Balance Sheet Management
And Your Loan Portfolio

Annual Convention
September 26, 2018

Greg Roll, CFA
Senior Vice President
Vining Sparks Loan Trading Group
Outline

• Balance Sheet Built in Challenging Rate Environment
• Balance Sheet Management Strategies
• Active Balance Sheet Management
• Using The Capital Markets to Actively Manage Loan Portfolio
• Current Market Activity
2010-2018: Interest Rates and the Impact on your Balance Sheet

- **Elevated Cash Flows, Asset Repricing down**
- **Tapering Talk, Curve Steepens**
- **Yield Curve Flat, Lost the Belly**
- **Curve Flatter, Higher Short Rates**
- **Rates Higher, Economic Growth and Inflation**

Graph showing interest rates from 2010 to 2018 for 2Y, 5Y, and 10Y Treasury, with key events such as elevated cash flows, tapering talk, yield curve flat, and rates higher, economic growth and inflation marked on the image.
Flattening Curve Impacts Margins

<table>
<thead>
<tr>
<th>Tenor</th>
<th>3Q 2018</th>
<th>4Q 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FF</td>
<td>2.00</td>
<td>0.18</td>
<td>1.82</td>
</tr>
<tr>
<td>3M</td>
<td>2.05</td>
<td>0.17</td>
<td>1.89</td>
</tr>
<tr>
<td>1Y</td>
<td>2.43</td>
<td>0.60</td>
<td>1.83</td>
</tr>
<tr>
<td>2Y</td>
<td>2.67</td>
<td>1.05</td>
<td>1.62</td>
</tr>
<tr>
<td>3Y</td>
<td>2.76</td>
<td>1.31</td>
<td>1.45</td>
</tr>
<tr>
<td>5Y</td>
<td>2.83</td>
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<td>1.07</td>
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<tr>
<td>7Y</td>
<td>2.92</td>
<td>1.96</td>
<td>0.96</td>
</tr>
<tr>
<td>10Y</td>
<td>2.97</td>
<td>2.26</td>
<td>0.71</td>
</tr>
<tr>
<td>2/10Y</td>
<td>0.30</td>
<td>1.21</td>
<td>-0.91</td>
</tr>
</tbody>
</table>
Banking Environment

• Revenue strong, 2Q 2018 just over $202 billion
• Funding costs starting to increase, may pressure margins going forward, currently stable
• Loan growth continuing at a slower pace, not even across institutions or categories
• Asset quality steady, many measures back to pre-crisis levels
• Collateral values continue to increase
• Liquidity stress not rampant, will continue to be regulator focus
• Current environment has led to very active loan trading market
Delinquency by Asset Type
Banking Environment – Loan Growth

- Loan growth fueled by the recovery in real estate.
- RE 1-4 slowed as rates increased, CRE growth leveling off.
- Autos slowing, big banks back in the auto space.
- Loan growth continues to be dependent on location and lending model.
Banking Environment – Liquidity

- Loan growth began pushing Loan/Deposit ratios up in 2012.
- Increases today are also impacted by changes in funding composition and increases in funding costs.
- Banks are beginning to focus on liquidity positions and contingent liquidity plans.
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Managing the Balance Sheet for Growth, Profitability, and Liquidity

Strategies

- Organic Growth
- Hire Lenders
- Acquire Institution/Branches
- Manage Capital

Common Outcome

- Falls short of expectations, limited to opportunities in footprint
- Costly, slow ramp, refinancing book at low rates/tight spreads
- Limited quality partners, synergies often fall short of expectations
- Capital constraints limit growth and income, capital raise can be costly, return to shareholders
Focus Internally to Build Efficient Balance Sheet

Investment Portfolio

- Liquidity, risk management, income
- Cash flow, average life, optionality, price volatility, yield/spread, credit
- Capital markets evolve, portfolios change, need to be managed
- Periodic review holdings, buy/sell securities that provide optimal portfolio

Loan Portfolio

- Income, risk management, liquidity
- Yield/spread, credit, cash flow, average life, optionality
- Local markets evolve, portfolios turnover, without active management portfolios may not offer optimal return
- Review loan portfolio, gain understanding of options to improve efficiency
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What’s in Your Wallet?

• Gain an understanding of what drives the income your loan portfolio is producing
• Rate, type of loan, structure, average life, credit quality...Stratify metrics to gain better understanding
• Is my portfolio giving an optimal return?
• Analysis can uncover value, risk, and opportunities in your loan portfolio.
Periodic Portfolio Reviews

- Uncover unknown risks in your portfolio
- Assess the ability to reduce risks/concentrations
- Determine marketability of loans in your portfolio
- Review strategies for consideration
- Obtain market color
- Take advantage of market conditions
- Combine the results of your portfolio review with your ALCO report to develop strategies for achieving your goals
- Educate your Board of Directors on the merits of managing your loan portfolio
## Loan Stratification

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Count</th>
<th>Orig Amount</th>
<th>Current Bal</th>
<th>% of Total Port</th>
<th>Avg Current Bal</th>
<th>WA Term</th>
<th>WA Rem Term</th>
<th>WA Age</th>
<th>WA Gross Coupons</th>
<th>WA Orig FICO</th>
<th>WA Co FICO</th>
<th>WA QTV</th>
<th>WA ALT</th>
<th>Ever 30 DPO</th>
<th>Ever 60 DPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 ARM</td>
<td>2</td>
<td>2,379,500</td>
<td>2,218,965</td>
<td>1.78%</td>
<td>443,783</td>
<td>332</td>
<td>320</td>
<td>13</td>
<td>3.30</td>
<td>748</td>
<td>761</td>
<td>66.24%</td>
<td>63.00%</td>
<td>0.00%</td>
<td>0.00%</td>
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<tr>
<td>41 ARM</td>
<td>5</td>
<td>1,410,500</td>
<td>877,888</td>
<td>0.69%</td>
<td>292,629</td>
<td>362</td>
<td>357</td>
<td>35</td>
<td>3.15</td>
<td>634</td>
<td>785</td>
<td>72.19%</td>
<td>58.39%</td>
<td>0.00%</td>
<td>0.00%</td>
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<tr>
<td>51 ARM</td>
<td>62</td>
<td>17,384,000</td>
<td>16,653,030</td>
<td>13.18%</td>
<td>268,197</td>
<td>354</td>
<td>338</td>
<td>16</td>
<td>3.98</td>
<td>741</td>
<td>748</td>
<td>71.09%</td>
<td>60.64%</td>
<td>4.54%</td>
<td>4.54%</td>
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<tr>
<td>61 ARM</td>
<td>2</td>
<td>471,000</td>
<td>441,562</td>
<td>0.20%</td>
<td>220,776</td>
<td>364</td>
<td>312</td>
<td>91</td>
<td>3.99</td>
<td>720</td>
<td>n/a</td>
<td>70.26%</td>
<td>66.07%</td>
<td>0.00%</td>
<td>0.00%</td>
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<tr>
<td>71 ARM</td>
<td>25</td>
<td>4,866,080</td>
<td>4,464,446</td>
<td>3.28%</td>
<td>209,630</td>
<td>189</td>
<td>147</td>
<td>12</td>
<td>3.66</td>
<td>742</td>
<td>743</td>
<td>62.10%</td>
<td>62.64%</td>
<td>5.32%</td>
<td>5.32%</td>
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<tr>
<td>10 Y ARM</td>
<td>27</td>
<td>4,047,450</td>
<td>3,165,209</td>
<td>2.31%</td>
<td>186,218</td>
<td>92</td>
<td>67</td>
<td>25</td>
<td>4.84</td>
<td>747</td>
<td>766</td>
<td>68.24%</td>
<td>55.63%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>15 Y ARM</td>
<td>26</td>
<td>9,625,212</td>
<td>7,650,000</td>
<td>6.05%</td>
<td>294,231</td>
<td>183</td>
<td>163</td>
<td>22</td>
<td>3.89</td>
<td>781</td>
<td>759</td>
<td>63.79%</td>
<td>54.38%</td>
<td>3.85%</td>
<td>3.85%</td>
</tr>
<tr>
<td>20 Y ARM</td>
<td>10</td>
<td>3,432,678</td>
<td>2,955,131</td>
<td>2.34%</td>
<td>295,513</td>
<td>220</td>
<td>178</td>
<td>42</td>
<td>3.79</td>
<td>746</td>
<td>750</td>
<td>83.17%</td>
<td>71.05%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>30 Y ARM</td>
<td>122</td>
<td>49,699,298</td>
<td>46,059,294</td>
<td>38.43%</td>
<td>377,830</td>
<td>383</td>
<td>336</td>
<td>27</td>
<td>4.46</td>
<td>751</td>
<td>784</td>
<td>77.08%</td>
<td>72.66%</td>
<td>6.21%</td>
<td>6.21%</td>
</tr>
<tr>
<td>Total</td>
<td>350</td>
<td>136,999,715</td>
<td>126,347,503</td>
<td>100.00%</td>
<td>351,943</td>
<td>339</td>
<td>317</td>
<td>22</td>
<td>4.19</td>
<td>749</td>
<td>759</td>
<td>71.76%</td>
<td>67.56%</td>
<td>3.77%</td>
<td>3.77%</td>
</tr>
</tbody>
</table>

### Characteristics

- **Product Type**
- **Credit Score**
- **LTV**
- **Property Type**
- **Term**
- **Rate**
- **Performance**
Using Capital Markets to Complement Local Markets

• Capital markets offer choice (buying or selling) that may not be available in local footprint
• Depositories have been using the capital markets via securitization for years (MBS, ABS, CDO, Etc.)
• Whole loan and loan participation transactions offer depositories the ability to manage their balance sheets more effectively than organic growth or portfolio amortization
Uncovering the Value of Selling Loans

- Manage interest rate risk and extension risk
- Manage credit risk and concentrations
- Potentially book gain-on-sale
- Improve capital ratios
- Gain or demonstrate liquidity
- Free up loan loss reserves

Unique market conditions:
- Rising short-term interest rates
- Loan growth causing institutions to manage concentration risk
- Low loan demand not replacing runoff at many institutions – not many quality opportunities in local market
Merits of Buying Loans

- Balance Sheet management
- Improve earnings and offset lack of organic loan demand
- Yield opportunities competitive with current lending
- Invest excess liquidity
- Efficient use of capital
- Attractive loan characteristics
- Seasoning and performance
- Updated financials on commercial RE loans
- Opportunity to completely re-underwrite the loan
Outline

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• Active Balance Sheet Management
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• Current Market Activity
Analytics Offer Insight to Portfolio Value

• Understanding what drives performance of loans can offer insight to building a high performing loan portfolio
• Understanding what drives market trends and internal performance
• Analysis of pools of homogenous loans offers insight into performance drivers that can used when reviewing all loans
• Value of what the market will pay for a loan pool is directly impacted by the underlying performance of the individual loans
Auto Loans Continue To Grow

Source: Experian

Auto Pool Focus
Auto Delinquencies Stable, Seasonal

S&P / Experian Auto Default Index
Auto Delinquencies Not Accelerating

% of loan balances 30 dpd

<table>
<thead>
<tr>
<th></th>
<th>2017 Q2</th>
<th>2018 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>1.59%</td>
<td>1.75%</td>
</tr>
<tr>
<td>Captive</td>
<td>2.59%</td>
<td>2.63%</td>
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<tr>
<td>Credit Union</td>
<td>1.13%</td>
<td>1.03%</td>
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<tr>
<td>Finance</td>
<td>4.94%</td>
<td>4.18%</td>
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<tr>
<td>Total</td>
<td>2.26%</td>
<td>2.15%</td>
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</table>

% of loan balances 60 dpd

<table>
<thead>
<tr>
<th></th>
<th>2017 Q2</th>
<th>2018 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>0.54%</td>
<td>0.58%</td>
</tr>
<tr>
<td>Captive</td>
<td>0.57%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Credit Union</td>
<td>0.24%</td>
<td>0.21%</td>
</tr>
<tr>
<td>Finance</td>
<td>1.78%</td>
<td>1.49%</td>
</tr>
<tr>
<td>Total</td>
<td>0.68%</td>
<td>0.63%</td>
</tr>
</tbody>
</table>

Source: Experian
Auto Loan Analytics

Over the last 4 years Vining Sparks has traded over 100 auto participation pools, totaling over $2 billion in balances.

<table>
<thead>
<tr>
<th>Original FICO</th>
<th>% of Loans Sold</th>
<th>WA Term</th>
<th>WA Rem Term</th>
<th>WA Age</th>
<th>WA Coupon</th>
<th>WA FICO</th>
<th>WA OLTV</th>
<th>% New</th>
<th>Model Age</th>
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<tbody>
<tr>
<td>Greater than 760</td>
<td>34.98%</td>
<td>75</td>
<td>64</td>
<td>11</td>
<td>3.170</td>
<td>802</td>
<td>96.08</td>
<td>45%</td>
<td>3.2</td>
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<tr>
<td>720-760</td>
<td>18.93%</td>
<td>77</td>
<td>66</td>
<td>11</td>
<td>3.732</td>
<td>740</td>
<td>103.27</td>
<td>40%</td>
<td>3.5</td>
</tr>
<tr>
<td>680-720</td>
<td>23.32%</td>
<td>77</td>
<td>67</td>
<td>11</td>
<td>4.566</td>
<td>700</td>
<td>105.59</td>
<td>40%</td>
<td>3.5</td>
</tr>
<tr>
<td>640-680</td>
<td>17.40%</td>
<td>76</td>
<td>65</td>
<td>11</td>
<td>6.182</td>
<td>662</td>
<td>107.23</td>
<td>38%</td>
<td>3.6</td>
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<tr>
<td>600-640</td>
<td>5.33%</td>
<td>72</td>
<td>63</td>
<td>10</td>
<td>9.140</td>
<td>623</td>
<td>105.83</td>
<td>25%</td>
<td>4.3</td>
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<tr>
<td>Less than 600</td>
<td>0.04%</td>
<td>72</td>
<td>59</td>
<td>13</td>
<td>13.007</td>
<td>579</td>
<td>99.50</td>
<td>19%</td>
<td>4.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
<td>76</td>
<td>65</td>
<td>11</td>
<td>4.448</td>
<td>732</td>
<td>102.10</td>
<td>41%</td>
<td>3.5</td>
</tr>
</tbody>
</table>

- Strong credit profile, average credit score of 732.
- Original Loan to Value, Coupon, and age of collateral all increase as you move down the credit spectrum.
- OLTV and age of collateral can impact probability of default and loss given default.
Delinquency Rate Analytics

- Given the independent correlation between FICO and LTV and delinquencies, the combined the data sets show that layering of these risk factors leads to elevated levels of delinquency.
- The overall delinquency rates are strongly inversely correlated to credit score, and positively correlated with LTV levels.
- LTV bands above 110 have higher than average delinquency rates in every FICO bucket.
- Lower credit scores intuitively lead to higher delinquency rates, but this finding emphasizes the importance of controlling exposure to high LTV loans regardless of the borrowers credit score.
Net Charge-Off Rates

- The average annualized charge off rate for Vining Sparks placed autos is 0.42% - ranging from 0.00% to 1.06% for individual pools.
- As pools season, we expect the charge off rate to settle slightly higher in the 0.50% to 0.60% range.
Value Proposition for Buying Loans

• Realized net yields have increased along with rate increases – still one of the best yields available given the duration
• 4+ years of performance data – projections for losses and prepayments have improved and led to reduced volatility
Loan Trading Process

- Seller provides loan data file
- Seller provides objectives – maximize gain, reduce duration, target trade size, etc
- Agree on strategy and pricing, give order to sell
- VSLT starts marketing the pool – approx. 150 reps covering 3,000+ accounts
- No confidential data until purchasers identified
Loan Trading Process

• Execute Trade Stipulation Sheet and Non-disclosure Agreement
• Provide due diligence materials (Loan files or sampling)
  - Financials
  - Delinquency and loss history
  - Underwriting guidelines
  - Servicing policies and procedures
  - Collection policy
• Review Master Loan Participation Agreement (MLPA) or Loan Purchase and Sale Agreement (LPSA)
• Seller responds to due diligence findings
• Execute MLPA/LPSA and Fund Purchase on Target Close Date (at closing, loan balances will be updated and any delinquent loans will be dropped)
Participation Structure

• Purchase Participation instead of whole loan
• Seller/servicer retains loan documents
• Closing is streamlined – no Assignments of Mtg to prepare and record, no Allonges (endorsement of the promissory note)
• Borrowers not notified of change in ownership
• Seller/servicer retains pro-rata interest and servicing
Monthly Reporting and Remitting (Servicing Retained)

• Seller/servicer will remit and report directly to purchasers monthly
• Report will reconcile to monthly Principal and Interest remittance, retained servicing fee
• Report will include for each loan beginning and ending balance, P&I received, next due date, loan status, etc
• Call seller/servicer directly with questions or call us
Regulatory Environment

- Regulators comfortable with third party loan purchases
  - Documented policies and procedures for loan purchases
  - Understand the type of loan being purchased
  - Manage credit risk through due diligence
- Purchasers will buy auto, residential and CRE loans out of footprint
- Take an example trade to your Board, Executive Management and ensure all understand and have comfort with the process
- Documentation
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Current Market Activity

- Use Performance Architect to model investment alternatives
  - Swap lower yielding securities at a loss into participations, payback 1-2 years
  - Leverage borrowings and capture 100-125 bps spread
  - Swap investments in residential mortgage product into CRE loans
  - Model strategic investment plan, what is the impact to Earnings, EAR, and EVE from a strategic shift into participations

- Current Activity
  - Auto Participations
  - Recreational Vehicle Participations
  - C&I Loans and Leases
  - Fixed and Variable Rate Residential Mortgages
  - Commercial Real Estate Loans
Auto Characteristics

• Stable, defensive cash flow
• 15 – 20 CPR, not rate sensitive
• LTV is total costs including dealer adds over invoice for new autos and book value for used autos
• Historical delinquency and loss data readily available
• VSLTG utilizes past performance in crafting pools
• Increase in sub-prime production occurring outside community banking sector
Recent Auto Pool

Vining Sparks Loan Trading, as Agent, offers $50.0 million Participation backed by indirect autos.

- The minimum trade is 7% ($3.5MM)
- Seller/Servicer is retaining 10% Participation interest and 0.50% servicing fee
- Highlights include 91.4% Amortized LTV, 729 updated credit score and 30.7% DTI
- Loans have clean pay histories (99.3% 0x30 DPD and 100.00% 0x60 DPD)
- Over 83% are located in Pennsylvania
Auto Pool Metrics

**PRICING:**
4.25% yield at $102.56, 2.06yr avg life at 18 CPR.
+157bp to interpolated UST
Recreational Vehicles (RV) Loans

- 15yr fixed rate loans
- 4.5yr average life, 5.5yr max
- Higher credit score, older borrower
- Northwest concentration
- $40,000 average loan balance
- VSLT tracks pool performance
Recent RV Pool

Vining Sparks Loan Trading, as Agent, offers $23.0 million Participation backed by Recreation Vehicles.

- The minimum trade is 15% ($3.45MM)
- Seller/Servicer is retaining 10% Participation interest and 0.50% servicing fee
- Highlights include 750 weighted average original credit score, and strong pay histories (99.93% 0x30D & 100.00% 0X60D)
- Over 84% of the loans are located in Washington
RV Pool Metrics

This is the thirteenth vehicle pool and fifth recreational vehicle pool from this seller/servicer. The previous RV pools are performing as expected from a delinquency and prepayment perspective. The prepay rate for the first three RV pools has averaged 11.3% compared to our overall recreational vehicle prepay rate of 13.1%. The fourth RV pool was excluded due to lack of seasoning.

The net charge off rate for all pools from this seller range from 0.31 – 0.99% and average 0.57% for pools that have seasoned more than 12 months. For their entire indirect portfolio, the seller has experienced an average net charge off ratio of 0.68% over the last 5 years.

This chart shows aggregate delinquency rate of all 30+ RV pools monitored by Vining Sparks and the delinquency performance of RV pools from this seller

This chart show the annualized charge off rate on the y-axis and the months from closing on the x-axis
**RV Pool Metrics**

**Pricing:**
4.87% yield at $102.75, 4.55yr avg life at 12 CPR. +204bp to interpolated yield curve

<table>
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<th>CPR</th>
<th>Yield</th>
<th>Avg. Life</th>
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<tr>
<td>9</td>
<td>4.95</td>
<td>5.15</td>
</tr>
<tr>
<td>12</td>
<td><strong>4.87</strong></td>
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<td>15</td>
<td>4.79</td>
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<tr>
<td>18</td>
<td>4.70</td>
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<td>20</td>
<td>4.64</td>
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<tr>
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<td>4.47</td>
<td>2.84</td>
</tr>
<tr>
<td>30</td>
<td>4.30</td>
<td>2.42</td>
</tr>
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</table>

**Debt to Income**

<table>
<thead>
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<th>Percent</th>
</tr>
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<tbody>
<tr>
<td>Less than 10.01%</td>
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<tr>
<td>10.01 - 20.00%</td>
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<tr>
<td>20.01 - 30.00%</td>
</tr>
<tr>
<td>30.01 - 40.00%</td>
</tr>
<tr>
<td>40.01 - 50.00%</td>
</tr>
<tr>
<td>50.01 - 60.00%</td>
</tr>
<tr>
<td>60.01 - 70.00%</td>
</tr>
<tr>
<td>Greater than 70.00%</td>
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<tr>
<td>Total</td>
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**Amortized LTV**

<table>
<thead>
<tr>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 60.01%</td>
</tr>
<tr>
<td>60.01 - 70.00%</td>
</tr>
<tr>
<td>70.01 - 80.00%</td>
</tr>
<tr>
<td>80.01 - 90.00%</td>
</tr>
<tr>
<td>90.01 - 100.00%</td>
</tr>
<tr>
<td>100.01 - 110.00%</td>
</tr>
<tr>
<td>110.01 - 120.00%</td>
</tr>
<tr>
<td>Greater than 120.00%</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Current Balance**

<table>
<thead>
<tr>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,001</td>
</tr>
<tr>
<td>$10,001 - $20,000</td>
</tr>
<tr>
<td>$20,001 - $30,000</td>
</tr>
<tr>
<td>$30,001 - $40,000</td>
</tr>
<tr>
<td>$40,001 - $50,000</td>
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<tr>
<td>$50,001 - $60,000</td>
</tr>
<tr>
<td>$60,001 - $70,000</td>
</tr>
<tr>
<td>$70,001 - $80,000</td>
</tr>
<tr>
<td>$80,001 - $90,000</td>
</tr>
<tr>
<td>$90,001 - $100,000</td>
</tr>
<tr>
<td>Greater than $100,000</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Average $30,627
Minimum $5,528
Maximum $114,731
C&I Loans and Leases

- UCC lien on equipment
- Personal guarantee on most leases
- No prepayment risk on leases
- 60 month term
- Recent activity >750 average guarantor credit score
- High percentage on ACH
Recent C&I Lease Offer

Vining Sparks Loan Trading, as Agent, offers 54 Equipment Leases with a present value of $5.4MM, servicing retained. The leases have 56 months remaining term and 2 months seasoning with clean pay histories (100.00% 0X30). 91% have personal guarantees, with 781 average guarantor credit score. 96% are on ACH. 27.9% are in CA, 23.8% FL, 9.4% AZ, and 9.3% NY.

**PRICING:**
Offered at 5.50% yield with 2.5yr average life ($5MM minimum)
5.25% yield with $2.5MM minimum

**Underwriting**
Application only up to $200,000 – Financials not required
650 Min FICO (679 Min in pool)
No FC or BK history allowed
Also run business credit reports:
  - Dunn & Bradstreet
  - Paynet
Seller is nationwide originator of equipment leases
Over 10 year track record
30D DQ rate < 2.00% at 12/31/17

*Seller’s static pool net charge offs have averaged 75bp to 100bp per year*
Mortgage Loans

- Hybrid ARMs in short supply, trading very aggressively
- Seasoned 1-4 residential fixed rate loans, both 15 Yr and 20 yr, inclusive of Jumbo’s
- Longer average life, not much extension risk
- Buying on-market yields
- Offers cash flow, product and geographical diversification
Commercial Real Estate Loans

• Typically 10 – 15 yr term with 25yr amortization, 5yr rate reset
• Typically contains floor on rate
• 3.5yr average life to rate reset
• Property types include single tenant, multi-family, office, retail, industrial, medical, etc.
Summary

- Look to use the capital markets to manage your loan portfolio as you would manage your securities portfolio.
- Periodically review your portfolio to gain understanding of inherent value or deficiencies within portfolio.
- Monitor current market conditions and gain understanding of what alternatives are available.
- Buying or selling loans can positively impact a balance sheet’s yield generation, risk management exposure, and liquidity characteristics.
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Thank You

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