

Management Executive Summary

performance comparison, strategy development, risk exposures

National Bank

As of date: Mar, 2020

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REVIEW

PERFORMANCE: Which metric we can improve in comparing with our peers?

INVESTMENT ALLOCATION: Should we consider investment/loan re-allocation?

YIELD CURVE PROJECTION: Is the projected rates reasonable for strategy developments?

VOLUME PROJECTION: Is the growth plan reasonable? Should we simulate proforma with alternative plans?

FINANCIAL PROJECTION: Are the proforma statements consistent with the budget plan?

INTEREST RATE RISK EXPOSURE: Will our current growth plan exceed EVE policy limits in 12 months?

HISTORICAL LOAN PRODUCTION TREND: What is our loan demand based on our past experience in loan production?

CONCENTRATION RISK AND LOAN RATE PROFITABILITY: How should we adjust to lending rate to optimize product mix?

DUPONT ANALYSIS: Which drivers of the ROA that we can improve?

Performance

PERFORMANCE COMPARISON(CALL)	Bank*(Mar20)	Peer Group*(Mar20)
Return on Average Assets	0.69%	1.12%
Return on Average Stockholders' Equity	8.02%	9.79%
Margin	3.59%	3.86%
Yield on Average Earning Assets	3.74%	4.62%
Yield on Average Loans	5.18%	5.57%
Yield on Average Investments	2.01%	2.51%
Cost of Funds	0.14%	0.80%
Efficiency Ratio	80.30%	68.36%
Liquidity Ratio	11.36%	12.38%
Equity to Assets	8.84%	11.60%
Loans to Assets	50.44%	65.89%
Loans to Equity	570.62%	596.79%
Loans to Deposits+FHLB	56.32%	75.41%
Borrowing to Deposits	0.00%	2.83%
Loss Provision/Equity	0.00%	1.38%

Investment Allocation

INVESTMENT ALLOCATION	Percent of Assets	
	Bank*(Mar20)	Peer Group*(Mar20)
Treasury & Agency	4.56%	4.18%
Munis	7.55%	7.51%
MBS	18.43%	4.37%
Other	4.06%	3.08%
Total	34.61%	19.14%

Bank*: The numbers are from CALL.

Peer Group*: FFIEC [7], Insured commercial banks having assets between \$100 million and \$300 million, with 3 or more full service banking offices and not located in a metropolitan statistical area, it has 649 banks, 540 banks have data as of 03/31/2020.

Yield Curve Projection

RATES PROJECTION	Past 6m	Current	Sep20	Mar21	Sep21	Mar22
3-Mo TSY	1.88%	0.11%	0.18%	0.26%	0.29%	0.37%
1-Yr TSY	1.75%	0.17%	0.22%	0.29%	0.35%	0.40%
2-Yr TSY	1.63%	0.23%	0.29%	0.35%	0.39%	0.42%
5-Yr TSY	1.55%	0.37%	0.44%	0.52%	0.60%	0.67%
10-Yr TSY	1.68%	0.70%	0.75%	0.81%	0.86%	0.91%
30-Yr TSY	2.12%	1.35%	1.42%	1.45%	1.47%	1.50%

Volume Projection

VOLUME PROJECTION	Past 6m	Sep20	Mar21	Sep21	Mar22
Cash & Short Term		2.1%	1.7%	1.4%	1.1%
Real Estate		0.0%	0.0%	0.0%	0.0%
Non Real Estate		0.0%	0.0%	0.0%	0.0%
Investments		0.0%	0.0%	0.0%	0.0%
Borrowings	0.0%	0.0%	0.0%	0.0%	0.0%
Deposits		0.0%	0.0%	0.0%	0.0%

Notes:

- Performance Comparison provides benchmark and insight to peer group strategies and performance. The peer group may be customized by the user. See the *Peer Group Report* for a deeper dive into specific financial institution's performance or to see historical information for trend analysis.
- Investment Allocation enables senior management to take action on the investment portfolio to manage the balance sheet for more immediate needs.
- Yield Curve Projection depicts the current rate projections that are used for the strategy. Senior management may use alternative projected rates.
- Volume Projection presents the current growth plan/strategy used for projections in this report. Zeros represent no growth (static balance sheet). Senior

Financial Projection

Proforma Statements	Past 6m- Past 3m	Past 3m- Current	3m	6m	9m	1y	1y Total
Cash	41,283	32,983	33,114	33,462	33,763	34,059	33,599
Loans	157,966	160,634	160,634	160,634	160,634	160,634	160,634
Deposits	198,768	285,203	285,203	285,203	285,203	285,203	285,203
Total Asset	317,145	318,492	318,623	318,971	319,272	319,568	319,108
Total Earning A	284,831	303,838	303,969	304,317	304,618	304,914	304,454
Tier 1 Capital	26,610	26,455	26,586	26,934	27,235	27,531	27,071
Interest Income	2,865	2,741	2,528	2,446	2,437	2,406	9,816
Interest cost	97	105	104	100	101	102	407
NII	2,768	2,636	2,424	2,346	2,336	2,303	9,409
Earnings	587	549	373	309	300	273	1,255
Margin(%)	3.89%	3.47%	3.19%	3.08%	3.07%	3.02%	3.09%

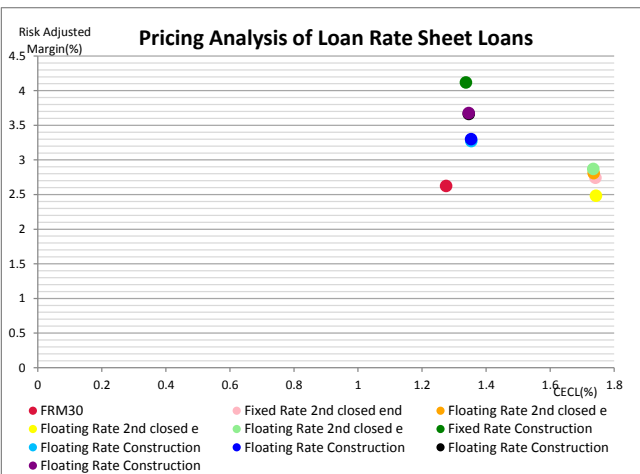
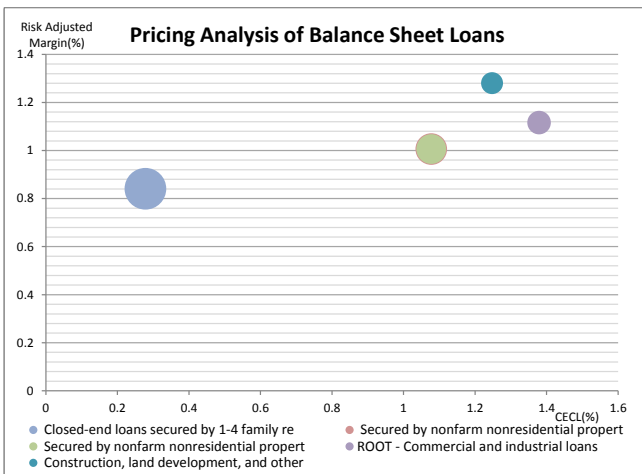
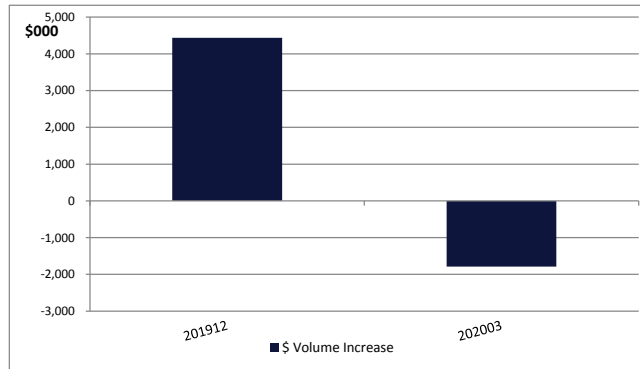
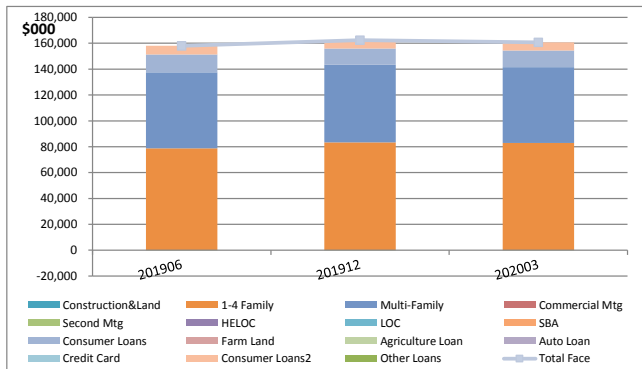
Interest Rate Risk Exposure

Interest Rate Risk Exposure	Policy	Current	Status	12mo	Status
EVE	-	43,869	-	-	-
EVE Duration	-	0.11	-	-	-
EVE ratio	-	13.19%	-	-	-
EVE (-200) %chg	-	-5.34%	-	-	-
EVE (-100) %chg	-	-5.75%	-	-	-
EVE (+100) %chg	-	-1.05%	-	-	-
EVE (+200) %chg	-	-2.34%	-	-	-
EVE (+300) %chg	-	-4.19%	-	-	-
EVE (+400) %chg	-	-6.46%	-	-	-
EVE (ramp up) %chg	-	-	-	-	-
EVE (flattener) %chg	-	-0.80%	-	-	-

* The "Past 6m-Past 3m" IS numbers are from CALL, and the "Past 3m-Current" IS numbers are from CALL.

Notes:

- Financial Projections let senior management to evaluate the proforma statements based on the current plan. The proforma results can be compared with the budgeting plan, peer group key performance ratios, and benchmark alternative strategies.
- Interest Rate Risk Exposure assures senior management that the strategy would not exceed EVE policy limits in 12 months.

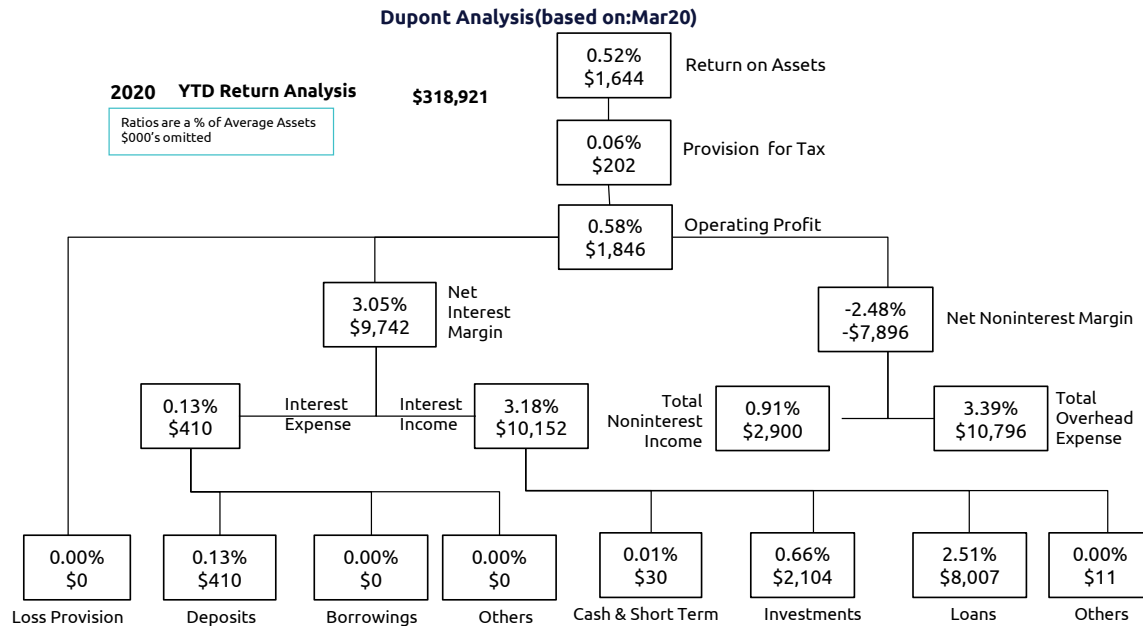


Bubble Size: The size of the bubbles provides concentrations comparisons relative to each other.

Bubble Location: Comparing the Risk Adjusted Margin to the CECL rate.

Notes:

- Historical Loan Production Trends and Volume Increase provide senior management a base case to evaluate the alternative strategies
- Concentration Risk and Loan Rate Profitability enable senior management to take concentration risk and loan pricing into the strategy development process. THC CECL model provides more relevant and accurate credit analysis for senior management.



Notes:

Dupont Analysis presents the drivers of earnings of the bank or credit union enabling senior management to evaluate the appropriate strategies to enhance performance.

Glossary of Calculations:

Return on Average Assets	net income / average asset (average is on year to date, then annualized)
Return on Average Equity Margin	net income / average equity
Yield on Average Earning Asset	(assets interest income - liabilities interest cost) / average earning assets
Yield on Average Loans	loans interest income / average loans
Yield on Average Investments	investments interest income / average investments
Cost of Funds	liabilities interest cost divided by average liabilities
Liquidity Ratio	cash & cash equivalent / total liabilities
Equity to Assets	equity / assets
Loans to Assets	loans / assets
Loans to Equity	loans / equity
Loans to Deposits+FHLB	loans / deposits+FHLB
Borrowing to Deposits	borrowing / deposits
Loss Provision/Equity	loss provision / equity
Risk Adjusted Margin	option adjusted spread net of credit spread

Refer to the reports for details:

- Performance** from *EVE and EaR reports*
- Financial Projection** from *Financial Simulation report*
- Yield Curve Projection** from *Benchmark Rate report*
- Volume Projection** from *PATH+ report*
- Interest Rate Risk Exposure** from *EVE Projection report*
- Guidance for Evaluating Capital Planning and Adequacy June 2012 OCC
- 2010 Interagency interest rate risk advisory guideline and 2012 frequently ask questions

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