



AMBASSADOR FINANCIAL GROUP

Notes from the Ambassador Bank Vault

March 7, 2019

Accounting for CECL – Catch the Wave, Don't Let it Hit You in the Face

“Even if you're on the right track, you'll get run over if you just sit there.” – Will Rogers. The Financial Accounting Standard Board's (FASB) new standard regarding credit losses becomes effective in 2020 for SEC reporting companies and presents challenges for both banks and investors. **The Current Expected Credit Losses Standard* (ASU 2016-13 or “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 versus the current method, which records losses when it becomes probable that a loan becomes impaired. FASB believes CECL will provide investors with more timely information to assess credit quality and help banks better prepare for credit downturns.

- ❏ Credit losses are expected to be recognized earlier under CECL than under the current standard. Upon adoption of CECL, banks will record a one-time adjustment to its allowances for loan losses.
- ❏ Loss estimates include qualitative factors (including economic forecasts), which are inherently subjective and fickle. Yogi Berra said it better, “It's tough to make predictions, especially about the future.”
- ❏ Federal banking agencies recently adopted a joint final rule to revise regulatory capital rules regarding this new accounting standard. The rule includes an optional three year phase-in period to account for the initial effect of CECL implementation on regulatory capital.
- ❏ For those electing the transition period, CECL's regulatory capital effects will be phased in at 25% per year, beginning in the first quarter of the CECL adoption year. The transition period applies only to regulatory reporting; FASB seemingly will not allow the phase-in of CECL's effects on audited GAAP financial statements.
- ❏ **Although FASB opines that CECL will not have an economic impact, other parties (including some members of Congress) believe there could be circumstances whereby implementation could curtail lending or necessitate capital raises to meet investor expectations and/or regulatory requirements.**
- ❏ Investor relations departments, accountants, and securities lawyers are hard-pressed to deliver reliable forward-looking, computable data. SEC filings are expected to include new risk factors associated with CECL, but until hard data is available, analysts and investors will find it difficult to model earnings forecasts.

Is your bank ready for CECL?

An analysis of how banks determine loan loss reserves under CECL is beyond the scope of this article. Although quantifiable data generally is not yet available for community banks, most are in the process of designing and implementing appropriate systems. We believe banks and credit unions are closely monitoring historical loss information and loan losses procedures, but outside consultants are needed in many instances, particularly among smaller institutions. CECL estimates should include historical information, current economic conditions, and “reasonable and supportable forecasts”. 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. The standard does not include a definition of “reasonable and supportable.”

Are higher loan loss reserves probable?

We 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. If the implementation of CECL causes an initial increase to reserves (due to the change in accounting standards), the one-time adjustment is recorded by lowering retained earnings, but will not be recorded through the income statement.

As shown in Appendices A-F, banks have been running down reserves over recent 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.

Asset quality remains strong, but that will not be the case forever. The flat yield curve portends asset quality issues down the road as banks stretch for yield through riskier (credit and/or interest rate) loans or securities.

How does CECL affect capital?

The Federal Banking Agencies (Federal Reserve, FDIC, and OCC) adopted a joint final rule in December 2018, to revise the regulatory capital rules due to the adoption of CECL. The final rule included several changes to the regulatory capital rules, but arguably the most important is the optional three-year phase-in period for the recognition of CECL’s expected adverse effects on regulatory capital. As we go to press, it appears that any additional regulatory or legislative assistance from CECL’s adverse effects is unlikely.

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. As of January 1, 2019, the Basel III minimum total risk-based capital ratio is 10.5% for an institution to avoid restrictions on dividend payments and executive compensation. 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 because debt remains relatively inexpensive due to attractive interest rates.** Subordinated debt is included as Tier 2 capital when issued by a holding company and any proceeds down-streamed to the bank entity are included in the bank’s Tier 1 capital. These amounts are not capped unlike loan loss reserves.

	Sample Bank	Pro Forma		
		10% ALL Increase	20% ALL Increase	40% ALL Increase
Total assets	\$2,000,000	\$1,998,000	\$1,996,000	\$1,992,000
Total loans	1,640,000	1,640,000	1,640,000	1,640,000
Intangible assets	20,000	20,000	20,000	20,000
Tangible assets	1,980,000	1,978,000	1,976,000	1,972,000
Risk-weighted assets	1,800,000	1,800,000	1,800,000	1,800,000
Allowance for loan losses (ALL)	\$20,000	\$22,000	\$24,000	\$28,000
Loan loss reserves/loans	1.22%	1.34%	1.46%	1.71%
ALL/risk-weighted assets	1.11%	1.22%	1.33%	1.56%
Tier 1 capital	\$170,000	\$168,000	\$166,000	\$162,000
ALL (includable as Tier 2 capital)	20,000	22,000	22,500	22,500
Total capital	190,000	190,000	188,500	184,500
Risk weighted assets	1,800,000	1,800,000	1,800,000	1,800,000
Total assets leverage	1,940,000	1,938,000	1,936,000	1,932,000
Tier 1 capital ratio	9.44%	9.33%	9.22%	9.00%
Total capital ratio	10.56%	10.56%	10.47%	10.25%
Tier 1 leverage	8.76%	8.67%	8.57%	8.39%

Note: As of January 1, 2019, the Basel III minimum total risk-based capital ratio is 10.5% for an institution to avoid restrictions on dividend payments and executive compensation.

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. Under CECL, institutions need to recognize credit losses on individual securities available for sale (AFS) through credit loss allowances, rather than direct write-downs, as is currently required by GAAP. Investments that appear more apt to have credit issues would be longer-term corporate bonds or municipal securities.

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. **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 possibility.

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

Stocks typically trade on a forward-looking basis, but bank investors and analysts will have more difficulty than usual when forecasting earnings for 2020 and beyond due to CECL. We opine that earnings comparisons between 2020 and 2019 could be confusing due to the implementation of CECL. Also, depending upon the assumptions used to calculate reserves under the new standard, comparisons between individual banks will become more onerous. On the other hand, the hit to equity will result in higher returns on equity, all other things being equal.

When, what, and how will banks disclose the impact of 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. As a general rule, SEC filers should provide information when it becomes both reliable and available. To date, community banks have not disclosed much in fourth quarter earnings releases, however, upcoming Form 10-Ks and other SEC filings will likely have CECL-related risk factors. This could be in the form of a separate risk factor or included within a more generic risk factor that describes potential adverse effects from changes in accounting standards. JPMorgan Chase (NYSE: JPM) and Citizens Financial Group (NYSE: CFG) referenced CECL in the Risk Factors section of their recently filed Form 10-Ks for the year ending December 31, 2018.

*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

		2018Q4	2018Q4	2018Y	2017Y	2014Y	2018Y
Institution Name	Ticker	Total Assets (\$000)	Tang Eq/ Assets (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	NPAs/ Loans & REO (%)
Amalgamated Bank	AMAL	4,677,888	8.82	1.15	1.28	NA	1.76
Arrow Financial Corp.	AROW	2,988,334	8.30	0.92	0.95	1.10	0.25
Bancorp, Inc.	TBBK	4,454,561	9.05	0.39	0.37	0.33	3.27
BCB Bancorp, Inc.	BCBP	2,674,731	7.29	0.97	1.05	1.32	1.56
Bridge Bancorp, Inc.	BDGE	4,700,744	7.51	0.96	1.02	1.32	0.55
Bryn Mawr Bank Corp.	BMTC	4,652,485	8.04	0.57	0.53	0.88	0.65
CNB Financial Corp.	CCNE	3,221,521	7.02	0.80	0.92	1.28	0.92
Columbia Financial, Inc. (MHC)	CLBK	6,691,618	14.45	1.25	1.30	1.63	0.38
ConnectOne Bancorp, Inc.	CNOB	5,462,092	8.77	0.77	0.76	0.56	1.32
Customers Bancorp, Inc.	CUBI	9,833,425	9.58	0.47	0.44	0.54	0.44
Dime Community Bancshares, Inc.	DCOM	6,320,578	8.72	0.40	0.38	0.45	0.12
Eagle Bancorp, Inc.	EGBN	8,389,137	12.11	1.00	1.01	1.06	0.40
Financial Institutions, Inc.	FISI	4,311,698	7.56	1.10	1.27	1.44	0.24
First Commonwealth Fin'l Corp.	FCF	7,828,255	9.13	0.83	0.89	1.17	0.62
First of Long Island Corp.	FLIC	4,241,060	9.15	0.94	1.15	1.29	0.10
Flushing Financial Corp.	FFIC	6,834,176	7.82	0.38	0.39	0.66	0.44
Howard Bancorp, Inc.	HBMD	2,267,053	9.73	0.59	0.63	0.60	1.74
Kearny Financial Corp.	KRNY	6,702,440	NA	0.69	0.90	0.71	0.55
Lakeland Bancorp, Inc.	LBAI	5,806,093	8.57	0.85	0.85	1.16	0.49
Metropolitan Bank Holding Corp.	MCB	2,182,644	11.73	1.02	1.05	NA	0.08
Mid Penn Bancorp, Inc.	MPB	2,077,981	7.63	0.52	0.83	1.18	0.76
NBT Bancorp Inc.	NBTB	9,556,363	7.85	1.05	1.06	1.19	0.60
Northfield Bancorp, Inc.	NFBK	4,408,432	14.35	0.85	0.83	1.35	0.74
Northwest Bancshares, Inc.	NWBI	9,607,773	10.03	0.69	0.73	1.13	1.13
OceanFirst Financial Corp.	OCFC	7,516,154	9.55	0.30	0.39	0.95	0.85
OFG Bancorp	OFG	6,583,352	14.02	3.57	3.97	2.70	5.74
Old Line Bancshares, Inc.	OLBK	2,950,007	9.22	0.31	0.35	0.46	0.32
Oritani Financial Corp.	ORIT	4,090,073	12.89	0.86	0.84	1.24	0.33
Peapack-Gladstone Fin'l Corp.	PGC	4,617,858	9.52	0.98	0.98	0.87	0.76
Peoples Financial Services Corp.	PFIS	2,288,189	9.60	1.17	1.12	0.85	0.49
Provident Financial Services, Inc.	PFS	9,725,769	10.11	0.77	0.82	1.01	0.85
Republic First Bancorp, Inc.	FRBK	2,753,297	NA	0.59	0.71	1.47	1.56
Revere Bank	REVB	2,455,211	9.67	0.90	0.82	1.21	0.15
S&T Bancorp, Inc.	STBA	7,252,221	9.27	1.03	0.98	1.24	1.10
Sandy Spring Bancorp, Inc.	SASR	8,243,272	9.02	0.81	1.05	1.20	0.92
Tompkins Financial Corp.	TMP	6,758,436	7.84	0.90	0.85	0.85	0.58
TriState Capital Holdings, Inc.	TSC	6,035,655	6.90	0.26	0.34	0.84	0.11
TrustCo Bank Corp NY	TRST	4,958,913	9.87	1.16	1.21	1.47	0.97
Univest Financial Corp.	UVSP	4,984,347	9.29	0.73	0.60	1.27	0.71
WSFS Financial Corp.	WSFS	7,248,870	9.01	0.80	0.84	1.21	0.97
Median			9.14	0.84	0.85	1.16	0.64
Average			9.45	0.86	0.91	1.08	0.89

Includes institutions with holding company total assets available for the quarter ending Dec. 31, 2018.

Source: S&P Global Market Intelligence

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

		2018Q4	2018Q4	2018Y	2017Y	2014Y	2018Y
Institution Name	Ticker	Total Assets (\$000)	Tang Eq/ Assets (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	NPAs/ Loans & REO (%)
1st Source Corporation	SRCE	6,293,745	10.94	2.07	2.09	2.30	0.73
Alerus Financial Corporation	ALRS	2,179,070	6.89	1.27	1.04	1.51	0.45
Byline Bancorp, Inc.	BY	4,942,574	NA	0.72	0.73	0.37	0.93
Capitol Federal Financial, Inc.	CFFN	9,303,782	14.31	0.11	0.12	0.15	0.20
Civista Bancshares, Inc.	CIVB	2,138,954	10.43	0.87	1.13	1.56	0.63
Community Trust Bancorp, Inc.	CTBI	4,201,616	12.06	1.12	1.16	1.26	2.87
Dacotah Banks, Inc.	DBIN	2,577,174	11.22	1.48	1.58	1.43	2.06
Enterprise Financial Services Corp	EFSC	5,645,662	8.66	1.00	1.04	1.80	0.40
Equity Bancshares, Inc.	EQBK	4,061,716	7.71	0.44	0.40	0.82	1.53
Farmers National Banc Corp.	FMNB	2,328,730	9.56	0.78	0.78	1.15	0.52
First Busey Corporation	BUSE	7,702,357	9.38	0.91	0.95	1.96	0.85
First Defiance Financial Corp.	FDEF	3,182,376	9.63	1.11	1.13	1.50	1.26
First Financial Corporation	THFF	3,008,718	13.69	1.05	1.04	1.06	0.90
First Internet Bancorp	INBK	3,541,692	8.03	0.65	0.70	0.76	0.14
First Merchants Corporation	FRME	9,884,716	9.97	1.11	1.11	1.63	0.40
First Mid-Illinois Bancshares, Inc.	FMBH	3,839,734	NA	0.99	1.03	1.29	1.60
German American Bancorp, Inc.	GABC	3,929,090	9.04	0.58	0.73	1.03	0.48
Great Southern Bancorp, Inc.	GSBC	4,676,200	11.20	0.95	0.97	1.24	0.63
Horizon Bancorp, Inc.	HBNC	4,246,688	8.79	0.59	0.58	1.19	0.55
Independent Bank Corporation	IBCP	3,353,281	9.17	0.93	1.10	1.81	2.34
Lakeland Financial Corporation	LKFN	4,875,254	10.61	1.24	1.23	1.67	0.40
Mercantile Bank Corporation	MBWM	3,363,907	9.68	0.81	0.76	0.96	0.88
Merchants Bancorp	MBIN	3,884,163	10.36	0.44	0.35	0.38	0.20
Meta Financial Group, Inc.	CASH	6,182,765	6.90	0.44	0.57	1.08	1.19
Midland States Bancorp, Inc.	MSBI	5,637,673	7.48	0.50	0.50	0.65	1.10
MidWestOne Fin'l Group, Inc.	MOFG	3,291,480	8.78	1.22	1.23	1.60	1.07
MutualFirst Financial, Inc.	MFSF	2,049,313	8.72	0.89	1.05	1.29	0.79
NASB Financial, Inc.	NASB	2,197,987	10.42	1.06	1.05	1.72	1.98
Nicolet Bankshares, Inc.	NCBS	3,096,535	NA	0.61	0.61	1.04	0.27
Old Second Bancorp, Inc.	OSBC	2,676,003	7.81	1.00	1.08	1.86	1.30
Park National Corporation	PRK	7,804,308	9.28	0.90	0.93	1.13	1.53
Peoples Bancorp Inc.	PEBO	3,992,112	9.42	0.74	0.80	1.10	0.70
QCR Holdings, Inc.	QCRH	4,949,710	7.78	1.07	1.16	1.42	0.74
Republic Bancorp, Inc.	RBCA.A	5,240,404	12.88	1.07	1.06	0.80	0.98
Southern Missouri Bancorp, Inc.	SMBC	2,206,279	9.21	1.15	1.10	1.14	2.17
Sterling Bancorp, Inc.	SBT	3,196,774	10.47	0.75	0.68	0.87	0.34
Stock Yards Bancorp, Inc.	SYBT	3,302,924	11.05	1.00	1.03	1.33	0.14
United Community Fin'l Corp.	UCFC	2,811,357	10.24	0.89	1.01	1.49	0.96
West Bancorporation, Inc.	WTBA	2,296,568	8.32	0.97	1.09	1.15	0.12
West Suburban Bancorp, Inc.	WNRP	2,251,719	9.79	1.26	1.38	2.32	3.82
Median			9.48	0.94	1.03	1.25	0.82
Average			9.70	0.92	0.95	1.27	1.00

Includes institutions with holding company total assets available for the quarter ending Dec. 31, 2018.

Source: S&P Global Market Intelligence

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

		2018Q4	2018Q4	2018Y	2017Y	2014Y	2018Y
Institution Name	Ticker	Total Assets (\$000)	Tang Eq/ Assets (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	NPAs/ Loans & REO (%)
Atlantic Capital Bancshares, Inc.	ACBI	2,955,440	10.35	1.03	1.27	1.10	0.66
Burke & Herbert Bank & Trust Co.	BHRB	3,006,721	11.50	0.93	0.88	1.33	1.27
Capital City Bank Group, Inc.	CCBG	2,959,183	7.58	0.80	0.80	1.22	1.72
Carolina Financial Corporation	CARO	3,790,748	11.83	0.57	0.49	1.10	0.54
Carter Bank & Trust	CARE	4,039,599	9.48	1.45	1.32	1.04	5.20
City Holding Company	CHCO	4,900,925	10.01	0.45	0.60	0.76	1.37
FB Financial Corporation	FBK	5,136,764	10.49	0.73	0.65	1.80	0.78
Fidelity Southern Corporation	LION	4,733,796	9.04	0.79	0.76	0.97	2.06
First Bancorp	FBNC	5,863,687	NA	0.49	0.57	1.69	1.00
First Bancshares, Inc.	FBMS	3,003,986	8.66	0.49	0.67	0.86	1.84
First Community Bankshares, Inc.	FCBC	2,244,374	10.95	1.03	1.06	1.20	1.70
Franklin Financial Network, Inc.	FSB	4,246,389	8.37	0.88	0.94	0.83	0.21
HomeTrust Bancshares, Inc.	HTBI	3,413,099	11.29	0.83	0.90	1.56	1.20
Live Oak Bancshares, Inc.	LOB	3,670,449	NA	1.28	1.19	0.88	3.12
Mercantil Bank Holding Corp.	AMTB	8,124,347	8.96	1.04	1.19	NA	0.28
National Commerce Corporation	NCOM	4,210,541	10.88	0.55	0.69	1.09	0.34
Seacoast Banking Corp. of Florida	SBCF	6,747,659	9.72	0.67	0.71	0.93	1.08
ServisFirst Bancshares, Inc.	SFBS	8,007,382	8.77	1.05	1.01	1.06	0.41
SmartFinancial, Inc.	SMBK	2,274,409	9.29	0.46	0.44	1.07	0.30
Southern BancShares (N.C.), Inc.	SBNC	2,684,237	9.99	1.18	1.13	1.54	0.69
Southern National Bancorp of VA	SONA	2,701,294	9.18	0.56	0.46	1.05	0.57
Summit Financial Group, Inc.	SMMF	2,200,586	8.92	0.77	0.78	1.08	2.14
Wilson Bank Holding Co.	WBHC	2,544,000	NA	NA	1.36	1.66	0.17
Median			9.60	0.80	0.80	1.09	1.00
Average			9.76	0.82	0.86	1.17	1.25

Includes institutions with holding company total assets available for the quarter ending Dec. 31, 2018.

Source: S&P Global Market Intelligence

Appendix D. Northeast Publicly Traded Banks Between \$2 billion and \$10 billion in Total Assets

		2018Q4	2018Q4	2018Y	2017Y	2014Y	2018Y
Institution Name	Ticker	Total Assets (\$'000)	Tang Eq/ Assets (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	NPAs/ Loans & REO (%)
Bar Harbor Bankshares	BHB	3,608,487	7.51	0.56	0.50	0.98	0.99
Blue Hills Bancorp, Inc.	BHBK	2,805,575	14.12	0.83	0.94	1.12	0.62
Boston Private Fin'l Holdings, Inc.	BPFH	8,494,625	8.12	1.09	1.15	1.44	0.26
Brookline Bancorp, Inc.	BRKL	7,392,805	10.30	0.93	1.02	1.11	0.62
BSB Bancorp, Inc.	BLMT	3,030,101	6.66	0.68	0.71	0.75	0.20
Cambridge Bancorp	CATC	2,101,384	7.93	1.08	1.13	1.32	0.04
Camden National Corporation	CAC	4,297,435	8.02	0.82	0.87	1.19	0.48
Century Bancorp, Inc.	CNBK.A	5,163,935	5.77	1.25	1.21	1.68	0.27
Enterprise Bancorp, Inc.	EBTC	2,964,358	8.44	1.42	1.45	1.62	1.21
HarborOne Bancorp, Inc. (MHC)	HONE	3,653,121	7.81	0.68	0.82	0.83	1.15
Hingham Institution for Savings	HIFS	2,408,587	8.83	0.68	0.68	0.73	0.09
Independent Bank Corp.	INDB	8,851,592	9.35	0.93	0.95	1.11	1.00
Meridian Bancorp, Inc.	EBSB	6,178,683	10.59	0.94	0.97	1.06	0.34
United Financial Bancorp, Inc.	UBNK	7,356,874	8.15	0.90	0.86	0.63	0.84
Washington Trust Bancorp, Inc.	WASH	5,010,766	7.62	0.73	0.78	0.96	0.51
Western New England Bancorp	WNEB	2,118,822	10.50	0.71	0.66	1.10	0.92
Median			8.14	0.86	0.90	1.10	0.57
Average			8.14	0.88	0.92	1.10	0.54

Includes institutions with holding company total assets available for the quarter ending Dec. 31, 2018.

Source: S&P Global Market Intelligence

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

		2018Q4	2018Q4	2018Y	2017Y	2014Y	2018Y
Institution Name	Ticker	Total Assets (\$000)	Tang Eq/ Assets (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	NPAs/ Loans & REO (%)
Allegiance Bancshares, Inc.	ABTX	4,655,249	10.29	0.71	1.04	0.82	1.06
BancFirst Corporation	BANF	7,574,258	10.79	1.03	1.09	1.06	0.86
Business First Bancshares, Inc.	BFST	2,094,896	9.95	0.73	0.90	1.19	1.09
CBTX, Inc.	CBTX	3,279,096	12.56	0.97	1.07	1.33	0.52
First Financial Bankshares, Inc.	FFIN	7,731,854	11.63	1.29	1.38	1.25	0.72
Guaranty Bancshares, Inc.	GNTY	2,266,970	9.31	0.88	0.94	0.97	0.50
Home Bancorp, Inc.	HBCP	2,153,658	11.40	0.99	0.89	0.85	1.65
Independent Bank Group, Inc.	IBTX	9,849,965	9.24	0.57	0.61	0.58	0.29
LegacyTexas Financial Group, Inc.	LTXB	9,051,142	10.32	0.87	0.91	0.75	0.33
National Bank Holdings Corp.	NBHC	5,676,666	10.27	0.86	0.98	0.81	0.94
Origin Bancorp, Inc.	OBNK	4,821,576	10.79	0.89	1.12	1.17	1.00
People's Utah Bancorp	PUB	2,184,294	12.11	1.49	1.12	1.59	0.41
Southside Bancshares, Inc.	SBSI	6,123,494	8.68	0.82	0.63	0.61	1.22
Triumph Bancorp, Inc.	TBK	4,559,779	10.03	0.76	0.67	0.88	1.00
Veritex Holdings, Inc.	VBTX	3,208,550	11.66	0.75	0.57	0.98	1.00
Median			10.32	0.87	0.94	0.97	0.94
Average			10.60	0.92	0.92	1.00	0.83

Includes institutions with holding company total assets available for the quarter ending Dec. 31, 2018.

Source: S&P Global Market Intelligence

Appendix F. West Publicly Traded Banks Between \$2 billion and \$10 billion in Total Assets

		2018Q4	2018Q4	2018Y	2017Y	2014Y	2018Y
Institution Name	Ticker	Total Assets (\$000)	Tang Eq/ Assets (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	Loan Loss Reserves/ Gross Loans (%)	NPAs/ Loans & REO (%)
1867 Western Financial Corp.	WFCL	3,179,839	14.86	2.96	3.15	3.23	0.59
American Business Bank	AMBZ	2,157,443	7.65	1.40	1.48	1.91	0.12
Axos Financial, Inc.	AX	9,810,096	9.40	0.58	0.55	0.50	0.57
Bank of Marin Bancorp	BMRC	2,520,892	11.29	0.90	0.94	1.11	0.85
Central Pacific Financial Corp.	CPF	5,807,026	8.47	1.17	1.32	2.52	0.28
Exchange Bank	EXSR	2,653,960	8.73	2.63	2.69	3.08	1.24
Farmers & Merchants Bancorp	FMCB	3,430,000	NA	2.13	2.27	2.07	0.56
Farmers & Merchants Long Beach	FMBL	7,308,236	14.06	1.46	1.52	1.69	0.44
First Foundation Inc.	FFWM	5,840,412	8.01	0.40	0.48	0.87	0.28
First National Bank Alaska	FBAK	3,753,466	13.50	0.98	0.97	0.94	1.69
Hanmi Financial Corporation	HAFC	5,502,219	9.84	0.69	0.72	1.89	0.48
Heritage Commerce Corp	HTBK	3,096,562	NA	1.47	1.24	1.69	0.74
Heritage Financial Corporation	HFWA	5,317,852	9.87	0.96	1.13	1.23	1.05
HomeStreet, Inc.	HMST	7,042,221	10.14	0.76	0.73	0.80	1.31
Luther Burbank Corporation	LBC	6,937,212	8.33	0.56	0.60	1.51	0.11
Mechanics Bank	MCHB	6,032,147	8.39	0.58	0.54	2.08	0.21
Opus Bank	OPB	7,180,903	9.84	1.06	1.47	0.56	0.54
Preferred Bank	PFBC	4,215,502	9.81	0.93	1.02	1.43	1.33
RBB Bancorp	RBB	2,975,480	NA	0.68	1.00	1.19	0.20
River City Bank	RCBC	2,206,367	9.46	2.19	2.16	2.87	0.08
Sierra Bancorp	BSRR	2,522,502	9.61	0.56	0.58	1.16	0.99
Territorial Bancorp Inc.	TBNK	2,068,999	11.39	0.17	0.17	0.17	0.20
TriCo Bancshares	TCBK	6,352,441	9.46	0.81	1.00	1.60	0.90
W.T.B. Financial Corporation	WTBF.B	6,552,350	9.20	2.24	2.21	2.42	0.29
Westamerica Bancorporation	WABC	5,568,526	9.04	1.77	1.79	1.85	0.79
Median			9.53	0.96	1.02	1.60	0.56
Average			10.02	1.20	1.27	1.61	0.63

Includes institutions with holding company total assets available for the quarter ending Dec. 31, 2018.

Source: S&P Global Market Intelligence