Sageworks Stress Testing

Understand concentration & portfolio risk

With stress testing expectations unclear for many institutions, bankers rely on Sageworks Stress Testing for complete flexibility.

INSTITUTION-LEVEL STRESS TESTS

Institution-level, or top down, stress testing estimates risk within segments of the portfolio during stress periods and calculates the potential impact on the institution's earnings and capital.

Guidance issued by federal agencies specifically recommend this analysis for community banks as a part of sound risk management.

WHY SAGEWORKS STRESS TESTING

- ✓ Obtain actionable information for strategic decisions, credit-policy development and capital planning
- ✓ Quickly satisfy regulatory pressure, without loan-level data or interpreting agency-provided templates
- ✓ Use historic losses or peer group data to set loss rates for segments and estimate 2-year losses
- ✓ Access FRED and call report data to simplify loss-rate adjustments and documentation

CONCENTRATION STRESS TESTS

Concentration stress tests using a bottom up approach yield more granular information that management can use to evaluate risk appetites, credit policies and concentration limits.

While the data for these tests can be difficult to gather, bottom up stress tests that incorporate several what-if scenarios provide additional detail on key vulnerabilities in different concentrations.

WHY SAGEWORKS STRESS TESTING

- ✓ Stress concentrations using 8 different stress factors including interest rate, collateral and cash flow
- ✓ Simultaneously run multiple scenarios for a holistic view of potential risk and its effect on earnings and capital
- ✓ Easily document results, methodologies and assumptions used in scenarios to keep the board informed
- ✓ Quickly import financial data using the Electronic Tax Return Reader

INDIVIDUAL LOAN STRESS TESTS

Guidance issued by the OCC and other regulators identified loan-level stress tests, or transaction stress tests, as an opportunity to see how economic conditions would impact risk and cash flow for individual loans.

WHY SAGEWORKS STRESS TESTING

- ✓ Perform loan-level stress testing at origination or review
- ✓ Focus on impact to Debt Service Coverage and Loan-to-Value Ratios
- ✓ Target borrowers with the largest exposure or risk

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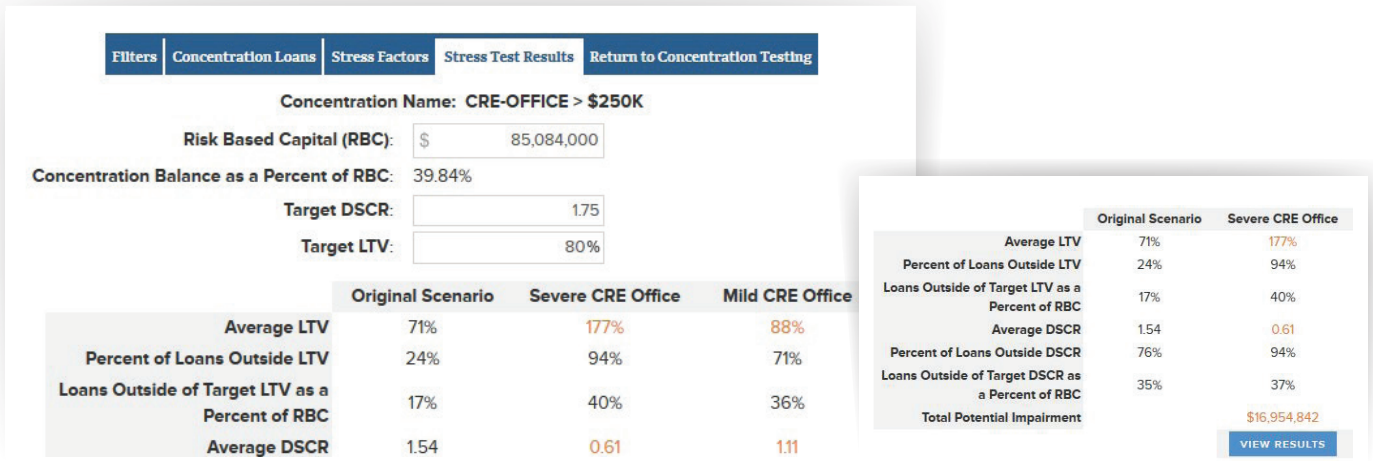

KEY BENEFITS

- ✓ Plan for future capital needs to cover portfolio risk
- ✓ Perform individual loan, concentration and institution stress tests
- ✓ Perform stress tests on both the current loan portfolio and historical loans integrated from the institution's core system
- ✓ Set up a number of what-if scenarios, with changeable parameters such as interest rates, cap rates, vacancy rates, NOI and other parameters that affect cash flow and collateral value
- ✓ Access FRED and FDIC call report data through Sageworks to simplify loss-rate adjustments and documentation
- ✓ Select portfolio concentrations using up to 70 different filters
- ✓ Perform bottom up stress tests to gauge stress scenario impact on financials and the portfolio
- ✓ Perform institution-level tests by historical loss, peer group or concentration stress test results
- ✓ Flexibly segment by federal call code, collateral code, loan type code or product code
- ✓ Quickly generate comprehensive reporting, which can show the average DSCR, average LTV and the migration analysis of credit quality under stressed scenarios
- ✓ Export stress tests and results to Microsoft Excel or Word for easy editing and integration into other standard reports
- ✓ Connect with Sageworks Credit Analysis for up-to-date financial data and reduced manual data management
- ✓ Import tax return data for additional time savings
- ✓ Stress mild, moderate and adverse scenarios simultaneously and save scenarios for consistent methodologies
- ✓ Record comments on each stress test for clarification of results and factors
- ✓ Assign loans to risk pools based on LTV, DSCR, recourse method and segmentation to identify high-risk loan pools and potential impairment risk
- ✓ Save concentrations for later use to enable easy, consistent testing