

Balance Sheet Information for SCBS Bank
Average Balances (In Thousands)

Assets	Year Ended 12/31/20X1	% of Total Assets
Cash and cash equivalents		
Cash and due from banks	\$ 3,700	4.63%
Interest-bearing deposits in financial institutions	2,200	2.75%
Federal funds sold and securities purchased under agreements to resell	3,380	4.23%
Total cash and cash equivalents	9,280	11.60%
Investment securities available-for-sale, at fair value		
U.S. Treasury securities	2,190	2.74%
Federal Agency securities	7,950	9.94%
Municipal securities	6,620	8.28%
Total investments	16,760	20.95%
Other & restricted equity securities, at cost	700	0.88%
Loans Held for Sale	1,100	1.38%
Loans Held for Investment		
Commercial and Industrial	17,670	22.09%
Real Estate	17,740	22.18%
Consumer	14,010	17.51%
Other	1,430	1.79%
Total loans held for investment	50,850	63.56%
Less: Reserve for loan losses	(650)	-0.81%
Loans held for investment, net	50,200	62.75%
Premises and equipment, net	960	1.20%
Other Assets	1,000	1.25%
Total assets	\$ 80,000	100%
Liabilities & Stockholders' Equity		
Deposits		
Noninterest-bearing transaction accounts	\$ 8,680	10.85%
Interest-bearing transaction accounts	9,730	12.16%
Savings & MMDAs	14,000	17.50%
Time Deposits less than \$250,000	30,560	38.20%
Time Deposits greater than \$250,000	7,820	9.78%
Total deposits	70,790	88.49%
Federal funds purchased and securities sold under agreements to repurchase	470	0.59%
FHLB Advances	200	0.25%
Subordinated debt	800	1.00%
Other liabilities	620	0.78%
Total liabilities	72,880	91.10%
Stockholders' Equity		
Common Stock	2,000	2.50%
Surplus (Additional Paid in Capital)	1,000	1.25%
Retained earnings	4,000	5.00%
Unrealized gains (losses), net of tax	120	0.15%
Total stockholders' equity	7,120	8.90%
Total liabilities & stockholders' equity	\$ 80,000	100%

Income Statement Information for SCBS Bank
(In Thousands)

	<u>Year Ended 12/31/20X1</u>	<u>% of Operating Income</u>
Interest Income		
Loans, including fees	\$ 5,425	59.0%
Investments		
Taxable securities	1,026	11.2%
Tax-exempt securities	521	5.7%
Other and restricted equity securities	95	1.0%
Federal funds sold & repos	251	2.7%
Interest-bearing deposits in financial institutions	182	2.0%
Total interest income	<u>7,500</u>	<u>22.6%</u>
Interest Expense		
Deposits		
Interest-bearing deposits	523	5.7%
Savings & MMDAs	777	8.4%
Time Deposits less than \$250,000	2,260	24.6%
Time Deposits greater than \$250,000	618	6.7%
Short-term borrowings	30	0.3%
Subordinated debt	92	1.0%
Total interest expense	<u>4,300</u>	<u>46.7%</u>
Net interest income	<u>3,200</u>	<u>34.8%</u>
Provision for loan losses	450	4.9%
Net interest income after provision	<u>2,750</u>	<u>29.9%</u>
Noninterest Income		
Service charges	1,037	11.3%
Fee income	314	3.4%
Gain on loan sales	100	1.1%
Securities gains	60	0.7%
Other income	189	2.1%
Total noninterest income	<u>1,700</u>	<u>18.5%</u>
Noninterest Expense		
Salaries & employee benefits	1,388	15.1%
Occupancy expense	229	2.5%
Data processing and software	271	2.9%
Other noninterest expense	812	8.8%
Total noninterest expense	<u>2,700</u>	<u>47.8%</u>
Income before taxes	1,750	19%
Income tax expense	410	4%
Net income	<u><u>\$ 1,340</u></u>	<u><u>14.6%</u></u>
Earnings per share	<u>\$ 1.34</u>	
Weighted average shares outstanding	<u>1,000</u>	

Footnotes:

Operating income: \$7,500 + \$1,700 = \$9,200 (interest income plus noninterest income)

Profitability Measures for SCBS Bank vs. Peer Banks

	<u>SCBS Bank</u>	<u>Peer Banks</u>
ROE = Net income/Total equity	18.82%	15.74%
ROA = Net income/Total assets	1.68%	1.29%
EM = Total assets/Total equity	11.2 X	12.2 X
PM = Net income/Operating income	14.56%	12.60%
AU = Operating income/Total assets	11.50%	10.22%
EB = Earning assets/Total assets	92.93%	91.50%
Net interest margin = Net income/Earning assets	4.30%	4.01%
Net interest margin tax equivalent	4.68%	4.25%
Noninterest income/Noninterest expense	62.96%	40.43%
Burden/Total assets	-1.25%	-2.06%
<i>PM Components:</i>		
Interest expense/Operating income	46.74%	48.51%
Noninterest expense/Operating income	29.35%	29.13%
Provision for loan losses/Operating income	4.89%	4.66%
Taxes/Operating income	4.46%	5.10%
<i>AU Components:</i>		
Interest income/Total assets	9.38%	8.90%
Noninterest income/Total assets	2.12%	1.32%
OH = Noninterest expense/(NII + Noninterest income)	55.10%	60.17%

Footnotes:

Earning assets: \$2,200 + \$3,380 + \$25,160 + \$43,600 = \$74,340

Taxable equivalent income: \$5,211(1-0.35) = \$802 (35% Tax Rate)

Taxable equivalent net interest income: \$3,200- \$521 + \$802 = \$3,481

Risk Measures for SCBS Bank vs. Peer Banks

	<u>SCBS Bank</u>	<u>Peer Banks</u>
<u>Credit Risk</u>		
Loans/Total assets	64.94%	61.39%
Provision for loan losses/Loans	0.87%	0.61%
Reserve for loan losses/Loans	1.25%	1.30%
Net charge-offs/Loans	0.96%	0.84%
Past due loans/Loans	0.79%	0.69%
<u>Liquidity Risk</u>		
Stockholders' equity/Total assets	8.90%	8.21%
Core Deposits/Total assets	78.71%	77.96%
CDs > \$250,000/Total assets	9.78%	10.45%
Securities maturing < 1 year/Total assets	9.63%	11.58%
Securities : Market value/Book value	98.17%	98.81%
<u>Capital Risk</u>		
Stockholders' equity/Total assets	8.90%	8.21%

Footnotes:

Core deposits include transaction accounts, Savings and MMDAs, and CDs < \$250,000

Asset/Liability Mix Comparison (In Thousands)

<u>Earning Assets (Actual)</u>	<u>Balance</u>	<u>% of EA</u>	<u>Income</u>	<u>Yield</u>
Time Deposits at other institutions	2,200	2.94%	182	8.27%
Federal Funds Sold & Repos	3,380	4.51%	251	7.43%
Investment Securities	17,410	23.23%	1,642	9.43%
Loans	51,950	69.32%	5,425	10.44%
	<u>74,940</u>	<u>100.00%</u>	<u>7,500</u>	<u>10.01%</u>

<u>Scenario 1 (Adjust Mix)</u>	<u>Balance</u>	<u>% of EA</u>	<u>Income</u>	<u>Yield</u>
Time Deposits at other institutions	-	0.00%	-	0.00%
Federal Funds Sold & Repos	1,000	1.33%	74.3	7.43%
Investment Securities	17,410	23.23%	1,642	9.43%
Loans	56,430	75.30%	5,904	10.46%
	<u>74,840</u>	<u>100.00%</u>	<u>7,620</u>	<u>10.18%</u>

<u>Interest-Bearing Liabilities (Actual)</u>	<u>Balance</u>	<u>% of IBL</u>	<u>Expense</u>	<u>Yield</u>
Interest Checking Accounts	9,730	15.30%	523	5.38%
Money Market & Savings	14,000	22.02%	777	5.55%
CDs	38,380	60.36%	2,878	7.50%
Total Deposits	62,110	97.69%	4,178	6.73%
Short-term Borrowings	470	0.74%	30	6.38%
Subordinated Debt	1,000	1.57%	92	9.20%
	<u>63,580</u>	<u>100.00%</u>	<u>4,300</u>	<u>6.76%</u>

<u>Scenario 1 (Adjust Mix)</u>	<u>Balance</u>	<u>% of IBL</u>	<u>Expense</u>	<u>Yield</u>
Interest Checking Accounts	19,730	31.03%	1,061	5.38%
Money Market & Savings	24,000	37.75%	1,332	5.55%
CDs	18,380	28.91%	1,378	7.50%
Total Deposits	62,110	97.69%	3,771	6.07%
Short-term Borrowings	470	0.74%	30	6.38%
Subordinated Debt	1,000	1.57%	92	9.20%
	<u>63,580</u>	<u>100.00%</u>	<u>3,893</u>	<u>6.12%</u>

<u>Summary – Actual</u>	<u>Inc/Exp</u>	<u>Yield</u>
Interest Income	7,500	10.01%
Interest Expense	4,300	6.76%
Net Interest Income	<u>3,200</u>	<u>3.24%</u>

<u>Summary – Scenario 1</u>	<u>Inc/Exp</u>	<u>Yield</u>
Interest Income	7,620	10.18%
Interest Expense	3,893	6.12%
Net Interest Income	<u>3,727</u>	<u>4.06%</u>