

ON Scenario Analysis

Part of the wider ON Credit Intelligence Suite enables you to get ahead of risk with dynamic forward-looking scenarios

ON Scenario Analysis provides lenders the ability to run multiple macroeconomic scenarios on their loan book using forward-looking ON Industry Forecasts. Risk professionals get access to immediate and actionable intelligence on the C&I portfolio down to the individual borrower level, enabling you to:

- Run scenarios on your entire loan book without worrying about limited and costly resources, backward-looking data, technology, and modeling capabilities.
- Plan ahead for market changes and formulate targeted risk mitigation strategies to reduce defaults and charge-offs and better manage capital requirements.
- Use early warning indicators to take a proactive approach to portfolio monitoring and adjust your lending and review strategy to gain efficiency without sacrificing credit quality.
- Identify opportunities for growth, even in turbulent economic cycles making your lending process less restrictive, thereby supporting the missing middle in times of stress.

Value proposition:

Identify risk in your loan book earlier with scenarios that consider dynamic macroeconomic forces

- Know where risk is coming from and instill peace of mind with OakNorth's default scenarios and the Federal Reserve's Baseline and Severely Adverse scenarios..
 - BASE SCENARIO: A forward-looking view which considers the impact of prevailing trends in the economy, as well as in specific industries.
 - HIGH NEAR-TERM INFLATION STRESS SCENARIO: In this scenarios, inflation slows less sharply in the near term than expected. The Federal Reserve continues to follow policy tightening and rate hikes.

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MACRO VARIABLES BEHIND OAKNORTH'S SCENARIOS

Use the 20+ macroeconomic variables that regulators recommend to banks to configure your own scenarios. OakNorth conducted market research and consulted US banks and regulatory advisors/ leaders to confirm this list of variables.

INDUSTRY FORECASTS COVERING

960+ NAICS INDUSTRIES

ON Scenario Analysis provides the insights and information behind the main drivers of risk that impact the sectors and industries in your commercial loan book, empowering you to develop targeted risk mitigation strategies.

DELIVERY OPTIONS

API integration

with direct feed of scenario adjusted financials into banks' internal risk models

Intuitive UI

delivering forward-looking industrylevel insights to your teams

- ASSET PRICE CRASH STRESS SCENARIO: In this scenario, the US economy enters a more severe recession as higher interest rates weigh heavily on house prices and hit business and consumer demand.
- US FISCAL CUT STRESS SCENARIO: In this scenario, a potential downside to the US economy stems from a cut to US fiscal policy.
- Analyze the impact of each scenario on your commercial loan book and identify losses early through an intuitive dashboard or API data feed into your existing systems.
- Use ON's forward-looking industry-level forecasts to better understand risk, and layer these onto existing historical analyses which don't consider the changing future macroeconomic environment.
- Improve efficiency by segmenting your loan book by scenario impact and identify the major drivers of risk. Pick up vulnerable borrowers early for detailed review and reduce time spent on performing borrowers.

Bank Name C Ori Scinario Andynia C Ori Nonitoring C Ori Canada		ninge of Industry specific data points and data science frameworks, considering the impact of per	 the concerny as well as specific industries. 	Sector risk The to 3 actions are responsible for deengrades in 57% of headbook when it exector risk?	Sector Manufacturing 31	Express 21.5% of loan book 14.8% downgraded	Scenario ON Risk Score O
	Risk breakdown Compared to the current ON Risk Score (based on LTM (francisk), the downgrada), pgrade risto for the ON Base Scenario (± 0.30x Dewngrades (± 3% of your tran book exposure	0 Au 1022	Jun 2023		Wholesale Trade	12.9% of loan book 13.0% downgraded	Low
	Upgrades: 24.0% of your loan book exposure			View sector segmentation	Transportation and Watehousing 45	9.5% of loan book 8.3% downgraded	Medum
		20	Of East Scarafo	Risk upgrades The too 3 sectors are responsible for upgrades in 10.5% of lean book	Sector	Exposure	Scenario CN Risk Score
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[• Symmet	What is sector risk?	Manufacturing II 21.5% of lisan book	Lov		Manufacturing 31	21.5% of loan book 21.1% upgraded	Low

Apply your own macro-economic scenarios to ON's granular frameworks to generate a forward-looking view

- Apply scenarios that reflect your internal economic outlook
- Make informed decisions about high-risk, high-opportunity industries, and borrowers in your loan book based on the anticipated macroeconomic shifts.

Scenario ↓	Scenario type	Scenario ON Risk Scere ①	A ON Risk Score	Exposure downgraded ①	Exposure upgraded ①	Last updated		Bank Name			
ON Industry Stress Scenario O	Preset	Medium	→0	16.7%	13.5%	Feb 3, 2023	•	Con Monitoring		and the impact on your portfolio. What are macroeconomic variables?	
ON Base Scenario O	Preset	Medium	→ 0	9.3%	24.0%	Feb 3, 2023	•		Scenario details		
Bank Notional Severely Adverse	Custom	Processing				Nov 30, 2022	•		Scenario name Enter scenario name		
Bank Allowance (ACL/ALLL) Scenario ①	Custom	Processing				Oct 18, 2022	1		Scenario description Enter scenario description		
Risk breakdown											
0 Jun 2022				Jun 2023					Macroeconomic variables beseine ON base for	annin O	
100				3811013					4. Search macroeconomic variables		
80									Brent Crude OI Spot Price O	202002 Actual 202002 Forecast 113.84 103.89	
40				Appl	y your o	own sce	enarios a	nd make info	rmed decisions	2020022 Antwal S020022 Forward 80.1% 80.2%	
20								E* Spreet			

Allow your teams to access insights powered by the same data and analysis, from the portfolio down to the borrower level

- Break the silos throughout the credit lifecycle with connected portfolio views.
- Drill up and down, from the overall portfolio and sector level down to the industry (6-digit NAICS code) and borrower level, to better understand the impact each scenario could have on your C&I portfolio.
- Give your teams the data and tools they need to identify the sources of risk and the underlying drivers behind it enabling you to formulate a targeted risk mitigation strategy for better capital allocation.
- Identify the macroeconomic variables that have the greatest impact on your loan book and the industries and borrowers that contribute the most to changes in performance.

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	Summary Macro assumptions Sectors 4. Search borrower name Industry -	Borrowers	Scenario CN Risk	Score - ADNRok	form - Depositer -	Relationship manager					USD 150.0M	Internal risk rating \odot	DSCR Negative FCF	Current ON Risk Score (Highwat	Scenario ON Risk Score O	Relationship manager Bryce Lugar
	New	Industry	internal risk sating ①	Current ON Risk Boors 🕢	Scenario ON Risk Scene 🛇	A ON Risk Score	Amount thewn (USD-M)	L Exposure (USD M)			ON Risk Score					
	Borower 10055	Electric Power Distribution 221122	7	Нул	-> Medium	41	50.0	150.0			Scenario ON Risk Score is a curre Components of ON Risk Scare	ent and forward-looking assessment of	the borrower projections and thresholds.	What is ON Risk Score? Weighting	Current ON Risk Score	Scenario ON Risk Score
	Borrower 10265	Offices of Lawyers 541110	4	Law	→ Low	+0	50.0	150.0			 usce ○ 			30.0%	Negative FCF Highest	Negative FCF Highwat
	Borrower 786	Mixed Mode Transit Systems 485111	8	Nghest	→ Highest	+0	50.0	150.0			- Debt capacity ()			40.0%	Negative/sers EMTEA Highest	Negative/cers EETEA. Highest
	Borrower 5018	Solar Electric Power Generation 221114	*	High	-> Medium	41	44.8	125.6			 Business profitability O 			20.0%	Negative/sers EBITEA Highest	Negative/vero EETEA
	Berrower 7604	Construction, Mining, and Forestry Machinery and Equipment Rental and Leasing 533412		100 m m m m m m m m m m m m m m m m m m												0.78 Pápunt
	Borrower 1528	Mixed Mode Transit Systems 465111	Ge	Get insights at the borrower level to formulate risk mitigation strategy												
	Borrower 8753	Fossil Fuel Electric Power Generation 221112		Hgh	→ Hgh	+0	37.0	112.9								
		Surgical Appliance and Supplies														

Take preventive action to get ahead of market changes and reduce defaults and charge-offs

- ON Scenario Analysis highlights areas of risk for industries and individual borrowers that may not be identified by internal rating models, thus helping you take proactive steps to prevent potential credit deteriorations.
- Identify high-risk industries in your loan book across
 ONci's and your internal scenarios, investigate
 further (informed by your internal risk rating view),
 and make targeted decisions through a nuanced
 forward-looking view of industry-specific risk.
- Support borrowers better through the cycle with a more detailed forward-looking view of their industry's projected performance.

ON industry Stress Scenario is an extension of our forward-looking view when											
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Sector risk The top 3 sectors are responsible for downgrades in 10.2% of laan book	Sector Exposure	Econario ON Hot Econe 🛇									

PROACTIVE FORWARD-LOOKING PORTFOLIO MANAGEMENT

Request a demo

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