Stress Test Reporting on CRE Portfolios

The grade distribution in Fig. 1 shows the outstanding loan balances by bond-equivalent grade in the stressed and base forecasts. In the unstressed case, a significant portion of the portfolio has little risk. In the stressed case, lower quality assets are downgraded but some AA assets improve, mostly due to lower interest rates.

Fig. 1: Grade Distribution   ($ Mil.)
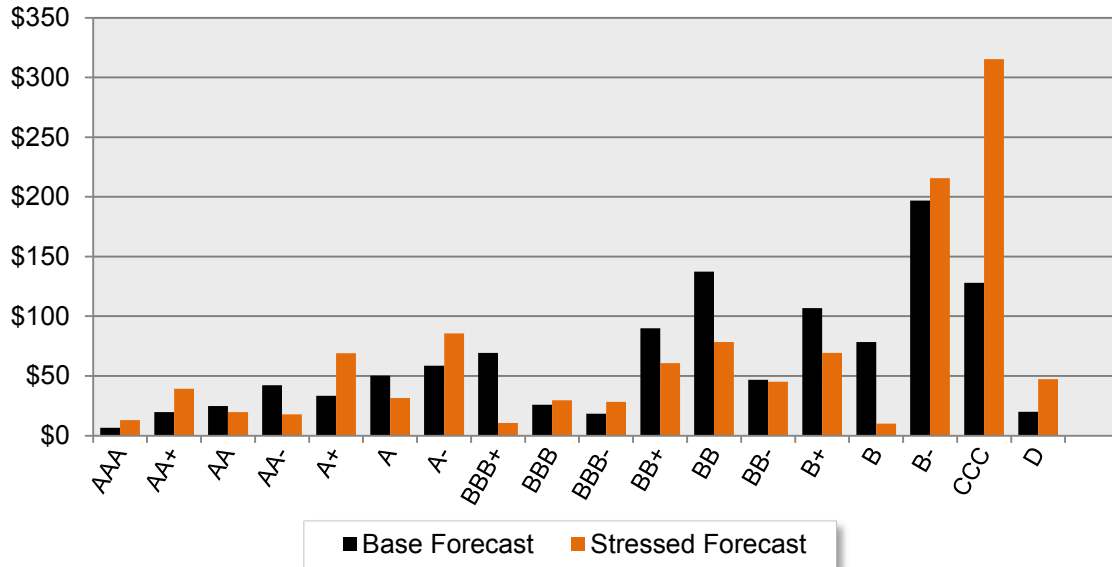

Figure 2 shows the expected loss per year in the commercial real estate portfolio. Under severely stressed conditions the EL is significantly higher for the first four years. The EL is calculated in the grading and stressed grading analyses.

Fig. 2: Expected Loss   ($ Mil.)