



AMBASSADOR FINANCIAL GROUP

Notes from the Ambassador Bank Vault

May 3, 2018

How Do You Solve a Problem like CECL?

The adoption of the Financial Accounting Standard Board's (FASB) new standard regarding credit losses will present challenges for both banks and investors. The new standard*, Comprehensive Expected Credit Losses ("CECL"), requires banks to establish loss reserves for potential losses over the contractual life of the loan based on reasonable and supportable assumptions. CECL is a more forward looking (and probably more subjective) accounting approach to determine credit reserves than the current method, which records losses when it becomes probable that a loan becomes impaired. FASB believes that CECL will provide investors with more timely information to better assess credit quality and help banks better cope with the next credit downturn.

The implementation of CECL is required after December 15, 2019 for SEC filers and a year later for private entities. Early adoption is permitted for fiscal years beginning after December 15, 2018 – we do not expect many banks will "take advantage" of this. In addition to impacting banks' loan portfolios, CECL also includes investment portfolios classified as held-to-maturity. The standard also changes the impairment model for available-for-sale debt securities.

- ❏ Loss estimates could depend on qualitative factors, including economic forecasts, which are inherently fickle. Yogi Berra said it better, "It's tough to make predictions, especially about the future."
- ❏ Based on March 2018 quarter results, most banks appear to have strong asset quality based on modest net charge-offs ratios and relatively low levels of non-performance assets.
- ❏ Banks have generally run down reserves over the past few years following the build-up of loan loss allowances during the Great Recession and the relatively low levels of credit losses experienced since that time.
- ❏ Analysts and investors will be hard-pressed to come up with reliable forward-looking earnings forecasts prior to the time CECL becomes effective.
- ❏ CECL accounting could dissuade some banks from classifying certain investments as "held-to-maturity". Investments that appear more apt to have credit issues would be longer-term corporate bonds or municipal securities.
- ❏ The use of subordinated debt remains an attractive source of capital for community banks.
- ❏ Subdued loan growth and higher funding costs pressure asset/liability officers to deliver better returns on investment portfolios without incurring excessive interest rate and/or extension risk.

Is your bank ready for CECL?

An analysis of how banks determine loan loss reserves under CECL is beyond the scope of this article. **We do, however, recognize, that most institutions have started to prepare given that the new standard requires banks to determine and establish the appropriate loan loss allowance at the time of origination.** We believe that community banks are closely monitoring historical loss information and loan losses procedures, but outside consultants will be needed in many instances, particularly among smaller institutions. Because prescriptive guidance is not provided regarding how to develop estimates under CECL, management will need to evaluate the reasonableness of its assumptions and provide satisfactory documentation for the benefit of auditors and regulators. Estimates of CECL should include historical information, current economic conditions, and "reasonable and supportable forecasts". The standard does not prescribe a specific method to make the estimate, and does not include a definition of "reasonable and supportable."

Are higher loan loss reserves probable?

We believe that CECL will result in higher loss allowances than the current, or incurred loss, model; and that many companies will significantly boost reserves upon adoption. If the implementation of CECL causes an initial increase to reserves, the adjustment is recorded by lowering retained earnings, but will not be recorded through the income statement. A *SNL Financial* survey given to chief financial officers in September 2016, predicted a 10-50% increase to loan loss reserves upon adoption of CECL. We also believe that because FASB concluded that the incurred loss model inadequately accounted for credit losses prior to the Great Recession, it is logical to infer that the CECL model was intended to produce higher loss estimates and reserves.

As shown in Appendix A, banks have been running down reserves over the past three years. Asset quality remains strong, but that will not be the case forever. Anecdotal evidence suggests that some banks are easing underwriting standards and loan demand – among both commercial and consumer borrowers – remains less than robust. The flattening yield curve portends asset quality issues down the road as banks stretch for yield through riskier (credit and/or interest rate) loans or securities. Future asset quality concerns are supported by the OCC’s most recent semiannual risk survey, which indicated easing underwriting standards.

Does CECL affect investment portfolios?

Most institutions should find that securities and asset/liability strategies are affected more indirectly, than directly, by CECL. As aforementioned, investments classified as held-to-maturity fall under CECL and the standard also changes the impairment model for debt securities held as available-for-sale.

Depending upon an institution’s specific circumstances, bank financial officers should look to their investment portfolios to offset the potential hit to earnings and/or capital ratios. The timing of CECL appears to be problematic given the earnings challenges presented by rising deposit and borrowing rates along with the flatter yield curve. Ambassador Financial does not believe that significantly higher longer-term interest rates over the next year or so is a foregone conclusion, and therefore, community bankers should cultivate an effective asset/liability strategy to accommodate this growing possibility. Ambassador Financial continues to be conservative and recommend A/L managers deploy a barbell approach with regard to investment portfolios. Please see our most recent [Asset / Liability Management report](#).

How does CECL affect capital?

Banking regulators recently proposed to allow a three year phase-in period before the impact of CECL affects regulatory capital and it would allow banks to delay having the loan loss change affect the regulatory “stress tests” until the 2020 testing cycle.

Perhaps an unintended consequence from the adoption of CECL is that even though Tier 1 capital will decrease if the loan loss allowance is raised, Tier 2 capital can increase. The amount of reserves, however, permitted to be included within Tier 2 capital is limited to 1.25% of risk weighted assets. Notwithstanding this limitation, there is no restriction on how much Tier 2 capital that a bank can hold. Any reserves over this 1.25% limitation are available to soak up net charge-offs (without an additional charge to earnings) even though they are not considered capital. Total risk-based capital must exceed 10.5% (currently 10.0%) by 2019 for an institution to be considered well-capitalized. Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Mark to market losses affect GAAP capital, but not regulatory capital.

Banks with lower capital ratios may need to temper balance sheet growth and/or have less flexibility for share repurchases or dividends. A better solution would be to raise capital given favorable capital market conditions. **Some institutions will find issuing subordinated debt a better alternative than raising additional equity capital as debt remains relatively**

inexpensive due to relatively low interest rates. Subordinated debt is included as Tier 2 capital; and that amount is not capped unlike loan loss reserves.

What happens to earnings comparisons? (Or, can you compare apples to oranges?)

We opine that earnings comparisons between 2020 and 2019 will face a headwind from higher loan loss provisioning after the implementation of CECL. Due to the enactment of the Tax Cut and Jobs Act (“Tax Act”), which lowered the corporate tax rate to 21% from 35%, year-over-year earnings comparisons should benefit considerably this year. This tailwind goes away next year, however, as 2019 and 2018 corporate tax rates should be similar. There is, however, the possibility that business activity will start picking up later this year and into next year, which would help drive earnings growth and boost profitability in 2019.

Stocks typically trade on a forward-looking basis, but bank investors and analysts will have more difficulty than usual when forecasting earnings for 2020 due to CECL. We surmise that as the implementation date of CECL approaches, bank management teams will be pressed to provide information regarding the likely impact of the new accounting standard regarding loan losses.

Food For Thought

Three candidates for an accounting position were asked the same question: How much is two plus two? The first two answered, “four”, but the third candidate responded, “Whatever you want it to be.” Guess who got the job?

*ASU No. 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”

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Appendix A. Mid-Atlantic Publicly Traded Banks Between \$2 billion and \$10 billion in Total Assets

		2018Q1	2017Q1	2014Q1	2018Q1	2017Q1	2014Q1
Institution Name	Ticker	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)
Arrow Financial Corporation	AROW	0.31	0.34	0.31	0.96	0.95	1.12
Bancorp, Inc.	TBBK	NA	NA	NA	0.40	0.42	0.53
BCB Bancorp, Inc.	BCBP	1.87	2.70	1.87	1.03	1.13	1.36
Beneficial Bancorp, Inc.	BNCL	NA	0.60	NA	1.08	1.06	2.32
Bridge Bancorp, Inc.	BDGE	NA	0.43	NA	1.02	1.00	1.44
Bryn Mawr Bank Corporation	BMTC	0.39	0.58	0.39	0.53	0.67	1.01
Canandaigua National Corp.	CNND	NA	0.71	NA	NA	1.05	1.18
CNB Financial Corporation	CCNE	NA	1.49	NA	0.91	0.86	1.29
Columbia Financial, Inc.	CLBK	NA	NA	NA	1.32	NA	NA
ConnectOne Bancorp, Inc.	CNOB	1.54	2.27	1.54	0.77	0.74	1.08
Customers Bancorp, Inc.	CUBI	NA	0.50	NA	NA	0.48	0.66
Dime Community Bancshares	DCOM	NA	0.24	NA	0.39	0.36	0.52
Eagle Bancorp, Inc.	EGBN	NA	0.40	NA	0.99	1.02	1.36
Financial Institutions, Inc.	FISI	NA	0.24	NA	1.27	1.29	1.47
First Commonwealth Fin'l	FCF	1.12	1.16	1.12	1.00	0.99	1.28
First of Long Island Corp.	FLIC	NA	0.12	NA	NA	1.15	1.38
Flushing Financial Corp.	FFIC	NA	0.70	NA	0.39	0.45	0.86
Kearny Financial Corp.	KRNY	NA	0.80	NA	0.90	0.88	0.73
Lakeland Bancorp, Inc.	LBAI	0.57	0.76	0.57	0.84	0.80	1.18
NBT Bancorp Inc.	NBTB	NA	0.89	NA	1.06	1.05	1.27
Northfield Bancorp, Inc.	NFBK	0.76	0.90	0.76	0.83	0.83	1.75
Northwest Bancshares, Inc.	NWBI	1.05	1.39	1.05	0.70	0.81	1.30
OceanFirst Financial Corp.	OCFC	1.11	1.49	1.11	0.31	0.42	1.31
OFG Bancorp	OFG	NA	5.83	NA	3.92	2.87	2.16
Old Line Bancshares, Inc.	OLBK	NA	0.48	NA	0.35	0.39	0.57
Oritani Financial Corp.	ORIT	NA	0.30	NA	0.85	0.84	1.30
Peapack-Gladstone Financial	PGC	0.63	0.79	0.63	1.02	0.98	0.91
Peoples Financial Services	PFIS	0.69	0.75	0.69	1.14	1.09	0.75
Provident Financial Services	PFS	NA	1.13	NA	0.86	0.89	1.21
Republic First Bancorp, Inc.	FRBK	NA	3.24	NA	0.52	0.87	1.71
Revere Bank	REVB	NA	0.10	NA	NA	0.79	1.33
S&T Bancorp, Inc.	STBA	0.77	1.04	0.77	1.03	0.97	1.28
Sandy Spring Bancorp, Inc.	SASR	0.53	0.80	0.53	0.77	1.09	1.34
Tompkins Financial Corp.	TMP	NA	0.52	NA	0.85	0.84	0.87
TriState Capital Holdings, Inc.	TSC	NA	0.51	NA	0.34	0.46	0.97
TrustCo Bank Corp NY	TRST	NA	1.20	NA	1.21	1.28	1.60
Univest Corporation of PA	UVSP	0.83	0.79	0.83	0.63	0.58	1.57
WSFS Financial Corporation	WSFS	1.17	1.32	1.17	0.84	0.86	1.35
Median		0.77	0.77	0.77	0.86	0.87	1.28
Average		0.89	1.04	0.89	0.91	0.90	1.23

Includes institutions with holding company total assets available for the quarter ending March 31, 2018 as of May 1, 2018.

Source: S&P Global Market Intelligence

Appendix B. Mid-Atlantic Publicly Traded Banks Between \$1 billion and \$2 billion in Total Assets

		2018Q1	2017Q1	2014Q1	2018Q1	2017Q1	2014Q1
Institution Name	Ticker	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)
1st Constitution Bancorp	FCCY	NA	1.62	2.50	1.07	1.11	1.32
ACNB Corporation	ACNB	0.73	1.21	2.26	1.08	1.48	2.21
AmeriServ Financial, Inc.	ASRV	NA	0.17	0.41	1.13	1.12	1.28
Bank of Princeton	BPRN	1.64	0.95	1.87	1.19	1.21	1.34
Chemung Financial Corporation	CHMG	NA	1.55	1.49	1.62	1.21	1.28
Citizens & Northern Corporation	CZNC	1.89	1.81	2.96	1.11	1.15	1.33
Citizens Financial Services, Inc.	CZFS	NA	2.10	2.29	1.12	1.11	1.36
Codorus Valley Bancorp, Inc.	CVLY	NA	0.53	2.22	1.18	1.19	1.18
DNB Financial Corporation	DNBF	NA	1.56	1.98	0.71	0.66	1.10
ENB Financial Corp	ENBP	NA	0.14	0.24	NA	1.33	1.58
ESSA Bancorp, Inc.	ESSA	NA	1.76	3.05	0.81	0.77	0.95
Evans Bancorp, Inc.	EVBN	NA	2.07	2.76	1.32	1.44	1.78
First Bank	FRBA	NA	0.68	1.37	0.99	1.11	1.05
First Keystone Corporation	FKYS	NA	3.16	1.47	NA	1.42	1.42
FNCB Bancorp, Inc.	FNCB	1.69	1.95	2.12	1.18	1.16	1.92
Franklin Financial Services Corp.	FRAF	NA	2.05	5.95	NA	1.25	1.34
Greene County Bancorp, Inc.	GCBC	NA	0.76	2.28	1.68	1.74	1.84
Lyons Bancorp, Inc.	LYBC	NA	NA	0.84	NA	1.15	1.42
Malvern Bancorp, Inc.	MLVF	2.46	0.42	1.73	1.00	0.95	1.17
Metropolitan Bank Holding Corp.	MCB	NA	NA	NA	1.07	1.11	NA
Mid Penn Bancorp, Inc.	MPB	NA	0.67	2.29	0.76	0.91	1.17
Norwood Financial Corp.	NWFL	NA	1.08	2.79	1.04	0.96	1.15
Orrstown Financial Services, Inc.	ORRF	1.11	0.92	3.41	1.24	1.40	3.03
Parke Bancorp, Inc.	PKBK	NA	5.02	13.94	NA	1.75	2.91
PCSB Financial Corporation	PCSB	NA	2.41	NA	0.52	0.62	NA
Penns Woods Bancorp, Inc.	PWOD	NA	1.54	2.07	1.00	1.16	1.04
QNB Corp.	QNBC	1.11	2.03	3.76	1.07	1.17	1.69
Riverview Financial Corporation	RIVE	0.86	1.69	1.59	0.70	0.93	1.10
Shore Bancshares, Inc.	SHBI	1.63	2.67	6.94	0.89	1.00	1.43
Sussex Bancorp	SBBX	1.35	1.18	3.68	0.72	0.95	1.32
Two River Bancorp	TRCB	0.91	1.24	5.46	1.25	1.25	1.28
Unity Bancorp, Inc.	UNTY	0.43	0.89	2.99	1.19	1.27	1.87
Median		1.23	1.55	2.28	1.07	1.15	1.34
Average		1.32	1.53	2.96	1.06	1.16	1.50

Includes institutions with holding company total assets available for the quarter ending March 31, 2018 as of May 1, 2018.

Source: S&P Global Market Intelligence

Appendix C. Midwest Publicly Traded Banks Between \$2 billion and \$10 billion in Total Assets

		2018Q1	2017Q1	2014Q1	2018Q1	2017Q1	2014Q1
Institution Name	Ticker	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)
1st Source Corporation	SRCE	0.77	0.65	1.25	2.09	2.12	2.37
Alerus Financial Corporation	ALRS	NA	0.66	0.45	1.08	1.11	1.77
Byline Bancorp, Inc.	BY	NA	1.01	NA	0.77	0.55	NA
Capitol Federal Financial, Inc.	CFFN	NA	0.76	0.97	0.12	0.12	0.15
Community Trust Bancorp, Inc.	CTBI	3.34	3.60	4.12	1.13	1.20	1.30
Enterprise Financial Services	EFSC	0.38	0.43	1.17	1.06	1.15	2.01
Equity Bancshares, Inc.	EQBK	NA	2.38	2.85	0.44	0.46	0.88
Farmers National Banc Corp.	FMNB	NA	0.81	2.59	0.78	0.77	1.18
First Busey Corporation	BUSE	NA	0.79	1.25	0.95	1.22	2.12
First Defiance Financial Corp.	FDEF	1.82	1.14	3.77	1.15	1.15	1.58
First Financial Bancorp.	FFBC	NA	NA	1.69	0.89	0.98	1.33
First Financial Corporation	THFF	NA	1.16	2.04	1.06	1.06	1.14
First Internet Bancorp	INBK	NA	0.58	1.46	0.70	0.82	0.98
First Merchants Corporation	FRME	0.55	0.70	2.12	1.11	1.29	1.92
First Mid-Illinois Bancshares, Inc.	FMBH	NA	1.67	0.61	1.05	0.99	1.37
German American Bancorp, Inc.	GABC	0.45	0.24	1.08	0.67	0.76	1.13
Great Southern Bancorp, Inc.	GSBC	NA	1.52	4.67	0.95	0.98	1.50
Hills Bancorporation	HBIA	NA	0.95	1.44	NA	1.15	1.40
Horizon Bancorp	HBNC	0.56	0.58	1.73	0.58	0.70	1.46
Independent Bank Corporation	IBCP	3.24	4.79	10.70	1.10	1.17	2.21
Lakeland Financial Corporation	LKFN	0.40	0.58	1.26	1.19	1.24	1.79
Mercantile Bank Corporation	MBWM	0.70	0.79	3.35	0.78	0.75	1.96
Merchants Bancorp	MBIN	NA	NA	NA	0.37	NA	NA
Meta Financial Group, Inc.	CASH	NA	0.39	1.29	1.78	1.27	1.06
Midland States Bancorp, Inc.	MSBI	NA	1.25	NA	0.44	0.63	NA
MidWestOne Financial Group	MOFG	0.95	1.34	1.31	1.28	1.03	1.69
Nicolet Bankshares, Inc.	NCBS	0.62	0.99	1.66	0.61	0.75	1.09
Old Second Bancorp, Inc.	OSBC	1.21	1.72	6.69	1.13	1.06	2.29
Park National Corporation	PRK	1.84	2.24	3.89	0.93	0.94	1.30
Peoples Bancorp Inc.	PEBO	NA	0.93	0.87	0.78	0.82	1.37
QCR Holdings, Inc.	QCRH	NA	1.03	1.86	1.20	1.32	1.52
Republic Bancorp, Inc.	RBCA.A	NA	1.28	3.67	1.29	1.14	0.87
Sterling Bancorp, Inc.	SBT	NA	NA	NA	0.68	0.77	NA
Stock Yards Bancorp, Inc.	SYBT	0.50	0.44	1.32	0.96	1.08	1.65
United Community Financial	UCFC	NA	1.95	4.98	1.00	0.98	1.89
West Bancorporation, Inc.	WTBA	0.14	0.06	0.96	1.10	1.14	1.30
Median		0.66	0.95	1.67	0.96	1.03	1.43
Average		1.09	1.19	2.47	0.95	0.99	1.49

Includes institutions with holding company total assets available for the quarter ending March 31, 2018 as of May 1, 2018.

Source: S&P Global Market Intelligence

Appendix D. Midwest Publicly Traded Banks Between \$1 billion and \$2 billion in Total Assets

		2018Q1	2017Q1	2014Q1	2018Q1	2017Q1	2014Q1
Institution Name	Ticker	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)
Ames National Corporation	ATLO	NA	0.76	1.90	1.44	1.41	1.54
Bank First National Corporation	BFNC	NA	0.45	0.88	0.86	1.04	1.04
BankFinancial Corporation	BFIN	0.29	0.58	2.88	0.65	0.60	1.28
Bridgewater Bancshares, Inc.	BWB	NA	NA	NA	1.22	1.22	NA
Civista Bancshares, Inc.	CIVB	0.72	1.04	3.14	1.11	1.23	1.95
County Bancorp, Inc.	ICBK	3.15	2.49	NA	1.25	1.28	NA
Farmers & Merchants Bancorp	FMAO	0.25	0.36	0.94	0.81	0.89	0.91
Farmers Capital Bank Corp.	FFKT	1.94	3.58	8.45	0.94	0.96	1.90
First Business Financial Services	FBIZ	1.39	2.67	1.52	1.19	1.46	1.43
Foresight Financial Group, Inc.	FGFH	NA	3.52	3.22	NA	1.98	2.35
Hawthorn Bancshares, Inc.	HWBK	NA	2.24	5.83	1.01	1.02	1.52
Isabella Bank Corporation	ISBA	NA	2.12	3.50	NA	0.74	1.37
Kentucky Bancshares, Inc.	KTYB	NA	1.00	2.92	1.21	1.20	1.18
LCNB Corp.	LCNB	NA	1.91	3.12	0.41	0.41	0.49
Macatawa Bank Corporation	MCBC	1.93	3.24	9.96	1.26	1.32	1.98
MBT Financial Corp.	MBTF	1.79	2.51	11.30	1.09	1.26	2.73
Middlefield Banc Corp.	MBCN	1.93	1.61	2.72	0.81	0.79	1.58
MutualFirst Financial, Inc.	MFSF	0.59	0.65	2.01	0.86	1.06	1.37
Ohio Valley Banc Corp.	OVBC	NA	3.23	2.99	1.04	0.99	1.13
Porter Bancorp, Inc.	PBIB	1.32	2.37	22.66	1.17	1.35	3.72
Southern Missouri Bancorp, Inc.	SMBC	1.44	1.21	1.33	1.12	1.22	1.12
Waterstone Financial, Inc.	WSBF	0.90	1.46	6.50	0.91	1.12	1.93
Median		1.39	1.91	3.05	1.07	1.16	1.48
Average		1.36	1.86	4.89	1.02	1.12	1.63

Includes institutions with holding company total assets available for the quarter ending March 31, 2018 as of May 1, 2018.

Source: S&P Global Market Intelligence

Appendix E. Southeast Publicly Traded Banks Between \$2 billion and \$10 billion in Total Assets

		2018Q1	2017Q1	2014Q1	2018Q1	2017Q1	2014Q1
Institution Name	Ticker	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)
Access National Corporation	ANCX	NA	0.57	0.39	0.81	1.24	1.77
Ameris Bancorp	ABCB	NA	1.80	4.67	0.42	0.47	0.89
Atlantic Capital Bancshares, Inc.	ACBI	NA	0.55	1.01	1.01	1.03	1.23
Burke & Herbert B&T Company	BHRB	NA	1.54	2.44	NA	1.02	1.52
Capital City Bank Group, Inc.	CCBG	2.52	3.39	8.60	0.80	0.84	1.57
Carolina Financial Corporation	CARO	NA	0.89	4.93	0.53	0.74	1.37
Carter Bank & Trust	CARE	NA	5.05	4.95	1.39	1.39	1.04
City Holding Company	CHCO	1.46	1.55	2.09	0.59	0.62	0.82
FB Financial Corporation	FBK	NA	0.83	NA	0.67	1.01	NA
Fidelity Southern Corporation	LION	NA	1.43	3.34	0.75	0.82	1.52
First Bancorp	FBNC	1.25	1.81	3.62	0.57	0.71	1.96
First Bancshares, Inc.	FBMS	NA	1.58	1.88	0.57	0.68	0.98
First Community Bancshares	FCBC	1.89	1.77	2.49	1.09	1.01	1.37
Franklin Financial Network, Inc.	FSB	NA	0.27	0.56	0.94	0.92	1.15
HomeTrust Bancshares, Inc.	HTBI	NA	2.14	6.66	0.88	0.92	2.16
Live Oak Bancshares, Inc.	LOB	NA	0.46	NA	1.30	1.20	NA
National Commerce Corporation	NCOM	NA	0.27	NA	0.63	0.69	NA
Seacoast Banking Corp of Florida	SBCF	NA	1.43	4.32	0.72	0.82	1.47
ServisFirst Bancshares, Inc.	SFBS	0.52	0.34	0.96	1.05	1.04	1.08
Southern Nat'l Bancorp of VA	SONA	NA	1.10	2.84	0.51	0.89	1.36
State Bank Financial Corporation	STBZ	0.63	0.48	0.26	0.85	0.93	2.55
Summit Financial Group, Inc.	SMMF	NA	5.01	9.88	NA	0.90	1.14
Wilson Bank Holding Co.	WBHC	NA	0.49	1.36	NA	1.32	1.91
Median		1.35	1.43	2.67	0.77	0.92	1.37
Average		1.38	1.51	3.36	0.80	0.92	1.44

Includes institutions with holding company total assets available for the quarter ending March 31, 2018 as of May 1, 2018.

Source: S&P Global Market Intelligence

Appendix F. Southeast Publicly Traded Banks Between \$1 billion and \$2 billion in Total Assets

		2018Q1	2017Q1	2014Q1	2018Q1	2017Q1	2014Q1
Institution Name	Ticker	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	NPAs/ Loans & REO (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)
American National Bankshares	AMNB	NA	0.43	1.23	1.03	1.07	1.61
C&F Financial Corporation	CFFI	1.08	1.46	1.09	3.33	3.52	4.12
CapStar Financial Holdings, Inc.	CSTR	0.23	1.43	NA	1.33	1.35	NA
Charter Financial Corporation	CHFN	0.49	0.85	2.68	0.95	1.03	1.83
Colony Bankcorp, Inc.	CBAN	NA	4.48	7.95	0.97	1.17	1.59
Community Bankers Trust Corp.	ESXB	NA	1.91	4.28	0.91	1.08	1.64
Entegra Financial Corp.	ENFC	NA	2.77	7.33	1.07	1.25	2.27
First Community Corporation	FCCO	1.01	1.14	2.57	0.89	0.96	0.93
First Farmers and Merchants	FFMH	NA	0.36	1.91	NA	1.11	1.39
FVCBankcorp, Inc.	FVCB	NA	NA	0.91	0.88	0.88	1.15
John Marshall Bancorp, Inc.	JMSB	0.15	0.42	0.56	0.90	0.92	1.01
National Bankshares, Inc.	NKSH	2.03	1.89	2.88	1.12	1.27	1.41
Peoples Bancorp of N. Carolina	PEBK	NA	0.89	3.47	0.83	0.99	2.10
Reliant Bancorp, Inc.	RBNC	NA	0.97	0.66	0.86	1.28	1.35
SmartFinancial, Inc.	SMBK	0.34	0.49	6.77	0.47	0.64	1.03
Southern First Bancshares, Inc.	SFST	0.90	1.03	2.25	1.08	1.25	1.38
TGR Financial, Inc.	TGRF	NA	0.19	1.66	0.96	0.99	1.13
Median		0.69	1.00	2.41	0.96	1.08	1.40
Average		0.78	1.30	3.01	1.10	1.22	1.62

Includes institutions with holding company total assets available for the quarter ending March 31, 2018 as of May 1, 2018.

Source: S&P Global Market Intelligence