11,237,838	28,293	14,000,000

Flagged HLT's (Commercial Banking excl. Bus Bkg.)

Business Segment	Customer Name	San RR	WAIR*	Outstandings	Letters of Credit	Binding Exposure
Commercial Banking Middle Market		**4.5**	**3.92**	**246,396,850**	**7,548,681**	**307,339,221**
	BRIAD RESTAURANT GROUP	5	3.42	7,013,724	202,613	10,238,724
	LEGENDS HOSPITALITY LLC	4.5	3.21	8,322,222	3,906,054	14,777,778
	MARTEX FIBER SOUTHERN	1.5	3.28	16,755,000	-	17,005,000
	PRECISION ENGINEERED PRODUCTS	5.2	4.00	16,290,165	-	21,290,165
	RADIUS SPECIALTY HOSPITAL LLC	1.1	2.96	7,235,754	-	7,235,754
	SCHRAMM INC	1.1	7.60	5,567,694	-	7,217,000
	THERMAL SOLUTIONS INTERMEDIAT	3.5	4.73	16,000,692	-	17,540,692
	TRADE SUPPLY GROUP INC	4.9	3.91	1,446,111	-	2,940,300
	WATER MILL BUILDING SUPPLY	5	3.36	4,767,606	-	5,699,570
	LVI SERVICES INC	4	5.02	27,429,787	2,159,397	30,970,213
	EVO PAYMENTS INTERNATIONAL	5.5	3.74	20,276,829	134,549	23,777,778
	INTERFACE SOLUTIONS INC	4.9	4.77	6,015,625	7,875	7,265,625
	B&G FOODS INC	5.3	2.18	19,690,000	13,000	24,250,000
	BEL FUSE INC	5.3	2.97	25,429,245	-	28,372,642
	PFM GROUP	5.4	2.37	6,640,441	58,221	10,781,618
	ORC INTERNATIONAL INC AND TRAILER PARK IN	4.9	6.03	16,636,364	602,049	19,436,364
	GERSON LEHRMAN GROUP INC	4.8	3.43	18,076,923	277,422	20,000,000
	LIFETIME BRANDS INC	4.5	3.20	16,311,000	187,501	31,040,000
	PARIS PRESENTS INC	4.9	6.76	6,491,667	-	7,500,000
Asset Based Lending		**5.6**	**2.93**	**51,670,100**	**1,790,147**	**210,000,000**
	BJ'S WHOLESALE CLUB INC	4.5	1.95	6,750,000	981,131	25,000,000
	ARES CAPITAL CORPORATION	6.5	#N/A	-	725,017	30,000,000
	MONROE CAPITAL SENIOR SECURED DIRECT LC	5.4	3.14	12,606,482	-	18,666,667
	MONROE CAPITAL SENIOR SECURED DIRECT LC	5.3	3.01	7,816,666	-	16,333,333
	TPG SPECIALTY LENDING INC	5.8	2.20	10,996,952	84,000	35,000,000
	10th LANE FINANCE CO LLC	5.5	3.75	13,500,000	-	35,000,000
	Jefferies Finance LLC	5.6	#N/A	-	-	50,000,000
Energy Finance		**4.5**	**5.50**	**19,325,682**	**2,191**	**19,792,349**
	NRC US HOLDING COMPANY LLC	4.5	5.50	19,325,682	2,191	19,792,349
Grand Total		**5.3**	**2.45**	**1,541,515,250**	**25,857,086**	**2,715,917,223**

*__Weighted Average Interest Rate__ is based on Book Balance

Santander