Self-Examination Program
For Commercial Banks
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THE SELF-EXAMINATION PROGRAM

The Arkansas State Bank Department is responsible to the citizens of the State of Arkansas for the supervision of state-chartered banks to ensure the safety and soundness of operations. The Department is required by law to examine each bank at least once within every 24-month period; however, the 24-month period may be extended to 36 months if an interim thorough examination is performed by the bank's primary Federal regulatory authority. Due to the possibility of an extended State examination frequency, the Self-Examination Program has become more important to both bank management and the Department.

The Self-Examination Program originated from the desire of the Department to establish a timely and effective off-site program to monitor the performance and condition of the state's banks between on-site examinations. The program was first introduced in March 1986 and gained immediate acceptance by bankers as an effective management report. The program thus served a twofold purpose: an off-site monitoring program for the Department and an effective management report for bank managers and directors.

In January 1987, the Department introduced the second edition of the program, which featured a comprehensive manual designed to explain information presented in the monthly reports. Although no significant changes resulted, a better understanding of the key financial data was gained through the Self-Examination Manual.

Changes in banking dictate that both bank managers and regulators monitor key performance indicators on an ongoing basis. The Self-Examination Program is not static. On the contrary, the program periodically is revised to accommodate the constant change that occurs in the banking industry.

The Self-Examination Program is not intended to replace the examination process or a comprehensive managerial program. It is designed to supplement both. For the Department, the program lessens the impact of extended periods between examinations of both sound and troubled institutions. For the bank manager, it provides timely, accurate and meaningful information to assist in recognizing and understanding the bank's strengths and weaknesses and in effectively planning the bank's successful operation. The program allows the regulator and the bank manager to detect problem areas and trends before they are allowed to develop into unmanageable situations, thereby affording an opportunity to seek solutions and prevent further deterioration. In effect, the program serves as an "early warning" indicator.

The information provided by program participants will enable the Department to produce reports that reflect a bank’s month-by-month performance, a comparison of its performance to banks within its peer group and exceptions to established parameters. Though strongly recommended, participation in the program is voluntary for most banks. Participation in the program is a requirement for de novo banks and banks under any type of enforcement action. The information provided and the reports produced are regarded as STRICTLY CONFIDENTIAL and will not be made available to the general public, the news media or any private publication.

The personnel of the State Bank Department strongly believe that the Self-Examination Program is an important and effective monitoring tool for bank managers and regulators in a volatile and changing banking environment.

Self-Examination Input Reports should be submitted on line at www.ark.org / bank / exam / index.html. For security purposes, there is no link from our public web site. The Department has also assigned user names and passwords to each bank as an additional security measure.

Inquiries may be made by contacting the Arkansas State Bank Department, #1 Commerce Way, Suite 303, Little Rock, Arkansas, 72202. Telephone: 501-324-9019. E-mail: finanalysts@banking.state.ar.us.

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THE RATIOS AND PERFORMANCE INDICATORS

The primary tools of financial analysis are ratios. Ratios are quantified concepts and comparisons that allow one entity to be evaluated relative to its peers. Two important factors must always be kept in mind when evaluating a ratio: the level and trend of each ratio. It is fundamentally important to constantly distinguish between level and trend and attempt judgments as to both.

An important characteristic of ratio analysis is that it is future-oriented. The goal of ratio analysis is to use past and present performance characteristics to assess prospects for the future under various scenarios.

Other raw data performance indicators can provide further insight into specific or unusual changes within an institution. Areas specifically affected by management’s discretionary actions must be evaluated against other performance indicators to effectively evaluate the condition of an institution.

Asset and geographical peer ratios are derived by averaging the ratios of all banks in each peer group. Prior to May 1, 2004, peer ratios were skewed by the performance of banks that elected Subchapter S status and were not taxed at the corporate level. Beginning May 1, 2004, the Self-Exam Program began estimating income taxes for Subchapter S banks at a tax rate of 34 percent. This was done to provide a method to adequately evaluate and compare Subchapter S banks to other banks. To reflect a change in the corporate tax rate, the estimated rate used for comparison purposes was amended to 21 percent beginning January 1, 2018.

Parameters have been established for most ratios. Parameters are suggested or industry-accepted guidelines. It is important to keep in mind that for some ratios, the exceeding of a parameter – noted on the Exceptions Report (Report #5) – is not necessarily a negative indication. Many ratios cannot be validly analyzed without looking at other ratios or without knowing a bank’s business plan.

For example, a bank that exceeds the parameter for the ratio, non-interest expense to average assets, may be expanding its branch network. Such expansion can result in an increasing non-interest expense ratio due to the hiring of additional employees and the depreciation expense associated with new fixed assets. At the same time, however, an expanding branch network can result in a higher net interest margin due to increases in loan volume and / or lower-cost core deposits. Alternatively, a non-interest expense ratio might be above parameter if a bank operates one or more sizable subsidiaries. Typically, however, subsidiaries generate additional non-interest income, which can offset the higher overhead.

Another example of the relationship of ratios and strategy is a bank with a loan-to-deposit ratio that exceeds parameter. This can indicate, on the one hand, pressure on funding ability or an increase in credit risk. On the other hand, a bank with a high loan-to-deposit ratio may have sufficient borrowing capacity and credit underwriting / administration resources in place to mitigate the risks indicated by a high ratio.

Finally, a bank with an asset growth rate above parameter generally would not be cause for concern if additional capital is injected to support the growth, and staff size and expertise are maintained to adequately manage the growth. However, there would be cause for concern if asset growth is followed by an increase in overdue and nonaccrual ratios. In fact, for a community bank, weakening asset quality ratios that exceed parameter by a sizable margin cannot readily be supported by other ratios, the level of the bank’s capital or the bank’s strategy.
PROFITABILITY

The most important point to begin the analysis of any bank is earnings. From this point, an "analysis trail" begins that ultimately leads to all areas of the bank. Specifically, an analysis of earnings should address the level and trend of earnings, the composition of earnings, and management's ability to control the different aspects of the income and expense structure of the institution.

The Self-Examination Program reviews the profitability of a bank through the analysis of the bank's return on average assets and equity, net interest margin, non-interest expense, non-interest income, average days collection of interest, yield on loans, yield on investment securities, cost of funds and the break-even yield.

Many ratios in the Self-Examination Program are affected by acquisitions and mergers. Profitability ratios are most affected since the earnings of a bank are reported for a certain period of time. The Self-Examination Program uses January through December as the standard fiscal year. If your institution is acquired by another institution during the reporting fiscal year and “push down” accounting is used for financial statement purposes, no income or expense for the period of the calendar year prior to the acquisition date should be included in subsequent self-examinations.

Extraordinary items and other “one time” adjustments to income also affect many ratios. This input item is used to adjust financial results that otherwise would be inconsistent with normal operating results. An “extraordinary item” is a material event or transaction that is both unusual and infrequent. This item should be reported net of income taxes. Treatment of this item in the Self-Examination should parallel call report treatment. For additional guidance, refer to the Instructions for Preparation of Consolidated Reports of Condition and Income.

1. RETURN ON AVERAGE ASSETS

Earnings of a bank are considered essential to absorb loan losses, finance the internal growth of capital and to attract investors to supply new capital. The retention of earnings is the best method by which a bank can maintain an adequate capital account. The best single indicator of the level of bank earnings is the return on average assets ratio. Banks are basically in the "yield" business. Accordingly, the concept of return on assets is in keeping with this fundamental method by which bankers appraise their performance as lenders, investors, and managers.

Return on average assets is calculated by dividing annualized net operating income after taxes, including realized gain or loss on investment securities, by average assets. Extraordinary items and other adjustments are factored out prior to annualization but then added back to the annualized numerator. As previously discussed, banks which have elected Subchapter S status are taxed at a rate of 21 percent for estimation purposes. Traditionally in Arkansas, a 1.00 percent return on average assets has been considered good. The Self-Examination Program parameter is established at 1.000%.

2. RETURN ON AVERAGE EQUITY

One of the primary reasons for operating a bank is to generate income for the benefit of stockholders. An important measure of a bank’s success in this regard is to evaluate the rate of return on a stockholder’s investment by use of the return on average equity ratio. This ratio is computed by dividing annualized net operating income after taxes, including realized gain or loss on investment securities, by average total equity. Extraordinary items and other adjustments are factored out prior to annualization but then added back to the annualized numerator. Subchapter S banks are taxed at a rate of 21 percent for estimation purposes.
This ratio is affected by the level of capitalization of the institution and, while it is a good tool in evaluating return to the stockholders, it is not considered an effective measure of earnings performance from the bank's standpoint. No parameter has been established in the Self-Examination Program and peer group comparisons are not meaningful due to the wide variance of equity capital levels in banks.

3. **NET INTEREST MARGIN**

The net interest margin is the net yield that earnings from interest represent on earning assets. The net interest margin must be computed on a tax-equivalent basis. This adjustment takes into account interest earned on tax-exempt assets.

The net interest margin ratio is calculated by dividing annualized net interest income (interest income on a tax-equivalent basis less interest expense) by average earning assets. A net interest margin of less than 3.00 percent generally is reflective of a bank with a large volume of non-earning or low-yielding assets. The Self-Examination Program parameter is established at 3.500%.

4. **NON-INTEREST EXPENSE (OVERHEAD EXPENSE) / AVERAGE ASSETS**

Non-interest, or overhead, expense is the normal operating expense associated with the daily operation of a bank. It consists of salaries and benefits, expense of premises and fixed assets, and other non-interest expense. Provisions for loan and lease losses, realized losses on securities and income taxes should not be included in non-interest expense. It is essential to monitor overhead expense as it directly reduces profitability and is normally substantially greater than non-interest income.

The ratio is computed by dividing non-interest expense (annualized) by average assets. The Self-Examination Program parameter is 3.000%.

5. **NON-INTEREST INCOME / AVERAGE ASSETS**

Non-interest income is income derived from fee-based banking services. It is used as a supplement to interest income and enhances profitability. Non-interest income consists of service charges on deposit accounts, consulting and advisory fees, rental of safe deposit boxes and other fee income. Income from fiduciary, brokerage and insurance activities also is included. Realized gains on securities are not a component of non-interest income.

The ratio is computed by dividing non-interest income (annualized) by average assets. The Self-Examination Program parameter is 0.725%.

6. **AVERAGE COLLECTION OF INTEREST (DAYS)**

To understand the significance of the comparison of accrued interest receivable to total interest income, one must first recognize that accrued interest receivable is a non-earning asset. An analogy can be made to the "days sales in inventory" at the local grocery store or shoe store, which is an indicator of the store's exposure to excessive inventory levels. Inventory on hand produces no income. Similarly, the "days interest uncollected" is an indicator of the extent of interest income recorded but not converted to cash that can be reinvested in an earning asset. The comparison is expressed as the number of days interest on earning assets remains uncollected, much like a retailer calculates the number of days inventory remains on hand.

The proper structuring of earning assets affords a bank the opportunity to maximize earnings through the conversion of a non-earning asset, accrued interest receivable, to an earning asset. For example, a measure of 60 days indicates interest is collected, on average, every other month and is a good indicator that loans and other earning assets have been structured to pay interest in a relatively short period of time.

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An upward movement in this measure might indicate the volume of overdue loans is increasing or repayment terms are being extended to accommodate a borrower's inability to properly service debt. An overdue loan and / or frequent extensions always have been considered to be the first signs that a borrower is experiencing cash-flow problems. If this, indeed, is the reason the ratio is rising, an increase in nonaccrual loans and 90-day overdue loans might result. On the other hand, if overdue loans and excessive extensions are not prevalent, a measure reflecting a large number of days might indicate that loans or investment securities have been structured to pay interest at longer intervals. The bank, therefore, might not be optimizing its return since it takes longer to reallocate the interest it receives.

A bank can fully maximize its earnings potential not only by making sound lending and investment decisions but also by properly structuring earning assets and collecting interest when due. Average collection of interest (days) is calculated by dividing accrued interest receivable by annualized interest income and multiplying the result by 365. The Self-Examination Program parameter is 75 days.

7. **LOAN AND LEASE YIELD**

The loan and lease yield ratio represents the average yield on all loans and leases. The ratio is computed by dividing annualized interest and fees on loans and lease financing receivables by average total loans and lease financing receivables. The Self-Examination Program does not establish a parameter for this ratio.

8. **INVESTMENT SECURITIES YIELD (BOOK)**

The investment securities yield ratio represents the average yield on all securities. This ratio is computed by dividing annualized interest and dividend income on investment securities by the average book value of total investment securities. The Self-Examination Program does not establish a parameter for this ratio. The balance of, and income from, equity securities without readily determinable fair values should not be included in this ratio.

9.a. **COST OF FUNDS (TOTAL)**

The Self-Examination Program views the bank as an institution that services a wide variety of liability accounts used as funding sources but groups all the different types of account activities into a single function. The program analyzes the cost associated with this funds function. The objective is to provide approximate costs rather than to provide sophisticated and precise cost data on individual fund accounts.

The average cost of funds ratio is the bank's cost of all of its investable funds. It must be remembered that the average cost of funds always is based on historical costs and historical interest rates and will result in an unreliable estimate of today's cost of funds. The funds that enter into the calculation of the average already have been invested. The average funds rates can be related only to average investments and average loans already on the bank's books. The next loan will be made at the marginal rate and will be covered by marginally obtained funds.

Theoretically, the marginal cost of funds is the bank's cost of obtaining the next dollar of investable funds. Practically speaking, it is the rate at which the bank can obtain money on any given day to meet an unexpected obligation that day. A bank's "marginal cost of funds," therefore, can be thought of as the rate being paid on short-term (90- and 180-day) certificates of deposit on the date an investment is made, i.e., the funding of a loan or the purchasing of a security.

The average total cost of funds ratio is computed by dividing annualized interest expense on all interest-bearing obligations by the average of all the obligations that generated those expenses. The Self-Examination Program does not establish a parameter for this ratio.
9.b. **INTEREST EXPENSE ON DEPOSITS**

The average interest expense on deposits is computed by dividing annualized interest expense on all deposits by the average of the obligations that generated those expenses. The Self-Examination Program does not establish a parameter for this ratio.

9.c. **INTEREST EXPENSE ON BORROWED FUNDS**

The average interest expense on borrowed funds is computed by dividing annualized interest expense on all borrowed funds by the average of the obligations that generated those expenses. The Self-Examination Program does not establish a parameter for this ratio.

10. **BREAK-EVEN YIELD**

The break-even yield reflects the yield on earning assets required to cover all interest expense and net overhead expenses. The break-even yield effectively places a floor on the pricing of earning assets. A bank cannot afford to lend or invest funds at a lower rate of interest and expect to generate a profit.

The break-even yield is computed by adding interest expense, the provision for loan and lease losses and net overhead expenses (non-interest expense less non-interest income), and then dividing by average earning assets. The numerator must be annualized. Extraordinary items and other adjustments are factored out prior to annualization but then added back to the annualized numerator. The Self-Examination Program does not establish a parameter for this ratio.
EFFICIENCY

The ever-changing banking environment continues to place a strain on bank profits as new products and services are introduced and competition increases from a wide variety of sources. Bank managers must monitor efficiency, a critical factor when considering the introduction of a new product or implementation of a new service.

Salary expense is the largest single non-interest expense for a bank. While it may not be valid to measure salaries in differing markets, it is appropriate to measure efficiency based on the number of employees.

These measurements will be different for each bank depending on market factors, sophistication, and growth factors. Bank managers should measure performance in the following ratios by comparing the bank to its respective peer group and to past performance.

1. **EARNING ASSETS / (TOTAL ASSETS - INTANGIBLE ASSETS)**

   Generally speaking, an earning asset is any asset generating interest income. Earning assets are derived by totaling investment securities, loans and leases net of unearned income, federal funds sold, securities purchased under agreements to resell, assets held in trading accounts and interest-bearing balances. Banks having equity securities without readily determinable fair values may include this asset, as well. Nonaccrual loans and debt securities are subtracted from this sum.

   The ratio is calculated by dividing month-end earning assets by month-end total assets (less all intangibles). The parameter has been set at 91.500%.

2. **AVERAGE ASSETS PER EMPLOYEE (MILLIONS)**

   The ratio, average assets per employee, measures the average volume of assets in millions of dollars allotted per employee. The ratio is a common benchmark among banks to measure the efficient use of personnel. Monitoring of this key ratio is accomplished through comparison with past performance and the bank's peer group. The ratio is calculated by dividing average assets by the number of full-time equivalent employees* and then dividing by 1,000 to convert to millions of dollars. The Self-Examination Program does not establish a parameter for this ratio.

3. **NET INCOME PER EMPLOYEE (THOUSANDS)**

   The ratio, net income per employee, measures the amount of net income allotted to each employee. The ratio is expressed in thousands of dollars and is monitored through comparison with past performance and the bank's peer group. Improvement in this area will be accomplished in small increments but should result in increased bank profitability. The ratio is calculated by dividing annualized net income by the number of full-time equivalent employees*. Extraordinary items and other adjustments are factored out prior to annualization but then added back to the annualized numerator. The Self-Examination Program does not establish a parameter for this ratio.

4. **EFFICIENCY RATIO**

   The efficiency ratio can be used to evaluate an institution’s overhead structure and profitability (expense control). Research reveals several different methods to calculate this ratio. However, all calculations focus on net interest income, non-interest income and non-interest expense as the primary components. The calculation utilized in the Self-Examination Program appears to be the most widely accepted method.

   Based on information reviewed, the Department has adopted the following efficiency ratio calculation: Total non-interest expense divided by the sum of net interest income (calculated on a tax-equivalent basis) and non-interest income. Efficiency ratios reflected in Self-Examination reports may be enhanced for internal reporting and monitoring purposes by making appropriate income and / or expense adjustments unique to your institution.

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Examples of "fine tuning" adjustments include: amortization expenses of intangible assets; significant, non-recurring non-interest expenses; and significant, non-recurring non-interest revenues. Efficiency increases as the ratio decreases.

Bank efficiency ratios generally are reduced by increasing net interest income, increasing non-interest revenues and / or reducing operating expenses. Banks with securities portfolios that represent a large percentage of assets will tend to have lower ratios due to lower personnel costs. Significant amounts of intangible assets and / or other real estate will tend to increase efficiency ratios due to amortization and write-down expenses associated with these assets. Banks that generate a significant amount of non-interest income generally will have lower efficiency ratios unless that income is offset by higher personnel and occupancy expenses. As previously stated, internal adjustments to the standard calculation may be appropriate to enhance monitoring of unique situations for your institution.

The efficiency ratio parameter established for the Self-Examination Program is 65.00%. Although a parameter has been established, it may be more meaningful to focus on “trend” comparisons for your institution instead of peer and parameter comparisons.

* “Full-time equivalent employees” is defined as the number of full-time equivalent employees, rounded to the nearest whole number, on the payroll of the bank and its consolidated subsidiaries as of the end of the month. (RI Memoranda Item 5 in the call report.)
RISK - ASSET QUALITY

An analysis of asset quality must be made from several perspectives. First, the overriding determinant of asset quality is the existence of, and compliance with, well-constructed loan and investment policies. These policies should fully detail the administration of these asset categories. Second, it is necessary to evaluate and assess the risk and quality of existing assets as to the level, severity and trend of classified, overdue or nonaccrual assets. Finally, it must be determined if workout procedures for problem assets and the bank's ability to absorb inherent losses are sufficient. All of these factors combine to give an overall perspective of asset quality.

The Self-Examination Program monitors risk and asset quality by means of an ongoing assessment of a bank's capital position and an analysis of the adequacy of the reserve for loan losses account. Monitoring of non-performing loans and leases and other assets also is emphasized.

The capital of a bank serves three functions: it demonstrates ability to absorb unanticipated losses; it preserves the ability of the bank to meet the growing needs of its community; and it measures ownership.

The primary function of bank capital is to demonstrate to the public and bank regulators a bank's ability to absorb losses. When a loan or other investment is deemed uncollectible, the bank must remove it from the asset side of the balance sheet and from the reserve for loan losses account or an appropriate expense account. If losses become large enough to deplete reserves and undivided profits, the bank is in danger of becoming insolvent; that is, creditors' claims soon may exceed the assets of the bank. In this event, bank regulators stipulate that the bank must be closed. Thus, capital protects depositors and other bank claim holders by serving as a cushion that absorbs losses.

Bank capital, therefore, serves as a financial shield to lessen the possibility that uninsured depositors and other claim holders might lose funds if a bank is closed and liquidated. The amount of capital a bank has relative to its assets and deposits thus serves as an outward demonstration of strength and thereby helps to mitigate the adverse impact that external events and / or poor management might have on a bank.

A prerequisite for opening a bank is to have adequate facilities and, for most banks, the first use of funds raised through the issuance of common stock is to purchase fixed assets. Thus, capital provides operating funds for the acquisition of fixed assets and initial operating expenses.

The State Bank Department believes a strong capital account is the benchmark of a strong bank. Banks with an inadequate capital structure will be required to formulate capital maintenance plans and to find means with which to improve the capital position of the bank.

1. **EQUITY CAPITAL / AVERAGE ASSETS**

Equity capital is defined as the total of common stock, surplus, perpetual preferred stock, undivided profits and capital reserves. In the Self-Examination Program, intangible assets other than mortgage servicing assets are deducted from equity capital. Also excluded are net unrealized holding gains (losses) on available-for-sale securities.

The ratio is expressed as a percentage of equity capital to average assets (adjusted for disallowed intangibles). A four-month moving average is used to calculate the denominator. The Self-Examination Program parameter is established at 6.500%. This ratio should approximate the Tier One Leverage Capital ratio in the Uniform Bank Performance Report (UBPR).
2. **RESERVE FOR LOAN LOSSES / TOTAL LOANS**

Perhaps the most unpredictable item affecting the income of a bank is the reserve for loan losses account, which is primarily dependent on actual and anticipated losses. The impact of large loan losses on a bank's income can, and should be, lessened by systematic increases to the reserve for loan losses account, even though such increases might not be supported by a tax deduction. An adequately funded reserve for loan losses account provides a cushion that enhances the stability of an income stream.

Regular review of a bank's loans is necessary in establishing an adequate reserve for loan losses account and should provide a bank with the most accurate estimate for such a reserve account. The traditional benchmark of 1 percent of total loans or the more traditional “experience” method may not be adequate in today's banking environment. A periodic review of each loan or line of credit will provide a bank with the best method of establishing the reserve at an adequate level.

The Arkansas Bank Department requires that all state-chartered banks maintain a reserve for loan losses in an amount commensurate with the risk inherent in the bank's loan portfolio. The regulation further requires a bank's board of directors to analyze the risk in the bank's loan portfolio and make appropriate provisions to the reserve for loan losses account on at least a quarterly basis. Such reviews should be noted in the minutes of the board meetings. An overview and recommendations for an effective ALLL methodology can be found in Administrative Policy #003.

For this ratio, the reserve for loan losses is expressed as a percentage of loans and leases, net of unearned income. Notwithstanding previous statements, the Self-Examination Program parameter is established at 1.000%.

3. **RESERVE FOR LOAN LOSSES / NON-PERFORMING LOANS (X)**

The ratio, reserve for loan losses to non-performing loans, provides an indication of reserve coverage of a bank’s highest-risk credits. The ratio is calculated by dividing the reserve for loan losses by the sum of loans 90 days or more overdue and still accruing and nonaccrual loans. The ratio is stated in terms of “number of times” and not as a percentage. The Self-Examination Program does not establish a parameter for this ratio since estimated credit losses associated with these loans likely will vary from bank to bank.

4. **OVERDUE LOANS / TOTAL LOANS**

The delinquency of a loan generally is considered the first indication that a borrower is experiencing financial difficulty. An inordinate volume of overdue loans can indicate that credit underwriting standards are inappropriate, lending practices are too liberal or collection procedures are inadequate. A function of management is to monitor the ratio of overdue loans to total loans on a regular basis and to determine the proper course of corrective action, i.e., review lending practices, improve collection procedures or replace liberal lending officers.

The ratio is calculated by dividing the dollar balance of loans 30 days or more past due by total loans. The dollar balance of loans 30 days or more past due includes loans 30-89 days past due, loans 90 days or more overdue and still accruing, and nonaccrual loans which are 30 days or more past due. Loans on nonaccrual that are less than 30 days overdue are not included. The Self-Examination Program parameter is established at 3.000%.

5. **NINETY-DAY OVERDUE LOANS / TOTAL LOANS**

Any loan that is 90 days or more past due and still accruing interest must be both well secured and in the process of collection.
By the time a loan has reached 90-day overdue status, it is anticipated that management and the board will have begun to formulate a plan of action to collect or improve the loan or be aware of some impending action that will resolve the overdue status.

The ratio of 90-day overdue loans to total loans will indicate rather quickly if a bank is experiencing difficulties in collecting loans. If the ratio is significant, it may indicate that loans are being made without first analyzing a borrower's ability to repay. In such instances, a renewal or extension is only delaying the necessity to address a possible problem.

For this ratio, the dollar balance of loans and leases 90 days or more overdue and still accruing interest is expressed as a percentage of loans and leases, net of unearned income. The Self-Examination Program parameter is established at 1.000%.

6. **NONACCRUAL LOANS / TOTAL LOANS**

A significant volume of nonaccrual loans will have an adverse impact on the earnings of any bank. However, it is vitally important that such loans be identified so that a true reflection of a bank's financial condition is accurately reported to depositors, shareholders and regulatory agencies. It is even more important to identify nonaccrual loans to enable management and the board of directors to formulate collection plans and consider future investments.

For reporting purposes, loans and leases are considered to be in a nonaccrual status if: (1) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (2) payment in full of interest or principal is not expected or (3) principal or interest has been in default for a period of 90 days or more, unless the obligation is both well secured and in the process of collection. Administrative Policy #004 addresses nonaccrual of interest and states that no loan overdue 105 days or more will be considered in process of collection.

In the Self-Examination Program, nonaccrual loans are measured as a percentage of loans and leases, net of unearned interest. The Self-Examination Program parameter is established at 1.000%.

7. **PROBLEM ASSETS RATIO**

The problem assets ratio identifies the risk of loss to shareholder's equity. A large volume of problem assets generally results in reduced earnings (increased overhead expenses and provisions for loan losses) and significant changes in administrative and supervisory functions in order to implement corrective actions. Additionally, a large volume of problem assets, or a trend indicating an increase, will cause increased regulatory concern and monitoring. The ratio is expressed as a percentage of total problem assets (nonaccrual and 90-day loans, leases and other assets plus other real estate acquired for debts previously contracted) to equity capital and reserves. Disallowed intangible assets and net unrealized holding gains (losses) on available-for-sale securities are excluded from capital. The Self-Examination Program parameter is established at 25.000%.
LIQUIDITY - ASSET / LIABILITY MANAGEMENT

Liquidity cannot be viewed as a separate key management objective. There is no way to separate liquidity objectives from other management objectives such as capital adequacy, asset quality and earnings. While these objectives contribute to liquidity, prudent management of liquidity contributes to capital adequacy, asset quality and earnings.

Liquidity and funds management are evaluated in relation to the overall effectiveness of asset and liability management. Considerations for this evaluation include the composition and stability of balance sheet structure, utilization of interest-sensitive and volatile funds, the ability to meet funding needs through internal and external sources, and anticipated use of commitments. In addition, liquidity and funding policies and procedures must be in place.

The Self-Examination Program measures a bank's liquidity and asset / liability management through an analysis of the Income Statement Gap and ratios related to funding.

1. **INCOME STATEMENT GAP**

One approach for measuring and managing interest rate risk is a technique referred to as gap management. The term “gap” is used to identify the difference in the volume of those assets and liabilities subject to repricing within the same time frame (rate-sensitive assets compared with rate-sensitive liabilities). The emphasis of analyzing a gap schedule is placed on asset and liability repricing, not on contractual maturity. Analysis of the gap ratio involves an assessment of the expected gap position within a specific time period in relation to anticipated interest rate changes.

Traditional gap analysis measures rate-sensitive assets and rate-sensitive liabilities strictly from a balance sheet perspective, i.e., the balance of rate-sensitive assets minus rate-sensitive liabilities over a given time period. The difference reflects if a bank is positively gapped or negatively gapped. Generally, it would be reasonable to assume that a bank that has a positive gap position over a given time period would gain in net interest income if rates were to rise during that period. Since more assets than liabilities would be repriced over the time period, the increase in interest income would exceed the increase in interest expense. A decrease in rates would result in a decrease in net interest income.

Conversely, if a bank has a negative gap position over a given time period, net interest income would decrease if rates were to rise during that period. Since more liabilities than assets would be repriced over the given time period, the increase in interest expense would exceed the increase in interest income. A decrease in rates, then, would result in an increase in net interest income.

The traditional Balance Sheet Gap ratio is expressed as rate-sensitive assets minus rate-sensitive liabilities, over a specified time period, as a percentage of total assets and reserves.

The interest rates on a bank's various asset and liability accounts do not all have the same rate of change. It follows, then, that one might not arbitrarily assume that a negative gap and an increase in interest rates automatically would result in a decline in net interest margin. It is important to take gap analysis further and to analyze the volatility of asset and liability rates.

Traditional gap measurements do not recognize the fact that when market interest rates change, a bank's interest rates may change quickly and dramatically on some balance sheet items, but rates on other items may change very little. Most notably, since rates on deposits have been deregulated, regulators have considered such accounts as passbook savings and NOW accounts to be rate sensitive. However, statistical analysis has revealed that these accounts are far less sensitive to rate changes and should not be considered as rate sensitive as other assets and liabilities. Traditional measurements also have not accounted for differences between assets with rates that are highly volatile, such as prime-based commercial loans, and liabilities with rates that change very little, such as NOW accounts.

Revised August, 2022
The Income Statement Gap ratio for the Self-Examination Program recognizes that interest rates on a bank's various assets and liabilities do not all have the same rate of change. The ratio accounts for a bank's interest rate-sensitive position from the standpoint of the "income statement" as opposed to the traditional gap measurement, which can be labeled as "balance sheet" gap since it measures only balance sheet dollars without regard for differences in rate volatility.

Refer to the example below. Traditional “balance sheet” gap may reflect a rate-sensitive position of negative 10.0%; however, from an "income statement" gap perspective, the rate-sensitive position is reflected as positive 0.60% a dramatic difference. Therefore, a banker desiring to move the negative 10.0% “balance sheet” gap position closer to zero would, in fact, be causing the bank's “income statement” gap position to become more positive, thus increasing interest rate risk.

The Income Statement Gap ratio assigns a weighted factor, referred to as an earnings change ratio (ECR), to each rate-sensitive asset and liability account based on how volatile the rate is for each account. An ECR represents the ratio of the change in product pricing given a change in the “driver” rate. In the Self-Examination Program, national prime is used as the driver rate in the current period. An ECR represents the number of basis points product pricing will change if national prime changes 100 basis points. Standard ECRs have been developed for estimating each balance sheet item’s rate sensitivity. Effective in 2017, deposit betas (DB) will be utilized in conjunction with ECRs and in the same manner.

For example, using national prime as a base rate, an ECR of 100 can be assigned to fixed-rate loans. An ECR of 87 is assigned to MMDA accounts. Assignment of this factor is based on statistical analysis, which reflects a rate change on MMDA accounts of 0.87% when national prime changes 1.00%. Instead of counting $1 million of fixed-rate loans the same as $1 million of MMDA accounts, the MMDA accounts would count as only $870,000 ($1 million times 0.87).

After weighting each rate-sensitive asset and liability account with an earnings change ratio or deposit beta, the Income Statement Gap will better reflect the bank’s true interest rate risk. ECR’s or betas are based on regression analysis and are updated on an annual basis. Please refer to the example on the following page for further illustration.

The Income Statement Gap ratio is calculated by subtracting the total of rate-sensitive liability accounts (after each has been multiplied by their assigned ECR) from the total of rate-sensitive asset accounts (after each has been multiplied by their assigned ECR), then dividing this difference by the sum of total assets and reserves. The Self-Examination Program measures the rate sensitivity of assets and liabilities repriceable within 12 months. Repriceable assets should exclude mutual funds. Additionally, available-for-sale securities, which are repriceable within one year, should be reported at market value. Held-to-maturity securities should be reported at book value. The Self-Examination Program parameter is established at plus or minus 10.000%.
The following earnings change ratios have been assigned to the various asset and liability accounts effective August 31, 2018 and are subject to change periodically.

<table>
<thead>
<tr>
<th>Assets</th>
<th>ECR</th>
<th>Liabilities</th>
<th>ECR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate Loans</td>
<td>100</td>
<td>Other Savings</td>
<td>51</td>
</tr>
<tr>
<td>Variable Rate Loans</td>
<td>100</td>
<td>NOW and Super NOW Accounts</td>
<td>51</td>
</tr>
<tr>
<td>U. S. Treasuries</td>
<td>90</td>
<td>Money Market Deposit Accounts</td>
<td>87</td>
</tr>
<tr>
<td>Fixed Rate Agencies</td>
<td>87</td>
<td>CDs $250M and Less</td>
<td>95</td>
</tr>
<tr>
<td>Variable Rate Agencies</td>
<td>100</td>
<td>CDs of More Than $250</td>
<td>100</td>
</tr>
<tr>
<td>MBS and CMO Securities</td>
<td>87</td>
<td>Federal Funds Purchased</td>
<td>100</td>
</tr>
<tr>
<td>Due-From CDs</td>
<td>100</td>
<td>Repurchase Agreements</td>
<td>100</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>63</td>
<td>Federal Reserve Borrowings</td>
<td>100</td>
</tr>
<tr>
<td>Fixed Rate Corporates</td>
<td>87</td>
<td>Other Borrowings</td>
<td>100</td>
</tr>
<tr>
<td>Variable Rate Corporates</td>
<td>100</td>
<td>Subordinated Debt</td>
<td>100</td>
</tr>
<tr>
<td>Federal Funds Sold; Repos</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHLB Interest-Bearing Deposits; Other Money Market Accts</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Example
($50 million bank)

<table>
<thead>
<tr>
<th>Rate-Sensitive Assets</th>
<th>Total $000s</th>
<th>ECR</th>
<th>Weighted $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Loans</td>
<td>$ 8,000</td>
<td>1.00</td>
<td>8,000</td>
</tr>
<tr>
<td>U.S. Treasuries</td>
<td>5,000</td>
<td>0.90</td>
<td>4,500</td>
</tr>
<tr>
<td>Federal Funds Sold</td>
<td>2,000</td>
<td>1.00</td>
<td>2,000</td>
</tr>
<tr>
<td>Total</td>
<td>$15,000</td>
<td></td>
<td>$14,500</td>
</tr>
</tbody>
</table>

Rate-Sensitive Liabilities

| CDs $250M and Less     | $10,000     | 0.95|  $ 9,500        |
| NOW accounts           | 5,000       | 0.51|  2,550          |
| MMDAs                  | 5,000       | 0.87|  4,350          |
| Total                  | $20,000     |     | $16,400         |

Balance Sheet Gap - $5,000
% Total Assets - 10.00%

Income Statement Gap - $1,900
% Total Assets - 3.80%

The concept of the Income Statement Gap ratio is designed to indicate to each bank manager that the more traditional Balance Sheet Gap ratio probably does not provide the bank an adequate rate-sensitivity analysis. Bank managers are encouraged to consider the volatility of rates on the various rate-sensitive asset and liability accounts. The Gap ratio computed in this program is intended to give the bank a representative estimate of the bank's sensitivity position. A bank desiring to utilize the Income Statement Gap measurement would be well advised to develop a program specifically tailored to its individual balance sheet.

Revised August, 2022  14
2. **NET LOANS / TOTAL DEPOSITS**

Loans are considered the highest and best use of bank funds. Local loans stimulate economic growth, employment, income, deposits and, eventually, profits to the bank. Loans generally are the highest earning asset and represent the highest risk asset of any bank. Such loans are not readily marketable and do not provide the bank with immediate liquidity.

A high loan-to-deposit ratio indicates that a bank has fewer funds invested in readily marketable assets, which provide a greater margin of liquidity to the bank. A high loan-to-deposit ratio also alerts management and the board of directors to test alternative sources of liquidity that have been established to provide the bank with the desired level of liquidity essential for day-to-day activities and contingencies.

The loan-to-deposit ratio is expressed as loans and leases, net of unearned income and reserve for loan losses, as a percentage of total deposits. The Self-Examination Program parameter established is 90.000%.

3. **NET LOANS / TOTAL DEPOSITS AND ALL OTHER FUNDS**

Banks continue to borrow funds overnight and on a long-term basis as part of their funds management programs and to meet unanticipated loan demand or deposit withdrawals. Reliance on supplemental funding sources such as the Federal Home Loan Bank has increased to offset declining core deposit levels. In banks that rely heavily on funding from Federal Home Loan Bank advances, traditional measures may be inadequate when evaluating a bank’s liquidity.

Access to wholesale funds allows banks to obtain funds quickly and efficiently, and to match maturity structures. The use of wholesale funds, however, must be appropriately managed. Liquidity management can become more complex, and the cost of funding could increase due to embedded options that can render the maturity or future interest rate of Federal Home Loan Bank advances uncertain. In addition, advances can increase a bank’s interest rate risk profile. Also, earnings performance can be weakened by heightened interest rate risk exposure or if advances have higher rates than certain deposits. Finally, the funding of asset growth with borrowings can result in a rapid and pronounced decrease in the leverage capital ratio.

The ratio, “Net Loans / Total Deposits and All Other Funds,” is computed by dividing loans and leases, net of unearned income and reserve for loan losses, by the sum of total deposits and “all other funds.” “All other funds” consists of the call report categories of federal funds purchased; securities sold under agreements to repurchase; trading liabilities; Other Borrowed Money; and subordinated notes and debentures. A ratio approaching 100 percent could indicate an impaired liquidity position if the institution has minimal borrowing capacity remaining. The Self-Examination Program parameter is established at 80.000%.

4. **OTHER BORROWED MONEY / TOTAL ASSETS**

The percentage of bank funding from core deposits has declined notably in recent years. Competition from non-bank entities such as mutual fund companies and investment brokers has pulled a large volume of financial assets away from the banking industry. In response to this alarming trend, banks have been required to utilize alternative sources of funds to facilitate asset growth. Access to alternative funding sources can enhance liquidity management. The utilization of these sources can have a major impact on bank growth, capital levels, earnings performance, and interest rate risk exposure.

This ratio is expressed as the percentage of Other Borrowed Money – including demand notes issued to the U.S. Treasury and Federal Home Loan Bank / Federal Reserve Bank borrowings – to total assets. Other Borrowed Money does not include federal funds purchased and securities sold under agreements to repurchase. The Self-Examination Program parameter is established at 10.000%.

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5. **DEPENDENCY RATIO**

The dependency ratio is an indicator of the bank’s reliance on non-core liabilities to support long term assets. The ratio is expressed by the amount that non-core liabilities exceed short term investments expressed as a percentage of long term assets. A positive dependency ratio indicates some reliance on non-core liabilities to fund long term assets. The Self Examination Program parameter is established at 20.00%.
GROWTH

The growth of a financial institution is anticipated if the institution is to serve the citizens of its market area and contribute to the prosperity of the banking community. Growth can be positive or negative, depending upon a wide variety of circumstances. Growth for growth's sake in today's banking environment generally has proven to lead to the detriment of many financial institutions.

The Self-Examination Program addresses growth through the monitoring of a bank's deposit, asset, and capital growth rates. Due to recent merger activity in the banking industry, it is possible these numbers may appear larger than expected.

1. DEPOSIT GROWTH RATE

The deposit growth rate reflects the level of deposit growth over a specific period. In the Self-Examination Program, the period is 12 months. The rate of deposit growth is an indicator of how a bank is funding the asset side of its balance sheet. The deposit growth rate is computed by subtracting prior-period total deposits from current-period total deposits, then dividing the difference by prior-period total deposits. The Self-Examination Program does not establish a parameter for this ratio.

2. ASSET GROWTH RATE

The asset growth rate reflects the level of asset growth over a specific period. In the Self-Examination Program, the period is 12 months. The rate of asset growth within a financial institution is a good indicator of management philosophy and can alert the Department to potential future problems. A moderate growth rate generally is anticipated and usually indicates a stable or improving economy coupled with conservative management. A declining growth rate may indicate a sluggish economic environment or can be an indicator of the discovery of internal problems that dictate a decrease in the size of the bank. A relatively high growth rate may indicate a rapidly expanding economy or a change in management philosophy.

A rapid asset growth rate generally is thought to be undesirable if the opportunities to place the growth into high-quality earning assets do not exist or if the bank is not sufficiently staffed to manage the rapid increase in assets. Asset growth should be managed in a manner that will not adversely impact the quality of the bank's investments, the bank's liquidity position or the institution's capital adequacy.

The asset growth rate is computed by subtracting prior-period total assets from current-period total assets, then dividing the difference by prior-period total assets. Disallowed intangible assets are deducted when computing this ratio. The Self-Examination Program parameter is established at 15.000%.

3. CAPITAL GROWTH RATE

The capital growth rate reflects the level of capital growth over a specific period. In the Self-Examination Program, the period is 12 months. The rate reflects the level of capital augmentation resulting from earnings, sale of new stock or equity injections from other sources.

An increasing or high capital growth rate can indicate that earnings are extremely good, minimal dividends are being extracted or additional capital funds have been received through the sale of new stock or a capital infusion. A decreasing or low capital growth rate may be an indication that earnings are low or that dividends are excessive. The capital growth rate generated from earnings must be sufficient to maintain pace with the asset growth rate, or additions to the capital account will be required from other sources.

The capital growth rate is calculated by subtracting prior-period equity capital from current-period equity capital, then dividing the difference by prior-period equity capital. Net unrealized holding gains (losses) on available-for-sale securities and disallowed intangible assets are deducted when computing this ratio. The Self-Examination Program does not establish a parameter for this ratio.

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OTHER PERFORMANCE INDICATORS

The other performance indicators that appear in the Self-Examination Program provide insight into specific or unusual changes within the bank. These areas, which are somewhat affected by discretionary actions on the part of management, must be monitored to effectively evaluate the overall condition of any bank.

1. **PROVISION FOR LOAN LOSSES**

   Transfers to the Reserve for Loan Losses account are to be made through the Provision for Loan Losses expense account. Transfers should be based upon management's and the board's evaluation of the loan portfolio and the reserve needed to absorb anticipated and unanticipated losses. Monthly provisions spread out over time the expense of funding the loan-loss reserve and, therefore, have less pronounced impact on earnings than a one-time large provision. For the Self-Examination Program, report the amount of the monthly provision.

2. **LOANS CHARGED OFF**

   Report all loans charged off through the Reserve for Loan Losses account for the current month.

3. **LOAN RECOVERIES**

   Report all recoveries for the current month on loans previously charged off through the Reserve for Loan Losses account.

4. **PROFIT (LOSS) FROM SALE OF SECURITIES**

   Report the net gain or loss realized during the month from the sale, exchange, redemption, or retirement of all securities not held in trading accounts. The gain or loss is the difference between the sale price and book value (excluding accrued interest from the last coupon date). If the net amount is a loss, enclose the amount reported in parentheses. Do not include unrealized gains (losses) on available-for-sale securities.

5. **OTHER REAL ESTATE OWNED**

   Report the net book value of all real estate – other than bank premises – owned or controlled by the bank and its consolidated subsidiaries. Refer to the instructions for line items 3.a. and 3.b. of Schedule RC-M in the Instructions for Preparation of Consolidated Reports of Condition and Income. Other guidance can be found in Arkansas State Bank Department Examination Policy 01-2, “Other Real Estate Owned.”

6. **DIVIDENDS DECLARED**

   Report all dividends declared during the current month.

7. **CAPITAL INJECTIONS**

   Report any capital infusion generated from the sale of bank stock or injection from the parent holding company for the current month.

8. **CAPITAL ADJUSTMENTS RELATED TO PRIOR PERIODS**

   This item includes any necessary adjusting entries and does not match any specific Call Report line item.

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9. **ACCUMULATED OTHER COMPREHENSIVE INCOME**

This item consists of the net unrealized holding gain or loss on available-for-sale securities in the majority of banks. This represents the difference between the amortized cost and the fair value of AFS securities, net of tax effects. If the net amount is a loss, enclose the reported amount in parentheses. This item also includes net gains or losses on cash flow hedges, cumulative foreign currency translation adjustments and minimum pension liability adjustments.

10. **NUMBER OF OVERDUE LOANS**

Report the number of loans past due 30 days or more. Include loans 90 days or more overdue. Do not include loans on nonaccrual that are less than 30 days past due.

11. **RETURN ON AVERAGE ASSETS (UNADJUSTED)**

This ratio appears on the reports of only banks that have a Subchapter S election. In contrast to the bank’s ROAA ratio in the Profitability section of each report, which is adjusted to reflect an assigned tax rate, this ratio factors in all net income. Since only a small percentage of participants have Subchapter S status, no peer averages are calculated for this ratio. Also, no parameter is established.
INPUT REPORTS
### Balance Sheet

1. **Total Loans and Lease Financing Receivables**
   The sum of RC items 4.a., Loans and Leases Held for Sale, and 4.b., Loans and Leases, held for investment.
2. **Reserve for Loan Losses**
   RC item 4.c.
3. **Total Earning Assets**
   The sum of RC items 1.b., Interest-bearing Balances; 2.a. and 2.b., Securities; 3.a., Federal Funds Sold; 3.b., Securities Purchased Under Agreements to Resell; 4.a. and 4.b., Loans and Leases held for sale and Loans and Leases held for investment; 5., Trading Assets; RC-F, item 4., Equity Securities That DO NOT have readily determinable fair values; less the sum of RC-N items 9. and 10., Column C, Nonaccrual Total loans and lease and Debt securities and other assets. (The sum of self-examination items 1., 4., 5., 43., 44., 46., and 47.k., less 37., and 39.)
4. **Equity Securities That Do Not Have Readily Determinable Fair Values**
5. **Trading Assets**
   RC item 5.
6. **Accrued Interest Receivable**
   RC-F item 1. Includes accrued interest receivable on loans, leases, debt securities, and other interest-bearing assets.
7. **OREO**
   RC item 7. Other Real Estate Owned.
8. **Intangible Assets**
   RC Item 10.
9. **Goodwill and Intangible Assets other than MSA’s, net of DTL’s**
   The sum of RC-R items 6 and 7.
10. **MSA’s, net of DTL’s, that exceed the capital deduction threshold**
    RC-R item 14.
11. **Deferred Tax Assets and all other capital deductions**
    The sum of RC-R items 8, 10.a, 10.b, 11, 13, 15, 16, and 17.
12. **Total Assets**
    Total assets, net of reserve for loan loses. RC item 12.
13. **Total Deposits**
14. **Interest-Bearing Deposits**
    RC item 13.a.(2) for banks filing FFIEC 041 and 051. The sum of RC items 13.a.(2) and 13.b.(2) for banks Filing FFIEC 031.
15. **Total Time Deposits of more than $250M**
    RC-E item M.2.d.
16. **Fully Insured Brokered Deposits Issued in Denominations of $250M and less**
    RC-E items M.1.c.
17. **Other Interest-Bearing Liabilities**
    The sum of RC items 14.a., Federal Funds Purchased; 14.b., Securities Sold Under Agreements to Repurchase; 15., Trading Liabilities; and 16., Other Borrowed Money.
18. **Other Borrowed Money**
    RC item 16.
19. **Subordinated Notes and Debentures**
    RC item 19.
20. **Accumulated Other Comprehensive Income**
    RC item 26.b. REPORT LOSSES WITH A LEADING MINUS SIGN.
21. **Total Equity Capital**
    RC item 28. (Perpetual Preferred Stock and Related Surplus, Common Stock, Surplus, Retained Earnings, Accumulated Other Comprehensive Income (includes Net Unrealized Holding Gains / Losses on Available-For-Sale Securities) Other Equity Capital Components and Noncontrolling (minority) interests in consolidated subsidiaries).

Revised August, 2022
## Income Statement

### Interest and Fee Income on Loans and Lease Financing Receivables
The sum of RI items 1.a.(6) and 1.b. for banks filing FFIEC 041 and 051. The sum of RI items 1.a.(3) and 1.b. for banks filing FFIEC 031.

### Interest and Dividend Income on Securities
The sum of RI items 1.d.(1), 1.d.(2) and 1.d.(3).

### Total Interest Income
RI item 1.h.

### Interest Expense not Deductible for Federal Income Tax Purposes
RI Memorandum item M.1 for banks filing FFIEC 031 and 041. No longer a Call Report item for banks filing FFIEC 051.

### Tax-Exempt Interest Earned on Securities, Loans and Leases
The sum of RI Memoranda items M.3. and M.4.

### Total Interest Expense
RI item 2.e.

### Provision for Loan and Lease Losses
RI item 4 (year-to-date total).

### Non-Interest Income
RI item 5.m.

### Non-Interest Expense
RI item 7.e. (Exclude Provision for Loan Losses, Realized Gains (Losses) on Securities and Applicable Income Taxes.)

### Discontinued Operations, net of applicable Income Taxes
RI item 11.

### Net Income
Net income (loss) attributable to bank and noncontrolling (minority) interests. RI item 12.

### OTHER DATA

#### Overdue Loans (30 days or more)
All loans past due 30 days or more. Include loans 90 days or more past due. RC-N item 9., columns A, B and C. Deduct balance of loans on nonaccrual that are less than 30 days overdue.

#### Number of Overdue Loans (30 days or more)
Number of loans 30 days or more past due.

#### Loans and Leases 90 Days or More Overdue and Still Accruing
RC-N item 9., Column B.

#### Nonaccrual Loans and Leases
RC-N item 9., Column C.

#### Debt Securities and Other Assets 90 Days or More Overdue and Still Accruing
RC-N item 10., Column B.

#### Nonaccrual Debt Securities and Other Assets
RC-N item 10., Column C.

#### Federal Income Tax Rate (Estimated)
Subchapter S Corporation Banks Enter “0”

#### Full-time Equivalent Employees
RI Memoranda item M.5.

#### Life Insurance Assets
The sum of RC-F items 5.a., 5.b. and 5.c.

#### Held-to-Maturity Securities
RC item 2.a. Exclude Commercial Paper, BAs and CDs Purchased.

#### Available-For-Sale Securities
RC item 2.b. Exclude Commercial Paper, BAs and CDs Purchased.

#### Debt Securities Maturing in One Year or Less
RC-B item M.2.d.

#### Interest-Bearing Balances
RC item 1.b.
INPUT REPORT

ASSETS REPRICEABLE WITHIN 1 YEAR

47. a. Fixed Rate Loans
   b. Variable Rate Loans
c. U. S. Treasury Securities
d. Fixed Rate Agency Securities
e. Variable Rate Agency Securities
f. MBS & CMO Securities and Projected Principal Paydowns
g. Certificates of Deposit Due From Other Institutions
h. Municipal Securities
i. Fixed Rate Corporate Securities
j. Variable Rate Corporate Securities
k. Federal Funds Sold; Securities Purchased Under Agreement to Resell;
l. FHLB Interest Bearing Deposits; Other Money Market Accounts

LIABILITIES REPRICEABLE WITHIN 1 YEAR

48. a. Other Savings
   b. NOW and Super NOW Accounts
c. Money Market Deposit Accounts
d. Certificates of Deposit $250M and Less
e. Certificates of Deposits of over $250M (include time open)
f. Federal Funds Purchased
g. Securities Sold Under Agreement to Repurchase
h. Federal Reserve Borrowings
i. Other Borrowings, Demand Notes, Trading Liabilities
j. Subordinated Debt and Limited-life Preferred Stock

OTHER PERFORMANCE INDICATORS

49. Provision for Loan Losses - current month increase
50. Loans Charged Off - current month
51. Loan Recoveries – current month
52. Profit (Loss) From Sale of Securities (exclude unrealized gains or losses) - current month
53. Dividends Declared – current month
54. Capital Injections – current month
55. Capital Adjustments Related to Prior Periods
56. Agricultural Loans:
a. Total of Loans Secured by Farmland (including farm residential and other improvements); RC-C item 1.b.
b. Total of Loans to Finance Agricultural Production and Other Loans to Farmers. RC-C item 3.

REPORT PREPARED BY: ________________ TITLE: ________________

REPORT REVIEWED BY: ________________ TITLE: ________________

Revised August, 2022 23
REPORTING GUIDANCE

The Arkansas State Bank Department Self-Examination Program is designed to be a useful and timely tool used to monitor bank performance. The Bank Department staff relies on Self-Examination data to perform, in an effective manner, its role as a banking supervisor and advocate. Judging from the participation rate – on average, roughly nine of every ten eligible banks participate – it appears the program is valued by bank management.

One of the primary benefits of the Self-Examination Program is the collection of data for those months between call report dates. This feature facilitates the prompt detection of potential problems. To promote reporting consistency for all months, program participants are asked to complete the Self-Examination input report by using call report guidelines.

The following guidance has been compiled to assist bank employees who prepare and review the Self-Examination. The intent here is to improve reporting accuracy and user understanding of the program by pointing out common reporting problems, how certain line items tie to others and how some balances can be reconciled from month to month.

- **Line item 2, Reserve for Loan Losses.** The balance reported for the current month generally should equal the prior-month balance plus current-month provisions (line item 41.) and recoveries (line item 43.), less current-month charge-offs (line item 42.). An exception to this rule would occur when a prior-period adjustment is made and reflected in an amended call report but not in prior-period Self-Examination input reports. Participants are required to submit amendments to the Self-Examination that mirror amendments to the call report. In addition, this reconciliation could be invalid if a bank does not participate each month.

- **Line item 3, Total Earning Assets.** The balance reported should equal the sum of line items 1., 4., 5., 43., 44., 46. and 47.k., less line items 37. and 39. The balance will not necessarily equal a line item for total earning assets on a bank’s general ledger because the components may differ.

- **Line item 4, Equity Securities That Do Not Have Readily Determinable Fair Values.** These securities include Federal Reserve Bank stock, Federal Home Loan Bank stock and bankers’ bank stock. These securities should not be included in the balance of Held-to-Maturity Securities and Available-For-Sale Securities, which are reported separately in the Self-Examination and Report of Condition.

- **Line item 12, Total Assets.** The balance reported should never be less than the sum of the line items for Total Deposits (13.), Other Interest-Bearing Liabilities (17.) and Total Equity Capital (21.).

- **Line item 14, Interest-bearing Deposits.** The balance reported should never be less than the sum of line items 48.a. through 48.e., which represent those interest-bearing deposits that are repriceable within one year.

- **Line item 17, Other Interest-Bearing Liabilities.** The balance reported should never be less than the balance reported in line item 18, Other Borrowed Money, which is one of several components of Other Interest-Bearing Liabilities.

- **Line item 18, Other Borrowed Money.** This line item parallels line item 16 in Schedule RC of the Report of Condition. It should include Federal Home Loan Bank and Federal Reserve Bank borrowings, as well as overdrafts in due-from correspondent accounts. This line item should never exceed the balance reported in Self-Examination line item 17, Other Interest-Bearing Liabilities. In addition, assuming there are no demand notes or trading liabilities, the balance of this item should never be less than the sum of line item 48.h., Federal Reserve Borrowings, and line item 48.i., Other Borrowings, since these two line items represent only balances that are repriceable within one year.
- **Line item 20, Accumulated Other Comprehensive Income.** The balance reported typically represents the difference between the amortized cost and the fair value of AFS securities, net of any tax effects. If AFS securities are not revalued monthly, the prior-month balance should be carried forward until a new balance is calculated. This item may also include accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.

- **Line item 21, Total Equity Capital.** The balance reported for the current month generally should equal the prior-month balance plus current-month earnings plus the change from the prior month in Accumulated Other Comprehensive Income (line item 20). Current-month dividends declared (line item 53.) then should be deducted and current-month capital injections (line item 54) added to the reconciling balance. Current-month earnings are calculated by taking the difference between prior-month Net Income reported for the year to date (line item 34.) and current-month Net Income reported for the year to date. Capital adjustments related to prior periods (line item 55) are also used to reconcile. This reconciliation is valid only if a bank reports monthly.

- **Line item 24, Total Interest Income.** The amount reported should never be less than the amounts reported in line item 22, Interest and Fee Income on Loans and Lease Financing Receivables, and line item 23, Interest and Dividend Income on Securities.

- **Line item 30, Provision for Loan and Lease Losses.** The amount reported should be a year-to-date total. It should equal the sum of the current-month provisions reported during the fiscal year in line item 49. A history of monthly provisions is found in Self-Examination Report #2, Trend Analysis.

- **Line item 32, Non-interest Expense.** The amount reported should not include loan-loss provisions, realized gains (losses) on the sale of investment securities or income tax expense.

- **Line item 33, Discontinued Operations, Net of Applicable Income Taxes.** Reporting of this item should parallel call report treatment. Refer to Schedule RI, line item 11, in the Instructions for the Consolidated Report of Income.

- **Line item 35a, Overdue Loans (30 Days or More).** The balance should include all loans overdue 30 days or more, including loans 90 days or more past due. Loans on nonaccrual that are less than 30 days overdue should not be included in this balance. The balance reported should never be less than the amount reported in line item 36, Loans and Leases 90 Days or More Overdue and Still Accruing.

- **Line items 47.a - 47.l Assets Repriceable Within One Year, and 48.a. - 48.j., Liabilities Repriceable Within One Year.** This schedule should be prepared in accordance with call report guidelines. Refer to the instructions for schedules RC-B, RC-C and RC-E, which include guidelines on the proper reporting of maturity and repricing data.

- **Line items 47.d, 47.e, Fixed Rate and Variable Rate Agency Securities.** These items should include any “mortgage-backed bonds” – scheduled to contractually mature or reprice within one year – that are issued by the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC). This category of securities is to be reported in Schedule RC-B item 2 of the call report. “Mortgage-backed securities” scheduled to contractually mature or reprice within one year should be reported in line item 47.f. of the Self-Examination input report.

- **Line item 47.f., MBS & CMO Securities and Projected Principal Paydowns.** This item should include the balance of investment securities – scheduled to contractually mature or reprice within one year – that are reported in Schedule RC-B item 4 of the call report. Mortgage-backed securities, including mortgage pass-through securities, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs), are to be reported in this call report item. This line item of the Self-Examination input report also should include the projected amount of principal paydowns to be received within one year from mortgage-backed securities that are not scheduled to contractually mature or reprice within one year. This amount typically can be estimated from historical data.
☒ Line item 48.i., Other Borrowings, Demand Notes, Trading Liabilities. This line item typically includes only the balance of Federal Home Loan Bank advances scheduled to contractually mature or reprice within one year. Participants also may include the amount of principal payments due in the next 12 months on those borrowings not scheduled to contractually mature or reprice within one year. If reporting is done in this manner, it must be done consistently from month to month.

Bank employees who prepare and review the Self-Examination input report are encouraged to act as the “first line of defense” in the detection of reporting errors. One simple method of conducting a “self-check” is to test the reasonableness of current-month balances by comparing them with prior-month balances. Large or unusual fluctuations from one month to the next should be researched. For example, income or expense items normally increase each month during a calendar year. A decrease in one of these items from one month to the next should raise a “red flag” and be investigated.

Of course, exceptions to the “rules” described above can occur. A month-to-month reconciliation of balances will not work if the balance is affected by certain accounting adjustments. The Self-Examination program does not, for example, capture information on prior-period adjustments or entries to Undivided Profits that are not moved back. Similarly, unusual fluctuations can occur from month to month. For example, a transaction incorrectly included in non-interest expense one month may be correctly reported as an offset to non-interest income the next month, resulting in a decrease in non-interest income from the prior month. Another example: Occasionally, the balance of loans on nonaccrual will exceed the balance of loans overdue 30 days or more. While this might appear to be incorrect, it could be the result of a bank leaving a “problem” credit brought current during the month on nonaccrual.

Since such exceptions may prompt a Bank Department analyst reviewing the Self-Examination to call the preparer, participants are encouraged to provide explanations when they submit their input reports. The financial analysts can be reached by telephone at 501-324-9019 or by e-mail at finanalysts@banking.state.ar.us.
OUTPUT REPORTS
PROFITABILITY
1. Return on Average Assets
2. Return on Average Equity
3. Net Interest Margin
4. Non-Interest Expense / Average Assets
5. Non-Interest Income / Average Assets
6. Avg Collection of Interest (Days)
7. Loan and Lease Yield
8. Investment Securities Yield (Book)
9.a. Cost of Funds (Total)
9.b. COF – Interest Expense
9.c. COF – Borrowed Funds
10. Breakeven Yield

EFFICIENCY
1. Earning Assets / Total Assets
2. Average Assets per Employee (Million$)
3. Net Income per Employee (Thousand$)
4. Efficiency Ratio

RISK - ASSET QUALITY
1. Equity Capital / Average Assets
2. Reserve for Loan Losses / Total Loans
3. Reserve for Loan Losses / Non-performing loans (X)
4. Overdue Loans / Total Loans
5. Ninety Day Overdue Loans / Total Loans
6. Nonaccrual Loans / Total Loans
7. Problem Assets Ratio

LIQUIDITY - ASSET / LIABILITY MANAGEMENT
1. Income Statement Gap
2. Net Loans / Total Deposits
3. Net Loans / Total Deposits and All Other Funds
4. Other Borrowed Money / Total Assets
5. Dependency Ratio

GROWTH
1. Deposit Growth Rate
2. Asset Growth Rate
3. Capital Growth Rate

OTHER PERFORMANCE INDICATORS
1. Provision for Loan Losses
2. Loans Charged Off
3. Loan Recoveries
4. Profit (Loss) From Sale of Securities
5. Other Real Estate Owned
6. Dividends Declared
7. Capital Injections – Current Month
8. Capital Adjustments
9. Accumulated Other Comprehensive Income
10. Number of Overdue Loans
11. Return on Average Assets (Unadjusted)

Peer Groups
#1 Less than $100,000
#2 $100,000 - $249,999
#3 $250,000 – $499,999
#4 $500,000 - $1,999,999
#5 Over $2,000,000

Revised August, 2022
### Profitability
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### Efficiency
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### Risk - Asset Quality
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### Liquidity - Asset / Liability Management
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### Other Performance Indicators
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<td>Num of Overdue Loans</td>
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<th>Month: xx / xx / xx</th>
<th>Profitability</th>
<th>Efficiency</th>
<th>Asset Quality</th>
<th>Liability Management</th>
<th>Growth</th>
<th>Other Performance Indicators</th>
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### PROFITABILITY

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<td>1. Return on Average Assets</td>
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<tr>
<td>2. Return on Average Equity</td>
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<td>3. Net Interest Margin</td>
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<tr>
<td>4. Non-Interest Expense / Average Assets</td>
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<td>8. Investment Securities Yield (Book)</td>
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<td>9.a. Cost of Funds (Total)</td>
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<td>9.b. Cost of Funds – Interest Expense</td>
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<td>9.c. Cost of Funds – Borrowed Funds</td>
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### EFFICIENCY

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<td>3. Net Income per Employee (Thousand$)</td>
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<td>4. Efficiency Ratio</td>
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### RISK - ASSET QUALITY

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<td>3. Reserve for Loan Losses / Non-performing Loans (X)</td>
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<td>4. Overdue Loans / Total Loans</td>
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<tr>
<td>5. Ninety Day Overdue Loans / Total Loans</td>
<td>xx.xxx</td>
<td>&gt; 1.000</td>
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<td>6. Nonaccrual Loans / Total Loans</td>
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<td>7. Problem Assets Ratio</td>
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### LIQUIDITY - ASSET / LIABILITY MANAGEMENT

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<td>3. Net Loans / Total Deposits and All Other Funds</td>
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<td>4. Other Borrowed Money / Total Assets</td>
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<td>5. Dependency Ratio</td>
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### GROWTH

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<td>2. Loans Charged Off</td>
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<tr>
<td>3. Loan Recoveries</td>
<td>xx.xxx</td>
<td>None</td>
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<tr>
<td>4. Profit (Loss) From Sale of Securities</td>
<td>xx.xxx</td>
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<td>5. Other Real Estate Owned</td>
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<td>6. Dividends Declared</td>
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<td>7. Capital Injections – Current Month</td>
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<td>8. Capital Adjustments</td>
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<td>9. Accumulated Other Comprehensive Income</td>
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<td>10. Number of Overdue Loans</td>
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<td>11. Return on Average Assets (Unadjusted)</td>
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<td>Peer Group</td>
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<td>#2</td>
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**PROFITABILITY**

1. Return on Average Assets  
2. Return on Average Equity  
3. Net Interest Margin  
4. Non-Interest Expense / Average Assets  
5. Non-Interest Income / Average Assets  
6. Avg Collection of Interest (Days)  
7. Loan and Lease Yield  
8. Investment Securities Yield (Book)  
9.a. Cost of Funds (Total)  
9.b. COF – Interest Expense  
9.e. COF – Borrowed Funds  
10. Breakeven Yield

**EFFICIENCY**

1. Earning Assets / Total Assets  
2. Average Assets per Employee (Million$)  
3. Net Income per Employee (Thousand$)  
4. Efficiency Ratio

**RISK - ASSET QUALITY**

1. Equity Capital / Average Assets  
2. Reserve for Loan Losses / Total Loans  
3. Reserve for Loan Losses / Non-perf Loans(X)  
4. Overdue Loans / Total Loans  
5. Ninety Day Overdue Loans / Total Loans  
6. Nonaccrual Loans / Total Loans  
7. Problem Assets Ratio

**LIQUIDITY - ASSET / LIABILITY MANAGEMENT**

1. Income Statement Gap  
2. Net Loans / Total Deposits  
3. Net Loans / Total Deposits and All Other Funds  
4. Other Borrowed Money / Total Assets  
5. Dependency Ratio

**GROWTH**

1. Deposit Growth Rate  
2. Asset Growth Rate  
3. Capital Growth Rate

**OTHER PERFORMANCE INDICATORS**

1. Provision for Loan Losses  
2. Loans Charged Off  
3. Loan Recoveries  
4. Profit (Loss) From Sale of Securities  
5. Other Real Estate Owned  
6. Dividends Declared  
7. Capital Injections – Current Month  
8. Capital Adjustments  
9. Accumulated Other Comprehensive Income  
10. Number of Overdue Loans  
11. Return on Average Assets (Unadjusted)

---

**Peer Groups**

- #1: Less than $100,000
- #2: $100,000 - $249,999
- #3: $250,000 - $499,999
- #4: $500,000 - $1,999,999
- #5: Over $2,000,000

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<table>
<thead>
<tr>
<th>Group</th>
<th># 1</th>
<th># 2</th>
<th># 3</th>
<th># 4</th>
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**PROFITABILITY**

1. Return on Average Assets
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

2. Return on Average Equity
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

3. Net Interest Margin
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

4. Non-Interest Expense / Average Assets
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

5. Non-Interest Income / Average Assets
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

6. Avg Collection of Interest (Days)
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

7. Loan and Lease Yield
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

8. Investment Securities Yield (Book)
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

9a. Cost of Funds (Total)
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

9b. Cost of Funds – Interest Expense
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

9c. Cost of Funds – Borrowed Funds
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

10. Breakeven Yield
    - Group 1: xx.xxx
    - Group 2: xx.xxx
    - Group 3: xx.xxx
    - Group 4: xx.xxx
    - Group 5: xx.xxx

**EFFICIENCY**

1. Earning Assets / Total Assets
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

2. Average Assets per Employee (Million$)
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

3. Net Income per Employee (Thousand$)
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

4. Efficiency Ratio
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

**RISK - ASSET QUALITY**

1. Equity Capital / Average Assets
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

2. Reserve for Loan Losses / Total Loans
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

3. Reserve for Loan Losses / Non-perf Loans (X)
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

4. Overdue Loans / Total Loans
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

5. Ninety Day Overdue Loans / Total Loans
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

6. Nonaccrual Loans / Total Loans
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

7. Problem Assets Ratio
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

**LIQUIDITY - ASSET / LIABILITY MANAGEMENT**

1. Income Statement Gap
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

2. Net Loans / Total Deposits
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

3. Net Loans / Total Deposits and All Other Funds
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

4. Other Borrowed Money / Total Assets
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

5. Dependency Ratio
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

**GROWTH**

1. Deposit Growth
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

2. Asset Growth Rate
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

3. Capital Growth Rate
   - Group 1: xx.xxx
   - Group 2: xx.xxx
   - Group 3: xx.xxx
   - Group 4: xx.xxx
   - Group 5: xx.xxx

**OTHER PERFORMANCE INDICATORS**

1. Provision for Loan Losses
   - Group 1: x
   - Group 2: x
   - Group 3: x
   - Group 4: x
   - Group 5: x

2. Loans Charged Off
   - Group 1: x
   - Group 2: x
   - Group 3: x
   - Group 4: x
   - Group 5: x

3. Loan Recoveries
   - Group 1: x
   - Group 2: x
   - Group 3: x
   - Group 4: x
   - Group 5: x

4. Profit (Loss) From Sale of Securities
   - Group 1: x
   - Group 2: x
   - Group 3: x
   - Group 4: x
   - Group 5: x

5. Other Real Estate Owned
   - Group 1: xx
   - Group 2: xx
   - Group 3: xx
   - Group 4: xx
   - Group 5: xx

6. Dividends Declared
   - Group 1: x
   - Group 2: x
   - Group 3: x
   - Group 4: x
   - Group 5: x

7. Capital Injections – Current Month
   - Group 1: xxx
   - Group 2: xxx
   - Group 3: xxx
   - Group 4: xxx
   - Group 5: xxx

8. Capital Adjustments
   - Group 1: xxx
   - Group 2: xxx
   - Group 3: xxx
   - Group 4: xxx
   - Group 5: xxx

9. Accumulated Other Comprehensive Income
   - Group 1: xxx
   - Group 2: xxx
   - Group 3: xxx
   - Group 4: xxx
   - Group 5: xxx

10. Number of Overdue Loans
    - Group 1: xxx
    - Group 2: xxx
    - Group 3: xxx
    - Group 4: xxx
    - Group 5: xxx

11. Return on Average Assets (Unadjusted)
    - Group 1: xxx
    - Group 2: xxx
    - Group 3: xxx
    - Group 4: xxx
    - Group 5: xxx

Refer to peer group map in Appendix of Self-Examination Manual.

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<th>Category</th>
<th>Your Bank</th>
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<td>3. Net Interest Margin</td>
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<td>5. Non-Interest Income / Average Assets</td>
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<td>5. Ninety Day Overdue Loans / Total Loans</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>6. Nonaccrual Loans / Total Loans</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>7. Problem Assets Ratio</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
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<tr>
<td>LIQUIDITY - ASSET / LIABILITY MANAGEMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Income Statement Gap</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>2. Net Loans / Total Deposits</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
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<tr>
<td>3. Net Loans / Total Deposits and All Other Funds</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>4. Other Borrowed Money / Total Assets</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>5. Dependency Ratio</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>GROWTH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Deposit Growth Rate</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>2. Asset Growth Rate</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>3. Capital Growth Rate</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
<tr>
<td>OTHER PERFORMANCE INDICATORS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Provision for Loan Losses</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>2. Loans Charged Off</td>
<td>x</td>
<td>x</td>
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<tr>
<td>3. Loan Recoveries</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>4. Profit (Loss) From Sale of Securities</td>
<td>x</td>
<td>x</td>
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<tr>
<td>5. Other Real Estate Owned</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>6. Dividends Declared</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>7. Capital Injections – Current Month</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>8. Capital Adjustments</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>9. Accumulated Other Comprehensive Income</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>10. Number of Overdue Loans</td>
<td>x</td>
<td>xx</td>
</tr>
<tr>
<td>11. Return on Average Assets(Unadjusted)</td>
<td>xxx.xxx</td>
<td>xxx.xxx</td>
</tr>
</tbody>
</table>

*Agri-Peer represents banks with agricultural-related loans which comprise 25% or more of total loans.
### PROFITABILITY

<table>
<thead>
<tr>
<th>Metric</th>
<th>Your Bank</th>
<th>Subchapter S-Peer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Return on Average Assets</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>2. Return on Average Equity</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>3. Net Interest Margin</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>4. Non-Interest / Expense / Average Assets</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>5. Non-Interest Income / Average Assets</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>6. Avg Collection of Interest (Days)</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>7. Loan and Lease Yield</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>8. Investment Securities Yield (Book)</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>9.a. Cost of Funds (Total)</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>9.b. Cost of Funds – Interest Expense</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>9.e. Cost of Funds – Borrowed Funds</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>10. Breakeven Yield</td>
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</table>

### EFFICIENCY

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<tr>
<th>Metric</th>
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<tbody>
<tr>
<td>1. Earning Assets / Total Assets</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>2. Average Assets per Employee (Million$)</td>
<td>x.xxx</td>
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</tr>
<tr>
<td>3. Net Income per Employee (Thousand$)</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>4. Efficiency Ratio</td>
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</table>

### RISK - ASSET QUALITY

<table>
<thead>
<tr>
<th>Metric</th>
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</thead>
<tbody>
<tr>
<td>1. Equity Capital / Average Assets</td>
<td>xx.xxx</td>
<td>xx.xxx</td>
</tr>
<tr>
<td>2. Reserve for Loan Losses / Total Loans</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>3. Reserve for Loan Losses / Non-performing Loans (X)</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>4. Overdue Loans / Total Loans</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>5. Ninety Day Overdue Loans / Total Loans</td>
<td>x.xxx</td>
<td>x.xxx</td>
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<tr>
<td>6. Nonaccrual Loans / Total Loans</td>
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<td>x.xxx</td>
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<tr>
<td>7. Problem Assets Ratio</td>
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### LIQUIDITY - ASSET / LIABILITY MANAGEMENT

<table>
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<tr>
<th>Metric</th>
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<tr>
<td>1. Income Statement Gap</td>
<td>x.xxx</td>
<td>x.xxx</td>
</tr>
<tr>
<td>2. Net Loans / Total Deposits</td>
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<tr>
<td>4. Other Borrowed Money / Total Assets</td>
<td>x.xxx</td>
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<tr>
<td>5. Dependency Ratio</td>
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### GROWTH

<table>
<thead>
<tr>
<th>Metric</th>
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<tr>
<td>1. Deposit Growth Rate</td>
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<tr>
<td>2. Asset Growth Rate</td>
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<td>x.xxx</td>
</tr>
<tr>
<td>3. Capital Growth Rate</td>
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### OTHER PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Metric</th>
<th>x.xxx</th>
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</thead>
<tbody>
<tr>
<td>1. Provision for Loan Losses</td>
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<td>x</td>
</tr>
<tr>
<td>2. Loans Charged Off</td>
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<td>x</td>
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<tr>
<td>3. Loan Recoveries</td>
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<td>x</td>
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<tr>
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<td>x</td>
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<td>6. Dividends Declared</td>
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</tr>
<tr>
<td>10. Number of Overdue Loans</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>11. Return on Average Assets(Unadjusted)</td>
<td>x.xxx</td>
<td>x.xxx</td>
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</tbody>
</table>
GEOGRAPHIC PEER GROUPS

Legend
- Central
- Northeast
- Northwest
- Southeast
- Southwest

Revised August, 2022
## GEOGRAPHIC PEER GROUPS

<table>
<thead>
<tr>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
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<tr>
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<td>Conway</td>
<td>Baxter</td>
<td>Arkansas</td>
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<td>Craighead</td>
<td>Faulkner</td>
<td>Benton</td>
<td>Ashley</td>
<td>Clark</td>
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<td>Crittenden</td>
<td>Garland</td>
<td>Boone</td>
<td>Bradley</td>
<td>Columbia</td>
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<td>Cross</td>
<td>Grant</td>
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<td>Jefferson</td>
<td>Cleburne</td>
<td>Cleveland</td>
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<td>Independence</td>
<td>Hot Spring</td>
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<td>Desha</td>
<td>Howard</td>
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<td>Jackson</td>
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<td>Franklin</td>
<td>Drew</td>
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<td>Izard</td>
<td>Miller</td>
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<td>Johnson</td>
<td>Montgomery</td>
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<td>White</td>
<td>Logan</td>
<td>Nevada</td>
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<td>Phillips</td>
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<td>Madison</td>
<td>Ouachita</td>
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<td>Poinsett</td>
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<td>Marion</td>
<td>Polk</td>
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<td>Prairie</td>
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<td>Newton</td>
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<td>Sevier</td>
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<td>St. Francis</td>
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<td>Searcy</td>
<td>Union</td>
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<td>Woodruff</td>
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<td>Sebastian</td>
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<td>Stone</td>
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<td></td>
<td>Van Buren</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td>Washington</td>
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</table>

Revised August, 2022
RETURN ON AVERAGE ASSETS

The total of net income (annualized and adjusted for extraordinary items) divided by average assets.

Net Income (Line item 34)

Less: Discontinued Operations and Other Adjustments (Line item 33)

Equals:

Divided By: Number of Months Since Year End

Equals: Average Monthly Net Income (less adjustments)

Multiply by: 12

Equals: Annualized Net Income (less adjustments)

Add: Discontinued Operations and Other Adjustments (Line item 33)

Equals: Annualized Net Income

Average of Month-End Total Assets Inclusive of Year End (Line item 12):

Add: December

January

February

March

April

May

June

July

August

September

October

November

December

Equals:

Divided By: One Plus Number of Months Since Year End

Equals: Year-to-Date Average Total Assets

Divide: Annualized Net Income (Item (a) Above)

By: Year-to-Date Average Total Assets (Item (b) Above)

Equals:

Multiply By: 100

Equals: Return on Average Assets

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## RETURN ON AVERAGE ASSETS (Banks with Subchapter S election)

The total of net income (less tax-exempt interest, annualized and adjusted for extraordinary items) divided by average assets. Net income (less tax-exempt interest) is adjusted to reflect assumed tax rate of 34.00 percent.

<table>
<thead>
<tr>
<th>Step</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income (Line item 34)</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Less: Tax-Exempt Interest Earned on Securities, Loans and Leases (Line item 26)</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Add: Interest Expense Incurred to Carry Tax-Exempt Securities, Loans and Leases That is Not Deductible for Federal Income Tax Purposes (Line item 25)</strong></td>
<td>+</td>
</tr>
<tr>
<td><strong>Equals: Taxable Income</strong></td>
<td>=</td>
</tr>
<tr>
<td><strong>Multiply By: Assumed Tax Rate</strong></td>
<td>x 0.21 (a)</td>
</tr>
<tr>
<td><strong>Equals: Assumed Taxes</strong></td>
<td>=</td>
</tr>
<tr>
<td><strong>Net Income (Line item 34)</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Less: Assumed Taxes (Item (a) Above)</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Equals: Net Income Assuming Taxes</strong></td>
<td>=</td>
</tr>
<tr>
<td><strong>Less: Discontinued Operations and Other Adjustments (Line item 33)</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Equals:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Divided By: Number of Months Since Year End</strong></td>
<td>/</td>
</tr>
<tr>
<td><strong>Equals: Average Monthly Net Income (less adjustments and assumed taxes)</strong></td>
<td>=</td>
</tr>
<tr>
<td><strong>Multiply by: 12</strong></td>
<td>x 12</td>
</tr>
<tr>
<td><strong>Equals: Annualized Net Income (less adjustments and assumed taxes)</strong></td>
<td>=</td>
</tr>
<tr>
<td><strong>Add: Discontinued Operations and Other Adjustments (Line item 33)</strong></td>
<td>+</td>
</tr>
<tr>
<td><strong>Equals: Annualized Net Income Assuming Taxes</strong></td>
<td>= (b)</td>
</tr>
<tr>
<td><strong>Average of Month-End Total Assets Inclusive of Year End (Line item 12):</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Add:</strong></td>
<td>+</td>
</tr>
<tr>
<td>December</td>
<td></td>
</tr>
<tr>
<td>January</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td></td>
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<td>March</td>
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<td>April</td>
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<td>May</td>
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<td>September</td>
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<tr>
<td>October</td>
<td></td>
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<tr>
<td>November</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td></td>
</tr>
<tr>
<td><strong>Equals:</strong></td>
<td>=</td>
</tr>
<tr>
<td><strong>Divided By: One Plus Number of Months Since Year End</strong></td>
<td>/</td>
</tr>
<tr>
<td><strong>Equals: Year-to-Date Average Total Assets</strong></td>
<td>=</td>
</tr>
<tr>
<td><strong>Less: Assumed Taxes (Item (a) Above)</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Equals: Year-to-Date Average Total Assets Assuming Taxes</strong></td>
<td>= (c)</td>
</tr>
<tr>
<td><strong>Divide: Annualized Net Income Assuming Taxes (Item (b) Above)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>By: Year-to-Date Average Total Assets Assuming Taxes (Item (c) Above)</strong></td>
<td>/</td>
</tr>
<tr>
<td><strong>Equals:</strong></td>
<td>=</td>
</tr>
<tr>
<td><strong>Multiply By: 100</strong></td>
<td>x 100</td>
</tr>
</tbody>
</table>
| **Equals: Return on Average Assets Assuming Taxes** | = %

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RETURN ON AVERAGE EQUITY

The total of net income (annualized and adjusted for extraordinary items) divided by average total equity, excluding net unrealized holding gains (losses) on available-for-sale securities.

Net Income (Line item 34)

Less: Discontinued Operations and Other Adjustments (Line item 33)

Equals:

Divided By: Number of Months Since Year End

Equals: Average Monthly Net Income (less adjustments)

Multiply By: 12

Equals: Annualized Net Income (less adjustments)

Add: Discontinued Operations and Other Adjustments (Line item 33)

Equals: Annualized Net Income

Average of Month-end Total Equity Capital, Including Year end, but Excluding Accumulated Other Comprehensive Income
(Line item 21 minus Line item 20):

Add: December
    January
    February
    March
    April
    May
    June
    July
    August
    September
    October
    November
    December

Equals:

Divided By: One Plus Number of Months Since Year End

Equals: Year-to-Date Average Equity

Divide: Annualized Net Income (Item (a) Above)

By: Year-to-Date Average Equity (Item (b) Above)

Equals:

Multiply By: 100

Equals: Return on Average Equity

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RETURN ON AVERAGE EQUITY (Banks with Subchapter S election)
The total of net income (less tax-exempt interest, annualized and adjusted for extraordinary items) divided by average total equity, excluding net unrealized holding gains (losses) on available-for-sale securities. Net income (less tax-exempt interest) is adjusted to reflect assumed tax rate of 34.00 percent.

Net Income (Line item 34) ____________________________
Less: Tax-Exempt Interest Earned on Securities, Loans and Leases (Line item 26) - ________________
Add: Interest Expense Incurred to Carry Tax-Exempt Securities, Loans and Leases That is Not Deductible for Federal Income Tax Purposes (Line item 25) + ________________
Equals: Taxable Income = ________________
Multiply By: Assumed Tax Rate x 0.21 = ________________ (a)
Net Income (Line item 34) ____________________________
Less: Assumed Taxes (Item (a) Above) - ________________
Equals: Net Income Assuming Taxes = ________________
Less: Discontinued Operations and Other Adjustments (Line item 33) - ________________
Equals: = ________________
Divided By: Number of Months Since Year End / ________________
Equals: Average Monthly Net Income (less adjustments and assumed taxes) = ________________
Multiply By: 12 x 12 = ________________
Equals: Annualized Net Income (less adjustments and assumed taxes) = ________________
Add: Discontinued Operations and Other Adjustments (Line item 33) + ________________
Equals: Annualized Net Income Assuming Taxes = ________________ (b)

Average of Month-End Total Equity Capital, Including Year End, but Excluding Accumulated Other Comprehensive Income (Line item 21-Line item 20):

Add: December + ________________
January + ________________
February + ________________
March + ________________
April + ________________
May + ________________
June + ________________
July + ________________
August + ________________
September + ________________
October + ________________
November + ________________
December + ________________
Equals: = ________________

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Divided By: One Plus Number of Months Since Year End / ____________

Equals: Year-to-Date Average Equity = ____________

Less: Assumed Taxes (Item (a) Above) - ____________

Equals: Year-to-Date Average Equity Assuming Taxes = ____________ (c)

Divide: Annualized Net Income Assuming Taxes (Item (b) Above) ____________

By: Year-to-Date Average Equity Assuming Taxes (Item (c) Above) / ____________

Equals: ____________

Multiply By: 100 x 100

Equals: Return on Average Equity Assuming Taxes = ____________ %
NET INTEREST MARGIN
Net interest income computed on a tax-equivalent basis (annualized) divided by average earning assets.

Total Interest Income (Line item 24) = __________
Subtract: Total Interest Expense (Line item 29) - __________
Equals: Net Interest Income = __________
Less: Tax-Exempt Interest (Line item 26) - __________
Equals: Net Interest Income Less Tax-Exempt Interest = __________
Add: Tax-Exempt Interest (Line item 26) / 1 - Tax Rate (Line item 40) + __________
Equals: Net Interest Income (TE) = __________
Divided By: Number of Months Since Year End / __________
Equals: Average Monthly Net Interest Income (TE) = __________
Multiply By: 12 x 12
Equals: Annualized Net Interest Income (TE) = __________ (a)

Average of Month-End Earning Assets Inclusive of Year End (Line item 3):
Add: December + __________
   January + __________
   February + __________
   March + __________
   April + __________
   May + __________
   June + __________
   July + __________
   August + __________
   September + __________
   October + __________
   November + __________
   December + __________
Equals: = __________
Divided By: One Plus Number of Months Since Year End / __________
Equals: Year-to-Date Average Earning Assets = __________ (b)
Divide: Annualized Net Interest Income (TE) (Item (a) Above) __________
By: Year-to-Date Average Earning Assets (Item (b) Above) / __________
Equals: = __________
Multiply By: 100 x 100
Equals: Net Interest Margin = __________ %

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NON-INTEREST EXPENSE (OVERHEAD EXPENSE) / AVERAGE ASSETS
Non-Interest expense (annualized) divided by average assets.

Non-Interest Expense (Line item 32) (Exclude Provision For Loan Losses, realized gains (losses) on securities and applicable income taxes)

Divided By: Number of Months Since Year End
Equals: Average Monthly Non-Interest Expense

Multiply By: 12
Equals: Annualized Non-Interest Expense

Average of Month-End Total Assets Inclusive of Year End (Line item 12):

Add: December + January + February + March + April + May + June + July + August + September + October + November + December 

Equals: 

Divided By: One Plus Number of Months Since Year End
Equals: Year-to-Date Average Total Assets

Divide: Annualized Non-Interest Expense (Item (a) Above)
By: Year-to-Date Average Total Assets (Item (b) Above)

Equals: 

Multiply By: 100
Equals: Non-Interest Expense / Average Assets

Revised August, 2022
NON-INTEREST INCOME / AVERAGE ASSETS
Non-Interest income (annualized) divided by average assets.

Non-Interest Income (Line item 31)

Divided By: Number of Months Since Year End

Equals: Average Monthly Non-Interest Income

Multiply By: 12

Equals: Annualized Non-Interest Income

Average of Month-End Total Assets Inclusive of Year End (Line item 12):

Add: December
    January
    February
    March
    April
    May
    June
    July
    August
    September
    October
    November
    December

Equals:

Divided By: One Plus Number of Months Since Year End

Equals: Year-to-Date Average Total Assets

Divide: Annualized Non-Interest Income (Item (a) Above)

By: Year-to-Date Average Total Assets (Item (b) Above)

Equals:

Multiply By: 100

Equals: Non-Interest Income / Average Assets

Revised August, 2022
**AVERAGE COLLECTION OF INTEREST (DAYS)**

Accrued interest receivable divided by total interest income (annualized).

**Divide:** Total Interest Income (Line item 24) 
By: Number of Months Since Year End 
Equals: Average Monthly Interest Income

Multiply By: 12
Equals: Annualized Interest Income

Divide: Accrued Interest Receivable (Line item 6) 
By: Annualized Interest Income (Item (a) Above) 
Equals:

Multiply By: 365
Equals: Average Collection of Interest (Days)

---

Revised August, 2022
LOAN AND LEASE YIELD
The sum of interest and fee income on loans and lease financing receivables (annualized) divided by average loans and lease financing receivables.

Interest and Fee Income on Loans and Lease Financing Receivables (Line item 22)

Divided By: Number of Months Since Year End

Equals: Average Monthly Income from Loans and Leases

Multiply By: 12

Equals: Annualized Income from Loans and Leases

Average of Month-End Total Loans and Lease Financing Receivables Inclusive of Year End (Line Item 1)

Add: December
    January
    February
    March
    April
    May
    June
    July
    August
    September
    October
    November
    December

Equals:

Divided By: One Plus Number of Months Since Year End

Equals: Year-to-Date Average Total Loans and Lease Financing Receivables

Divide: Annualized Income from Loans and Leases (Item (a) Above)

By: Year-to-Date Average Total Loans and Lease Financing Receivables (Item (b) Above)

Equals:

Multiply By: 100

Equals: Loan and Lease Yield

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INVESTMENT SECURITIES YIELD (BOOK)
Interest and dividend income on securities with readily determinable fair values and not held in trading accounts (annualized) divided by average securities with readily determinable fair values.

Interest and Dividend Income on Securities (Line item 23) ___________

Divided By: Number of Months Since Year End / ___________

Equals: Average Monthly Income on Securities = ___________

Multiply By: 12 x 12

Equals: Annualized Income on Securities = ___________ (a)

Average of Month-End Securities With Readily Determinable Fair Values
Inclusive of Year End (Sum of line items 43 and 44):

Add: December + ___________
    January + ___________
    February + ___________
    March + ___________
    April + ___________
    May + ___________
    June + ___________
    July + ___________
    August + ___________
    September + ___________
    October + ___________
    November + ___________
    December + ___________

Equals: = ___________

Divided By: One Plus Number of Months Since Year End / ___________

Equals: Year-to-Date Average Securities With Readily Determinable Fair Values = ___________ (b)

Divide: Annualized Income on Securities (Item (a) Above) ___________

By: Year-to-Date Average Securities With Readily Determinable Fair Values (Item (b) Above) / ___________

Equals: ___________

Multiply By: 100 x 100

Equals: Investment Securities Yield (Book) = ___________ %
**COST OF FUNDS (TOTAL)**

Interest expense (annualized) divided by average interest-bearing liabilities.

Divide: Interest Expense (Line item 29)

By: Number of Months Since Year End

Equals: Average Monthly Interest Expense

Multiply By: 12

Equals: Annualized Interest Expense

\[
\frac{\text{Interest Expense (Line item 29)}}{\text{Number of Months Since Year End}} \times 12 = \text{Average Monthly Interest Expense}
\]

\[
\text{Average Monthly Interest Expense} \times 12 = \text{Annualized Interest Expense (a)}
\]

Average of Month-End Interest-Bearing Deposits (Line item 14), Other Interest-Bearing Liabilities (Line item 17) and Notes and Debentures Subordinated to Deposits (Line item 19), Inclusive of Year End:

Add:
- December
- January
- February
- March
- April
- May
- June
- July
- August
- September
- October
- November
- December

\[
\text{Add: December} \quad + 
\text{January} \quad + 
\text{February} \quad + 
\text{March} \quad + 
\text{April} \quad + 
\text{May} \quad + 
\text{June} \quad + 
\text{July} \quad + 
\text{August} \quad + 
\text{September} \quad + 
\text{October} \quad + 
\text{November} \quad + 
\text{December} \quad + 
\]

Equals:

\[
\text{Average of Month-End Interest-Bearing Deposits} \quad = \quad \frac{\text{Sum of Add:}}{\text{Number of Months Since Year End}}
\]

\[
\text{Average of Month-End Interest-Bearing Deposits} = \text{Average of Month-End Interest-Bearing Deposits (a)}
\]

Divided By: One Plus Number of Months Since Year End

Equals: Year-to-Date Average Interest-Bearing Liabilities

\[
\frac{\text{Average of Month-End Interest-Bearing Deposits (Item (a) Above)}}{\text{One Plus Number of Months Since Year End}} = \text{Year-to-Date Average Interest-Bearing Liabilities (b)}
\]

Divide: Annualized Interest Expense (Item (a) Above)

By: Year-to-Date Average Interest-Bearing Liabilities (Item (b) Above)

Equals:

\[
\frac{\text{Annualized Interest Expense (Item (a) Above)}}{\text{Year-to-Date Average Interest-Bearing Liabilities (Item (b) Above)}} = \text{Cost of Funds (Total)}
\]

Multiply By: 100

Equals: Cost of Funds (Total)

\[
\frac{\text{Annualized Interest Expense (Item (a) Above)}}{\text{Year-to-Date Average Interest-Bearing Liabilities (Item (b) Above)}} \times 100 = \text{Cost of Funds (Total)}
\]
COST OF FUNDS (DEPOSIT EXPENSE ONLY)
Deposit interest expense (annualized) divided by average interest-bearing Deposits.

Divide: Interest Expense on deposits (Line item 27)

By: Number of Months Since Year End

Equals: Average Monthly Interest Expense

Multiply By: 12

Equals: Annualized Interest Expense

Average of Month-End Interest-Bearing Deposits (Line item 14)

Add: December
    January
    February
    March
    April
    May
    June
    July
    August
    September
    October
    November
    December

Equals:

Divided By: One Plus Number of Months Since Year End

Equals: Year-to-Date Average Interest-Bearing Deposits

Divide: Annualized Deposit Interest Expense (Item (a) Above)

By: Year-to-Date Average Interest-Bearing Deposits (Item (b) Above)

Equals:

Multiply By: 100

Equals: Cost of Funds (Deposit Expense only)
COST OF FUNDS (BORROWED FUNDS ONLY)
Interest expense on Borrowed Funds (annualized) divided by average interest-bearing deposits.

Divide: Interest Expense on Borrowed Funds (Line item 28) / 

By: Number of Months Since Year End

Equals: Average Monthly Borrowed Funds Expense = 

Multiply By: 12 x 12 = (a)

Equals: Annualized Borrowed Funds Expense

Average of Month-End Other Interest-Bearing Liabilities (Line item 17) and Notes and Debentures Subordinated to Deposits (Line item 19), Inclusive of Year End:

Add: 
December + 
January + 
February + 
March + 
April + 
May + 
June + 
July + 
August + 
September + 
October + 
November + 
December + 

Equals: 

Divided By: One Plus Number of Months Since Year End / 

Equals: Year-to-Date Average Other Interest-Bearing Liabilities = (b)

Divide: Annualized Interest Expense (Item (a) Above) 

By: Year-to-Date Average Other Interest-Bearing Liabilities (Item (b) Above) / 

Equals:

Multiply By: 100 x 100 = %

Equals: Cost of Funds (Borrowed Funds only)

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**BREAK-EVEN YIELD**

The sum of interest expense, non-interest expense and provision for loan losses, less non-interest income, (annualized) divided by average earning assets.

Interest Expense (Line item 29)  
Add: Provision for Loan and Lease Losses (Line item 30)  
Add: Non-Interest Expense (Line item 32)  
Less: Non-Interest Income (Line item 31)  
Less: Extraordinary Items and Other Adjustments (Line item 33)  
Equals:  
Divided By: Number of Months Since Year End  
Equals:  
Multiply By: 12  
Equals: Annualized Cost of Funds and Net Burden  
Add: Extraordinary Items and Other Adjustments (Line item 33)  
Equals:  
Average of Month-End Earning Assets Inclusive of Year End (Line item 3):

Add:  
December  
January  
February  
March  
April  
May  
June  
July  
August  
September  
October  
November  
December  
Equals:  
Divided By: One Plus Number of Months Since Year End  
Equals: Year-to-Date Average Earning Assets  
Divide: Annualized Cost of Funds and Net Burden (Item (a) Above)  
By: Year-to-Date Average Earning Assets (Item (b) Above)  
Equals:  
Multiply By: 100  
Equals: Break-even Yield
**EARNING ASSETS / (TOTAL ASSETS - INTANGIBLE ASSETS)**

Earning assets divided by total assets less intangible assets.

Earning Assets (Line item 3) / 

Divided By: Total Assets (Line item 12) Less Intangible Assets (Line item 8)

Equals: 

Multiply By: 100 

Equals: Earning Assets / (Total Assets - Intangible Assets) x 100 = 

% 

**AVERAGE ASSETS PER EMPLOYEE (MILLION $)**

Average assets divided by the number of full-time equivalent employees.

Average of Month-End Total Assets Inclusive of Year End (Line item 12):

Add: December + 
January + 
February + 
March + 
April + 
May + 
June + 
July + 
August + 
September + 
October + 
November + 
December + 

Equals: 

Divided By: One Plus Number of Months Since Year End / 

Equals: Year-to-Date Average Total Assets = 

Divided By: Number of Full-time Equivalent Employees (Line item 41) / 

Equals: 

Divided By: 1,000 / 1,000 

Equals: Average Assets per Employee (Million $) $
NET INCOME PER EMPLOYEE (THOUSAND $)
Net income (annualized) divided by the number of full-time equivalent employees.

Net Income (Line item 34) 
Less: Discontinued Operations and Other Adjustments (Line item 33) 
Equals: 
Divided By: Number of Months Since Year End 
Equals: Average Monthly Net Income (less adjustments) 
Multiply By: 12 
Equals: Annualized Net Income (less adjustments) 
Add: Discontinued Operations and Other Adjustments (Line item 33) 
Equals: Annualized Net Income 
Divided By: Number of Full-time Equivalent Employees (Line item 41) 
Equals: Net Income Per Employee (Thousand $)

EFFICIENCY RATIO
Non-interest expense divided by the sum of net interest income (computed on a tax-equivalent basis) and non-interest income.

Non-interest Expense (Line item 32) 
Total Interest Income (Line item 24) 
Subtract: Total Interest Expense (Line item 29) 
Equals: Net Interest Income 
Less: Tax-Exempt Interest (Line item 26) 
Equals: Net Interest Income Less Tax-Exempt Interest 
Add: Tax-Exempt Interest (Line item 26) / 1−Tax Rate (Line item 40) 
Equals: Net Interest Income (TE) 
Plus: Non-Interest Income (Line item 31) 
Equals: Net Interest Income (TE) Plus Non-Interest Income 
Divide: Non-Interest Expense (Item (a) Above) 
By: Net Interest Income (TE) Plus Non-Interest Income (Item (b) Above) 
Equals: 
Multiply By: 100 
Equals: Efficiency Ratio

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EQUITY CAPITAL / AVERAGE ASSETS

Equity capital divided by the quarterly average of total assets, adjusted for disallowed intangible assets.

Total Equity Capital (Line item 21) __________
Less: Accumulated Other Comprehensive Income (Line item 20) - __________
Less: Disallowed Goodwill and other Disallowed Intangibles (Line item 9).
Disallowed Servicing, Assets and Purchased Credit Card Relationship (Line item 10), and Disallowed Deferred Tax Assets (Line item 11). - __________
Equals: Net Equity Capital = __________ (a)

Average Assets (Line item 12): Less Line items 9, 10 and 11 identified Above
Add: Current Month + __________
One Month Prior + __________
Two Months Prior + __________
Three Months Prior + __________
Equals: = __________
Divide By: Four / 4 (b)
Equals: Quarterly Average Total Assets = __________

Divide: Net Equity Capital (Item (a) Above) __________
By: Quarterly Average Assets (Item (b) Above) / __________
Equals: __________
Multiply By: 100 x 100 __________
Equals: Equity Capital / Average Assets = __________ %
**RESERVE FOR LOAN LOSSES / TOTAL LOANS**
Allowance for loan and lease losses divided by total loans.

Allowance for Loan and Lease Losses (Line item 2) ____________________________________________
Divided By: Loan and Leases, Net of Unearned Income (Line Item 1) ___________________________
Equals: ............................................................................................................................................
Multiply By: 100
Equals: Reserve for Loan Losses / Total Loans = ____________________________________________%

**RESERVE FOR LOAN LOSSES / NON-PERFORMING LOANS (X)**
Allowance for loan and lease losses divided by the sum of loans and leases 90 days or more overdue and still accruing and nonaccrual loans and leases.

Loans and Leases 90 Days or More Overdue and Still Accruing (Line item 36) 
Add: Nonaccrual Loans and Leases (Line item 37) + __________________________
Equals: Non-Performing Loans = ____________________________________________ (a)
Allowance for Loan and Lease Losses (Line item 2)
Divided by: Non-Performing Loans (Item (a) Above) / __________________________
Equals: Reserve for Loan Losses / Non-Performing Loans = ____________________________________________ (X)

**OVERDUE LOANS / TOTAL LOANS**
Loans and leases overdue 30 days or more divided by total loans. Loans and leases on nonaccrual that are less than 30 days overdue are not included in numerator.

Loans and Leases Overdue 30 Days or More (Line item 35.a..) ____________________________________________
Divided By: Loans and Leases, Net of Unearned Income (Line item 1) ___________________________
Equals: ............................................................................................................................................
Multiply By: 100
Equals: Overdue Loans / Total Loans = ____________________________________________%

**NINETY-DAY OVERDUE LOANS / TOTAL LOANS**
Loans and leases overdue 90 days or more and still accruing interest divided by total loans.

Loans and Leases Overdue 90 days or More and Still Accruing Interest (Line item 36) ____________________________________________
Divided By: Loans and Leases, Net of Unearned Income (Line item 1) ___________________________
Equals: ............................................................................................................................................
Multiply By: 100
Equals: Ninety-Day Overdue Loans / Total Loans = ____________________________________________%
NONACCRUAL LOANS / TOTAL LOANS
Nonaccrual loans and leases divided by total loans.
Nonaccrual Loans and Leases (Line item 37) 
Divided By: Loans and Leases, Net of Unearned Income (Line item 1)
Equals:
Multiply By: 100
Equals: Nonaccrual Loans / Total Loans

PROBLEM ASSETS RATIO
Month-end non-performing assets divided by month-end total capital and reserves.
Nonaccrual Loans, Leases and Other Assets (Line items 37 and 39)
Add: Loans, Leases and Other Assets Overdue 90 days or More and Still Accruing (Line items 36 and 38)
Add: Other Real Estate Owned (Line item 7)
Equals: Total Problem Assets
Total Equity Capital (Line item 21)
Less: Accumulated Other Comprehensive Income (Line item 20)
Add: Limited Life Preferred Stock and Subordinated Notes and Debentures (Line item 19)
Add: Allowance for Loan and Lease Losses (Line item 2)
Less: Disallowed Goodwill and Other Disallowed Intangibles (Line item 9)
Disallowed Servicing Assets and Purchased Credit Card Relationships (Line item 10)
Disallowed Other Tax Assets (Line item 11)
Equals: Total Capital and Reserves
Total Problem Assets (Item (a) Above)
Divided By: Total Capital and Reserves (Item (b) Above)
Equals:
Multiplied By: 100
Equals: Problem Assets Ratio
INCOME STATEMENT GAP
The total of weighted assets repriceable within one year less the total of weighted liabilities repriceable within one year, divided by total assets plus reserves.

<table>
<thead>
<tr>
<th>REPRICEABLE ASSETS</th>
<th>TOTAL $000</th>
<th>ECR</th>
<th>WEIGHTED $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate Loans</td>
<td>$ __________</td>
<td>x 100</td>
<td>= $ __________</td>
</tr>
<tr>
<td>Variable Rate Loans</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>U.S. Treasuries</td>
<td>__________</td>
<td>x 90</td>
<td>= __________</td>
</tr>
<tr>
<td>Fixed Rate Agencies</td>
<td>__________</td>
<td>x 87</td>
<td>= __________</td>
</tr>
<tr>
<td>Variable Rate Agencies</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>MBS and CMO Securities</td>
<td>__________</td>
<td>x 87</td>
<td>= __________</td>
</tr>
<tr>
<td>Due-From Certificates of Deposit</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>__________</td>
<td>x 63</td>
<td>= __________</td>
</tr>
<tr>
<td>Fixed Rate Corporates</td>
<td>__________</td>
<td>x 87</td>
<td>= __________</td>
</tr>
<tr>
<td>Variable Rate Corporates</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>Federal Funds Sold and Repos</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>FHLB Deposits and Other Money Market Accts.</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ __________</td>
<td></td>
<td>$ __________ (a)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPRICEABLE LIABILITIES</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Savings</td>
<td>__________</td>
<td>x 51</td>
<td>= __________</td>
</tr>
<tr>
<td>NOW and Super NOW Accounts</td>
<td>__________</td>
<td>x 51</td>
<td>= __________</td>
</tr>
<tr>
<td>Money Market Deposit Accounts</td>
<td>__________</td>
<td>x 87</td>
<td>= __________</td>
</tr>
<tr>
<td>Certificates of Deposit = &lt; $250M</td>
<td>__________</td>
<td>x 95</td>
<td>= __________</td>
</tr>
<tr>
<td>Certificates of Deposit &gt; $250M</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>Federal Funds Purchased</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>Federal Reserve Borrowings</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>Other Borrowings</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td>Subordinated Debt</td>
<td>__________</td>
<td>x 100</td>
<td>= __________</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ __________</td>
<td></td>
<td>$ __________ (b)</td>
</tr>
</tbody>
</table>

Repriceable Assets (Item (a) Above) $ __________
Less: Repriceable Liabilities (Item (b) Above) - __________
Equals: = __________
Divided By: Total Assets (Line item 12) plus Reserves (Line item 2) / __________
Equals: = __________
Multiplied by 100 x 100
Equals: Income Statement Gap = __________ %
**NET LOANS / TOTAL DEPOSITS**
Loans and leases, net of unearned income and allowance for loan and lease losses, divided by total deposits.

Loans and Leases, Net of Unearned Income (Line item 1) 
Less: Allowance for Loan and Lease Losses (Line item 2) 
Equals: Net Loans and Leases 
Divided By: Total Deposits (Line item 13) 
Equals:  
Multiplied By: 100 
Equals: Net Loans / Total Deposits  

**NET LOANS / TOTAL DEPOSITS AND ALL OTHER FUNDS**
Loans and leases, net of unearned income and allowance for loan and lease losses, divided by the sum of total deposits, other interest-bearing liabilities, and subordinated notes and debentures.

Loans and Leases, Net of Unearned Income (Line item 1) 
Less: Allowance for Loan and Lease Losses (Line item 2) 
Equals: Net Loans and Leases (a) 
Total Deposits (Line item 13) 
Add: Other Interest-Bearing Liabilities (Line item 17) 
Add: Notes and Debentures Subordinated to Deposits (Line item 19) 
Equals: Total Deposits and All Other Funds (b) 
Net Loans and Leases (Item (a) Above) 
Divided By: Total Deposits and All Other Funds (Item (b) Above) 
Equals: 
Multiply By: 100 
Equals: Net Loans / Total Deposits and All Other Funds  

**OTHER BORROWED MONEY / TOTAL ASSETS**
Other borrowed money divided by total assets.

Other Borrowed Money (Line item 18) 
Divided By: Total Assets (Line item 12) 
Equals: 
Multiply By: 100 
Equals: Other Borrowed Money / Total Assets  

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DEPENDENCY RATIO
(Non-core liabilities less short term investments) divided by long term assets

Total Time Deposits of more than $250M (Line item 15) +
Plus: Other Borrowed Money (Line item 18) +
Plus: Federal Funds Purchased (Line item 48.f.) +
Plus: Securities Sold under Agreement to Repurchase (Line item 48.g.) +
Plus: Fully Insured Brokered Deposits Issued in Denominations = < $250M (Line item 16) +

Equals: Non-core liabilities =

Less: Federal Funds Sold, Securities Purchased Under Agreements to Resell (Line item 47.k). -
Less: Debt Securities Maturing in One Year or Less (Line item 45) -
Less: Interest-Bearing Balances (Line item 46) -

Equals: (Non-core liabilities less short term investments) = (a)

Total Loans and Lease Financing Receivables (Line item 1) +
Plus: HTM Securities (Line item 43) +
Less: Reserve for Loan Losses (Line item 3) -
Plus: AFS Securities (Line item 44) +
Less: Debt Securities Maturing in One Year or Less (Line item 45) -
Plus: ORE (Line item 7) +

Equals: Long Term Assets = (b)

Divide: Non-core liabilities less short term investments (Item (a) Above) /
By: Long Term Assets (Item (b) Above)

Multiply By: 100 x

Equals: Dependency Ratio =

DEPOSIT GROWTH RATE
Total deposits of the current reporting period less total deposits for the reporting period one year ago (prior period) expressed as a percentage of total deposits of the prior period.

Total Deposits – Current Period (Line item 13) -
Less: Total Deposits – Prior Period -

Equals: Change in Total Deposits = (a)

Divided by: Total Deposits – Prior Period (Above) /

Equals: =

Multiply By: 100 x

Equals: Deposit Growth Rate (b)
ASSET GROWTH RATE
Total assets of the current reporting period less total assets of the reporting period one year ago (prior period) expressed as a percent of total assets of the prior period.

Total Assets - Current Period (Line item 12)  
Less: Disallowed Goodwill and Other Disallowed Intangibles (Line item 9)  
Equals: Total Assets - Current Period

Total Assets - Prior Period (One Year Ago) (Line item 12)  
Less: Disallowed Goodwill and Other Disallowed Intangibles (Line item 9)  
Equals: Total Assets - Prior Period

Total Assets - Current Period (Item (a) Above)  
Less: Total Assets - Prior Period (Item (b) Above)  
Equals: Change in Total Assets  
Divided By: Total Assets - Prior Period (Item (b) Above)  
Equals:
Multiply By: 100  
Equals: Asset Growth Rate

CAPITAL GROWTH RATE
Total equity capital of the current period less total equity capital of the reporting period one year ago (prior period) expressed as a percent of total equity capital of the prior period.

Total Equity Capital - Current Period (Line item 21)  
Less: Accumulated Other Comprehensive Income (Line item 20)  
Less: Disallowed Goodwill and Other Disallowed Intangibles (Line item 9)  
Equals: Total Equity Capital - Current Period

Total Equity Capital - Prior Period (One Year Ago) (Line item 21)  
Less: Accumulated Other Comprehensive Income (Line item 20)  
Less: Disallowed Goodwill and Other Disallowed Intangibles (Line item 9)  
Equals: Total Equity Capital - Prior Period

Total Equity Capital - Current Period (Item (a) Above)  
Less: Total Equity Capital - Prior Period (Item (b) Above)  
Equals: Change in Total Equity Capital  
Divided By: Total Equity Capital - Prior Period (Item (b) Above)  
Equals:
Multiply By: 100  
Equals: Capital Growth Rate