FinXTech Connect Executive Briefings:
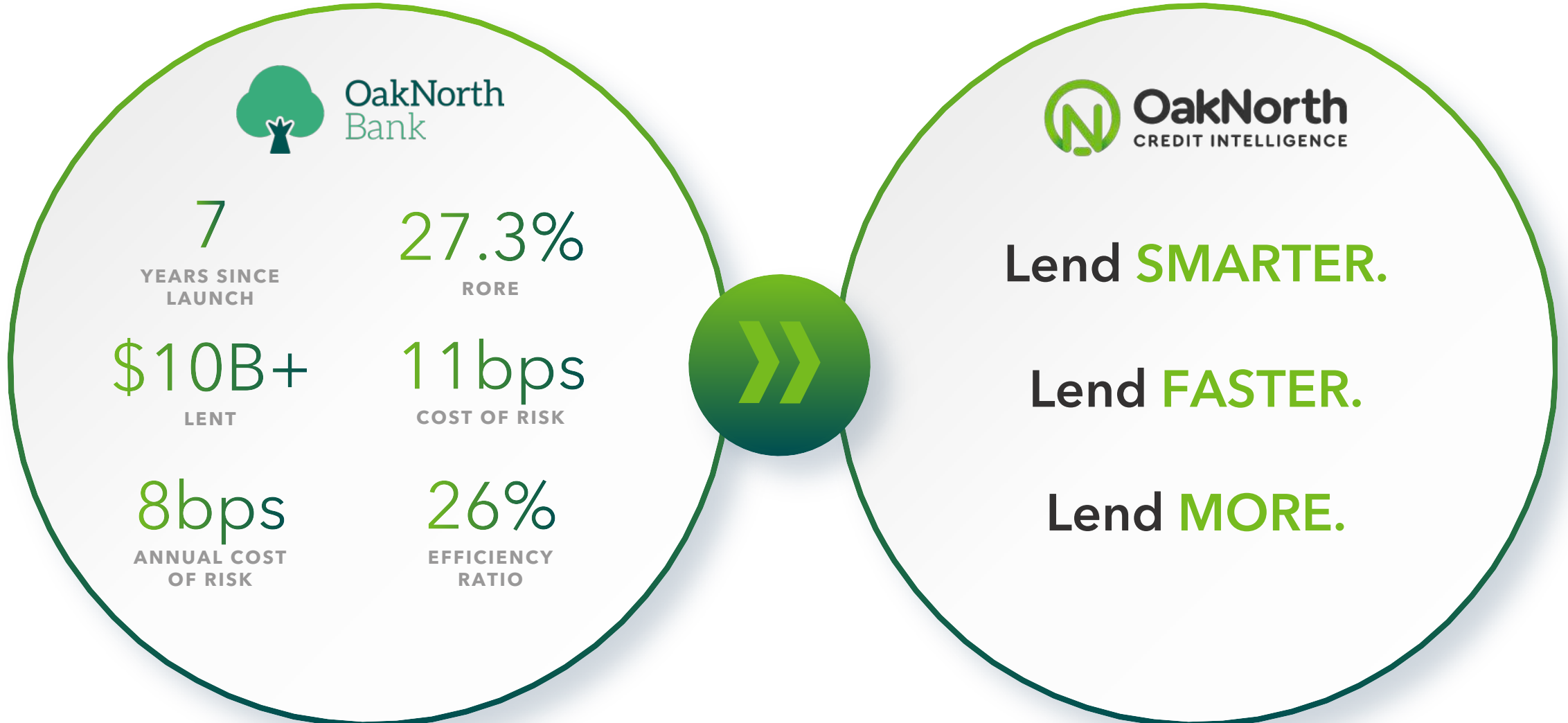# OakNorth Credit Intelligence: A Risk-based Approach To Managing Your Commercial Portfolio

Collier Wright
OakNorth

FinXTech.

Brought to you by: **Bank**Director. #FXT23

OakNorth Credit Intelligence. Born from a Bank.

OakNorth Bank

7 YEARS SINCE LAUNCH

27.3% RORE

$10B+ LENT

11bps COST OF RISK

8bps ANNUAL COST OF RISK

26% EFFICIENCY RATIO

OakNorth CREDIT INTELLIGENCE

Lend **SMARTER.**

Lend **FASTER.**

Lend **MORE.**

OakNorth CREDIT INTELLIGENCE

Volatility is the new "normal''

From the financial crisis and COVID, to inflation and climate – the only thing that is certain is uncertainty.
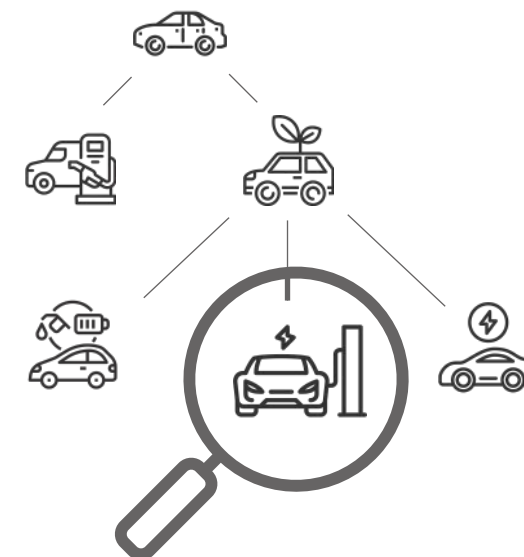

The past is no longer prologue

Historical correlations are not enough to predict what's next – today's economy requires a forward-looking view.

	15%				
	10%				
	5%				
	0%	1Q21	1Q22	1Q23	1Q24
	-5%				

— GDP change — Inflation — Rate
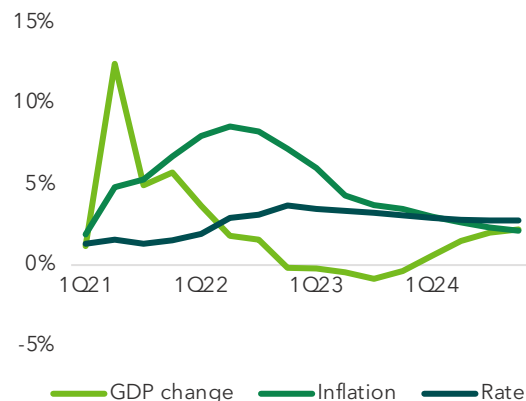
Granularity: more important than ever

How industries evolve and adapt is highly nuanced, requiring much more granularity.

CREDIT INTELLIGENCE

BORROWER DATA
Direct from core/spreading

ALTERNATIVE DATA
400M+ datapoints

ON DATA
$420B+ of proprietary C&I lending data

LEND SMARTER.
Identify risk
Up to 12 months earlier
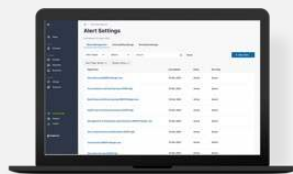
LEND FASTER.
Reduce review time by **33%**

LEND MORE.
Lend with confidence
And continue growing your loan book throughout economic cycles

ON SCENARIO ANALYSIS
Run a range of scenarios to identify **risk up to 12 months earlier,** with a consistent view across portfolio, sector, industry and borrower.
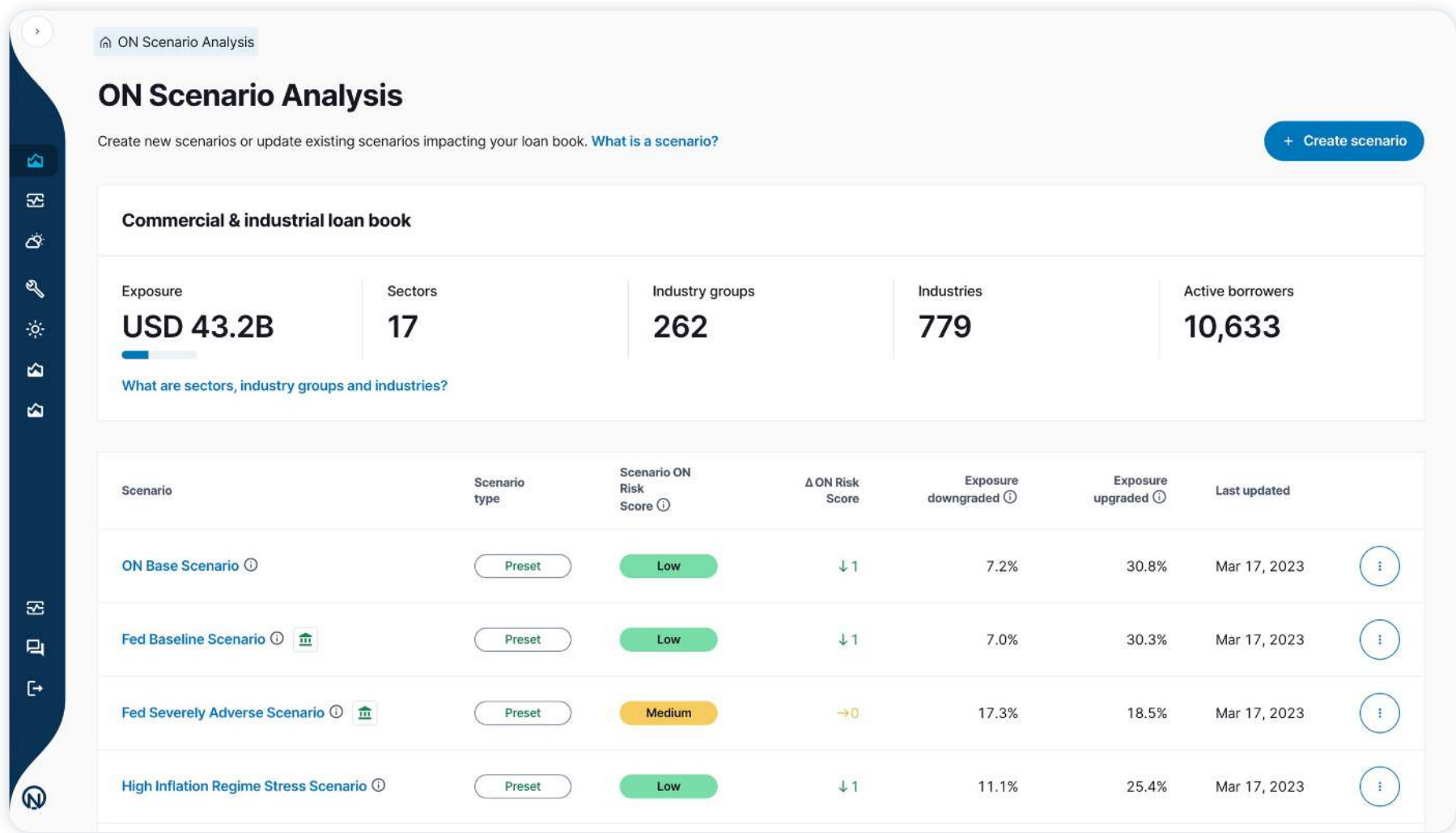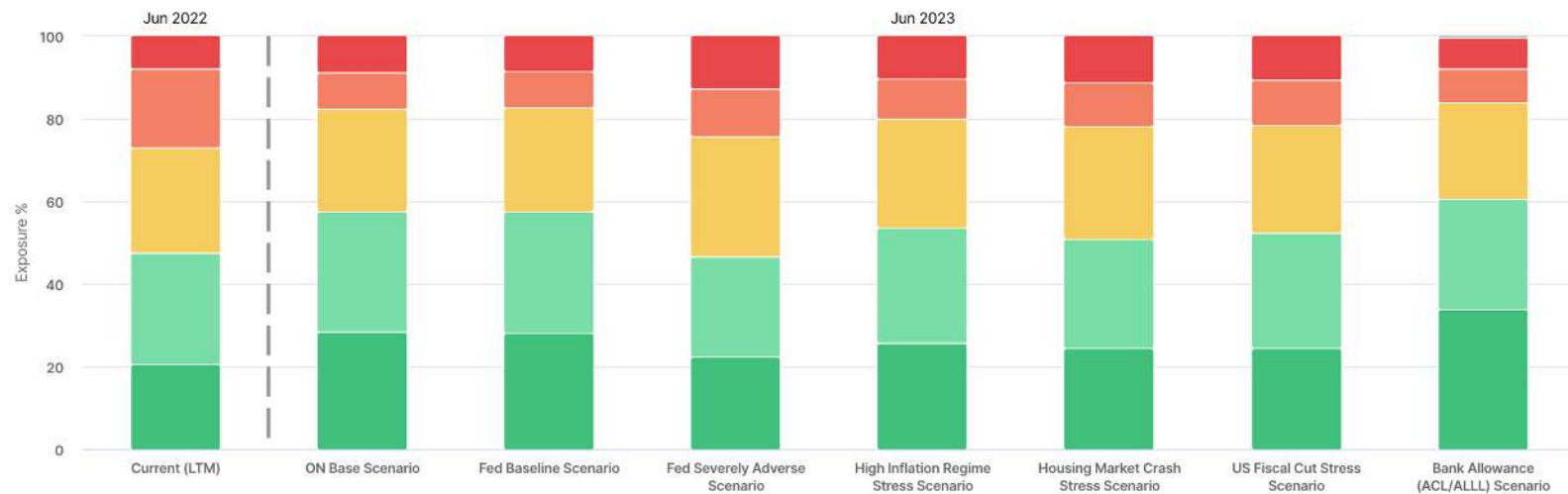
ON MONITORING
Review the right borrowers, with the right intensity at the right time - powered by our **rules engine** that automates your credit policy and alerts.

ON CLIMATE
Embed climate in your playbook: evaluate, measure and report on climate risk and financed emissions.

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ON Scenario Analysis

Create new scenarios or update existing scenarios impacting your loan book. **What is a scenario?**

+ Create scenario

Commercial & industrial loan book

Exposure	Sectors	Industry groups	Industries	Active borrowers
USD 43.2B	**17**	**262**	**779**	**10,633**

What are sectors, industry groups and industries?

Scenario	Scenario type	Scenario ON Risk Score ⓘ	Δ ON Risk Score	Exposure downgraded ⓘ	Exposure upgraded ⓘ	Last updated	
ON Base Scenario ⓘ	Preset	Low	↓ 1	7.2%	30.8%	Mar 17, 2023	⋮
Fed Baseline Scenario ⓘ 🏛	Preset	Low	↓ 1	7.0%	30.3%	Mar 17, 2023	⋮
Fed Severely Adverse Scenario ⓘ 🏛	Preset	Medium	→0	17.3%	18.5%	Mar 17, 2023	⋮
High Inflation Regime Stress Scenario ⓘ	Preset	Low	↓ 1	11.1%	25.4%	Mar 17, 2023	⋮

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Risk breakdown

Jun 2022   Jun 2023

ON Risk Score: ▮ Highest ▮ High ▮ Medium ▮ Low ▮ Lowest ▮ N/A

Loan book sector risk breakdown ⓘ

Sector	Exposure	Current (LTM)	ON Base Scenario	Fed Baseline Scenario	Fed Severely Adverse Scenario	High Inflation Regime Stress Scenario	Housing Market Crash Stress Scenario	US Fiscal Cut Stress Scenario	Bank Allowance (ACL/ALLL) Scenario
Health Care and									

Borrower 10433

Last reported: Dec 31, 2021

General Freight Trucking, Long-Distance, Truckload 484121

| Exposure	Internal risk rating ⓘ	DSCR	Current ON Risk Score ⓘ	Scenario ON Risk Score ⓘ	Relationship manager
USD 1.8M	**4**	**Negative FCF** LTM: 0.11x	Medium	Highest	**Collier Wright**

ON Risk Score

Scenario ON Risk Score is a current and forward-looking assessment of the borrower projections and thresholds. **What is ON Risk Score?**

Components of ON Risk Score	Weighting	Current ON Risk Score		Scenario ON Risk Score	
⌄ DSCR ⓘ	30.0%	0.11x	High	Negative FCF	Highest
⌄ Debt capacity ⓘ	40.0%	1.90x	Lowest	5.08x	Highest
⌄ Business profitability ⓘ	20.0%	6.9%	High	4.7%	Highest
⌄ Months of liquidity ⓘ	10.0%	3.21	High	1.4	Highest
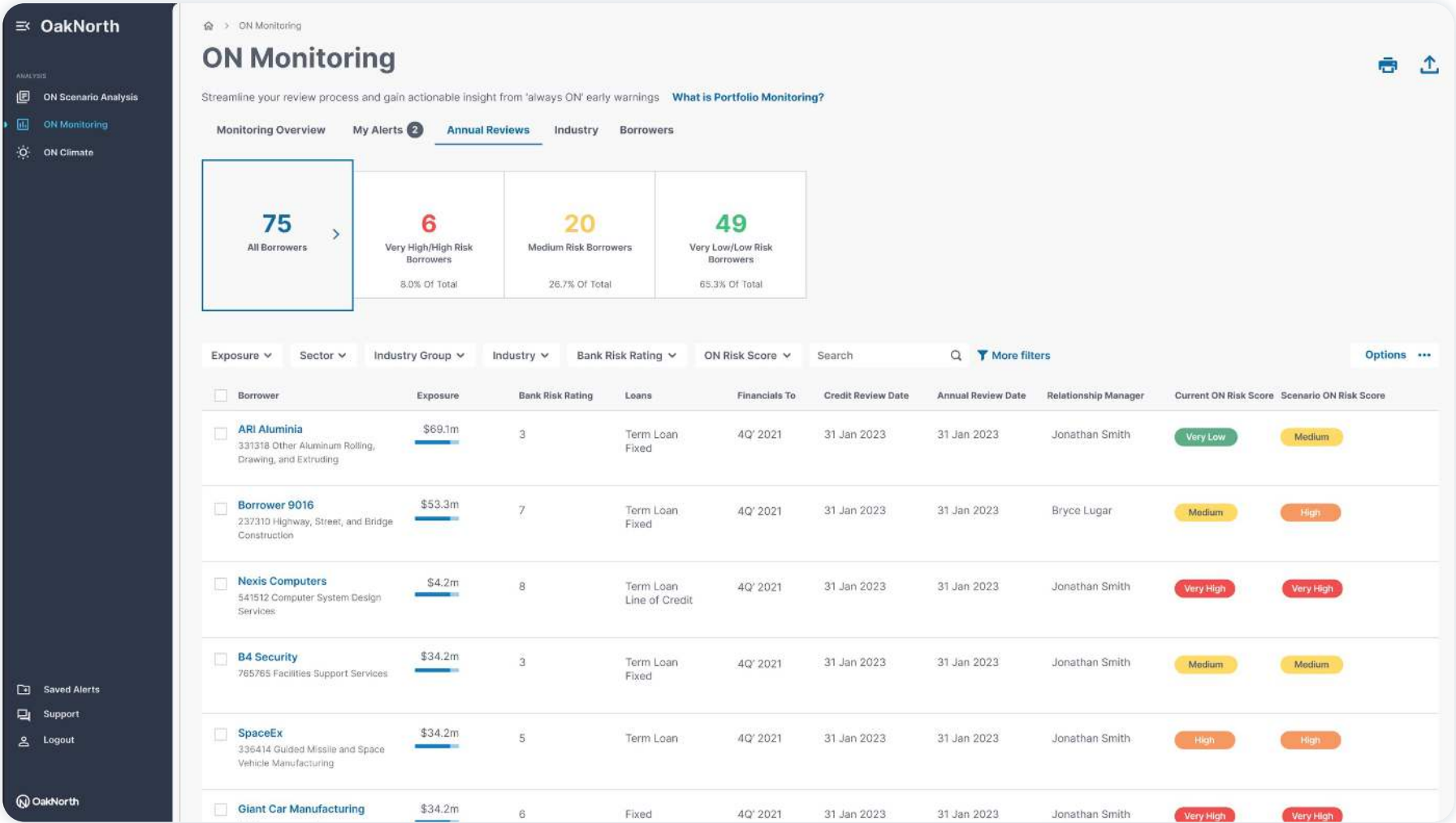
Name

Actual DSCR Dropped Below 1.5 x From Previous Year

Scenario

ON Base Scenario

Exposure

Min

USD

Max

USD

Industry

⌄ Sector

⌄ Industry group

⌄ Industry

Conditions

| Debt Service Coverage Ratio ⌄ | in the LTM period ⌄ | is less than ⌄ | 1.5 x | 🗑 |

| Debt Service Coverage Ratio ⌄ | in the LTM -1 year period ⌄ | is greater than or equal to ⌄ | 1.5 x | 🗑 |

+ Add condition

Save

As demonstrated with our current customers

"We often get fire drill requests to run portfolio level analyses related to changes in the macro environment. This tool would be helpful in answering these questions quickly as opposed to data mining our portfolio and taking a best guess in terms of the level of sensitivities we should apply (manually) across the portfolio."

FIFTH THIRD BANK

"The last set of signals I received were spot on—8 of the 19 credits added to my re-check list [out of cycle review] were flagged by OakNorth Credit Intelligence; 4 of those 8 ended up being downgraded"

OLD NATIONAL