

US Commercial Credit Risk
Portfolio Management

Multifamily “SREC” Monthly Update

March 2015

March 2015 YTD Snapshot

(\$ in Millions)

Metric (\$MM)	Mar-14	Sep-14	Dec-14	Jan-15	Feb-15	Mar-15	MAR '15 Budget	MAR'15 vs. Budget
Exposure	11,012	10,550	10,249	10,122	10,015	9,958	--	--
Outstandings	10,783	10,326	10,030	9,904	9,797	9,742	9,896	● -153
Delinquency	9.8	12.3	17.2	25.7	0.2	6.6	--	--
<i>Ratio</i>	0.09%	0.12%	0.17%	0.26%	0.00%	0.07%	--	--
Nonaccrual	24.6	16.0	12.3	12.3	11.4	11.6	12.1	● -0.4
<i>Ratio</i>	0.23%	0.15%	0.12%	0.12%	0.12%	0.12%	0.12%	● 0.00%
Criticized Outstandings	356	374	371	366	342	328	--	--
<i>Ratio</i>	3.31%	3.62%	3.70%	3.70%	3.49%	3.37%	--	--
Classified	184	115	110	109	101	98	--	--
<i>Ratio</i>	1.70%	1.12%	1.09%	1.10%	1.03%	1.00%	--	--
NPL	44.2	34.7	31.0	25.2	24.3	23	--	--
<i>Ratio</i>	0.41%	0.34%	0.31%	0.25%	0.25%	0.24%	--	--
Net Charge-Offs YTD	0.8	-0.6	0.5	-0.1	-1.2	-1.4	0.7	● -2.1
<i>YTD Annualized Ratio</i>	0.03%	-0.01%	0.00%	-0.01%	-0.08%	-0.06%	0.03%	● -0.09%
VMG (local) YTD	-2.4	-12.4	-14.9	-0.1	-2.2	-2.1	--	--
<i>Risk Premium</i>	-0.25%	-0.03%	-0.14%	-0.15%	-0.15%	-0.14%	--	--
Provision YTD	7.3	-76.1	-78.6	-1.7	-4.3	-4.2	5.1	● -9.4
<i>Cost of Credit</i>	-0.31%	-1.08%	-0.75%	-0.96%	-0.90%	-0.88%	-0.82%	● -0.06%
ALLL	140.0	62.5	58.9	59.0	55.9	56.1	63.3	● -7.2
<i>Ratio</i>	1.30%	0.60%	0.59%	0.60%	0.57%	0.58%	0.64%	● -0.06%
<i>ALLL/Nonaccrual</i>	570%	391%	477%	480%	490%	481%	--	--
Mora	24.6	16.0	12.3	12.3	11.4	11.6	--	--

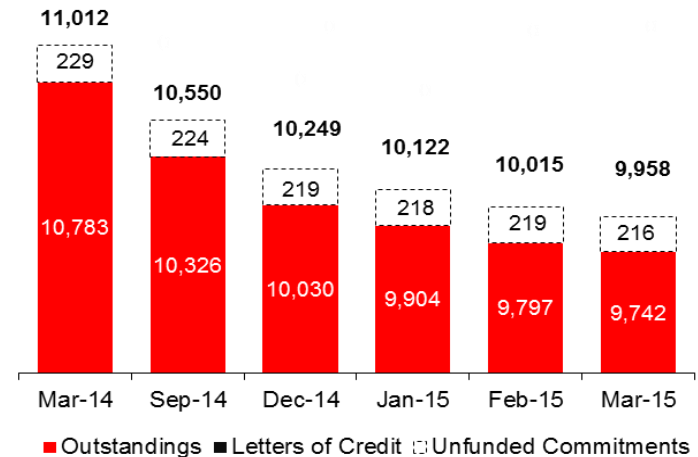
Note: Budget data as of 3/18/15.

SREC: Credit Exposure Overview

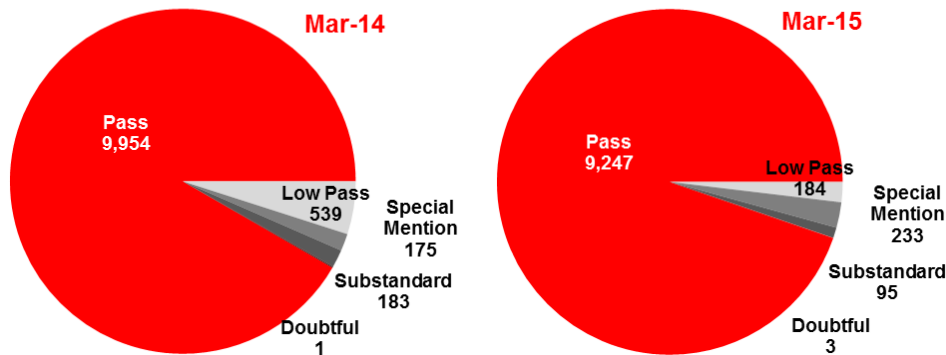
(\$ in Millions)

- The size of the portfolio is declining steadily. Exposure decreased by \$1,054M y-o-y while Outstandings decreased by \$1,041M (-10%) due to below-budget originations that were impacted by a highly competitive market environment with very tight market pricing.
- Large portfolio exits included Pi Associates (\$26MM, ORR 5.8, No FEVE), SDK Stratford Apartments (\$20MM, ORR 5.7, No FEVE) as well as 670 LLC (\$16MM, ORR 6.3, No FEVE) – all three groups sought financing with other institutions.
- New entrants include Orlo Takoma, a 3-year \$15MM facility (ORR 5.6, No FEVE) and two 5-year facilities for Cheskel Schwimmer (\$12MM, ORR 5.2-5.4, No FEVE).
- The “Exposure by Rating” distribution reveals a strong skew towards the higher rating categories, with 95% of exposure rated “Pass”.

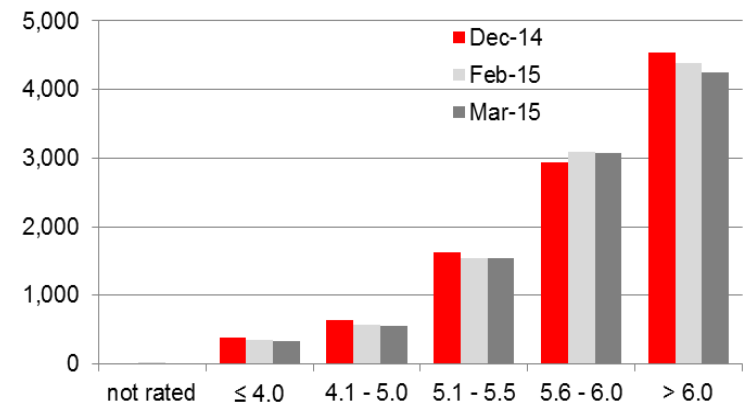
Exposure



Exposure by Regulatory Rating



Exposure by Obligor Rating

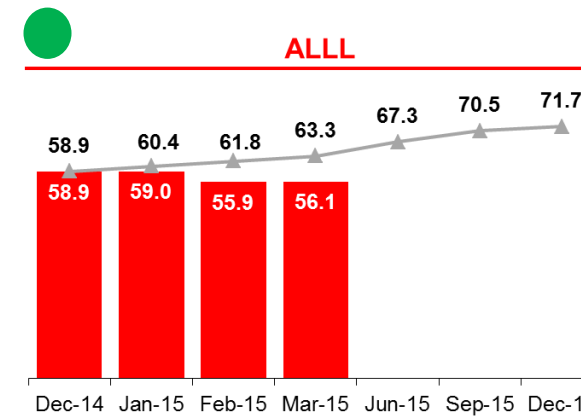
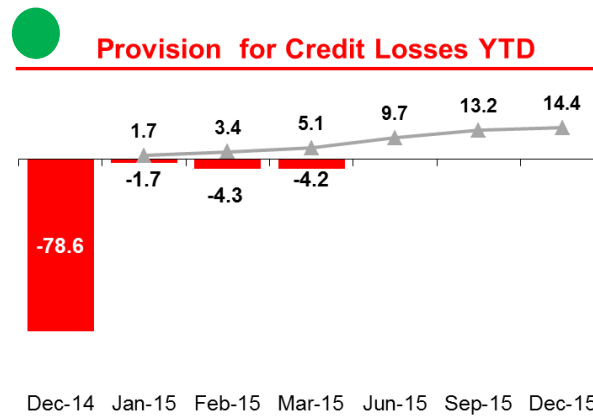
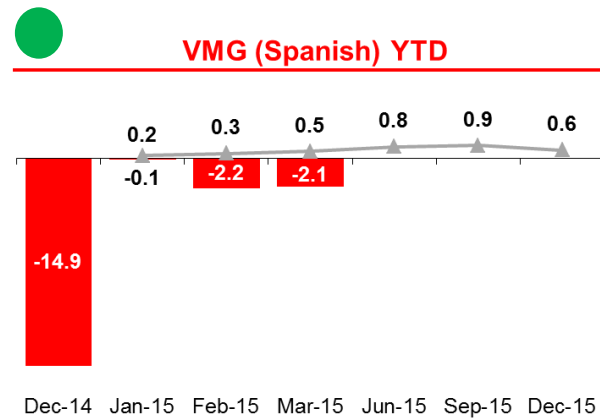
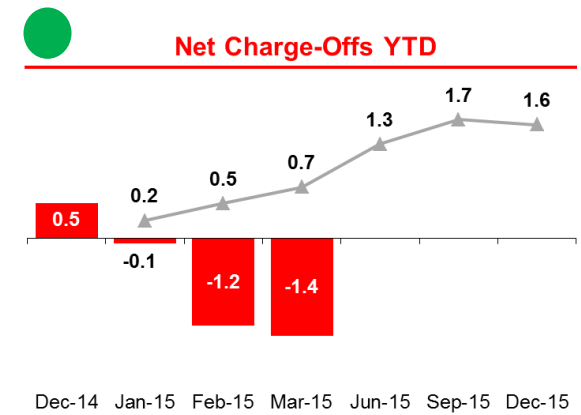
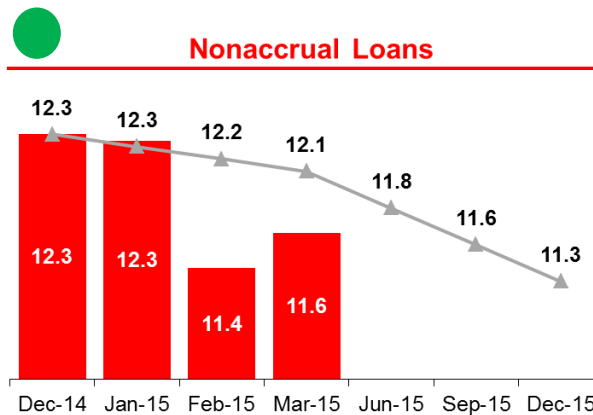
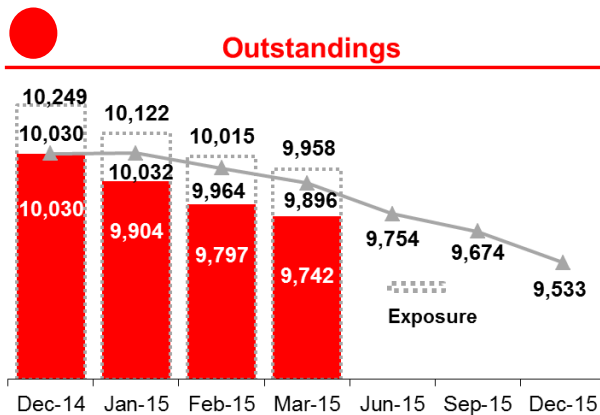


- Sources: The Exposure Chart on the top right is based on the 3/31/15 Credit Metrics report. The Exposure by ORR and Regulatory Rating is derived from Monitoring's FEVE report as of 3/31/15.

SREC: Performance vs. Budget

(\$ in Millions)

- While the portfolio contraction has been budgeted, the decline has been more accelerated than anticipated. SREC continues to underperform its budget for funded outstandings (-2%), due to lower-than-expected growth of new business that did not keep up with portfolio run-offs.
- Despite the decline in portfolio size, SREC maintained its good credit quality. There are no major credit concerns at this point.



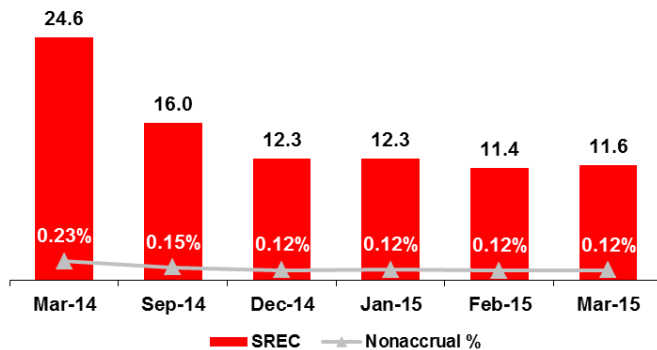
Actual (YTD) Budget (YTD)

SREC: Credit Quality Metrics (1 of 2)

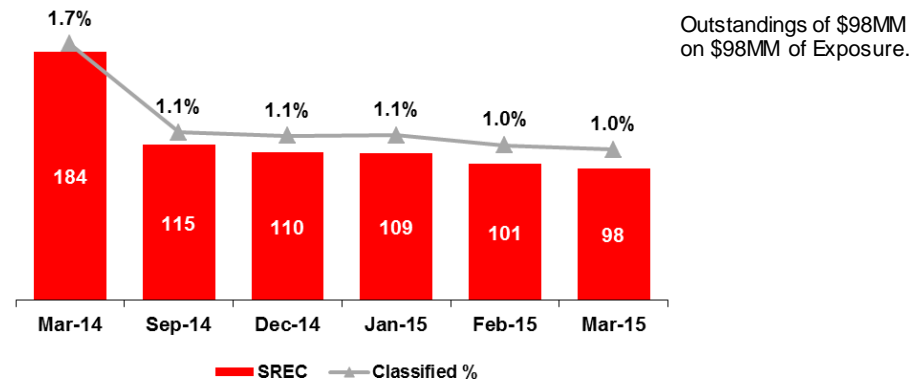
(\$ in Millions)

- Criticized and Classified balances developed favorably in March as some Special Mention assets were repaid and new exposure was more highly rated in the Pass category.
- The \$6.4MM increase in Delinquency was primarily caused by administrative issues with two customers: (1) Glenside Property (\$4.0MM, ORR 2.0, Monitor), a chronic late payer, and (2) 63-95 Austin Owners' (\$1.6MM, ORR 5.7, No FEVE) where the March payment was lost. Both instances were cleared in April.

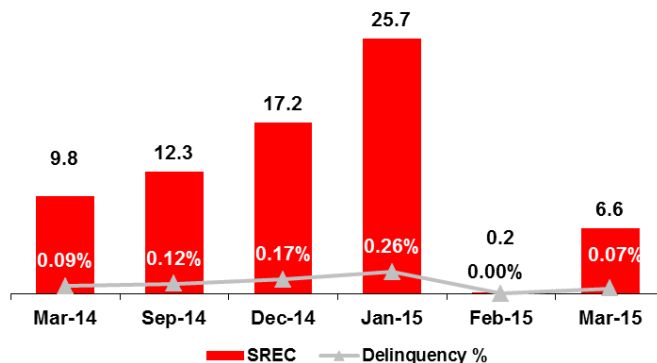
Nonaccrual Loans



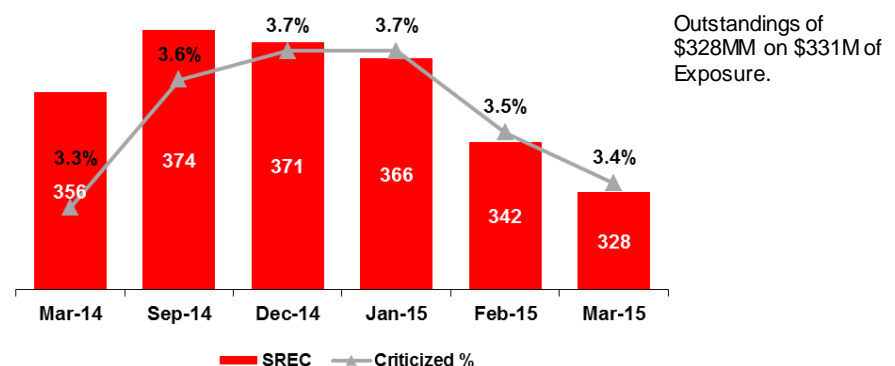
Classified Loans - outstandings



Delinquency



Criticized Loans - outstandings



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

Note: Classified = Substandard + Doubtful + Loss.

Criticized = Classified + Special Mention.

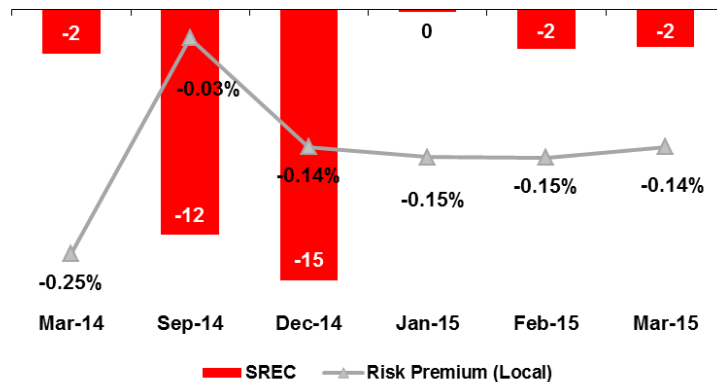
Delinquency refers to 30+ days delinquent.

SREC: Credit Quality Metrics (2 of 2)

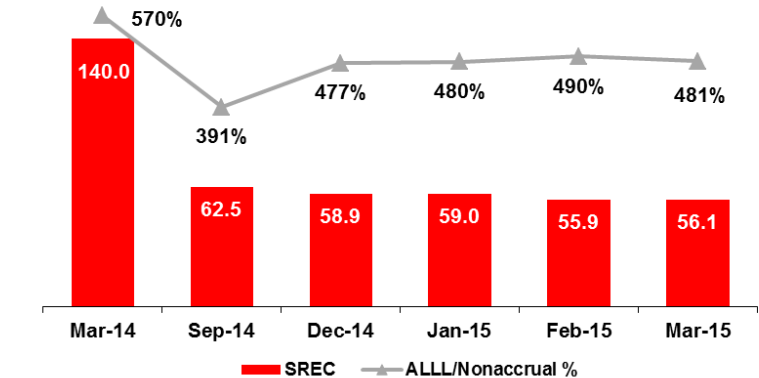
(\$ in Millions)

- Hunter Gardens Owners (\$4.2MM, ORR 1.5, Extinguish), a mismanaged 216-unit residential Co-op in Queens (NY), is the only potential entry to NPL in April. The LOC is current but matured on 1/27/15 – if the forbearance does not close, the relationship will be taken NPL. *For more detail, please refer to the Appendix.*
- No entries/exits from NPL during March or projected exits for 2Q15.
- The ALLL/Nonaccrual ratio remains elevated at close to 500% as Nonaccruals have declined by 53% year-over-year to \$12MM. The current 44.5MM buffer could be a mitigant to the expected decline in risk ratings following the methodology change and outstanding rating reviews.

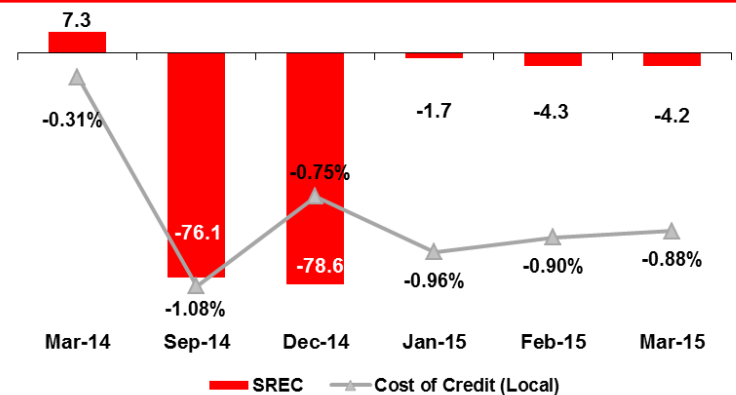
VMG & Risk Premium



Allowance & Coverage



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

SREC: FEVE Trends

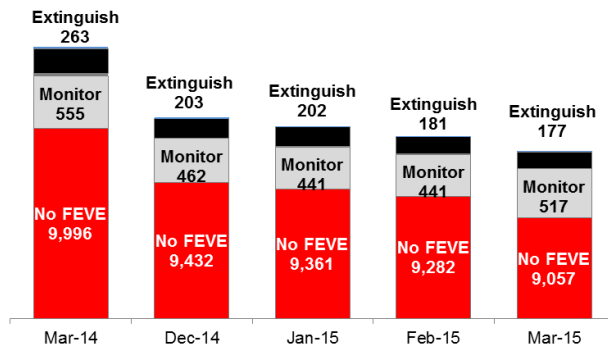
(\$ in Millions)

- The quality of the SREC portfolio continues to be stable and satisfactory, with 93% of Binding Exposure rated No FEVE, reflecting the strong Multifamily market especially in NY.
- The 3/26/15 Watchlist Committee produced additional not yet processed FEVE changes, such as Sovin Properties (\$2MM; No FEVE to Monitor), 4481 Sunrise Realty (\$2MM; Reduce to Extinguish), and Comart Realty (\$4MM; Monitor to No FEVE).
- SREC did not have any names rated "Secure" as of 3/31/15; only 2% are in FEVE Grave.

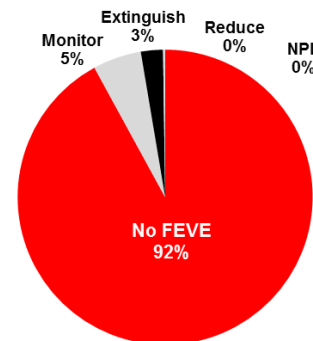
Major FEVE Status Changes in Mar-15

Master One Obligor	Feb'15 FEVE	Mar'15 FEVE	Mar'15 ORR	Binding Exp.	Comment
UPGRADES					
Portico Apartments	Monitor	No FEVE	6.2	\$26	DSCR 2.24x, LTV 60%, 96% occupied
142 N6 Associates	Monitor	No FEVE	5.1	\$24	DSCR 1.26x, LTV 65%, 100% occ., tax abatement & garage permit obtained.
DOWNGRADES					
Rockwood Fort Totten	No FEVE	Monitor	5.5	\$57	DSCR 4.43x, LTV 63%, 95% occupied
LR Greenwich Village	No FEVE	Monitor	4.5	\$28	DSCR 1.44x (1.06x st), LTV 75%
FC Chelsea LLC	No FEVE	Monitor	5.5	\$23	DSCR 1.65x, LTV 74%, 85% occupied
BR Mercury UrbanRen	No FEVE	Monitor	4.3	\$22	DSCR 1.15x (1.03x st), FRR 5 to 7
Lakeside General	No FEVE	Monitor	4.1	\$5	DSCR 0.89x (1.68x st), LTV 58%, 3.0 ORR to be processed, 65% occupied

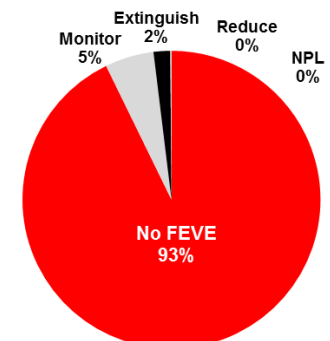
Historical FEVE Distribution



FEVE Distribution 3/31/14



FEVE Distribution 3/31/15



Source: FEVE Monitoring Report as of 3/31/15. Status changes only include exposure changes > \$5MM.

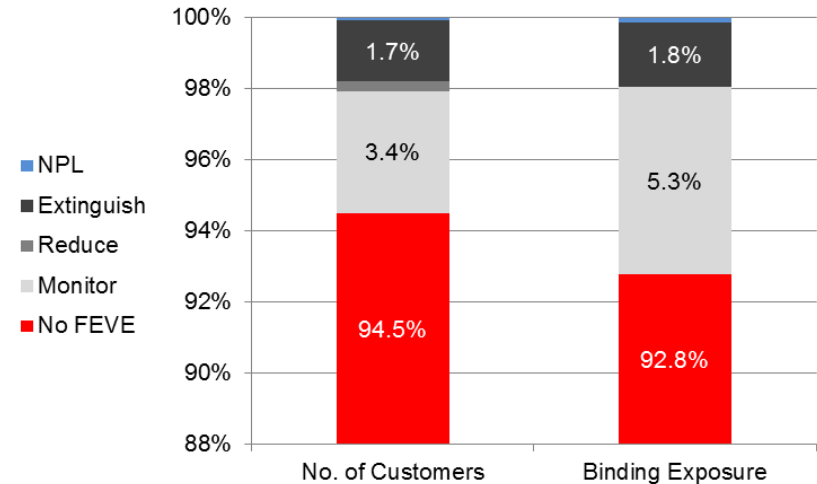
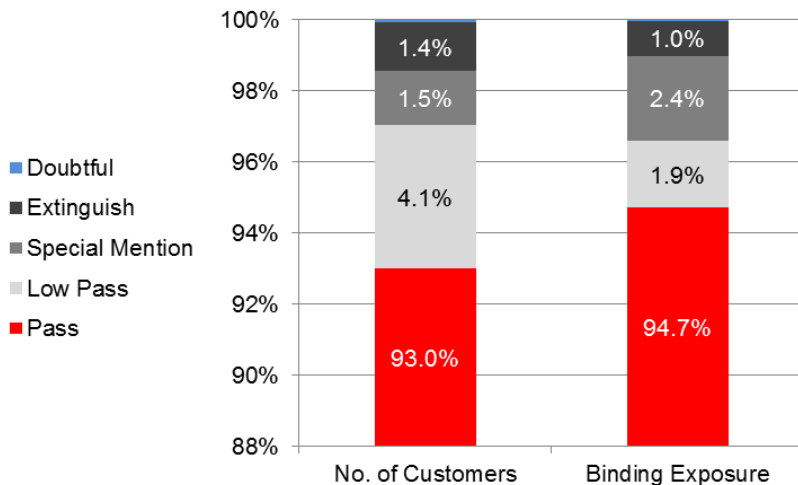
Exposure by Number of Customers

(\$ in Millions)

The FEVE and Regulatory rating distribution by customer count is quite similar than the distribution by Binding exposure. The credit quality seems to be somewhat fairly distributed between the different sizes of customers; i.e. smaller customers have a similar likelihood of good credit ratings as larger customers.

Regulatory Rating	No. of Customers		Binding Exposure	
Pass	2338	93.0%	\$9,247	94.7%
Low Pass	102	4.1%	\$184	1.9%
Special Mention	38	1.5%	\$233	2.4%
Substandard	34	1.4%	\$95	1.0%
Doubtful	2	0.1%	\$3	0.0%
	2,514		\$9,763	

FEVE Rating	No. of Customers		Binding Exposure	
No FEVE	2376	94.5%	\$9,057	92.8%
Monitor	86	3.4%	\$517	5.3%
Reduce	7	0.3%	\$1	0.0%
Extinguish	43	1.7%	\$177	1.8%
NPL	2	0.1%	\$12	0.1%
	2,514		\$9,763	



Source: Monitoring FEVE report as of 3/31/15.

Rating Review: ORR vs. FEVE

(\$ in Millions)

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

- The distribution of FEVE grades is concentrated in No FEVE, Monitor, and Extinguish with very little use of “Reduce” and no use of “Secure”. Especially for some of the lower ORR categories, a more diversified use of FEVE grades might be appropriate.

	Pass	Low Pass	Sp. Mention	Substandard	Doubtful	TOTAL	
No FEVE	\$8,985	\$70	\$0	\$1	\$0	\$9,057	93%
Monitor	\$179	\$111	\$224	\$2	\$0	\$517	5%
Reduce	\$0	\$0	\$0	\$0	\$0	\$1	0%
Extinguish	\$83	\$2	\$9	\$83	\$0	\$177	2%
NPL	\$0	\$0	\$0	\$9	\$3	\$12	0%
TOTAL	\$9,247	\$184	\$233	\$95	\$3	\$9,763	100%
	95%	2%	2%	1%	0%	100%	

FEVE	ORR	Reg. Rating	Exposure	Customers
No FEVE	1.5	Substandard	\$1	1
	4.0	Sp. Mention	\$0	1
	4.1	Low Pass	\$22	42
	4.2	Low Pass	\$7	4
	4.4	Low Pass	\$9	5
	4.5	Low Pass	\$32	13
Monitor	1.5	Substandard	\$2	2
	2.0	Sp. Mention	\$15	6
	2.5	Sp. Mention	\$4	2
	5.8	Pass	\$24	2
	6.0	Pass	\$3	1
	6.8	Pass	\$0	1

Source: Monitoring FEVE report as of 3/31/15.

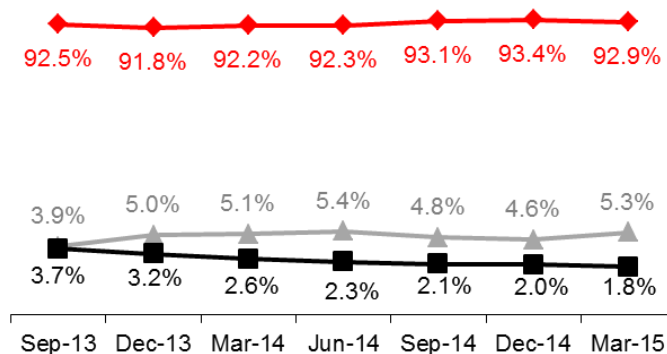
SREC: FEVE History

(\$ in Millions)

	Multifamily						
	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
No FEVE	\$9,247	\$9,194	\$9,996	\$9,876	\$9,599	\$9,432	\$9,057
In FEVE	\$755	\$822	\$840	\$829	\$712	\$668	\$694
Monitor	\$388	\$504	\$555	\$578	\$493	\$462	\$517
FEVE Grave	\$367	\$318	\$285	\$251	\$219	\$207	\$178
Reduce	\$39	\$33	\$22	\$12	\$8	\$4	\$1
Extinguish	\$328	\$285	\$263	\$240	\$211	\$203	\$177
Grand Total	\$10,001	\$10,016	\$10,836	\$10,705	\$10,311	\$10,101	\$9,751

The quality of the FEVE SREC portfolio continues to be **satisfactory** with no issues to be commented and in line with the strong Multifamily market in NY.

	Multifamily						
	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
No FEVE	92.5%	91.8%	92.2%	92.3%	93.1%	93.4%	92.9%
In FEVE	7.5%	8.2%	7.8%	7.7%	6.9%	6.6%	7.1%
Monitor	3.9%	5.0%	5.1%	5.4%	4.8%	4.6%	5.3%
FEVE Grave	3.7%	3.2%	2.6%	2.3%	2.1%	2.0%	1.8%
Reduce	0.4%	0.3%	0.2%	0.1%	0.1%	0.0%	0.0%
Extinguish	3.3%	2.8%	2.4%	2.2%	2.0%	2.0%	1.8%
Grand Total	100%	100%	100%	100%	100%	100%	100%



P&L Performance

Highlights

- Despite lower than budgeted outstandings and tightening spreads, the portfolio generated higher-than-budgeted revenue of \$47.9MM YTD, a result of lower interest expense and higher “other income” (recourse reserve release).
- The portfolio maintains strong credit quality. Recent risk rating policy updates are being implemented and will include a rounding down of the risk ratings to the nearest 0.5 and numerous other enhancements. Rating changes will potentially increase the amount of provisions.

2015 Budget

	2014	2015	Variance
Net Interest Income	163.3	148.1	(15.2)
Fees	2.0	2.2	0.2
Other Income / ROF	29.8	42.4	12.5
Revenues	195.2	192.7	(2.5)
Operating Expenses	(46.3)	(49.2)	(2.9)
Provisions	76.3	(14.6)	(90.9)
PBT	225.1	129.0	(96.1)
Taxes	(77.8)	(45.1)	32.7
Net Income	147.3	83.9	(63.5)
Pre-Tax ROA	2.15%	1.32%	-0.83%

Key Credit Risk Indicators

	Actual	Budget	Variance
Gross Chargeoffs	0.5	1.7	-1.2
Recoveries (neg. = release)	-1.9	-0.9	-1.0
Net ChargeOffs	-1.4	0.7	-2.1
Total Provision (neg = release)	-4.6	4.0	-8.6
ALLL	56.3	63.3	-7.0
Exposure	9,958		
Unpaid Principal Balance	9,742	9,896	-154
Provisions/Assets	0.0%	0.0%	
ALLL/Assets	0.6%	0.6%	-0.1%
Delinquency	6.6	n/a	
NPL	11.6	12.1	-0.5

2015 YTD vs. Budget

	Actuals	Budget	Variance
Gross Interest Income	107.8	110.3	(2.5)
Interest Expense	(66.0)	(72.9)	6.9
Net Interest Income	41.8	37.4	4.4
Fees	0.5	0.5	-
Other Income / ROF	5.6	1.5	4.1
Revenues	47.9	39.4	8.5
Operating Expenses	(10.5)	(11.3)	0.8
Provisions (pos = income)	4.6	(4.0)	8.6
PBT	42.0	24.1	17.9
Taxes	(14.7)	(8.4)	(6.3)
Net Income	27.3	15.7	11.6
Pre-Tax ROA	1.71%	0.96%	

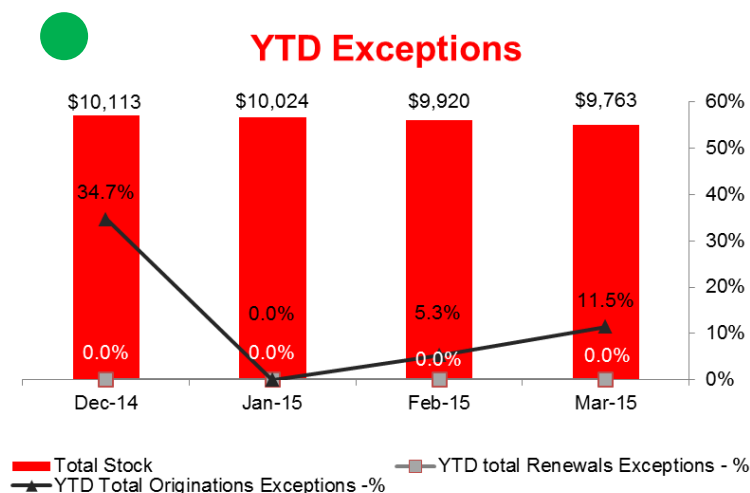
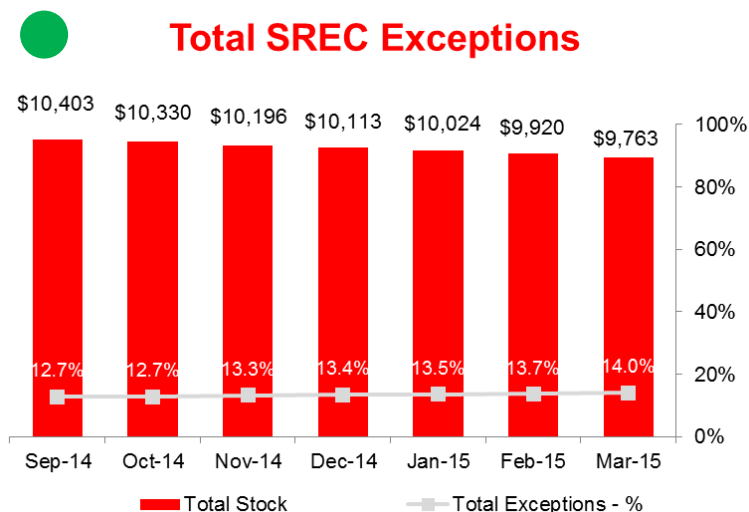
Source: Actual results and Budget data were provided by Finance and Solvency. The amount of total provisions was tied to Management Control numbers.

SREC: Exception Management

(\$ in Millions)

- SREC accounts for a reasonable amount of exceptions (16.3% of SBNA Exceptions Binding Exposure) based on the size of the portfolio (16.5% of overall Binding Exposure).
- Of the exceptions reported on a facility level as of YTD 3/31/15, more than 99% are related to Underwriting Guideline exceptions.
- Underwriting Guidelines exceptions were mostly related to Non-Compliance with Term, Maturity, Renewal and Amortization Guidelines, which affected 189 customers – i.e. 7.5% of SREC's customer base – across 191 facilities.
- The only Credit Policy exception is related to JC Broadway (\$11.4MM), due to a FDICIA exception (LTV exceeds limit).

3/31/2015	BANK	SREC	% of Portfolio
Total Facilities	35,761	8,962	25.1%
Total Portfolio \$MM	\$59,060	\$9,763	16.5%
Total Exceptions Facilities	1,281	192	15.0%
Total Exceptions Exposure \$MM	\$8,387	\$1,371	16.3%
Policy Exceptions	11	1	9.1%
Policy Exceptions \$MM	\$48	\$11	23.8%
UW Guideline Exceptions	1,270	191	15.0%
UW Guideline Exceptions \$MM	\$8,341	\$1,359	16.3%



Source: CCMIS, Exposure means Binding Exposure. "BANK" refers to SBNA without Retail, Small Business Banking, and runoff portfolios.

Open Regulatory – Internal Audit and Loan Review Issues

- There are currently no open MRAs or Internal Audit Recommendations specific to Multifamily.
- Of the 18 MRAs/RPAs within SBNA, 3 are in progress.
- The 3 items in progress, 2 are related to SBNA - CRE and 1 to Puerto Rico.
- All Internal Audit recommendations were implemented
- Loan Review information is not available at this time.

SBNA – in progress						
Target	Mar	Apr	May	Jun	Jul	Aug
Loan Review	-	-	-	-	-	-
Internal Audit	-	-	-	-	-	-
Regulatory	-	-	-	2	-	-
Total: 2	-	-	-	2	-	-

All Business Units	Open	In Progress	DtR
Regulatory Matters	13	3	10
<i>MRIA</i>	1	0	1
<i>MRA / MRBA</i>	12	3	9
Internal Audit Recommendations	10	1	n/a
Loan Review Recommendations	n/a	n/a	n/a
Grand Total	23	4	10

SBNA	Open	In Progress	DtR
Regulatory Matters	10	2	8
<i>MRIA</i>	0	0	0
<i>MRA / MRBA</i>	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

Source: Internal Audit

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

Open Regulatory, Internal Audit, and Loan Review Issues - Tracking

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

Next Steps: SREC

ISSUE	PROPOSED ACTION PLAN	RESOURCES	Target Date
<ul style="list-style-type: none"> Portfolio is concentrated in highly rated credits (ORR > 6.0). 	Review rating accuracy and rating standards. Consider timeliness of rating updates (FEVE), key performance indicators (DSCR, LTV, Occupancy), and other individual exposure parameter (obligor size, deal type, geography) in the analysis.	<ul style="list-style-type: none"> Monitoring 	Jun-15
<ul style="list-style-type: none"> Rating reviews are not performed on a regular basis. Approximately 28% of customers are overdue for a rating review. 	Assess portfolio's review status (FEVE Reviews) ensuring that credits are always reviewed within 1-2 months of their respective review date. If necessary, initiate review process for overdue credits.	<ul style="list-style-type: none"> Monitoring 	Jun-15
<ul style="list-style-type: none"> A large portion of the portfolio are small credit lines. Approximately 27% of One Obligor Groups, i.e. 487 of 1,808 groups, have exposure of less than \$1MM. 	Determine the impact of a low exposures on the portfolio's use of resources (for example: FTE, RoRAC, capital usage). Discuss potential strategies for transferring smaller "non-core" exposure to Retail. Discuss the potential viability of introducing minimum exposure amounts. Discuss the accuracy of the reported credit quality within this sub-portfolio given that they are below the annual FEVE review threshold (no regular reviews required/monitored).	<ul style="list-style-type: none"> Portfolio Management 	Jul-15
<ul style="list-style-type: none"> Market Pricing vs. Credit Quality 	Analyze the impact (if any) of tightening market spreads on the portfolio's return. Use average terms by rating and run sample RoRAC calculations.	<ul style="list-style-type: none"> Portfolio Management 	Jul-15 or when new RoRAC calculator is available
<ul style="list-style-type: none"> Credit Quality of New Originations 	Assess the portfolio's credit quality on new originations.	<ul style="list-style-type: none"> Portfolio Management 	Ongoing, but no earlier than May-15

APPENDIX

- Top 20
- Potential NPL: Hunter Gardens Owners Inc.
- Exposure Size per Obligor Group
- Exposure by Rating
- ORR vs. FEVE ratings

SREC: Top 20

(\$ in Millions)

- The Top 20 customers reflect less than 1% of the 2,500+ SREC customers, but account for 9.5% of SREC Binding Exposure and 1.1% of Total Bank exposure.
- No rating changes or changes in the Top 20 counterparties were reported since 2/28/15.
- The WARR of 5.8 indicates a good Pass rating, but the Top 20 include two Special Mention Exposures: (1) Metropolitan Sutton, a Manhattan extended stay hotel to be converted to condominiums, recently upgraded to 3.5, and (2) 440-34 Mamaroneck Ave, an office building in Westchester county that is slowly stabilizing its tenant base (stressed DSCR: 1.05x).

Rank	Obligor Name	MAR-15 ORR	FEB-15 ORR	MAR-15 FEVE	FEB-15 FEVE	Binding Exposure	Utilization	Usage
1	Whitehall Properties II LLC	6.6	6.6	No FEVE	No FEVE	75.0	75.0	100%
2	Trans World Equities Co., L.P.	6.7	6.7	No FEVE	No FEVE	65.0	65.0	100%
3	CP IV 15 CLIFF LLC	5.5	5.5	No FEVE	No FEVE	58.6	58.6	100%
4	59 Maiden Lane Associates LLC	6.7	6.7	No FEVE	No FEVE	57.8	57.8	100%
5	Rockwood Fort Totten LLC	5.5	5.5	Monitor	No FEVE	57.0	57.0	100%
6	340 West 87 St LLC	6.6	6.6	No FEVE	No FEVE	52.9	52.9	100%
7	Hawthorne Village, LLC	6.2	6.2	No FEVE	No FEVE	50.1	50.1	100%
8	Lindy-Meadowbrook LP	5.5	5.5	No FEVE	No FEVE	46.0	46.0	100%
9	554 EUO LLC	6.1	6.1	No FEVE	No FEVE	43.0	43.0	100%
10	KSB Broadway Associates, LLC	6.5	6.5	No FEVE	No FEVE	41.9	41.9	100%
11	Metropolitan Sutton Associates LLC	2.7	2.7	Monitor	Monitor	40.0	40.0	100%
12	Hatfield Village Associates	6.4	6.4	No FEVE	No FEVE	40.0	40.0	100%
13	Camelot At Cinnamon Harbour, LLC	5.4	5.4	No FEVE	No FEVE	39.1	39.1	100%
14	1 Dalmeny, LLC	5.8	5.8	No FEVE	No FEVE	38.9	38.9	100%
15	Bldg HH Superior, LLC	4.0	4.0	Monitor	Monitor	38.8	38.8	100%
16	2121 K LLC	4.9	4.9	No FEVE	No FEVE	38.4	36.6	95%
17	350 Central Park West Associates LLC	6.8	6.8	No FEVE	No FEVE	37.6	37.6	100%
18	Greenville Place, LLC	6.0	6.0	No FEVE	No FEVE	37.4	37.4	100%
19	440-34 Mamaroneck Ave LLC	2.7	2.7	Monitor	Monitor	37.2	37.2	100%
20	New 56-79 IG Associates, L.P.	6.4	6.4	No FEVE	No FEVE	35.5	35.5	100%
SUBTOTAL		5.8				930	929	

Source: Monitoring FEVE report as of 3/31/15.



Potential NPL: Hunter Gardens Owners Inc.

UPDATE – THE FORBEARANCE AGREEMENT CLOSED. THIS WAS NOT TAKEN NPL IN APRIL.

Hunter Gardens Owners Inc. (“Hunter”) is a co-op building with 217 residential units located at 147/25-147/43 38th Ave in Flushing (Queens), NY. The property is 89% sold with 11% sponsor held rented units (100% occupied in Jan-15). The relationship was transferred to Workout in Nov-14.

Issue: The Property is severely mismanaged.

- Coop has delinquent water charges and fuel bills charges; multiple shareholders are in serious arrears.
- 298 HPD and 87 DOB violations and 18 ECB violations with a total of \$5,700 in penalties, as of 1/29/15.
- Property rating of 3; boiler does not have valid operating certificate; special escrow conditions have not been satisfied, 2014 Coop assessment was not assessed; Failure to complete repair work.

Current Situation:

- All payments made as agreed.
- Actual LTV: 12% based on 12/31/2014 appraisal with as-is value of \$35.9MM or \$156M per unit (\$150M Liquidation Value).
- DSCR of 0.66x based on 5/31/13 Financials (5/31/14 “not yet available” – reporting default); NOI of \$207M.
- New Board and property manager appointed in Jan-15.
- \$500M RLOC matured in Jan-15; new property manager negotiated short-term forbearance to allow time to repay which closed in Apr-15, avoiding the need to take this relationship NPL.

Current Exposure:

As Of	Customer Name	Facility Type	Collateral	ORR	FRR	Exposure	Legal O/S	Maturity
3/31/15	Hunter Gardens Owners Inc.	CREM	1st lien	1.5	2	4,170	4,170	2/1/20
3/31/15	Hunter Gardens Owners Inc.	RLOC	unsecured	1.5	10	500	172	1/27/15
TOTAL						4,670	4,341	

Rating History		
Jan-10	5.7	No FEVE
Nov-13	5.1	No FEVE
Oct-14	2.0	Monitor
Nov-14	1.5	Extinguish

Exposure Size by Obligor Group

(\$ in Millions)

- A large portion of SREC's portfolio are relatively small credit lines.
 - Approximately 27% of One Obligor Groups, i.e. 487 of 1,801 groups, have exposure of less than \$1MM. Together, they account for only 2.0% of the portfolio's Binding Exposure with an average group exposure of \$409M.

Would a transfer of these smaller exposures to Retail or "Non-Core" make sense?

Group Exposure	Groups	%	Binding Exposure	%	Average Exposure
< \$100M	98	5.4%	\$5	0.1%	\$0.1
< \$250M	107	5.9%	\$20	0.2%	\$0.2
< \$500M	126	7.0%	\$51	0.5%	\$0.4
< \$1,000M	156	8.7%	\$123	1.3%	\$0.8
< \$2,500M	475	26.4%	\$809	8.3%	\$1.7
< \$5,000M	371	20.6%	\$1,323	13.6%	\$3.6
> \$5,000M	468	26.0%	\$7,432	76.1%	\$15.9
	1,801		\$9,763		

