



CREDIT ANALYSIS

Analyzing bank credit and collateral

CREDIT ANALYSIS

PMA's Credit Analysis Team employs a proprietary five-step quarterly process for analyzing each bank in PMA's system.

GATHER DATA

Balance sheet and income statement data, including non-performing loans, reserves, capital obtained from call and thrift financial reports.

QUANTITATIVE ANALYSIS

Ratio, trend and peer analysis of bank data utilizing a proprietary model and analysis of audited financials. Compare ratios to historical trends, peers and pre-established performance benchmarks.

QUALITATIVE ANALYSIS

Analyze holding company and systemic support, balance sheet and loan composition (e.g., concentrations, trends, quality), ratings and stock price performance.

RECENT DEVELOPMENTS

Review recent enforcement actions and other developments such as management changes, acquisitions and new market entries.

DETERMINE CONDITION

Perform credit assessment and impose any necessary restrictions.

The Credit Analysis Team is responsible for analyzing the creditworthiness of banks as well as the surveillance of collateral positions.

Discerning the creditworthiness of banks has become difficult for public entities as subprime related assets, write-downs, tightening credit standards, over concentrated balance sheets and increased regulatory scrutiny have all been contributing factors to the strength or weakness of banks across the country. As such, we believe it is more important than ever to perform quality analysis of every bank in PMA's vast institutional network.

Overview

Detailed credit analysis is a fundamental component of PMA's investment process. PMA's Credit Analysis Team utilizes ratio and fundamental analysis on every bank in PMA's network on a quarterly basis, and continuously monitors the regional and national economic environment.

PMA produces a monthly report for its clients detailing the collateral held for deposits with its current market value. When a client engages PMA to manage its assets, this consolidated report assists in producing administrative efficiency and peace of mind.

Closer Look

CREDIT ANALYSIS TEAM



Brian Hextell
*Vice President
Chief Credit Officer*



Geet N. Palkhiwala
Financial Analyst



Rose Scawinski
Financial Analyst

INVESTMENTS

PMA's Credit Analysis Team monitors the creditworthiness of each bank on behalf of its clients. PMA's clients are limited by state statute and investment policy to investments generally including U.S. Treasuries, U.S. Government Agencies, top rated Commercial Paper and deposits at FDIC insured banks. Each of these investments contains a level of credit risk, though bank credit is the focus of the department's resources. The department closely follows the capital markets and regulatory environment for issues that may affect any of PMA's clients' investments.

BANKING INDUSTRY

Specific to the banking industry, the department performs quarterly analysis of each bank where deposits are placed. This analysis is conducted by a combination of ratio analysis and qualitative factors. Internal credit ratings are assigned to each bank analyzed by the department and a term limit, which relates directly to the quality of the credit, is also placed on each bank.

COLLATERAL, LETTER OF CREDIT AND INSURANCE PROGRAMS

The Credit Analysis Department is additionally responsible for administering PMA's Collateral, Letter of Credit and Insurance programs. For the Collateral Program, this includes reviewing all collateral paperwork prior to opening client deposits, maintaining a database of client investment policy requirements with respect to acceptable forms of collateral and collecting and documenting monthly collateral statements from custodian banks. Using this data, PMA sends all clients holding collateralized CDs a collateral statement every month.

Over 25 Years of Trusted Analysis

PMA was founded 25 years ago as a credit rating firm focused on the banking sector. The firm's initial product, the Prudent Man Analysis, was the first report of its kind. It focused on the credit quality of financial institutions from a public depositor's perspective and made a determination of whether the institution was worthy of public deposits as well as creating guidelines for collateral to cover the deposit amount.

This "prudent man" report and process remains an essential element of the firm's portfolio management process. The firm employs a full-time, three-person team that performs extensive quantitative and qualitative analysis on each bank holding client deposits. The PMA process parallels the FDIC's CAMELS ratings paradigm and focuses heavily on a bank's capital position and the quality of their loan and investment portfolio.



Integrity. Commitment. Performance.™

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