Bank Financial Analysis

Georgia Bankers Association
Learning Objectives

- Recognize the basic balance sheet accounts and income statement components and understand their relationship
- Grasp the ROE model to analyzing bank profitability
- Comprehend the importance of net interest margin, earning assets and operating efficiency to bank profitability
- Identify and understand key ratios
- Familiarity with the CAMELS ratings
- Understand performance characteristics of small and large banks
- Relate key financial concepts and data to planning and managing a bank
Balance Sheet

\[
\text{Assets} = \text{Liabilities} + \text{Equity}
\]

- What a Bank Owns
- What a bank owes
- Ownership interest of Shareholders

- A snapshot of a point in time
- Provided quarterly to the regulators via the Call Report on schedule RC
- Example in Exhibit 1 – presents average data
### First State Bank
#### Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>YTD Avg</th>
<th>YTD Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and due from banks</td>
<td>$3,700</td>
<td>$4,118</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time deposits at other institutions</td>
<td>600</td>
<td>2,114</td>
</tr>
<tr>
<td>Federal funds sold &amp; repos</td>
<td>1,380</td>
<td>3,190</td>
</tr>
<tr>
<td>US Government securities</td>
<td>4,790</td>
<td>10,794</td>
</tr>
<tr>
<td>Federal Agency securities</td>
<td>7,950</td>
<td>5,450</td>
</tr>
<tr>
<td>Municipal securities</td>
<td>5,620</td>
<td>9,620</td>
</tr>
<tr>
<td>Other securities</td>
<td>1,400</td>
<td>1,200</td>
</tr>
<tr>
<td>Total investments</td>
<td>21,740</td>
<td>32,368</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans &amp; Leases</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial and industrial</td>
<td>$18,670</td>
<td>$15,150</td>
</tr>
<tr>
<td>Real estate</td>
<td>19,740</td>
<td>7,740</td>
</tr>
<tr>
<td>Consumer</td>
<td>14,010</td>
<td>11,955</td>
</tr>
<tr>
<td>Other</td>
<td>1,430</td>
<td>1,390</td>
</tr>
<tr>
<td>Total Loans &amp; leases</td>
<td>53,850</td>
<td>36,235</td>
</tr>
<tr>
<td>Less reserve for loan and lease losses</td>
<td>1,950</td>
<td>1,800</td>
</tr>
<tr>
<td>Net loans &amp; leases</td>
<td>51,900</td>
<td>34,435</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,660</td>
<td>2,082</td>
</tr>
<tr>
<td>Total assets</td>
<td>80,000</td>
<td>73,003</td>
</tr>
</tbody>
</table>
Assets

• Cash & Due From Banks
• Investments
  – Held to Maturity (historical cost)
  – Trading Account (fair value – changes flow to I/S)
  – Available for sale (fair value, changes flow to equity)
• Loans
• Fixed Assets
• Other Assets
Investments

• Typically fixed income investments
• Categorized as held-to-maturity or available-for-sale.
• Exhibit 1 – The Bank presents the securities by type of issuer. In the notes to the financial statements information regarding remaining life would be provided.
• Type of security is important to evaluate the amount of risk accepted by the Bank.
• Regulators require banks to hold “investment grade” securities – must not rely only on credit rating agencies to determine credit quality
Why do Banks have an investment portfolio?

• Maintain liquidity with better yields than overnight funds.
  – Can be pledged for repurchase lines or borrowings
• Structure to modify or offset other interest rate risk.
  – For example, a bank with mostly variable rate loans might use the investment portfolio to reduce asset sensitivity.
• May make a market in securities by making them available for customers to purchase – Trading Account securities.
• May recognize gains (or losses) on either trading accounts or AFS securities when sold.
• **May** provide income with minimal credit risk (but not necessarily)
• May classify as HTM to avoid affect of market swings on book value
Why would investment portfolio yields (returns) vary among banks given that what we are allowed to purchase for our portfolio’s is restricted by regulations?
Loans

• Generally the bank’s most important earning asset
  – Commercial & Industrial
  – Real estate
    • CRE
    • Owner Occupied
    • Consumer
  – Consumer
  – Agricultural
  – Other
Bank Liabilities

• Deposits
  – Transaction accounts: DDA, NOW, MMDA
  – Non-transaction accounts: Savings and Time Deposit Accounts

• Which type of accounts usually have more rate sensitive customers?
• Which are core deposits?
• Which are non-core (volatile) deposits?
Other Non-core liabilities

• Borrowings
  – Fed Funds Purchased
  – Repurchase agreements
  – Term Borrowings: FHLB - volatile or non volatile?
Other Non-core liabilities

• Brokered Deposits
• Jumbo CD’s
• Internet CD’s
  – Advantages and disadvantages of these?
Capital or shareholder’s equity

- Preferred Stock
- Trust Preferred (being phased out under Dodd Frank)
- Common Stock
- Subordinated notes and debentures
- Retained earnings
The Income Statement

• A flow statement – represents what happened during a specified time period.
• The annual income statement should be compared to average balance sheet data for the YTD in order to calculate meaningful ratios.
• Bank income statements differ from manufacturing concerns or other industries due to the importance of interest income and expense.
### First State Bank (Exhibit 2)

<table>
<thead>
<tr>
<th>Interest Income</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on loans</td>
<td>$ 3,963</td>
</tr>
<tr>
<td>Interest on federal funds sold and Repos</td>
<td>15</td>
</tr>
<tr>
<td>Interest on time deposits at institutions</td>
<td>12</td>
</tr>
<tr>
<td>Interest on U.S. Gov’t. &amp; Agency sec.’s</td>
<td>809</td>
</tr>
<tr>
<td>Interest on municipal securities b</td>
<td>306</td>
</tr>
<tr>
<td>Interest on other securities</td>
<td>95</td>
</tr>
<tr>
<td>Total interest income</td>
<td>5,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest Expense</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on checking accounts</td>
<td>113</td>
</tr>
<tr>
<td>Interest on regular savings</td>
<td>341</td>
</tr>
<tr>
<td>Interest on MMDAs</td>
<td>219</td>
</tr>
<tr>
<td>Interest on small time deposits</td>
<td>1,233</td>
</tr>
<tr>
<td>Interest on CDs</td>
<td>296</td>
</tr>
<tr>
<td>Interest on deposits</td>
<td>2,202</td>
</tr>
<tr>
<td>Interest on subordinated debt</td>
<td>108</td>
</tr>
<tr>
<td>Total interest expense</td>
<td>2,310</td>
</tr>
</tbody>
</table>

Net interest income                      2,890

Provision for loan losses                 250

Net interest income after provision       2,640
Noninterest Income
Service charges 1,037
Fee income 314
Other income 289
Total noninterest income 1,640

Noninterest Expense
Salaries & employee benefits 1,388
Occupancy expense 229
Furniture & equipment expense 271
Other operating expense 812
Total noninterest expense 2,700

Securities gains 60
Income before taxes 1,640
Income taxes 300
Net income 1,340
5 general components

- Net Interest Income (NII)
- Provision for Losses (PL)
- Burden (OI-OE)
- Securities gains/losses (SG)
- Taxes (T)

Net Income = NII – PL – Burden +/- SG – T
$1,340 = $2,890 -250-(2,700-1,640) + 60 - 300
Major Factors Affecting Earnings
4th Quarter 2016 vs. 4th Quarter 2015

$ Billions

$8.4

Decrease in Noninterest Income

Decrease in Realized Gains on Securities

Increase in Noninterest Expense

Increase in Net Interest Income

- $0.5

- $0.2

Positive Factor

Negative Factors
Statement of Cash Flows

• Net cash provided by operations
• Net cash used by investment activities
• Net cash provided by financing activities
• Net change in cash
Typical sources and uses of cash

• Results of operations as adjusted for what items?
  – Depreciation? LLP? Changes in payables or accruals?

• Loans – use or source?

• Deposits – use or source?

• Capital considerations – use or source?
First State Bank, Exhibit 3

Net Change in cash = $(418)
Resulting from:

Net cash provided by ops $1,312
Net cash used by investing $(7,379)
  Mostly growth in loans
Net cash provided by financing $5,649
  Mostly growth in deposits
Banking Risk
Types of Banking Risk

- Credit Risk
- Liquidity risk,
- Interest rate risk
- Capital risk
- Operational risk
- Off Balance Sheet risk, and
- Foreign exchange risk
Credit Risk

• Primary source of bank failures
• Reflects the quality of assets or risk of borrower default
  – Major sources of asset quality problems?
    • What caused to significant decline in asset quality from 2007-2011?
    • Current status of asset quality in banking
Quarterly Net Charge-Offs and Change in Noncurrent Loans

2013 - 2016

$ Billions

Quarterly Net Charge-offs
Quarterly Change in Noncurrent Loans
Quarterly Net Charge-Offs vs. Loan Loss Provisions

2013 - 2016

$ Billions

Loss Provisions
Net Charge-Offs
Quarterly Net Charge-Off Rates
By Asset Size, Annualized
2006 - 2016

Quarterly Net Charge-Off Rate (%)
In Q4 2008 there were 2,222 institutions with construction loan concentrations.
Liquidity Risk

• Liquid vs. less liquid assets
• Which assets are most liquid and where do they appear on the Balance Sheet?
• Who monitors and manages liquidity at your bank?
  – What areas are involved?
• How did liquidity effect the banking crisis from 2007-2011?
  – What did the FRB and US Treasury do to address pressures on liquidity?
# Liquidity Ratios

**GA State Avg**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Non core Funding Dependency</td>
<td>-5.22</td>
<td>-3.99</td>
<td>-3.08</td>
<td>-3.82</td>
<td>-5.29</td>
</tr>
<tr>
<td>Loans to Deposits</td>
<td>70.59</td>
<td>70.34</td>
<td>69.86</td>
<td>67.95</td>
<td>67.25</td>
</tr>
<tr>
<td>Brokered Deposits to Deposits</td>
<td>.87</td>
<td>.72</td>
<td>.83</td>
<td>.96</td>
<td>1.19</td>
</tr>
<tr>
<td>Listing Service Deposits to Deposits</td>
<td>.88</td>
<td>1.02</td>
<td>1.15</td>
<td>1.31</td>
<td>1.36</td>
</tr>
<tr>
<td>Core Deposits to Total Deposits</td>
<td>82.21</td>
<td>82.07</td>
<td>81.75</td>
<td>82.29</td>
<td>81.65</td>
</tr>
</tbody>
</table>

Source – State Average Report – UPBR data
Interest Rate Risk

• Two major measures of IRR today
  – Effect on earnings
  – Effect on the economic value of stockholders equity
    • In the past, GAP was also utilized

• Who is responsible for measuring and managing interest rate risk at your banks?

• Is your bank Asset Sensitive and why should you care?
Capital Risk

• Overall **solvency risk**
  – Insolvency = market value of assets < market value of liabilities (**Capital is the buffer or safety margin**)

• Capital adequacy depends on asset quality, interest rate sensitivity and the level of earnings.

• Basel III is being phased in beginning in through 2019.
# Capital Ratios

**GA State Averages**

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Req’d</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier One RBC to Risk Weighted Assets</td>
<td>6.00</td>
<td>16.25</td>
<td>16.08</td>
<td>16.08</td>
<td>15.84</td>
<td>15.25</td>
</tr>
<tr>
<td>Total RBC to Risk Weighted Assets</td>
<td>10.00</td>
<td>17.40</td>
<td>17.25</td>
<td>17.24</td>
<td>17.06</td>
<td>16.48</td>
</tr>
<tr>
<td>Tier One Leverage Capital</td>
<td>5.00</td>
<td>10.60</td>
<td>10.57</td>
<td>10.39</td>
<td>10.06</td>
<td>9.59</td>
</tr>
</tbody>
</table>
Basil III

New Risk-Weighted Asset Requirements
• 150% risk-weight for high volatility commercial real estate and non-residential loans 90+ days delinquent
• 20% risk-weight on loan commitments with an original maturity less than one year that are not unconditionally cancellable
• Mortgage servicing rights and deferred tax assets (not related to net operating loss carryforwards) that remain under a 10% individual limit and 15% aggregate limit are not deducted from capital, but carry a 250% risk-weight

Additional Information
• Becomes effective on January 1, 2015 (with a transition phase until January 1, 2019) for financial institutions with less than $250 billion in consolidated assets
• Revises the Prompt Corrective Action (PCA) framework by introducing Common Equity Tier 1 Capital (CET1) and requiring higher levels of regulatory capital
• Common Equity Tier 1 Capital is composed of common stock, retained earnings and limited recognition of minority interests; deductions include goodwill and other intangibles, deferred tax assets from net operating loss and tax credit carryforwards, gain on securitization sales and certain defined benefit pension fund assets
• Introduces a Capital Conservation Buffer that requires banks to hold CET1 in excess of minimum risk-based capital ratios by 2.5% (when fully phased in as of 2019) to avoid limits on capital distributions and certain discretionary bonus payments to executive officers; phased in beginning in 2016
• For banks with consolidated assets less than $250 billion, accumulated other comprehensive income (AOCI) can be permanently excluded from regulatory capital through a one-time irrevocable opt-out provision


## Implementation Schedule

### Transition Schedule for New Ratios

<table>
<thead>
<tr>
<th>Year (as of Jan. 1)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum CET1 Ratio</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Capital Conservation Buffer</td>
<td>N/A</td>
<td>.625%</td>
<td>1.25%</td>
<td>1.875%</td>
<td>2.5%</td>
</tr>
<tr>
<td>CET1 plus Capital Conservation Buffer</td>
<td>4.5%</td>
<td>5.125%</td>
<td>5.75%</td>
<td>6.375%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Phase-in of Deductions from CET1</td>
<td>40%</td>
<td>60%</td>
<td>80%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Minimum Tier 1 Capital Ratio</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Minimum Tier 1 Capital Ratio plus Capital Conservation Buffer</td>
<td>N/A</td>
<td>6.625%</td>
<td>7.25%</td>
<td>7.875%</td>
<td>8.50%</td>
</tr>
<tr>
<td>Minimum Total Capital Ratio</td>
<td>8.0%</td>
<td>8.0%</td>
<td>8.0%</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Minimum Total Capital Ratio plus Conservation Buffer</td>
<td>N/A</td>
<td>8.625%</td>
<td>9.25%</td>
<td>9.875%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

### Prompt Corrective Action Thresholds

<table>
<thead>
<tr>
<th>Prompt Corrective Action Threshold</th>
<th>Risk-Based Capital Ratios</th>
<th>U.S. Leverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well-capitalized</td>
<td>≥ 10%</td>
<td>≥ 8%</td>
</tr>
<tr>
<td>Adequately Capitalized</td>
<td>≥ 8%</td>
<td>≥ 6%</td>
</tr>
<tr>
<td>Undercapitalized</td>
<td>&lt; 8%</td>
<td>&lt; 6%</td>
</tr>
<tr>
<td>Significantly Undercapitalized</td>
<td>&lt; 6%</td>
<td>&lt; 4%</td>
</tr>
<tr>
<td>Critically Undercapitalized</td>
<td>Tangible equity to total assets ≤ 2%</td>
<td></td>
</tr>
</tbody>
</table>

*Transition schedule and PCA framework for bank holding companies*
Other major risks

• Operational- risk of fraud and errors. Quality of technology, internal controls, and bank policies

• Off Balance Sheet Risk – Commitments and exposures not enumerated on the Balance Sheet – unfunded loan commitments, guarantees, derivative positions

• Price Risk or Foreign Exchange Risk – unanticipated changes in trading account assets or asset or liabilities in different currencies.
Regulatory Risk Ratings

C = Capital adequacy
A = Asset quality
M = Management quality
E = Earnings quality
L = Liquidity
S = Sensitivity

Ratings scale is 1 – 5 for each component and an overall composite score.
Evaluating Bank Performance
Performance Measures

- Indicate the institution’s risk profile and overall financial performance as it presently exists in comparison to its peers
- Understand history and the causes of bank performance
- Identify trends to head off potential future problems
- Understand the relationship of performance ratios to draw valid conclusions regarding causation
Return on Equity (ROE)

ROE = net income/average book equity

• Best overall measurement of profits to shareholders
• Relates to the bank’s common stock price
• Major analyst benchmark for comparing banks
Annual Return on Equity (ROE)

1984 - 2016

5 Highest Values
- 2003: 15.05
- 1999: 14.71
- 1993: 14.09
- 2002: 14.08
- 1997: 14.03
Return on Assets (ROA)

ROA = net income/average total assets

- Measure of return relative to total bank resources
- Varies substantially among size tiers of banks

ROA = Profit Margin x Asset Utilization

\[ PM = \frac{\text{Net income}}{\text{operating income}} \]

\[ AU = \frac{\text{Total Operating income}}{\text{Total Assets}} \]
Equity Multiplier (EM)

EM = average total assets/average book equity

- Measures financial leverage
- Limited by regulatory policy
- Strategically increasing leverage increases utilization of capital and may increase ROE
Inter-relation

$\text{ROE} = \text{ROA} \times \text{EM}$

$\frac{\text{ROE}}{\text{EM}} = \text{ROA}$

$\frac{\text{ROE}}{\text{ROA}} = \text{EM}$
### City Bank vs County Bank (pg 25)

<table>
<thead>
<tr>
<th></th>
<th>City Bank</th>
<th>County Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td><strong>Debt</strong></td>
<td>$90</td>
<td>$95</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>$10</td>
<td>$5</td>
</tr>
<tr>
<td><strong>Equity Multiplier</strong></td>
<td>$100/$10=10X</td>
<td>$100/$5=20X</td>
</tr>
<tr>
<td><strong>ROA</strong></td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>ROA</strong></td>
<td>-1%</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>-10%</td>
<td>-20%</td>
</tr>
</tbody>
</table>

**EM can be an indicator of risk in terms of debt levels. The “Best” value depends on the bank’s tolerance for risk and levels of other types of risk.**
Most Common Measures

Net Interest Margin NIM

NIM = Net interest income/earning assets

– Represents the net interest return on income producing assets

Efficiency Ratio

Non interest expense/(Non interest income + Net interest income)

– Overhead cost per each dollar of net operating revenue generated (lower ratios are better)
Noninterest Income as a Percentage of Net Operating Revenue

2008 - 2016

Quarterly Noninterest Income, % of Net Operating Revenue

- Red Line: Assets > $1 Billion
- Blue Line: Assets < $1 Billion

Graph shows the trend of noninterest income as a percentage of net operating revenue from 2008 to 2016, with two lines representing different size categories of assets.
Noninterest Income to Assets (YTD)

December 31, 2016

- Less than $100 Million: 1.21
- $100 Million to $1 Billion: 1.20
- $1 Billion to $10 Billion: 1.22
- $10 Billion to $250 Billion: 1.57
- Greater than $250 Billion: 1.63
Annual Efficiency Ratios*
2006 - 2016

Efficiency Ratio (%)

Assets <$1 Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Efficiency Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>64.80</td>
</tr>
<tr>
<td>2007</td>
<td>67.35</td>
</tr>
<tr>
<td>2008</td>
<td>71.99</td>
</tr>
<tr>
<td>2009</td>
<td>74.42</td>
</tr>
<tr>
<td>2010</td>
<td>72.66</td>
</tr>
<tr>
<td>2011</td>
<td>71.63</td>
</tr>
<tr>
<td>2012</td>
<td>70.96</td>
</tr>
<tr>
<td>2013</td>
<td>71.42</td>
</tr>
<tr>
<td>2014</td>
<td>70.36</td>
</tr>
<tr>
<td>2015</td>
<td>69.49</td>
</tr>
<tr>
<td>2016</td>
<td>68.87</td>
</tr>
</tbody>
</table>

Assets >$1 Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Efficiency Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>55.70</td>
</tr>
<tr>
<td>2007</td>
<td>58.47</td>
</tr>
<tr>
<td>2008</td>
<td>57.74</td>
</tr>
<tr>
<td>2009</td>
<td>53.46</td>
</tr>
<tr>
<td>2010</td>
<td>55.53</td>
</tr>
<tr>
<td>2011</td>
<td>60.30</td>
</tr>
<tr>
<td>2012</td>
<td>60.75</td>
</tr>
<tr>
<td>2013</td>
<td>59.37</td>
</tr>
<tr>
<td>2014</td>
<td>61.10</td>
</tr>
<tr>
<td>2015</td>
<td>59.03</td>
</tr>
<tr>
<td>2016</td>
<td>57.36</td>
</tr>
</tbody>
</table>

Total

<table>
<thead>
<tr>
<th>Year</th>
<th>Efficiency Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>56.83</td>
</tr>
<tr>
<td>2007</td>
<td>59.40</td>
</tr>
<tr>
<td>2008</td>
<td>59.35</td>
</tr>
<tr>
<td>2009</td>
<td>55.53</td>
</tr>
<tr>
<td>2010</td>
<td>57.17</td>
</tr>
<tr>
<td>2011</td>
<td>61.38</td>
</tr>
<tr>
<td>2012</td>
<td>61.70</td>
</tr>
<tr>
<td>2013</td>
<td>60.46</td>
</tr>
<tr>
<td>2014</td>
<td>61.91</td>
</tr>
<tr>
<td>2015</td>
<td>59.91</td>
</tr>
<tr>
<td>2016</td>
<td>58.28</td>
</tr>
</tbody>
</table>

*Noninterest expenses less amortization of intangible assets as a percent of net interest income plus noninterest income.
Performance Ratios By Asset Size
Noninterest Expense to Assets (YTD)

December 31, 2016

<table>
<thead>
<tr>
<th>Asset Size</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100 Million</td>
<td>3.47</td>
</tr>
<tr>
<td>$100 Million to $1 Billion</td>
<td>3.17</td>
</tr>
<tr>
<td>$1 Billion to $10 Billion</td>
<td>2.86</td>
</tr>
<tr>
<td>$10 Billion to $250 Billion</td>
<td>2.68</td>
</tr>
<tr>
<td>Greater than $250 Billion</td>
<td>2.36</td>
</tr>
</tbody>
</table>
Discussion Questions
Calculation exercise
First State Bank performance

• First State Bank is a high performance bank in relation to its peers.
• What causes this? Exhibit 5
First State Bank Risk Profile

• Exhibit 6 provides risk data not pulled from financial statements, but gleaned from footnotes to financial statements.
  – How does credit risk compare?
  – How does Liquidity risk compare?
  – Capital Risk?
Uniform Bank Performance Report