

2010 Commercial Banking Survey Summary

Dear ABA Member,

We are pleased to share the results of ABA's recently concluded **2010 Commercial Banking Survey** with you.

The survey highlights the target markets that ABA member banks are focusing on and the key commercial challenges faced today by our members. According to survey participants, the top five challenges in order of priority are: (1) effectively handling regulatory issues and relations with the bank's regulators, (2) capturing new commercial customers, (3) expanding commercial loans, (4) resolving commercial/CRE problem loans and (5) improving the overall credit quality of commercial loan and commercial real estate portfolios.

This year's survey also contains some interesting information on our members' use of CRE portfolio stress testing models, dual risk rating systems, loan approval systems and limits, financial analysis software programs and relationship-based pricing models.

We would like to extend our thanks to the many bankers who participated in the survey and to all ABA members for their support of our Center for Commercial Lending & Business Banking.

Sincerely,

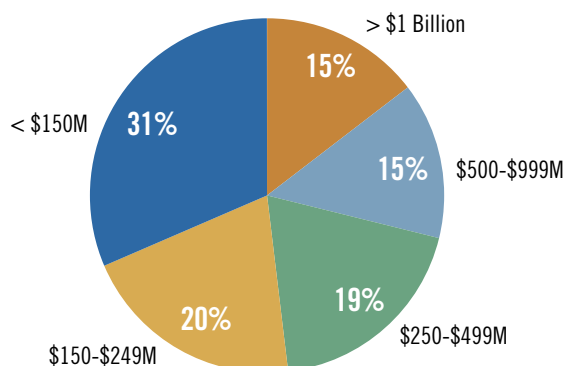


Robert C. Seiwert

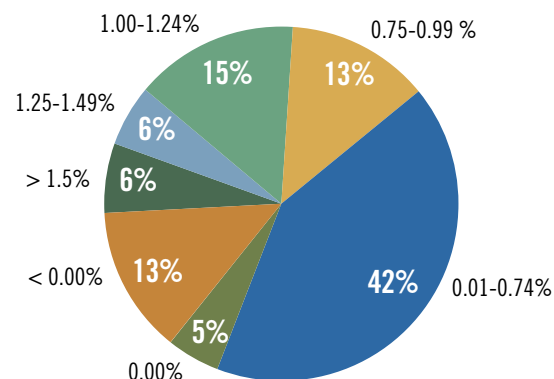
Senior Vice President, ABA Center for Commercial Lending & Business Banking
 bseiwert@aba.com | 1-800-BANKERS, ext. 5225

A SNAPSHOT OF PARTICIPATING BANKS

Banks by Asset Size

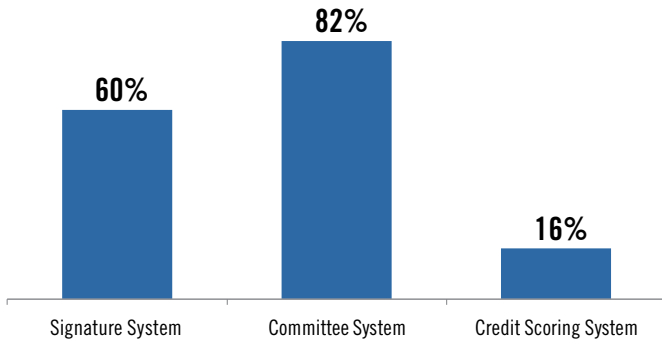


Banks by Return on Assets (ROA)



Loan Approval System/Authorities

Q. How are small business commercial credits approved at your bank?



Note: Percentages exceed 100% because many banks use multiple loan approval systems. Loan size appears to be the determining factor of which loan approval system is used.

Q. Are approval authorities linked to the risk rating of the credit?

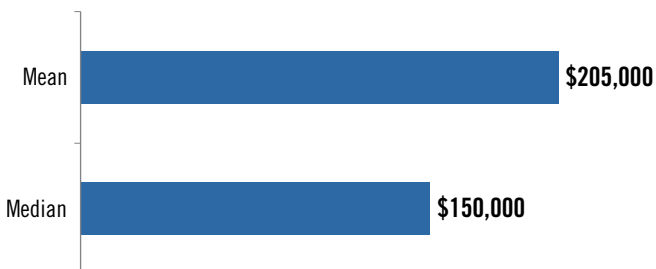
A. Yes..... 43%
 No..... 57%

Credit risk scoring model

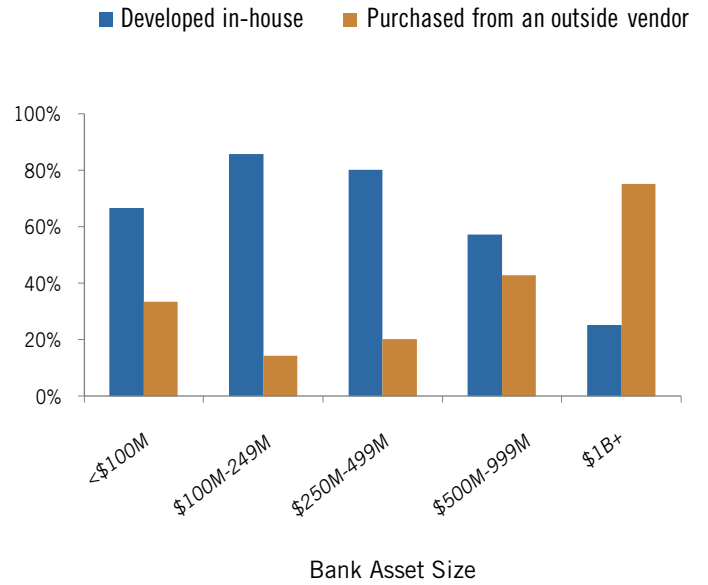
- Use credit scoring to approve commercial credits
- Do not use credit scoring to approve commercial credit



Credit risk scoring model maximum dollar approval amount



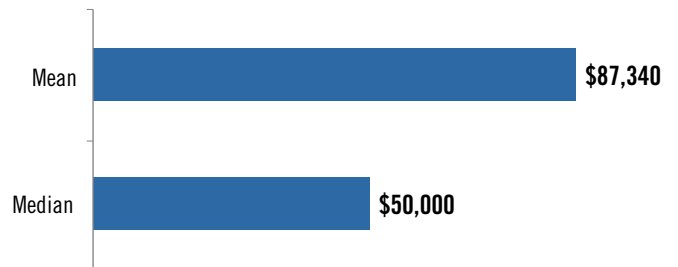
Q. Where was your credit scoring model created?



Q. Can your retail branch managers approve small business loans?

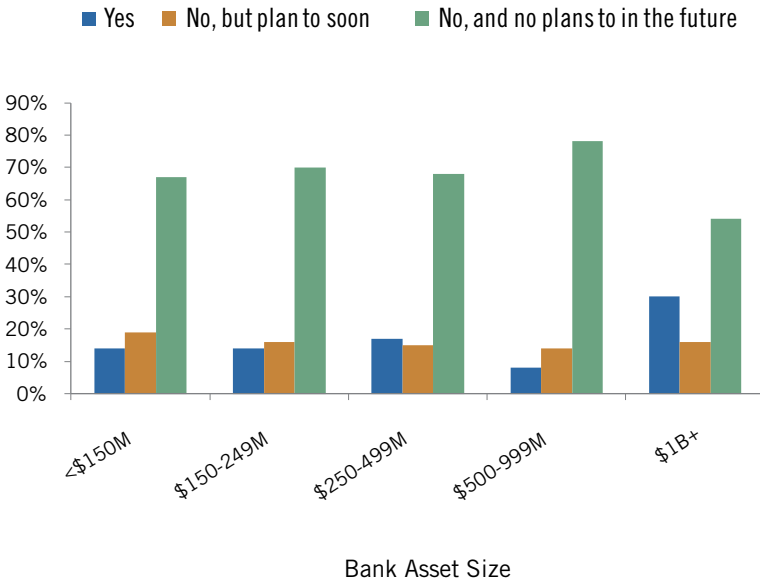
A. Yes..... 33%
 No..... 67%

Q. If yes, to what dollar level can your retail branch manager approve small business loans?

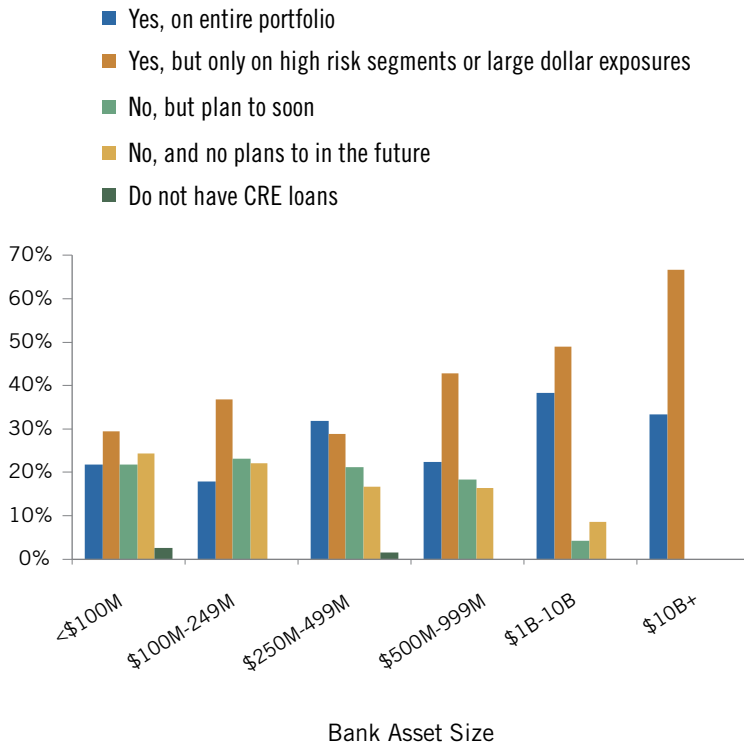


Loan Portfolio Monitoring

Use of a dual rating system

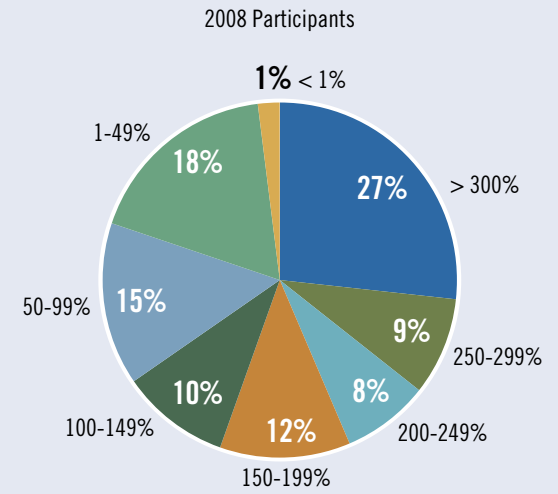


Q. Who stress tests their CRE portfolios?

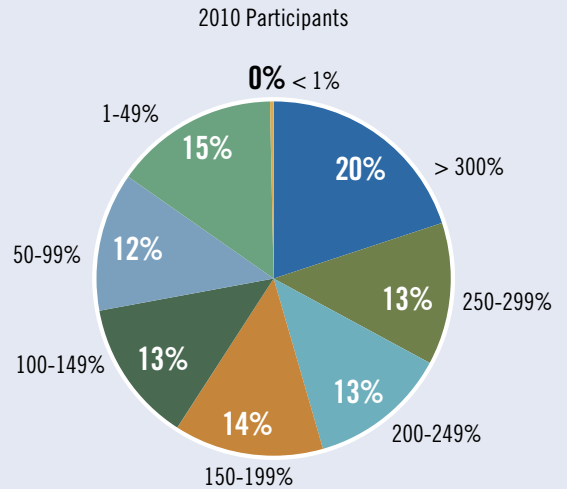


A **SNAPSHOT** OF PARTICIPATING BANKS

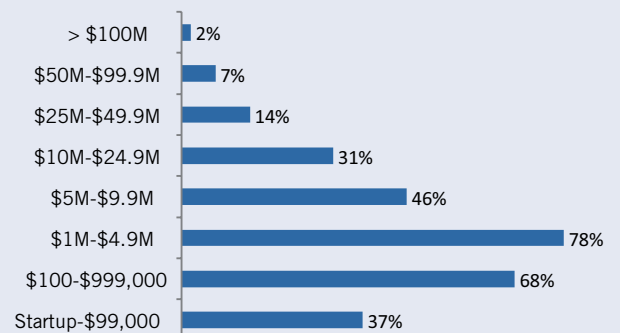
Banks by CRE Loans as a Percentage of Total Bank Capital



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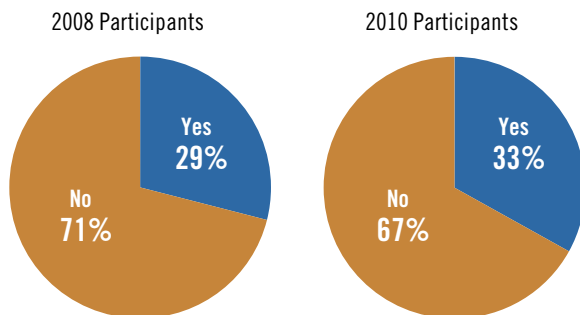


Annual Sales Volume of Commercial Products/Services Companies in Target Market

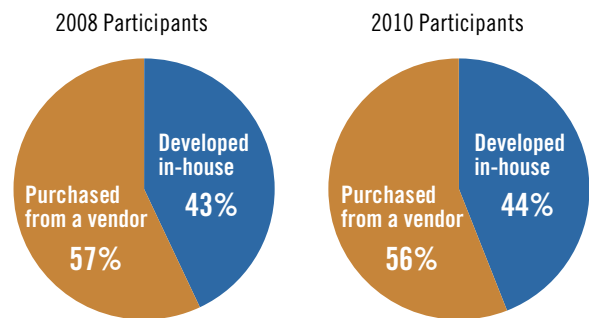


Customer Profitability

Q. Does your bank utilize a relationship-based pricing model to evaluate customer profitability?



Q. Who developed this model for your bank?



Credit Analysis Software

Q. Does your bank use a financial analysis software package to assist it in analyzing commercial credits?

A. Yes73%
No27%

Q. When analyzing commercial credit, what determines when the financial analysis software is used?

A. Top four responses:

1. Sales size of borrower
2. Overall exposure to borrower/loan size
3. Complexity of credit
4. RM discretion

Top Challenges

Q. What are the top five challenges facing your institution?

Rank	2008 Top Five Challenges	2010 Top Five Challenges
1	Expanding commercial deposits	Effectively handling regulatory issues and relations with my bank's regulators
2	Capturing new commercial customers	Capturing new commercial customers
3	Differentiating from the competition	Expanding commercial loans
4	Improving profitability of commercial relationships	Resolving commercial/CRE problem loans
5	Expanding commercial loans	Improving the overall credit quality of our commercial loan and CRE portfolios