Entity A
CECL Calculation
December 31, 20X1
($ in 000s)

Example 1: Estimation of Expected Credit Losses Based on a Loss-Rate Approach

Entity A is a national bank that provides five-year amortizing commercial mortgage loans to customers on a nationwide basis. The bank estimates expected credit losses for pools of similar asset types by first segregating its assets into credit risk ratings (on the basis of internal risk ratings, which may align with regulatory risk ratings and/or credit rating agency data) as of the reporting date.

	Risk-Rating Category			
	Pass Rating 2	Pass Rating 4	Special Mention	
Expected loss rates	0.50%	3.00%	8.00%	1.6% *
Ending balance	$ 27,500	$ 10,000	$ 2,500	$ 40,000
Expected credit loss estimate	**$ 138**	**$ 300**	**$ 200**	**$ 638**

* The 1.60% weighted-average loss rate is calculated as the total expected credit loss estimate divided by the ending balance.

Entity A
CECL Rollforward
March 31, 20X2
($ in 000s)

Example 1: Estimation of Expected Credit Losses Based on a Loss-Rate Approach

	Risk-Rating Category			
	Pass Rating 2	Pass Rating 4	Special Mention	
Expected loss rates	0.50%	3.00%	8.00%	1.58% *
Beginning balance	27,500	10,000	2,500	40,000
New originations	2,300	-	-	2,300
Paydowns on outstanding loans	(1,510)	(560)	(130)	(2,200)
Loans charged off	-	-	(9)	(9)
Credit migration	(320)	115	205	-
Ending balance	$ 27,970	$ 9,555	$ 2,566	$ 40,091
Ending credit loss estimate	**$ 140**	**$ 287**	**$ 205**	**632**

Beginning allowance for credit losses	$ 638
Charge off	(9)
Provision for credit losses	3
Ending allowance for credit losses	$ 632

* The 1.58% weighted-average loss rate is calculated as the total expected credit loss estimated divided by the ending balance.

Entity B

Example 3: Estimation of Expected Credit Losses Based on a By-Vintage Basis

Year of Origination	Loss Experience in Years Following Origination				
	Year 1	Year 2	Year 3	Year 4	Total
20X1	0.50%	1.20%	1.40%	0.30%	3.40%
20X2	0.60%	1.20%	1.60%	0.50%	3.90%
20X3	0.40%	1.10%	1.50%	0.30%	3.30%
20X4	0.60%	1.10%	1.50%	0.40%	3.60%
20X5	0.50%	1.30%	1.70%	0.50%	4.00%
20X6	0.70%	1.50%	1.80%		
20X7	0.80%	1.40%			
20X8	0.70%				
20X9					

Background:

1. Institution provides retail financing to consumers purchasing new or used farm equipment throughout the country.
2. Four-year amortizing loans secured by the farm equipment (consistent range of loan-to-collateral-value ratios at origination.

Estimating expected credit losses on remaining outstanding loans at December 31, 20X9:

In estimating expected credit losses on the remaining outstanding loans at December 31, 20X9, Entity B evaluates its historical loss experience . It notes that the majority of losses historically emerge in the second and third year of the loans. It notes that historical loss experience has worsened since 20X3 and that loss experience for loans originated in 20X6 has already equalled the loss experience for loans originated in 20X5 despite the fact that the 20X6 loans will be outstanding for one additional year as compared with those originated in 20X5. In considering current conditions and reasonable and supportable forecasts, Entity B notes that there is an oversupply of used farm equipment in the resale market that is expected to continue, thereby putting downward pressure on the resulting value of equipment. It also notes that severe weather in recent years has increased the cost of crop insurance and that this trend is expected to continue. On the basis of these factors, it estimates that cumulative loss experience on the remaining vintages outstanding will be 4.6 percent, 4.8 percent, 5.0 percent, and 5.1 percent for loans originated in 20X6, 20X7 , 20X8, and 20X9, respectively. These rates would be applied to the amortized cost in each category, and the effects of those changes would be recognized currently in net income as an adjustment to the allowance for expected credit losses.