

**MFB**

MARYLAND FINANCIAL BANK

# Uniform Bank Performance Report - Utilized by Maryland Financial Bank to enhance Portfolio Management

---

March 5<sup>th</sup> 2010

Andrew Hines

Chief Credit Officer

Maryland Financial Bank

# UPBR – COLLATED CALL REPORTING DATA WITH HISTORICAL AND PEER COMPARISONS

---

- × Available for the benefit of Bank Managers to assess their own institution's performance, trends, and comparison to peers.
- × Easily accessed on FDIC web site
- × Utilizing the format of the UBPR financial ratios can help to align Bank management goals and reports with the benchmarks used by the Bank Supervisor in assessing the health of the institution.

# UBPR IS THE BY PRODUCT OF THE SUPERVISORY PROCESS AT THE FDIC COMPRISED OF THREE OVERSIGHT TOOLS:

---

- On site examination
- Post site visit questionnaire/survey
- Off site surveillance

# SUPERVISORY TOOLS FOR MONITORING BANK SAFETY AND SOUNDNESS

---

## On site examinations

### + Rationale for on site examination

- × Maintain public confidence in integrity of banking system
- × Discovery of unhealthy or deteriorating conditions
- × Adherence to laws and regulations
- × Understanding of nature and scope of problems to establish basis for corrective action

# SUPERVISORY TOOLS FOR MONITORING BANK SAFETY AND SOUNDNESS

---

## Outcome of on site examination – Safety and Soundness Rating

- × Based on the Uniform Financial Institution Rating System – effectively “common sizes” bank condition and performance

# SUPERVISORY TOOLS FOR MONITORING BANK SAFETY AND SOUNDNESS

---

- × Composite Rating determined - CAMELS
  - \* (C) Capital Adequacy
  - \* (A) Quality of Assets
  - \* (M) Capability of Management
  - \* (E) Quality and Level of Earnings
  - \* (L) Adequacy of Liquidity
  - \* (S) Sensitivity to Market Risk

1 – Highest, 5 – Weakest

# SUPERVISORY TOOLS FOR MONITORING BANK SAFETY AND SOUNDNESS

---

- × Questionnaire/Survey prepared by examiners post site visit and in conjunction with off site surveillance systems that focuses on current underwriting practices as a predictor of safety and soundness.
  - + Concentrations of credit
  - + Failure to adjust pricing
  - + Principal reductions with loan extensions
  - + Written policies versus practices
  - + Current underwriting practices
  - + Loan administration

# SUPERVISORY TOOLS FOR MONITORING BANK SAFETY AND SOUNDNESS

---

- × Off site surveillance systems – **Statistical CAMELS Off-Site Rating model - SCOR**
  - + Integrates information filed by Banks via the Call Report tabulated and summarized in the UBPR.
  - + Predicts future CAMELS composite and component ratings – statistically based.
  - + The SCOR model attempts to predict CAMELS ratings by relating 13 financial ratios to each bank's future composite rating. Additionally, the model includes current and lagged growth rates of state personal income.



# SUPERVISORY TOOLS FOR MONITORING BANK SAFETY AND SOUNDNESS

---

Altogether, SCOR measures 13 ratios to determine ratings. These ratios compute each of the following items as a percentage of assets:

- Total Equity Capital
- Past Due Loans 30 Days
- Non-accrual Loans
- Net Charge-offs
- Net Income
- Volatile Liabilities
- Loans and Long-term Securities
- Loan Loss Reserve
- Past Due Loans 90 Days
- Other Real Estate Owned
- Provision for Loan Losses
- Cash Dividends Declared
- Liquid Assets

# SUPERVISORY TOOLS FOR MONITORING BANK SAFETY AND SOUNDNESS

---

- × Off site surveillance systems – **Real Estate Stress Test – REST**. Analysis includes the factors that are highly correlated with the deterioration of financial institutions:
- × The primary risk factor:
  - + **ratio of construction and development loans to total assets.**
- × Secondary risk factors:
  - + relate to the percentage of **commercial real estate loans, multifamily loans, and commercial and industrial loans as a percentage** of total loans, assets, and capital.
  - + **high non-core funding and rapid asset growth** also have proven to be important risk factors.

# UNIFORM BANK PERFORMANCE REPORT- UTILIZED BY MARYLAND FINANCIAL BANK TO ENHANCE PORTFOLIO MANAGEMENT

---

- × One tool MFB uses to manage portfolio quality and assess the adequacy of reserves utilizes:
  - + data reported via Call Report and tabulated via UBPR,
  - + custom PEER group analysis feature of UBPR,
  - + and specific focus on SCOR and REST measures.

## UBPR Peer Analysis:

9/30/2009

Measure	MFB	PG301	VCBB	ACBB	CustomPG	PG10
Asset Size (\$000)	74,912	195,207	667,401			
Int Inc to Avg Earn Assets	4.71	3.34	3.36	3.11	5.50	5.66

### Loan and Lease Analysis

LN&LS ALLL to Loans	2.28	2.77	3.31	2.98	1.25	1.64
Non-cur to Total Loans	2.82	3.89	6.39	5.12	1.87	2.28
30-89 Days PD	1.19	0.76	0.38	1.07	1.59	
Non OCC CRE/total capital	544.39	200.13	343.80	327.81	142.59	
Total CRE/total capital	713.45	274.68	459.89	425.78	237.51	
Constr & Dev % TL	29.58	13.84	20.38	12.32	7.48	
NonOCC CRE % TL	66.00	41.55	56.87	40.69	21.97	
T CRE % TL		86.49	55.50	76.07	52.85	36.66

### Liquidity

Net non-core fund dependence	67.47	18.00	39.06	61.61	31.46	17.37
Net Leases & Loans to assets	68.78	51.94	61.72	65.62	75.87	64.91

### Capitalization

Tier 1	8.37	8.73	24.07	7.47	9.72	10.33
Texas ratio	21.22	25.33	48.19	40.33	18.63	20.77
Total RBC to Risk Wtd Assets		11.62	17.83	14.71	14.61	

### SCOR Measure

REST Measure

# UNIFORM BANK PERFORMANCE REPORT- UTILIZED BY MARYLAND FINANCIAL BANK TO ENHANCE PORTFOLIO MANAGEMENT – PEER ANALYSIS

---

- × Peer Group 10 - \$50-100MM in assets with 1-2 locations
- × Custom Peer Group (needs to be 10 or more):
  - + Regal Bank 32370
  - + Monument Bank 57942
  - + Bank of Glen Burnie 16820
  - + Bank of Delmarva 8810
  - + Old Line Bank 27599
  - + Easton Bank and Trust 33815
  - + NBRS 4862
  - + Harford Bank 19101
  - + Congressional Bank 57614
  - + County First 32904
  - + Bank of Ocean City 5867

# UNIFORM BANK PERFORMANCE REPORT- UTILIZED BY MARYLAND FINANCIAL BANK TO ENHANCE PORTFOLIO MANAGEMENT – GOALS AND QUALITATIVE FACTOR ANALYSIS FOR ALL

## Portfolio Asset Quality Measures\*

Measure	MFB Goals	Peer Group	Comparison of rate/direction of trend to goals and peers for the last three quarters		
			Q3	Q2	Q1
PD>30-89 days/TL	XX%	XX%	XX	XX	XX
NA Loans/TL XX%	XX%	XX%	XX	XX	
PD>90days +NA/TL	XX%	XX%	XX	XX	XX
ALLL/TL	XX%	XX%	XX	XX	XX
Chg/TL	XX%	XX%	XX	XX	XX

## Portfolio Asset Concentration Measures\*\*

CRE Non OCC/Total Capital	XX%	XX%	XX	XX	XX
Total CRE/Total Capital	XX%	XX%	XX	XX	XX

\*SCOR measures included among other goals and qualitative factors

\*\*REST measures included among other goals and qualitative factors



**MFB**

MARYLAND FINANCIAL BANK