

# Prospectus

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## The Bank Credit Risk Monitor

- Credit Risk Data On All Major Banks
  - Standardized Accounting: All Banks Comparable
  - Total Loans Highly Delinquent & Charged Off
  - Breakout Data: 15 Key Loan Categories
  - Bad Loan Trends From Prior Periods
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# SUMMARY OF THE SERVICE

The biggest problem in understanding the credit crisis has been a lack of clear information, bank by bank.

Different banks report different things to investors, making comparisons impossible and trends opaque. There are no data for the full banking industry.

**We now have solved the problem.**

**Every quarter, the Bank Credit Risk Monitor (BCRM) reports delinquency and net chargeoff data for each of nearly 50 major banks on an identical accounting basis.**

**It covers entire bank loan portfolios, plus breakout data on each of 15 loan categories:** home mortgages, credit cards, commercial mortgages, and lots more. **BCRM also reports the trend from the prior quarter.**

**For fixed-income investors,** BCRM also shows delinquency and net chargeoff data on nearly \$3 trillion of asset-backed securities serviced by banks.

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Our raw data source is a legally required federal regulatory report that all bank holding companies must file quarterly.

**In the past, this report series wasn't useful.** It wasn't available on CD until more than four months after the close of a quarter. Even then, numeric data were in a binary encrypted format, difficult to translate and use.

**Breakthrough:** SMR has developed a technique that translates image files of these reports into a data management system. The image files are available long before the official database is released.

**Result: We have slashed the lag time. Risk data making all banks comparable are now available shortly after quarterly earnings releases.**

**More good news:** We output results in Excel spreadsheets. So, on **all loans or any category of loans**, you can re-sort to see what you want: Banks ranked by delinquency rates, net chargeoff rates, total bad loans, or by change from the prior quarter to see who's getting worse or better and by how much.

**Composite totals appear across the bottom of each spreadsheet, showing the direction of the banking industry as a whole.**

**BCRM begins with year-end 2008 results.** The 48 largest U.S. bank holding companies are included. Together, they hold \$10.5 trillion assets, \$5.3 trillion of loans, and service \$2.7 trillion of private asset-backed securities.

This Prospectus explains the product. **An Order Form is enclosed or available on our web site.** Thanks.

# HIGHLIGHTS

## Surprises In Q4

In February, 2009, nervous investors bid down the stocks of Citigroup and Bank Of America, presuming they were the next banks in deep trouble.

**But in fact, there were six big banks with higher combined delinquency and net chargeoff rates than Citi had. There were 10 worse than BofA. And it was Huntington Bancshares, a regional bank, that showed the most rapid quarter-over-quarter deterioration in credit quality.**

There were other banks whose bad loan rates were a non-issue, as though the credit crisis had never happened.

**The time has come, we think, to replace rumors and speculation with hard numbers.** BCRM delivers them, typically within about 45 days of the close of a calendar quarter.

## Breakout Data By Type Of Loan

**In a single spreadsheet, BCRM reports the most important set of credit risk numbers for each major bank:** 90-day-plus delinquency rates and year-to-date net chargeoff rates on all loans and leases at each institution.

But investors – and bank financial officers – may also have an interest in the details. We all know home mortgages are in trouble, credit card chargeoffs are rising, and questions are arising about commercial loans.

How does credit look by type of loan? Who's best? Who's worst? What are the trends? BCRM's Excel workbooks have tabs that provide the answers on 15 different lines of banking business. They are:

1. **First-lien home mortgages**
2. **Home equity lines of credit**
3. **Closed-end home equity loans**
4. **Credit card loans**
5. **Auto, student, and other consumer loans**
6. **Construction and land loans**
7. **5+-unit apartment loans**
8. **Commercial real estate loans**
9. **Commercial and industrial loans**
10. **All other bank-owned loans and leases**
11. **Securitized home loans**
12. **Securitized credit card loans**
13. **Securitized auto loans**
14. **Securitized commercial and industrial loans**
15. **All other securitized loans**

# HIGHLIGHTS (continued)

## Quarterly Trends; Data Methods

The raw federal regulatory reports contain a lot of numbers, but no conclusions and no trends. We compute them.

Loans delinquent less than 90 days are often cured. **The real danger zone is comprised of loans delinquent 90 days or more. In some lines of banking business, like credit cards, loans net charged off are the main indicators of bad news.**

We have computed end-of-period percentage rates of 90-day-plus delinquency for each bank in each line of business.

We also have computed a year-to-date net chargeoff rate, defined as loans charged off ("written off") minus amounts recovered, as a percent of average loans over the year. Net chargeoffs in periods other than the fourth quarter are annualized. Average loans are estimated as the midpoint of end-of-period loans and loans at the start of the year.

**We also compute a single "bad loan" percentage – the sum of the delinquency and net chargeoff rates.** Sort the spreadsheets on this column for an instant view of most and least troubled institutions.

We also have loaded data for each bank from the prior quarter, and have computed the same items for that time period.

**Sort on the change from the prior quarter to rank the banks by their speed of improvement or deterioration.**

## About Securitized, Off-Balance-Sheet Loans

**BCRM coverage includes loans that banks have sold into securities and still service, or for which the bank has credit risk recourse.**

These include all the private asset-backed securities that banks service. They exclude home loans sold to Fannie Mae, Freddie Mac, or that are backed by government insurance such as FHA or VA loans.

In our BCRM coverage of Q4 2008, we include banks servicing \$2.7 trillion of these non-government asset-backed securities. We show the same delinquency and net chargeoff data available on bank-owned loans.

**It's a huge opportunity for fixed-income investors to understand credit trends by type of security** – and an opportunity to see which loan servicers are being impacted on a cash flow basis by high levels of delinquency.

# HIGHLIGHTS (continued)

## SMR Analytical Reports

The heart of the BCRM product is the Excel workbooks containing all the key numbers for named banks.

**But subscribers to this service also get a brief analytical commentary on the quarterly results:** Industry trends, which banks are showing notable change in risk, which lines of banking business look best and worst, and so on.

**SMR is well-qualified to make the analysis.** We've been the largest publisher of research on consumer loan subjects since 1986. More than 400 financial firms have been clients. We've worked with the federal regulatory reports for over 15 years. SMR also consults on risk subjects for prestigious organizations, including the American Bankers Association.

## Banks Covered

BCRM covers large banks that are publicly traded and some that are privately owned. Here's the list, in order by bank asset size:

JPMORGAN CHASE & CO

CITIGROUP INC

BANK OF AMERICA CORPORATION

WELLS FARGO & COMPANY

PNC FINANCIAL SERVICES GROUP

U.S. BANCORP

BANK OF NEW YORK MELLON CORP

SUNTRUST BANKS, INC

STATE STREET CORPORATION

CAPITAL ONE FINANCIAL CORP

CITIZENS FINANCIAL GROUP

BB&T CORPORATION

REGIONS FINANCIAL CORP

TD BANKNORTH INC

FIFTH THIRD BANCORP

KEYCORP

HARRIS FINANCIAL CORP

NORTHERN TRUST CORP

BANCWEST CORPORATION

UNIONBANCAL CORPORATION

COMERICA INCORPORATED

M&T BANK CORPORATION

MARSHALL & ILSLEY CORP

BBVA USA BANCSHARES, INC

ZIONS BANCORPORATION

HUNTINGTON BANCSHARES INC

POPULAR, INC

SYNOVUS FINANCIAL CORP

NEW YORK COMMUNITY BANCORP

RBC BANCORPORATION (USA)

FIRST HORIZON NATIONAL CORP

COLONIAL BANGROUP, INC

ASSOCIATED BANC CORP

BOK FINANCIAL CORPORATION

FIRST BANCORP

WEBSTER FINANCIAL CORP

COMMERCE BANCSHARES, INC

FBOP CORPORATION

TCF FINANCIAL CORPORATION

FIRST CITIZENS BANCSHARES

FIRST NATIONAL OF NEBRASKA

CITY NATIONAL CORPORATION

FULTON FINANCIAL CORP

W HOLDING COMPANY, INC

NEW YORK PRIVATE BK & TRUST

SUSQUEHANNA BANCSHARES, INC

SOUTH FINANCIAL GROUP, INC

BANCORPSOUTH, INC

# Organization Of The Data

BCRM presents a lot of information, so good organization is important. Each quarter, the BCRM service includes plain-text SMR analytical commentary, plus **four Excel workbooks**. Here's what they contain:

**BCRM Workbook #1: Total Loans.** This workbook contains a single spreadsheet showing bad loan data for total loans and leases at each bank. This spreadsheet is the most important single indicator of financial health.

**BCRM Workbook #2: Consumer Loan Portfolios.** This workbook contains five spreadsheets showing bad loan data by bank on: first-lien home mortgages, home equity lines of credit, closed-end home equity loans, credit card loans, and other consumer loans (auto loans, student loans, and personal loans).

**BCRM Workbook #3: Commercial Loan Portfolios.** There are five spreadsheets showing bad loan data by bank on: construction and land loans, 5+-unit apartment building loans, commercial mortgages, commercial and industrial loans, and all other loans not elsewhere classified.

**BCRM Workbook #4: Securitized Loans:** Five spreadsheets show bad loan data by bank on loans the bank sold into asset-backed securities and now services (or for which it retained credit recourse). The spreadsheets are: securitized home mortgages, credit cards, auto loans, commercial and industrial loans, and all other securitized loans still serviced by the bank. Some banks do not participate in securitization; we show those who do.

## Industry Totals

There are some 900 bank holding companies in the United States. But most are small, and many are privately held.

The 48 super-sized banks covered in BCRM for Q4 2008 truly dominate the whole banking business.

**They control 76% of all loans on the books of all bank holding companies, and they service 96% of all the industry's asset-backed securities.**

Each spreadsheet in BCRM shows data by bank, but also **grand totals** at the bottom. These grand totals lines show the industry trends for all loans, and in each of the 15 key lines of business.

**Many analysts have wondered:** Which bank asset class has the worst bad loan profile? Which are improving? Which are getting worse, and how fast?

BCRM answers these questions by including totals for the big banks that hold the lion's share of all bank business.

# SMR RESEARCH CORPORATION

SMR is a business research firm that studies consumer loan markets and lenders. SMR is the nation's largest publisher of research on consumer finance and also provides consulting and predictive scoring services.

**Clients for SMR studies and databases have included executives at a majority of the nation's largest banks, thrifts, mortgage companies, life insurers, finance companies, nonbank financial companies, and retailers. More than 4,000 executives at more than 800 companies have been clients.**

Founded in 1984, SMR conducts primary qualitative interviewing, plus statistical research and predictive modeling. Our target audience is senior operations management. By publishing our work, we provide at a small cost the kind of top-level studies and data products that otherwise would require six-figure spending on consultants.

**Stuart A. Feldstein** is president and founder of SMR. Mr. Feldstein has been the senior author or editor of SMR studies since 1985. He is the former editor of the largest news section of **Business Week** magazine and is frequently quoted in the press on credit subjects.

**Stephanie Rady**, director of data products and services, produced many databases used in this study. **Jonathan Varone**, director of technology, aided in developing the technical breakthrough that made the BCRM service possible. **Marie Sheard** handles marketing.

## Network Rights To The BCRM Service

Clients for the BCRM service are permitted to use the data themselves. To make the data available to all employees at your company, we recommend purchasing Network Rights.

**For a single annual fee of \$500 (in addition to your subscription price), clients are permitted to post the BCRM reports and spreadsheets for an entire year to their internal computer networks.**

**Then, all employees can use the information, print out selected portions, or make any other use of the product.**

When you pay this fee, you are automatically granted copyright permission to post the data to internal computer networks. The only limitation is that, under copyright law, you must retain the files within your firm. SMR earns its living by the sale of research products, so we do take copyrights seriously.

**To sign up for Network Rights, use the Order Form that is either enclosed with this Prospectus (if you've got the printed version) or download the Order Form from our web site.**

## BCRM Subscription Fees

We know that institutional investors typically get research for free, in exchange for stock trading or other business done by the research provider.

Unfortunately, SMR is a pure-play independent research firm and does not trade stocks or bonds. So, we need to charge hard-dollar fees for research.

**You get an annual subscription to BCRM for \$1,900 per year (\$475 per quarter).** Network Rights, as described on the prior page, cost an additional \$500. **If you prefer, you can get a single issue of BCRM for \$625.**

Are the data worth the cost? **For institutional investors, the better question might be: What's the cost of not knowing?**

**If you are a banking industry financial executive, we believe you'll find that BCRM is the only way you can compare your bank to peer competitors on credit quality in a timely way.**

## Speedy Delivery; Timeliness

Data on bank credit risk must be timely. **We ship the BCRM reports and spreadsheets to you by email, the moment they are finished.**

Timeliness was the great breakthrough that made BCRM possible. SMR's new method for translating image files to a data management program cuts the "lag time" of the federal regulatory CD release more than in half.

BCRM data become available to you within 45 to 50 days after the close of a calendar quarter. For example, the report for bank credit risk as of 3/31/2009 should be available by about mid-May.

Our inaugural launch of BCRM took a few extra days reflecting start-up programming time.

## Other SMR Credit Risk Data & Products

In you have a general interest in credit risk subjects, do give us a call. **Beyond BCRM, we may have other data you are looking for.**

SMR maintains the only quarterly database of local area **bankruptcy filing** numbers with a history back to 1989. We also own a vast **property database** spanning nearly the entire USA, so we can make hard counts of under-water mortgage borrowers and other key mortgage and home equity loan statistics.

We have other risk-related data as well on thrifts, credit unions, and other firms. Call to inquire: 908-852-7677; ask for Stephanie Rady.